

8th Coordination Group for Local
Infrastructure

EBRD in Serbia: Municipal & Environmental Infrastructure

14 December, 2010



The EBRD

- ❑ International financial institution established in 1991, promotes transition to market economies in 29 countries from central Europe to central Asia
- ❑ Owned by 61 countries and two inter-governmental institutions
- ❑ Serbia is a shareholder since 2001
- ❑ AAA credit rating by Moody's, S&P's, and Fitch
- ❑ Capital base of EUR 30 billion (including EUR 10 billion increase as of 2010)



EBRD's Mandate

- To promote transition to market economies by investing mainly in the private sector
- To mobilise significant foreign direct investment
- To support privatisation, restructuring and better municipal services to improve people's lives
- To encourage environmentally sound and sustainable development



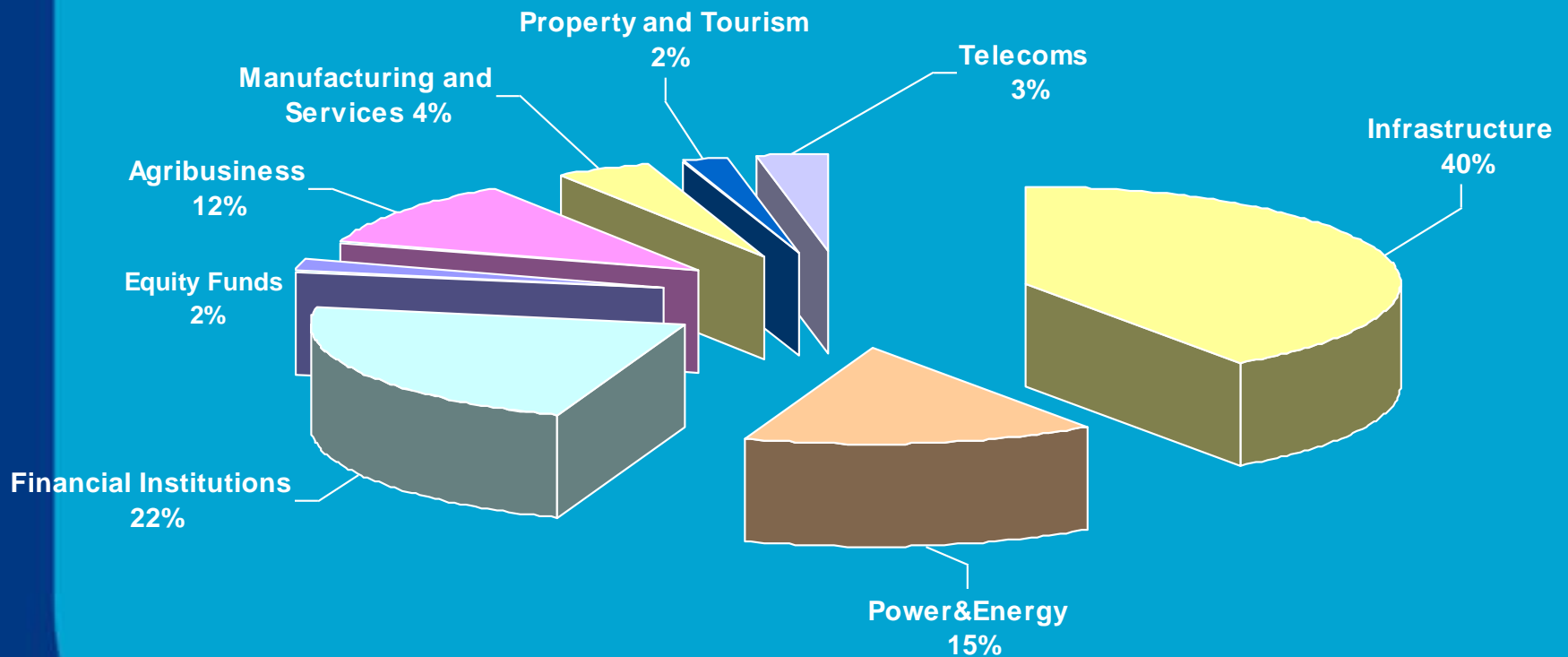
EBRD in Serbia

- ❑ Country of operation since 2001
- ❑ Local presence with fully fledged Resident Office
- ❑ Total commitments of € 2,319M
- ❑ Total of 121 direct and 34 regional projects
- ❑ Private/Public Sector: € 1048M / 1,276M, that is 45/55%
- ❑ Debt/Equity/Guarantee Investments: € 1,938M / 357M / 24M
- ❑ Promote sound investment climate, good corporate governance and stronger institutions



Serbia: Commitments by sector

Cumulative commitments € 2,319M



EBRD Financing Public Sector

Infrastructure – € 921M

Power and Energy – € 355M

- Municipal Infrastructure Reconstruction Programme (Belgrade, Subotica, Nis, Novi Sad, Kragujevac)
- Road Recovery and Belgrade to Novi Sad Motorway Project
- Belgrade Highway and Bypass Project
- Serbian Railways: Reconstruction and Rollingstock Projects
- Sava River Crossing
- Future Air Traffic Management Modernisation & Upgrading System
- Electric power industry of Serbia (EPS)
- Serbia Railways EMUs
- Corridor 10 Project
- Srbijagas



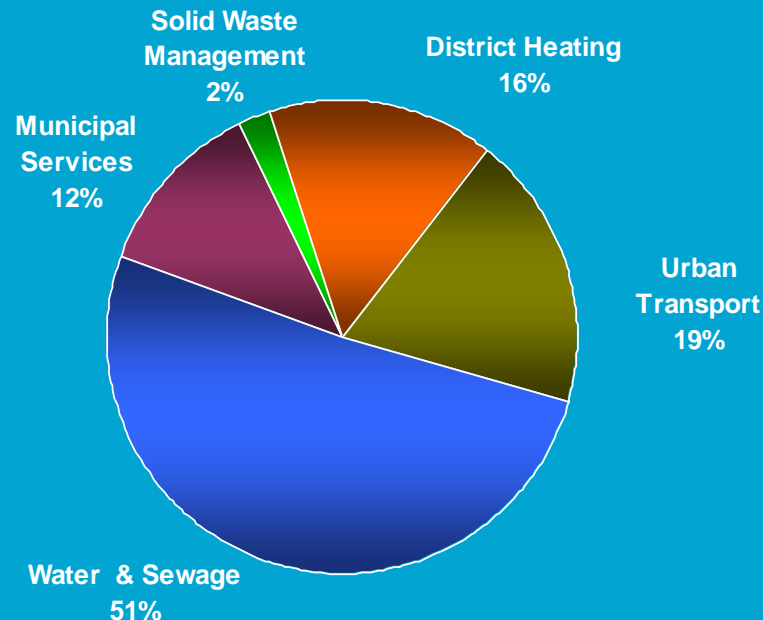
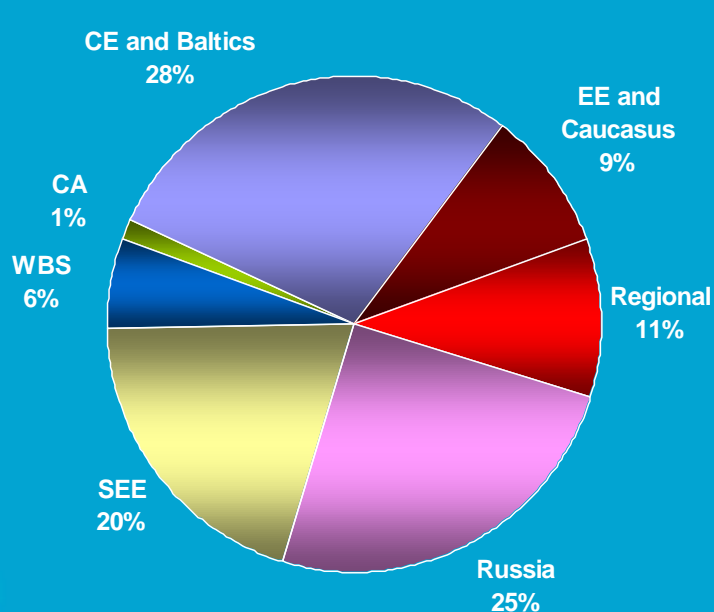
EBRD's role in the Municipal Sector

- ❑ Structuring the financing of municipal infrastructure, equipment and services
- ❑ Support for commercialisation and regionalisation
- ❑ Strong support for project implementation
- ❑ Promotion of appropriate private sector involvement
- ❑ Environmental, social, health and safety improvement
- ❑ Facilitate EU grant and commercial loan co-financing



EBRD MEI Financing Overview

- Total EBRD Financing: €3.2 bln
- Total Project Value: €10.5 bn
- Number of Projects: 192



Attributes of EBRD's Finance

- Strong understanding of market and clients due to long history of working in the sector
- Long-term loans up to 15 years
- Grace period (no principal payments) during construction period
- Floating or fixed Euro interest rates based on credit risk of borrower
- Potential step-downs in interest rates based on borrower performance
- Loans to municipalities and public utility companies (PUC) **without sovereign guarantee**
- Structuring finance at a regional (multi-municipal) level
- Technical Cooperation funds and potential CAPEX grant



EBRD Basic Requirements

- ❑ Minimum loan size generally of EUR 5 million
- ❑ Feasibility Study
- ❑ Environmental Audit
- ❑ Compliance with EBRD Procurement Rules
- ❑ Creditworthiness of borrower



Belgrade Municipal Infrastructure Reconstruction Programme

- ❑ Signed in 2001, completed at the end of 2009
- ❑ Municipal loan of € 60M extended directly to the City of Belgrade
- ❑ The objective was to finance priority investment to improve the services provided by the Belgrade Urban Transport Company, the Belgrade Water Company and the Belgrade District Heating Company
- ❑ The proceeds being utilised as follows:
 - i) € 20M for BUTC for purchase of new buses, maintenance equipment
 - ii) € 20M to BWC for construction of the Makis II Water Treatment Plant
 - iii) € 20M to BDHC for upgrade of DH system
- ❑ Total project costs are estimated at €121M
- ❑ Total grant funding amounted for € 20.17M



Municipal Infrastructure Reconstruction Programme Con't

- **Kragujevac:** Loan of EUR 5M, signed in 2002 for:
 - i) rehabilitation of the water supply system
 - ii) rehabilitation and extension of the sewerage system
 - iii) installation of water meters
- **Nis:** Loan of EUR 6M, 2002, for financing of the equipment for sewer cleaning, additional water supply capacity at Krupac Spring, completion of a Water Main Ring and creation of additional reservoir storage capacity
- **Novi Sad:** Water and wastewater (EUR 5 million), 2002, rehabilitation and reconstruction of the existing water and wastewater treatment systems



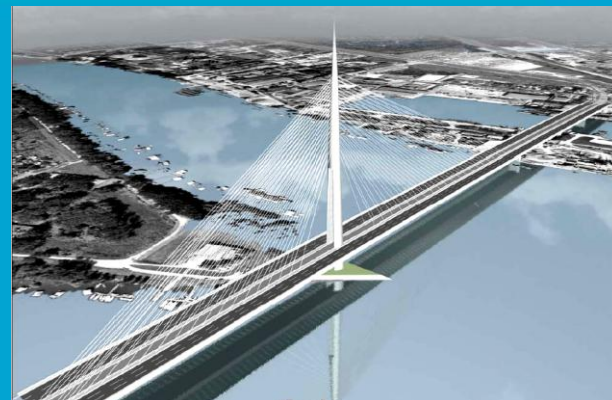
City of Subotica Municipal Infrastructure Reconstruction Programme

- ❑ Signed in 2004, completed in 2010
- ❑ Project: Rehabilitation and modernisation of the wastewater treatment plant (WWTP) in Subotica to meet EU standards
- ❑ Purpose: Higher quality water supply and sewerage service to citizens in the region and improvement in the financial and operational sustainability of the water company
- ❑ Total project cost € 18M
- ❑ EBRD provided sovereign guaranteed long-term loan of € 9M for the financing of the water line
- ❑ Grant co-financing from the European Agency for Reconstruction (€ 4.7M for the sludge line)



Sava River Bridge

- ❑ Loan of € 70M (2006) and € 60M (2010) to the City of Belgrade; co-financed by EIB for approach roads € 160M
- ❑ Construction of a cable-stayed bridge over the River Sava connecting new Belgrade and Old Belgrade
- ❑ Central pylon of 200m; steel Main 376m Span of the bridge is supported by 80 stay cables anchored at the Pylon structure and is counter-balanced by a post-tensioned, reinforced concrete back span of 200m
- ❑ 6 traffic lanes and a double track light rail line, in addition to two paths for the use of pedestrians and cyclists, resulting in an overall width of 45m



Duboko Solid Waste Management Project

- ❑ Construction of a regional solid waste landfill Duboko in Uzice
- ❑ First landfill in Serbia fully compliant with the EU and National solid waste management strategy
- ❑ It will serve nine municipalities
- ❑ Loan of € 5 million to PUC Duboko secured by a Municipal Support Agreement by the Cities of Cacak and Uzice
- ❑ Co-financed by EUD (€ 4M), municipalities (€ 1.5M), Ekofond, Sida
- ❑ Total project cost € 16M
- ❑ Commercial basis, no sovereign guarantee



Experience in the region

- ❑ The Bank financed the only PPP for water sector in Romania in Bucharest
- ❑ The EBRD will provide up to € 200M co-financing for 15 projects in Romania's water and wastewater sector alongside EU Cohesion Funds
- ❑ In Bulgaria, EBRD signed a loan of up to € 6M million to Hebros Bus, an urban transport company based in Plovdiv with aim to assist it in becoming the first Bulgarian private transport company



Selected concession projects



*Zagreb Waste Water
Treatment Plant*

Croatia
€55.2 million syndicated
loan

December 2001
Construction and operation of
wastewater treatment plant



*Tallinn Water Limited
Privatisation*

Estonia
€31 million syndicated
loan

October 2001
Partial privatisation of AS
Tallinn Vesi



*Sofia Water System
Concession*

Bulgaria
€31 million syndicated
loan

December 2000
Privatisation of Sofiyiska Voda



*Brno Waste Water
Treatment Plant*

Czech Republic
€47.5 million syndicated
loan

December 1999
Operation wastewater treatment
plant



*Maribor Waste Water
Concession*

Slovenia
€14.8 million
loan

April 1999
Construction and operation of
wastewater treatment plant



*Budapest Wastewater
Services Privatisation*

Hungary
€13.1 million
equity investment

December 1998
Partial privatisation of waste-
water services companies



*St Petersburg South-West
Wastewater Treatment
Plant*

Russian Federation
€10.5 million
loan

November 2002
Construction and operation of
wastewater treatment plant



*Axa Nova Water
Treatment Plant*

Romania
€188.4 million
loan

December 2002
Modernisation of the Crivina
Treatment Plant

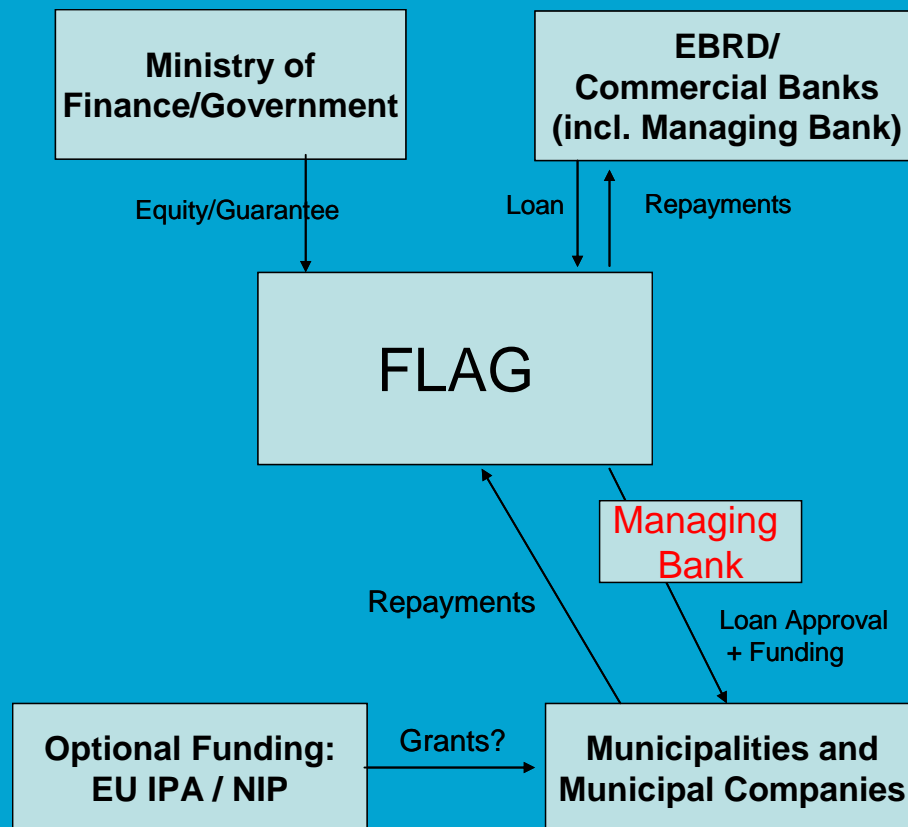


FLAG project Bulgaria

- Fund for Local Authorities and Governments (FLAG) established in March 2007 by the Government, operational as of January 2008
- Objective: making financing for local infrastructure projects more accessible to medium size municipalities and municipal companies
- FLAG finances: (1) the preparation of projects (to ensure they are well designed) – 3-5 years, and (2) the funding of important capital investments – up to 15 years
- Initial capital of € 15M by the Government and loan of € 35M by EBRD (syndicated with a commercial bank) signed in 2008, and another € 15M by the Government and loan extension of € 35M by EBRD signed in 2009.
- **TOTAL POOL OF € 100M**
- By November 2010, 107 projects approved (€ 62.5M)



FLAG structure



Challenges

- Debt capacity of municipalities, creditworthiness of PUCs – willingness and ability to borrow
- Unpredictable transfers from the Central Government
- Legal obstacles (lack of Public Property, modern Concession/PPP legislation, Law on Communal Services, PUC Reform Strategy)
- Small number of prepared “bankable” projects
- Grant funding expectations for capital investment projects



EBRD in Serbia: Contact

Hildegard Gacek, Director (gacekh@ebrd.com)

Meran Lukić, Analyst (lukicm@ebrd.com)

Jelena Milosević, Analyst (milosevj@ebrd.com)

Belgrade Resident Office

Bulevar Dr Zorana Djindjica 64a

Tel. +381 11 2120641

Fax. +381 11 2120 534

