

EBRD and Financing of Aviation Transport Projects



EBRD and the Transport sector

- What makes EBRD different from other IFI's?
- Overview of Transport business
- Transport Portfolio
- Business Opportunities in the Transport sector
- Transport Pipeline
- Key Challenges



1. What makes EBRD different to other IFIs?

- **Unique mandate** - both political and economic to promote transition to market-based economies by investing mainly in the private sector
- Main objective is to mobilise significant foreign direct investment and support privatisation, restructuring and better services to improve people's lives
- To encourage environmentally sound and sustainable development
- Focus on developing financing solutions which meet the client's needs
- Invests primarily in **private sector projects**



IFI with investment banking skills

- Specialised knowledge of central and eastern Europe and the CIS and the largest investor in most of its countries of operation
- Extensive offer of financial products
- Dedicated teams with expertise in a variety of sectors and countries combining investment and commercial banking expertise with local knowledge and contacts
- In-house understanding of legal framework for both debt and equity financing



Financial flexibility

- Wide range of **Loans** (fixed, floating, choice of currency)
- **Equity**, including combination of loan and equity
- **Guarantees**, including credit enhancements (performance bonds etc.)
- SME loans, Equity funds, Micro/small business programmes, Credit lines, Co-financing
- Tailored to meet project-specific needs including repayment schedules and specific situation of country/region and sector
- Innovative products/structures
- Pricing reflects risks with project, borrower and country



EBRD risk profile

EBRD

- Takes financial risks
- Takes political risks
- Takes long maturity
- Shares equity risk

Sponsors

- Expertise and sound management
- Take operational, market and construction risks

EBDR applies sound banking principles. All projects must be economically and financially viable. Risk sharing to achieve debt capacity maximisation and risk compartmentalisation



2. Overview of Transport Business

Roads

Construction of Highways,
operation and maintenance,
toll roads, road haulage...

Railways

Railway infrastructure,
Freight, Passenger rail,
inter-modal transport...

Maritime

Port infrastructure (berth,
breakwater) superstructure,
shipping, stevedoring...

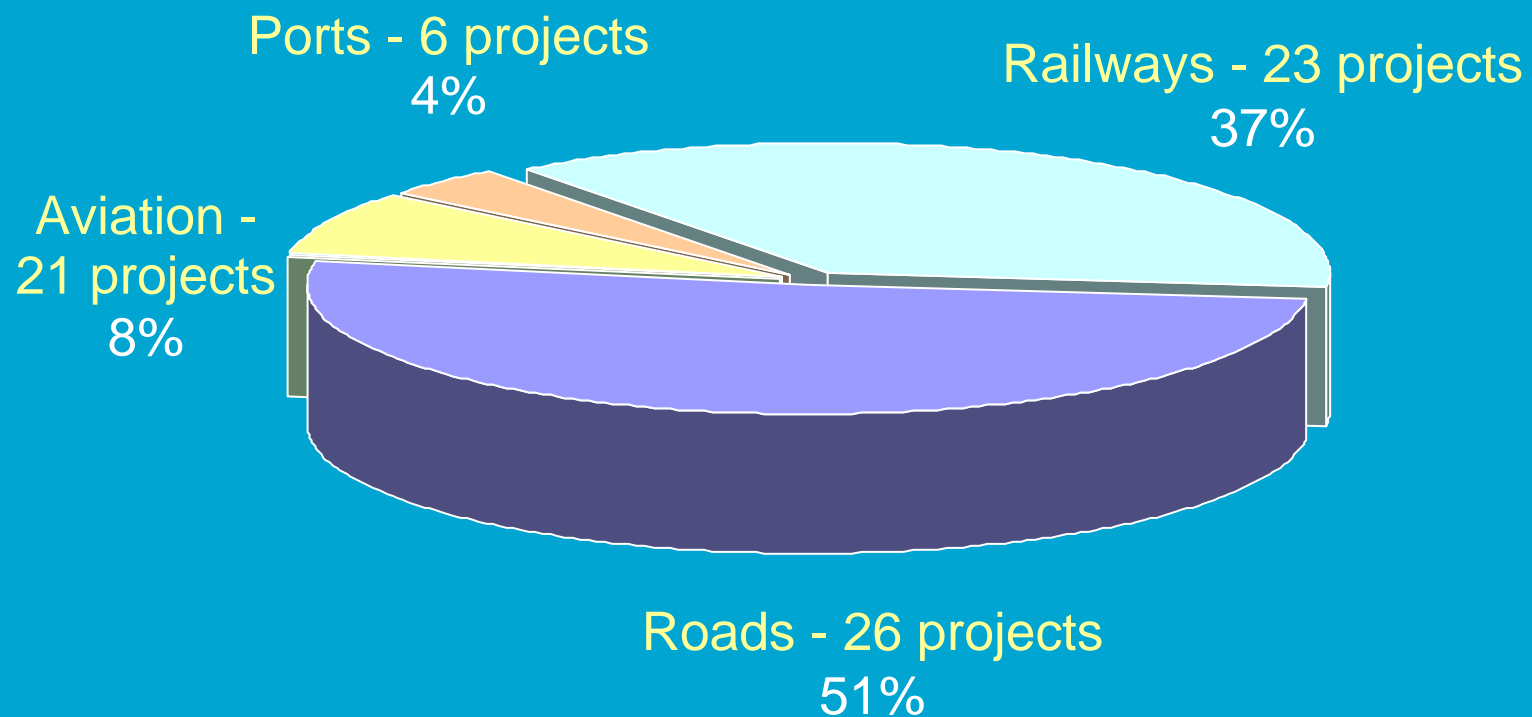
Aviation

Airport development,
aircraft leasing, air cargo,
air traffic control systems...



3. Transport Portfolio (I)

By sector

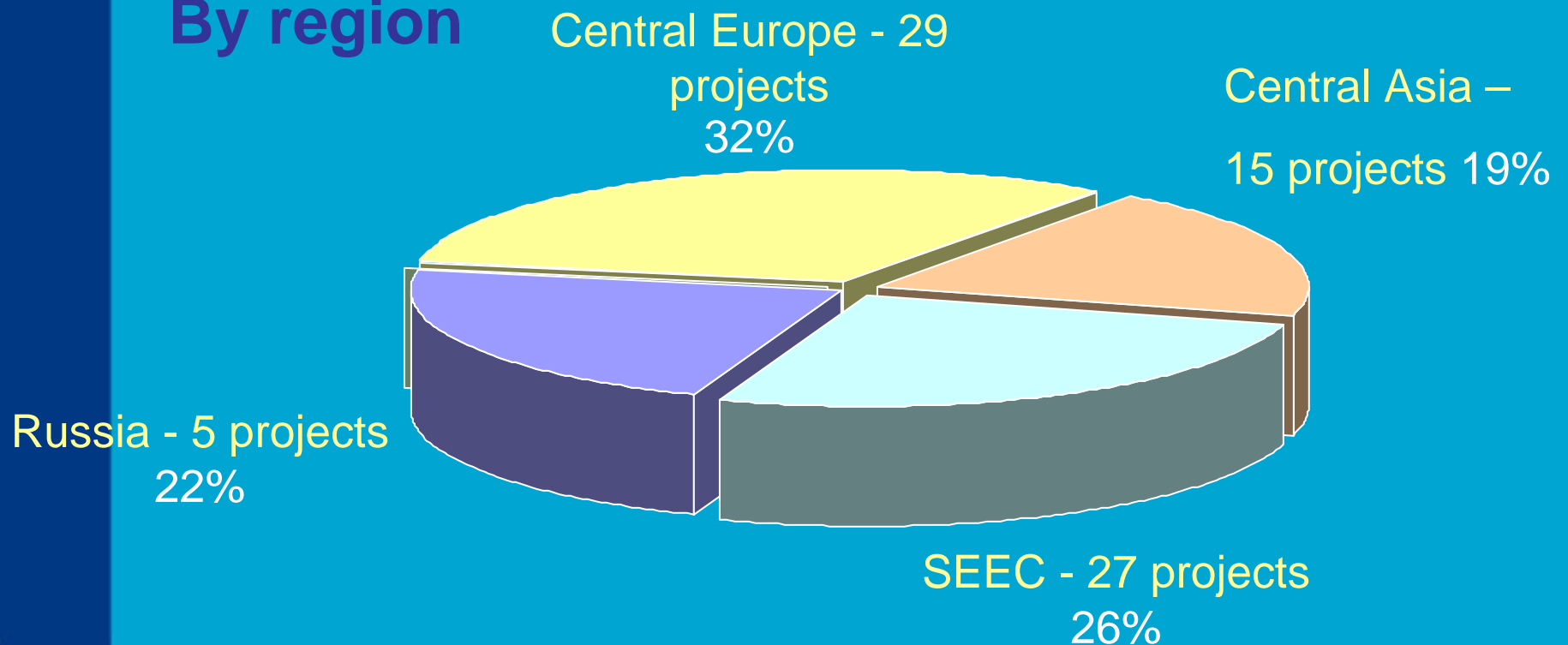


Total portfolio of EUR 2.3bn with 76 projects



3. Transport Portfolio (II)

By region



Total operation cost of EUR 8.7 bn with 76 projects



Selected Air Transport projects



*AS Tallin Airport
Estonia*

***Tallinn Airport Loan
EUR €7.5 million***

*October 2002
Construction and Corporate
loan for the Refinancing of
the International Airport of
Tallin-Estonia*



*Ministry of Transport
and Communications
FYR Macedonia*

***Civil Aviation
Upgrading Project
EUR €15.6 million***

July 2002

*Modernisation of
Macedonian Air Navigation
Services*



*The Russian Federation
Globeground,
State Aviation Enterprise
(Pulkovo, LenStroiGilService)*

***Air Cargo Terminal
Pulkovo
EUR €12 million***

*October 2000
Construction and operation
of Air Cargo Terminal in
St. Petersburg - Phase I*



4. Business opportunities in the Air Transport sector

- **Aviation:** Air Navigation Systems and airport infrastructure development
- Opportunities for private sector in **construction of airport terminals and airport privatisation** (runway, taxiway improvements, ground handling equipment, passenger and cargo terminal buildings)



Private sector participation

- **Privatisation:** Opportunities for new investments or for the rehabilitation of existing facilities to be developed by the private sector in the form of:

Concession: full concession granted by the State to a fully private or private majority ownership company

Commercial Agreement
Public Administration managing the State assets, and private entity for rehabilitation and operation of assets

Contractual Agreement
Private operator under contract (e.g. Management or operating contract) and State finances investment requirements



Public-Private partnership

- Government and private sector work together, sharing investment, risk, responsibility and reward. EBRD can provide debt to the Host Government to finance the cost of its own contributions to the PPP and finance to the Project Company
 - **Private Sector** driving force of project through financial, management and technical support.
 - **Public Sector** provides key project assets (i.e. infrastructure) and establishes legal and contractual framework as well as supporting project development in medium-long term



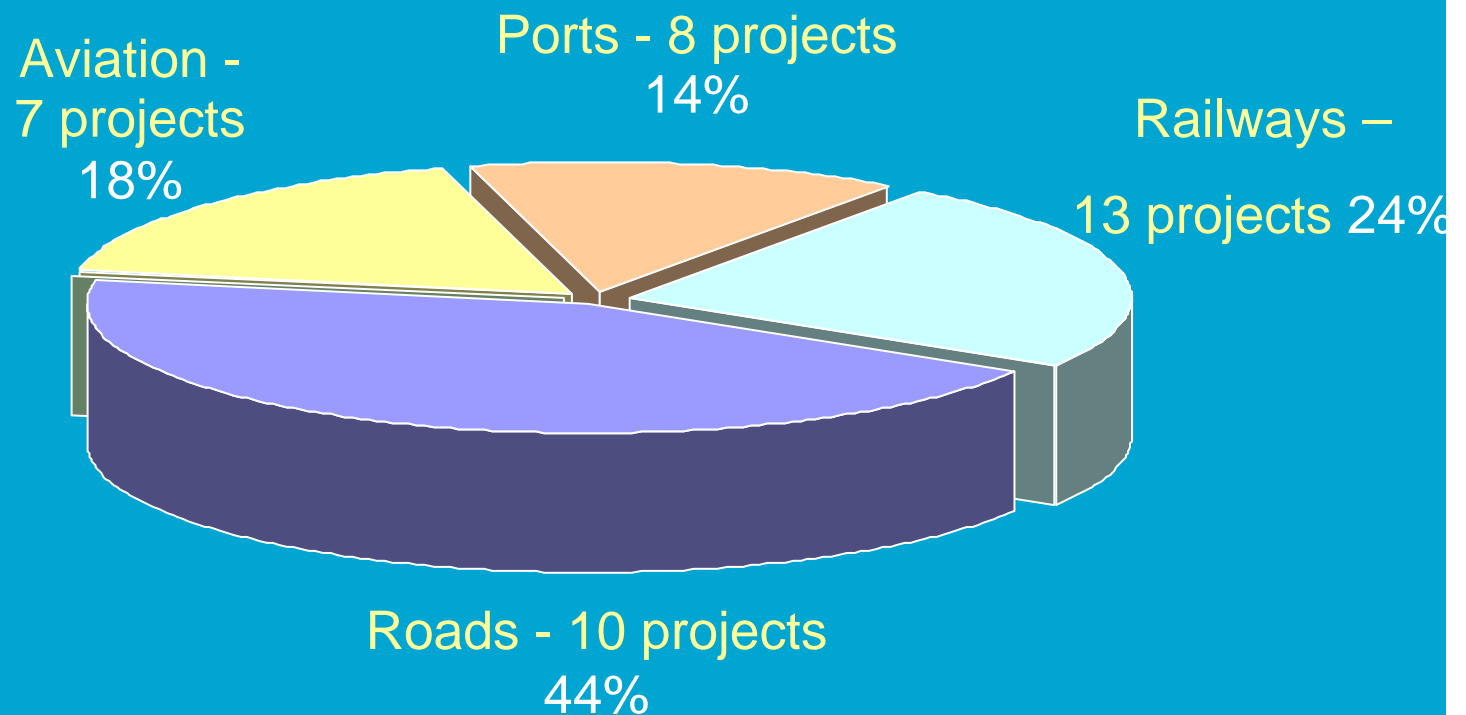
Leasing opportunities

- Leasing is an important financing tool for capital equipment providing vendors with a different sales tool in higher risk countries
- Vendor finance facilities financing to medium size companies for acquisition of modern equipment
- Financing of more broadly based aircraft leasing companies
- Assess and share credit risks of equipment lessors in our countries of operation
- EBRD has substantial expertise and fast growing leasing portfolio



5. Transport Pipeline (I)

By sector



Total pipeline of EUR 1.8 bn with 38 projects



Key challenges

- Public affordability and Political acceptability: Financial planning and state budget constraints
- Creditworthiness (if relevant)
 - revenue generation below potential
 - political and social constraints to economic pricing
 - budget deficit and vast investment needs
 - credit rating
- Legal and regulatory uncertainty
- Extent of private sector participation
- Realistic traffic projections
- Financing opportunities post 2004 in Accession countries



6. Information and contacts at the EBRD

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