



# **EBRD's Programs for Water Supply and Wastewater Treatment Sector**

**21 November 2013**



# EBRD's role in the municipal sector

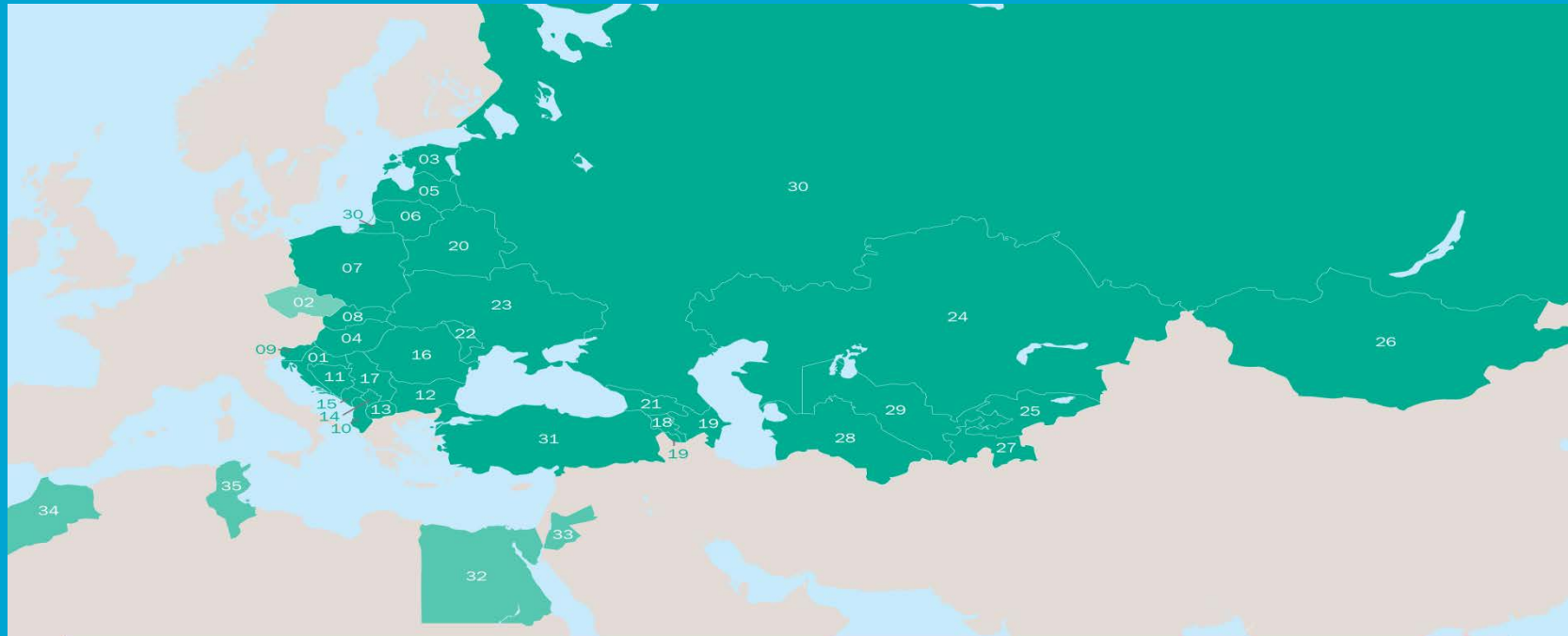
- Structuring the financing of municipal infrastructure, equipment and services
- Promote commercialisation and corporatisation of services
- Development of regulatory structures
- Promotion of appropriate private sector involvement
- Environmental, social, health and safety improvement
- Facilitate donor grant and commercial loan co-financing

**EBRD helps municipalities meet their infrastructure needs**



# A network of 34 offices in 35 countries

## More than half our bankers based in the region



### POTENTIAL RECIPIENT COUNTRIES

#### Southern and eastern Mediterranean

- 32 Egypt
- 33 Jordan
- 34 Morocco
- 35 Tunisia

In 2011 the EBRD launched donor-funded activities in the southern and eastern Mediterranean (SEMED) region, in support of the countries which are undergoing important political and economic reforms.

### EBRD COUNTRIES OF OPERATIONS

#### Central Europe and the Baltic states

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

#### South-eastern Europe

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

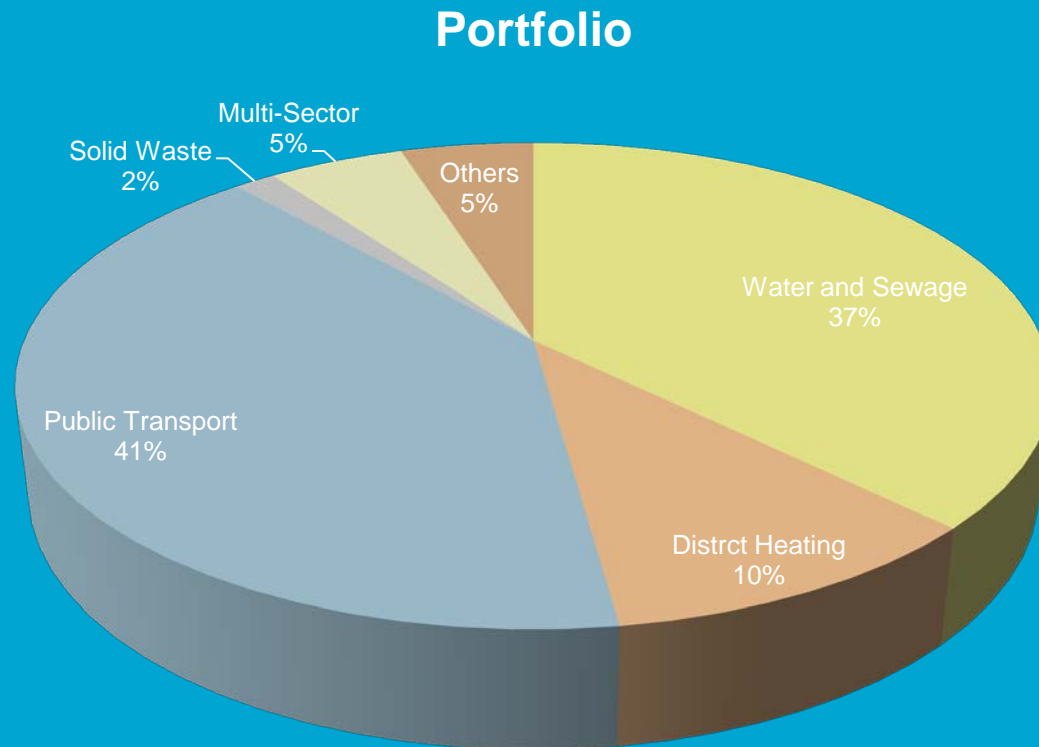
- 24 Kazakhstan
- 25 Kyrgyz Republic
- 26 Mongolia
- 27 Tajikistan
- 28 Turkmenistan
- 29 Uzbekistan

#### 30 Russia

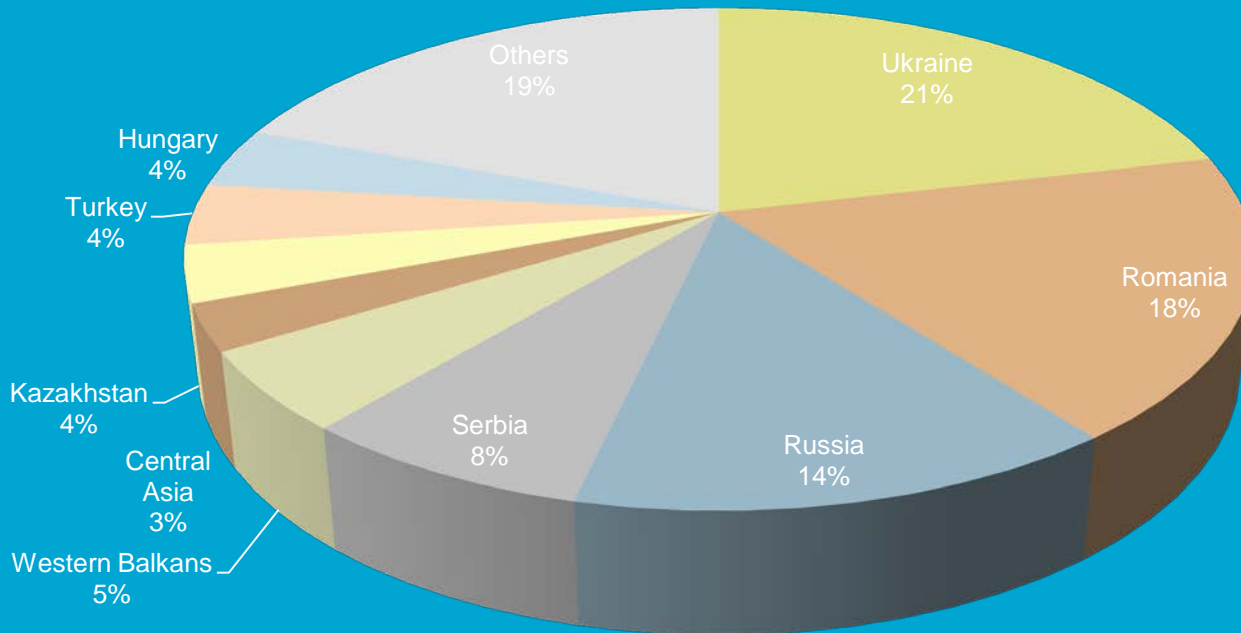
- 31 Turkey

\*as of the end of 2007, the EBRD no longer makes investments in the Czech Republic.

# MEI Portfolio Sector Split – November 2013



# MEI Portfolio Geographical Split

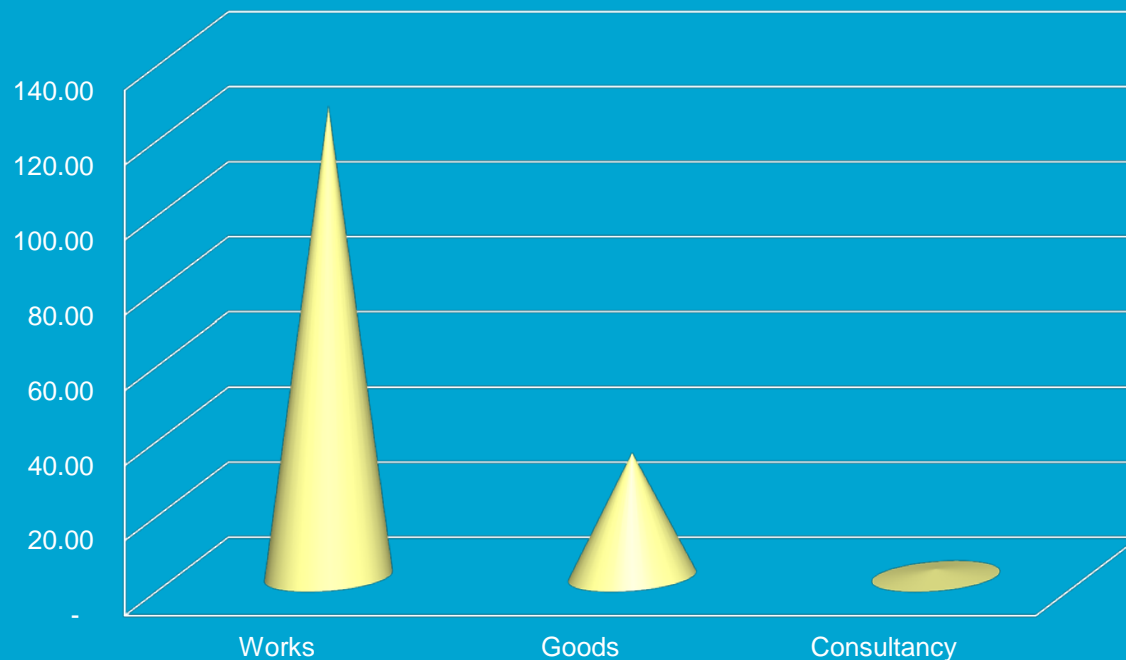


Western Balkans (Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, Kosovo)



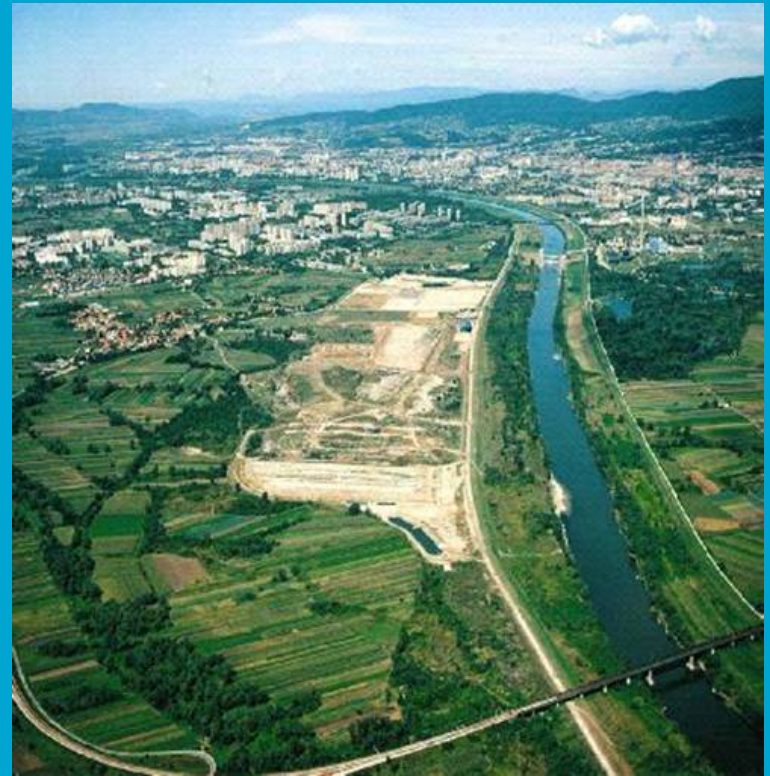
# Typical loan-financed Contracts under MEI projects

Million EUR



# Water sector challenge: the regional picture

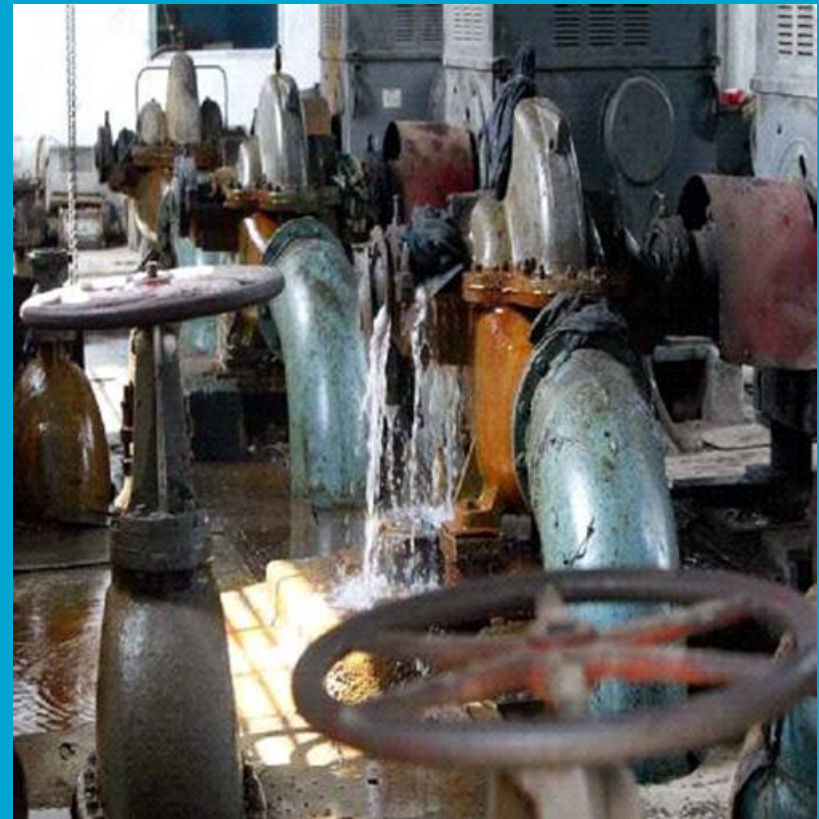
- Highly varied picture across the region
- Old and deteriorating infrastructure
- Human health affected by poor services
- Major source of surface water pollution





## Context: a legacy of under-investment

- Water services were free in planned economies
- State subsidies removed after end of communism
- 20 years of serious under-investment
- Users not accustomed to paying for services – so water use not rational, although this is changing where utilities install meters





# EBRD's approach: sustainable investments

- 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



# Outcomes of EBRD investments

- EBRD has financed over 50 water and sanitation projects in the last decade
- This amounts to a total investment portfolio of around €1 billion
- These investments benefit 30 million people, almost 10% of the population of the EBRD region



## Contracting strategy

- Check EBRD website and sign up for alerts
- Sign up at [www.ebrd.com/procurement](http://www.ebrd.com/procurement)
- Research market and competition. Collaborate with larger firms/local firms.
- Decide which countries to operate in.
- Contact local agents/register local office (may be required for tax/VAT).
- Remember client is responsible for procurement – contact client directly.



# Case Study – Aktau Desalination

- In 2003, the Oblast developed a feasibility study for a new water desalination plant utilising the reverse osmosis desalination process
- Aim was to increase water supply quality and decrease overall water utility costs for residents
- Construction started in 2004, but was not finalised
- Oblast has now requested EBRD funding for Plant refurbishment and expansion, to include:
  - modernization of the Plant
  - connection of the Plant to the water supply network
  - construction of water reservoirs to supply water to the City and neighbouring areas
- Bank is seeking to engage a consultant to prepare a new feasibility study to include:
  - identification and a detailed assessment of the PIP to meet water demand in the area
  - preparation of a procurement and project implementation plan
  - calculation of the financial and economic IRR

The FS will determine the priority investments, which will be financed by the EBRD loan, co-financed by budget funds



# EBRD in Romania

- First bank to finance municipal sector – active since 1995 in financing water and wastewater sector
- Other sectors – active in financing projects in solid waste, urban transport and district heating
- Focus on local utilities - to date, nearly €500 million in financing for about 55 investment programs mobilising financing of over €2 billion in Romania
- Expand support to municipal and regionalization projects in conjunction with dedicated EU programmes



# Water sector regionalisation in Romania

- **Transition period for compliance with the EU Directives**
  - ♦ 2015 – 263 agglomerations of more than 10,000 p.e. (WWTD)
  - ♦ 2018 – 2346 agglomerations of between 2,000 and 10,000 p.e.
  - ♦ 2015 – compliance with quality parameters for drinking water
- ♦ **19 bil. Euro – total estimated costs for compliance with EU Dir.**
- ♦ **National strategy – regional prioritisation, optimisation of investments, project pipeline (EUR 60 mil. TA)**
- ♦ **Regionalisation – part of the solution (economies of scale)**
  - ♦ IDA (Intercommunity Development Association)
  - ♦ ROC (Regional Operating Company)
  - ♦ Delegation Management Contract
- ♦ **Overall target – to provide that 2600 localities of more than 2000 p.e. meet 2018 targets**





# Romania – 8 regions, 42 counties



# EBRD Finance evolved with the market

*A. 1995 -1999: Sovereign structures – On-lending for 16 water operators. Introduced FOPIP (Financial, Operational Performance Improvement Program) which was key in improving commercialisation and long term sustainability of water utilities.*

*B. 2000-2006 Non-sovereign loans to water operators with local authority guarantees for ISPA co-finance. Strong emphasis on implementation. In addition, municipal loans for street rehabilitation, regional roads*

*C. Public Private Partnerships*

*D. Today – Lending to utility operators without any kind of guarantee, in water/wastewater sector, district heating, solid waste.*



## R2CF – Cofinancing EU Water projects

- Today, R2CF – EUR 330 million framework to co-finance Cohesion Funds projects (SOP Environment);
- Structural reforms have resulted in improvement in the municipal infrastructure sector - non-recourse Financing Structures
- Companies that implemented reforms have the ability to borrow based on their own cash flow without any guarantee.
- EBRD reviews delegated management contracts to ensure they are structured to balance the needs of the operator and its client base
- Structure supports regionalisation of the water and waste water services and EU Cohesion policy
- For EU-cofinanced projects, EBRD can use Romanian procurement rules



## Attributes of EBRD Finance

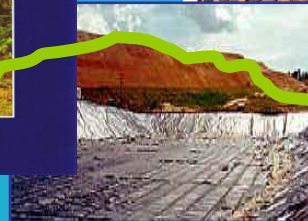
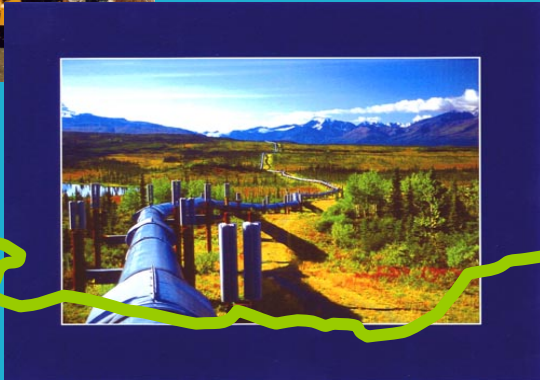
- Strong understanding of market and clients due to long history of working in the sector
- Long term flexible structures with suitable grace periods
- Pricing is competitive and in line with the market
- Active in all phases of project, ranging from project preparation to project implementation
- Direct access to EBRD bankers who provide on-going client support



## EBRD - Potential clients

- Equity and debt to assist international companies to fulfill their investment plans
- Local companies with strong fundamentals seeking equity or debt financing (e.g. for refurbishment, relocation, expansion, etc.)
- SMEs via lines of credit to the commercial banks
- Working capital loans to support existing clients
- Local currency financing available to clients with revenues in RON to reduce foreign currency risk







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