

6th REGIONAL AFRICAN WATER LEAKAGE SUMMIT 2016

DBSA VULINDLELA AUDITORIUM, MIDRAND GAITHERO, SOUTH AFRICA 23 - 24 AUGUST 2016

The EIB in ACP – Water security in the face of increasing urbanisation and climate change

Presented by: Carmelo Cocuzza, Head of EIB Regional Representation, Pretoria

Participating and supporting organisations:

The EU bank

- Europe's long term financing partner since 1958
- Around 90% of lending is within the EU, 10% outside
- Shareholders: 28 EU Member States
- Headquartered in Luxembourg and 40 local offices
- Largest multilateral lender
- Loans signed Euro 78 billion (2015)
- Euro 4 billion (Rand 62 bn) in water/year

European Investment Bank

The EIB: capital breakdown

Germany: 18.11%	France: 16.91%	Italy: 15.11%	Belgium: 14.91%	Spain: 9.80%	Netherlands: 4.80%	Sweden: 4.80%	Denmark: 2.81%	Ireland: 2.81%
Austria: 2.81%	Poland: 2.81%	Finland: 2.81%	Greece: 2.81%	Portugal: 2.81%	Czech Republic: 2.81%	Hungary: 2.81%	Latvia: 2.81%	Estonia: 2.81%
Lithuania: 2.81%	Slovakia: 2.81%	Slovenia: 2.81%	Croatia: 2.81%	Cyprus: 2.81%	Malta: 2.81%	Other: 2.81%	Other: 2.81%	Other: 2.81%

25/08/2016 3 European Investment Bank Group

The EIB at a glance

- Raise our funds on the international capital markets
- Pass on favorable AAA borrowing conditions to clients
- Some 440 projects each year in over 160 countries
- Headquartered in Luxembourg and 40 local offices
- Around 2 400 staff:
 - Not only finance professionals, but also engineers, sector economists and socio-environmental experts
- Policy-Driven Bank, specific Lending Objectives: Water falls under "Environment", "Climate Action"

4 European Investment Bank

The EU Water Bank

- The EIB amongst the largest lenders in the water sector .
- During the 5 years 2011-2015:
 - EUR 21.27 bn loans in the water sector - of which EUR 415.7 m in ACP and EUR 315 m (4.9 bn Zar) in South Africa
 - Leverage effect: 230%

EUR 21.7 bn in 2011-2015

EUR 415.7 m in ACP

European Investment Bank Group 5

Some EIB Water Projects outside the EU

Berg Dam (South Africa)

Water loss reduction in Mauritius

Flood Protection, St. Petersburg (RU)

European Investment Bank Group 6

EIB lending in Africa: Our 2014-2020 Mandates

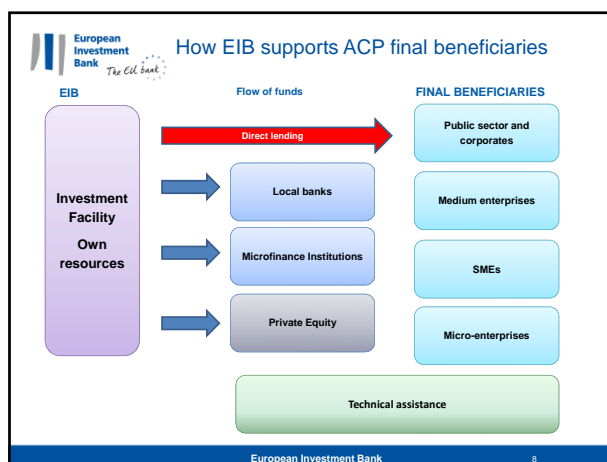
- EIB's role in the Africa Caribbean and Pacific region is based on ACP-EU Financial Cooperation (the Cotonou Agreement);
- EIB's role in South Africa is based on the RSA-EIB Framework Agreement :

For the water sector the main policy drivers for EIB interventions are:

- sustainable access (SDGs) and
- environment (including Climate Action)



European Investment Bank 7



EIB Water Sector Lending Policy

- Bank lending in the water sector contributes to multiple EU policy objectives including water scarcity & droughts, flood management and adaptation to climate change.
- Outside the EU, a central component of EU development policy is directed towards achievement of water and sanitation targets of the UN's Sustainable Development Goals.
- Water projects are key drivers to support environmental protection and sustainable communities.

European Investment Bank Group 9

Eligible Water Sub-Sectors

- Bulk Water Infrastructure, including dams, conveyance & storage systems and water treatment plants
- Water Efficiency projects, aimed at reducing non revenue water and optimization of available water resources.
- Waste water & sanitation projects, sewerage networks and waste water treatment plants.
- Integrated Water Resource Management, including river basin management.
- Climate change and adaptation linked projects.
- Research & Innovation projects

European Investment Bank Group 10

EIB as a long term partner for investments in water security

- Projects supports the complete water security cycle:
 - Resource development, management and protection
 - Water and wastewater services in urban environments
 - Sludge management, nutrient recovery, etc
- Project preparation includes:
 - Classic project development support (Master Plans, Feasibility Studies, Design etc)
 - Climate Risk Vulnerability Assessments (for related measures)
- Blending with other facilities such as the IF or ad hoc like the EU Water Facility

European Investment Bank Group 11

Example : Water projects in KwaZulu-Natal 2010-2011

- Beneficiaries : eThekweni Municipality, Umgeni Water, TCTA
- Three separate loans for a total of EUR 165 m for up to 22 years
- Key objective : Increase access to safe water
- Helps meet the water needs of 5.5 million people in the region by 2025
- Increase of treatment, storage and delivery capacity of bulk water infrastructure of Umgeni Water, the regional water authority
- Upgrading and expansion of water infrastructure programme for the eThekweni municipality in Durban
- Construction of a 140 million m3 dam on the Mooi River
- Conveyance system to the Mgeni water supply system

European Investment Bank Group 12

European Investment Bank *The EIB bank* **Metolong Dam Project, Kingdom of Lesotho**

- Total cost of EUR 282 million, with financing from several donors, including the World Bank, Millennium Challenge Corporation ("MCC"), Kuwait Fund, BADEA, OPEC Fund and Saudi Development Fund.
- EIB loan financing of EUR 140 million, signed in August 2010
- Objective : Increase access to safe water and support the Kingdom's economic growth.
- Catalytic investment expected to unlock significant social and economic benefits.
- Part of a six component programme, including advance infrastructure: Metolong Dam construction and pump station; water treatment works; downstream conveyance system; environmental & social management programme and institutional support.
- The project preparation benefited from a water resources study grant from the European Development Fund (EDF).

European Investment Bank Group 13


European Investment Bank *The EIB bank* **Lilongwe Water Resource Efficiency Programme, Malawi**

- A EUR 49.2 million project, EIB loan contribution was EUR 24 million, signed in June 2015, co-financing with the World Bank.
- The project benefited from an Interest Rate Subsidy of EUR 4.6 million from the Cotonou Subsidy Envelope.
- Objective: Medium term investment programme to optimise available water resources to bridge the gap in water demand in Malawi's fast growing capital city, Lilongwe.
- Main components: extension of water treatment works, reduction of leakages and improving network management, improving water supply to low income areas and upgrading of a dam - Lilongwe's primary water source.
- The project promotes private sector participation in the management of the water facilities with the purpose of improving efficiency and the development of local skills.

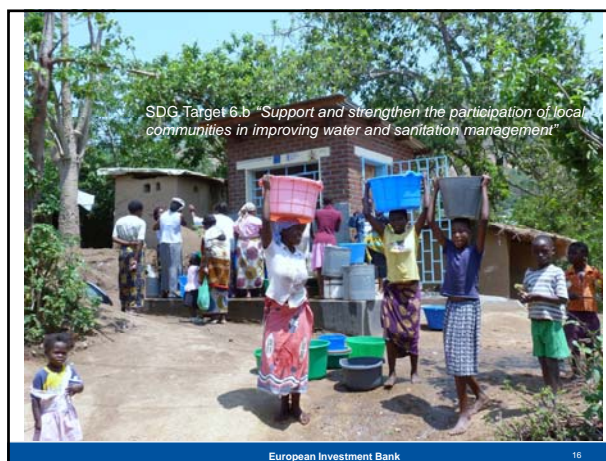
European Investment Bank Group 14

European Investment Bank *The EIB bank* **Malawi Peri-Urban Water and Sanitation Project**

- **Project Objectives:**
- 24-hour water supply for 408,000 people in Blantyre who currently receive it intermittently
- Building competent and sustainable Water Utilities
 - Competitively procured Private Sector Service Contractor (Vites Evides International) with Performance Based Contract
- Safe drinking water to 723,000 additional people and
- Basic sanitation to 468,000 people in low income areas of the cities of Blantyre and Lilongwe.
 - NGO/CBO's (WaterAid, Water For People)
- **Financing:**
 - 15.4 mill EUR = 48.4% EU grant
 - 15.9 mill EUR = 50.0% EIB loan
 - 0.5 mill EUR = 1.6% own resources Water Boards



European Investment Bank 16



European Investment Bank *The EIB bank* **Challenge: Population growth and urbanisation in ACP**

- Global population growth from 7 bn to 8.3 bn by 2030 and 9.1 bn by 2050
- Urban population growth from 2.9 bn to 6.3 bn by 2050, of which the vast majority in developing countries
- Population growth in Africa highest in world, having doubled since 1990 and expected to grow from 320 million, or 37% of the continent's population to 50% by 2030.
- UN-Habitat indicates that 40% of the global urban growth is in unplanned peri-urban areas where 827.6 million people live, often without adequate water and sanitation services

25/08/2016 European Investment Bank Group 17

European Investment Bank *The EIB bank* **Water security: a real challenge to Economic growth**

WEF: Water Crises = Number one Global Risks

Total economic impact:
 - Economic impacts of water scarcity for agriculture
 - Economic impacts of flooding
 - Economic impacts of inadequate water supply and sanitation

Source: Securing Water, Sustaining Growth, OECD/GWP, Task Force report 2015

25/08/2016 Banque Européenne d'Investissement 18

European Investment Bank *The EIB bank*

Climate challenge in Africa Climate vulnerability index

■ High (52.0 - 60.0)
■ Medium High (44.0 - 51.9)
■ Medium (36.0 - 43.9)
■ Medium Low (28.0 - 35.9)
■ Low (20.0 - 27.9)
■ No Data

EIB Climate Action Target outside Europe has increased from 25% (2014) to 35% in 2015

Source: World Water Assessment Programme (WWAP)

25/08/2016 European Investment Bank Group 19

European Investment Bank *The EIB bank*

Worst Thai Floods in 50 Years Hit Apple, Toyota Supply Chain

October 21, 2011 — THE AGE GROUP

Apple, Toyota, Honda Motor Co. and Nissan Motor Co. are among 1,000 units of production daily after flooding production since early this month in their Thailand auto-manufacturing hub, the Japan Automobile Manufacturers Association said. Photographer: Christophe Schirra/Reuters/Photo by Images

20

European Investment Bank *The EIB bank*

Doubling down on sand bags

21

European Investment Bank *The EIB bank*

Sea level rise in the Caribbean

EXPLANATION
■ Inundated area

22

European Investment Bank *The EIB bank*

Recent cyclone Pam in Vanuatu

23

European Investment Bank *The EIB bank*

Drought in Africa and Latin America

24

European Investment Bank *The EIB bank*

Floods in Latin America and Asia

25

European Investment Bank *The EIB bank*

What is water security?

UN Water 2013:
 "The capacity of a population to safeguard sustainable access to adequate quantities of acceptable quality water for sustaining livelihoods, human well-being, and socio-economic development, for ensuring protection against water-borne pollution and water-related disasters, and for preserving ecosystems in a climate of peace and political stability."
A complex challenge that depends on factors external to the water domain

25/08/2016 Banque Européenne d'Investissement 26

European Investment Bank *The EIB bank*

Water security in its physical cycle

25/08/2016 European Investment Bank Group 27

European Investment Bank *The EIB bank*

Water security: Knowing how to manage risks

Security can be increased by being able to manage the risks and take decisions on how to balance social, economic and environmental objectives acceptable to society

There is no single entity in control of all these risk factors

25/08/2016 Banque Européenne d'Investissement 28

European Investment Bank *The EIB bank*

EIB Response: Increased focus outside EU

COP-21 : the EIB committed to increase its climate finance for **developing countries** to 35% by 2020.

25/08/2016 Banque Européenne d'Investissement 29

European Investment Bank *The EIB bank*

For each new project we appraise:

3 steps are required to count adaptations as climate Action

1. Setting out the climate vulnerability context of the project. *Why?*
2. Making an explicit statement of intent to address climate vulnerability as part of the project. *How?*
3. Articulating a clear and direct link between the climate vulnerability context and the specific project activities.

30



Thank you!

www.eib.org

Carmelo Cocuzza, Marc Leistner
EIB Regional Representation for Southern Africa
Pretoria , South Africa

c.cocuzza@eib.org and m.leistner@eib.org