



# DELIVERING DESALINATION AND WATER CONVEYOR PROJECTS IN MENA

EIB's experience and forward-looking assessment

*Cairo Water Week 2020*

# Content

1. EIB at a glance
2. EIB's water sector objectives for MENA
3. EIB's desalination & water conveyor projects
4. Our added value



EIB is the EU Bank, owned by EU Member States and is the largest international financial institution in terms of borrowing and lending volumes



EIB's loans and advisory operations are primarily aimed at providing accessible and sustainable water solutions as well as addressing climate change impacts



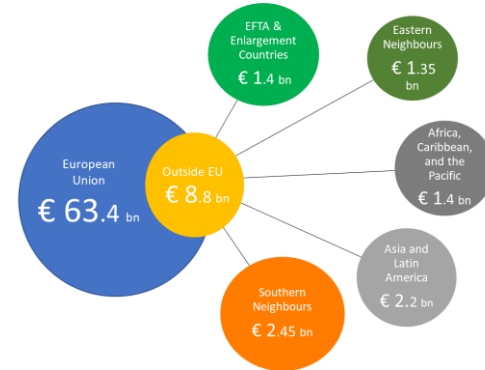
EIB can provide competitive long-term financing and advisory as well as facilitate access to EU grants to develop water projects contributing to meet Paris Agreement's targets



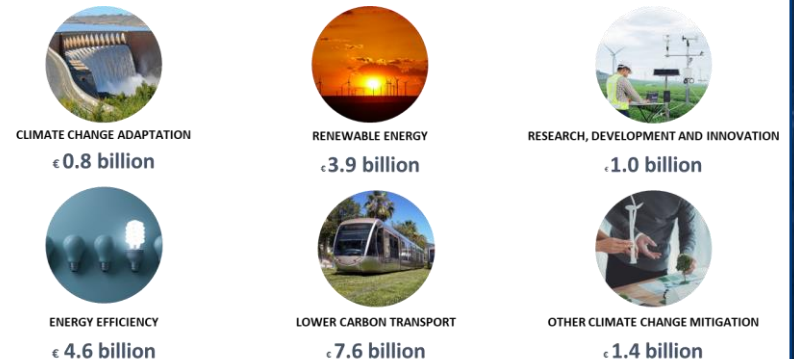
# 1. EIB at a glance

- Largest multilateral lender and borrower in the world
- In 60 years, over €1.2 trillion invested
- Leading provider of climate finance
- Governed by the EU Member States
- Headquartered in Luxembourg with 50 offices around the world

EIB Group financing in 2019 by region



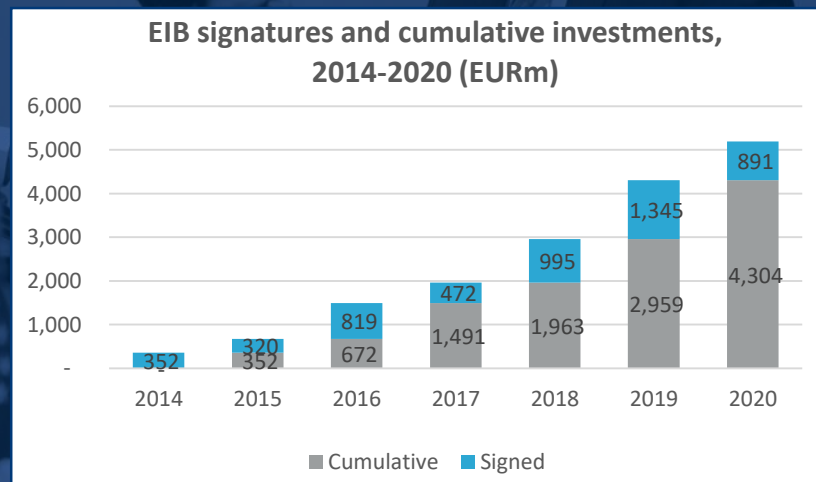
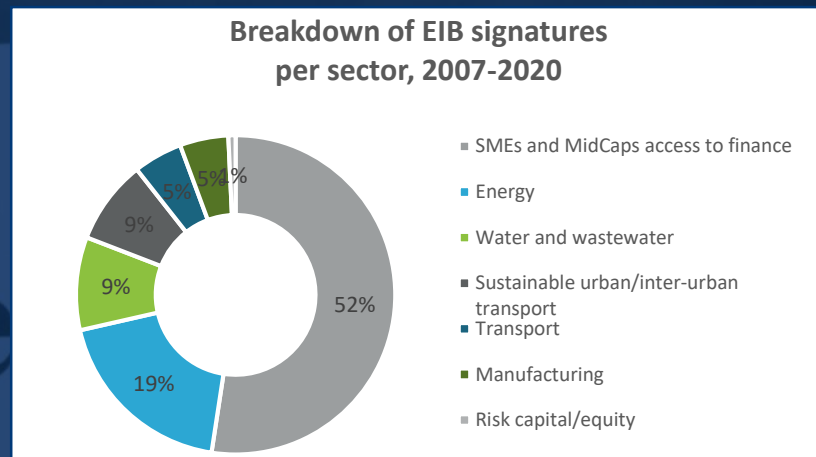
Climate action investments: € 19.3 billion in 2019



# 1. EIB at a glance: operations in Egypt



- EIB started operations in Egypt in 1979
- Egypt is the largest beneficiary of EIB loans in the region
- EIB has EUR 12bn accumulated portfolio in Egypt until mid-2020
- In 2019 EIB provided EUR 1.34 bn financing for Egyptian projects



# 2. EIB's water sector objectives for MENA

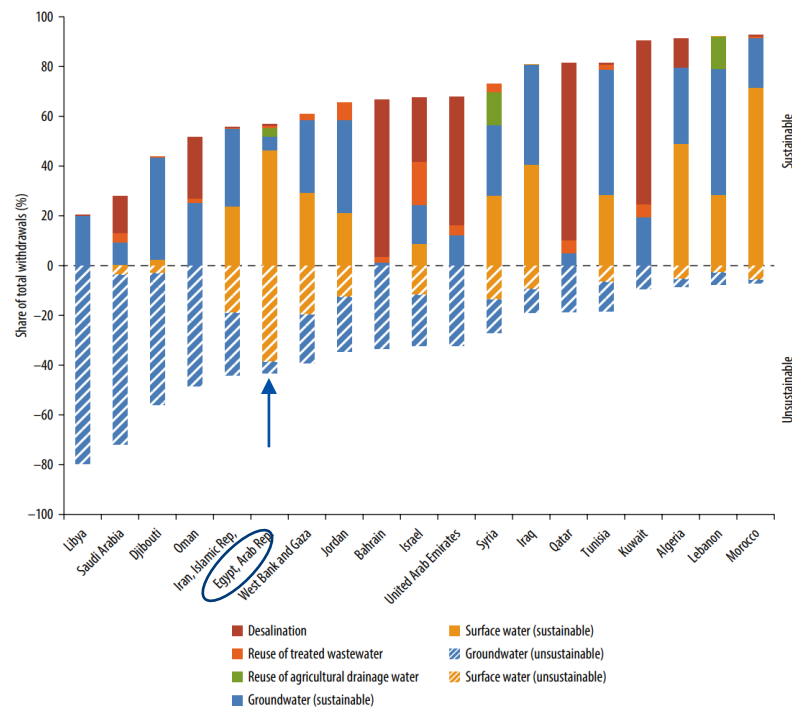
## Objectives

- Minimise carbon emissions
- Improve water sustainability
- Increase water security
- Expand water affordability and service reliability
- Meet Paris Agreement targets

## Means to meet objectives

- Reduce demand by using or losing less water
- Reallocating water to realign demand (e.g. water conveyors)
- Increase supply and drought resilience (e.g. desalination)
- Powering water projects with renewable energy

Sustainability of Water Withdrawals, by Source



Sources: World Bank calculations, based on data on desalination capacity come from Global Water Intelligence 2016a; data on all other categories are from FAO AQUASTAT (database).

**6** CLEAN WATER AND SANITATION



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**13** CLIMATE ACTION



**14** LIFE BELOW WATER



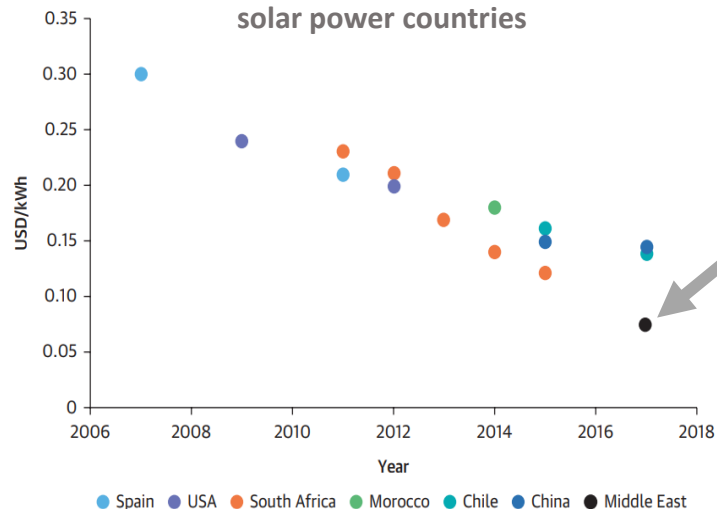


## 2. EIB water sector objectives for MENA

### EIB will primarily support projects:

- linking water to renewable energy (RE) given MENA's high solar irradiance and decreasing cost of RE
- applying innovative technical solutions that are energy efficient

Levelised cost of energy evolution in major concentrated solar power countries



Source: Abengoa

Desalination capacity, by World Region, 2016



Source: Data from Global Water Intelligence 2016a.

This will increase the sector's financial sustainability and decrease its carbon footprint

# 3. Successful desalination project: Sorek II

## Project key features

- One of the largest desalination plants in the world 200MCM/Yr
- Lowest carbon footprint for conventionally powered SRWO

## Impact

- Lowest tariff for water desalination in Israel (USD 0.4)
- Cutting edge technology to become market standard
- High water quality to improve salinity balance

## EIB Contribution

- *Large amount:* EUR 150m direct risk tranche to project company
- *Long Maturity:* 27 years
- *Attractive rate* in difficult market conditions due to COVID-19
- *Technical and financial expertise* valued by the procuring authority and local co-lenders

# 3. Successful Water Conveyor project: DISI

## Project

- Bulk water extraction and conveyor system (325 km pipeline) to pump 100 MCM/yr potable water from South to North of Jordan
- One of the first internationally financed PPP operations in the water sector in the region

## Impact

- Increase and re-allocated strategic water supplies
- Relieved and restored over-exploited sources

## ▪ EIB Contribution

- *Complementary private and sovereign lending:* USD 125m direct risk tranche to the project company + USD 100m loan to the State
- *Technical assistance* focused on environmental and social aspects



# 3. Other projects in EIB's pipeline

## Projects in the Pipeline

- Gaza Desalination plant (donor-funded)
- Aqaba-Amman PPP water conveyor and desalination project
- Red-Sea Dead-Sea PPP water conveyor and desalination project

## EIB Contribution

- *Grant mobilization* from the European Commission and EU donors
- *Funding and management* of Technical Studies, Environmental Impact Assessments and Resettlements Action Plans

# 3. Conditions for success for PPP water projects

## 1. Stable cash flows

- Availability payments and force majeure ensuring adequate debt service
- Water demand risk covered by the State
- Exposure to interest rate variation covered by the State
- Price, inflation and currency exchange risks covered via indexation
- Mature/standard documentation

## 2. Efficient construction

- Site-availability and permitting timeline addressed during procurement
- Procurement ensuring competition and transparency
- EPC able to pay delay/quality-related liquidated damages
- Design standards required in accordance with international standards
- Transferability of EPC's intellectual property to the State

## 3. Reliable energy solutions

- Energy efficient and proven energy solutions
- No residual energy supply, availability and price risk for the project company
- Minimised carbon footprint

## 4. Effective recovery

- Termination provisions ensuring lenders' debt coverage
- International Arbitration as main dispute resolution mechanism

## 4. EIB's added value

### Financial contribution

- Large amounts provided
- Long maturities
- Combined sovereign and private sector financial support

### Financial facilitation

- Ability to crowd-in commercial lenders
- Blending: leverage EU grants and subsidies
- Improved Environmental, Social and Governance (ESG) and procurement standards

### Advice

- Signaling effect and positive impact on the investment's technical and economic quality



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