



European Bank
for Reconstruction and Development

EBRD Activities in the Water Sector

Portuguese Water Partnership
Presentation, 16 September 2013

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Municipal and Environmental Infrastructure



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Section 1

Background on EBRD

The EBRD is a valuable partner with a unique offering



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Commitment

The EBRD is a strong, internationally recognised partner with a long term perspective

Support

Unparalleled presence in the region provides mitigation of political and regulatory risk with close proximity to both local country markets and foreign investor community

Engagement

Strong and demonstrable track record with governments, key operators and local companies. Thirty six regional offices and a clear focus on civil and social responsibilities

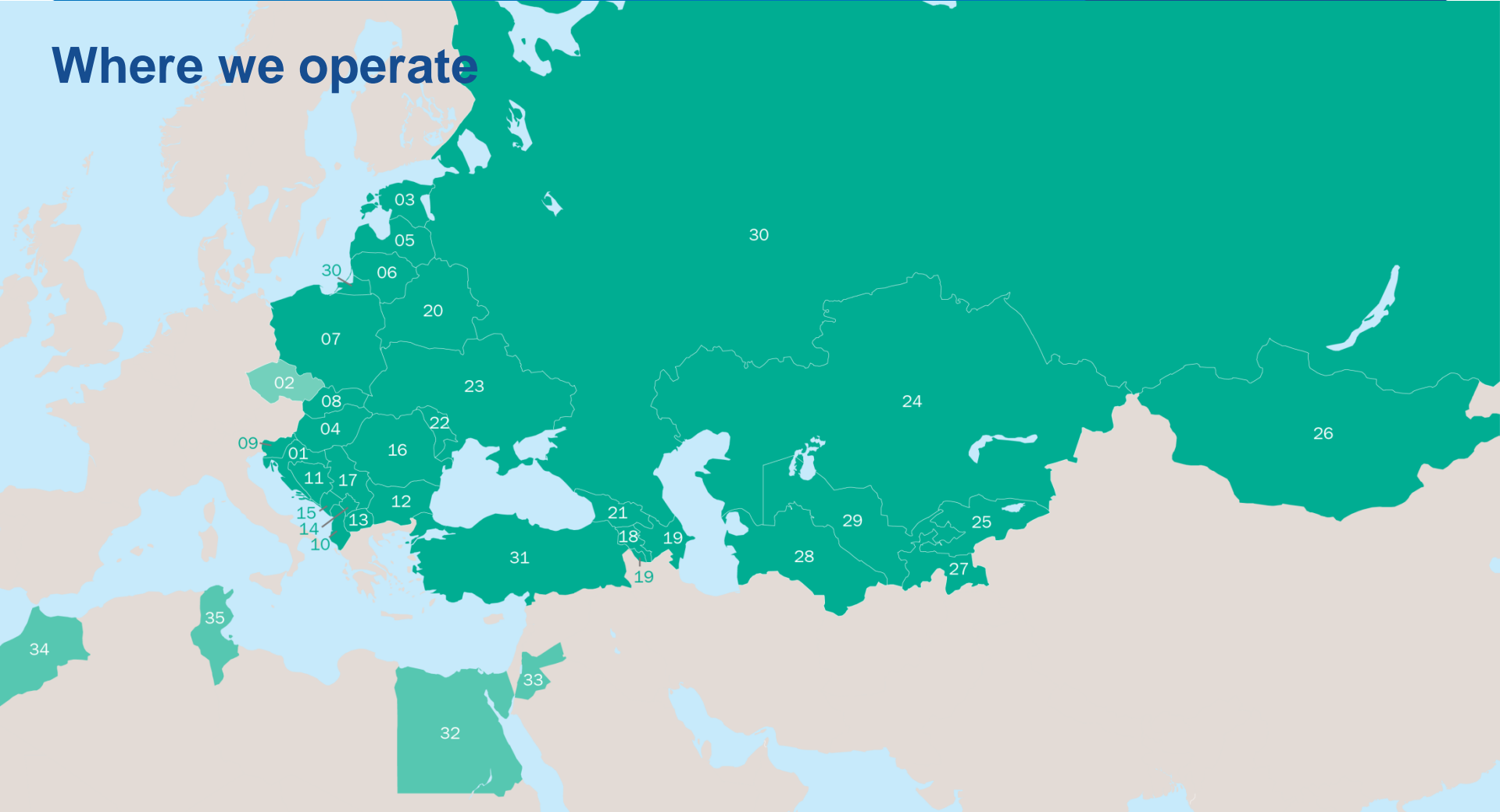
Design

Flexible deal structuring and product matching services. Strong credit awareness. Access to substantial sources of grant funding for technical assistance. Ability to lend in local currency

Awareness

EBRD responded vigorously to the impact of the crisis, financing a record number of projects between 2008-2011, taking overall investments to unprecedented levels

Where we operate



POTENTIAL RECIPIENT COUNTRIES

Southern and eastern Mediterranean

- 32 Egypt
- 33 Jordan
- 34 Morocco
- 35 Tunisia

In 2011 the EBRD launched donor-funded activities in the southern and eastern Mediterranean (SEMED) region, in support of the countries which are undergoing important political and economic reforms.

EBRD COUNTRIES OF OPERATIONS

Central Europe and the Baltic states

- 01 Croatia
- 02 Czech Republic*
- 03 Estonia
- 04 Hungary
- 05 Latvia
- 06 Lithuania
- 07 Poland
- 08 Slovak Republic
- 09 Slovenia

South-eastern Europe

- 10 Albania
- 11 Bosnia and Herzegovina
- 12 Bulgaria
- 13 FYR Macedonia
- 14 Kosovo
- 15 Montenegro
- 16 Romania
- 17 Serbia

Eastern Europe and the Caucasus

- 18 Armenia
- 19 Azerbaijan
- 20 Belarus
- 21 Georgia
- 22 Moldova
- 23 Ukraine

Central Asia

- 24 Kazakhstan
- 25 Kyrgyz Republic
- 26 Mongolia
- 27 Tajikistan
- 28 Turkmenistan
- 29 Uzbekistan

- 30 Russia
- 31 Turkey

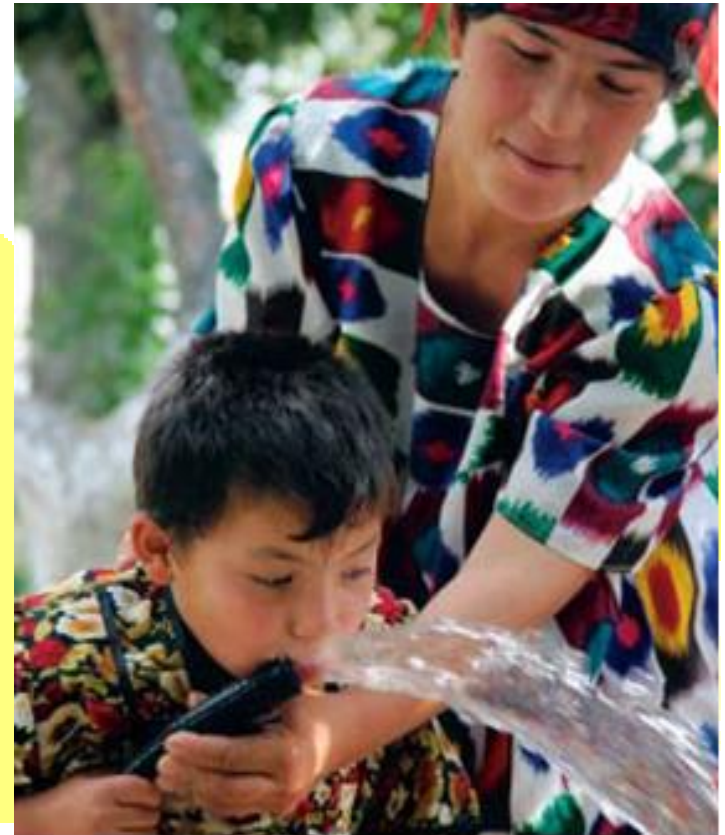
*as of the end of 2007, the EBRD no longer makes investments in the Czech Republic.

EBRD's role in the municipal sector



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- Structuring the financing of municipal infrastructure, equipment and services to improve service levels
- Promote commercialisation and corporatisation of services
- Development of regulatory structures
- Promotion of private sector involvement, where appropriate
- Environmental, social, health and safety improvement
- Facilitate donor grant and commercial loan co-financing



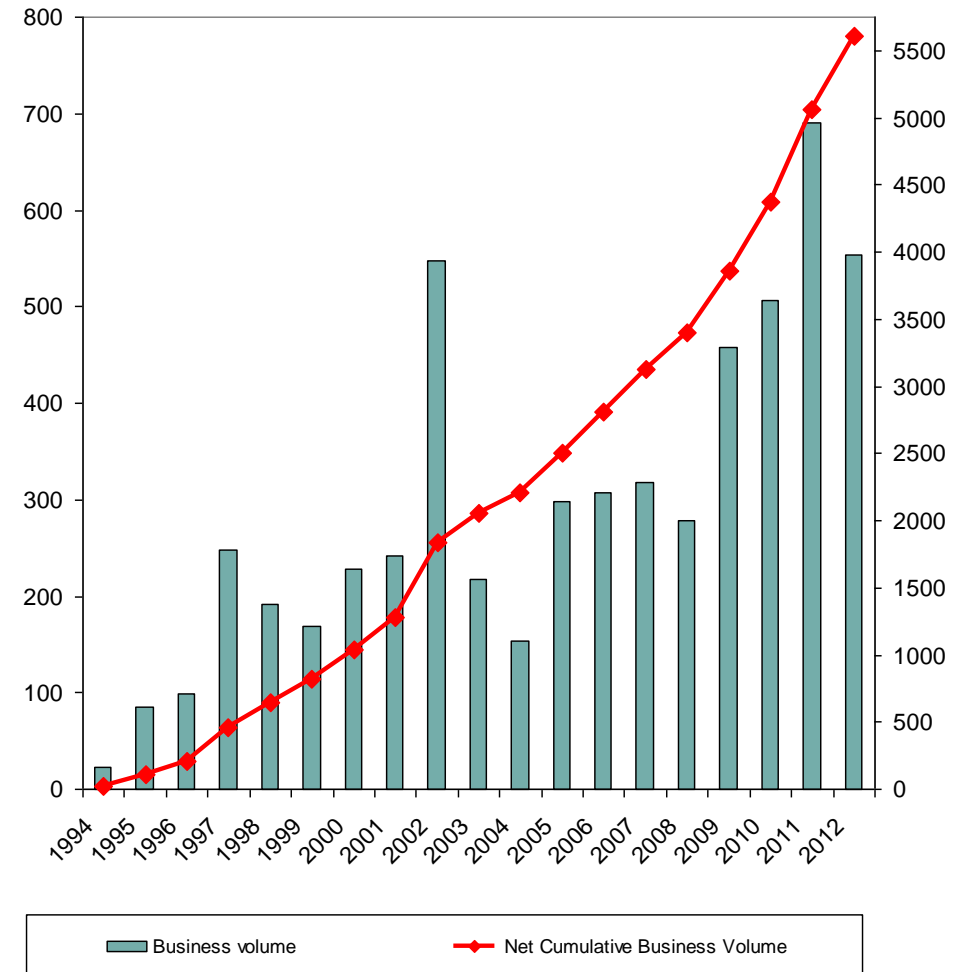
EBRD helps local authorities meet their infrastructure needs

Municipal and Environmental Infrastructure



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- Activity started in 1994
- 300 deals signed
- €5bn committed by EBRD
 - 49% municipal clients
 - 28 % private clients/PPPs
 - 23% sovereign
- Over €550m invested in 2012
- 2011 was record year with €680m invested



Matching Client Capacity:

Supporting our Clients on their Path to Excellency



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Sovereign-backed loans

Cheap but can become politicised

Municipality loans

Self-financing independence for cities
Higher cost and burden on city debt book

Utility loans supported by cities

Off-balance sheet borrowing for the city
Need to be backed by Public Service Contract + Support Agreement

Utility corporate loans or bonds

Self-financing independence for utilities
Entirely based on company creditworthiness / PSC

PPP/concessionaire loans to private companies

Private sector indebtedness

EBRD is flexible and has risk appetite-- we structure projects across the whole spectrum, e.g., from sovereign loans when legally necessary, municipal loans, public utility loans backed by municipal guarantee, operational concessions (DBOM), PPPs based on DBFO to full privatizations

- Improved infrastructure in project locations: pipes, pumps, meters reservoirs, sewers, treatment plants, landfills, buses, roads
- Institutional reform: corporate governance, public service contracts, financial and operational efficiency at the level of the utility; tariff reform/cost recovery within affordability limits
- Political development: decentralised decision-making; accountability of local officials; legal and regulatory enforcement
- Improved environmental standards and quality of life, reduced health risks: reliable uninterrupted water supply; cleaner waterways, safer and less polluting buses; controlled and safe waste disposal
- Demonstration effect: One success in a country/market generates desire to replicate and extend (e.g. Georgia, Tajikistan)

Water & Wastewater – improved quality of service and environmental compliance

Urban Transport – improved public transport services (buses, LRT, metro, ferries, etc.) and more efficient and safe network design

Solid Waste Management – improved efficiency and frequency of collection; adequate disposal; prevention of groundwater contamination

District Heating – renewal of obsolete heating and distribution systems and significant efficiency gains





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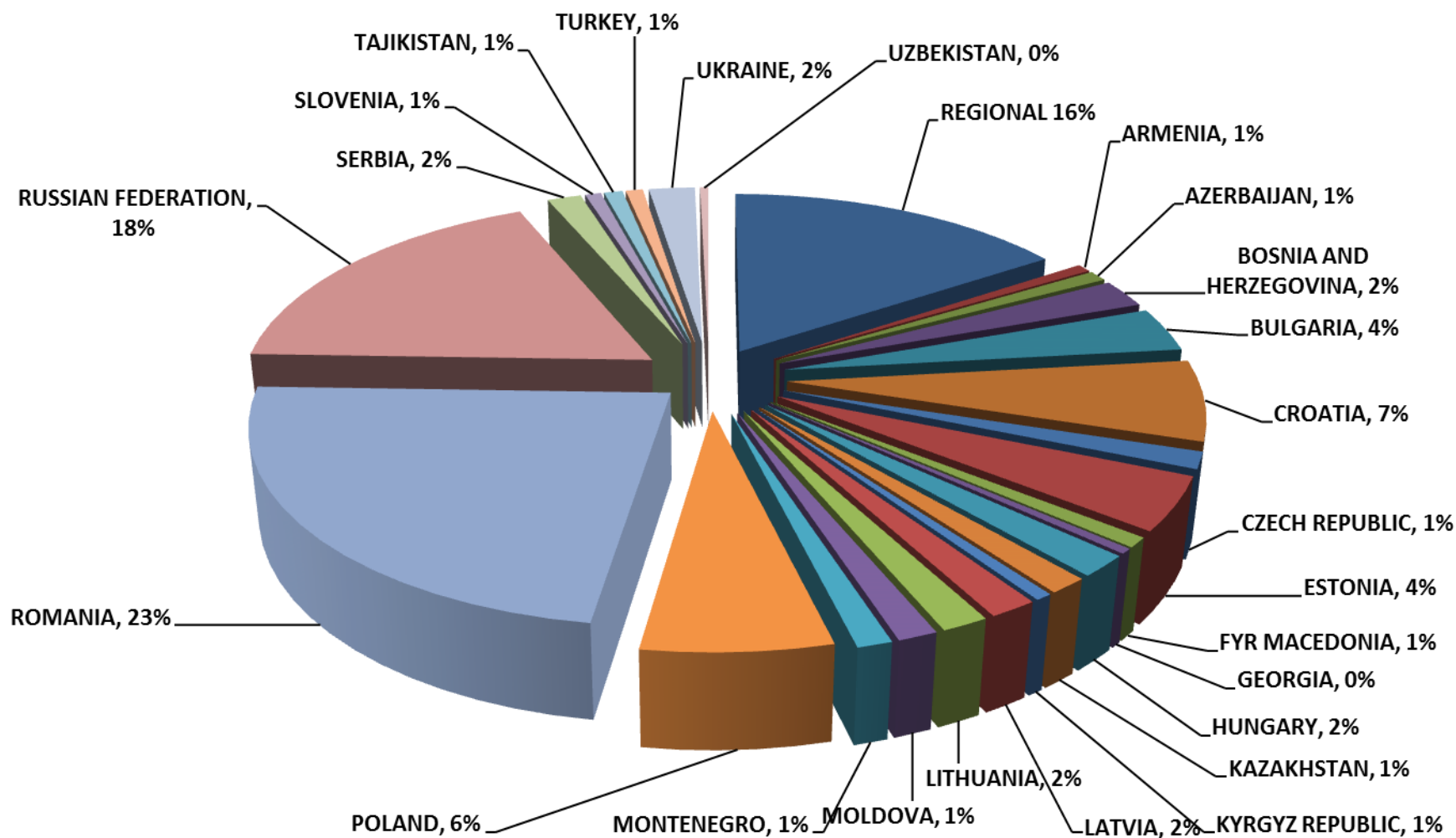
Section 2

Financing water projects

Water projects in 25 countries...



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Key themes in structuring projects



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Ensuring right incentives to use water more efficiently

- Introduction of cost recovery principles and developing appropriate tariff methodologies to cover costs
- Metering to enable water companies to monitor consumption
- Improving collections
- Introducing stakeholder programmes
- Active policy dialogue to promote legal and regulatory frameworks to promote local autonomy and long term sustainability

Improving efficiency and service levels

- Financial and Operating Performance Improvement Programmes
- Introduction of monitoring and targeting programmes
- Benchmarking

Selected Water and Wastewater Projects



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BULGARIA

EUR 31,000,000

A syndicated loan for Sofia Water Concession

Water and Sewage

December 2000



POLAND

PLN 45,324,000

*First Series of Revenue Bonds
Arranger: Citibank Handlowy
Bank Pekao S.A.*

November 2005



CROATIA

EUR 66,200,000

Construction of a wastewater treatment plant

Water and Sewage

December 2001



ESTONIA

EUR 80,000,000

*55,500,000 Euros
6,000,000 Ordinary A-Shares
Joint Global Coordinators: CAIB,
Lohmus Haavels, Visemann,
Hansapank*

November 2002



UKRAINE

EUR 20,000,000

*Loan to Vodokanal of
Dnipropetrovsk for the
rehabilitation of water treatment
facilities and water distribution
networks*

June 2005



RUSSIAN FEDERATION

EUR 33,726,000

*Completion of the South-West
Waste Water Treatment Plant of
St Petersburg to reduce the
discharge of waste water in the
Gulf of Finland*

March 2003



Some recent project examples



BULGARIA

EUR 7,931,097

Loan to Plovdiv Water Company to implement key investments in the water and wastewater sector

Dec 2007



TURKEY

EUR 20,000,000

Loan to Mersin Municipality to finance the Greenfield Mezitli WW Treatment Plant

Jun 2012



ROMANIA

EUR 12,844,329

Loan to Galati City water operator to rehabilitate and extend the water and wastewater infrastructure

Nov 2012



Key points:

- Water scarcity is an issue including depletion of resources and climate change resilience
- Large environmental and social challenges
- Companies mainly Government owned
- Companies with diverse levels of knowledge and development stage
- Shortage of capacity for investment delivery
- Extensive availability of Grant Funding
- Operations not financially sustainable
- Commercial loans usually expensive

The importance of Consultancy Services and Technical Cooperation



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Assist the Bank's client with:

- Project Preparation:
 - e.g. feasibility studies, due diligence, design, environmental and social impact assessments
- Project Implementation:
 - capacity building, institutional development, **e.g. financial and operational improvements, corporate development, project implementation units** – role of a partner
- Project Supervision:
 - Independent Engineer – very clearly defined contractual role
 - Lender's Monitor

Types of TC required for MEI investments



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- **Pre-signing (preparation)**
 - IFRS Auditing
 - Feasibility Study
 - Technical; Financial; Environmental Due Diligence
- **Post-signing (implementation)**
 - Creditworthiness Enhancement
 - Financial and Operational Performance Improvement
 - Project Implementation Support
 - Corporate Development

Feasibility Studies/Due Diligence

The Consultant will be a firm or consortium of firms with **extensive experience** in technical, financial, environmental and institutional due diligence of <sector> projects and of working on similar assignments in **the region** and in **working with IFIs**

Project Implementation Support

The Consultant shall be **responsible for mobilisation** of qualified engineers, technicians and other professional staff with the **proven experience** in the administrative management, procurement, design and supervision of similar construction works and acquiring the equipment for the projects in **comparable climatic and geological conditions**. All experts shall have a **minimum of 5 years experience** of the activity, which they are proposed for in a similar position. They should have a good **knowledge of procedures and rules of procurement** of international financial institutions, such as the World Bank, ADB or EBRD, and of **local legislation**.

Procurement Opportunities in the MEI Sector



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- Significant opportunities in the sector
- Public sector opportunities – www.ebrd.com
- While EBRD closely monitors procurement, decisions are made by the client

The screenshot displays the EBRD Procurement Notices page. At the top, there is a navigation bar with links for Alerts, Contact, News Feeds, and language options (English, Russian, French, Deutsch). A search bar labeled 'Search EBRD' with a 'GO' button is also present. Below the navigation bar, there are tabs for HOME, ABOUT US, NEWS AND EVENTS, WORKING WITH US, and RESEARCH AND PUBLICATIONS. On the right, there are buttons for PROJECTS, COUNTRIES, and SECTORS.

The main content area is titled 'PROCUREMENT NOTICES'. It includes a search bar labeled 'Search by project ID or title keywords'. Below this, there are three search filters:

- Search by country:** A list of countries with checkboxes. 'Any Country' is selected. Other countries listed include Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, and Croatia.
- Search by sector:** A list of sectors with checkboxes. 'Municipal and environmental infrastructure' is selected. Other sectors listed include Financial institutions, Information and Communication Technologies, Lending to banks, Non-bank financial institutions, Nuclear safety, Power and energy, and Transport.
- Search by contract type:** A list of contract types with checkboxes. 'Any Contract Type' is selected. Other types listed include Consultancy Services, Corporate goods works and services, and Project goods, works and services.

A green 'SEARCH' button is located below the filters.

Below the search filters, it says 'Results 1 to 25 of 35.' and displays a table with the following data:

Issue Date ?	Deadline	Country	Notice title	Sector	Notice type
11 Mar 2013	02 Apr 2013	Regional	Consultancy services in support of SEMED SEFF - Phase I - Morocco and Jordan - PROJECT CONSULTANT		Invitations for expressions of interest (CSU)
08 Mar 2013	03 Apr 2013	Romania	Romania: Energy Efficiency in the Residential Sector - Project Preparation Consultant	Energy Efficiency	Invitations for expressions of interest (CSU)

Contacts



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