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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1. The EBRD

2. A case for Sustainable freight Transport

3. EBRD Solutions

4. Case Studies
EBRD in a snapshot

- 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%)
Over EUR 12 billion invested in 250+ projects
Where the EBRD invests

Geographic Split (in % ABV, Transport)

Russia, 21%
SE Europe, 24%
EE & Caucasus, 18%
Central Asia, 8%
Turkey & SEMED, 6%
CE & Baltics, 17%

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

Every investment must help a country to move closer to a full market economy.

The project has to be commercially viable, and it is priced on commercial basis.

EBRD has higher risk appetite, but does not crowd other investors out.

EBRD
Strategic Approaches in Transport

Traditional approach: Transition

- Sector reform,
- Private Sector Participation,
- Market Orientation, Commercialisation,
- Financial Sustainability, Corporate Governance
- Bridging infrastructure gap

- 1991
- 2010
- 2011
- 2012
- 2013

Sustainable Energy Initiative
Gender Action Plan
Social Inclusion
Road Safety Initiative
Rio+20
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Why Sustainable Logistics?
Time for Action

• About 2,800 megatonnes CO2 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 CO2e 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

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How to deliver Sustainable Logistics?

- Improve business environment and regulatory framework (e.g. PPP framework)
- Engagement with MDBs and UN agenda (Rio+20, DoA, COP, SDG, etc.) and B2B initiatives
- Over EUR 18 mln p.a. mobilized to support sector reforms and challenges
- TCs for project identification (e.g. Energy Audits) and preparation (IPPF)
- Tailored financing options
- Risk mitigation – catalyst (IFI status)
- Mobilize climate funds
- Internal new tools, targets and metrics for project appraisal
1- Tailored financial options...

... 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
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

MDB Joint Report


December 2013
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

- 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
4- Green Logistics Programme

- 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
Eligibility requirements:

- Is it an investment in Logistics\(^1\)?
- Is the project size 5-30 mln USD (approx..)?
- Is the project located in EBRD country in the Mediterranean and Black Sea (excl. EU)\(^2\)?
- 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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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:

- Development of vital infrastructure to facilitate Eurasian connectivity by rail
- TC support to improve corporate governance and management practices of KTZ’s logistics operator JSC KTZ Express,
- TC to help KTZ Express to structure a pilot logistic hub with the private sector participation
## Klaipeda Transhipment hub, Lithuania

<table>
<thead>
<tr>
<th>Client:</th>
<th>LK AB Klaipedos Smelte, subsidiary of TIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBRD finance:</td>
<td>Senior loan EUR 32.5 million</td>
</tr>
<tr>
<td>Total Project cost:</td>
<td>EUR 65 million</td>
</tr>
<tr>
<td>Year:</td>
<td>2012</td>
</tr>
<tr>
<td>Project description:</td>
<td>Expansion of the container handling operations at Klaipeda Port: Transhipment hub</td>
</tr>
<tr>
<td>Impact:</td>
<td>• Reduction of transport costs, trade facilitation and lower carbon emissions (about 50 kton CO2 p.a.)</td>
</tr>
<tr>
<td></td>
<td>• TC support for identification of new products and EE technologies</td>
</tr>
<tr>
<td></td>
<td>• Carbon footprint reporting and stronger energy management standards (ISO)</td>
</tr>
</tbody>
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### Case Study

**InPost, Poland**

<table>
<thead>
<tr>
<th>Client:</th>
<th>Inpost</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBRD finance:</td>
<td>EUR 10 mln</td>
</tr>
<tr>
<td>Total Project cost:</td>
<td>EUR 82 million</td>
</tr>
<tr>
<td>Year:</td>
<td>2014</td>
</tr>
<tr>
<td>Project description:</td>
<td>Participation in IPO. Expansion of Automated Parcel Collection Network (4,000 lockers)</td>
</tr>
<tr>
<td>Approach:</td>
<td>Significant environmental benefits: 30 ktonnes CO2 p.a. compared to traditional delivery to door. With EBRD support, the company will also:</td>
</tr>
<tr>
<td></td>
<td>● Develop carbon neutral courier services</td>
</tr>
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<td></td>
<td>● Develop of carbon reporting system in line with EN 16258 principles and GHG Protocol.</td>
</tr>
<tr>
<td></td>
<td>● Implement Road Safety System (ISO 39001) and Environmental Management System (ISO 14001)</td>
</tr>
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<td></td>
<td>● Increase gender diversity at senior positions</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Client:</th>
<th>JV between Gebrüder Weiss and Tegeta Motors (Georgian auto parts retailer)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBRD finance:</td>
<td>Senior loan EUR 1.0 million</td>
</tr>
<tr>
<td>Total Project cost:</td>
<td>EUR 12.0 million</td>
</tr>
<tr>
<td>Year:</td>
<td>2013</td>
</tr>
<tr>
<td>Project description:</td>
<td>Construction of <strong>logistics terminal</strong></td>
</tr>
</tbody>
</table>
| Impact:          | • First logistics terminal of this type and scale (11,300 m²) 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

<table>
<thead>
<tr>
<th><strong>Client:</strong></th>
<th>EKOL Lojistik, A.S.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBRD finance:</strong></td>
<td>Senior loan EUR 12 million</td>
</tr>
<tr>
<td><strong>Total Project cost:</strong></td>
<td>EUR 30.0 million</td>
</tr>
<tr>
<td><strong>Year:</strong></td>
<td>2012</td>
</tr>
<tr>
<td><strong>Project description:</strong></td>
<td>Acquisition of three Ro-Ro Vessels to provide <strong>Short Sea Shipping between Haydarpasa (Turkey) and Trieste (Italy)</strong></td>
</tr>
<tr>
<td><strong>Impact:</strong></td>
<td></td>
</tr>
</tbody>
</table>
- 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

<table>
<thead>
<tr>
<th>Client:</th>
<th>Akel Logistics: Provider of point-to-point transport services throughout Turkey primarily in food &amp; beverage and related sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBRD finance:</td>
<td>Senior Loan EUR 4.4 million</td>
</tr>
<tr>
<td>Total Project cost:</td>
<td>EUR 4.4 million</td>
</tr>
<tr>
<td>Year:</td>
<td>2013</td>
</tr>
<tr>
<td>Project description:</td>
<td>Working capital financing and development of two logistics centres</td>
</tr>
<tr>
<td>Impact:</td>
<td>- Provision of integrated logistics solutions combining warehousing services with point to point logistics and transportation solutions</td>
</tr>
<tr>
<td></td>
<td>- Improving corporate governance, including simplification of ownership structures, adoption of IFRS accounts, and first time audit</td>
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<td></td>
<td>- It was structured through Local Enterprise Facility, a vehicle for investments in small and medium-sized enterprises (SMEs);</td>
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Contacts

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