



Panel: Possible responses to technical and economic challenges stemming from EU water legislation

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The EIB: the EU Bank



- Established 1958
- Largest multilateral lender and borrower in the world
- 450 projects/year in 160 countries
- HQ in Luxembourg, 40 local offices
- Around 3 000 staff
- EUR 70 bn/year

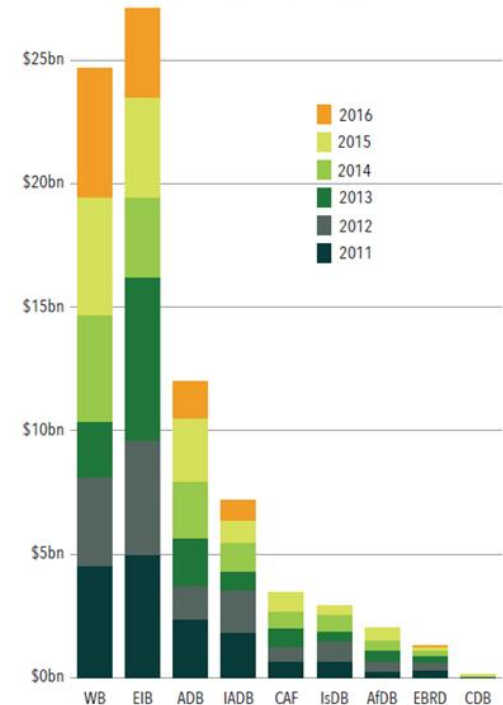
The EIB: a major lender to the water sector

- ▶ The largest source of loan financing to the global water sector
- ▶ Lends to public or private utility companies, national or local authorities
- ▶ Lending covers the whole water cycle (water resources, water supply, sanitation, flood protection) – projects mainly water supply and sanitation

Development banks in water

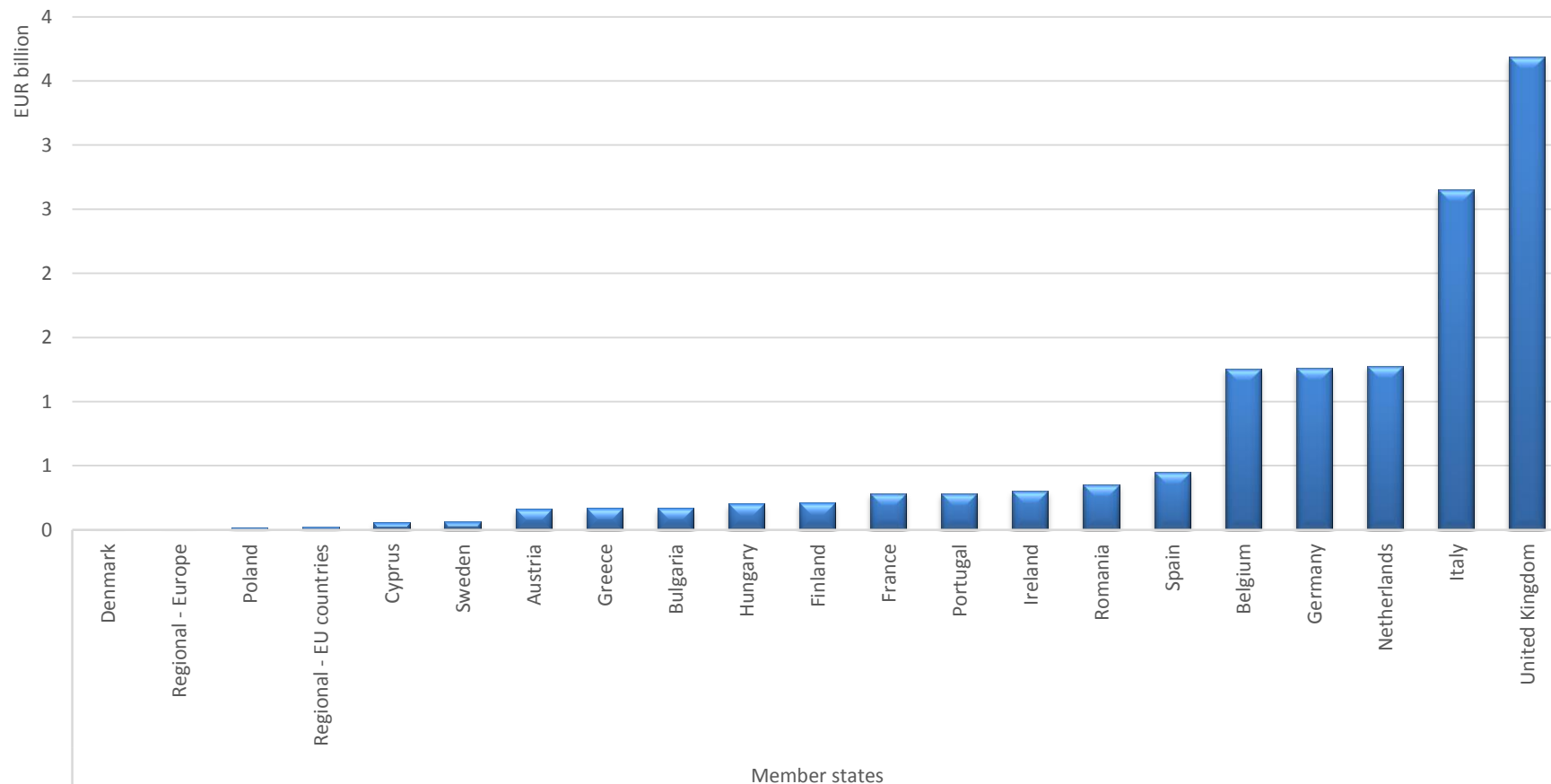
Which multilateral international financial institutions have lent the most money to the water sector over the past decade?

The World Bank might be the best known of the multilateral development institutions, but it is the EIB which gives the most financial support to the water sector overall. That is largely because it is able to lend to more commercial propositions within the EU (such as private utilities in the UK) rather than more challenging projects aimed specifically at alleviating poverty. There is no obvious year-on-year trend: the total approved in 2011 was 7% more than the total approved by the banks in 2015, and 2016 (with four banks yet to report) looks set to be lower still. ■



WB=World Bank (June year-end); EIB = European Investment Bank (December year-end); ADB = Asian Development Bank (December year-end); IADB = Inter-American Development Bank (December year-end); CAF = Corporación Andina de Fomento (December year-end); IsDB = Islamic Development Bank (October year-end); AfDB = African Development Bank (December year-end); EBRD = European Bank for Reconstruction & Development (December year-end); CDB = Caribbean Development Bank (December year-end).

EIB lending to the water sector in Member States 2014-2018 (EUR bn)



The EIB Toolbox ...

Lending

- **Loans – direct** (over EUR 25m) and **intermediated** (for smaller projects of SMEs and/or Mid-Caps via local financial intermediaries)
- **Guarantees**
- **Quasi-equity**
- **Equity**

Blending

- **Investment Grants**
- **Interest Rate Subsidies**
- **Financial Instruments**
- **Technical Assistance Grants**
- Including higher risk projects (e.g. InnovFin for innovation)

Advising

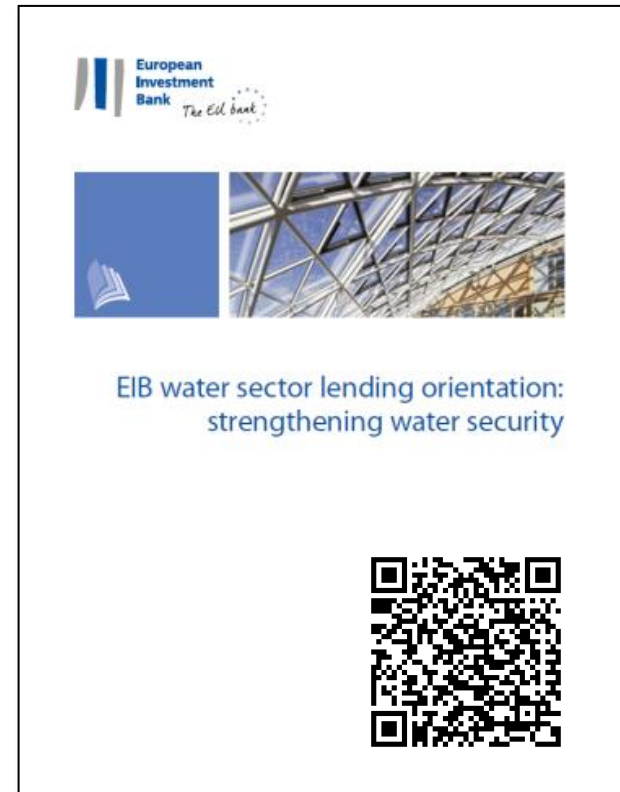
- To support project **preparation, evaluation** and **implementation**
- An **essential and integral component** of many projects

Accessing EIB product offer

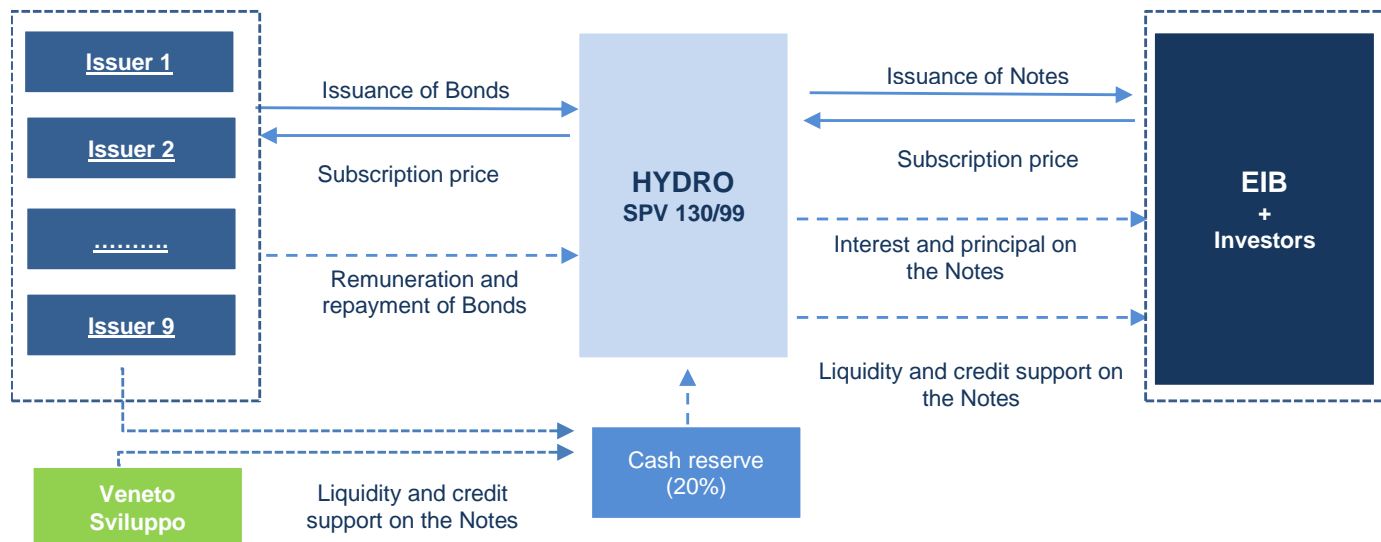
- ▶ EIB can lend up to 50% of investment costs for individual projects (average = 30)
- ▶ Projects financed by the Bank must be:
 - ▶ economically justified
 - ▶ technically sound
 - ▶ financially viable
 - ▶ sound from environmental and social perspectives
 - ▶ appropriate procurement procedures

Investment Drivers – EU Policies

- ▶ EIB is mandated to support EU Policy Objectives. This includes evolving themes such as Climate Action, but most notably EU Directives
 - ▶ UWWTD;
 - ▶ WTD;
 - ▶ WFP;
 - ▶ FD;
- ▶ Safeguards
 - ▶ EIA Directive;
 - ▶ Habitats/ Birds Directive;
 - ▶ Public Procurement
- ▶ Water sector lending orientation
 - ▶ Water Security
 - ▶ Higher risk; industry; innovation



Example of targeting smaller Utilities: Viveracqua Hydrobond



Credit Risk - highlights

- Local municipality-owned companies, providing regulated water services under concession agreements
- Internal ratings ranging from 4/Baa2 to 6+/B1 (4/Baa2: 1 case; 4-/Baa3: 2 cases; 5+/Ba1: **5 cases**; 6+/B1: 1 case)
- EIB underlying documentation to include typical corporate clauses for operations with Italian water companies

Some reflections on Revision of the Drinking Water Directive 98/83 EC

Cost impact and opportunities

- The estimated set-up cost is up to € 7.3 billion in total
 - EIB support available to water operators
 - Not all investors will be eligible for EIB hence “market” is smaller than this.
- Negligible increase in household spending on water services from 0.73 % to between 0.75 % and 0.76 % of the average household income
- Regulatory adjustments can spur innovation. E.g. on the removal of microplastics
- Positive step towards meeting the targets of SDG 6, in particular with regards the vulnerable groups => Eligible for recently launched EUR 500m Social Awareness Bonds (SAB's).

Thank you for your attention

For more information
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SAB: project example

EMSCHER RENATURIERUNG II

Sanitation and watershed management, Germany

Project currently under implementation



- ✓ **EUR 450m loan** to an association of municipalities and companies for the restructuring of the regional wastewater system in the historically polluted industrial region of Ruhr
- ✓ **Project:** construction of an underground sewage collector to replace the outdated open sewer systems and river restoration works (e.g. creation of natural and recreational space) for a total cost of EUR 1,371m
- ✓ **Impact:** improvement and protection of the water resources in the Emscher River Basin, enhanced biodiversity, improving the quality of life of ca. 2.2m inhabitants