

## EFSI Operation Scoreboard<sup>1</sup>

PROJECT PRESENTATION	
<b><u>Project name</u></b>	PORTUGAL WATER DISTRIBUTION OPTIMIZATION - NORTH
<b><u>Promoter and financial intermediary</u></b>	AGUAS DO INTERIOR - NORTE EIM SA
<b><u>Country of implementation</u></b>	Portugal
<b><u>Summary project description</u></b>	<p>The Project consists of a 5-year investment programme of Águas do Interior - Norte ("AdIN"), a recently incorporated company providing water and wastewater services in eight municipalities located in the interior North of Portugal, a less developed region according to the EU Cohesion Policy. The population in the service area is around 95,000 inhabitants.</p> <p>Prior to the creation of AdIN, the relevant municipalities managed the provision of water services on an "in-house" basis. Low tariffs undermined the capacity of municipalities to undertake the required investments, resulting in the deterioration of the infrastructure and eventually poor quality of service. Vila Real, the largest city in the area, was the only municipality to have delegated the provision of water services to a publicly owned water utility (i.e. EMARVR) and demonstrated better performance than the remaining municipalities in the area.</p> <p>In 2019, the eight municipalities entered into a 50-year delegation agreement with AdIN, which absorbed EMARVR, with the objective to create one single utility with an adequate operational size to undertake the investments required to enhance the quality and efficiency of services, while restoring financial sustainability.</p> <p>The company's 5-year investment programme focuses on the rehabilitation of water supply systems and the upgrade and rationalization of wastewater collection and treatment systems. The objective is twofold: (i) reduce water losses, and (ii) enhance the performance of wastewater services to ensure compliance with European and regional environmental requirements.</p> <p>The Project is a continuation of the Bank's long standing support to the Portuguese water sector. However, while past operations focused primarily on investments at supra municipal level, this Project targets</p>

<sup>1</sup> 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 [...].

municipal infrastructure and is thus highly relevant in the context of the Government's reform of the water sector ("PENSAAR 2020") and it will contribute to the Climate Action objective of the Bank (50%).

Adopted in 2015, PENSAAR 2020 called for a reorganisation of the sector, notably through the aggregation of operators at municipal level, with the aim of increasing the quality and efficiency of services, while ensuring greater territorial cohesion (i.e. in terms of access to, quality and pricing of services). To support the reforms of the Government, EU funding is conditional on the aggregation of municipalities, which in the case of AdIN has played a fundamental role as catalyst for change.

## PROJECT PILLAR ASSESSMENT

### Pillar 1

Contribution to EU policy		High
<b>Cross-cutting objectives</b>		
EIB Cohesion Priority Regions / Economic and Social Cohesion		100.00%
Climate Action		50.00%
<b>EFSI</b>		
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 sustainability<sup>2</sup>;
- (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		Significant
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.

<sup>2</sup> 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***

In line with the EFSI objective of supporting environment and resource efficiency, in particular through projects and infrastructures in the field of environmental protection and management, the project will support the expansion and renewal and/or rehabilitation of the infrastructure and equipment for water distribution and wastewater treatment in eight municipalities in the interior north region of Portugal. Up to 50% of the operation is expected to contribute to the Climate Action objectives of the EIB. The operation will equally address the objective of supporting less developed regions and transition regions as 100% of the operation is expected to be deployed in Cohesion regions. It will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

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 project is expected to be classified under the EIB Special Activities category, in particular taking into account that the envisaged EIB financing with EFSI support will be an unsecured project financing which will present a longer tenor than other lenders creating a further structural subordination. As such, the EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

The financing provided by the EIB provides a quality stamp on the project and the long term sustainability of the promoter's financing plan.

The operation is expected to benefit from ESIF grants.

This will be the first EIB operation with the promoter.

## Set of indicators related to the macroeconomic environment

### Portugal - Economic environment

#### Economic Performance

	PT 2018	EU 2018	US 2018	PT 2001-2007
GDP per capita (EUR, PPS)	23,782.76	30,935.11	43,569.11	23,148.81
GDP growth (%)	2.13	1.97	2.86	1.20
Potential GDP growth (%)	1.58	1.60	2.24	1.44
Output gap (% of potential GDP)	1.22	0.62	0.74	-0.01
Unemployment Rate (%)	6.60	6.60	3.90	7.80
Unemployment Rate (%) - Y/Y change (% points)	-1.30	-0.60	-0.20	0.56
Bank-interest rates to non-financial corporations (%)	2.33	1.26	--	4.56
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.80	-0.06	--	-0.05
Investment rate (GFCF as % of GDP) - Total	17.05	20.54	20.84	24.06
Investment rate (GFCF as % of GDP) - Public	1.97	2.86	3.31	4.16
Investment rate (GFCF as % of GDP) - Private	15.09	17.68	17.53	19.90

#### General Sector Indicators

	2014	2015	2016	2017	EU (latest available)
Value added in Water collection, treatment and supply (% of total VA)	0.52	0.52	0.54	--	0.26
Employment in Water collection, treatment and supply (% of total employment)	0.28	0.28	0.28	--	0.18

#### Waste-water

	2014	2015	2016	2017	EU (latest available)
Population connected to urban wastewater collecting systems (%)	--	--	--	85.82	--
Population connected to independent wastewater treatment plants (%)	--	--	--	--	--

#### Water

	2014	2015	2016	2017	EU (latest available)
Water exploitation index (%)	--	--	--	--	--
Water abstracted for the purpose of public water supply (% of total gross abstraction)	--	--	--	19.84	--
Population connected to public water supply (%)	--	--	--	92.68	--

- 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 indicators<sup>3</sup>

Key project characteristics	Expected value at PCR
Start of works	01.01.2020
End of works	31.12.2024
Project investment cost [MEUR]	56.48 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	37.58 MEUR
External EFSI multiplier	1.33
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	0.00 MEUR
Quick start (% of expenditure during 2015-2018) [%]	
Co-financing with national promotional banks [MEUR]	0.00 MEUR
Co-financing with structural funds (ESIF) [MEUR]	18.54 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	
Energy efficiencies realised [MWh/a]	297.00 MWh/a
Climate Action indicator	43.00% Contribution to climate change adaptation (transversal) / 7.00% Mitigation - Waste and Wastewater GHG reduction
Employment during construction - temporary jobs [person years]	477 person years
Employment during operation - new permanent jobs [FTE]	0 FTE

<sup>3</sup> 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.