EBRD in Western Balkans - Opportunities to invest, opportunities to work with us
EBRD
An international financial institution supporting the development of sustainable well-functioning market economies

Highest credit rating (AAA/Aaa)

- Operations in 38 countries
- Central & Eastern Europe
- Caucasus & Central Asia
- South-Eastern Mediterranean

**Key strengths**
- Long-term perspective
- Commercial basis
- Client-oriented
- Structuring expertise
- Partner of governments
- Policy reform support
- Strong local offices with bankers, policy experts
- Private sector, public sector, PPPs
- Catalyst to mobilise finance for both private and public sector clients

**Objectives**
- Competitive economy
- Green economy
- Integrated economy
- Good economic governance
- Equal opportunities - inclusive growth
- Economic resilience
Financing investments in all key business sectors

- Transport
- Municipal & Environmental Infrastructure
- Property & Tourism
- Financial Institutions
- Natural Resources
- Information and Communication Technologies
- Manufacturing & Services
- Power & Energy
- Agribusiness

OFFICIAL USE
EBRD in Western Balkans: at a glance

EBRD is the lead international financial institution in Western Balkans

Total cumulative investments:
- EUR 13.6 billion in 750 projects
- Close to 60% private sector
Portfolio: EUR 6.1 billion
Annual new business:
- 2018 EUR 1.1 billion
- 2019 EUR 1.3 billion
- 2020 EUR 1.5 billion (est.)

Financing, project preparation & implementation support for public sector clients, corporate advisory and policy reform advisory services

EBRD offices in all WB6 countries – bankers, policy experts, business advisors
Western Balkans
Strategic priorities - investment opportunities

Context

- Fiscal stability, debt to GDP around 60% in most countries - but caveats
- Stable local currencies or EUR, resilient banking sector
- Economic growth in 2018-2019 2.5-4.4%
- GDP forecast (regional): GDP contraction in 2020 (-5.1% in 2020 with recovery in 2021 at 3.4% growth)
- GDP growth drivers: major public investments in transport & energy, role of FDI in Serbia

- EU accession
  - Alignment with EU policies and directives
  - Access to EU market - integration with EU market
  - EU funding - new Economic & Investment Plan

- Key structural reform areas:
  - Public administration/judiciary reform
  - Investment conditions - implementation
  - State ownership policy & SOE governance

Strategic priorities

- Private sector competitiveness
  - Further improvement of investment conditions
  - Strengthening the regulatory and judicial capacity
  - Improving access to finance, including capital market development;
  - Promoting innovation and digitalisation
  - Modernising education, skills to match employers’ needs, on-the-job training

- Upgrade public infrastructure
  - Regional connectivity - road, rail, river ports, BCPs
  - Modernise/smarten power transmission and distribution, new gas interconnectors
  - Digital connectivity - rural broadband expansion

- Green Agenda
  - Power sector - decarbonisation, auction based capacity allocation for RE, gas as ‘transition fuel’
  - Waste water treatment; solid waste management & recycling; urban transport; district heating
  - Energy efficiency - buildings
  - E-mobility
Western Balkans
Infrastructure - EBRD strategic partnership with the EU

Transport
- Highway connection among the capitals and along TEN-T corridors, regional roads & climate resilience, electric charger installations
- Increased focus on rail: upgrade of existing and construction of new rail infrastructure, rolling stock modernization
- Boosting river transport - Danube, Sava

Municipal & environmental infrastructure
- Urban transport - CNG/electric buses, smart traffic management
- Wastewater networks & treatment
- District heating transition from coal/fuel oil to gas with introduction of biomass, solar energy, heat-pumps
- Solid waste management with focus on regional landfills, waste recycling and waste avoidance
- Public and residential buildings energy efficiency - direct financing, use of ‘public ESCOs’

EBRD financing and advisory - examples
- Peace Highway, Corridor Vc, Corridor VIII (road/rail), Corridor X rail
- New Port of Belgrade
- Green & Smart Cities - all capitals in Western Balkans & beyond (Banja Luka, Novi Sad)
- Skopje WWTP, Batajnica WWTP
- Urban fleet renewal - Skopje, Novi Sad
- Renewables in district heating - in 9 cities
- Regional solid waste program - Serbia, North Macedonia
- Upgrade and expansion of irrigation network - Serbia
- Wind & solar power generation - Krnovo, Kovacica, Bajgora, Osplode & Kavasta
- North Macedonia - Kosovo, North Macedonia - Serbia gas interconnection, Fier-Vlore gas pipeline
- Podgorica & Tivat airport concession
- Green Energy Financing Facility
• Almost all generation capacity in WB dates back before 1990 (former-Yugoslavia)

• Lack of investments during the past 20 years is evident in all WB6 Countries.

• New and clean generation capacity primarily from wind and solar is urgently needed to meet the growing energy demand in the WB6 countries and give a decisive impetus to regional de-carbonization.

• Need for increasing energy mix, market coupling and regional integration (spot market development, cross border balancing and regional capacity allocation).
EBRD energy strategy in the Western Balkans

**New Energy Sector Strategy, calling for an even stronger commitment to ditch coal investments**

### Decarbonisation
- **Scaling-up the share of renewable energy**
  - TA in Albania, North Macedonia, Serbia and Kosovo to introduce RE auctions and attract competitively priced private investment into the sector
- **Penetration of gas**
  - Supporting Albania, Montenegro and Kosovo Gas Master Plans
  - Supporting feasibility studies for gas storage in Albania and gas transmission in Albania and transmis. and distribution in N. Macedonia
- **Just Transition**
  - Pilot project in North Macedonia (diagnostic)

### Fostering the development of energy markets
- **Improving infrastructure eg. reinforcements and through supporting smarter electricity grids**
  - EPCG project in Montenegro - 85% consumers with smart metering systems by 2021
- **Cross-border interconnectivity and market integration**
  - Interconnection btw Montenegro-Serbia-Italy, Kosovo-Albania-North Macedonia, B&H-Croatia-Serbia
  - Supporting gas pipeline feasibility studies connecting B&H to Croatia, Kosovo to Albania/N. Macedonia and for the IAP³ pipeline

### Improving governance and operating standards
- **Through energy efficiency, climate change resilience and inclusive economies, by supporting SOE and management practices of energy firms**
  - KESH¹ in Albania – energy sector reform package including the New Power Law, KESH’s corporate governance
  - EPS² – corporate governance & ES practices
  - Albgaz gas TSO Capacity Building, drafting of Gas Transmission Network Code
  - B&H gas market reforms

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1. KESH: Incumbent power generation company in Albania; 2. EPS: incumbent power generation and distribution company in Serbia; 3. IAP: Ionian-Adriatic Pipeline
Highlights of recent EBRD energy investments in the Western Balkans

Bosnia and Herzegovina:
2016. The first non-sovereign loan to state utility company for the introduction of smart metering and network upgrade: EUR 15 m loan; project resulting in significant loss reduction in the system and efficiency improvements.

Montenegro:
2015. The first greenfield energy project in 30+ years: 72MW Krnovo wind farm; EUR 48.5m project finance loan to Akuo Energy and financing introduction of smart metering in the country (2014-2019): EUR 64 m loan to state owned EPCG.

Albania:
First large scale solar tender won by a developer supported by EBRD at a unprecedented low price (2020): 140 MW solar plan to be built by French developer Voltalia with a 2.5 EURc/Kwh bidding price.

Serbia:
Financing Largest windfarms in the Western Balkans (2017): Dolovo (158 MW) and Kovacica (104.5 MW) Wind Farms commissioned and operating since 2019; total of EUR 158 m project financing.

Kosovo:
The first wind farms and first larger scale generating capacity in the country for 30+ years (2019). EUR 18m senior loan to re-finance construction of a 32.4MW Kitka windfarm and EUR 58m loan to finance the 105MW Bajgora wind farm.

North Macedonia:
The first large scale PV plant in the Country (2019): 10 MW solar PV plant located next to the TPP Oslomej on an exhausted coal mine pit. EUR 5.9m loan to public utility ESM, while a 100MW solar tender in the location is currently open to private investors.

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Sectors - opportunities

- Transport vehicles manufacturing, automotive industry, electronics, construction material, packaging material, furniture manufacturing
- Development and application of software and digital solutions - ranging from gaming through creative industries to fintech - ICT clusters
- Agribusiness - from primary agricultural production through processing to product innovation
- Industrial parks, office buildings, urban regeneration, tourism

✓ Access to EU markets as well as free trade agreement with Russia, Turkey, Belarus, Kazakhstan and EFT
✓ Near-shoring trend
✓ Logistics services
✓ Sector Skills Councils, dual training
✓ Government incentives

EBRD clients - examples

- Agri Europe MK Group, Atlantic Grupa, Nektar, Bambi, Imlek, Knjaz Milos
- Balfin Group, Forma Ideale, Tarkett, Draexlmaier, Aktiva
- Hystead, GTC, CTP
- United Group, HTEC, Kujtesa

- EBRD - sole financier, syndication with international banks, parallel financing or risk-sharing with local banks - ECA parallel financing is possible and welcome
- Financial products range from parent guaranteed senior debt through structured debt and mezzanine-financing to equity
- Total investment costs > EUR 15-20 million; typical EBRD financing >EUR 10 million
Western Balkans
EU Economic & Investment Plan (EIP)

Three pillars:
1. EU - funding for flagship initiatives - primary drivers: WB6 governments
2. WB6 - accelerated reforms
3. WB6 - accelerated development of regional common market

Flagship investment initiatives:
1-3. Transport connectivity (E-W, N-S, coastal)
4. Renewable energy
5. Transition from coal
6. Renovation Wave
7. Waste and waste water management
8. Digitalisation - infrastructure, use
9. Competitiveness of the private sector
10. Youth Guarantee

EUR 9bn EU grants + EU Guarantee + potential IFI financing = est. EUR 20-25bn investments

WBIF

- Joint partnership of EU, EIB, EBRD, KfW & CEB in co-operation with WBG and AfD
- WBIF three investment areas:
  - infrastructure - project preparation TA, co-investment grants
  - private sector - co-investment grants, guarantee, SME advisory
  - WB EU Guarantee (from 2021)
- Grant for TA for infrastructure project preparation provided by EU & bilateral donors (inc. Germany)
- WB6 country applies for grant - application vetted by EC/IFIs - lead IFI designated
- EIP flagship investments are to go through WBIF or implemented under Regional Energy Efficiency Program (EBRD & KfW - Renovation Wave).
- Private sector participation/commercial co-financing is encouraged in the infrastructure.
THANK YOU,
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