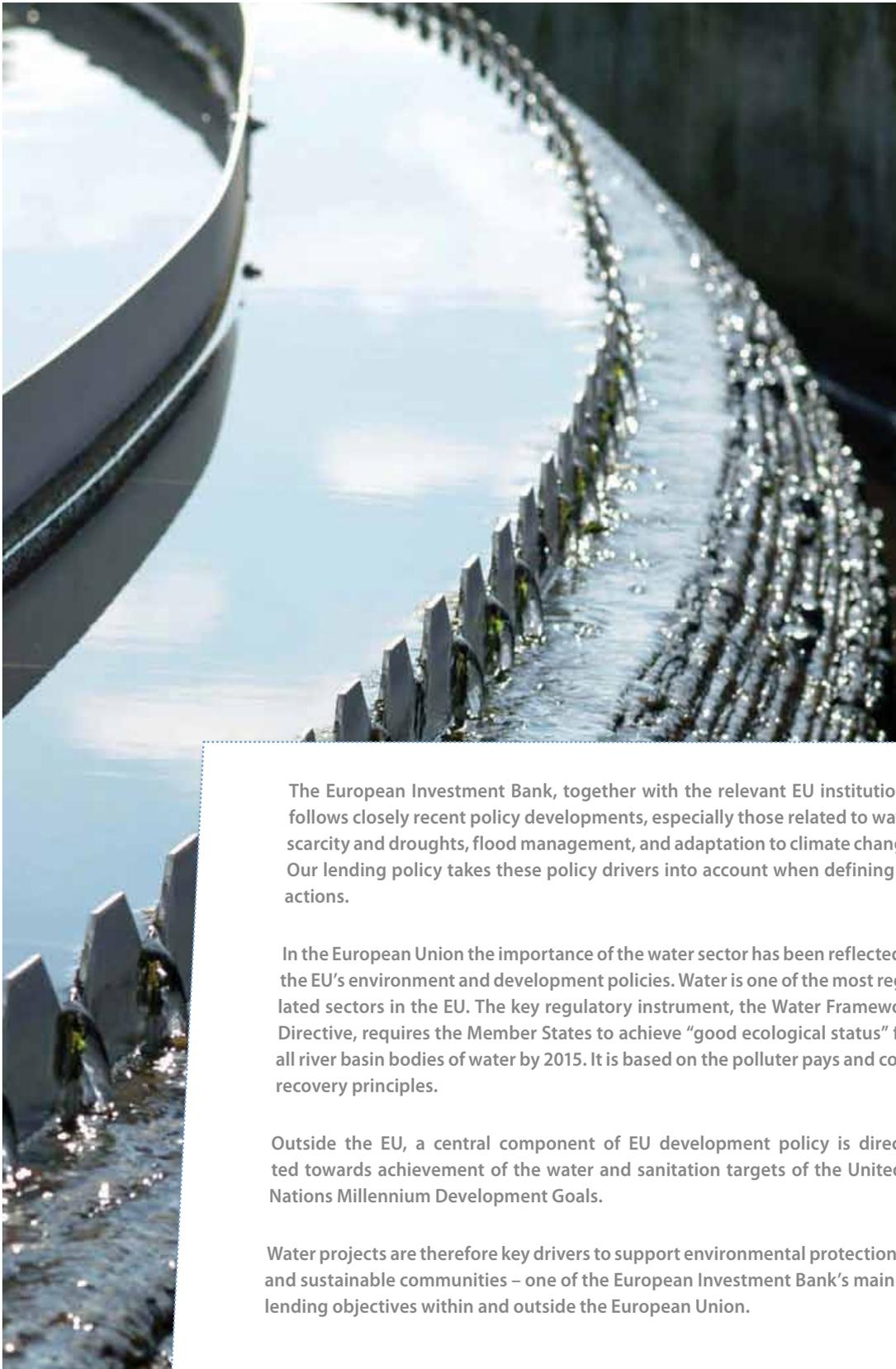




## Water sector: financing water supply, sanitation and flood protection

A safe and reliable supply of water and the protection of water resources are essential for human life and ecosystems. However, water and wastewater services are often of poor quality and water resources are managed in an economic and environmentally unsustainable fashion.





The European Investment Bank, together with the relevant EU institutions, follows closely recent policy developments, especially those related to water scarcity and droughts, flood management, and adaptation to climate change. Our lending policy takes these policy drivers into account when defining its actions.

In the European Union the importance of the water sector has been reflected in the EU's environment and development policies. Water is one of the most regulated sectors in the EU. The key regulatory instrument, the Water Framework Directive, requires the Member States to achieve "good ecological status" for all river basin bodies of water by 2015. It is based on the polluter pays and cost recovery principles.

Outside the EU, a central component of EU development policy is directed towards achievement of the water and sanitation targets of the United Nations Millennium Development Goals.

Water projects are therefore key drivers to support environmental protection and sustainable communities – one of the European Investment Bank's main lending objectives within and outside the European Union.



Antwerp (Belgium) wastewater treatment plant

## The EIB and the water sector

In comparison with other international financing institutions, the EIB has been the largest source of loan financing to the global water sector to date.

We aim to maximise added value to water projects through careful and innovative project preparation as well as advisory and technical assistance activities. This is particularly true in regions and countries where climate conditions give the sector an even greater importance.

Our long-term loan financing to public and private clients can cover investment in the entire water cycle: water resources and supply (for households, industry and agriculture), wastewater collection, treatment and disposal, coastal erosion, flood control and protection. The key aspects of our lending policy in the water sector are:

**1. River basin approach:** To strengthen the link between water resources management and provision of water services to users, we work closely with water resource management entities, such as river basin authorities. We support regional initiatives and cross-border investment programmes which comply with the principles of Integrated Water Resource Management.

**2. Sector development:** The water sector is often fragmented, so limiting the ability to provide services. We support sector consolidation, including the development of viable utilities and regional service providers, and we seek ways to secure appropriate financing terms for such entities.

**3. Climate change:** For us, adaptation is a key area of intervention for mitigating the detrimental impacts of climate change, in particular on water resource availability and quality.

**4. Water efficiency:** Efficient allocation of water, addressing scarcity issues, ensuring the viability of service providers, and increasing the efficiency of their services.

**5. Additional supply requirements:** Developing new water supplies is often necessary to address imbalances between demand and supply, particularly in water-scarce regions, and we support new water supply projects (e.g. water desalination plants and dams). This is under certain conditions, such as: proof that water efficiency and demand-side management have been considered and implemented; an

options analysis has been undertaken; and the projects are consistent with our environmental and social policy.

**6. Wastewater and sanitation services:** The provision of wastewater collection, treatment and disposal services is essential from an environmental and public health point of view. It requires significant investment to comply with EU and national law. We support wastewater collection and treatment systems in the EU and in partner countries, together with other financing institutions, national governments and local organisations.

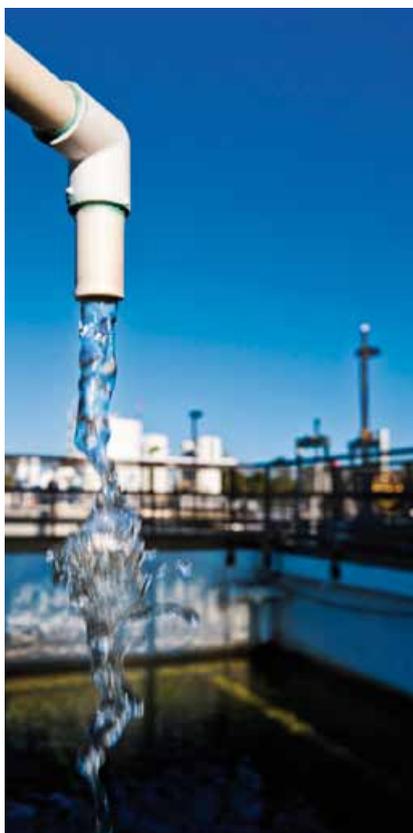
**7. Research and innovation:** We support research and development of appropriate technologies and the use of research outputs in project preparation and implementation.



**Belgium:** upgrading Brussels' wastewater system

One million consumers in the Greater Brussels area will benefit from an improved service and safer wastewater and storm water systems thanks to a EUR 168m EIB loan for the renovation of Brussels' sewerage system. The poor state of the 2 000 km network, built in the late 19<sup>th</sup> century, has already resulted in roads collapsing. Around 500 km of the network is in need of renovation, and to minimise disruption within the city the upgrading work will be spread over the next 20 years at a rate of around 25 km a year.

## The EIB: a major lender to the water sector



The EIB lends to public or private utility companies, national or local authorities or directly for project finance deals. It can lend up to 50% of investment costs for individual projects. On average its lending makes up 30% of the investment cost of water projects.

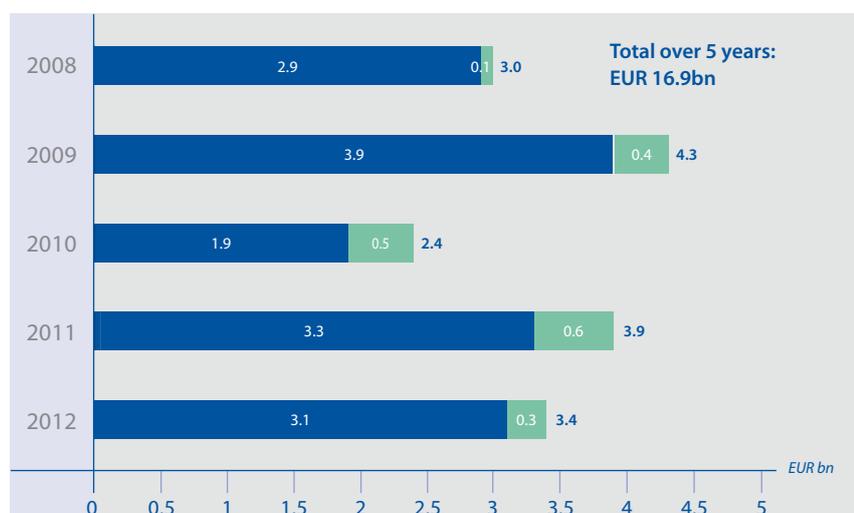
The EIB has been the largest source of loan financing to the global water sector to date as compared with other international financing institutions. In the five-year period 2008 to 2012, EIB direct lending to water-related projects, including irrigation and sewerage, amounted to some EUR 17bn of which 89% was for schemes in the Member States of the European Union. A total of 136 major water supply, sanitation and flood protection projects were financed during this period.



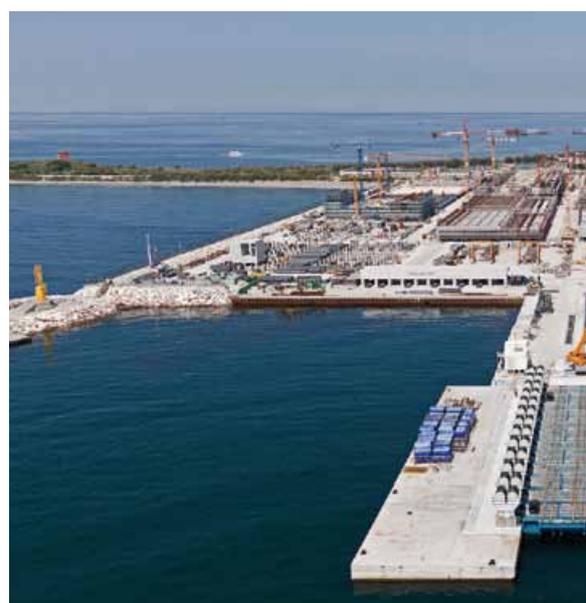
### Moldova: cleaner water for towns

In the Republic of Moldova, only 45% of the population currently has access to clean drinking water. Wastewater is often discharged without treatment and many people have to rely on bottled water given the frequent pollution of wells. Thanks to a water programme supported by a EUR 10m EIB loan, some 200000 inhabitants of the towns of Ceadir-Lunga, Floresti, Hincesti, Leova, Orhei and Soroca, and neighbouring villages, are set to benefit from improved drinking water supplies. This loan for the country-wide water sector investment programme will also contribute to preserving the environment and reducing public health risks through adequate treatment and disposal of wastewater. The project is expected to improve substantially environmental conditions in the rivers Prut and Dniestr, and ultimately the Black Sea. In addition, it will increase energy efficiency by replacing outdated equipment such as water pumps.

## EIB loans to the water sector from 2008 to 2012



EU 27  
Partner countries



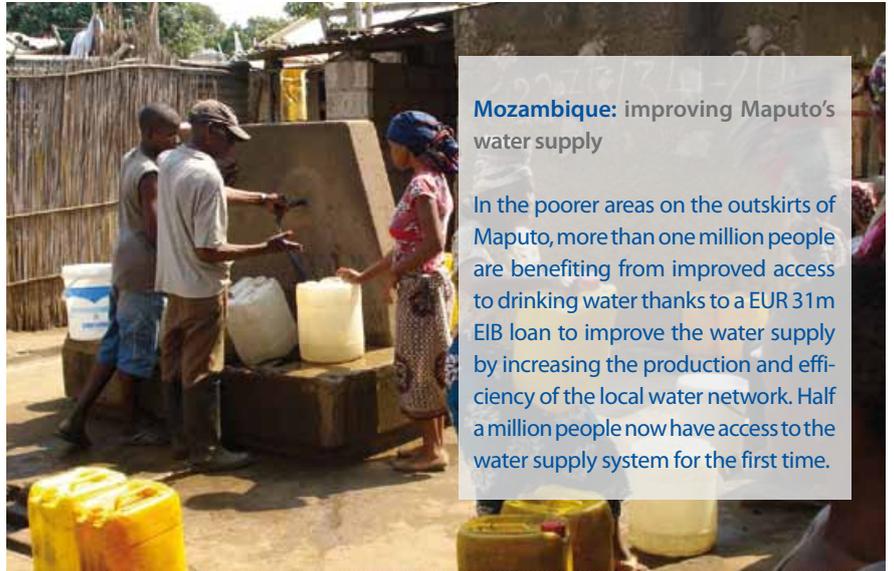
Maputo water supply project

**Italy:** innovative flood protection in Venice

Over the last century, the land on which Venice stands has dropped, while the sea level has risen, turning its biggest charm, the unique canals that attract millions of tourists, into a threat. The EIB is lending EUR 1.5bn for the MOSE project (Modulo Sperimentale Elettromeccanico), a multi-billion euro programme designed to put in place innovative anti-flood barriers that will keep severely high water levels at bay. Mobile flood gates are being constructed at the three inlets located at the Lido, Malamocco and Chioggia, which connect the open sea to the Venice Lagoon. A complex system of breakwaters and mobile barriers will form a defence against high tides by dividing the lagoon from the sea and protect the city from extreme floods, high tides, sea storms and other long-term effects of climate change such as a rise in the sea level.



Maputo water supply project



**Mozambique:** improving Maputo's water supply

In the poorer areas on the outskirts of Maputo, more than one million people are benefiting from improved access to drinking water thanks to a EUR 31m EIB loan to improve the water supply by increasing the production and efficiency of the local water network. Half a million people now have access to the water supply system for the first time.

**What is the European Investment Bank?**

The EIB is the European Union's bank. As the largest multilateral lender and borrower, we provide finance and expertise for sound and sustainable investment projects, mostly in the EU. The Bank is owned by the 27 Member States and the projects we support contribute to furthering EU policy objectives. Our staff of almost 2 000 build on more than 50 years of experience in project financing. The EIB's headquarters are in Luxembourg and we have a network of local offices in Europe and beyond.

**What are the EIB's lending priorities?**

*Supporting jobs and growth.* The Europe 2020 Strategy aims to achieve smart, sustainable and inclusive growth. For the EIB, this means investing in knowledge and innovation, supporting a "greener" and more resource-efficient economy and contributing to economic, social and regional cohesion. Small and medium-sized enterprises, the backbone of Europe's economy, are also a specific target of EIB financing.

*Climate action.* More than 25% of the Bank's yearly financing goes to investments that mitigate greenhouse gas emissions and improve adaptation to climate change impacts. These are mainly in the energy, transport, water, wastewater, solid waste, forestry and research, development and innovation sectors. Climate action considerations are also increasingly taken into account in all of our lending activities.

We help implement the financial pillar of the EU's foreign policy. We work mainly in the pre-accession countries of South-East Europe, as well as in the neighbouring countries to the South and East. We also operate in the African, Caribbean and Pacific countries and Asia and Latin America. Our financing activities are aimed at supporting local private sector development, improving social and economic infrastructure and fostering climate change mitigation and adaptation.



### South Africa: improving water infrastructure in KwaZulu-Natal

Three EIB loans are helping to upgrade the water system in the KwaZulu-Natal province and increase water provision to the 5.5 million people of the city of Durban and the North Coast area, as well as to adjacent rural areas. A loan of EUR 35m is contributing to increasing the treatment, storage and delivery capacity of the bulk water infrastructure of Umgeni Water, the local water authority. The project will ensure the supply of drinkable water to Umgeni Water's customers and increase access to previously unserved areas. This investment complements a EUR 50m loan to finance the upgrading and expansion of the water infrastructure programme for the eThekweni municipality in Durban. A EUR 80m loan has gone to the construction of a dam in the Mooi River and of a conveyance system to the Mgeni water supply system, which will provide an additional 60 million cubic metres per year to meet the water needs in the region by 2025.

### Burkina Faso: expanding water services in Ouagadougou

In Ouagadougou, Burkina Faso's capital, a EUR 18.5m EIB loan is helping to expand water services in order to keep up with a rapidly growing population. 700 000 people are benefiting from improved water services from recently inaugurated, new capacities that treat 50% more water than before. Another 32 000 households will be added to the distribution network by mid-2013. The beneficiaries include people that recently settled in the periphery of the capital city, who currently rely on water sellers or standpipes on the fringes of organised residential areas. Distributors charge prices up to five times higher than the standpipe tariff. The poor, and especially women and children, will benefit from the new infrastructure, spending less time fetching water and having more time available for income-generating activities or education.



### Jordan: piping desert water to Amman

In the face of recurrent droughts, the construction of a 325 km pipeline connecting the Disi desert aquifer in the south of the country to Amman gives the capital access to 100 million cubic metres of drinkable water annually, almost doubling its current water supplies. Water scarcity is the most important natural constraint for Jordan's economy. The EIB has approved loans to the country and the concessionaire in charge of the implementation of the project for a total of some EUR 180m. The project is set up as a public-private partnership and includes a 25-year concession. With a total cost of EUR 810m, it is the largest water PPP in the region. For the duration of the concession the focus is entirely on pumping desert water to Amman. Later on, the pipeline could serve as a national water carrier conveying desalinated water from the Red Sea.





Water sector: financing water supply,  
sanitation and flood protection



## Contacts

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