

# **Multi-year Expert Meeting on Transport, Trade Logistics and Trade Facilitation**

Sustainable Freight Transport Systems: Opportunities for Developing Countries

14-16 October 2015

## **WORKING WITH EBRD: EBRD FINANCING FOR SUSTAINABLE LOGISTICS**

by

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# Working with EBRD

## EBRD financing for Sustainable Logistics

Geneva, 15 October 2015



**European Bank**  
for Reconstruction and Development

# 1. The EBRD

2. A case for Sustainable freight Transport
3. EBRD Solutions
4. Case Studies

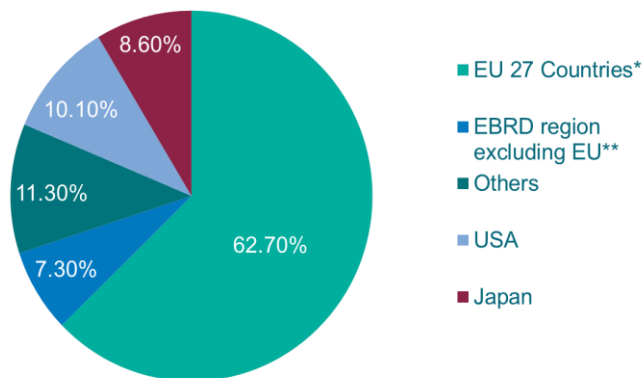


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# EBRD in a snapshot



Shareholding Structure



- IFI to promote transition to market economies in 36 countries;
- Over € 86.6 bln invested in 3,700+ projects since 1991;
- Owned by 64 countries and two intergovernmental institutions (AAA rated);
- HQ in London, it has 36 regional offices;
- Across all business sectors (Infrastructure, Energy, Industry & Agri, Financial Institutions, etc.)
- Private sector oriented (80%)

# EBRD in the Transport Sector

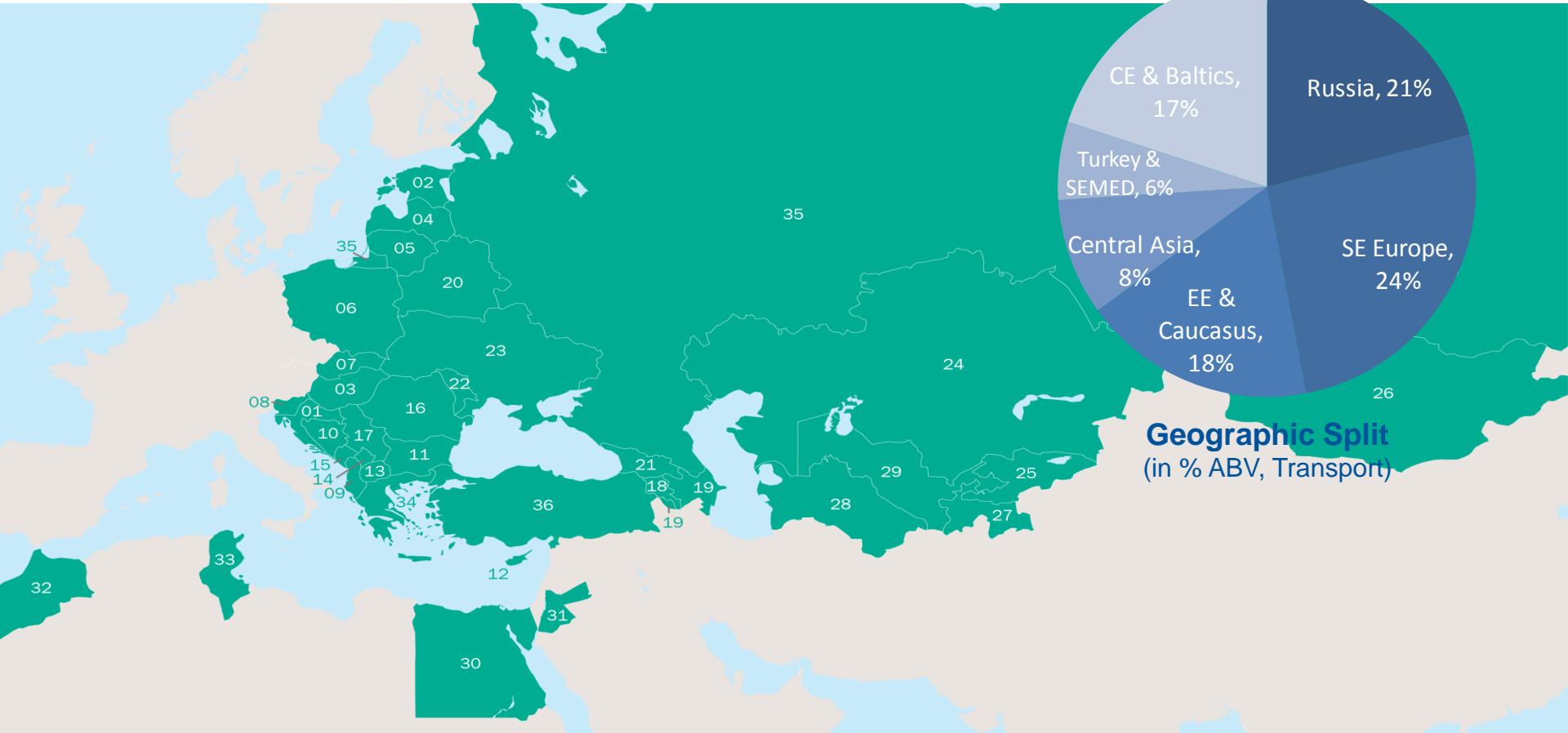


Over EUR 12 billion invested in 250+ projects

# Where the EBRD invests



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**Geographic Split**  
(in % ABV, Transport)

## WHERE WE INVEST

### Central Europe and the Baltic states

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

### South-eastern Europe

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

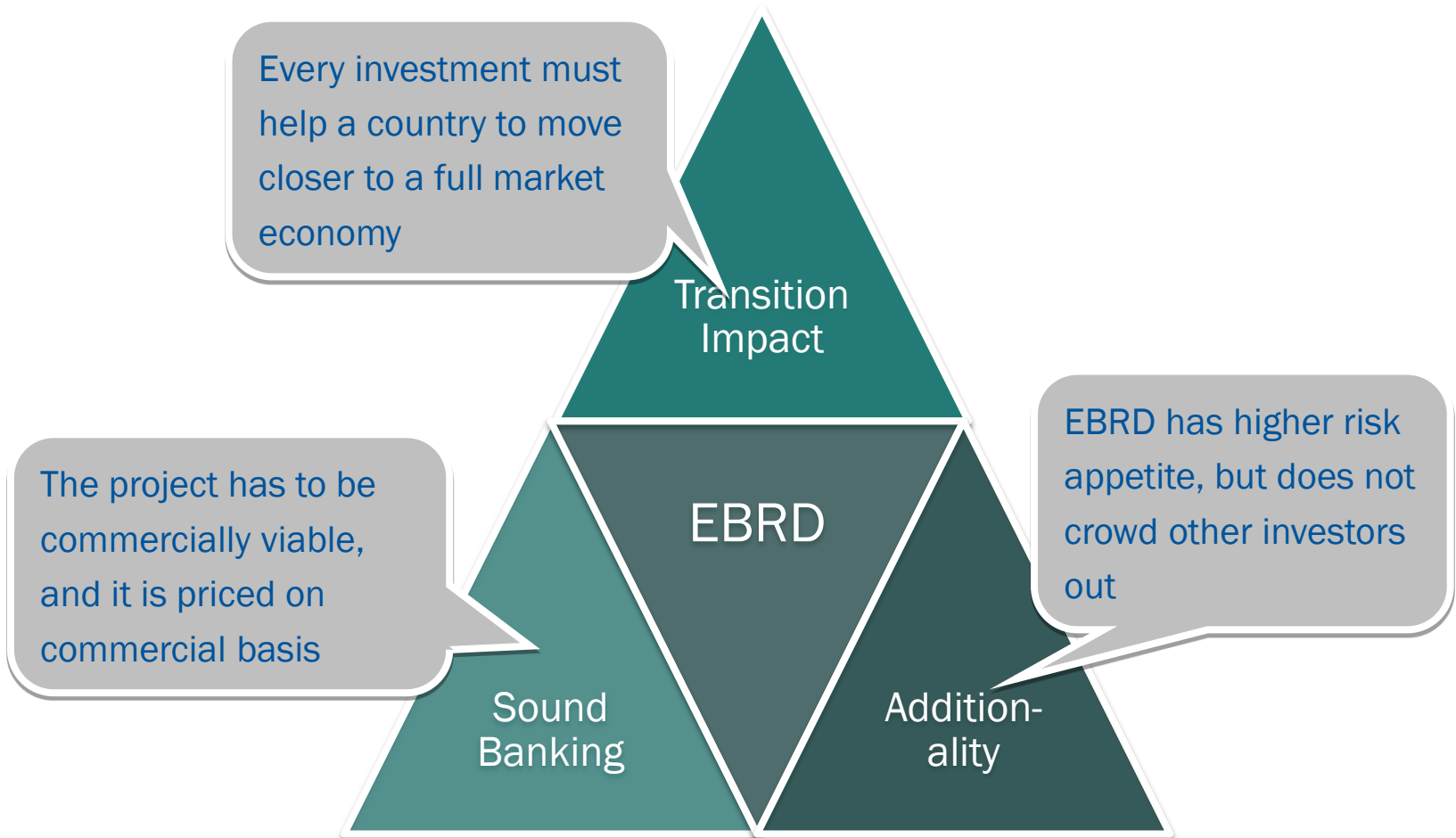
### Southern and eastern Mediterranean

- 30 Egypt
- 31 Jordan
- 32 Morocco
- 33 Tunisia

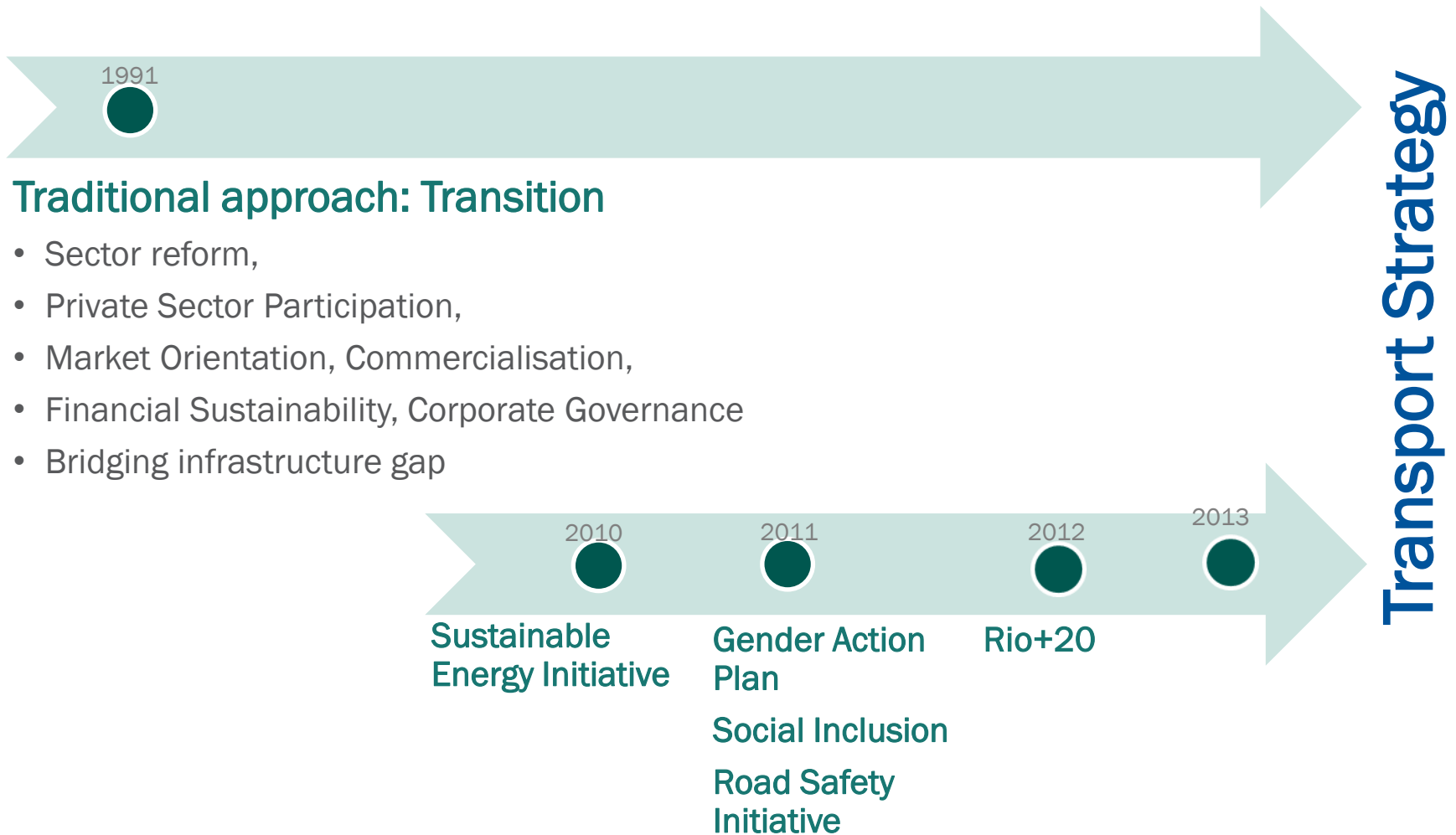
### 34 Greece

- 35 Russia
- 36 Turkey

# Our principles of operations



# Strategic Approaches in Transport





1. The EBRD

## 2. A case for Sustainable freight Transport

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# Why Sustainable Logistics?

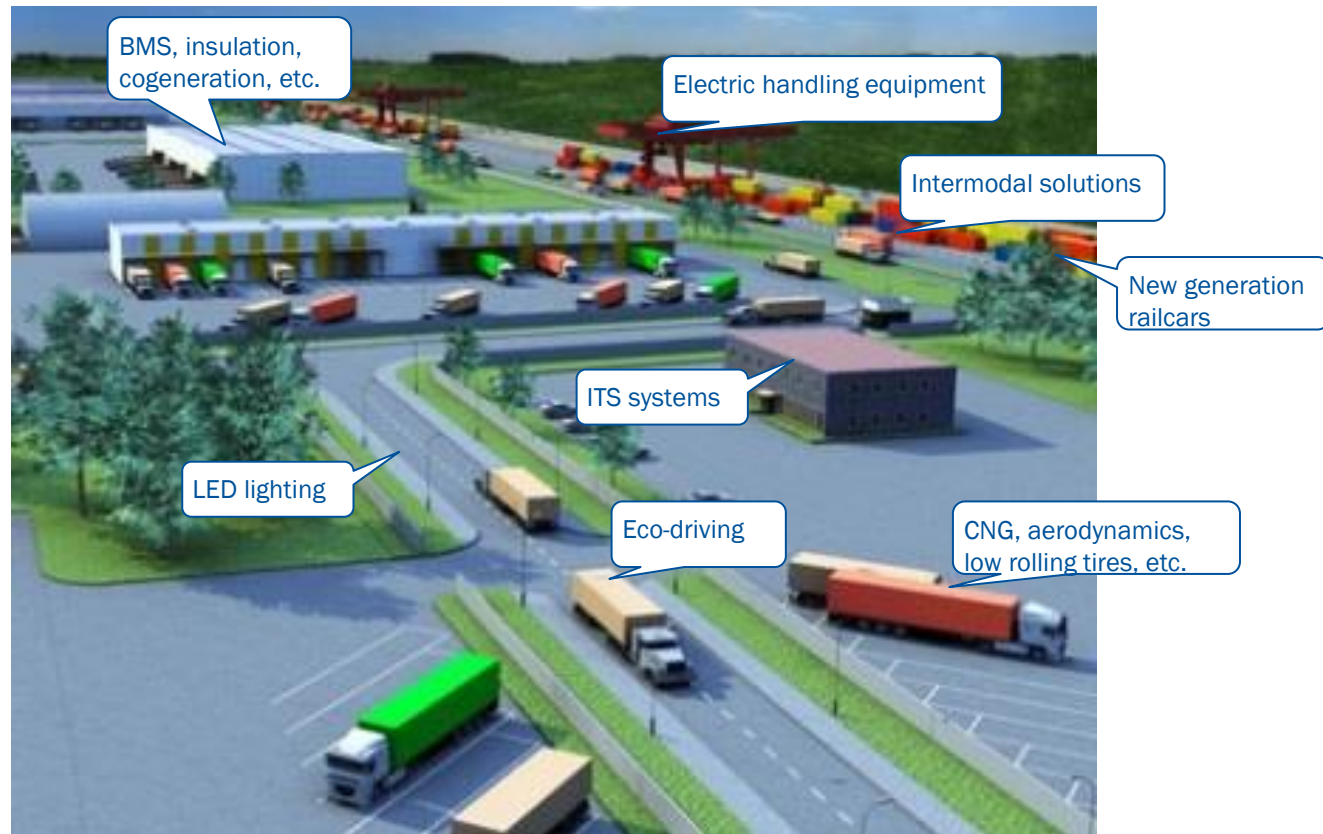
## Time for Action

- About 2,800 megatonnes CO<sub>2</sub> p.a. caused by logistics sector;
- Carbon emissions are forecasted to grow at 2.3% p.a. until 2050
- Despite improvements, energy intensity in the EBRD region remains on average over three times higher than in the EU
- High and volatile energy costs as an obstacle for competitiveness
- Pressure from clients, requiring stronger environmental performance and stricter reporting
- Pressure from policy makers and stakeholders aiming for modal shift to rail



# Solutions are out there

Commercially viable opportunities which could be enabled are of the order of 1,400 mega-tonnes CO<sub>2</sub>e in the medium term (WEF)



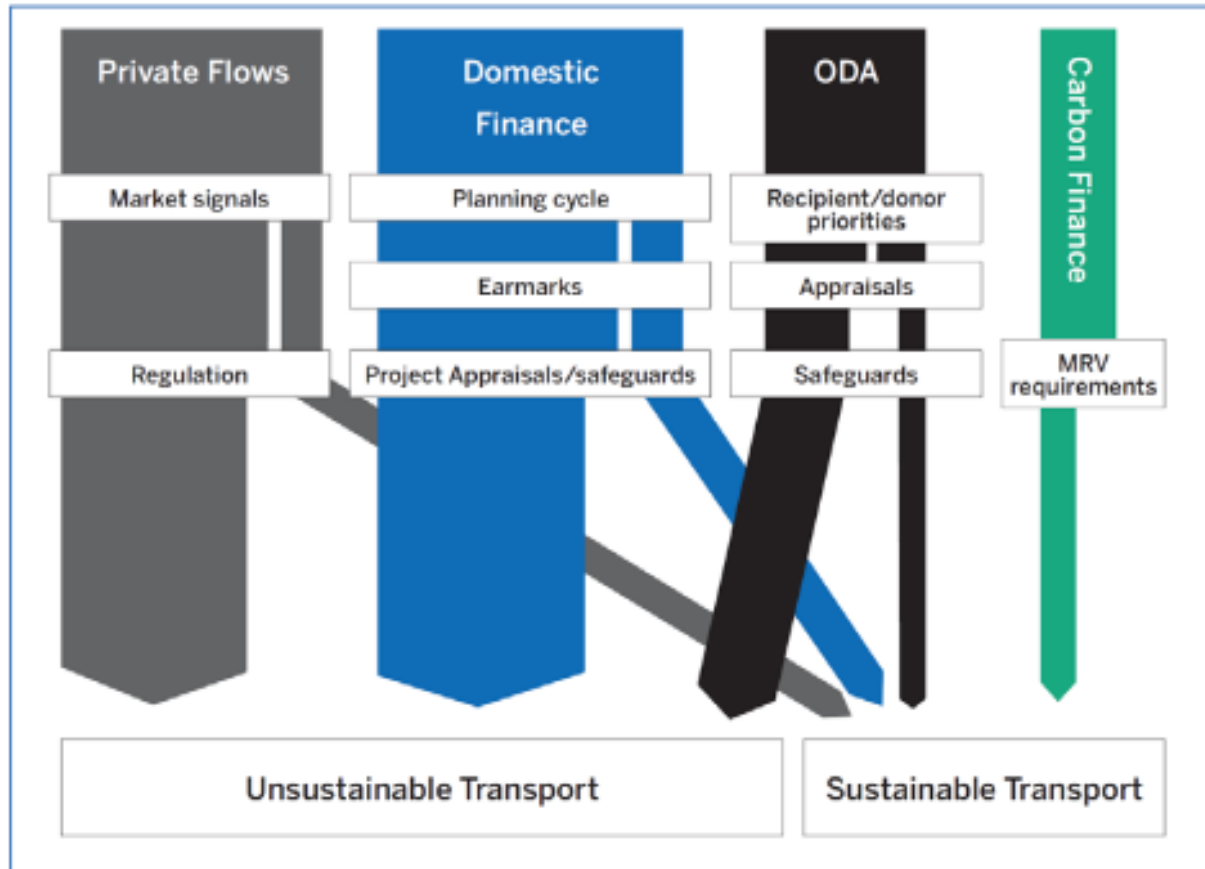
# Barriers for Sustainable Logistics

- Lack of local financing for early movers
- Inadequate policies and tax disincentives
- Lack of information (or sometimes too much information!)
- No MRV carbon footprint systems implemented to understand the results and impact of measures
- Changeable policy environment
- Misunderstanding of risks (too much focused on construction)



- Weak standards of corporate governance
- Few trained and skilled professionals on Sustainable Logistics, both in public and private sector
- Low of penetration of solutions and suppliers
- Infrastructure gap! Lack of pipeline of projects
- Unsuitable appraisal methodologies

# Financing sources



Source: Sakamoto et al., (2010), "A Paradigm Shift Towards Sustainable Low-Carbon Transport"

1. The EBRD
2. A case for Sustainable freight Transport

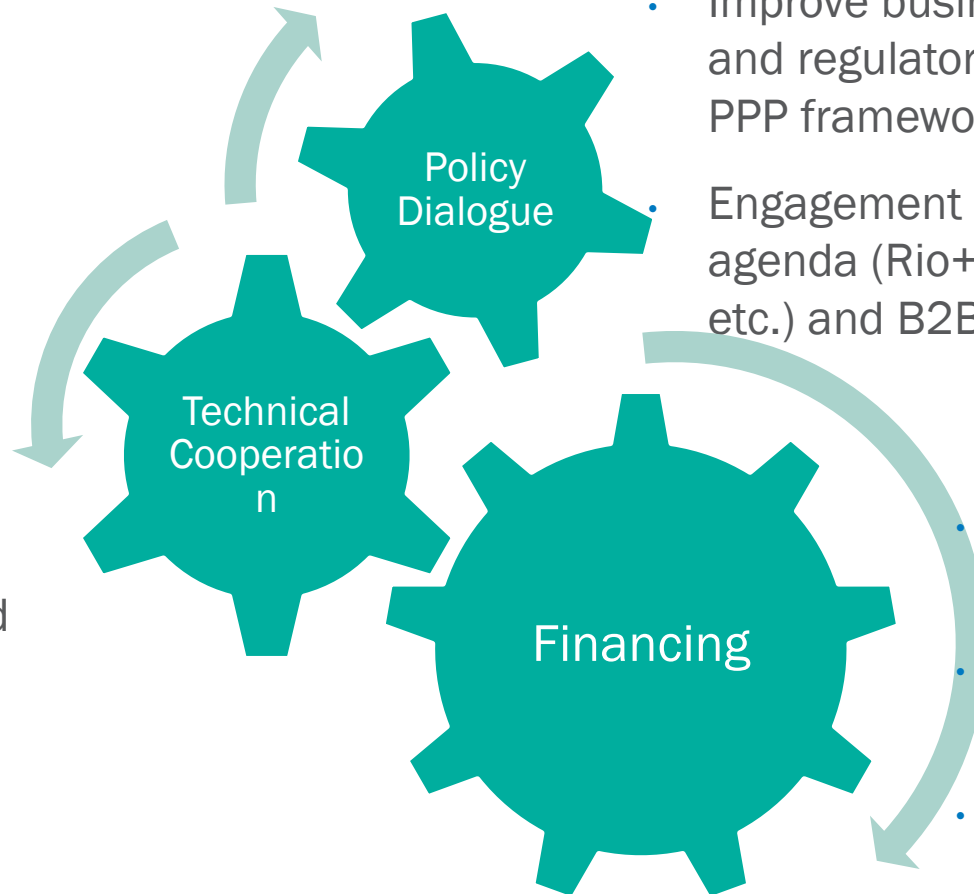
## **3. EBRD solutions**

4. Case Studies

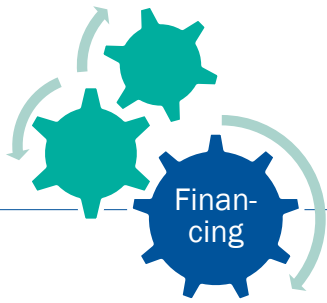


# How to deliver Sustainable Logistics?

- Over EUR 18 mln p.a. mobilized to support sector reforms and challenges
- TCs for project identification (eg. Energy Audits) and preparation (IPPF)



- Improve business environment and regulatory framework (eg. PPP framework)
- Engagement with MDBs and UN agenda (Rio+20, DoA, COP, SDG, etc.) and B2B initiatives
- Tailored financing options
- Risk mitigation – catalyst (IFI status)
- Mobilize climate funds
- Internal new tools, targets and metrics for project appraisal



# 1- Tailored financial options...



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... matching client capacity and transition gaps



## Sovereign debt

- Platform for project-led policy dialogue and sector reform
- Donor funded TC to overcome transition challenges

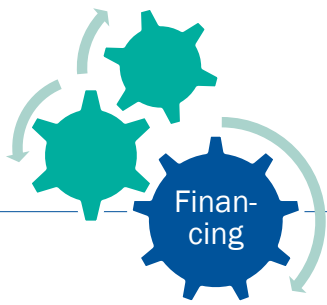
## Non sovereign debt with State Owned Entities

- Self-financing independence
- Debt on commercial terms, entirely based on company creditworthiness

## Private Sector

- Senior debt
- Quasi-equity and equity
- Capital markets (bonds, IPOs)
- PPPs
- Long tenor, local currency
- Co-financing (with commercial banks and IFIs)





# 1- Logistics: Area of increasing focus

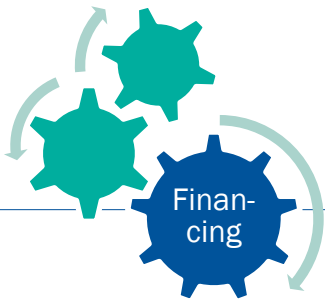
Over the last 5 years the EBRD has **invested over €2 billion in 35 Projects**

- Logistics Centres
- Intermodal Terminals
- Road Fleet modernization
- Port Development
- Rolling stock and railcars
- Short-Sea Shipping & Inland River Transport
- Capital markets and financial restructuring (IPO, private placement, etc)
- Modernization and Green Logistics



MEDITERRANEAN SHIPPING COMPANY



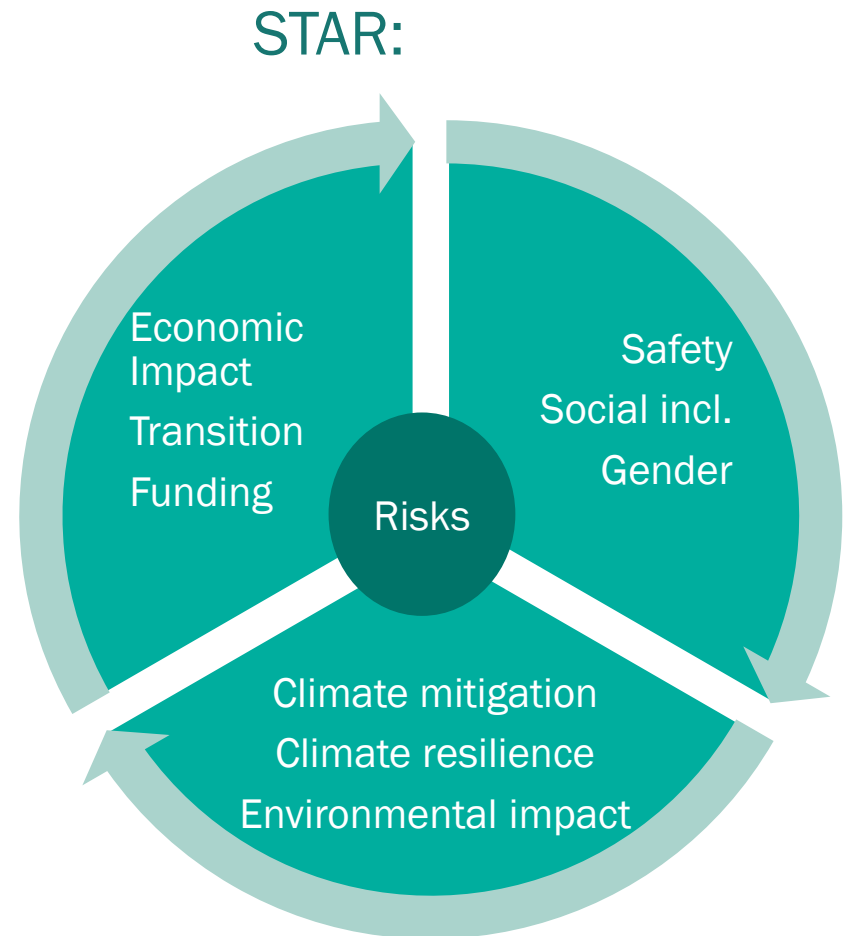


# 2- Metrics & targets: SEI/STAR

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## Motivation:

- Need to monitor progress (Rio+20)
- Successful experience with Energy Efficiency (SEI): to be expanded
- Traditional appraisal methodologies based on time savings and VOCs
- No simplistic approaches (e.g. “no road transport”, etc.)
- Existing sustainability ratings don't suit our work as MDB
- Need to harmonize amongst MDBs



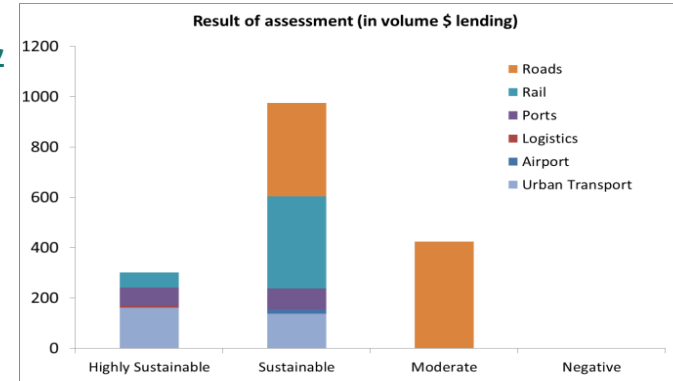


# 2- Application of STAR

Scoring at project level

Compilation & evaluation at portfolio level

Project name	41442	Moldova Road Rehabilitation	Investment costs (mln. €)	60
Project Description	Rehabilitation of main road sections in Moldova to help reverse the deterioration of roads in Moldova and to ensure key road links are properly maintained			25
ST Criteria	Description/Indicator	Rating	Overall	
Economic	Economic Impact	IRR: 15.9% Savings in vehicle operating costs and road maintenance costs due to improved road surface conditions. Efficient road link vital to support the development of the river port at Giurgiulesti and will assist in attracting investments	3	Very positive
	Transition	Good/High: Implementation of a new Procurement Policy: Maintenance Fund 100% of periodic maintenance contracts to be awarded to private sector based on competitive bidding	2	
	Funding	Public financing but increased funds by users covered. Allocation for maintenance contained in line with the recently adopted legislation (e.g. allocation of 65 per cent of fuel taxes in 2011 and 80 per cent from 2012 onwards). The Project will also support improved governance and accountability of the Road Fund in line with the recently adopted legislation	2	
Social	Safety	Better maintenance will lead to reduction of fatalities but there is no evidence of best practices additional efforts	1	Positive
	Social inclusion and accessibility	Lower operational cost and access to services (KPI to be added)	2	
Environmental	Gender	N/A	-	Moderately negative
	Climate mitigation	SEI = 0. Induced traffic will balance savings from lower V/C (roughness)	0	
	Climate resilience	No major adaptation requirements envisaged	-	
Risks	Project risks	Potential impacts are not significant and can be adequately mitigated through mitigation measures. A number of action points to improve the performance of the Project are included in the ESAP	-1	High
Rating	Sustainable	1.00	Sector	Roads
Key Monitoring/ Success Indicators	<ul style="list-style-type: none"> <li>* % Allocation of fund to road maintenance</li> <li>* Competitive tendering of maintenance contracts</li> <li>* Average IRI (roughness)</li> <li>* Reduction of travel time</li> <li>* Reduction of road maintenance costs</li> <li>* Reduction of number of fatalities</li> <li>* AADT</li> <li>* GHG emissions?</li> </ul>			<ul style="list-style-type: none"> <li>Risk</li> <li>Health</li> <li>Airport</li> <li>Logistics</li> <li>Urban Transport</li> <li>Port</li> <li>Rail</li> <li>Ports</li> </ul>

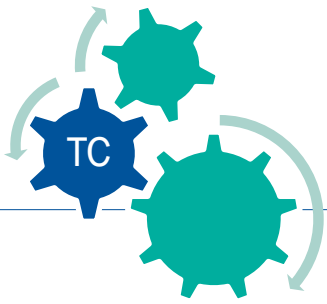


Progress Report (2012–2013) of the MDB Working Group on Sustainable Transport

December 2013

MDB Joint Report





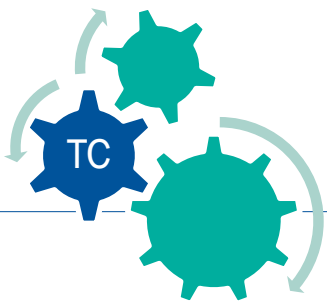
## 3- Donor funded TC available

Over EUR 18 mln mobilized from our donors to support our clients. Some examples:

- Detailed energy audit to identify opportunities for EE (terminal modernization, handling equipment, etc.);
- Feasibility Studies of new intermodal routes and services
- Training: eco-driving, road safety etc.;
- Preparation of Carbon Footprint Reporting and verification;
- Preparation of Energy Management Systems and Road Safety Systems. Support for ISO certifications (ISO 50001, ISO 39000);
- Design of Corporate Sustainability Strategy, Marketing and CSR.

(etc.)





# 3- IPPF: Infrastructure Project Preparation Facility

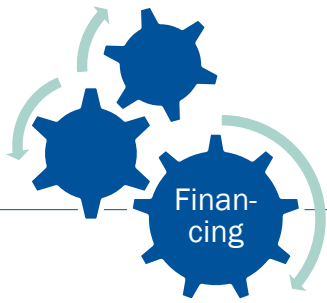


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- Infrastructure gap mostly explained by lack of proper project preparation and enabling environment issues
- EBRD created special fund (up to **EUR 40 million**) to:
  - Promote more efficient delivery of projects
  - Improve quality of service offered to clients
  - Deepen focus on commercialised approaches
  - Strengthen institutional capacity
  - Facilitate the integration of project preparation with policy dialogue
- Two windows:
  - **Sustainable Infrastructure** (non-reimbursable)
  - **PPP Window** (reimbursable)
- Framework agreement with up to 8 consultancy firms.  
Average projected size of support = EUR 1.5 mln

**Available**



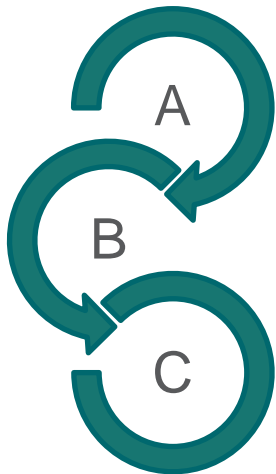


# 4- Green Logistics Programme



**Under  
preparation**

- Funded by EBRD and Global Environment Facility (GEF)
- Under consultation with GEF and stakeholders. Approval expected by end 2015



**A) Concessional finance - low interest rate** (15 mln USD)

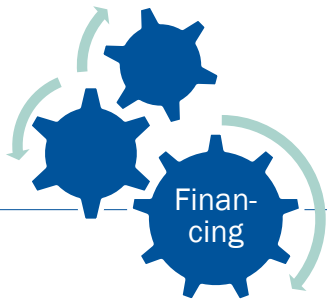
Available for investments in Green Logistics

**B) Capacity building** (400k USD):

Contribution to MRV methodologies for logistics and certified training

**C) Technical Assistance project level** (400 k USD):

Preparation & implementation green solutions



# 4- Green Logistics Programme



European Bank  
for Reconstruction and Development

Under  
preparation

## Eligibility requirements:

- ✓ Is it an investment in Logistics<sup>1</sup>?
- ✓ Is the project size 5-30 mln USD (approx.)?
- ✓ Is the project located in EBRD country in the Mediterranean and Black Sea (excl. EU) <sup>2</sup>?
- ✓ Will the investment bring carbon savings (in the transport chain)?
- ✓ Does it involve co-financing from equity and/or other co-financiers?

## Eligible!

Up to 30% of the loan (typically 1-5 mln USD) in concessional terms (L+0.75%); rest at EBRD standard pricing

Technical Assistance available for implementation (ap. 50,000-75,000 USD)

Investments are **prioritized** based on:

- Impact (Framework: Avoid, Shift, Improve)
- Governance practices implemented (MRV, ISO, voluntary programmes, etc)

1- Candidate countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia, Egypt, FYR Macedonia, Georgia, Jordan, Moldova, Montenegro, Morocco Serbia, Tunisia, Turkey, Ukraine  
2 - Subsectors: Logistic terminals/centres, ITS, Road fleet modernization, Port development, Short sea shipping, Inland river transport, Rail rolling stock

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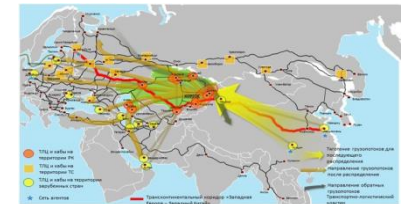
## 4. Case Studies



# KTZ Dry Ports, Kazakhstan

Client:	Kazakhstan Temir Zholy, National Railways Company (KTZ)
EBRD finance:	Eurobond issue
Total Project cost:	CHF 285 million
Year:	2014
Project description:	Development of a logistic hub to attract additional transit cargo traffic to the country (China-EU route)
Impact:	<ul style="list-style-type: none"><li>• Development of vital infrastructure to facilitate Eurasian connectivity by rail</li><li>• TC support to improve <b>corporate governance</b> and management practices of KTZ's logistics operator JSC KTZ Express,</li><li>• TC to help KTZ Express to structure a pilot logistic hub with the <b>private sector participation</b></li></ul>

KTZ EXPRESS  
MULTIMODAL COMPANY



# Klaipeda Transshipment hub, Lithuania

Client:	LK AB Klaipedos Smelte, subsidiary of TIL
EBRD finance:	Senior loan EUR 32.5 million
Total Project cost:	EUR 65 million
Year:	2012
Project description:	Expansion of the container handling operations at Klaipeda Port: <b>Transshipment hub</b>
Impact:	<ul style="list-style-type: none"><li>• Reduction of transport costs, trade facilitation and lower carbon emissions (about 50 kton CO2 p.a.)</li><li>• TC support for identification of new products and EE technologies</li><li>• Carbon footprint reporting and stronger energy management standards (ISO)</li></ul>



# Case Study

## InPost, Poland

Client:	Inpost
EBRD finance:	EUR 10 mln
Total Project cost:	EUR 82 million
Year:	2014
Project description:	Participation in IPO. Expansion of Automated Parcel Collection Network (4,000 lockers)
Approach:	Significant environmental benefits: 30 ktonnes CO2 p.a. compared to traditional delivery to door. With EBRD support, the company will also: <ul style="list-style-type: none"><li>• Develop carbon neutral courier services</li><li>• Develop of carbon reporting system in line with EN 16258 principles and GHG Protocol.</li><li>• Implement Road Safety System (ISO 39001) and Environmental Management System (ISO 14001)</li><li>• Increase gender diversity at senior positions</li></ul>



# Lorry Cargo Fleet Renewal, Russia

Client: Lorry. A leading player in Russia's regional long-haul trucking market

EBRD finance: Senior Loan EUR 40 million

Total Project cost: EUR 82 million

Year: 2014

Project description: **Medium-term fleet renewal and expansion programme** (800+ trucks)

Impact: Fleet expansion while maintaining the average truck age at around 2-3 years, launch of 3PL services.

- Implementation of modern road safety management programmes
- Introduction of new energy efficient components focusing on fuel usage reduction and better reporting procedures



# First Modern Logistics Terminal, Georgia

- Client: JV between Gebrüder Weiss and Tegeta Motors (Georgian auto parts retailer)
- EBRD finance: Senior loan EUR 1.0 million
- Total Project cost: EUR 12.0 million
- Year: 2013
- Project description: Construction of **logistics terminal**
- Impact:
- First logistics terminal of this type and scale (11,300 m<sup>2</sup>) in Georgia with state of the art facilities. Introducing new all-in-one service
  - Transferring international know-how and expertise to the subsidiary in Georgia



# Ekol Ro-Ro services, Turkey

Client: EKOL Lojistik, A.S.

EBRD finance: Senior loan EUR 12 million

Total Project cost: EUR 30.0 million

Year: 2012

Project description: Acquisition of three Ro-Ro Vessels to provide **Short Sea Shipping between Haydarpasa (Turkey) and Trieste (Italy)**

Impact:

- 50,000 + trucks shifted from road to sea per annum (thus saving 19,000 ktonnes CO2)
- Adoption of best practices to raise the standards of the Turkish shipping industry: ISO 50000, ISO 14000, and Safety & Disaster Response Plan



# Akel Logistics, Turkey

Client:	Akel Logistics: Provider of point-to-point transport services throughout Turkey primarily in food & beverage and related sectors
EBRD finance:	Senior Loan EUR 4.4 million
Total Project cost:	EUR 4.4 million
Year:	2013
Project description:	Working capital financing and development of <b>two logistics centres</b>
Impact:	<ul style="list-style-type: none"><li>• Provision of integrated logistics solutions combining warehousing services with point to point logistics and transportation solutions</li><li>• Improving corporate governance, including simplification of ownership structures, adoption of IFRS accounts, and first time audit</li><li>• It was structured through Local Enterprise Facility, a vehicle for investments in small and medium-sized enterprises (SMEs);</li></ul>



# Contacts

For all further enquiries, please contact:

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