

Financial investments in the water  
sector – contribution to European  
ecological future.

UNEP FI Forum, Sofia  
October 11, 2007

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# Current state of water sector

- Surface water resources – 70% from the total water resources.
- Underground water resources – 30% from the total water resources.
- Average year water consumption is approximately 10 – 12 bln m<sup>3</sup>.

Distribution by branches:

- \* drinking water supply – 8 – 10%.
- \* irrigation – 5 – 25%.
- \* industry water supply - 20 – 30%.
- \* hydro power engineering – 15 – 35%.

# Current state of water sector

- Water supply network – 70 620 km., population residing water supplied settlements - 98,6%.
- Sewage network – 9 140 km., population residing sewage improved settlements – 46%.
- Cities with constructed sewage system – 70,2%.
- Villages with constructed sewage system – 2,1%.
- Constructed DWTP – 43.
- Constructed WWTP – 66, servicing 63 settlements, covering 35.7% out of the total population of the country.

# Advantages and shortcomings of the water sector

- Strengths:
- The water resources are sufficient for complete water supply of the settlements under good management and effective utilization.
- The major part of the water supply network is already constructed.
- Low common pollution level of the water resources.
- Increasing enforcement of the principles “the polluter pay” and “producers responsibility”.

# Advantages and shortcomings of the existing infrastructure

- Weaknesses:
- Irregular distribution of the water quantities by seasons and country territory, insufficient number of regulating annual and long standing equalizers.
- Insufficient and damping infrastructure for collecting, supplying, leading away and treatment of water. It is necessary to construct a large number of sewage systems, WWTP and decrease of losses through water supply network.
- Limited local financial investments.
- The country utilizes 49% of the water resources and ranks 12 worldwide by their despoilment – WWF report.

# Legislative frame

- National legislation:
- Water Act.
- Territory Act.
- Act for Regulation of the Water Supply and Sewage Services.
- Environment Protection Act.
- Regulations No: 2,3,4,6,7,9,10,12 of MOEW.
- OP "Environment 2007 – 2013" of MOEW.
- Programme of MOEW for Construction of WWTP over the Black Sea Coast for Settlements exceeding 2 000 e.i.
- OP "Development of Water Supply & Sewage of Rural Areas" of MAFS for settlements below 2 000 e.i.

# Legislative frame

- European Regulations:
- Directive 2000/60/EU – defines the Community's policy in the water sphere and fundamentally reform their management.
- Directive 91/271/EEC – concerns the cities WWTP. Agreed four years ( 2007 – 2010) transitional period for settlements exceeding 10 000 e.i.
- Directive 76/160/EEC – concerns coastal sea waters.
- Directive 80/68/EEC – on protection of underground waters against pollution.

# Necessary investments in WS

- Necessary investments: according to a World Bank study(2005) the renewing of the WS in Bulgaria will require at least Euro 7 bln, including:
- Rehabilitation of water supply systems and decreasing of water losses – Euro 2 832 mln.
- Construction of sewage systems – Euro 2 034 mln.
- Construction of WWTP – Euro 928 mln.
- Construction of new and completion of initiated projects – Euro 1 137 mln.



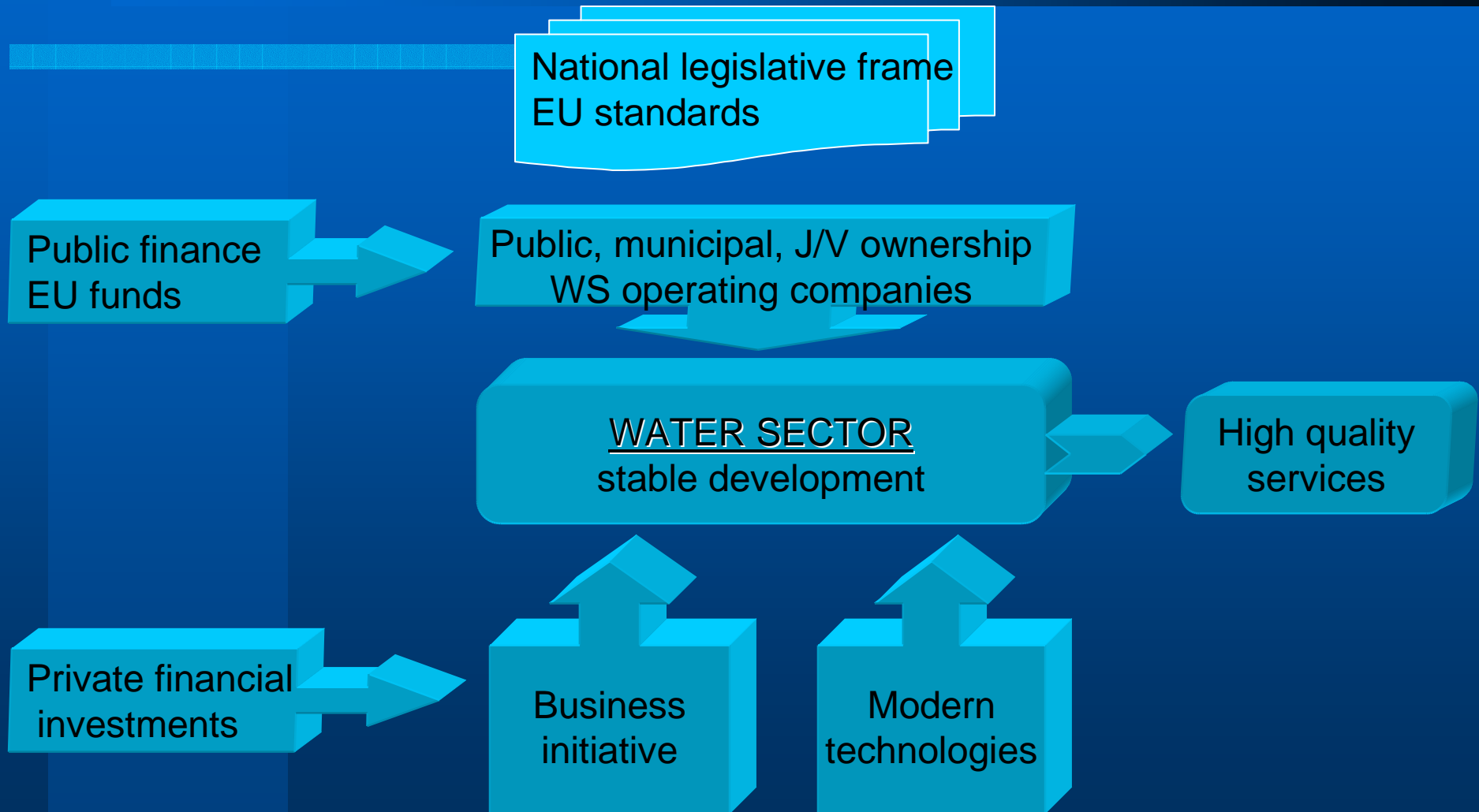
# Expected investments in WS

- By OP “Environment 2007 - 2013” of MOEW, from the funds CF and ERDF for the improvement and development of the infrastructure for drinking and waste water in settlements exceeding 2 000 e.i. – Euro 1 027,3 mln. National financing – Euro 256,8 mln.
- By OP”Development of water supply and sewage of rural areas” of MAFS for settlements below 2 000 e.i. – more than Euro 600 mln.
- By ISPA programme, till 2010 year – Euro 300 mln.
- By WB project for dams reconstruction during 2007 year – approx. Euro 90 mln.

# Private investments in WS

- Expected new law for water supply and sewage will provide stimulation of private investments in WS through the forms of public-private partnership. Expected size of attracted private investments in the next 5 – 7 years – Euro 2 bln.
- Appropriate example of such investment is the largest deal in the Bulgarian WS – Dexia Kommunalkredit Bulgaria and VIK – Varna concluded a credit contract at value Euro 15 mln. The credit is disbursed for reconstruction and enlargement of the water pipeline infrastructure in the region.

# Public Private Partnership in WS



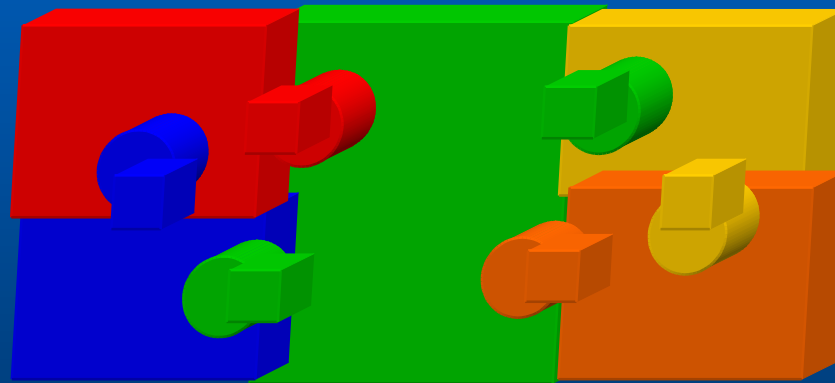
# Specific water risks in financing projects

- Political – devaluation, political interference.
- Commercial – tariff, cash flow profile, credit risk.
- Legal and contractual regulatory – law and contract enforcement, regulation.
- Water resource risks – scarcity, flooding, pollution, reallocation.
- Reputational – shareholders concerns, corruption, compliance with good practice.

# Water related risks (WrRs)

Political

Commercial



Reputational

Legal regulatory and contractual

Water resource risks

# Proposed by UNEP FI new approaches to recognising and mitigating WrRs

- Systematic assessment of the watertrails and water balances of firms.
- Including WrRs in sustainability indicators and diagnostic tools for internal use by the financial institutions.
- Rating and benchmarking companies and financial institutions according to their exposure to and management of WrRs.
- Including WrRs in banks risk assessment and testing models.
- Integrating water sustainability into all aspects of financial operations and creating incentives to apply these criteria.

# Will the Equator Principles(EP) establish in Bulgaria?

- In 2003 the world 10 ten leading banks announced the adoption of the “Equator Principles”(EP) – a set of voluntary expanded rules for ecological and social responsible investments.
- By joining the EP the financial institutions accept the obligation to provide loans only to these projects whose applicants are able to observe complex efforts for ensuring of requirements for social norms and environment protection.
- Thus, the EP turned into a new standard of the bank activities in the field of environment protection and resolving social issues at project financing.

# The Equator Principles

EPFI only provide loans to projects that conform to principles 1- 9 below:

- Review and Categorization.
- Social and Environmental Assessment.
- Applicable Social and Environmental Standards.
- Action plan and Management System.
- Consultation and Disclosure.
- Grievance mechanism.
- Independent review.
- Covenants.
- Independent Monitoring and Reporting.

Financial threshold of the projects > USD 10 mln.



# Thank you for your attention!



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October 11, 2007.  
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