

# **Financing climate change adaptation and disaster risk reduction: tools and lessons of the European Investment Bank**

**Fourth meeting of the global network of basins working on climate change adaptation  
15th February 2016, UNECE, Geneva**

# Agenda

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## 1. EIB at a Glance

Update and new developments

## 2. Disaster Risk Management and Disaster Risk Reduction

EIB funding tools and approach

## 3. Natural Capital Financing Facility update

What have we done so far

## 4. Concluding remarks

# 1. EIB at a Glance

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## Overview

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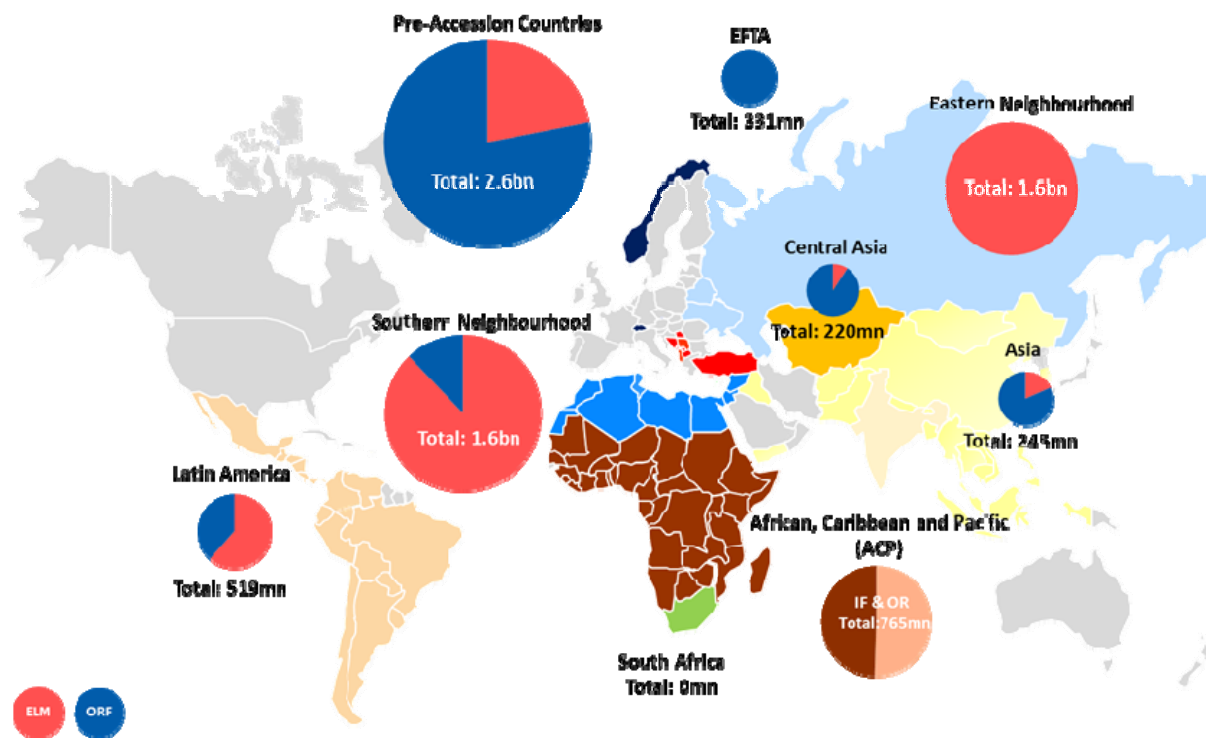


- Policy bank of the EU (100% owned by MS)
- HQ in Luxembourg, 30 local offices
- AAA-rated
- Over 400 projects in 160+ countries annually
- Over 90% of EIB lending in EU member states

# 1. EIB at a Glance

## Guarantees and Investment Grants for Non-EU Countries

### EIB Signatures for Projects Outside EU: ~ €8 billion in 2016



# 1. EIB at a Glance

## How Do We Finance Water Sector Projects?

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### Financing product (most common)

- Long-term loans (20-25 years, not exceeding economic lifetime of project infrastructure)
  - Low interest rates (borrower benefits from EIB's AAA rating and possibly from EC guarantees)
  - EIB financing  $\leq$  50% of eligible project cost
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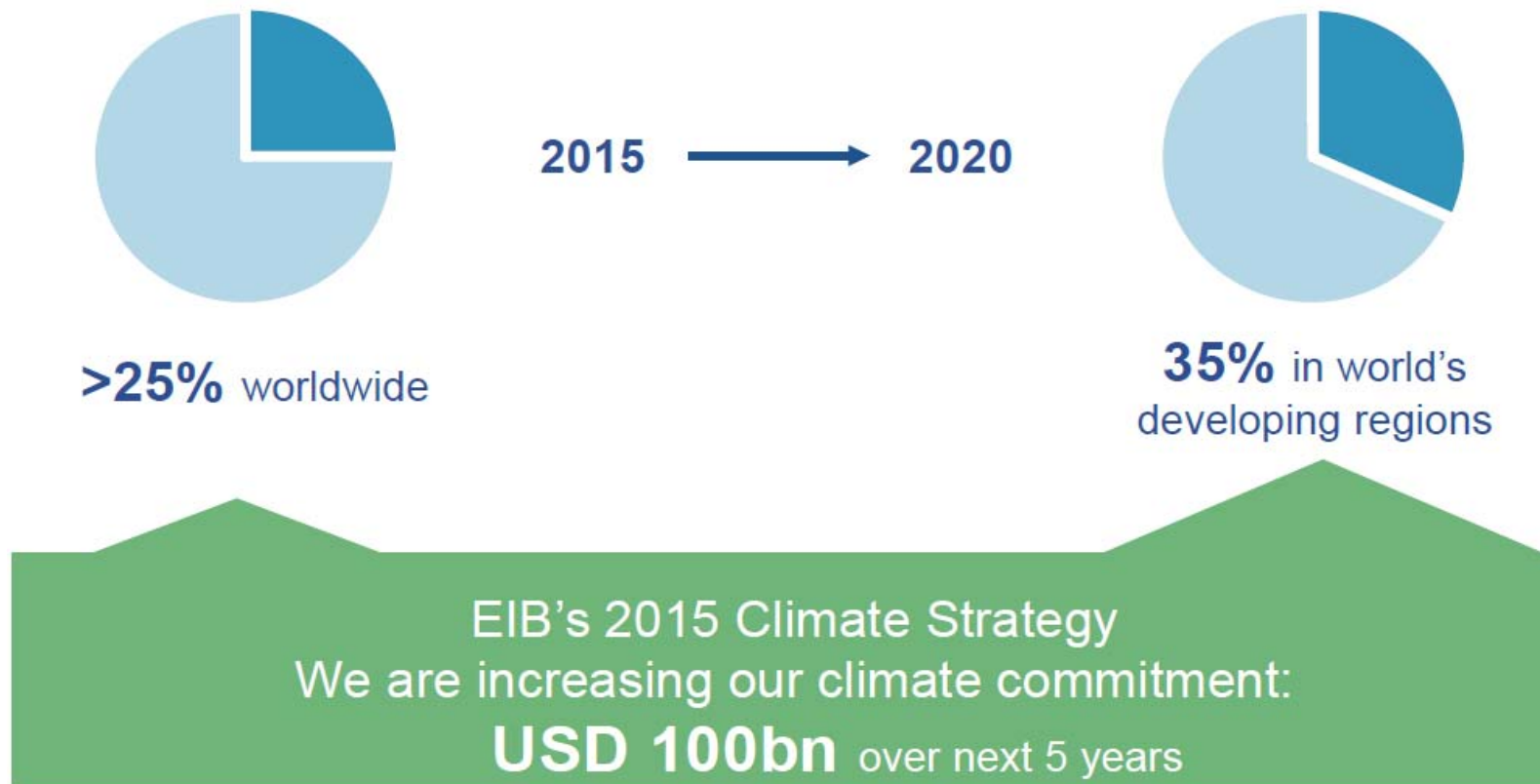
### Borrowers in the water sector

- Public sector
- Corporates (mostly in EU)

# 1. EIB at a Glance

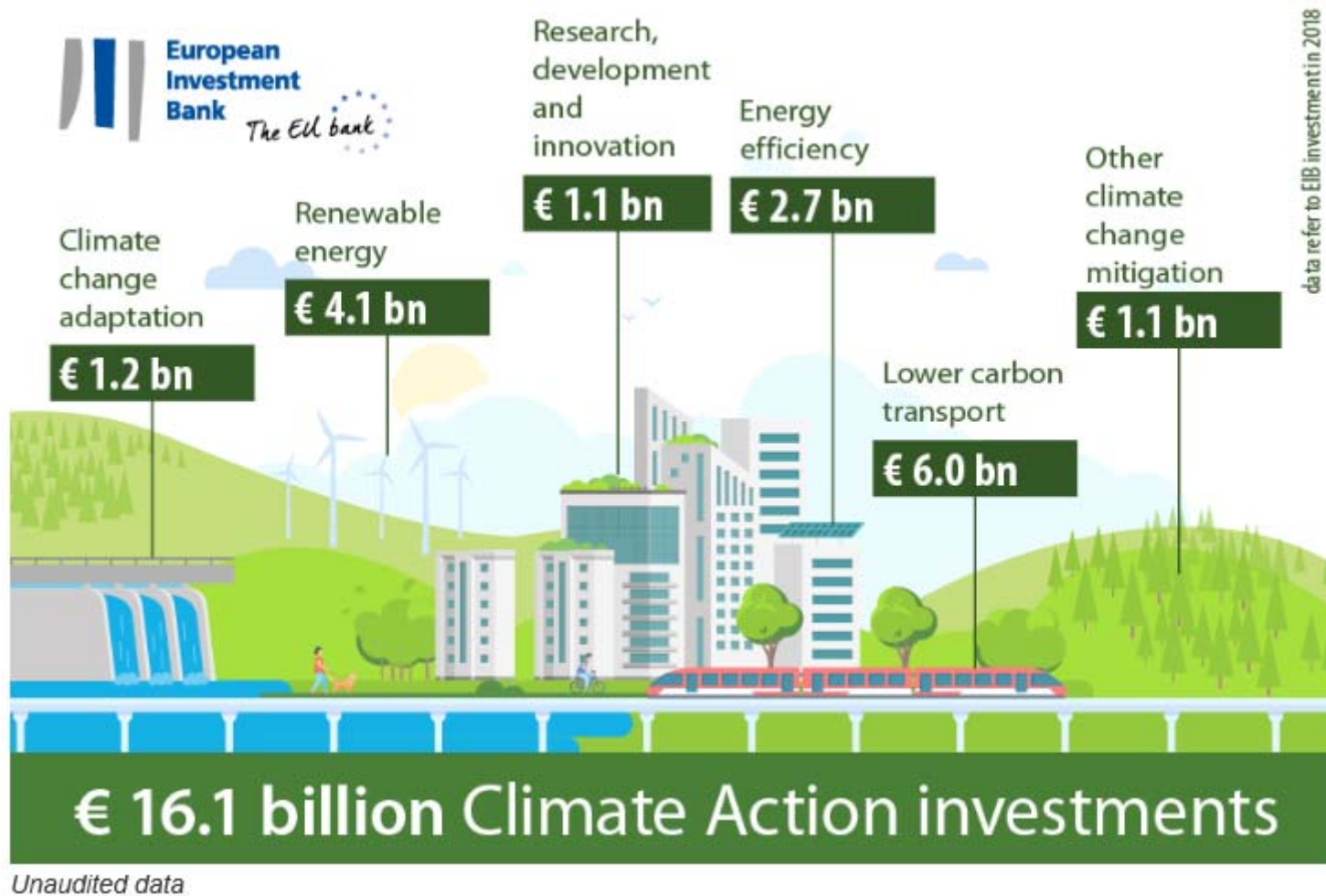
## Climate Action objectives

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



# 1. EIB at a Glance

## Climate Action performance in 2018





# 1. EIB at a Glance

## Revision of Climate Strategy

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### Evaluation of current performance of EIB climate strategy

- High probability to reach objectives (25% of lending in CA and 100 b€ in CA from 2016 to 2020)
- Areas of improvement:
  - CA is mostly mitigation (95%/5%)
  - CA contribution comes from few projects and sectors

### New trend (work in progress)

- New impetus given to adaptation
- Shift from volumetric to impact approach (new metrics)

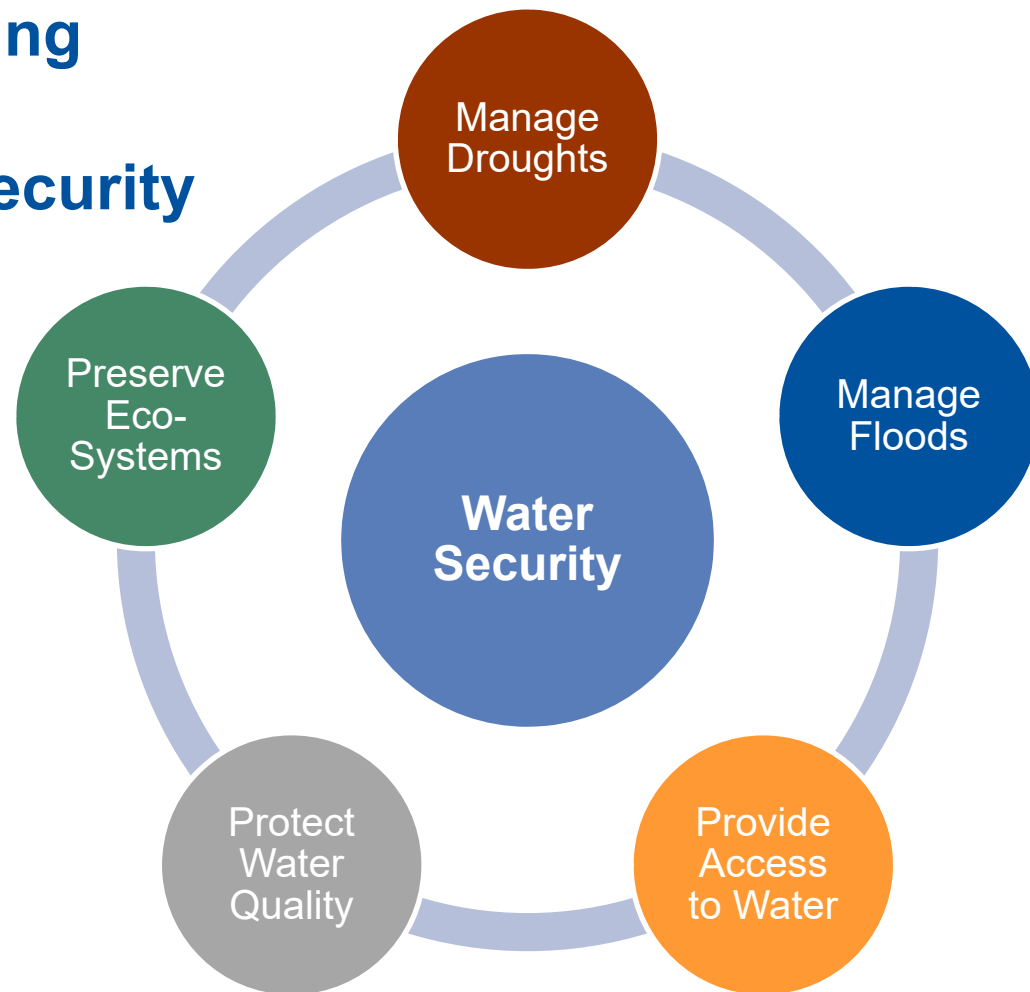
## 2. Disaster Risk Management

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### EIB Policy

#### EIB Water Sector Lending Orientation (Oct 2017): Strengthening Water Security

Water Security  
includes Disaster  
Risk Management



## 2. Disaster Risk Management

### Specific Criteria

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#### Requirements for water security projects

- All projects: IWRM framework
  - Transboundary projects: supranational agreement about use of shared water resources
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- + Nature-based solutions (groundwater reinjection, ecosystem restoration, etc.)
- + Payment for ecosystem services
- + Exploitation of alternative water resources
- Development of new water resources: NO, except if all demand-side measures have been exhausted

## 2. Disaster Risk Management

EIB can finance DRM and post disaster reconstruction

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### Disaster Risk Management

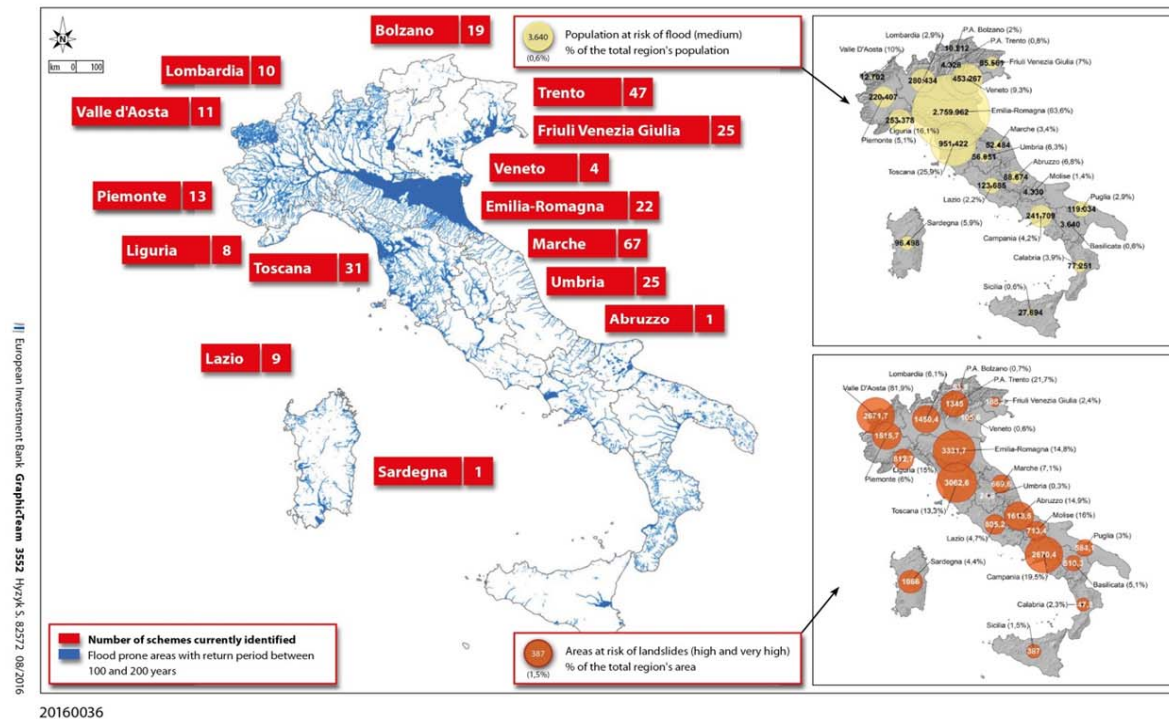
1. Majority of past projects related to flood protection
  2. Large geographical scope / framework loan
  3. Normal appraisal process and criteria
  4. In compliance with environmental, social and procurement regulations => in EU countries (flood directives)
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### Post disaster reconstruction

1. Reconstruction and increasing future resilience
2. Less stringent criteria

# Italian Flood Prevention Framework Loan

Project: ITALIAN FLOOD PREVENTION FRAMEWORK LOAN – Italy



- **Country:** Italy
- **Type of operation:** Framework Loan
- **Project Cost:** 1605 M EUR
- **Loan:** 800 M EUR

# Italian Flood Prevention Framework Loan

- **Structural details of the project:**

The operation, structured as a Framework Loan, will support the implementation of the priority programme that consists of approximately 300 flood risk management schemes located mainly in the metropolitan areas in the central and northern regions of Italy. Schemes addressing landslide risk and coastal erosion will also be eligible. The programme is managed by the Italian government and the schemes will be implemented by the local authorities.

- **Geo:** Central and Northern Regions

(Italy)

- **Climate mitigation/adaptation components (%):** 50%
- **Calendar:** implementation period from 2016 to 2022.



(Vernazza Flooded Square – Cinqueterre. Photo : primeitaly.com)



# Flood Protection measures Republika Srpska (BiH)

project cost: 41 m€

EIB loan: 19 m€

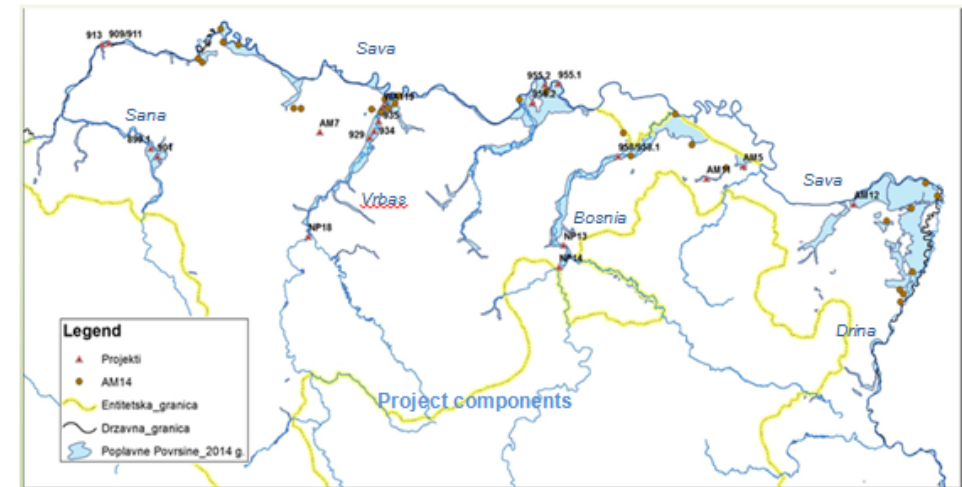
Continuation of previous project (flood relief);

Promoter: Ministry of Agriculture and  
Water Management / contracting  
authority: Vode Srpske

Flood risk mapping exercise,  
rehabilitation and construction of  
infrastructures

Transboundary project

## Project : FLOOD PROTECTION MEASURES RS





### 3. Natural Capital Financing Facility update

# How the NCFF is implemented by the European Investment Bank

- Investment: This Facility makes EUR 125m of EIB financing available for investment, backed by the EUR 50m contribution from the LIFE budget
- Support Facility: A further EUR 10m of LIFE financing is available for technical assistance
- LIFE allows EIB to lend to projects that we wouldn't otherwise be able to support: The Facility's guarantee from the LIFE budget reduces the credit risk when lending to innovative investments, making it possible for EIB to lend to new clients and new business models
- Building a new market: All our projects go through a stringent due diligence process. This provides a strong signal to the market to stimulate further investment.

# Case study: EUR 6m for Rewilding Europe Capital

## Rewilding Europe Capital

*On-lending in support of rewilding*

Amount: EUR 6m

Country: Netherlands-based,  
investing in several EU  
countries

Signed: April 2017



### Investment rationale:

- The loan to Rewilding Europe Capital will be invested in nature-related businesses in selected areas around Europe, showing how commercial finance can contribute to nature conservation and rewilding.
- Businesses benefiting from this financing will include tourism, water management and sustainable fisheries.



- Rewilding Europe Capital was established to positively stimulate and mature enterprise economies connected to natural landscapes in Europe, and to directly support businesses fostering conservation and rewilding impact. REC achieves this by providing commercial funding to businesses that can:
  1. Positively address negative socioeconomic impacts caused by rural land abandonment that is happening in many areas in Europe;
  2. Directly and indirectly support rewilding processes and activities in Europe;
  3. Deliver economic returns from nature and wildlife-related sectors that create incentives to conserve natural landscapes and rural cultures and heritage connected to them.
- The rewilding areas which may benefit from the NCFE loan comprise 38 different sites located in the following rewilding areas: Western Iberia (Portugal), Velebit Mountains (Croatia), Central Apennines (Italy), Southern Carpathians (Romania), Danube Delta (Romania), Rhodope Mountains (Bulgaria), Oder Delta (Germany/Poland) and Lapland (Sweden).

# Case study: EUR 15m for HBOR Natural Capital MBIL

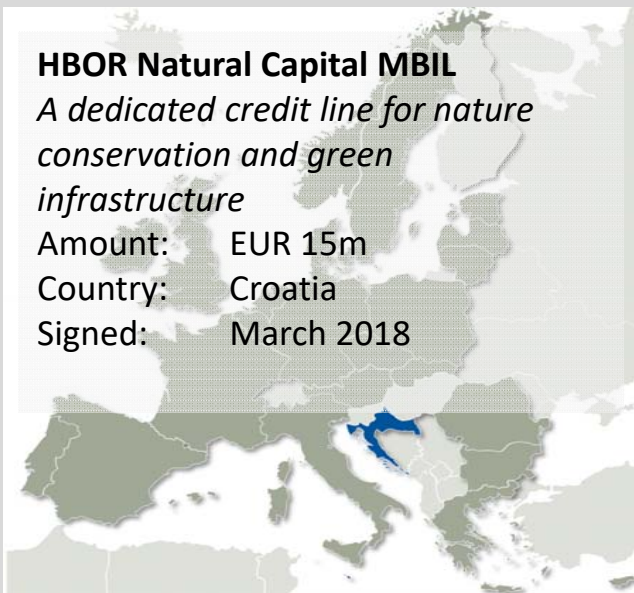
## HBOR Natural Capital MBIL

*A dedicated credit line for nature conservation and green infrastructure*

Amount: EUR 15m

Country: Croatia

Signed: March 2018



### Investment rationale:

- The operation offers to HBOR the possibility of developing a new area of business which, although modest in size, is strategically interesting
- The loan will be accompanied by a Technical Assistance package to help build the client base and the pipeline of eligible projects.
- The facility's third signature is a EUR 15m MBIL with the Croatian national promotional bank HBOR, designed to foster a potentially new area of business for HBOR in pro-nature areas such as eco-tourism, sustainable agriculture and forestry, and development of nature-based solutions to support climate adaptation.
- The operation will run in parallel with two EUR 400m MBIL facilities which target SMEs, MidCaps, public sector and other beneficiaries, and it is designed to complement them.
- This approach offers strong potential replicability to other commercial and promotional banks around the EU.

# CONCLUDING REMARKS



## EIB keen to partner with RBO on transboundary CC adaptation

### **The thematic matches EIB objectives perfectly :**

- Climate Change adaptation;
- Integrated approach (IWRM);

### **EIB interested to participate / be informed upstream:**

- Important for building a pipeline of bankable projects;
- In specific situation we can mobilize TA funds (grants) for project preparation;
- Experience with multi-sector, transboundary issues;

### **RBO role:**

- Enabling environment (upstream and downstream);
- Coordination and broker;

# THANK YOU FOR YOUR ATTENTION!



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