

The background of the slide is a dense, vertical arrangement of numerous national flags from various countries. The colors are vibrant and varied, including reds, blues, yellows, greens, and whites. Some flags are partially visible, showing distinct patterns and symbols like stars, stripes, and emblems. The flags are slightly out of focus, creating a sense of depth and a global theme.

# **EBRD's**

## **Financing opportunities in Romania**

### **Municipal infrastructure**

**December 2017**



**European Bank**  
for Reconstruction and Development

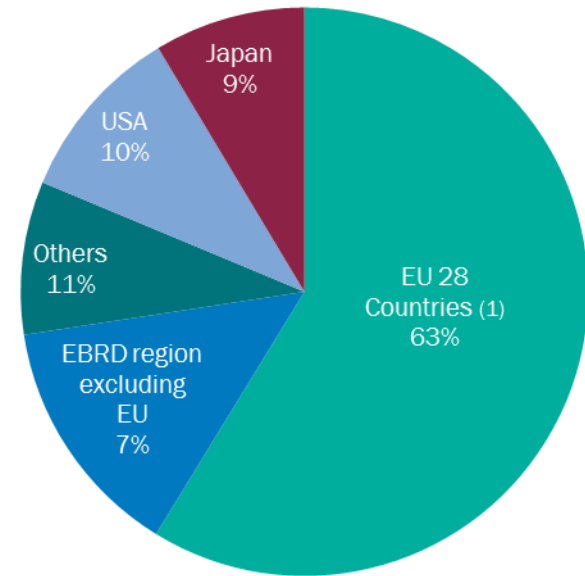
## Context



# What is the EBRD?

- An **international financial institution**, with the mandate to promote transition to modern and well-functioning markets in 36 countries from Central and Eastern Europe, Caucasus, 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**
- Highest **credit rating (AAA/Aaa)** from all three main rating agencies (S&P, Moody's and Fitch)
- In January 2016, China became our 67th shareholder
- **EBRD invested €7.5 billion in Romania to date**

Shareholding structure



(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%

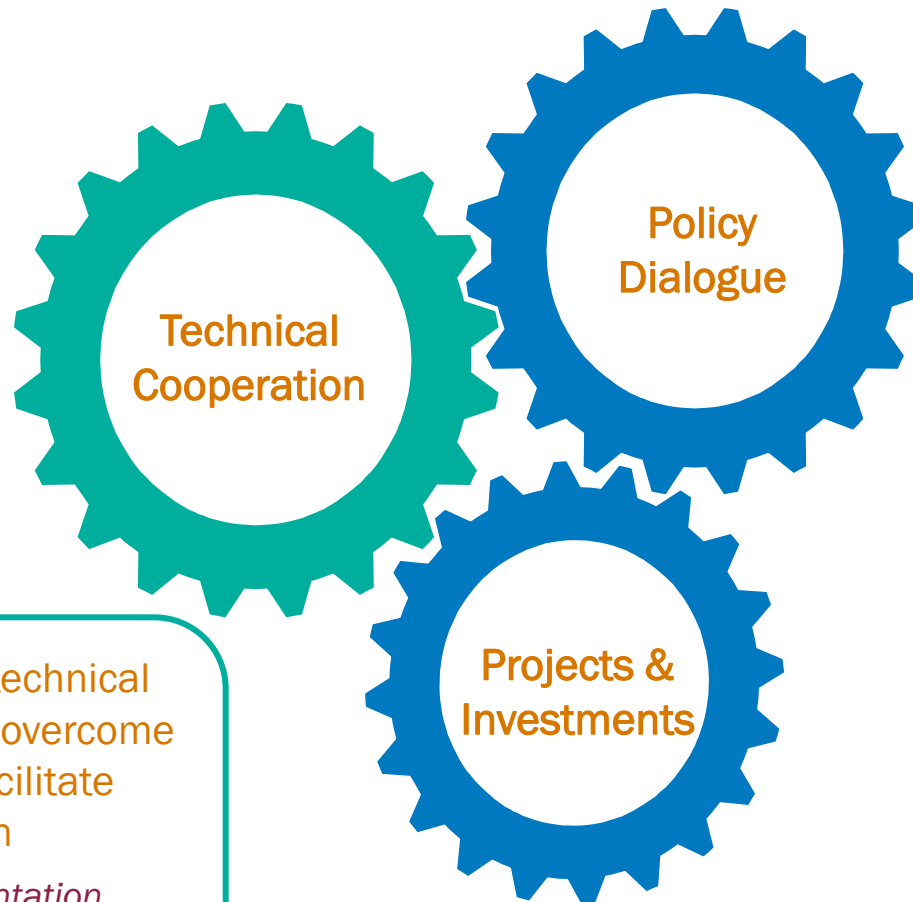
To facilitate:

- ❖ **commercial loans** for (co-)financing investments
- ❖ **technical assistance** (grants from EBRD donors or under the MoU with the GoR)
- ❖ **policy dialogue**

Principles:

- Services based on commercial principles, efficiency and effectiveness
- Appropriate private sector involvement
- Improvement of environmental, social, health and safety aspects of investments / **green investments**
- Technical assistance for: development of regulatory structures, project preparation, procurement and implementation

# How we deliver results:



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)*

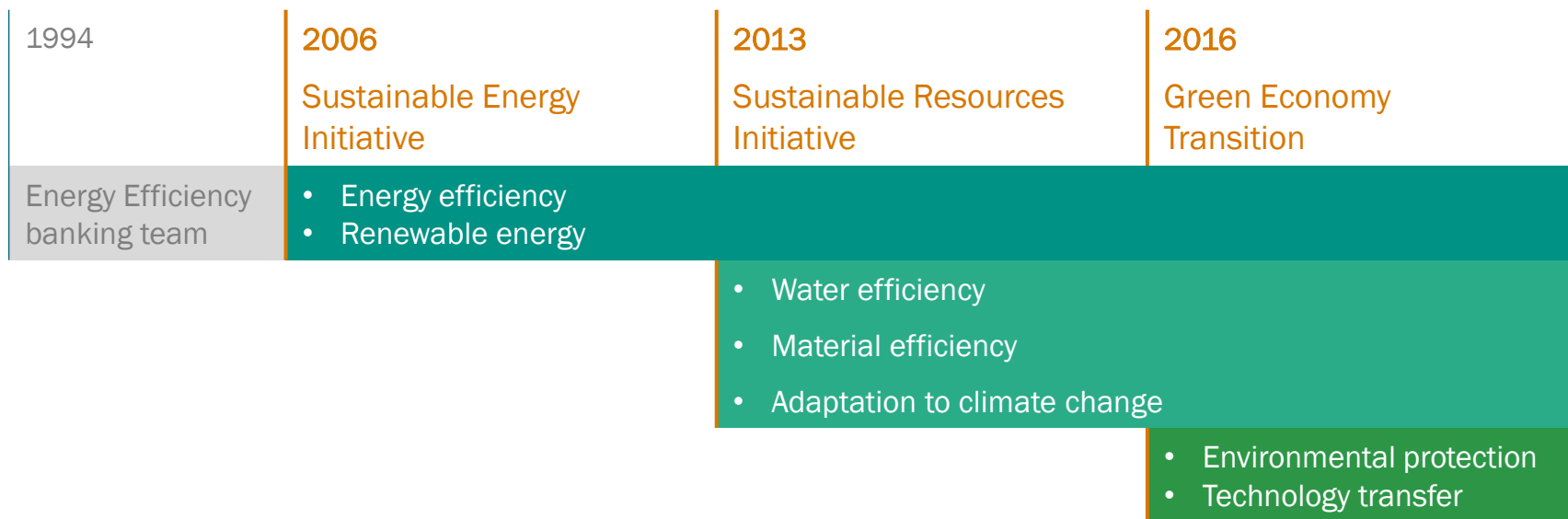


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## EBRD Initiatives :

- GET
- Green City
- IPPF

The GET aims to further scale up the EBRD's green business, and to include new areas of activity, such as environmental protection and technology transfer, including for financing via public channels.





# GET as part of a global response



## Ambitious

Limit the increase in the average global temperature to 2 degrees C  
“Pursue efforts” to limit to 1.5 degrees C

## Universal

Agreement endorsed by 195 countries



# EBRD GET targets



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## 40%

2020 target for the share of green finance in EBRD annual business, from a current level of 30%

## €4 billion

Target annual EBRD green business by 2020

## €18 billion

Target cumulative EBRD green business 2016-2020



In 2015, EBRD approved a **EUR 300 million ‘Green City Framework’** approach that combines:

- low-carbon investments by the Bank
- support for the development and commitment by the participating municipalities to adopt a ‘Green City Action Plan’ to be implemented over the short, medium and long term, leading to a sustainable, low-carbon future.

Cities across the region now pursue the Green City approach with EBRD



## WHY?

- MDBs are called upon to promote enhanced infrastructure delivery
- Joint MDB “Infrastructure Action Plan 2012 Report” recommended the G20 to increase the supply of bankable projects and enhance the catalytic role of the MDBs as part of the growth strategy

## HOW

IPPF = EUR 40 million (2015-2018), from EBRD’s net income allocation under Shareholders Special Fund, establishing up-front grant contribution for infrastructure project preparation:

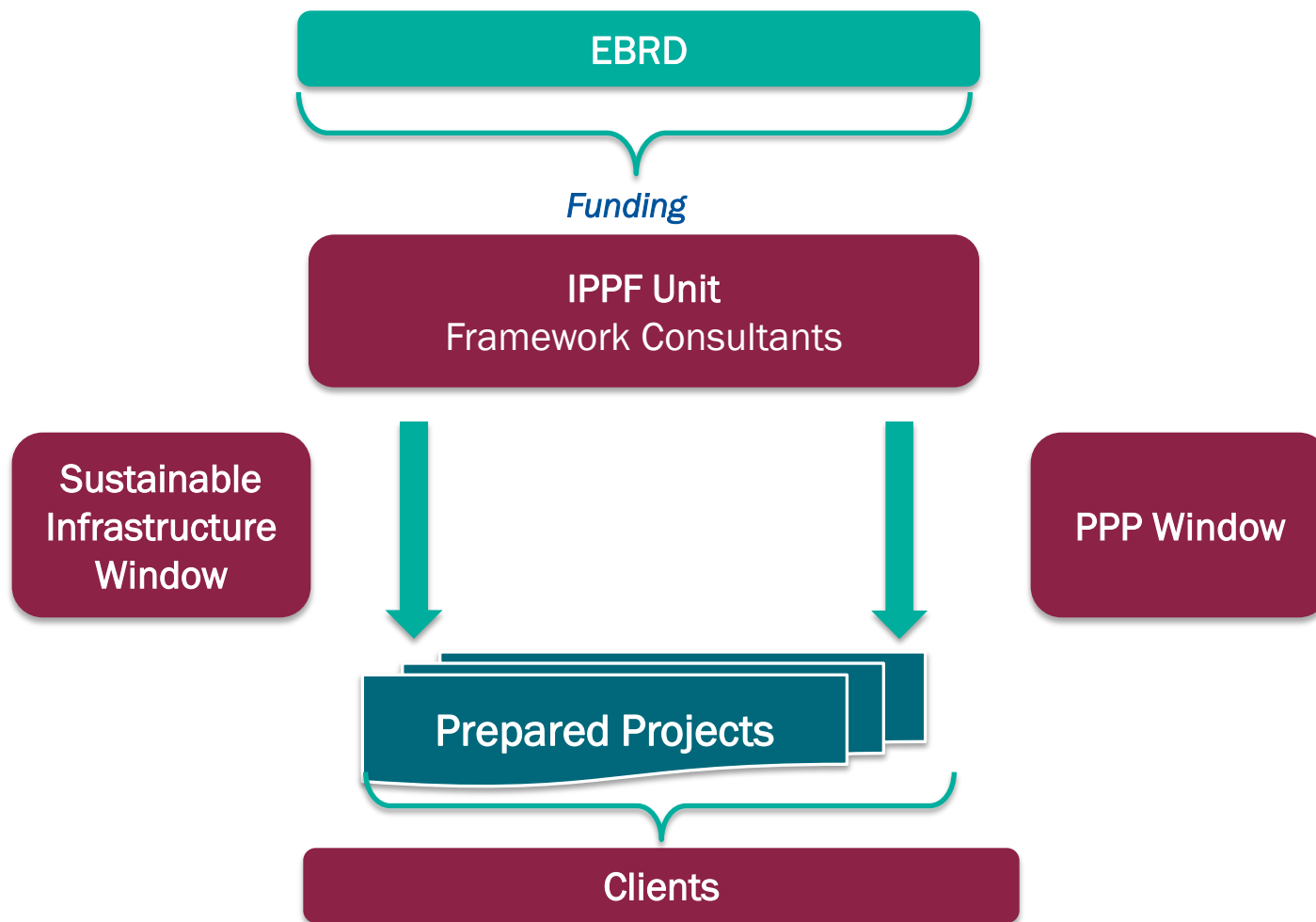
- **Public–Private Partnership Window (PPP Window) (approx. EUR 20 million)**
  - **Sustainable Public Sector Infrastructure Window (approx. EUR 20 million)**
- Geographic scope: all EBRD Countries of Operations



# EBRD's IPPF set within a MDB-wide agenda on infrastructure PPFs



\* Non-exhaustive list





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EBRD – MEI investments (focus on Romania)



# Key municipal sectors covered by EBRD

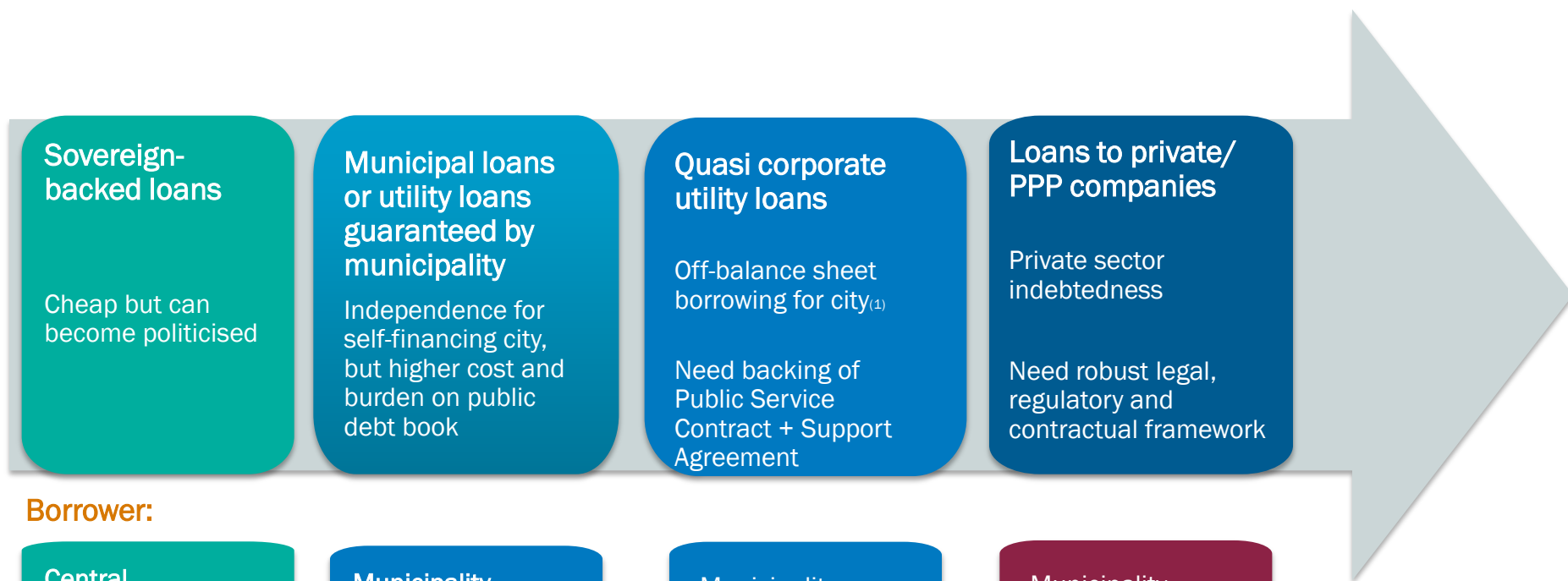


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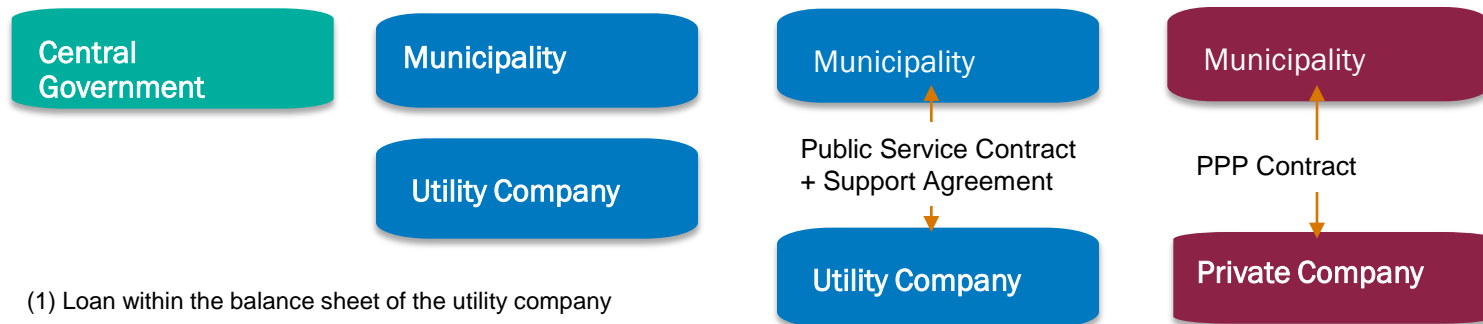
- ✓ **Water & Wastewater** – improved quality of service and environmental compliance
- ✓ **Urban Transport** – improved roads and public transport services (buses, trams, LRT, metro, ferries, etc.), efficient and safe network, e-ticketing, parking
- ✓ **Solid Waste Management** – improved efficiency and frequency of collection; adequate disposal; prevention of groundwater contamination
- ✓ **District Heating** – renewal of obsolete heating systems to promote efficiency gains
- ✓ **Street Lighting** – renewal of obsolete street lighting systems
- ✓ **Energy Efficiency**



# Financing Municipal Infrastructure by EBRD: Matching Client Capacity to Project Needs



## Borrower:



(1) Loan within the balance sheet of the utility company

EBRD structures 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.

# MEI Romania (selected projects)



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Arad Urban  
Rehab & Parking  
2016  
EUR 20 million



Iasi Urban Transport  
2016  
EUR 15 million



Constanta  
Urban Transport, 2016  
EUR 22 million



Bucharest Bond  
2015  
EUR 75 million



Iasi County Solid  
Waste Management  
2015, EUR 5 million



R2CF Ilfov  
2015  
EUR 6 million



R2CF Mehedinți  
2015  
EUR 6 million



Galati  
Urban Infrastructure  
Rehabilitation  
2014, EUR 22 million



R2CF Bacau  
2013  
EUR 16 million



R2CF Hunedoara  
2014  
EUR 6.7 million



R2CF Dolj  
2013  
EUR 14 million



R2CF Arges  
2014  
EUR 12 million



- ❖ SOP Environment 2007-2013 - EBRD provided [EUR 330 million as loans to co-finance water projects](#) under the SOP Env. (24 water operators – [R2CF](#)):
  - ✓ Delegation contracts & Tariff policy were essential;
  - ✓ Technical assistance for Benchmarking (to increase transparency, efficiency and competitiveness in the sector) and FOPIP (on a case by case basis).

## Loan facility for the WATER sector in Romania - Euro 250 million ([SWIFT](#))

- ❖ LIOP 2014-2020 - [EBRD can further support the water sector via:](#)
  - ❑ [\(co\)financing loans](#) for investments under LIOP 2014-2020 ([SWIFT](#))
  - ❑ [technical assistance \(TC\)](#), which can be:
    - [linked to EBRD loans](#) (before and after loan signing under SWIFT; the TC is financed by grants from donors)
    - [under the Memorandum of Understanding](#) signed by the EBRD with the Romanian Government

Loan facility for URBAN TRANSPORT in Romania - Euro 120 million (SMART)

## Context for loans:

- sustainable urban transport strategies and plans (SUMP)
- PSC – key component, condition for loan financing

## Type of loans:

1. Corporate loans - Borrower: transport company, public or private; Loan repayment based on PSC (Public Service Contract; Backed by a municipal guarantee or a municipal support agreement (MSA); Preferred, as it makes the PT company responsible for investments; Exemple: rolling stock (buses, trams, trolleybuses, etc.)
2. Municipal loans - Non-sovereign loans to municipalities (rehabilitation of streets, tram tracks, parking, traffic management systems, e-ticketing systems, line extensions, etc.)

*Also, technical assistance (financed from donor grants) is offered to the loan beneficiary (before and after the signing of the loan), including the participation to the first Benchmarking Programme for UT in Romania (funded by EBRD, to start in Jan 2018).*

## STREET LIGHTING loan facility - Euro 100 million (SLFW)

### Context for loans:

1. At least 60% of the loan to finance street light capex, while 40% of the loan could finance other investments (*could be unrelated to street lighting*)
2. Technology: LED (or BAT) AND
3. Performance based contracting (procurement process focuses on efficiency) AND
4. EITHER (a) or (b):
  - a) design-install and multi-year performance guarantees under the street lighting contracts, OR
  - b) through long term technical warranties [50,000 hours] to be provided by the LED suppliers

*As public lighting (under the above conditions) is a green investment, grants can be offered by EBRD donors for:*

- *reducing the margin of the loans*
- *technical assistance, before and after loan signing.*





# 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
- Tariff and collection reform



# EBRD loan financing parameters

**Size above €5 million (EBRD account)**

**Local currency, where possible**

**Long maturities**

- Up to 15 years (public sector) and 18-20 years (PPPs) including 2-3 years grace
- Repayment profile sculpted against projected cash flows

**Market pricing linked to risk and tenor**

- Currency reference rate + margin

**Security and other project support**

- Sovereign guarantees
- Municipal Guarantees
- Project Support Agreements
- Assets/revenue pledge
- Debt Service Reserve Account

# Galati Urban Transport



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- Borrower – Galati Municipality
- City – 280,000 people
- Project components
  - Rehabilitation of streets
  - Acquisition of 17 trolley-buses
  - E-ticketing system
- Total Investments – Lei 100 million
- TC:
  - Preparation of a SUMP
  - Support for introduction of an e-ticketing system
  - Project Implementation support
  - Commercialisation of Public Transport Services
  - Amend the Public Service Contract between the City and the Company



# Arad Urban Transport: efficient and reliable urban transportation



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Borrower – Arad Municipality

City – 165,000 people

3 projects:

- rehabilitation of main trams and road infra
- acquisition of energy efficient rolling stock (6 new trams)
- modernisation of the main tram depot

Total Investments – € 35 million

TC:

- PSC, e-ticketing, parking plan





# Pitesti Urban Transport

- Borrower – Publitrans (transport co)
  - Pitesti – 165,000 population
  - Structure – EBRD loan, backed by a PSC and a MSA with the City
  - Project: up to 70 Euro-6 buses
- Total Investments– €13 million (loan in lei)



- TC:
  - Support for e-ticketing
  - Twinning with another EU company - Commercialisation of Public Transport Services
  - Amend the PSC between the City and the Company

- Borrower - Tursib
- Structure – EBRD loan backed by a PSC and a MSA with the City
- Sibiu – 150,000 population
- Project components – two loans:
  - Purchase of new buses;
  - Relocation of the depot.
- Total Investments– €15 million



## TC :

- Amend the PSC between the City and the Company
- Support for e-ticketing
- Twinning with another EU company - Commercialisation of Public Transport Services

# Belgrade Urban Transport Project



- financing of 110 new buses
- refurbishment workshops
- workshop equipment
- tram track renewal
- power supply

## TC:

- assistance with procurement
- new regulatory framework for public transport

# Krakow public transport project



- tram infrastructure upgrading
- new tramline (fast tram)
- new rolling stock

## TC:

- introduction of PSC
- urban transport strategy



# Croatia: Dubrovnik and bus projects



## Bus fleet renewal

### TC

- sustainable transport strategy for historic cities
- environmental standards for buses and maintenance
- procurement assistance
- twinning programme with Graz (Austria)



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Final remarks – MEI investments

## Municipality

- long term vision and strategy on city development
- investment needs - identified and prioritised
- support the utility companies by clear, sustainable public services contracts

## Utility Companies

- change from product-oriented to client-oriented
- think as a Company, act as a Company
- learn from your colleagues / best practices / benchmarking / twinning

## EBRD can help with:

- **(co) financing investments** (via commercial loans)
- **technical assistance** (via grants) before and after signing the loans, as well as under the MoU
- **procurement** under EBRD rules



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