European Bank
for Reconstruction and Development

The EBRD in Jordan

Dr. Heike Harmgart, Head of Office, Jordan

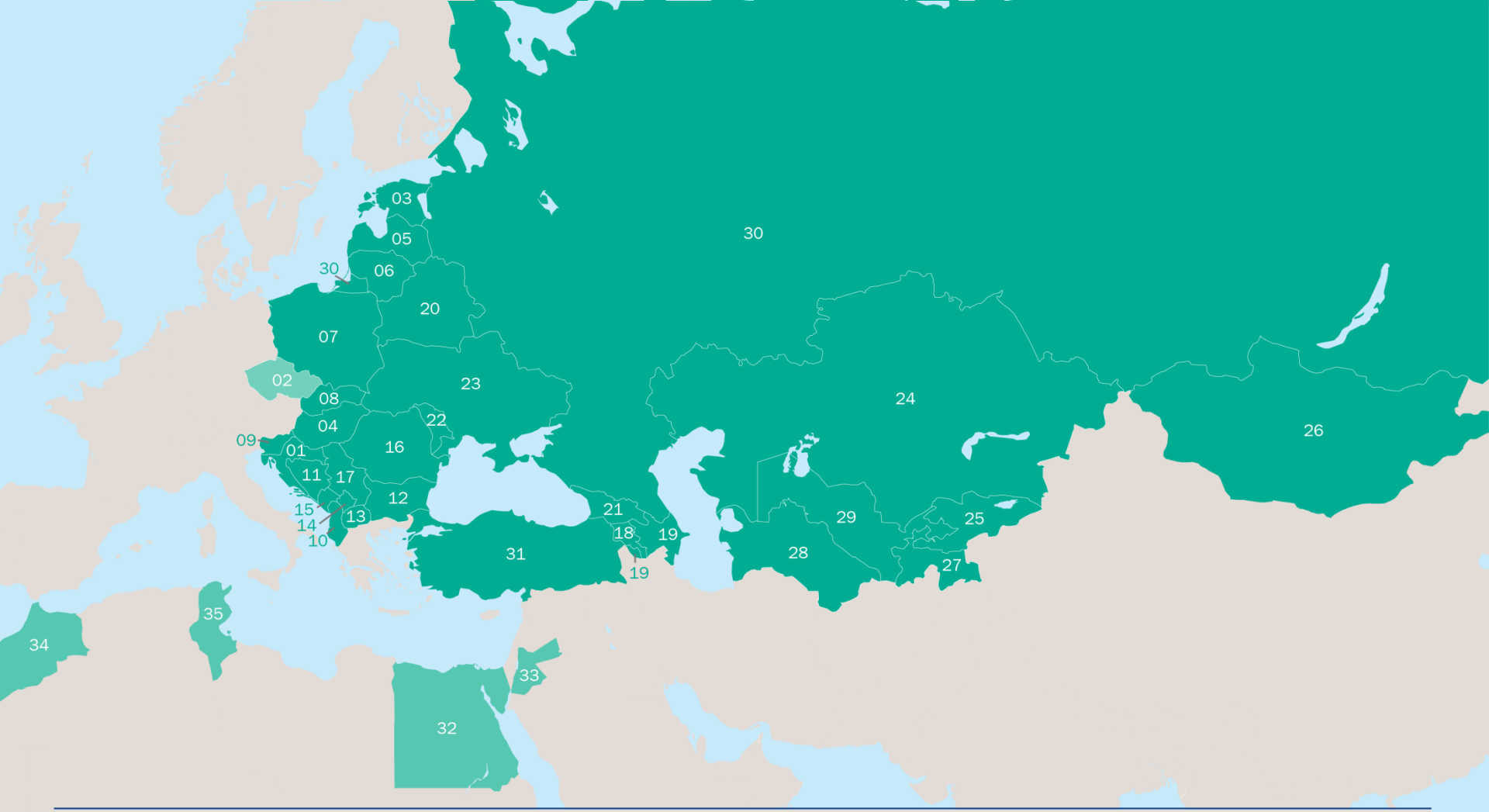
15 April 2013

© European Bank for Reconstruction and Development 2012 | www.ebrd.com

EBRD: Snapshot

European Bank
for Reconstruction and Development

- An **International Financial Institution** established in 1991 to support the transition to market economy and democracy in former communist countries.
- Owned by governments of **64 countries** and two inter-governmental institutions (EU, EIB).
- Headquartered in London and investing in **34 countries** in Eastern Europe and Central Asia, including Egypt, Morocco, Jordan, Tunisia.
- Primary investment sectors: Financial Institutions (34%), Energy (21%), Infrastructure (20%), Corporate (14%), Manufacturing and Services (11%)
- Capital base of €30 bn, **AAA** rated by all 3 Agencies.
- Invested over **€78.9bn** in more than **3,644 projects** since 1991.
- 388 new projects signed in 2012 with commitments of over €8.7 billion.



POTENTIAL RECIPIENT COUNTRIES

Southern and eastern Mediterranean

32 Egypt
33 Jordan
34 Morocco
35 Tunisia

In 2011 the EBRD launched donor-funded activities in the southern and eastern Mediterranean (SEMED) region, in support of the countries which are undergoing important political and economic reforms.

EBRD COUNTRIES OF OPERATIONS

Central Europe and the Baltic states

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

South-eastern Europe

10 Albania
11 Bosnia and Herzegovina
12 Bulgaria
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

30 Russia
31 Turkey

*as of the end of 2007, the EBRD no longer makes investments in the Czech Republic.

What are the EBRD's objectives?

European Bank
for Reconstruction and Development

- To foster transition to market economies by investing mainly in the private sector, in particular small and medium sized enterprises.
- To foster the establishment, improvement and expansion of productive, competitive private sector activity.
- Through its support for productive domestic and foreign investment in creating a competitive environment, improving the standard of living and labour market conditions.
- To encourage in the full range of its activities environmentally sound and sustainable development.

EBRD can offer a broad range of financing solutions

European Bank
for Reconstruction and Development

Loans

- Senior, subordinated, convertible
- LT (up to 10y or more) or ST revolving
- Floating/ Fixed rates
- Choice of currencies (EUR, USD, RUB, soon JOD, etc.)
- Loan Syndication

Equity

- Common stock or preferred
- Minority position only (up to 35%)
- Mezzanine

EBRD: Expansion into SEMED

European Bank
for Reconstruction and Development

- Arab Spring of 2011 has created major new transition challenges in the South Eastern and Mediterranean (SEMED) region.
- G8 Summit of May 2011 launched Deauville partnership to support democratic transition, transparent government and sustainable growth.
- EBRD shareholders later that year approved an expansion of the Bank's mandate to include 4 SEMED Countries (Egypt, Morocco, Jordan, Tunisia). Board decision in September 2012 approved investing in Jordan, Morocco, and Tunisia, and Egypt.
- Host Country Agreements signed in Jordan (18.02.13) and Tunisia; negotiations in progress with Morocco and Egypt.
- Temporary offices in all countries in place.
- EBRD made commitments worth €181mn in six projects by end of 2012.

Jordan: Economic Perspective for 2013-2014

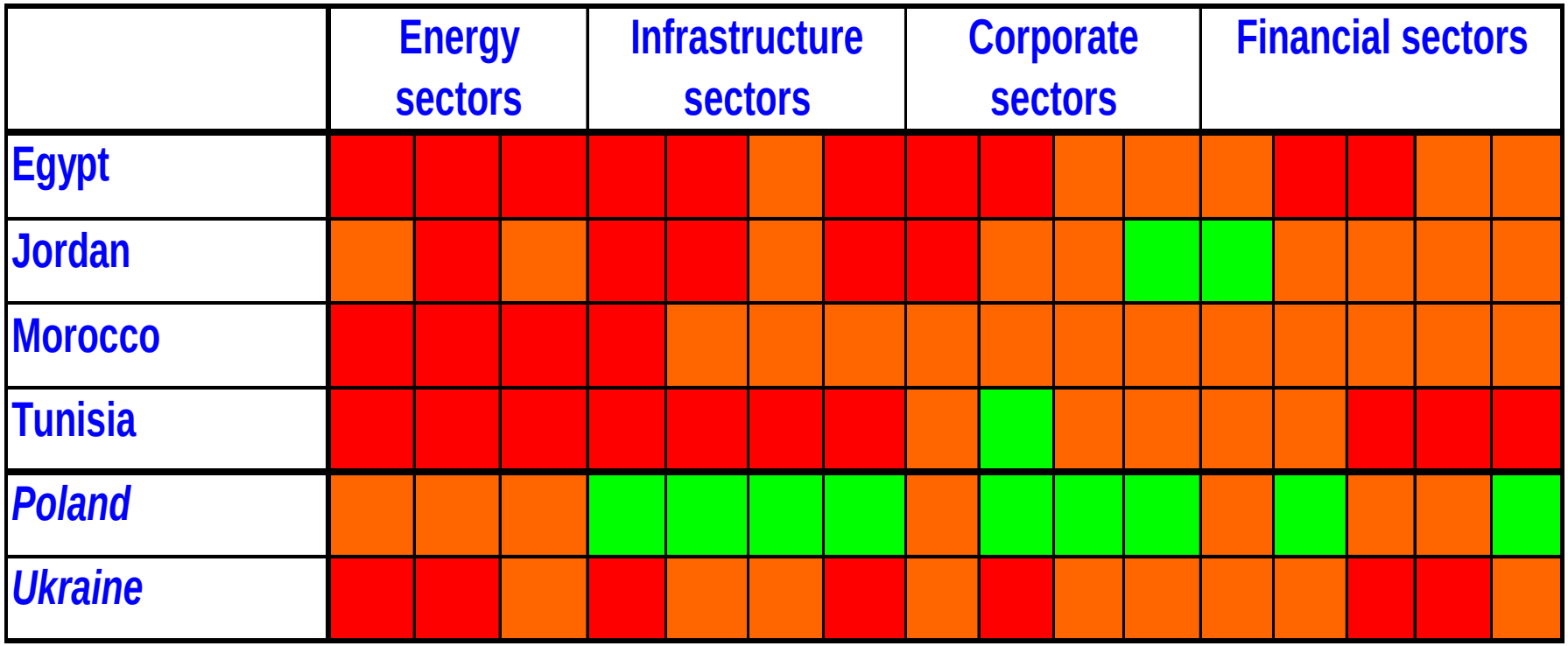
European Bank
for Reconstruction and Development

- **Fiscal and balance of payments pressures are growing**, prompting IMF assistance through a US$2 billion Standby-Agreement.
- **Growth is expected to remain sluggish** in the near-term (3% in 2013 vs. average of 6% in 2000-10) with fiscal sustainability a concern in coming years.
- Jordan's economy is tightly linked to that of the **Gulf Cooperation Council** (GCC) countries. High oil prices are expected to keep the GCC economies robust going forward.
- **Structural reforms needed** to improve business environment, reduce unemployment, and raise economy to higher and more sustained growth path.
- **Downside risks to macro outlook** include: large and prolonged **increase in commodity prices** (especially energy), continued **disruptions of natural gas** from Egypt, worsening domestic and regional **civil unrest**, **fiscal slippages**, **potential spike in inflation.**
- **Financial sector remains sound, but prospects linked to fiscal position of government.**

SEMED: Challenges ahead

European Bank
for Reconstruction and Development

Size of Transition Gaps: Small Medium Large



Source: EBRD

Jordan: Key transition challenges

European Bank
for Reconstruction and Development

- **Private sector** in Jordan is well developed, financing remains a constraint, especially for SMEs, agribusiness sector, and manufacturing and services industries.
- The **agribusiness sector** suffers from large transition gaps along the whole food value chain.
- The **manufacturing and services sectors** suffer from productivity challenges in addition to the need for technological upgrading and modernisation.
- Scarcity of sub-sovereign financing options for **infrastructure projects**, especially in municipal sector, to address water scarcity and traffic congestion.
- Large transition gaps exist in the **energy sector**, particularly because Jordan relies almost exclusively on imported fuels:
  - Improve energy efficiency
  - Develop renewable energy potential
  - Energy sector reform and privatization

EBRD in Jordan: Progress

European Bank
for Reconstruction and Development

September 21, 2011	• Jordan requests membership of the EBRD
December 13, 2011	• The Bank starts donor funded activities in the SEMED region
December 29, 2011	• Jordan becomes a shareholder of the Bank
April 25, 2012	• EBRD opens a temporary office in Amman
May 19, 2012	• EBRD Board of Governors approves creation of a €1 bn special fund to implement early investment operations in the SEMED region
September 2012	• EBRD Board approves investment in Jordan
September 2012	• US$30 million Trade finance facility signed with InvestBank
December 17, 2012	• US$100 million loan for the construction and development of IPP4 signed with AES Levant Holding
February 18, 2013	• Host country agreement signed with Jordanian authorities
March 18, 2013	• US$35 million trade finance facility signed with Cairo Amman Bank
April 1, 2013	• Head of Office on the ground
July 2013	• Expect permanent office to open in Amman

Operational priorities

European Bank
for Reconstruction and Development

- Promotion of energy sector reform, energy efficiency, and renewable energy, combining policy dialogue with small and large scale finance.
- Direct financing of enterprises in the manufacturing and services sector.
- Indirect financing of SMEs through financial intermediaries.
- Investing in energy, water, and resource efficiency improvements, in addition to high-tech companies and throughout the agribusiness sector value chain. A key priority is addressing waster scarcity and implementing reforms in the water and wastewater sectors.
- Promoting role of private enterprises in municipal services sector, along with corporatising and decentralising services provision; providing non-sovereign financing to public sector utilities and municipalities that are already corporatised.
- Financing infrastructure projects that promote private sector involvement.

EBRD in Jordan: Signed Projects

European Bank
for Reconstruction and Development

- **Al Manakher Power Plant (IPP4)**
  - US$100mn loan for construction and development of IPP4, a 240MW peaking power plant, to help address the country's acute energy shortage.
  - The project is co-funded by a US$170mn loan from US Overseas Private Investment Corporation (OPIC) and jointly owned by AES Coporation and Mitsui and Co. Ltd.

EBRD in Jordan: Signed Projects

European Bank
for Reconstruction and Development

Trade Facilities Programme (TFP)

- **InvestBank**
  - **US$30mn trade finance facility** to facilitate bank's international trade finance activities.
  - This facility will support InvestBank as it develops new products and is **aimed specifically at SMEs** which also trade with counterparties from the EBRD's countries of operations.
- **Cairo Amman Bank**
  - **US$35mn trade finance facility** to support international and intra-regional trade transactions with **tenors of up to three years** for guarantees and 12 months for cash advances.
  - Facility will support bank's clients' export and import activities by facilitating the distribution of imported goods and contribute to the overall growth of **corporates** as well as **SMEs**.

EBRD in Jordan: Technical Assistance Initiatives

European Bank
for Reconstruction and Development

- 18 donor-funded TC assignments in process in Jordan.
- **11 regional SEMED** assignments that represent €17.3mn of approved funding and include:
  - Food Security Initiatives in the region
  - Implementation of SBS programme in the region
  - Expansion of the EBRD Local Enterprise Facility
  - Direct Company Assistance for agribusiness companies
- **7 country specific assignments** representing €1.1mn of approved funding, including:
  - Project preparation work in the municipal sector
  - Assessment of the Sub-Sovereign Financing Framework
  - Sustainable Energy Initiative study
  - Country Law assessment
  - Environmental and Social assessment
  - Transport Sector review
  - Facility offering energy and water audits to private sector clients
  - Project preparation work in the power sector

EBRD in Jordan: Sustainable Energy Initiative

European Bank
for Reconstruction and Development

- EBRD in Jordan priority is to support Energy Efficiency.
- EBRD developed a unique business model to finance energy efficiency and renewable energy projects, combining:
  - **Projects and Investments**: Market based loans and equity instruments, grant co-financing and concessional finance to provide appropriate incentives and address affordability constraints.
  - **Technical Assistance** to overcome barriers: market analysis, energy audits, training, awareness raising.
  - **Policy Dialogue**: Working with governments to support development of strong institutional and regulatory frameworks that incentivise sustainable energy.

EBRD in Jordan: Sustainable Energy Initiative

European Bank
for Reconstruction and Development

- EBRD Sustainable Energy Initiative (SEI) aims to scale up finance to address climate change.
- SEI uses the full range of EBRD's financial instruments, including
  1. **Direct EBRD financing** and syndication in the form of private, non-sovereign and sovereign guaranteed loans, direct equity, equity funds.
  2. **Direct credit lines** in the context of individual energy efficiency and renewable energy projects as part of the Sustainable Energy Financing Facilities (SEFF).

EBRD in Jordan: Direct Financing of EE Projects

European Bank
for Reconstruction and Development

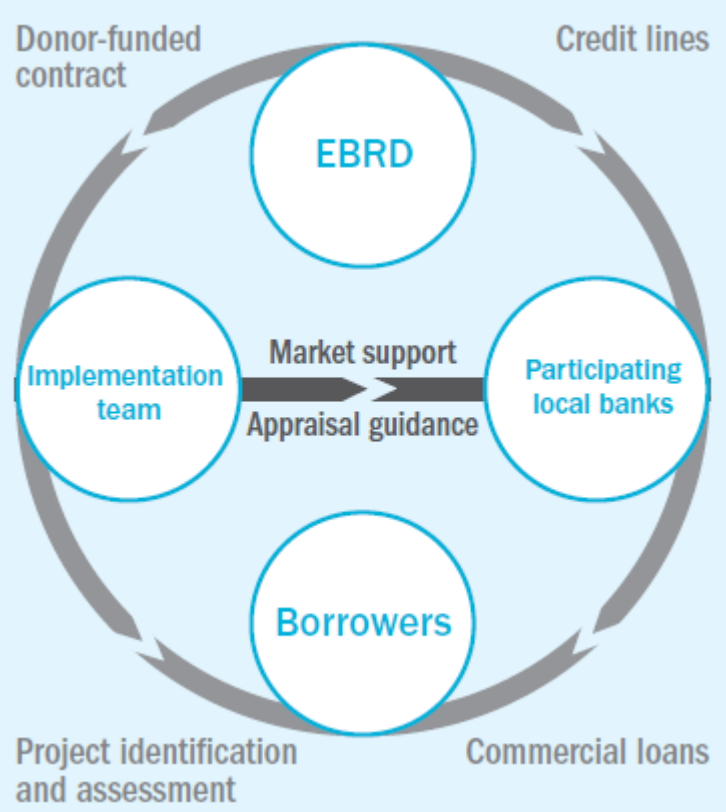
- As part of the SEI, direct financing of energy efficiency project activities include, but are not limited to:
  - **Industrial Energy Efficiency**: Making energy efficiency investments in energy-intensive industrial processes and major transport investments.
  - **Municipal Infrastructure Energy Efficiency**: Upgrading neglected municipal infrastructure to provide efficient district heating, public transport networks, waste management and water supply systems.
  - **Power Sector Energy Efficiency**: Improving the energy efficiency of transmission networks and power stations.
  - **Renewable Energy**: Supporting the development of renewable energy sources by providing project finance.

EBRD in Jordan: Sustainable Energy Financing Facilities

European Bank
for Reconstruction and Development

- Financing facilities through local financial institutions to support industrial energy efficiency in small and medium-sized enterprises (SMEs), small-scale renewable energy and building energy efficiency projects.

- Jordan Sustainable Energy Finance Facility (JorSEFF) is a joint initiative of three DFIs – EBRD, EIB, and KFW supported by EU NIF grants.
- Main objective is to support sustainable energy investments in Jordan
- Pilot amount for Jordan is €30 mn financing from DFIs and €4.5 mn grants for technical assistance and investment incentives by the EU.
- Pilot to include credit lines to 1-2 banks in Jordan to finance energy efficiency and small scale renewable energy projects.



EBRD in Jordan: Sustainable Energy Financing Facilities

European Bank
for Reconstruction and Development

- Eligibility criteria for participating banks are senior loans on commercial basis with up to €30 mn per bank and a maturity of up to 5 years.
- Borrowers can be private companies, Energy Service Companies (ESCO) as well as individuals implementing:
  - Industrial energy efficiency and renewable energy investments,
  - Stand-alone small scale renewable energy investments,
  - Commercial buildings sector,
  - Residential building sector,
  - Expansion of the production/supply capacities of energy efficiency and renewable energy equipment suppliers.
- Target sectors include food processing; manufacturing; industry; construction; agribusiness; renewable energy.
- Maximum sub-loan amount: €5 mln for loans; €1 mln for leases; and €70 k in the residential sector.

EBRD in Jordan: Sustainable Energy Financing Facilities

European Bank
for Reconstruction and Development

- In addition to economic and environmental benefits of the investments themselves, the SEFF programme benefits include:
  - Transfer of specific skills to the local market
  - Staff of local financial institutions become familiar with the particulars of sustainble energy investments and in which business sectors to find them
  - Prospective borrowers learn why sustainable energy projects make good business sense and how to finance them
  - Local engineers become aware of the best practice investment opportunities and where to identify them through regular exposure to international experts, formal training, and on-the-job learning by doing.
  - Project development and implementation legacy that remains will facilitate the financing of future sustainable energy investment opportunities.