

The power of blended concessional finance

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Aqaba, October 2018



European Bank
for Reconstruction and Development

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Established in 1991

Owned by **67 countries** from five continents, as well as the European Union and the European Investment Bank

Largest single investor in the region of operations (38 countries from Central Europe to Central Asia and the SEMED)

Capital base of **€30 billion**

Triple-A rating from all three main rating agencies (S&P, Moody's and Fitch)

At a glance ¹

Net cumulative Bank investment
€124.8 billion (since 1991)

Number of projects
5,139 (since 1991)

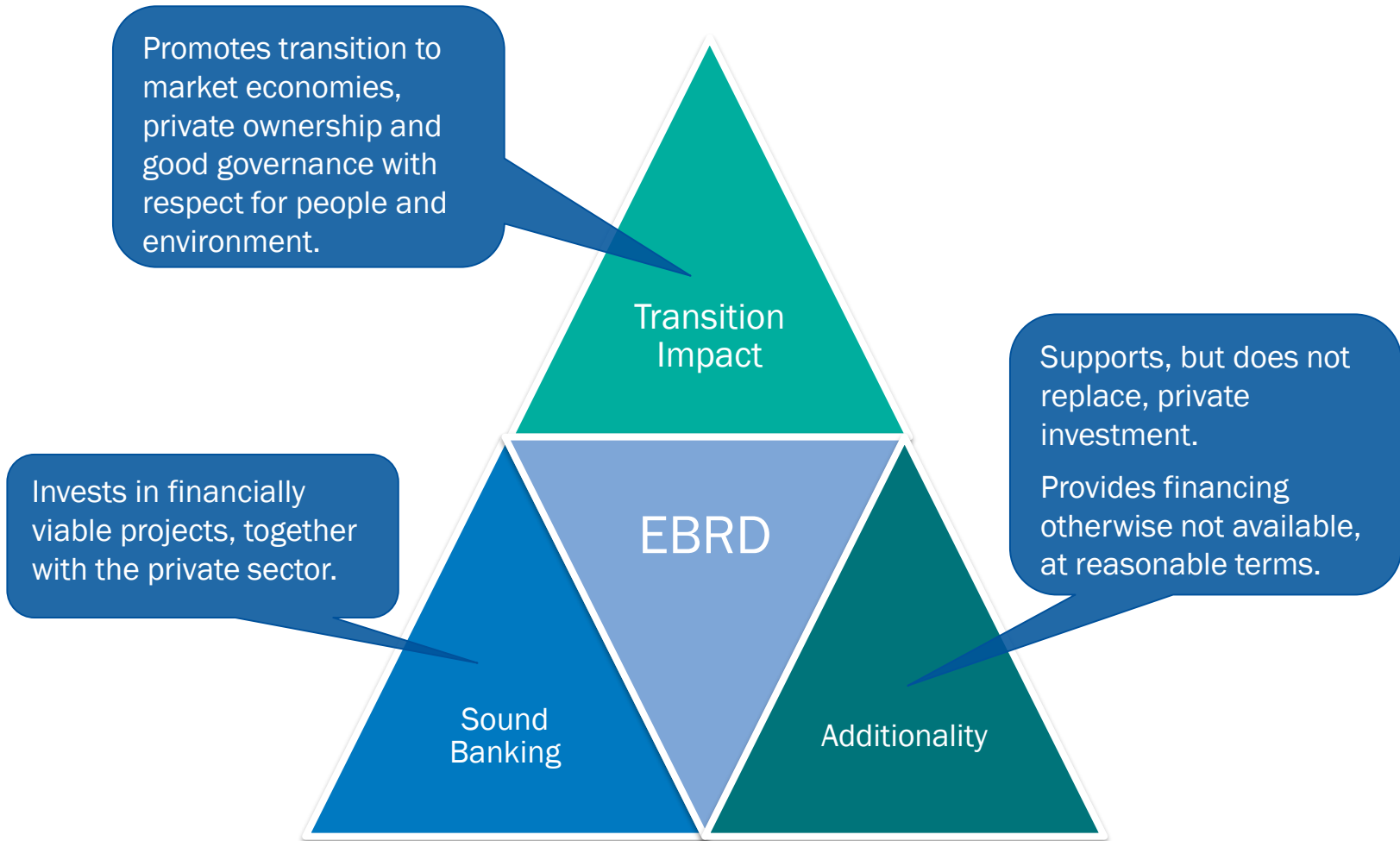
Cumulative disbursements
€95.5 billion (since 1991)

¹ Data at end June 2018

Mission and Vision: Three Key Principles



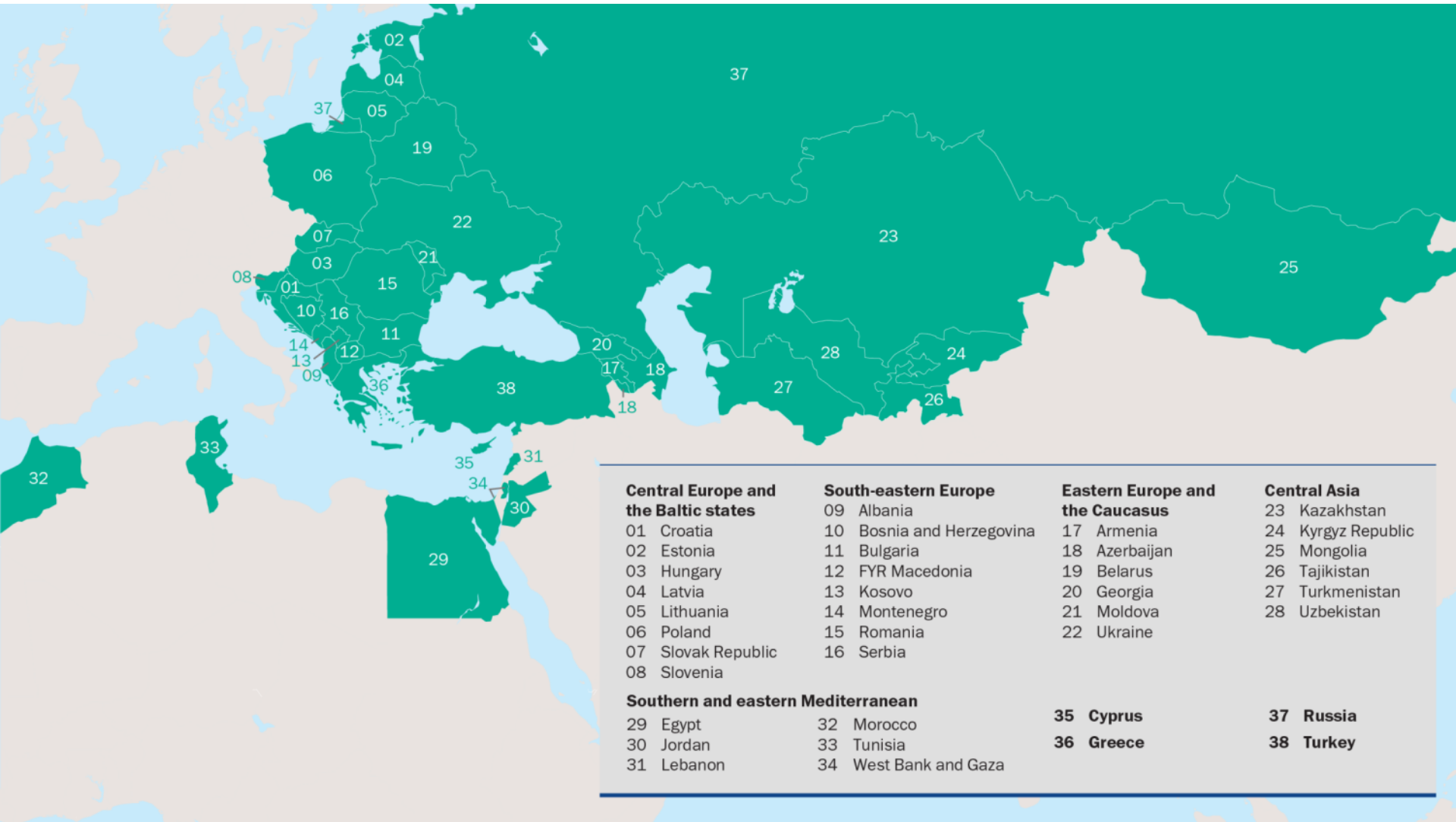
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Where the EBRD invests



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EBRD provides flexible financing solutions

TC project preparation support, including PPPs

Sovereign backed debt to SOEs

Commercial debt to SOEs
For financially viable operations saves sovereign headroom

Commercial debt to private companies
EBRD up to 35% + Syndication / Parallel lending

Debt Capital Market
EBRD up to 20%

Credit Enhancement
Blended finance
First Loss
Construction support
Revenue Support

Equity EBRD up to 25%
IPO/ Private placement
Infra Funds
Mezzanine

TC Reform-related and implementation support, including 'soft measures'

Transport Team at the EBRD

Over 30 dedicated sector coverage bankers in London HQ and EBRD resident offices

Dedicated in-team specialists to support project needs including procurement, sustainable strategies and monitoring

Debt and equity services to clients across every transport mode: roads¹, railways, maritime, aviation, logistics and postal services



¹ Urban Transport is competence of the Municipal & Environmental Infrastructure (MEI) Team

Transport at a glance¹

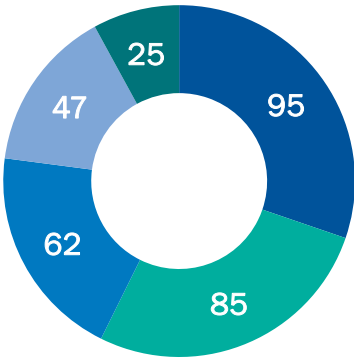


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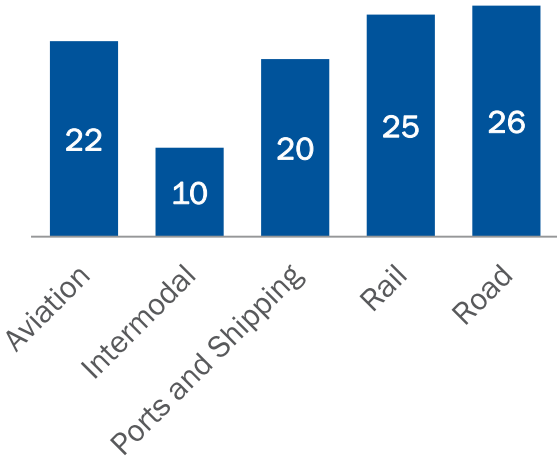
- **€15.6 billion** invested
- Total project value: **€59.1 billion**
- **314 projects**
- **36** of the EBRD's countries of operation

Number of projects per sector



- Road
- Rail
- Ports and Shipping
- Aviation
- Intermodal

Country presence per sector



¹ Data at end June 2018

EBRD Blended Concessional Financing

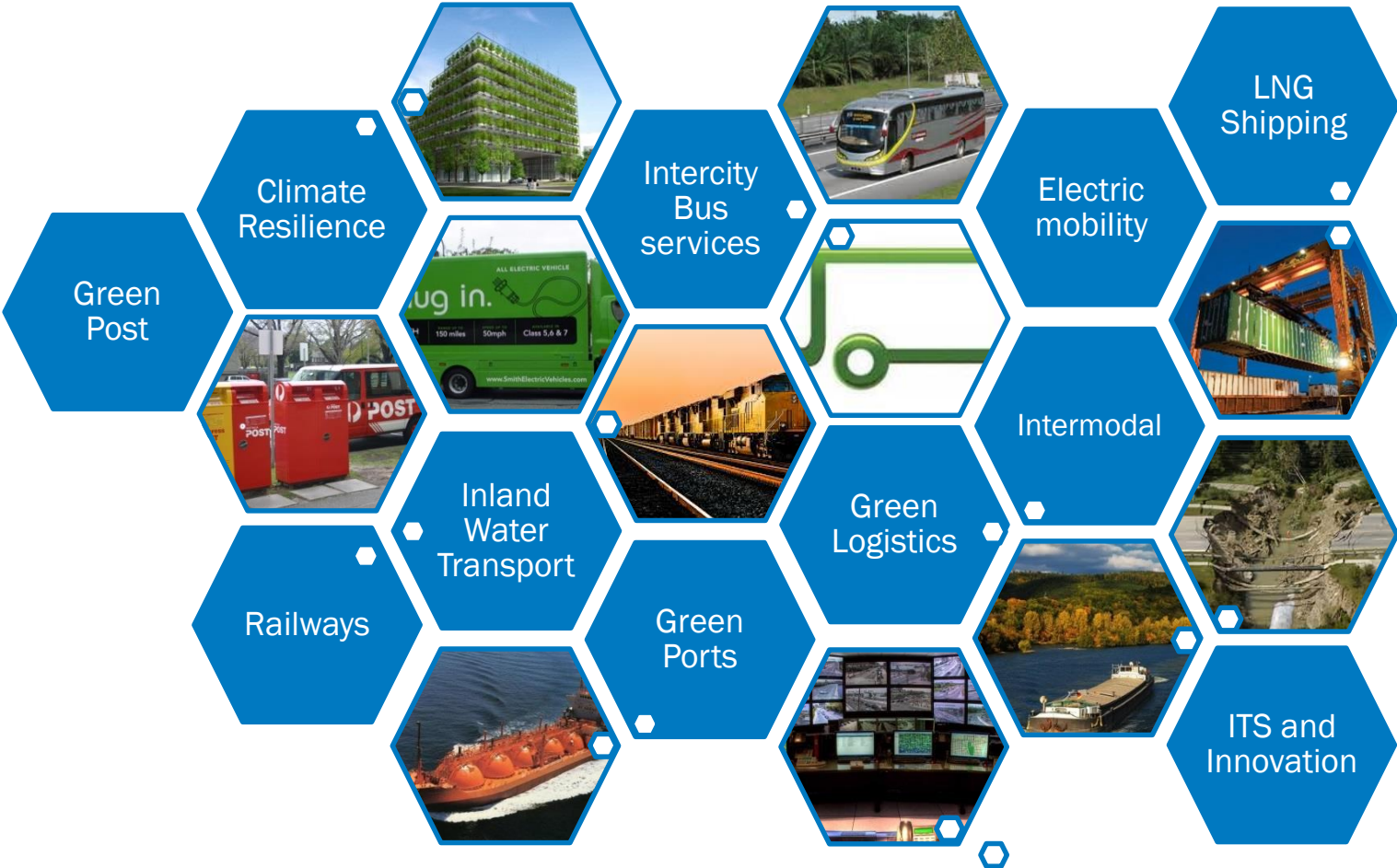
- Why?
 - Objectives
- Who?
 - Funders?
 - Implementing agencies?
 - Recipients?
 - Beneficiaries?
- What
 - Instruments: loans, grants, technical assistance
- Sustainability



Sustainable Transport



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MULTILATERAL DONORS

- **European Union (EU)**
 - Neighbourhood Investment Platform (NIP)
 - Investment Facility for Central Asia (IFCA)
 - Western Balkans Investment Framework (WBIF)
 - EBRD - European Local Energy Assistance Facility (ELENA)
- Northern Dimension Environmental Partnership Fund
- Eastern Europe Energy Efficiency and Environment Partnership (E5P) Fund
- EBRD Shareholder Special Fund
- **Climate Investment Funds (CIF)**
- **Global Environment Facility (GEF)**
- **Green Climate Fund (GCF)**
- **UNFCCC Adaptation Fund**

BILATERAL DONORS

- Austria
- Canada
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Italy
- Japan
- Luxembourg
- Netherlands
- Norway
- Slovakia
- Spain
- Sweden
- Switzerland
- United Kingdom
- United States

Sustainable Logistics and Interconnectivity Guarantee (SLIG)

PURPOSE

UN figures suggest transport accounts for 25% of all energy-related greenhouse gas emissions. Hence, this guarantee tool will help make **freight transport greener** – enabling companies to use energy more efficiently, emit less greenhouse gas, cut air pollution, make less noise and reduce the number of accidents in the industry.

Aim: to encourage companies and investors to invest more in the industry in partner countries than they have to date by offering **better access to**, and **more affordable, debt financing**, rather than having to rely solely on equity (capital).



EXAMPLES OF ELIGIBLE AREAS OF INVESTMENT

- Modernising fleets of trucks and maintaining roads
- Making ports, ships and warehouses more energy efficient
- Upgrading rail networks and trains
- Introducing advanced IT systems

FINANCING TERMS

- Up to EUR 50 million in EFSD Guarantee
- Up to EUR 5 million in Technical Assistance

ELIGIBLE SECTOR	Transport and logistics sectors
ELIGIBLE REGION	EU Neighbourhood
OFFERED INSTRUMENT	Debt
ACCESS SUPPORT	Indirectly through local banks or directly via the EBRD for project financing / corporate structures

Neighbourhood Investment Platform (NIP)

PURPOSE

To support **key investment infrastructure projects** in the transport, energy, social and environment sectors as well as to support **private sector development** (in particular SMEs) in the Neighbourhood region through providing funding in the form of grants that complement loans from European Finance Institutions.

Officially launched in May 2008.

Part of the new European Fund for Sustainable Development, which includes a parallel Guarantee Instrument.



SUBSTANTIAL FUNDING AVAILABLE

Between 2008 and the end of 2017 the European Commission has supported through the NIP 70 projects in the Neighbourhood South for an EU contribution of more than EUR 1.3 billion, which has led to approximately EUR 9.4 billion of debt and equity investments by DFIs.

ELIGIBLE REGION	Eastern Neighbourhood region Southern Neighbourhood region
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Finance and Technology Transfer Centre for Climate Change (FINTECC)

PURPOSE

To support companies in implementing **advanced climate technologies** by providing ex-post grants and **technical assistance** in the context of an EBRD investment.

EXAMPLES OF ELIGIBLE TECHNOLOGIES

- Advanced energy and truck fleet / warehouse management systems
- Energy efficient ventilation and air conditioning systems, efficient refrigeration systems, heat recovery systems and LED lighting
- Investment into technology for packaging optimization, reuse, recycling
- Route and load optimization solutions

ELIGIBLE SECTOR	Corporate sector
ELIGIBLE CLIENTS	Private, non-multinational clients

FINANCING TERMS

- Up to 25% of the cost of eligible technologies
- Up to USD 0.5 million in Early Transition Countries, EUR 0.4 million in SEMED, USD 1 million in Ukraine

FINTECC is funded by the GEF, the EBRD and the EU





Green Logistics Programme (GLP)

PURPOSE

To facilitate implementation of innovative practices and technologies in the sector.

COMPONENTS

Concessional finance: Subject to eligibility criteria (carbon savings, Best Available Technology, governance practices, etc.), the facility can cover up to 35% of the loan at LIBOR+75bps in Mediterranean and Black Sea Countries (non-EU).

Projects also benefit from donor funded **Technical Assistance** to prepare and implement green solutions.

Policy Dialogue: GLP will partner with professional institutions to transfer skills about Green Logistics in the region (certified training programmes) and develop transparent MRV methodologies.

ELIGIBLE COUNTRIES	Albania, Armenia, Azerbaijan, Belarus, Bosnia, Egypt, FYR Macedonia, Georgia, Jordan, Moldova, Montenegro, Morocco Serbia, Tunisia, Turkey, Ukraine
ELIGIBLE SUBSECTORS	Logistic terminals/centres, ITS, Road fleet modernization, Port development, Short sea shipping, Inland river transport, Rail rolling stock

Funded by EBRD and Global Environment Facility (GEF)



Green Energy Special Fund



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PURPOSE

To meet the needs of energy transition in the Bank's countries of operations, and to contribute to the reduction of the high energy intensity of the region through providing subsidised loans (not a grant facility).

INVESTMENT CRITERIA

- potential for energy savings
- cost-effectiveness
- demonstration potential
- implementation potential
- financial sustainability
- risk management
- mitigation of market distortions
- compliance with environmental standards, policy and law.

FINANCING TERMS

- Subsidised interest rates proportional to estimated output (that is, environmental benefits) and relative to a reference market rate (that is, the EBRD rate) for the project – (see GESF Pricing Methodology, below)
- Loan tenure not exceeding the expected lifetime or period of usage of the asset
- Grace period not exceeding the planned implementation period of the asset.



BENEFICIARIES	
	<ul style="list-style-type: none">• Central governments, local governments, utility companies and private companies as part of public-private partnership/private finance initiative schemes• All EBRD countries of operations• Small and medium-sized municipalities and early transition countries.



Green Logistics Programme (GLP) Meest Express

USD 8.2 million EBRD loan to finance expansion of a leading provider of cross-border postal and logistics services based on its six-year investment programme.

USD 1.8 million GLP facility to support the integration of energy efficiency and finance the expansion of automated delivery and collection point network.



FINTECC Nova Poshta

EUR 9.5 million EBRD loan to finance the construction of an automated parcel sorting terminal in the city of Khmelnytskyi in Western Ukraine.

USD 225,000 incentive grant provided through FINTECC to support the introduction of new automated sorting technology.

Financing Large Projects



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Sovereign Guarantee



Public Sector Non-Sovereign



Public Private Partnerships



Public Private Partnerships (PPPs)

- PPP - long-term contract for private sector to provide services on behalf of/for the government (public sector)
- Shared Risks
- Why PPPs?
 - On Time & On Budget
 - Risk Distribution
 - Efficiencies/Know How
 - Off Balance Sheet

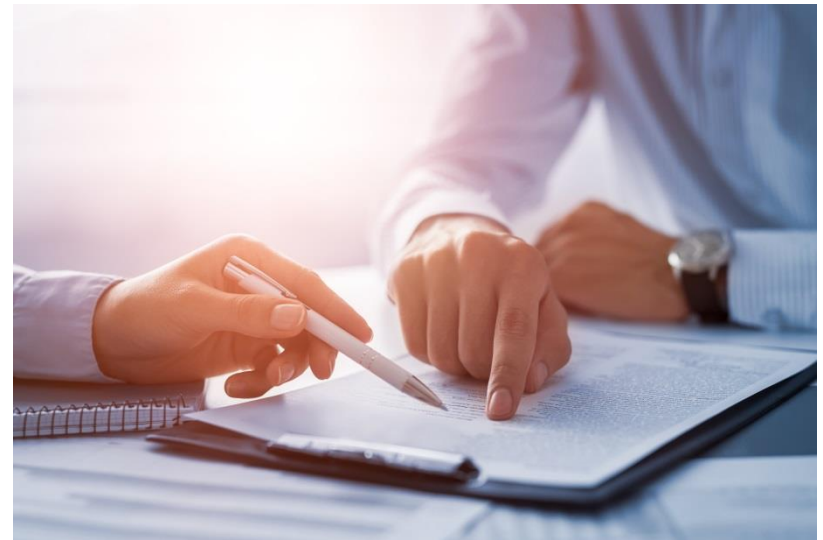


Important Elements of PPPs

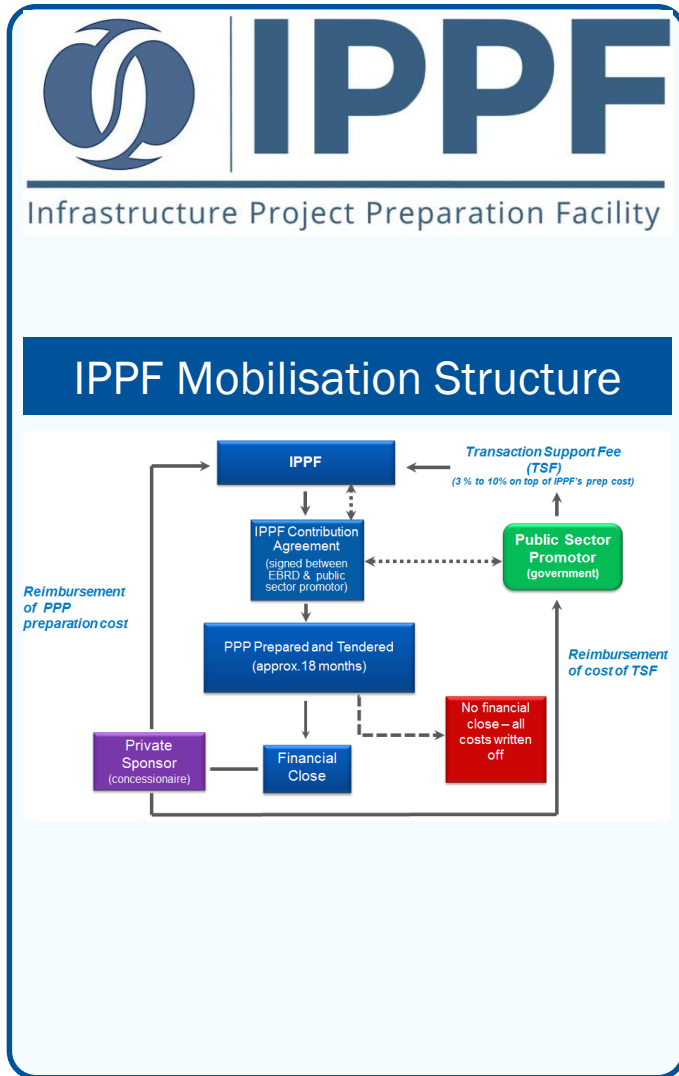


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- Government Policy on PPPs
- Legal Framework – stable, fair, predictable
 - Concession Law
 - Procurement
- PPP Unit or Agency – at central level
- Tender Process – to produce “Comparable Bids”
 - Fair & transparent competitive process
 - Realistic timetable; Consistent rules; Equal treatment of bidders
 - Draft Concession Agreement with clear risk allocation
- Experienced Advisors (international)

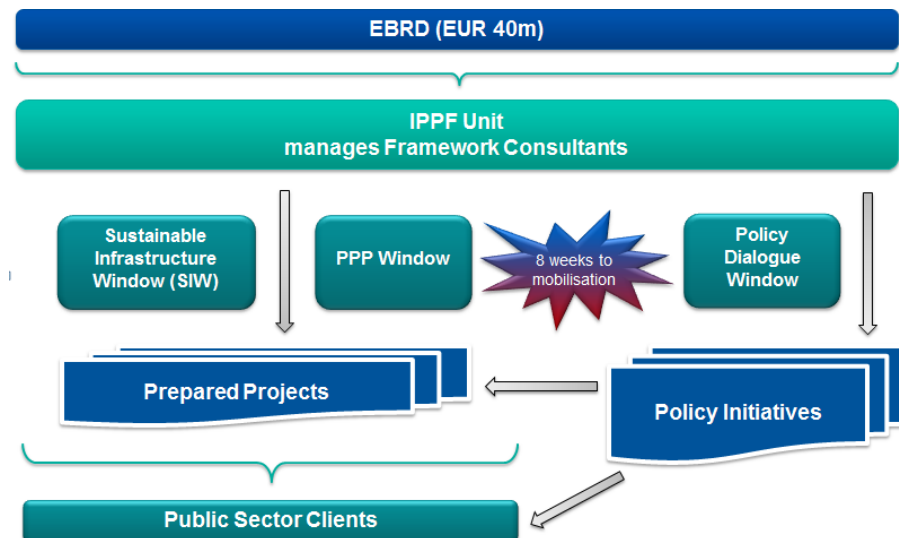


PPPs: Infrastructure Project Preparation Facility



The EBRD has been investing in PPPs since 1993 with EUR 3.4 billion in direct investments and 54 projects signed (Feb 2018). In an effort to build upon this experience and support our countries of operation to develop bankable PPP's, a facility of EUR 40m, directly funded by EBRD, was set up with the following objectives:

- Fast mobilisation of consultants for project preparation (8 weeks)
- Support two separate windows 1) sustainable infrastructure window (Public entities) and 2) PPP window (private entities)
- Support policy dialogue linking client investment interests to sector knowledge



IPPF – examples (under PPP window)



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Kherson Sea Port PPP, Ukraine

Strategically positioned in the estuary of the Dnipro river, granting convenient access to the Black Sea, Ukraine's inland waterways network, and its hinterland.

The port is favorably positioned near the main metallurgy and agricultural (wheat, corn, sunflower) regions of Ukraine.

Long term concession structure envisioned with concessionaire responsible for upgrading and maintaining the terminal.



Ketrzyn Regional Roads PPP, Poland

First of its kind potential PPP project for reconstruction and maintenance of local roads located in four communes (i.e. previous road PPP projects involved either a single local government unit ("LGU") or central government units).

Financially credible and organisationally stable legal structure needs to be developed in order to enable the four LGUs to implement this pilot PPP project.

Availability and performance based payment structure envisioned.

Contacts



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