



EUROPEAN INVESTMENT BANK

Investing in the water sector in Africa: EIB's experience

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To come:

- EIB in the Water Sector
- EIB Water Projects in Africa: Collaboration with the ACP EU Water Facility
- Example 1: Malawi
- Example 2: Mozambique
- EIB's Approach to the Sector in SSA
- EIB Instruments

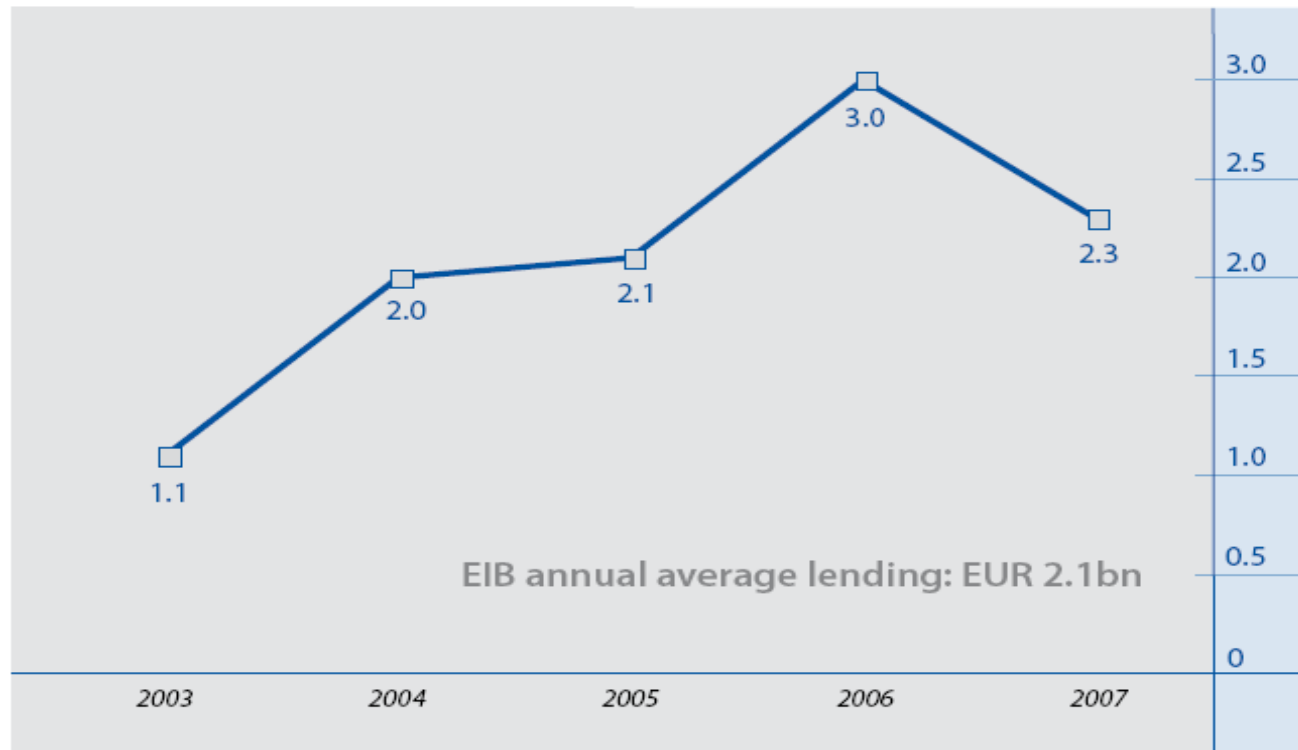


Some Facts: EIB in the Water Sector

- ❖ EU's long-term lending bank set up in 1958 by the Treaty of Rome.
- ❖ Key objective to finance projects that contribute to the implementation of EU policy objectives.
- ❖ In the ACP countries, support to water and sanitation MDG is main goal
- ❖ Provides long-term loans to public and private clients for funding all parts of water cycle.
- ❖ Lends up to 50% of investment costs for individual projects.



EIB lending to the water sector: EUR 10.4 bn (2003-2007)

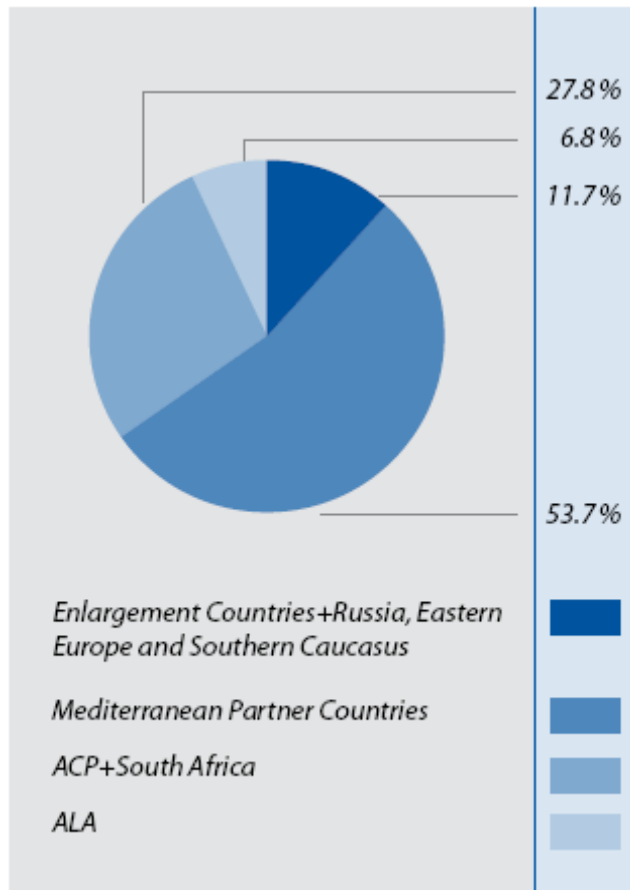


- More than EUR 10bn direct loans for water over 2003-2007.



EIB lending to the water sector (2003-2007)

Partner Countries: EUR
1.3 bn



- Outside the EU, significant portfolio in MED region (54%) and ACP Partner Countries (28%)



EIB and EU: Collaboration in ACP through the EU Water Facility

- ❖ Main objective of ACP-EU Water Facility: support to achieve water & sanitation MDGs
- ❖ EUR 500m grants from 9th EDF and
- ❖ Two competitive calls for applications 2004-07
- ❖ Seven investment projects selected with EIB as applicant/co-donor (326m investments -109m EU grants leveraging 217m loans) - Senegal, Benin, Ethiopia, Malawi, Mozambique, Lesotho, and Madagascar
- ❖ one technical assistance project – Water Project Preparation Facility (WPPF)

Example: Peri-urban WatSan, Malawi



- ❖ Significant EIB involvement in the preparation of project;
- ❖ Increase access to water for 723,000 additional people and 468,000 to basic sanitation in two cities (Lilongwe and Blantyre);
- ❖ Two-fold PSP-approach:
 - ❖ 1) incentive based service contract to address the O&M inefficiencies and investment needs; and
 - ❖ 2) small local concessions for the provision of services through kiosks and associated public sanitation facilities.
- ❖ Active involvement of NGOs in project structure/design (key partner WaterAid);
- ❖ Creation of a revolving fund to make connections affordable;
- ❖ Blending of grants and loan: total costs EUR 31.8m, of which 1.5% from GoM, 48.5% ACP-EUWF (grant), and 50% EIB (loan).



Example: Maputo Water Project, Mozambique



- ❖ Increase first time access to water to over 500,000 people
- ❖ Financiers, led by EIB, set up harmonised procedures on procurement, disbursements and approvals;
- ❖ Two-fold PSP delegate management approach:
 - ❖ strengthen the ongoing PSP lease contract;
 - ❖ support informal small scale service providers (SSSPs) - lease contract between FIPAG and SSSPs, awarded through competitive bidding; use OBA to facilitate new connections
- ❖ Blending of grants and loan: total investment EUR 95 M - funded by EIB loan (31%), ACP EUWF, AFD, FMO, GoM grants(59%)



Summary of EIB's Approach to WatSan Projects in SSA



- Build project preparation capacity and ownership
- Harmonise procedures;
- Support PSP – as a policy option, not an inevitability; local private sector; use of OBA;
- Partner with NGOs;
- Support to secondary cities; peri-urban and informal areas;
- Facilitate pro-poor access to water and sanitation services (universal coverage);
- Strengthen utilities' implementation capacity and operational performance.

Key is Blending of loans & grants



Blending loans with Grants: EIB and other instruments in the Water Sector

- ❖ Grants for TA and interest subsidy for ACP investment under the Cotonou mandate: 400 M € till 2013
- ❖ EU-Africa Infrastructure Trust Fund: facilitate blending and regional projects
- ❖ Co-funding, EC (e.g. using the ACP EU Water Facility), IFIs and bilaterals: leverage and share resources
- ❖ Water Project Preparation Facility (WPPF)



Water Project Preparation Facility: Basic Facts



- ❖ Budget EUR 3m (75% ACP-EUWF, 25% EIB)
- ❖ Duration 3 years 2008-10
- ❖ Managed and supervised by EIB
- ❖ Technical Assistance for project preparation activities
- ❖ All TA contracts procured and supervised by EIB
- ❖ Support the preparation of at least eight water and sanitation projects focused on urban and peri-urban areas in ACP countries.



Investing in the Water Sector in the ACP: feasible, challenging, and rewarding in the long-term

Thank you for your attention

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