

# **4th International Conference & Exhibition for Environmental Technology, Management & Funding**

**“The Gateway to Profitable Environmental Compliance”**

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## **Financing Environmental Compliance – The EIB-perspective -**

Financing environmental projects is a core area of the Bank's activities, not only in Egypt and the Mediterranean area, but also within Europe and other regions around the world. The EIB is fully committed to playing its part in achieving a sustainable provision of environmental services and in supporting environmental protection projects. This will require a joint effort of all stakeholders. In particular we see collaboration with local partners and national authorities, the European Commission and other International Financial Institutions as essential to develop environmental projects that are both sustainable and affordable.

The Bank's core activity is to finance sound investments under favourable conditions. With regard to the Bank's recent activities, the approved lending for supporting Environmental Investments in Egypt amounts to some EUR 50m and in the overall Mediterranean region to some EUR 735m during 2001 and 2002. During the last 25 years lending to environmental projects has contributed about 10% to total EIB operations of EUR 21?? m in Egypt

The Bank's environmental lending activities in Egypt and other Mediterranean countries are complemented by a number of instruments and incentives made available by EIB. First, an interest subsidy from the EU-Budget to lower funding cost. Second, the availability of Technical Assistance allowing revising investment priorities and suitably preparing investments ready for implementation. Moreover, the partnership with other bi-lateral and multi-lateral aid institutions offers the opportunity to co-finance jointly developed projects. Last, but not least, the Bank's direct link to the EU-Commission and EU member countries allows requesting their participation in technical assistance schemes in a form most suitable for the project.

Of more recent nature is EIB's new Facility for Euro-Mediterranean Investment and Partnership (FEMIP) - entrusted to EIB in March 2002. The objective of FEMIP is to promote economic development and political and social stability in the Mediterranean Partner Countries (MPC). FEMIP will serve to continue EIB support for projects creating the infrastructure for economic development (transport, energy), improved quality of life (environment) and human capital (health, education). EIB will also encourage initiatives involving the transfer of public services to the private sector (e.g. outsourcing of environmental services) and public private partnership projects. With an emphasis on quality rather than quantity of investment, the EIB aims to support economically and technically viable projects that firm up the process of economic reforms in MPC. A particular feature of FEMIP is a new Technical Assistance Fund, earmarked for project identification, preparation and management as well as for supporting the economic reform and privatisation process.

Last but not least, the new EIB-office in Cairo – recently opened - will provide support for project development and implementation. FEMIP shall also strengthen the co-ordination of EIB activities with the EC-Commission and EU bilateral funding agencies. The intended result is to boost value added of European support by means of co-financing, parallel action or sharing responsibilities in identifying projects and the Mediterranean economies.

The EIB follows a holistic approach in the assessment of (environmental) projects. A multi-criteria analysis is undertaken by sector specialists for each project with regard to institutional, operational, financial, technical and environmental issues. Thereby, the Bank aims at an integrated decision-making process by all relevant national and international actors and at creating win-win situations so that all stakeholders benefit from and accept the ultimately defined project. In practice, this means in many cases to link environmental investments with Promoting sector reform to establish a well-functioning institutional framework;

- Ensuring cost recovery with tariffs at affordable levels;
- Achieving environmental goals at affordable cost (technical least-cost solution);
- Ensuring flexible project design to adapt easily to uncertainties (e.g. demand).

In other words, the concept for any environmental project has to reconcile environmental quality objectives with other constraints (e.g. operational capabilities, project management, cost recovery and affordability). Where suitable, a phased implementation of environmental investments “step-by-step” should be developed to ensure the “operational” sustainability of the ultimate environmental service.

Unfortunately, common problems of environmental sectors in many parts of the world and including the Mediterranean Region relate to i) weak institutional frameworks and governance by public entities, ii) inefficiency in the provision of environmental services, iii) low revenues leading to insufficient maintenance of the existing infrastructure, and iv) inadequate preparation of environmental projects, often recommending inappropriate solutions (e.g. in terms of cost-effectiveness or the phasing of the investment plans).

Such issues need to be resolved on a fully integrated basis by and requires an excellent co-ordination of all relevant actors. Clear commitments for specific actions by relevant authorities are necessary pre-requisites for ensuring that environmental investments do really provide a reliable environmental service to final beneficiaries on a sustainable basis. As outlined above the EIB has a number of instruments available to support the definition of appropriate solutions to specific problems.

So to conclude, the European Investment Bank, considers the support of environmental investments, in particular in Egypt and the overall Mediterranean Region an opportunity and a challenge.

An opportunity to develop innovative ways in providing appropriate environmental services and, thereby, moving important environmental investments towards sustainability;  
A challenge to Governments to create appropriate institutional frameworks and a climate for further investments in environmental infrastructure;

A challenge to international financial institutions and aid agencies to improve their effectiveness in coordinating and targeting funds for the required environmental infrastructure;  
Above all, it represents an opportunity to strengthen the European-Mediterranean Partnership in meeting common environmental objectives.