Investing in Circular Economy and Waste Management
EIB Contribution to Southeast, Middle Eastern and Central Asian Cities
Agenda

- The EIB: The EU Bank
- Challenges in the Region
- EIB and the Economic Resilience Initiative (ERI)
- Investment Needs in Waste Management and Circular Economy
- ERI: Some concrete Examples
- Key Messages
The EIB: the EU bank

- Natural financing partner for the EU institutions since 1958
- Around 90% of lending is within the EU
- Shareholders: 28 EU Member States

Investing in Europe’s growth
EIB Group financing in 2017

EUR 78.2bn

EUR 250bn
Total investment supported

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Climate finance pioneer

EUR 19bn for climate in 2017

USD 100bn 2016-2020
EIB Priorities outside the EU

Private sector development

Social and economic Infrastructure

Security of energy supply

Environmental sustainability

support the implementation of the EU external policy, promote sustainable growth and employment

Climate Action: transversal policy 28% of EIB loans outside EU
### EIB products: We help catalyse investment

<table>
<thead>
<tr>
<th>LENDING</th>
<th>BLENDING</th>
<th>ADVISING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans</td>
<td>Combining EIB finance with grants, i.e. from the EU budget:</td>
<td>Prepare, evaluate and support the implementation of projects/ investment programmes</td>
</tr>
<tr>
<td></td>
<td>- High impact finance</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Higher risk projects for innovation (e.g. Instrument for Pre-Accession – IPA / WBIF)</td>
<td>Support for public/private partnerships</td>
</tr>
<tr>
<td>But also: Guarantees</td>
<td></td>
<td>Capacity building (e.g. WBIF)</td>
</tr>
<tr>
<td>Equity participation</td>
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**Attracting FUNDING for long-term growth**
Western Balkans: Priority for the Bank

Candidate Countries

Albania
The former Yugoslav Republic of Macedonia
Montenegro
Serbia

Potential Candidate Countries

Bosnia and Herzegovina
Kosovo*

*This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo Independence Declaration.
Urgent challenges in the Region

Challenging situations...

Western Balkans
- Fiscal imbalances
- Low levels of investment
- Political instability
- Economic migration
- Transit route for refugees

...requiring urgent actions...

- to reduce the vulnerability of economies in crisis
- to implement strategic projects that stimulate growth and create jobs
- to enhance capacity to absorb and overcome shocks
- to tackle long-term challenges such as climate change

EIB’s Economic Resilience Initiative
The EIB in the Western Balkans

- Operates across Serbia, Montenegro, Bosnia and Herzegovina, Kosovo*, the former Yugoslav Republic of Macedonia, and Albania.
- Strong cooperation with public authorities, local banking sector & partner International Financial Institutions (IFIs)
- Typical EIB regional lending areas include infrastructure (Transport, Energy), SMEs, Health & Education, etc.
- Combination of EIB funding with EU grants: Instrument for Pre-Accession Assistance (IPA) & Western Balkans Investment Framework (WBIF)

<table>
<thead>
<tr>
<th>Country</th>
<th>Signatures 2011-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serbia</td>
<td>EUR 1,739m</td>
</tr>
<tr>
<td>Bosnia and Herzegovina</td>
<td>EUR 892m</td>
</tr>
<tr>
<td>FYROM</td>
<td>EUR 383m</td>
</tr>
<tr>
<td>Montenegro</td>
<td>EUR 251m</td>
</tr>
<tr>
<td>Albania</td>
<td>EUR 68m</td>
</tr>
<tr>
<td>Kosovo*</td>
<td>EUR 52m</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>EUR 3,385m</strong></td>
</tr>
</tbody>
</table>

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The EIB’s Economic Resilience Initiative, as requested by the European Council, aims to rapidly mobilise **additional financing in support of growth, vital infrastructure and social cohesion** in the Western Balkans and Southern Neighbourhood.

It consists of an **integrated package** of loans, concessional finance and innovative instruments designed to **enable financing of €15 bn of investments** needed to achieve **these long-term aims**.
EIB and the «Resilience» Initiative

Target Volumes of EIB financing in the Southern Neighborhood and Western Balkans

- Timeframe of investment: 2016-2020

- 7.5 billion already planned (of which approx. 1.5 bn to Western Balkans) 6 billion of additional EIB Lending (of which approx. 2 bn to Western Balkans)

- Catalyze totally 15 billion EIB investment (of which approx. 3.5 bn to Western Balkans)

- Aim: to ease the pressure on refugees and host communities & foster social and economic integration

- Sector focus: Water, Sanitation & Waste Management, SMEs and Microenterprises, Energy generation and transmission, Transport, and Health, Education & Human Capital
Financing needs in partner countries

ERI seeks to support an increase in economic resilience through investments in the public and private sectors that would otherwise not have been carried out to the same extent due to:

- severe constraints on countries’ capacities to borrow and to prepare and implement investment programmes on the required scale
- weaknesses and constraints in the financial sectors that prevent finance flowing to productive investments
- insufficient financial return, despite high socio-economic return (particularly in the social sectors)
- high (real and perceived) risks and difficulties that often make investors wary of high impact projects
Component 2 - More concessionality

Promoting economic resilience in the public sector via EUR 1.4 bn additional EIB lending for vital infrastructure combined with EUR 340 m of concessionality (grant resources)

<table>
<thead>
<tr>
<th>Focus</th>
<th>Types of Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Accelerate investments</strong> by ensuring availability of funding at concessional terms accompanied by relevant advisory services</td>
<td>• Projects in the pipeline cover the <strong>full range of EIB public sector lending</strong>: Water, Wastewater, Transport, Urban Development...</td>
</tr>
<tr>
<td>• Provide services and vital public and social infrastructure in underserved areas</td>
<td>• <strong>In the WB, projects focus on sectors less served by other facilities</strong> such as the WBIF (e.g. cultural heritage, waste water...)</td>
</tr>
<tr>
<td>• Provide positive <strong>social and environmental impact</strong></td>
<td>• <strong>In the SN, initially strong focus on Lebanon / Jordan</strong> – to deliver capacity in view of refugee influx</td>
</tr>
<tr>
<td>• Expected to require <strong>substantial concessionality</strong> to address fiscal constraints</td>
<td></td>
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<table>
<thead>
<tr>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Preparatory work under way</strong>: eligibility criteria, concessionality allocation framework and initial pipeline well defined. Intention to appraise / sign first flagship projects in 2017</td>
</tr>
</tbody>
</table>
Satisfying financing needs requires new instruments

**Financing challenges**

**Public Sector**
- **Fiscal** constraints
- Large investment needs in **social** sectors, with high economic but limited financial returns.
- Need for support with capacity building and swift project **implementation**

**Private Sector**

**Limited access to finance** for micro-enterprises and SMEs
- **Limited risk absorption capacity** of undercapitalized financial sectors
- Insufficient availability of **long-term financing**

**Proposed solutions**

- Concessional lending: **Blending** of EIB loans with grant funds
- **Advice** alongside financing solutions
- Take **riskier portion** of financing packages
- Lend to **riskier counterparts**
- Lend **longer** maturities
- **Capacity building**
- **Impact** financing

**Baseline:** €7.5bn

**Additional own effort (€2bn)**

**Concessional and TA-intensive (€1.4bn)**

**Higher risk private sector lending (€2.3bn)**

**Impact financing (€0.3bn)**

**Financing 2016-20**

**€13.5bn**
## Treatment and Disposal Capacity Required to achieve 50% Municipal Waste Recycling in 2026 (in thousands of tonnes) est.

<table>
<thead>
<tr>
<th>Treatment / Disposal</th>
<th>Serbia</th>
<th>Montenegro</th>
<th>Former Yugoslav</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
<th>Albania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sanitary Landfill</td>
<td>1,133</td>
<td>107</td>
<td>516</td>
<td>191</td>
<td>521</td>
<td>559</td>
</tr>
<tr>
<td>Composting / Anaerobic Digestion</td>
<td>435</td>
<td>64</td>
<td>155</td>
<td>185</td>
<td>214</td>
<td>207</td>
</tr>
<tr>
<td>Total Residual Waste Treatment / Disposal Required</td>
<td>1,450</td>
<td>214</td>
<td>516</td>
<td>615</td>
<td>713</td>
<td>689</td>
</tr>
<tr>
<td></td>
<td>3,018</td>
<td>385</td>
<td>1,187</td>
<td>991</td>
<td>1,448</td>
<td>1,455</td>
</tr>
</tbody>
</table>

**Source:** EUNOMIA, 2017
Est. CAPEX needed over 10 years to achieve 50% Municipal Waste Recycling (million €, 2016 Real Term Prices)

<table>
<thead>
<tr>
<th></th>
<th>Serbia</th>
<th>Montenegro</th>
<th>Ex Yugoslav REP. OF MACEDONIA</th>
<th>Kosovo</th>
<th>Bosnia and Herzegovina</th>
<th>Republika Srpska</th>
<th>Albania</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Collection</td>
<td>€ 312 - 760</td>
<td>€ 24 - 64</td>
<td>€ 74 - 187</td>
<td>€ 40 - 114</td>
<td>€ 97 - 246</td>
<td>€ 56 - 38</td>
<td>€ 115 - 287</td>
</tr>
<tr>
<td>Total Treatment / Disposal</td>
<td>€ 195 - 348</td>
<td>€ 23 - 43</td>
<td>€ 72 - 127</td>
<td>€ 38 - 88</td>
<td>€ 46 - 150</td>
<td>€ 36 - 64</td>
<td>€ 75 - 143</td>
</tr>
<tr>
<td>Grand Total</td>
<td>€ 506 – 1,108</td>
<td>€ 47 - 107</td>
<td>€ 145 - 313</td>
<td>€ 77 - 145</td>
<td>€ 143 - 351</td>
<td>€ 92 - 203</td>
<td>€ 190 - 430</td>
</tr>
</tbody>
</table>

Source: EUNOMIA, 2017
Pipeline: Serbia Municipal Infrastructure

**Municipal Infrastructure Framework Loan for Serbian Cities Impacted by the Refugee Crisis**

*Loan: €20 million  
ERI Grant: €10 million*

**Scope**
Investments in six municipalities particularly affected by the influx of migrants. This investment program would finance the renovation and construction of public utilities, transport, waste management, wastewater treatment and healthcare infrastructure. The investment would be accompanied by extensive TA and capacity building support for preparation and implementation.

**Resilience**
- Generating Growth
- Boosting Capacity
- Promoting Cohesion

**Impact**
This project will contribute to economic resilience by allowing Serbia to invest today in order to reduce pressure on public infrastructure. This will allow a better quality of services for local residents, reducing outward migratory pressure, and will also build capacity to reduce the impact of both the current and any future crisis.

The improved public services will benefit both local residents and refugee communities, thereby also helping to reduce tensions between these groups.

*This project is currently under development and is included exclusively for illustrative purposes*

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What ERI can do for vital infrastructure in the Western Balkans

Serbia

Partnership for Local Development

• Why ERI?

The project will fill local infrastructure gaps created by a period of underinvestment aggravated by the arrival of refugees and the 2014 floods. This meant that local budgets were diverted to emergency measures thus greatly reducing scarce investment resources (e.g. local governments in Serbia invest less than 1%, which is comparatively low, and this figure is even lower for underdeveloped areas)

• Project

EUR 22m loan focused on the revitalisation of urban infrastructure in the most deprived and poorest municipalities

• Impact

The project will create jobs and extend the life of public buildings impacted by the 2014 floods. The project also responds to the migrant crisis by helping to ensure that vulnerable transit areas can absorb shocks and do not become originators of future waves of migration

Overall positive impact on employment for host communities and refugees

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What ERI can do for vital infrastructure in the Western Balkans

Albania

Municipal Infrastructure Works on the Albanian Alps

• Why ERI?
Albania’s basic infrastructure (e.g. concerning transport, energy and the environment) has come under significant strain as a consequence following the migrant crisis. Strengthening Albania’s basic infrastructure will safeguard against future pressures should future migration flows (either as host communities or transit routes) increase or change direction

• Project
EUR 29.5m loan aimed at fostering a sustainable development of the environmental and touristic potential of the Albanian Alps

• Impact
The strategic project will lead to local business growth and development of SMEs as well as foreign direct investments. It will also improve Albania’s integration and connections to the rest of the region and Europe

Overall positive impact on employment for host communities and refugees

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Key Messages

• Major needs and investment opportunities for the region in SWM and CE (1.2 bn € - 2.6 bn €): Increase lending in private, public, PPP, etc.;
• Use waste as a resource: Circular Economy;
• Strengthen energy recovery, and tackling of climate change;
• Circular Economy entails
  • Technological and process innovation
  • Financial innovation may also be required to create the financial products that can sustain Circular Economy-related investments
• Limited countries’ capacities to borrow and to prepare and implement investment programmes on the required scale
• Constraints in the financial sectors that prevent finance flowing to sound investments
• Need for capacity building and swift project implementation
• Economic Resilience Initiative: to support an increase in economic resilience through investments in the public and private sectors
• Creation of a window of opportunities for assessing whether new financial instruments could be better tailored to Circular Economy-related investments
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