Working with the European Bank for Reconstruction and Development

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EBRD introduction
IFI with a private sector mandate

Since 1991, EBRD invested over €125 billion in around 5,196 projects
YTD 2018 - 213 projects = €5.26bn

In 2017
€9.7 billion
412 projects

EBRD Top 10 investee countries in 2017 (€m)

1. Turkey 1,540
2. Egypt 1,413
3. Ukraine 740
4. Poland 659
5. Greece 614
6. Kazakhstan 586
7. Romania 546
8. Azerbaijan 456
9. Serbia 382
10. Tunisia 324

Net cumulative bank investment
Annual business investment (ABI)
Equity ABI
Debt ABI (and guarantees)
Net Cumulative Bank Investment

Private sector accounted for share of 71%

Debt 84%
Equity 5%
Guarantee 11%
Where we invest increasing footprint

- Russia – not currently investing

- SEMED: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
- Western Balkans
- Central Eastern Europe
- Turkey
- Cyprus, Greece
- West Bank and Gaza
- Lebanon

- Central Asia (incl. Mongolia)

Countries: Estonia, Latvia, Lithuania, Poland, Belarus, Czech Republic, Slovakia, Hungary, Romania, Moldova, Bulgaria, Montenegro, Kosovo, Albania, FYR Macedonia, Turkey, Georgia, Armenia, Azerbaijan, Belarus, Ukraine, Russia, Kazakhstan, Mongolia, Uzbekistan, Kyrgyz Republic, Tajikistan, Turkmenistan, Egypt, Greece, Cyprus, Lebanon, Jordan, Morocco, Tunisia, Serbia, Montenegro, Kosovo, Croatia, Bosnia and Herzegovina, Albania, FYR Macedonia.
Projects in all key business sectors

- Transport
- Municipal & Environmental Infrastructure
- Property & Tourism
- Financial Institutions
- Natural Resources
- Telecomms, Informatics & Media
- Manufacturing & Services
- Power & Energy
- Industry, Commerce & Agribusiness
Sector showcase: Mainstreaming green financing
Results in 2006 – 2017

FINANCED
1,460 projects and credit lines
1,000+ directly financed projects with green components, and 250 credit lines to local financial institutions for on-lending to smaller projects

SIGNED
€26 billion of green financing
For projects with a total value of €148 billion signed in 2006-2017
In 2017 green financing represented 43% of EBRD’s total business, up from only 15% in 2006

REduced
90 million tonnes of CO₂/year
Emission reductions more than annual energy emissions of Romania
+annual water savings of 200 million m³ since 2013 equal to more than a third of annual water use in London
# The EBRD

## Its key strengths and objectives

### Key strengths

<table>
<thead>
<tr>
<th>Strength</th>
<th>Details</th>
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<tbody>
<tr>
<td>Long-term perspective</td>
<td></td>
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<tr>
<td>Commercial basis</td>
<td></td>
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<tr>
<td>Regional integration</td>
<td></td>
</tr>
<tr>
<td>Policy dialogue</td>
<td></td>
</tr>
<tr>
<td>Work with governments and shareholders</td>
<td>25 years experience</td>
</tr>
<tr>
<td>Local presence in 36 countries</td>
<td>Structuring expertise</td>
</tr>
<tr>
<td>Catalyst to mobilise finance for both private and public sector clients</td>
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</tbody>
</table>

### Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest both in the private and state sectors</td>
<td>Commercial basis</td>
</tr>
<tr>
<td>Improve people's lives</td>
<td>Private sector development</td>
</tr>
<tr>
<td>Innovate</td>
<td></td>
</tr>
<tr>
<td>Foreign direct investment</td>
<td></td>
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</table>
EBRD working with commercial investors

The EBRD

- **does not compete** with commercial investors
- **does not lend** or invest when commercial banks or private investors can do it alone
- **invites other banks** to participate in its operations
- **leads the market** with innovative products and longer tenors
- **cooperates with other investors** (supporting strategic equity investors)
  - investment of €1 **“mobilises”** another €3 for the project
- **provides assistance** in structuring and executing investments with significant energy and resources efficiency gains
- **employs donor grant funds** to complement some of its projects
EBRD’s financing instruments - how they can assist Australian companies

<table>
<thead>
<tr>
<th></th>
<th>Debt (€1-300m)</th>
<th>Equity (€1-100m)</th>
<th>Guarantees</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Typical size</strong></td>
<td>€10mln +</td>
<td>€5-7mln + (less in less advanced countries)</td>
<td>Typically €50k – €50mln</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>5-7 years (up to 10-15 years in case of infrastructure investments)</td>
<td>Typically from 3-7 years</td>
<td>1.5-2 (up to 3) years</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>Major foreign currencies as well as local currency</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Approach</strong></td>
<td>Finance up to 35% of the project (60% with syndication) for the company</td>
<td>Minority stake</td>
<td>Mainly through Trade Facilitation Programme</td>
</tr>
</tbody>
</table>
| **Structures**      | • Senior, subordinated or convertible bonds  
                       • Project finance  
                       • Floating or fixed rates | • Risk equity  
                       • Portage equity finance | • Trade finance guarantees & cash advances |
| **Applications**    | • Greenfield/Brownfield, JVs,  
                       • Capex for expansion/modernization, including resource efficiency improvements  
                       • Ownership change: acquisition, consolidation, privatisation  
                       • PPPs, etc.  
                       • Working capital |                      | • Support to issuing banks in countries of operations |

Exact terms depend on specific needs and market conditions
What the EBRD can and cannot finance

What we finance

Projects may be considered for EBRD assistance if they:

- are located in an country where the EBRD works (but flexibility)
- are bankable projects
- Meet satisfactory integrity & operational standards
- would benefit the local economy
- satisfy the EBRDs environmental standards as well as those of the host country

And each project must achieve two or more of our six transition qualities: competitive; inclusive; well-governed; resilient; integrated and green

What we cannot finance:

- Defence-related activities
- Tobacco industry
- Substances banned by international law
- Gambling facilities
- Environmental harmful projects (or if adverse impact cannot be adequately mitigated)
- Nuclear energy
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- Q&A
- Useful links & contacts
Clients
Snapshot
Leighton Mongolia

EBRD finance

$ 35 mn senior loan

Leighton, a leading Australian contractor with a strong focus on mining activities (AU$2.5bn turnover from mining services worldwide)

Use of proceeds and EBRD value added/impact

Finance the development of Ukhaa Khudag (UHG), a large coking coal deposit in the Tavan Tolgoi formation being developed by Mongolian Mining Corporation (MMC).

- First market entry: loan helped Leighton to enter the Mongolian market and to introduce contract mining in the country. Total UHG mining contract value today: US$1.8bn.
- “Honest Broker”: EBRD played a honest broker role between Leighton and the local mine owner, MMC.
- High EH&S standards: strong commitment to best practices in mine development and operation.
Rio Tinto (Oyu Tolgoi)  
Mongolia

EBRD finance

$1.2 BN project financing

Oyu Tolgoi LLC (OT), a company established in Mongolia to implement the project which involves the development, construction and operation of an open pit and underground facility in southern Gobi. OT is 66% ultimately owned by Turquoise Hill Resources Ltd (formerly, Ivanhoe Mines Ltd and majority owned by Rio Tinto plc and acting as manager of the project), a Canadian mining group, and 34% by Erdenes Oyu Tolgoi LLC, a corporate body owned by the Mongolian State.

Use of proceeds and EBRD value added/impact

The project is expected to have a material positive impact on the economic development of Mongolia and, at full production, is anticipated to increase national GDP by 30% by 2020.

The project will adopt best transparency standards through compliance by the project company with the EITI requirements and serve as an example to other private sector investors in the Mongolian mining industry.
Macquarie - D4/R7 Highway PPP project
Slovakia

Zero Bypass Limited is a special purpose vehicle incorporated in England and Wales by Cintra (Spain), Porr AG (Austria) and Macquarie (Australia) to design, build, operate and maintain the D4 Highway/ R7 Expressway Project in Slovakia.

Use of proceeds and EBRD value added/impact

The Bank’s investment will be used to construct two new sections of the D4 Highway, forming part of the Trans-European Transport, and three new sections of the R7 Expressway to ease access to Bratislava, the Slovak capital, improving a key road corridor. The Project is the 2nd motorway project in Slovakia to be financed under a Public Private Partnership (PPP) scheme. Total Project Value is EUR 1 billion.

The Project is expected to provide a significant demonstration effect by promoting continued private sector involvement in the road sector and a regional demonstration effect in replication of the concession programme by governments in neighbouring countries, to continue developing their plans for similar PPP programmes. Project ETI is 80.

EBRD finance

EUR 148.4 mn
senior loan
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EBRD Trade Facilitation Programme (TFP) & how does it work

TFP: Facilitates financing of all stages of the trade chain

- Export Production
- Transport
- Storage & distribution
- Receivables

The TFP has supported 11 export and import transactions for Australian companies for a total €6.67 million, for transactions which were initiated by banks in the EBRD countries of operation and confirmed by banks in both Australia and abroad. Seven Australian banks and branches of banks have joined the programme as Confirming Banks (all figures as at December 2017).

List of Australian Confirming Banks
- Australia & New Zealand Banking Group Ltd
- BNP Paribas Sydney
- Commonwealth Bank of Australia
- HSBC Bank Australia Limited
- Industrial & Commercial Bank of China Ltd
- Société Générale
- Westpac Banking Corporation

TFP supports trading by providing:

- Guarantees that cover risks arising from trade finance transactions;
- Cash advances/financing to issuing banks for trade finance purposes;
- Donor funded trade finance training and advisory services to issuing banks.
EBRD issues a Stand-By Letter of Credit covering the risks of Issuing Bank towards the Confirming bank.

- Confirming Bank, Worldwide
  - L/C Confirmation
    - Seller
  - Application for L/C opening
    - Issuing Bank, Country of Operations
- L/C Issuance with request to confirm (L/G Issuance with counter-guarantee, other banking trade finance instruments)
- Buyer

SALES - PURCHASE AGREEMENT
TFP Guarantee case study:
Import of pumps from Australia to Mongolia

- Mongolian company buys pumps from an Australian company
- Mongolian bank issues a letter of credit, confirmed by a German Confirming Bank
- EBRD guarantees 100% of the political and commercial risk to German Confirming Bank

Transaction worth: US$83,000
**Procurement: EBRD Policies and Principles**

**PRINCIPLES AND POLICIES**

- EBRD shares same principles as other IFIs
- Aligned to principles of WTO Government Procurement Agreement
- Use of efficient procurement methods, standard tender documents and contract forms
- Based on fundamental principles of economy, efficiency, accountability, non-discrimination, fairness and transparency
- In principle no eligibility restrictions, no domestic/member state preference (exception: tied donor funds)
- Main consideration is capability to perform the contract
- Corporate Procurement Policy / Procurement Policies and Rules

**Procurement Categories:**

- Corporate Procurement (Goods, Works, Services)
- Project Procurement (Goods, Works, Services)
- Consultancy (including Technical Cooperation)
EBRD Public Procurement Statistics 2017

247 contracts
totalling €988 million

EBRD financed €732 million

Open tendering share: 87%

Average contract: €4.0mm

The Bank’s public sector clients are expected to sign in the next four years

€7.5 billion
and 850 contacts

Public Procurement Contracts Signed

<table>
<thead>
<tr>
<th>Year</th>
<th>EBRD Finance (EUR mn)</th>
<th>Co-Financiers (Eur mn)</th>
<th>Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>392</td>
<td>759</td>
<td>1,063</td>
</tr>
<tr>
<td>2014</td>
<td>377</td>
<td>711</td>
<td>951</td>
</tr>
<tr>
<td>2015</td>
<td>381</td>
<td>383</td>
<td>745</td>
</tr>
<tr>
<td>2016</td>
<td>1,196</td>
<td>1,314</td>
<td>256</td>
</tr>
<tr>
<td>2017</td>
<td>412</td>
<td>732</td>
<td>412</td>
</tr>
</tbody>
</table>

The Countries of operation with the highest number of contracts signed:

Tajikistan (52 contracts)
Kazakhstan (34 contracts)
Ukraine (34 contracts)
Morocco (33 contracts)
Romania (22 contracts)

The Countries with the highest cumulative total/% of total contract value:

Ukraine (€211 million)/21
Romania (€177 million)/18
Kazakhstan (€168 million)/17
Russian Federation (€83 million)/8
Serbia (€69 million)/7
Consultancy Contracts 2017

By Regions

- SEMED: 10.4%
- Turkey: 4.6%
- Central Asia: 18.5%
- Central Europe and Baltics: 2.2%
- Eastern Europe and Caucasus: 17.5%
- Regional: 37.6%
- South Eastern Europe: 9.2%
- Russia: 0.1%

Total value: €258m

By Sectors

- Municipal Environmental Infrastructure: 20%
- Agribusiness: 7%
- Economics, Policy and Governance: 6%
- Energy Efficiency and Climate Change: 9%
- Small Business: 19%
- Financial Institutions: 13%
- Transport: 5%
- Other: 17%

By Types of Work Assignments

- Capacity Building: 31%
- Financial Institutions: 13%
- Policy Dialogue: 4%
- Legal and Regulatory Reform: 7%
- Institution Building: 13%
- Project Preparation: 16%
- Project Implementation: 26%

Thank you!

Q&A
Annex I: Useful links

- **EBRD website:** www.ebrd.com

- **Information about the countries of operations & Sectors of EBRD:**

- **Project Summary Documents, details of the projects signed with EBRD:**

- **Sending your project financing request online:**

- **Team dedicated for SMEs:**

- **Trade Facilitation Programme:**
Contacts

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