



# EUROPEAN INVESTMENT BANK

*Promoting European objectives*

## ***How to finance projects in the Black Sea Region***

*Regions of the Black Sea: Creating success together*

*Assembly of European Regions Black Sea Regional Conference*

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## The European Investment Bank (EIB): Promoting the Financeability of European Priority Objectives

- ❖ Within the Union:
  - ❖ Cohesion and convergence (“regional development”),
  - ❖ Small and medium-sized enterprises (SMEs)
  - ❖ Sustainable Communities (urban & environment)
  - ❖ Promoting a competitive knowledge economy; education, RDI
  - ❖ Trans-European Networks (TENs)
  - ❖ Sustainable, competitive and secure energy
  
- ❖ EIB borrowers are:
  - ❖ Public sector entities: states, regions, municipalities and other sub-sovereign public entities
  - ❖ Private sector entities: leading corporates in all countries requiring financing for their capex and R&D investments
  - ❖ Financial institutions as intermediaries for EIB’s Loan dedicated to SMEs and Mid-Cap Loans



## Leveraging convergence: lending, expertise and partnership

- ❖ Co-financing with EU Structural Funds – funding the national or regional contribution of ERDF, Cohesion Fund, ESF
  - ❖ Entire National Strategic Reference Frameworks (Bulgaria, the Czech Republic, Hungary, Romania and Slovakia)
  - ❖ Sectoral or regional operational programmes (Czech Republic and Hungary).
  - ❖ Individual (large) projects
  
- ❖ Financial Engineering
  - ❖ JESSICA (Sustainable Urban Development)
  - ❖ JEREMIE (SMEs)
  - ❖ RSFF risk sharing with EC for RDI, LGTT guarantees for TEN-Transport ...
  
- ❖ TAC (Technical Advisory + Cooperation)
  - ❖ JASPERS – Support to preparation of large Cohesion Fund projects
  - ❖ Other TAC by EIB



# The European Investment Bank (EIB)

## Non-EU States in the Danube and Black Sea Regions

- ❖ Western Balkans Investment Framework
  - ❖ Provision of a joint grant and lending facility with EC and EBRD for priority investments to simplify access to credit by pooling and coordinating different sources of finance & technical assistance
  - ❖ Sector focus: infrastructure sectors, small businesses, energy efficiency
  
- ❖ Ukraine, Moldova, Armenia, Azerbaijan, Georgia and Russia under EU mandate (EUR 3.7bn over 2007-2013) and under the EIB facility (Eastern Partners Facility (EPF), up to EUR 1.5bn)
  - ❖ Priority to projects on extended major Trans European Network axes, projects with cross-border implications for one or more Member States and major projects favouring regional integration through increased connectivity.
  - ❖ Sector focus: Strategic energy supply and energy transport projects, environment, SMEs, investment by European corporates

## Sample Projects in the Black Sea Region



- Romania
  - ❖ National Strategic Reference Framework
    - ❖ Financing of national contribution
    - ❖ Sub-sovereign financing of local contribution  
(Cluj/Cassa Water Project, regionalisation of water services)
  - ❖ Constanta Port Environment and Infrastructure
- Bulgaria
  - ❖ National Strategic Reference Framework
  - ❖ Sofia Municipal Waste Project
- Turkey
  - ❖ Environment & Energy Framework Loan II (TSKB, TKB)
  - ❖ SE Europe Energy Efficiency Fund (EIB, EC, KfW)
- Ukraine
  - ❖ UKREXIMBANK Energy & Environment Loan
  - ❖ Mykolaiv Water Company  
(sovereign loan, rehabilitation and efficiency)
- Georgia
  - ❖ Water Infrastructure Modernisation  
(regionalisation of water services)



# A few words on Strategies for Macro Regions in Europe

## - Elements from Baltic and Danube Region

### ➤ Approaches

- EIB cooperates with the EC on the strategy level and with individual regions and Member States on project level
- Regional funding mechanisms under discussion (Trust Fund managed by the EIB for TA a possibility for the Baltic Sea, the first macro region)
- Strengthening co-operation between IFIs in non MS

### ➤ Priorities

- Environment and sustainable production and consumption of natural resources are key themes
- Proper integration of the territorial dimension
- Support to cross-border projects and inter-connection within region, with a specific attention to linking MS and non-MS countries



## Example of EIB Project Orientation

- ❖ Water Sector – all types of infrastructure, emphasising
  - ❖ IWRM: more cooperation with river basin organisations, better integration with water services
  - ❖ Consolidation of service providers: support viable autonomous utilities, minimise fragmentation
  - ❖ Adaptation to climate change: raise awareness of significance of water sector and profile projects for adaptation (floods, phased investments)
  - ❖ ... also, emergency programmes after severe floods/other natural disasters
  - ❖ Water efficiency: pro-active support, synergies with energy efficiency instruments, higher rates of intervention for climate change projects....  
.....new water supply conditioned by WDM measures
  - ❖ Wastewater treatment & reuse (systematic consideration in project design)
  
- ❖ Tourism
  - ❖ Infrastructure (airports, roads, ports, hotels, resorts etc...)
  - ❖ SMEs



## Water management – the Watershed Paradigm

- Water Framework Directive **Programmes of Measures 2009**
  - **Danube PoM coordinated by ICPDR**
- Equivalent efforts for the Black Sea
  - **Bucharest Convention**, the revised Land-Based Pollution Protocol
  - Linking Regional Seas to River Basin Management
  - Integrated Coastal Zone Management
  - Cooperation between the Danube and Black Sea Regions
  - Need to link basin approach with sustainable water services
- Need for **mobilisation of multiple actors** to prepare, promote, finance and implement measures
- Further investigation and **prioritisation still needed at sub-basin level**
- Rational and realistic response requires **integrating water resource planning with economic development and spatial planning**
- **Translation of national sector approaches** into tangible outcomes at local level to be credible



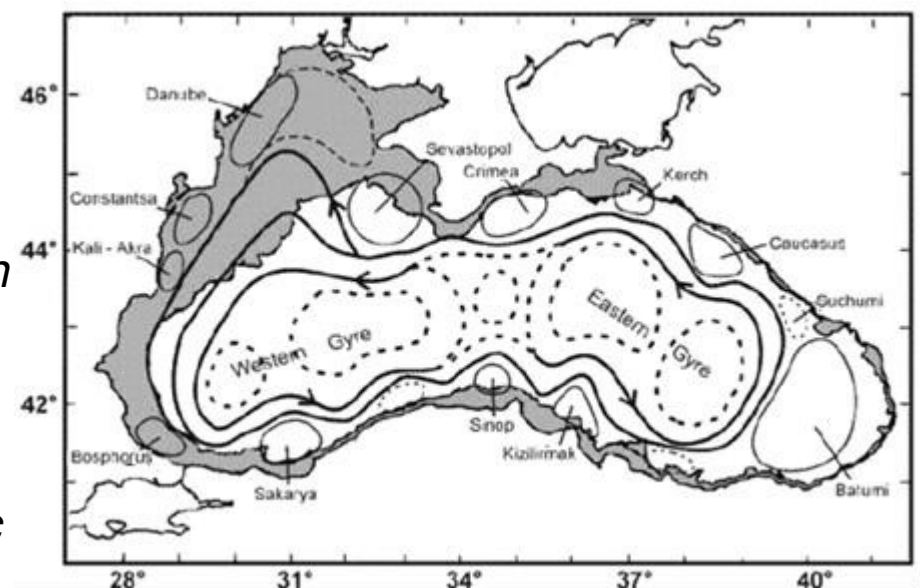
# The Black Sea



- ❖ Cost-effective solutions to real problems will require good understanding of baselines and appreciation of the precise impact of natural circulation mechanisms and nutrients
- ❖ Major investment is required to remove nutrients and other pollutants from urban and industrial wastewaters
- ❖ Pollution prevention is the most cost-effective strategy

...not a Black Box

- *Enforcement of emissions compliance and improved agricultural practises – low cost to public budgets*
- *Phased and realistic conventions and for emissions standards, balanced with sector development*
- *Promotion of long-term change in behaviour*
- *Identification of intermediary economic objectives, cause and effect*



Black Sea Circulation Map Source: Marine Hydrophysical Institute NAS, Ukraine

## Regional investment planning and strategy



- Regions are territorial/economic units with an important role in developing **meaningful intermediary and sub-regional objectives** for effective communication and mobilisation of interest
  - Setting out economic and spatial planning goals to be integrated with water resource planning, in order to make **realistic targets**
  - **Facilitating** action among mutual interests
- **Reducing cost** and increasing **efficiencies** – economies of scale
  - Cost-effective, resilient and viable water and sanitation **solutions transcend local authority/municipal boundaries** – regional facilitation and economies of scale
  - Regionalisation of water service provision and solid waste management with creation of **strong implementers of accelerated investment** - particularly to **increase coverage** in small and medium sized towns
- Promoting **financeability** at regional level with limited public budgets
  - **Blending** of tax revenues and guarantees with loans to increase reach and appropriate cost of capital
  - Cooperation with **national funding mechanisms**
  - Development of **phased and cost-effective compliance strategies**



## What makes a good project?

### - “Tangibles”

- ❖ Technical feasibility, financial viability, economic viability, environmental and social soundness....
  - ❖ Rational and transparent process of establishing and assessing priorities and comparing options
  - ❖ Cost-effectiveness
  - ❖ Operational Sustainability - means to operate the system as well as the means to prevent erosion of the assets
  - ❖ Adequate technical and human resources and employment of the necessary skills to execute projects.
  - ❖ Realistic demand forecasts
  - ❖ Planning and technical integrity
  - ❖ Social considerations and low-income populations



## What makes a good project?

### - “Intangibles”

- ❖ Real and well-understood problem to be solved
- ❖ Clear identification of stakeholders and responsibilities for local and national ownership.
- ❖ Consistency with other policies and a strategic approach towards a sectoral or regional objective
- ❖ Synergies with evolving policies, replicability and demonstration effects
- ❖ Ownership, continuity and capacity to receive assistance
- ❖ Fast-tracking of low-regret solutions in order to achieve results and maintain overall momentum and commitment to the process



For more information...



<http://www.eib.org/>



# EIB Lending in Danube and Black Sea Regions

<b>Signatures</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
	(act.)	(act.)	(est.)
<b>MS</b>			
Austria	1,070.0	1,318.0	1,976.0
Bulgaria	1,108.0	455.0	311.0
Czech Republic	1,599.0	1,111.0	1,860.0
Germany (1)	1,864.0	900.0	1,925.0
Hungary	1,217.0	1,525.0	2,062.0
Romania	175.0	1,112.0	608.0
Slovakia	18.0	161.0	241.0
Slovenia	613.0	159.0	518.0
<b>BALKANS</b>			
Bosnia and Herzegovina	271.7	260.0	80.0
Croatia	330.0	170.0	363.0
Montenegro	3.2	50.0	109.9
Republic of Serbia	143.7	257.0	940.0
<b>THIRD COUNTRIES</b>			
Ukraine	200.0	150.0	0.0
Moldova	30.0	20.0	0.0
<b>Total</b>	<b>8,642.6</b>	<b>7,648.0</b>	<b>10,993.9</b>

- 1) Länder of Baden-Württemberg and Bavaria
- \* Data from Annual Reports
- \*\* Preliminary Data



# EIB Lending in Water and Sanitation

EIB annual average lending over the period: EUR 3.2bn (excl. multi-sector framework loans)

