



**European Bank**  
for Reconstruction and Development

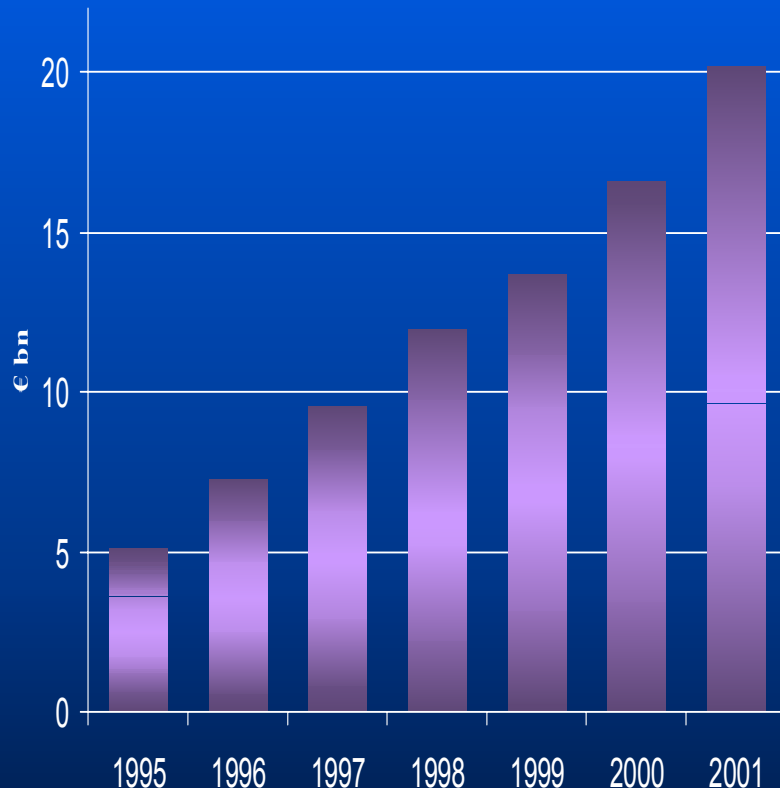
**EBRD - Water Project  
Identification, Financing  
Approach and Donor  
Coordination in Central and  
Eastern Europe**

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*Senior Banker, Municipal and Environmental Infrastructure*

**Międzyzdroje, 21-24 April 2002**

# Introduction to EBRD



*Cumulative commitments  
€ 20.2 billion*

*Unaudited December 2001*

## Key facts about EBRD

- International financial institution founded in 1991, owned by 62 national and supranational shareholders, including EU and CEE countries
- Promotes market-based economies in 27 countries in Central & Eastern Europe and the former Soviet Union
- Provides finance to public and private sectors



# EBRD differs from commercial banks

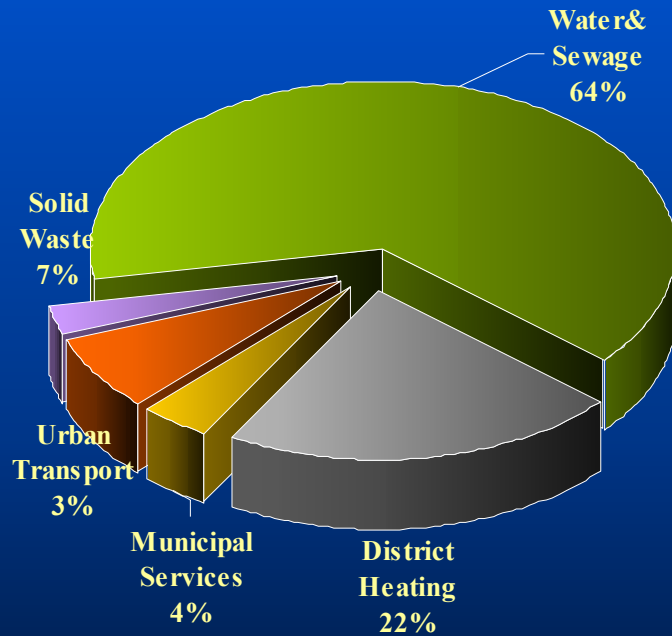
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- Mandate to foster transition from planned to market economies
- The EBRD promotes environmentally sound and sustainable development in all its activities
- We help facilitate EU grant co-financing and mobilise Technical Cooperation funds to assist municipalities in implementation of projects
- Can finance suitable projects without bank guarantees or sovereign guarantees
- Willingness to try new products/structures
- Broad market knowledge

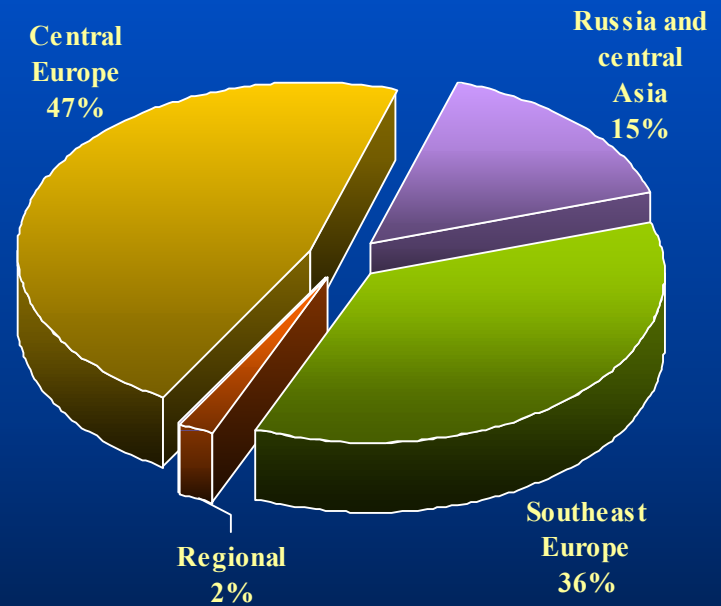


# Regional and sectoral breakdown

## Municipal Sectors



## Regions

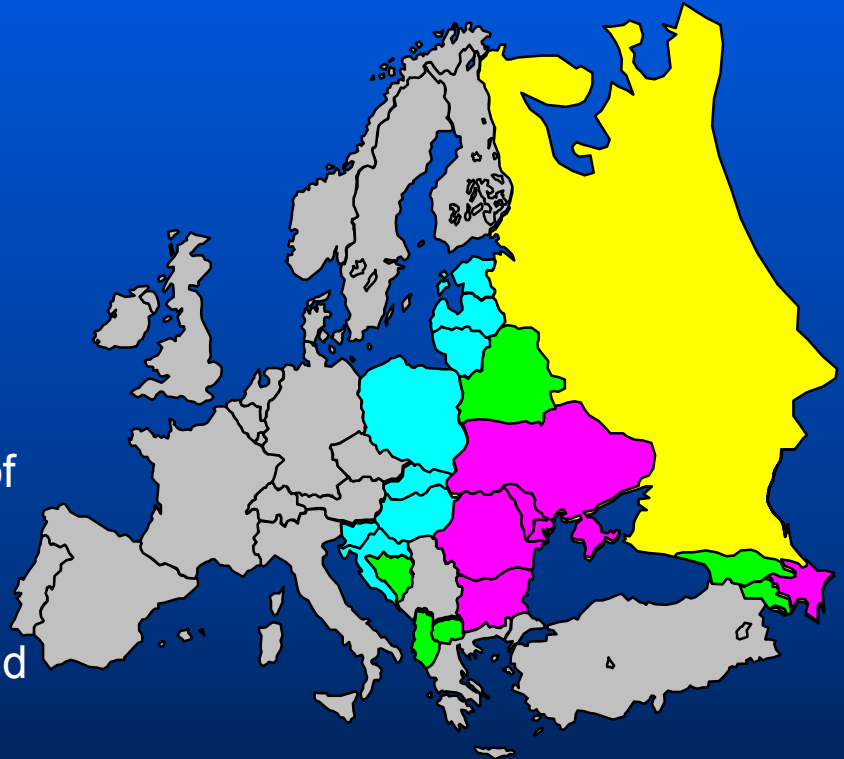


# Water supply and wastewater treatment

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## Investment challenges

- Meeting EU water and wastewater standards
- Need to increase investments in maintenance and asset renewal
- Improve water supply standards
- Improve collection and treatment of sewage
- Improve operational and financial performance of municipal water and sewerage companies



**EBRD has invested in 19 water and sewerage projects**



# Selected water supply and wastewater treatment projects

Софийска Вода



**Sofia Water Concession**

Bulgaria  
€31 million syndicated  
loan

December 2000  
Bulgaria's first water  
privatisation



**Budapest Wastewater  
Services**

Hungary  
€13.1 million  
loan

December 1998  
Partial privatisation of  
waste-water services  
companies



**Zagreb Waste Water  
Treatment Plant**

Croatia  
€55.2 million  
loan

December 2001  
BOT financing of first  
wastewater treatment plant



**Tallinn Water Limited  
Privatisation**

Estonia  
€31 million  
loan

October 2001  
Privatisation of Tallinn  
Water Ltd.



**Brno Waste Water  
Treatment Plant**

Czech Republic  
€47.5 million syndicated  
loan

December 1999  
Upgrading & Extension of  
existing wastewater  
treatment plant



**Maribor Waste Water  
Concession**

Slovenia  
€14.8 million  
loan

April 1999  
Construction and operation  
of wastewater treatment  
plant



**St Petersburg Water &  
Environment**

Russian Federation  
€17.8 million  
loan

August 1997  
Improvement of water and  
wastewater services in  
St. Petersburg



**Riga Water Company  
Corporate Loan**

Latvia  
€38.2 million  
loan

November 2000  
Re-finance existing loan and  
make additional investment  
in Riga Water

# EBRD helps attract commercial co-financing

- Commercial banks frequently co-finance EBRD projects under A/B and other loan structures
- EBRD involvement enhances municipal risk profile
- Syndication raises municipality's international profile
- EBRD has syndicated 4 municipal projects



# EBRD investment selection criteria

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- Financial, economic and technical viability
- Priority projects (environmental, national, local)
- Credit quality borrower
  - strong economic base (municipality)
  - financial strength/creditworthiness
  - institutional capability and potential
- Readiness to implement changes
  - cost recovery/tariff increases as appropriate
  - financial and operational performance improvement
  - creditworthiness enhancement





# Environmental Priorities

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- National environmental strategies
- Local/regional environmental priorities
- ISPA environment strategy
- EC Directive-Relevance
- Link to international priority (eg. Baltic Sea Programme, Black Sea Programme, Odra 2006, Danube Environment Programme)



# Donor Coordination

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- International forums: PPC, Northern Dimension, Helcom
- Close links with bilateral donors
- Via national authorities and EBRD Resident Offices
- Through EBRD shareholders
- Close coordination with EU PHARE/TACIS/ISPA



# EBRD helps mobilise ISPA co-financing

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## Co-operation with ISPA

- Memorandum of Understanding between EBRD and ISPA signed in April 2000
- EBRD project appraisal consistent with ISPA evaluation process
- Co-operation in organising technical assistance
- Assistance to municipalities in preparation of applications to ISPA for co-financed projects
- Agreement on procurement requirements

## EBRD-ISPA Track Record

- Approximately €400 million in EBRD-ISPA co-financing
- Total project value of almost €1.3 billion
- Over €650 million of projects in pipeline
- Projects in Czech Republic, Estonia, Lithuania, Poland, Romania, etc.



# Over €460 million EU co-financed projects

Country	Project Name	Type of Co-financing	Amount EUR million	EBRD Finance	Total Project Value
CZECH REPUBLIC	Brno Waste Water Treatment Plant Upgrading	Phare	14.2	47.5	82.8
ESTONIA	Small Municipalities Environment Project	Phare	11.6	10.2	46.0
	Riga Water Company Corporate Loan	ISPA	17.0	38.1	148.4
LITHUANIA	Kaunas Water and Environment	Phare	4.0	17.0	99.4
	Kaunas Water and Environment Project - Phase II	ISPA	20.1	14.7	45.2
POLAND	Krakow Plaszow II Project	ISPA	55.3	21.7	81.0
	Bydgoszcz Water Supply	ISPA	39.5	29.7	80.8
	Rybnik Sewerage Development Programme	ISPA	71.0	16.7	87.7
	Wroclaw Multi-Sector Municipal Infrastructure Project	ISPA	49.6	30.2	90.3
ROMANIA	Municipal Utilities Development Programme - Phase II	Phare	35.4	85.4	213.8
	Regional Water and Environment Programme	Phare	15.0	18.2	50.6
	MELF: Subproject Arad	ISPA	13.5	4.5	46.0
	MELF: Subproject Constanta	ISPA	71.6	20.0	100.4
	MELF: Subproject Iasi	ISPA	38.5	13.2	55.0
SLOVENIA	Maribor Waste Water Concession	LSIF	6.6	28.1	43.5
<b>Totals</b>			<b>463.0</b>	<b>395.2</b>	<b>1270.9</b>



# Structure Funds will soon become available

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## Structure Funds 2004-2006

- Structure Funds are already committed for 2004-2006
- Funds will be larger than ISPA
- Implementation may be difficult
- EBRD can help public authorities prepare



## EBRD can help:

- prepare large projects to be ready for Structure Fund co-financing after accession
- prepare and finance pilot projects for role-out after accession
- work with regions to develop programmes suitable for regional development funds

*(Only relevant for EU Accession countries)*



# EBRD offers several financing structures

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EBRD will structure each product according to project needs

## Municipal lending

Non-sovereign public lending to municipalities

## Loans to utilities

Limited or non-recourse project financing to public or privately-owned concession companies

## Leasing

Various forms of leveraged leasing structures for creditworthy entities

## Partial guarantees

Partial risk and credit guarantees

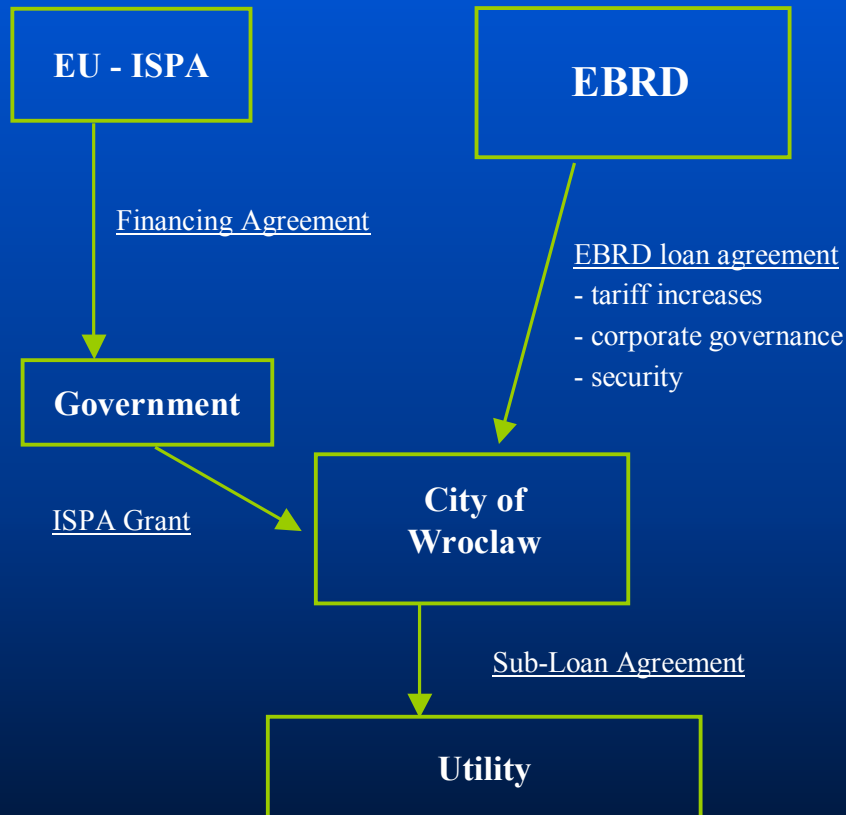
## Revenue and project bonds

Revenue bonds backed by cashflows



# Financing structures: municipal loan

## Loan to a municipality: Wroclaw, Poland

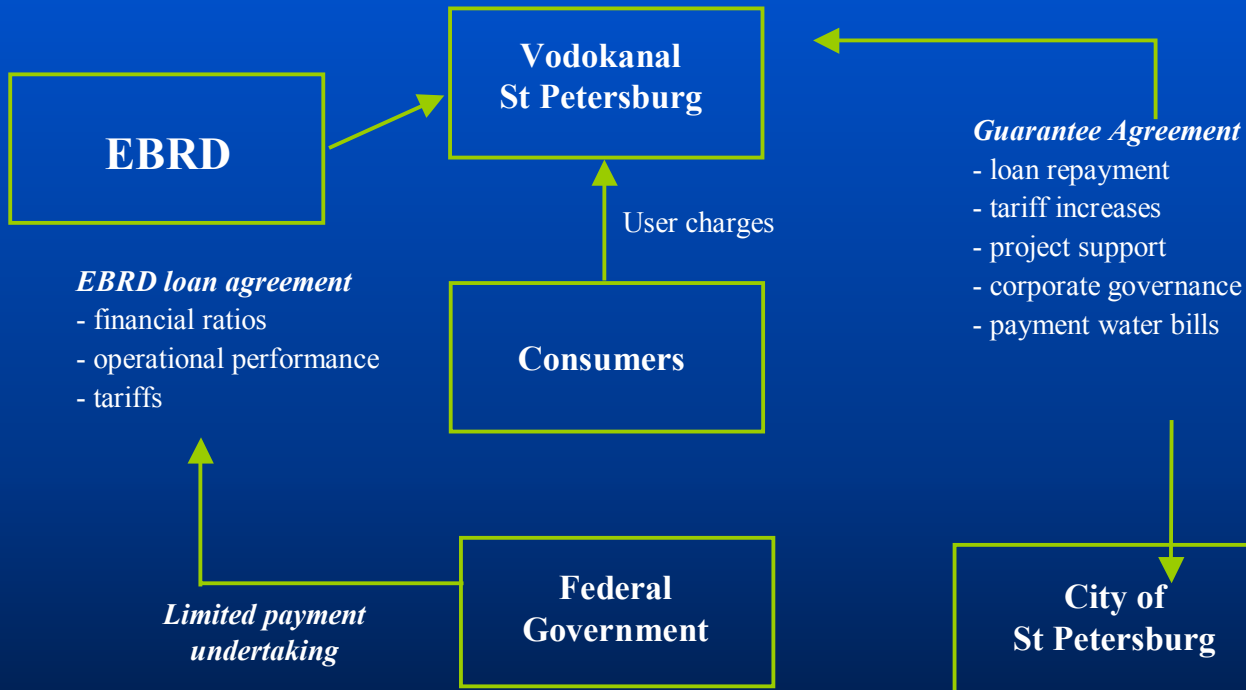


- €30.3 million multi-sector loan for water supply, waste management and sewerage projects
- Direct loan to municipality
- Sub-loan to water company - expectation of repayment from water and sewer charges
- ISPA co-financing for all projects
- EBRD procurement policies applied



# Financing structures: loan to municipal utility

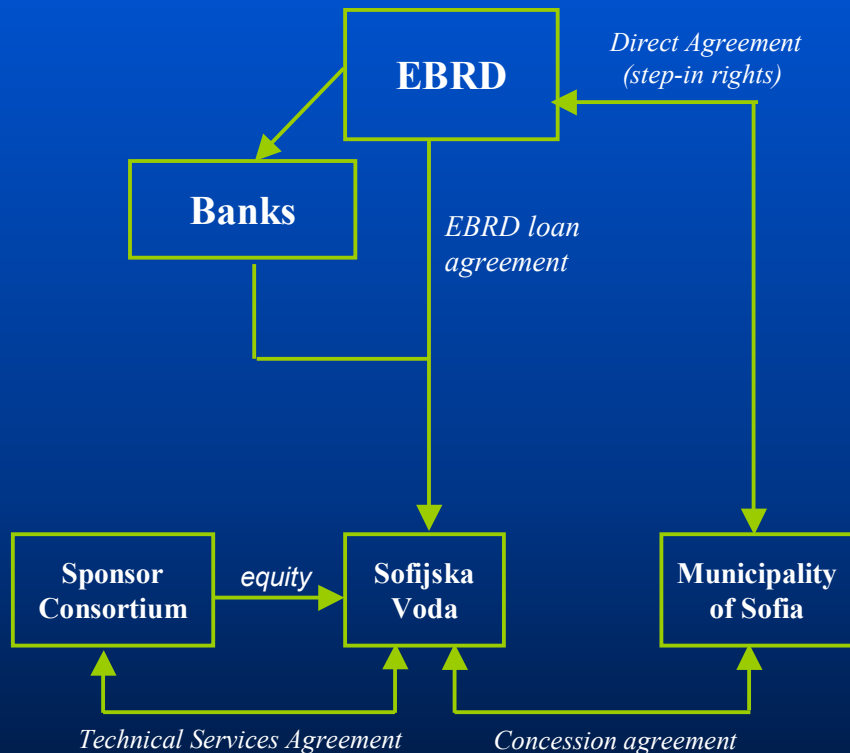
## Loan to a municipal utility: St. Petersburg Water, Russia





# Financing structures: project company loan

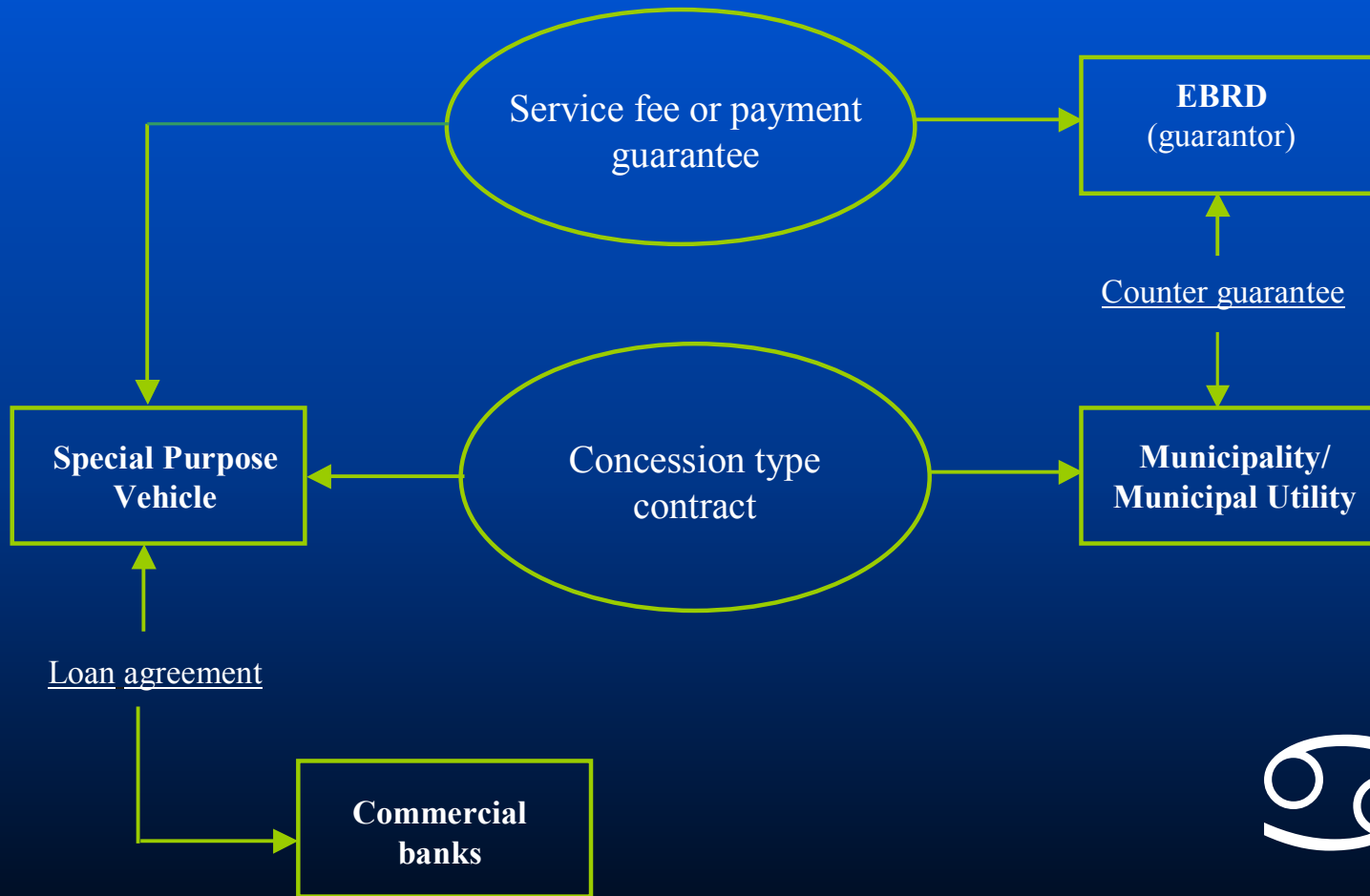
## Loan to a private concessionaire: Sofijska Voda, Bulgaria



- First privately owned concession for water and wastewater utility in Bulgaria
- It will significantly improve environmental standards in water and wastewater systems allowing Sofia to eventually comply with EU standards
- Selected “Eastern European Project of the Year 2000” by Privatisation International
- The project will provide at least US\$150 million in investment in water and wastewater services over the next 15 years

# Financing structures: guarantees

## Guarantee of Local Government performance obligations



# EBRD web site

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The screenshot shows the EBRD website homepage. On the left is a vertical navigation menu with the following items: Welcome, Operations, Business information, Procurement, Transition, The environment, Finance, Publications, Annual meeting, Recruitment, and What's new. The 'Welcome' item is highlighted with a red background. The main content area features the heading 'Welcome to the EBRD' in blue. Below this is a paragraph of text: 'The European Bank for Reconstruction and Development (EBRD) was established in 1991. It exists to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the countries of central and eastern Europe and the Commonwealth of Independent States (CIS) committed to and applying the principles of multiparty democracy, pluralism and market economics.' To the right of this text is a map of Europe and the CIS region with red dots indicating operational countries. A large red watermark 'www.ebrd.com' is overlaid across the center of the page. Below the main text is another paragraph: 'The EBRD seeks to help its 26 countries of operations to implement structural and sectoral economic reforms, promoting competition, privatisation and entrepreneurship, taking into account the particular needs of countries at different stages of transition. Through its investments it promotes private sector activity, the strengthening of financial institutions and legal systems, and the development of the infrastructure needed to support the private sector. The Bank applies sound banking and investment principles in all of its operations.' To the left of this paragraph is a small image of two construction workers in hard hats and safety gear. In the bottom left corner of the screenshot is a small 'HELP' icon.

