

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	VENETO WATER UTILITIES ABS
<u>Promoter and financial intermediary</u>	VIVERACQUA SCARL
<u>Country of implementation</u>	Italy
<u>Summary project description</u>	<p>The project concerns the 2020-2023 water and wastewater investment programme of a group of six small utilities (the Final Beneficiaries, "FB"), in the Region of Veneto in north-eastern Italy that are members of Viveracqua (the Promoter), an association through which the utilities join forces in specific fields such as setting up this financing operation. The FB provide Integrated Water Services (IWS) in the framework of in-house agreements lasting until between 2031 and 2039.</p> <p>The investment programmes comprise investments in water and wastewater infrastructure, which have been agreed with the local regulators and included in the tariff proposals submitted to the national economic regulator ("Autorità di Regolazione per Energia Reti e Ambiente", "ARERA") for the new regulatory period 2020-2023. The investments are driven by the need to ensure compliance with tighter environmental requirements set by national and EU legislation, notably the EU Urban Wastewater Treatment Directive (91/271/EC as amended by 98/15/EC) and the Water Framework Directive (2000/60/EC). They will also contribute to meeting the customer service standards set by the concession agreements governing the activities of the utilities, and to increasing the systems' resilience to climate change related risks.</p> <p>This operation foresees an EIB investment in ABS Notes, issued by an SPV, and backed by an underlying portfolio of mini-bonds issued by the six utilities. The proposed transaction is based on the experience gained from the operation Viveracqua Hydrobond ("VH"), which was successfully completed in December 2018. Five of the six utilities, namely AGS, Acquevenete, LTA, Viacqua, and ATS are well known to the Bank through their participation in the VH operation. The sixth utility (i.e. Piave Servizi) is a new client to the Bank.</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
Climate Action	39.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Environment and resource efficiency	100.00%
Projects and infrastructures in the field of environmental protection and management	100.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators, as relevant, among which:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;*
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;*
- (iii) "Sustainability" i.e. environmental and social sustainability²;*
- (iv) "Employment" i.e. the project's direct employment effect;*
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".*

Pillar 3

EIB Technical and financial contribution to the project	High
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);*
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;*
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer - provided in-house by the EIB or in the form of assignments to external consultants - to facilitate the preparation or implementation of a project.*

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 - Complementary indicators

Additionality

The proposed operation contributes to the EFSI objective of providing financial support to environment and resource efficiency projects, and particularly to projects and infrastructures in the field of environmental protection and management. Through an innovative securitisation structure, the EIB financing will reach six small specialised utilities operating in the Integrated Water Sector in the Veneto region of Italy. It will support their long-term strategic investments in a vital sector providing public services to the local population and companies. A significant portion of the project is expected to contribute to the Climate Action objective, as the efficiency gains expected after project implementation will meaningfully improve the status of the public water infrastructure in the area.

The project will contribute to ensuring compliance with key European policy and regulations in the field of environmental protection, and to addressing a number of market failures. More specifically, investments are expected to generate positive externalities in the form of improved public health, environmental benefits (e.g. reduced pollution of surface and underground water) and increased resilience to climate change (e.g. increased water security through a more rational use of water resources). The Italian water sector suffers acute investment gaps and chronic underfunding, due mainly to the very fragmented network often managed by small local players. Such local players have difficulties in accessing adequate long-term financing allowing for the needed investments.

The complex and innovative financial structure, through a newly-created SPV company, will address access to finance for companies that, due to their size, would not be able to benefit from direct EIB financing. Capitalising on its expertise in the water sector in Italy, the EIB will be able to provide financing at a significantly longer tenor, resulting in structural subordination vis-à-vis other lenders, and at improved terms with respect to the traditional financing options available. The EFSI guarantee is therefore essential to enabling EIB to take such risks and support the final beneficiaries in their strategic investments, ensuring the project's successful implementation. The EIB would not be able to provide such financing support without EFSI.

The proposed financing solution under EFSI will have a strong signalling effect, in particular because of the very long tenor associated with it and as such the Bank's subordination vis-à-vis other lenders. Thanks to its innovative structure, the proposed operation will attract other investors, private and public, therefore providing for a high catalytic effect. It is highly complementary to the traditional sources of financing, even more considering that the FB do not have direct access to capital markets.

The proposed structure under EFSI, with a significant advisory contribution from the EIB, represents indeed a new asset class and an innovative investment product that could be replicated in the future as it revealed the interest of both private and public investors.

Set of indicators related to the macroeconomic environment

Italy - Economic environment

Economic Performance

	IT 2018	EU 2018	US 2018	IT 2001-2007
GDP per capita (EUR, PPS)	29,550.74	30,935.11	43,569.11	31,924.98
GDP growth (%)	0.86	1.97	2.86	1.17
Potential GDP growth (%)	0.46	1.60	2.24	1.05
Output gap (% of potential GDP)	-0.12	0.62	0.74	1.55
Unemployment Rate (%)	10.40	6.60	3.90	7.64
Unemployment Rate (%) - Y/Y change (% points)	-0.50	-0.60	-0.20	-0.43
Bank-interest rates to non-financial corporations (%)	1.05	1.26	--	3.81
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.09	-0.06	--	0.02
Investment rate (GFCF as % of GDP) - Total	17.97	20.54	20.84	21.07
Investment rate (GFCF as % of GDP) - Public	2.11	2.86	3.31	2.88
Investment rate (GFCF as % of GDP) - Private	15.86	17.68	17.53	18.19

General Sector Indicators

	2014	2015	2016	2017	EU (latest available)
Value added in Sewerage, waste management, remediation activities (% of total VA)	0.66	0.63	0.62	--	0.68
Value added in Water collection, treatment and supply (% of total VA)	0.26	0.27	0.32	--	0.26
Employment in Sewerage, waste management, remediation activities (% of total employment)	0.68	0.69	0.69	--	0.54
Employment in Water collection, treatment and supply (% of total employment)	0.14	0.14	0.15	--	0.18

Water

	2014	2015	2016	2017	EU (latest available)
Water exploitation index (%)	--	--	--	--	--
Water abstracted for the purpose of public water supply (% of total gross abstraction)	--	--	--	--	--
Population connected to public water supply (%)	--	--	--	--	--

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial cooperations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics	Expected value at PCR
Start of works	01.01.2020
End of works	31.12.2023
Project investment cost [MEUR]	623.39 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	592.30 MEUR
External EFSI multiplier	4.78
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	373.89 MEUR
Quick start (% of expenditure during 2015-2018) [%]	
Co-financing with national promotional banks [MEUR]	54.00 MEUR
Co-financing with structural funds (ESIF) [MEUR]	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	
Energy efficiencies realised [MWh/a]	229.00 MWh/a
Climate Action indicator	28.00% Contribution to climate change adaptation (transversal) / 11.00% Mitigation - Waste and Wastewater GHG reduction
Employment during construction - temporary jobs [person years]	3,926 person years
Employment during operation - new permanent jobs [FTE]	35 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.