

European Bank for Reconstruction and Development's areas of intervention in the water sector

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- Introduction to EBRD
- EBRD and the Municipal and Environmental Infrastructure Sector, focusing on Water and Sanitation
- Case studies
- Summary



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Introduction to EBRD

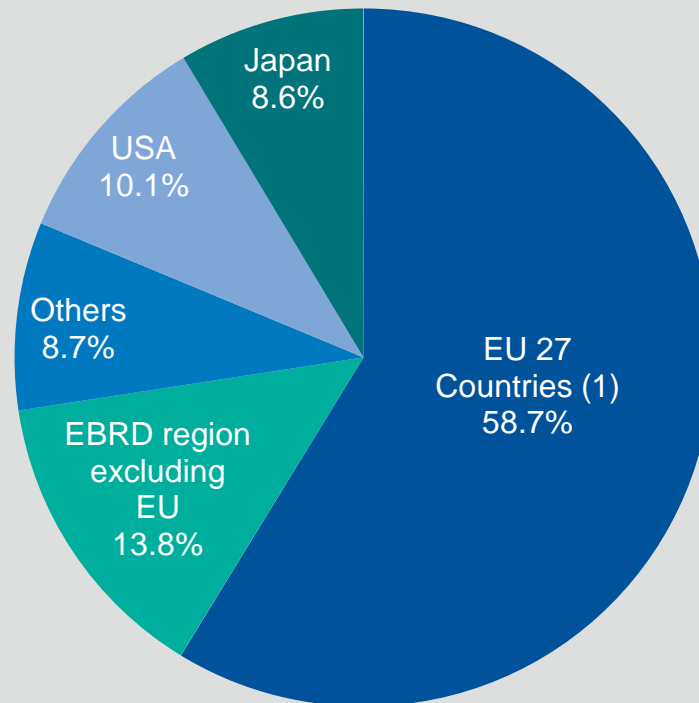
What is the EBRD?

Shareholding structure : EBRD has a AAA rating from all three main rating agencies (S&P, Moody's and Fitch)

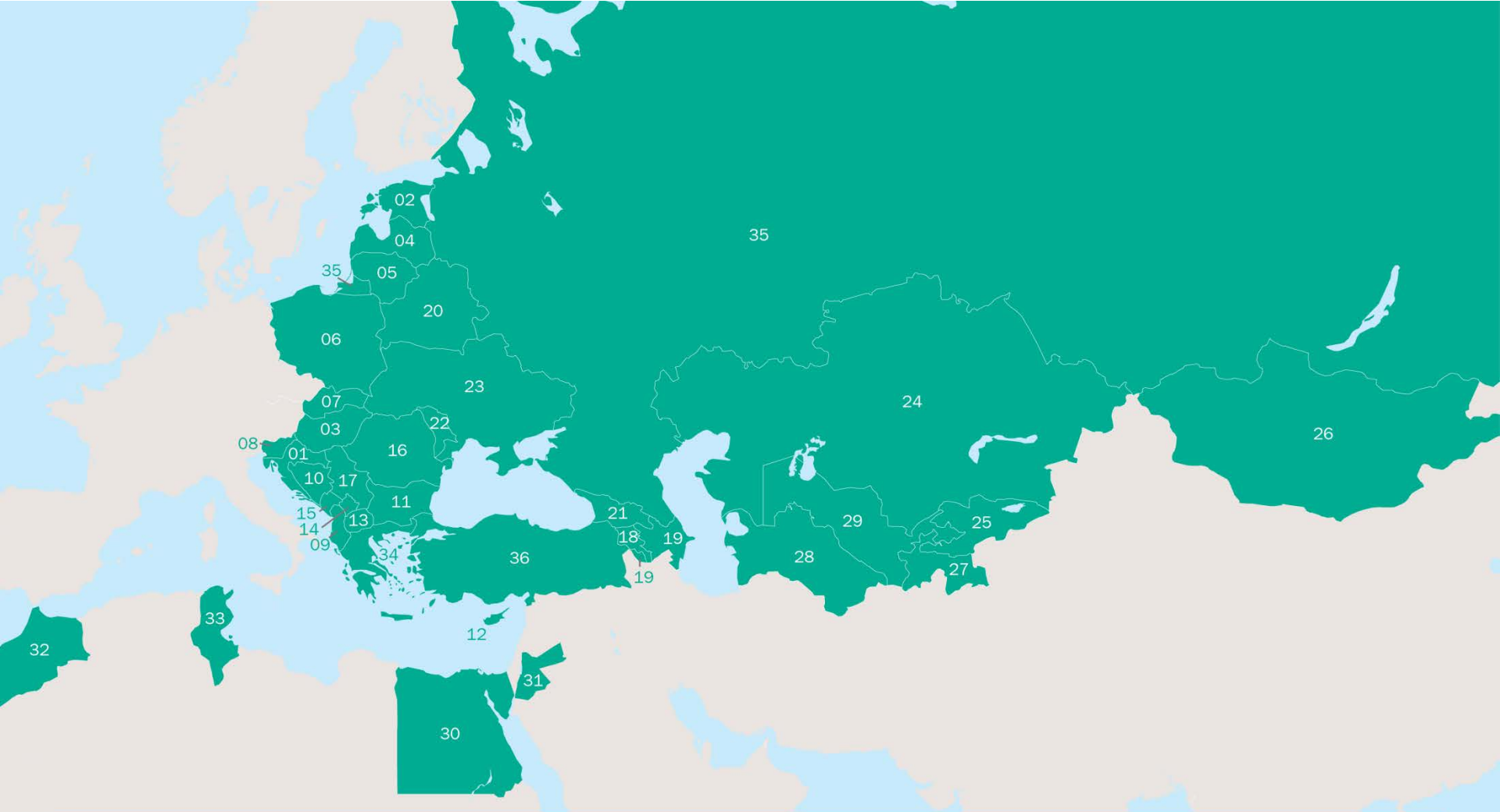
- An international financial institution, promotes transition to market economies in more than 30 countries from central Europe to central Asia and the Southern and Eastern Mediterranean – SEMED region.
- Owned by 65 countries and 2 inter-governmental institutions (EU, EIB).



- Capital base of €30 billion.



(1) Includes European Community and European Investment Bank (EIB) each at 3%. Among other EU countries: France, Germany, Italy, and the UK each holds 8.6%



WHERE WE INVEST

Central Europe and the Baltic states

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

South-eastern Europe

- 09 Albania
- 10 Bosnia and Herzegovina
- 11 Bulgaria
- 12 Cyprus
- 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

Southern and eastern Mediterranean

- 30 Egypt
- 31 Jordan
- 32 Morocco
- 33 Tunisia

34 Greece

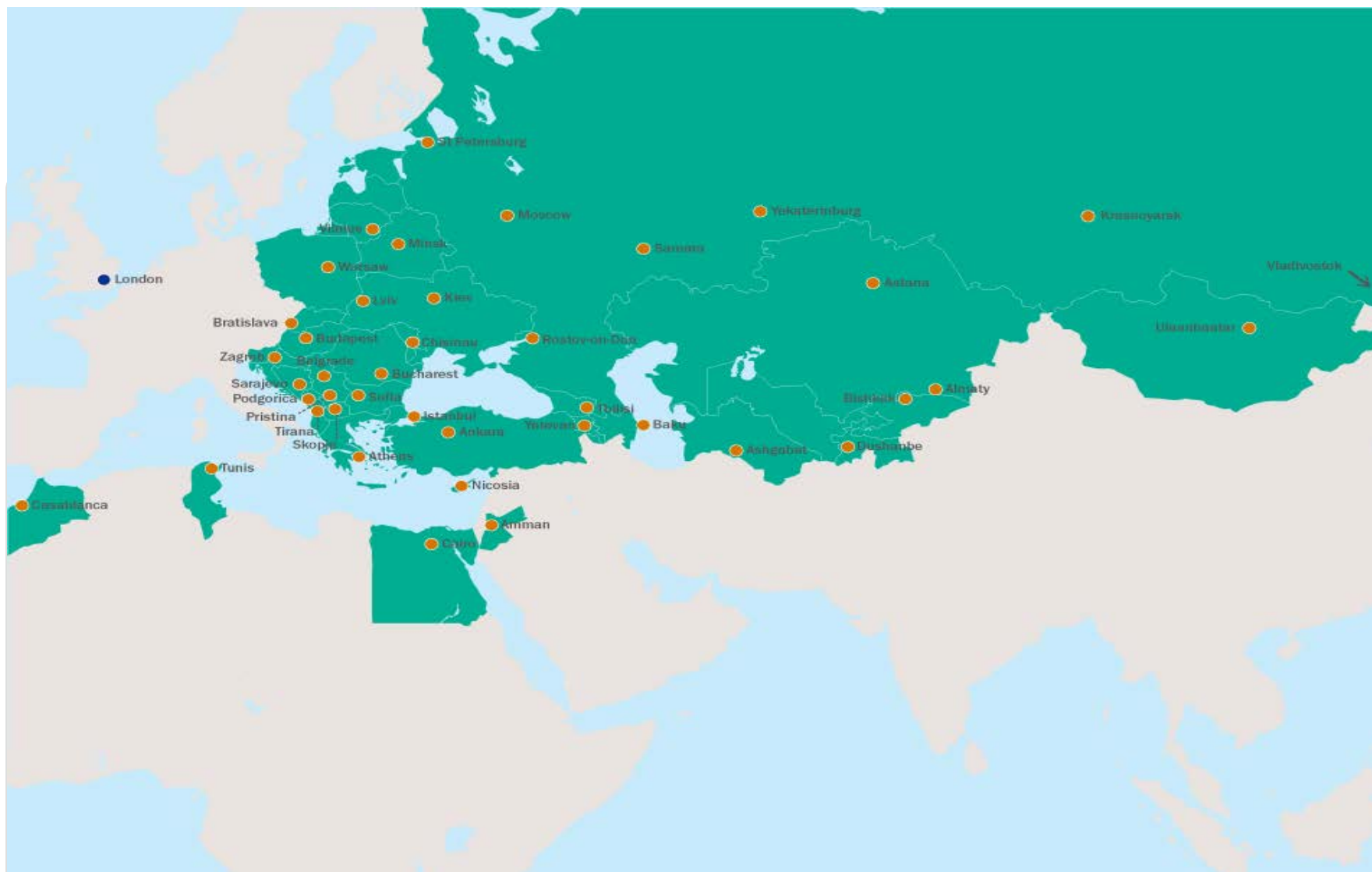
35 Russia

36 Turkey

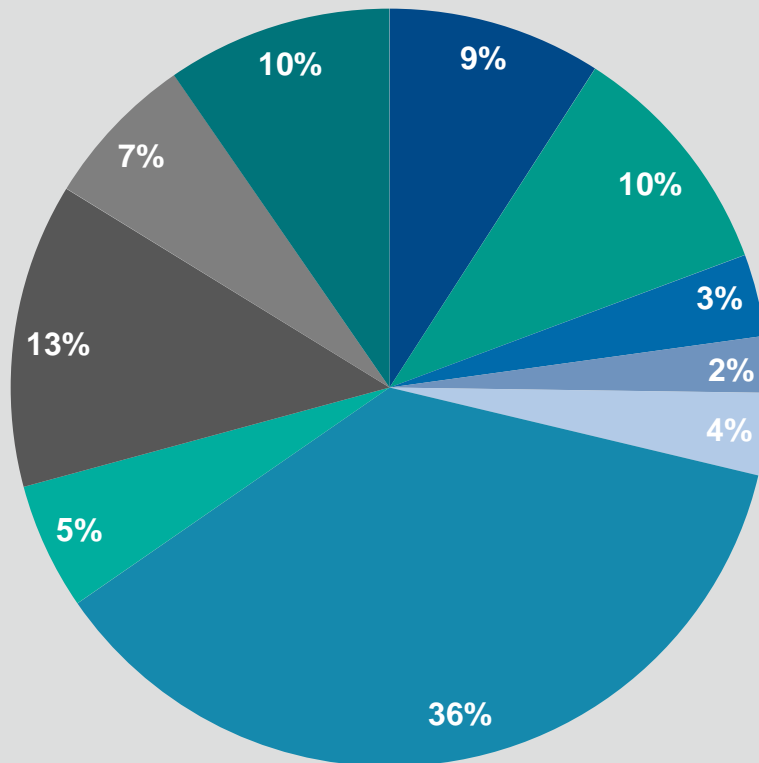
EBRD's Resident Offices



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EBRD finances a diverse range of enterprises



- Agribusiness - 9.1%
- Manufacturing and Services - 10.2%
- Information & Communication Technologies - 3.5%
- Property and Tourism - 2.4%
- Equity Funds - 3.5%
- Financial Institutions - 36.6%
- Municipal & Env Inf - 5.4%
- Transport - 13%
- Natural Resources - 6.6%
- Power & Energy - 9.6%

Net cumulative business investment €107bn

Note: as at end December 2015

Simple layouts

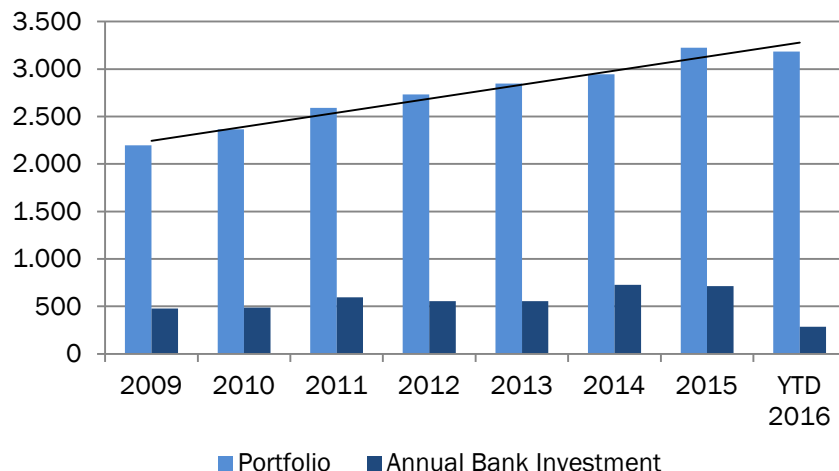
As of end September 2016, EBRD invested around EUR 6 billion in Municipal and Environmental Infrastructure sector (MEI)



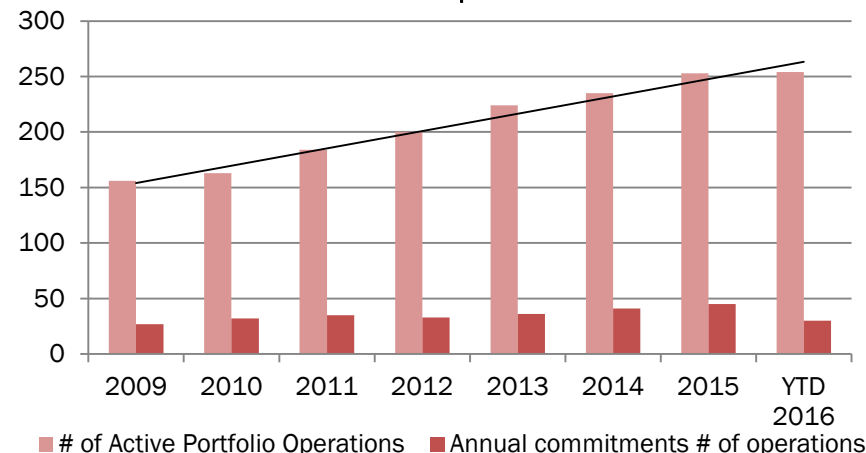
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MEI ACTIVE PORTFOLIO ¹⁾ AND ANNUAL COMMITMENTS (SEPTEMBER 2016)

Portfolio growth and annual commitments
EUR million



Portfolio growth and annual commitments
Number of Operations



PORTFOLIO (SEPTEMBER 2016)

Portfolio	EUR 3,183 m
Active portfolio projects	254
Private/PPP share of portfolio	21%
Municipal/sub-sovereign portfolio	52%
Local Currency Debt (LCY)	EUR 547 m equiv.
Net cumulative investments	EUR 6 bn

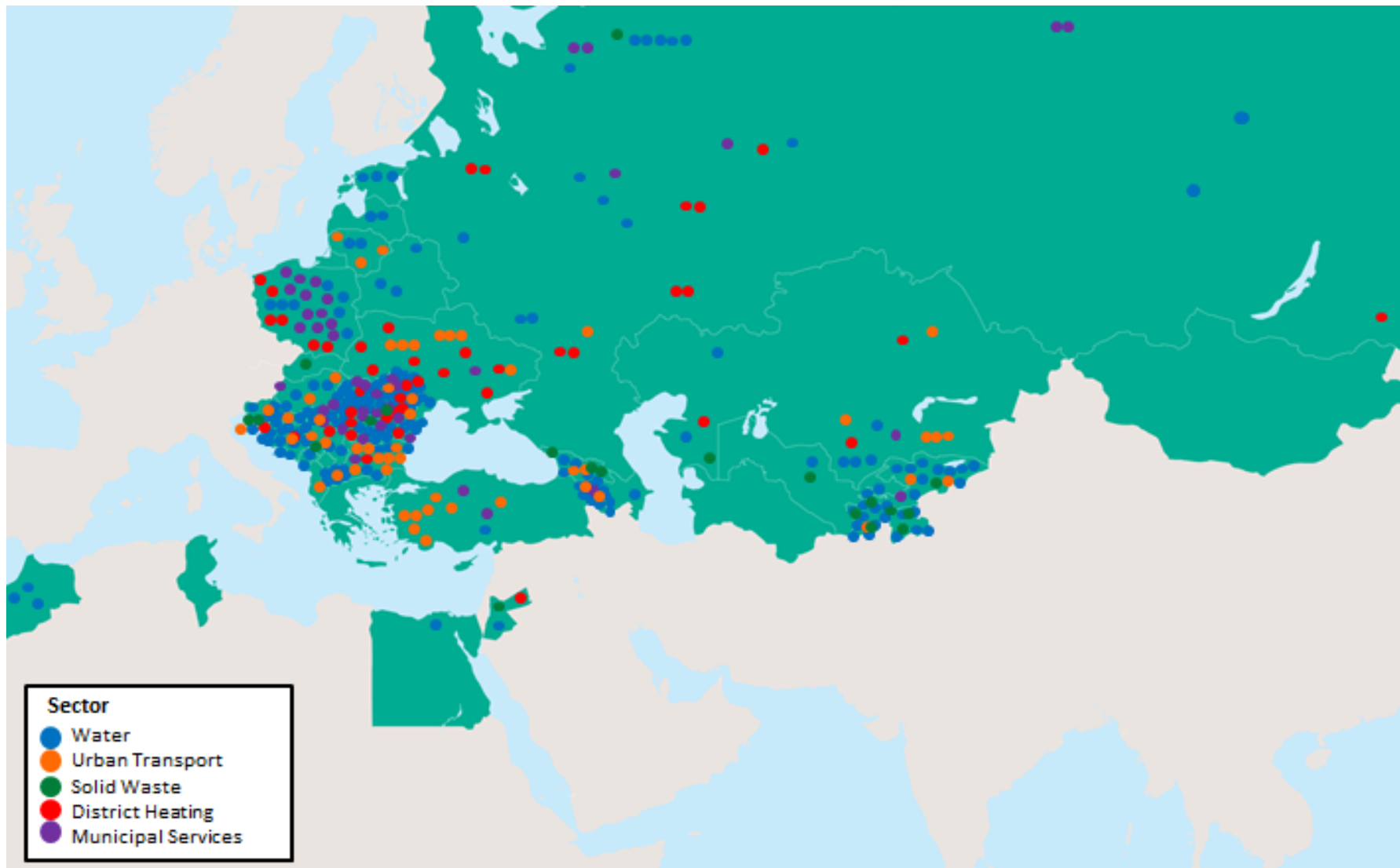
1) The total value of the Bank's outstanding commitments

2) Green Economy Transition investments

ANNUAL ACTIVITY

	SEPTEMBER 2016	YE 2015
Number of projects (2016 YTD)	30	45
Annual Bank Investment (2016 YTD)	EUR 286m	EUR 713
GET ²⁾ share of investments	75%	66%
Local Currency Debt	11	10
Local Capital Market Support	3	1

Municipal infrastructure regional footprint

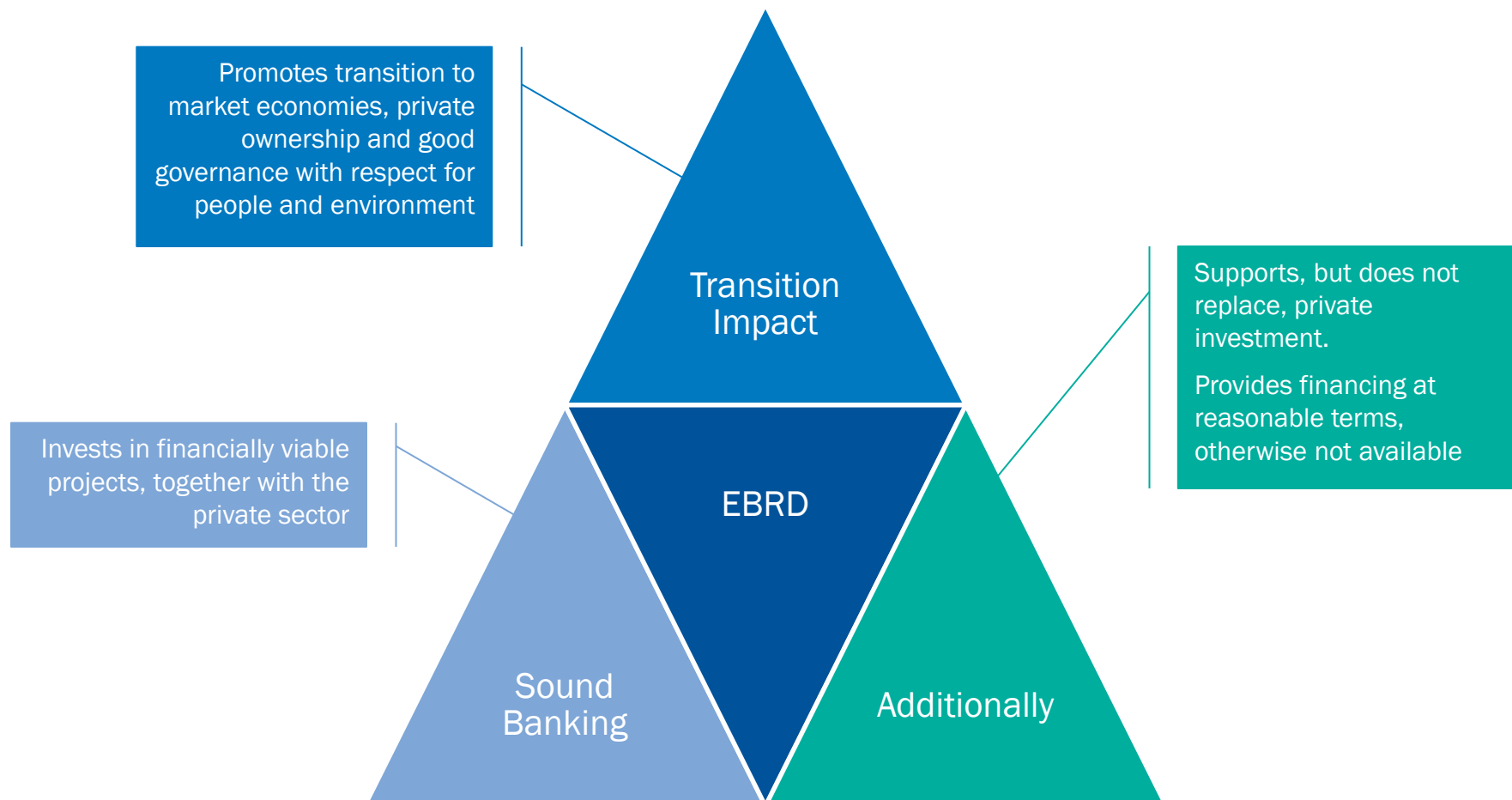




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**EBRD and the MEI Sector, focusing on Water
& Sanitation**

Three key principles of EBRD's operations



EBRD's role in the Municipal & Environmental Infrastructure Sector

Structuring the financing of municipal infrastructure, equipment and services to improve service levels

Promoting the commercialisation and corporatisation of services

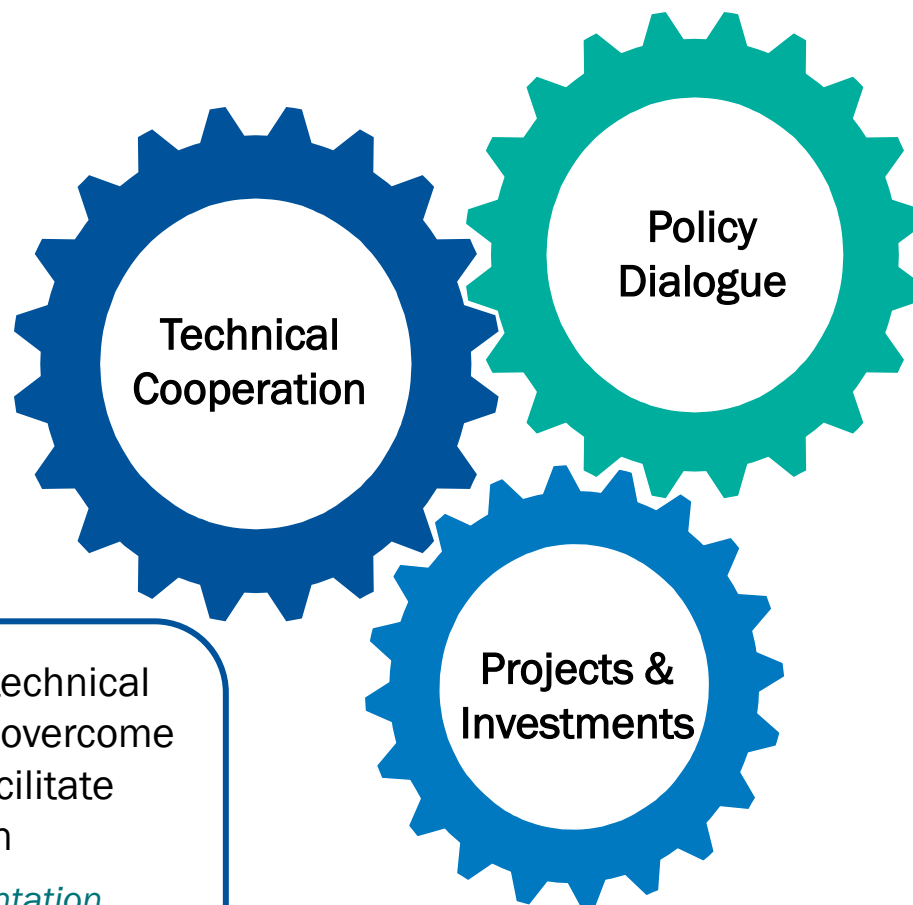
Developing sound regulatory structures

Promoting private sector involvement, where appropriate

Improving environmental, social, health and safety standards

Facilitating donor grant and commercial loan co-financing

EBRD helps local authorities meet their infrastructure needs



Donor funded technical cooperation to overcome barriers and facilitate implementation

- *Project Implementation*
- *Corporate Development*
- *Stakeholder engagement*

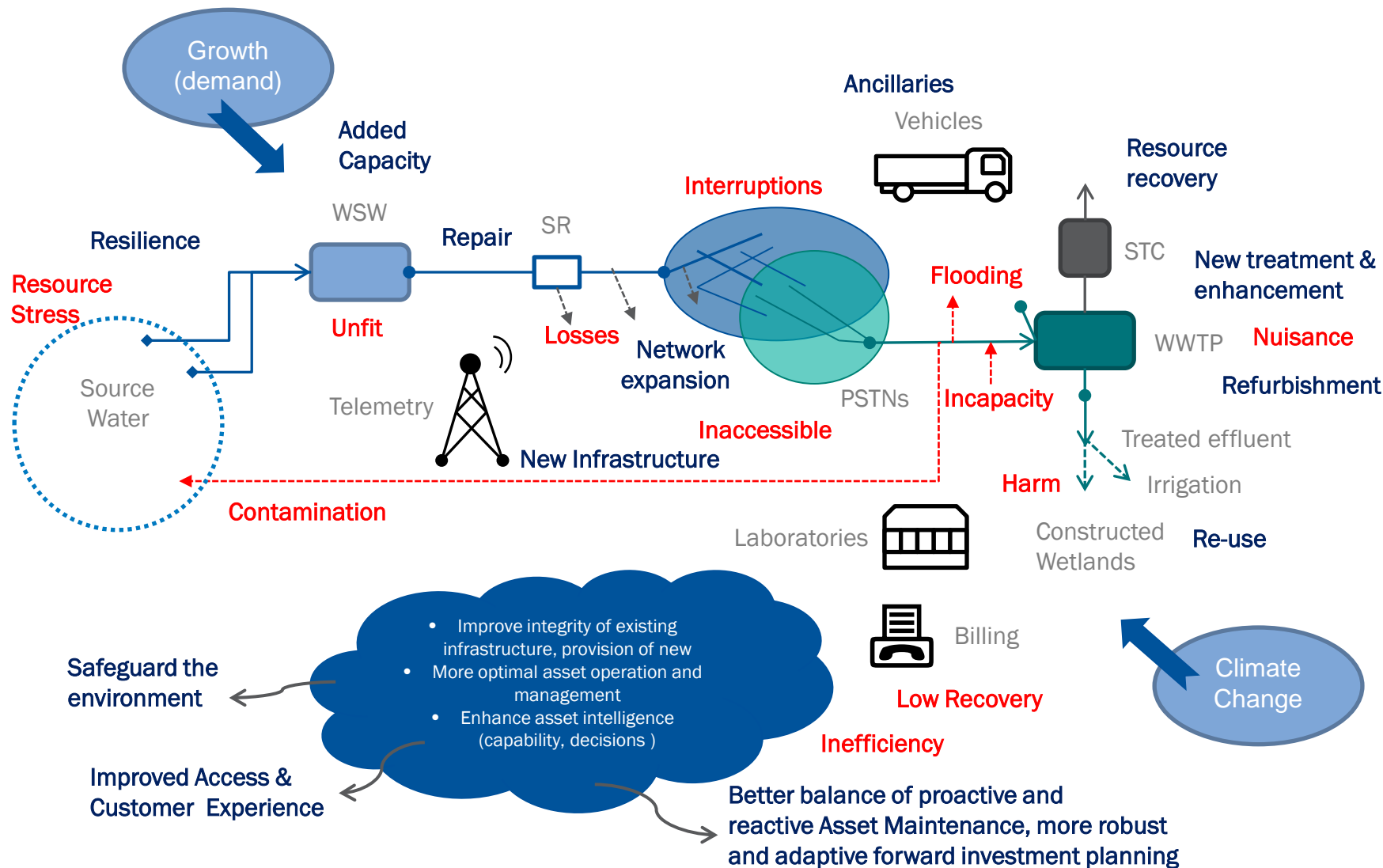
Development of strong institutional and regulatory frameworks

- *Tariff reform*
- *Negotiation (Ukraine)*
- *PPPs – Support to national units (Turkey, Egypt)*

Water and Wastewater Sector Involvement



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Case Studies

Signed in
2015



- **Client** – Zagreb Water Supply and Wastewater Company (ViO), a water supply and wastewater service company (owned by Zagreb Holding, a City of Zagreb municipal services company).
- **EBRD** – Senior loan of up to EUR 26.24 million.
- **Objectives:** to enable the company to restructure its current EBRD loan with Zagreb Holding to the newly formed Vio as part of the overall Zagreb Holding restructuring and new legal requirements.
- **Benefits** – improving the transparency of the entire arrangement enabling the loan to be serviced by the entity which operates the assets and whose construction was financed by the original EBRD loan.
- **Transition impact:**
 1. Demonstration of successful company restructuring (incl. enhanced operational and financial performance)
 2. Increased private sector participation
 3. Improved framework for markets
 4. Tariff equalisation and tariff reform - move towards elimination of cross-subsidies amongst user groups and implementation of full cost reflective tariffs

East Zarqa Wastewater project

Jordan



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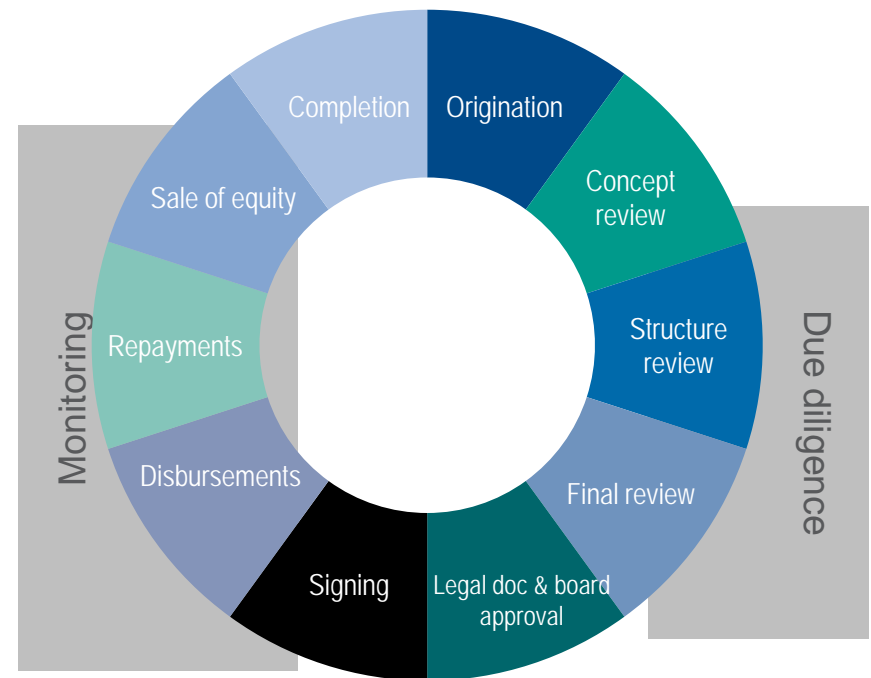
Signed in
2015



- **Client** – The Hashemite Kingdom of Jordan. Beneficiary of the loan is the Water Authority of Jordan (state-owned corporation under the jurisdiction of the Ministry of Water and Irrigation).
- **EBRD** – \$ 14 million to the Water Authority of Jordan to be co-financed by an investment grant of \$ 5.5 million from the EBRD Shareholder Special Fund.
- **Objectives:** Financing the construction and rehabilitation of the new wastewater pipeline from East-Zarqa pumping station to As-Samra WWTP.
- **Benefits:**
 - Improved water and sewerage services and reduced risk of contamination of the surrounding areas (~ 350,000 people)
 - Reduced strain on the wastewater network caused by the recent refugee influx
- **The transition objectives:**
 1. **Framework for markets and tariff reform** which is expected to facilitate higher cost recovery.
 2. **Increased private sector participation and demonstration effect** of the new processes in the water and wastewater sector through outsourcing the maintenance contract to the private sector.
 3. **Institutional building and improved contractual framework** designed to facilitate commercialisation of the water sector in Jordan by restructuring state-owned companies and authorities to increase operational efficiency and improve service levels.

Project cycle

- Provided all necessary information is available, a project from Origination to Board Approval varies depending on the complexity, length of negotiations and other factors
- EBRD financing in individual projects has ranged from less than €1 million to more than €150 million



EBRD requirements: The project

Operations to comply with both national and EU standards

Financially self-supporting project (debt repaid from cash flows with adequate cover ratios)

Objective of operational improvements supported by pre-defined investments

- Energy and other efficiencies
- Commercialisation and management overhaul

Objective of support to reform

- Demonstration effect e.g. gender inclusion, improved regulation
- Tariff and collection reform



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Conclusion

- EBRD is founded on the principles of ‘transition’, ‘sound banking’ and ‘additionality’; it finances projects and through policy dialogue that have the strongest prospect of achieving this
- We are involved in a diverse range of water and sanitation projects that deliver infrastructure and institutional improvements benefitting both society and the environment

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