European Bank
for Reconstruction and Development

EBRD and Urban Rail: Perspectives on Financing

Presentation for MetroRail 2012

March 27, 2012
London

Urban Transport Challenges and Motivations

Moscow, July 2011

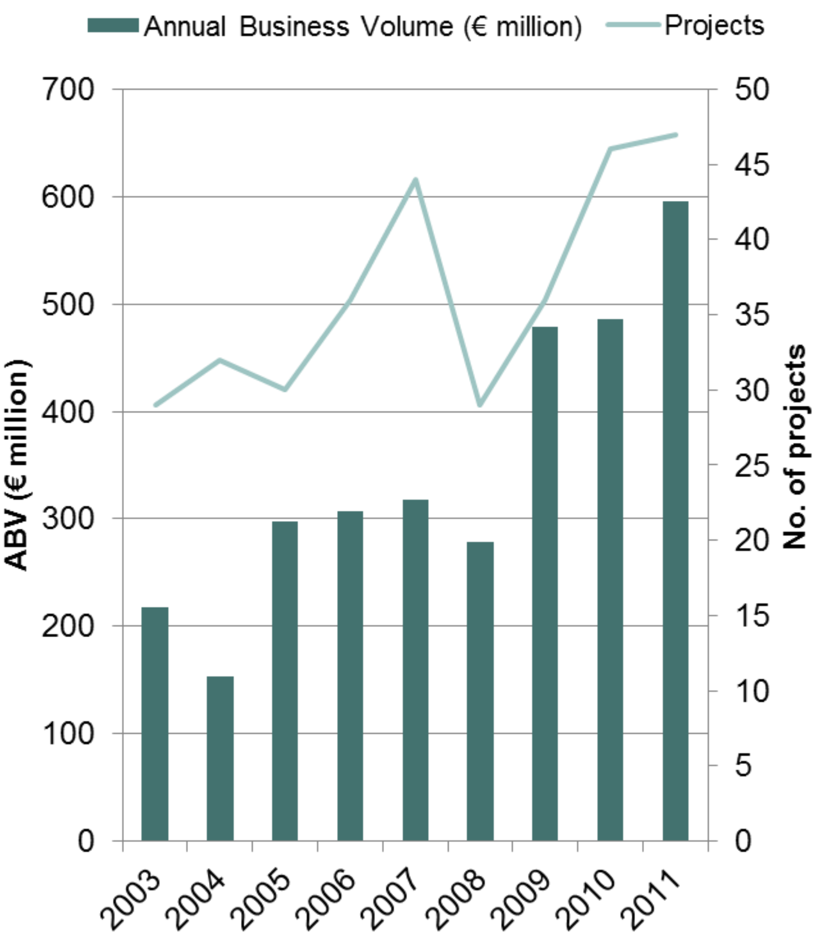
Urban Transport Challenges and Motivations

Krakow, 2010

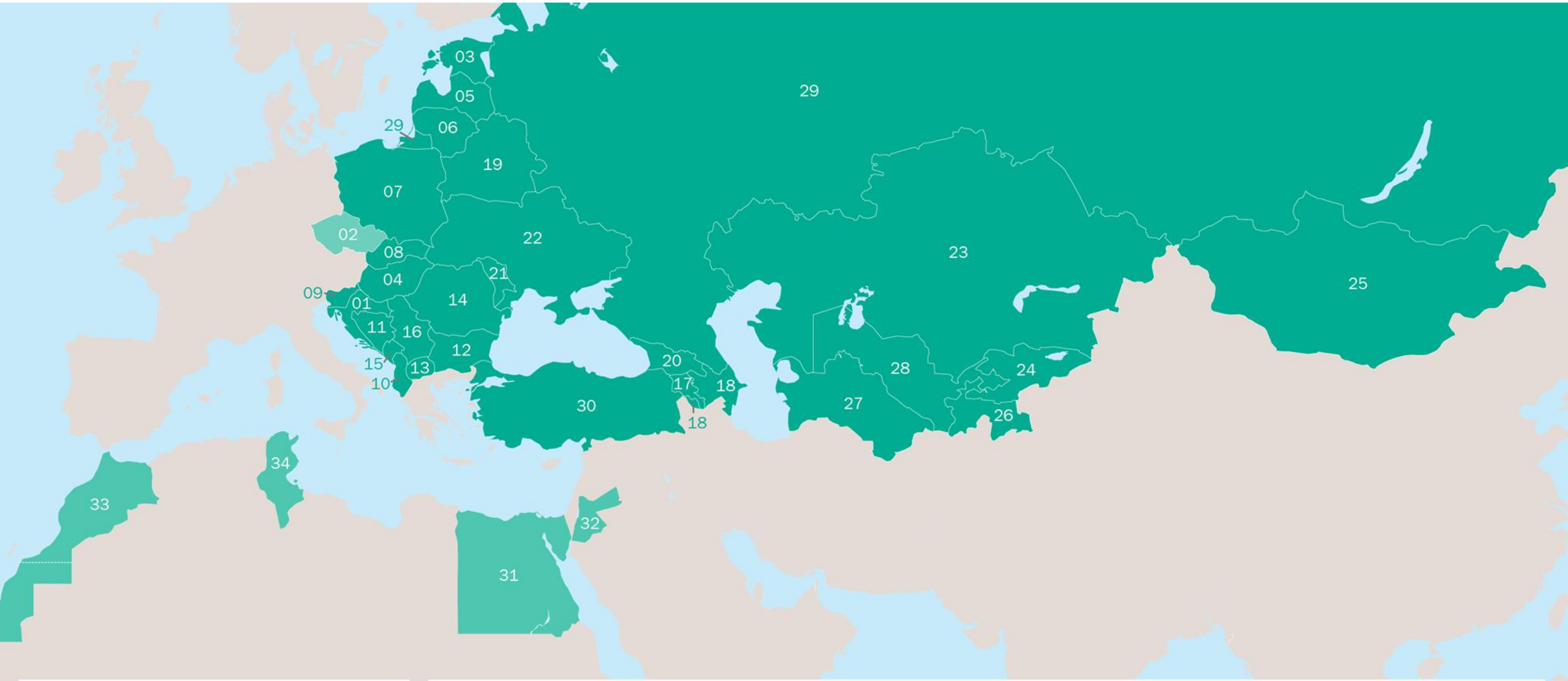
20 years of municipal finance at the EBRD

The EBRD and municipal investments

- Activity started in 1994
- 300 deals signed
- €5 billion committed by the EBRD
  - 50% municipal clients
  - 30% private clients/PPPs
  - 20% sovereign
- 2011 record year with €600 million invested



Operations in 34 countries



Countries of prospective EBRD operations

Southern and eastern Mediterreanean

31 Egypt
32 Jordan
33 Morocco
34 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 Romania
15 Montenegro
16 Serbia

Eastern Europe and the Caucasus

17 Armenia
18 Azerbaijan
19 Belarus
20 Georgia
21 Moldova
22 Ukraine

Central Asia

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

29 Russia
30 Turkey

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

EBRD Municipal financing guidelines

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Minimum size €8-10 million

Maximum size

- Up to 100% for small public sector infrastructure projects
- Up to 35% for large infrastructure projects (public or PPP)

Maturities between 10 to 20 years

EBRD procurement rules for public sector and competitive selection for PPP partners

Market pricing linked to risk level

Security linked to creditworthiness

- Public sector: Guarantee or Municipal Support Agreement
- PPP: concession agreement and physical security where possible

Local currency, where possible

Urban Rail Project Highlights

50+ projects and €1 billion invested thus far, including

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Poland

Warsaw (metro & tram), Krakow, Gdansk; Lodz; Sopot

Romania

Bucharest (Multisector); Iasi Tram; Arad Tram

Bulgaria

Sofia (tram)

Turkey

Bursa LRT

Serbia

Belgrade (tram)

Ukraine

Kiev (Metro & Bus); Lviv Trams

Armenia

Yerevan (Metro)

Warsaw Metro: new rolling stock loan

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Borrower – municipally-owned Warsaw Metro Company, an internal operator of the Warsaw underground system

Project – financing part of the investment programme for acquisition of 35 metro trains (210 individual wagons)

TC - The Bank provided technical assistance, funded by Austria, aimed at monetising the Project's anticipated emission reductions as carbon credits under the Kyoto Protocol's Joint-Implementation ("JI") Mechanism to assist with the monetisation of the resulting carbon credits

Total Investments – PLN 1.1 billion (equivalent to €273 million)

EBRD Loan – PLN 322.6m (equiv €80 million) under A/B structure

Co-financing – with EIB and EU

WARSZAWA

Warsaw Trams:
fleet renewal project

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Borrower – the municipally-owned Warsaw Tram Company

Project – modernisation of tram tracks and acquisition of 186 new articulated low-floor trams

Investment – PLN 1.9 billion (equiv. €466 million)

EBRD Loan – PLN 200m (equiv. to €50 million)

Co-financing – EU grants, EIB and company funds

Backed by public service contract and municipal support agreement

Methodological support to monetise carbon credits from modal switch from car transport to electric transport

Bursa LRT: clean urban rail

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Borrower – Bursa Municipality

Project – Phase II extension of Bursa LRT system (9 km, 8 new stations), purchase rolling stock (30 new vehicles), other investments

Total Investment – €219 million

EBRD Loan – €70 million

Signed 2011

Pledge of selected assets

Co-financing with EIB

Financing urban transport projects

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The EBRD promotes decentralised decision-making and financing to both public and private clients

The broad trends in urban transport finance in the EBRD region

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DECENTRALISATION

Sovereign-backed loans
Cheap but can become politicised

Municipality loans
Self-financing independence for cities
Higher cost and burden on city debt book

Utility loans supported by cities
Off-balance sheet borrowing for the city
Need to be backed by Public Service Contract + Municipal Support Agreements

Utility corporate loans or bonds
Self-financing independence for utilities
Entirely based on company creditworthiness / PSC

PPP/concessionaire loans
Private sector indebtedness

EBRD objectives in Urban Transport

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EBRD seeks to finance projects which:

Have stable and defined revenue sources for public transport

Include Public Service Contracts between the operators and the public sector to focus on operating cost discipline in exchange for public subsidy support

Invest in new rolling stock & infrastructure to improve service quality and reliability

Leverage private sector participation where possible

Strengthen and improve regulation

Implement integrated public transport modes through smart-card ticketing

The EBRD's standard approach

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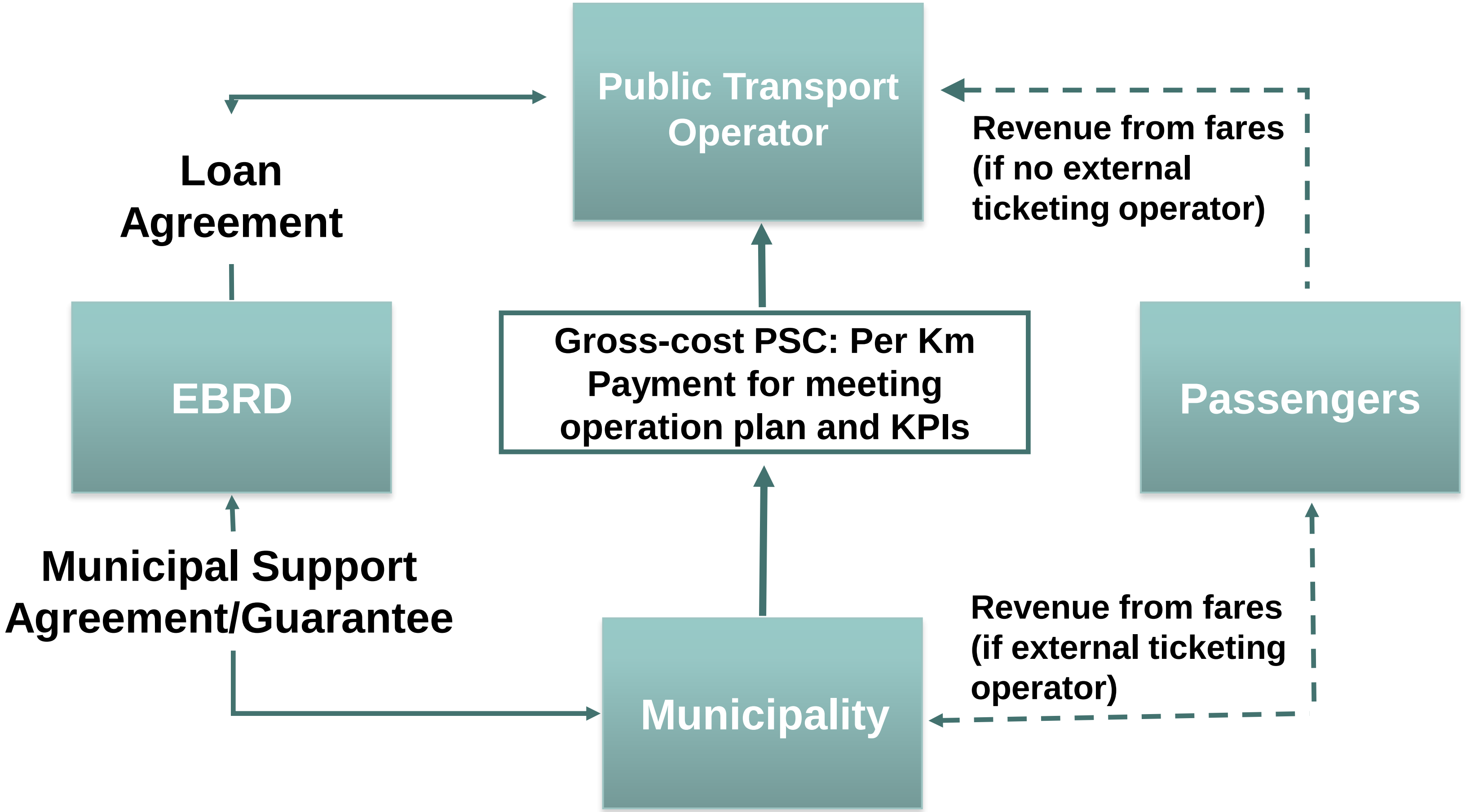
Corporate loan to operator backed by PSC to achieve creditworthiness



What attracts the EBRD to urban rail investments?

Balance and benefits

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Urban rail provides multiple advantages and has long-term effects:

Unique ability to provide high-quality alternative to urban travel

Act as antidote to urban congestion within corridor

Scalability, both in network and capacity

Value-added for urban environment (property values, air quality, carbon reductions)

Revenue generation, rises with value of time

Able to be commercialised (PSCs, KPIs, stations, rolling-stock maintenance, etc)

Can attract Private Sector Participation

Lasting investments: urban rail investments produce benefits measured in decades, not years

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