



SEVEN YEARS OF SUCCESSFUL COOPERATION IN THE MOLDOVAN WATER SECTOR

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POLICY IN MOLDOVA
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CONTENTS

1. Overview of Activity in Moldova
 - a) EIB Activity in Moldova
 - b) EBRD Activity in Moldova
 - c) EU Activity in Moldova
2. Jointly Financed Water Projects
 - a) Moldova Utilities Development Programme
 - b) Chisinau Water
 - c) North Moldova Water
3. Outlook

1. Overview of Activity in Moldova





Framework Agreement

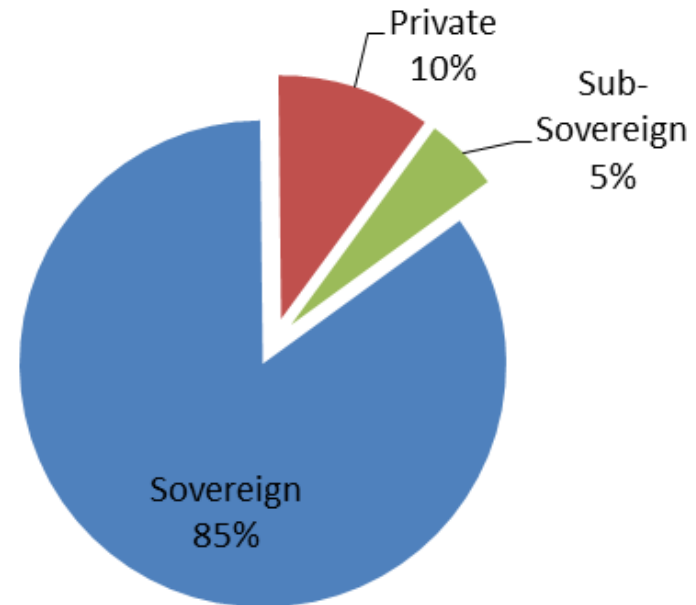
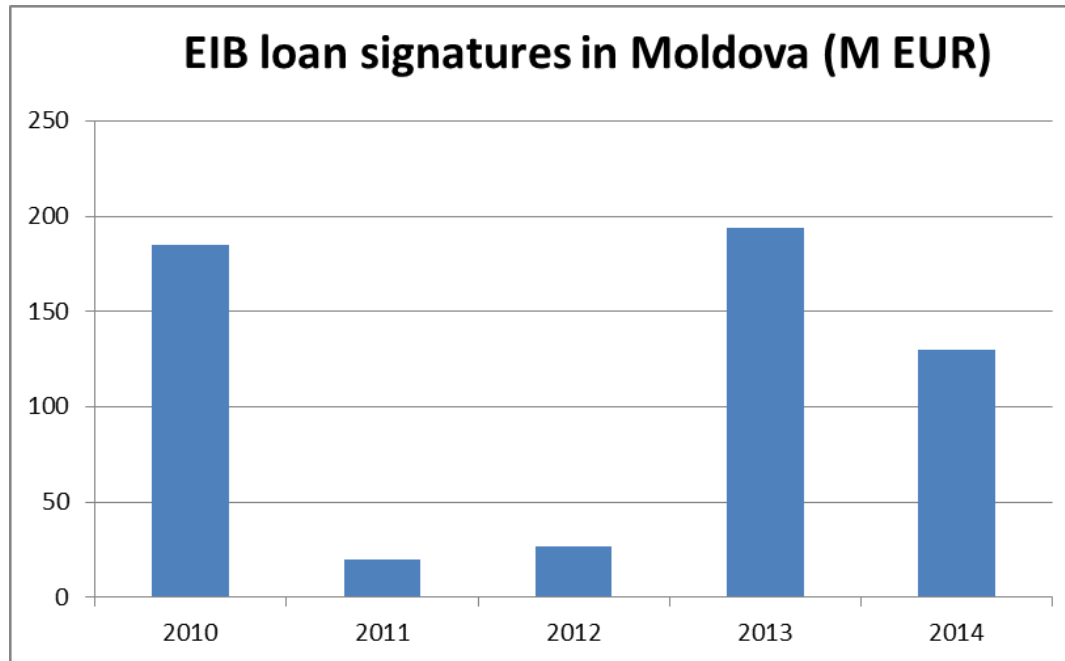
Signed in Nov. 2006, ratified in Feb. 2007

First loan signed in June 2007

Stock of signed loans:

EUR 586 m; 14 operations

Sovereign/Private Financing





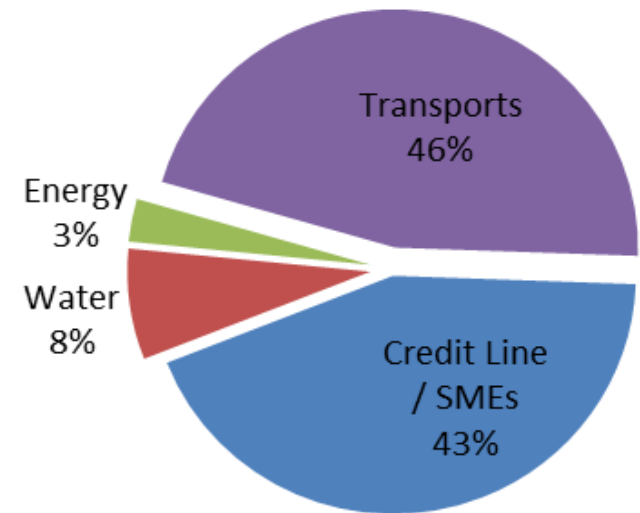
EIB Activity in Moldova (2/2)



Current Portfolio: EUR 586 million

Project	Loan (EURm)	Signature Date	Partners	
			EBRD	EU
Moldova European Roads	30	Jun-07	X	X
Water Sector (MUDP)	10	Sep-10	X	X
Chisinau Trolleybuses	5	Oct-10	X	X
Societe Generale SME & Energy Env Loan	20	Nov-10		
Moldova Roads II	75	Nov-10	X	X
Filiere-du-Vin Upgrading (Moldova)	75	Nov-10		X
PCH Loan For SME and Priority Projects G	20	Oct-11		
Moldelectrica	17	Jun-12	X	X
Chisinau Urban Roads	10	Sep-12	X	
Moldova Roads III	150	Jun-13	X	X
Mobiasbanca Loan for SMEs and Mid-Caps	20	Nov-13		
Chisinau Water	24	Dec-13	X	X
North Moldova Water	10	Jul-14	X	X
Fruit Garden of Moldova	120	Jul-14		X

Sectorial Breakdown





The EBRD and its objectives



Objectives:

- To promote transition to market economies by investing primarily in the private sector
- To support privatisation, restructuring and improvement of municipal services to improve people's lives
- To mobilise significant foreign direct investment
- To encourage environmentally sound and sustainable development

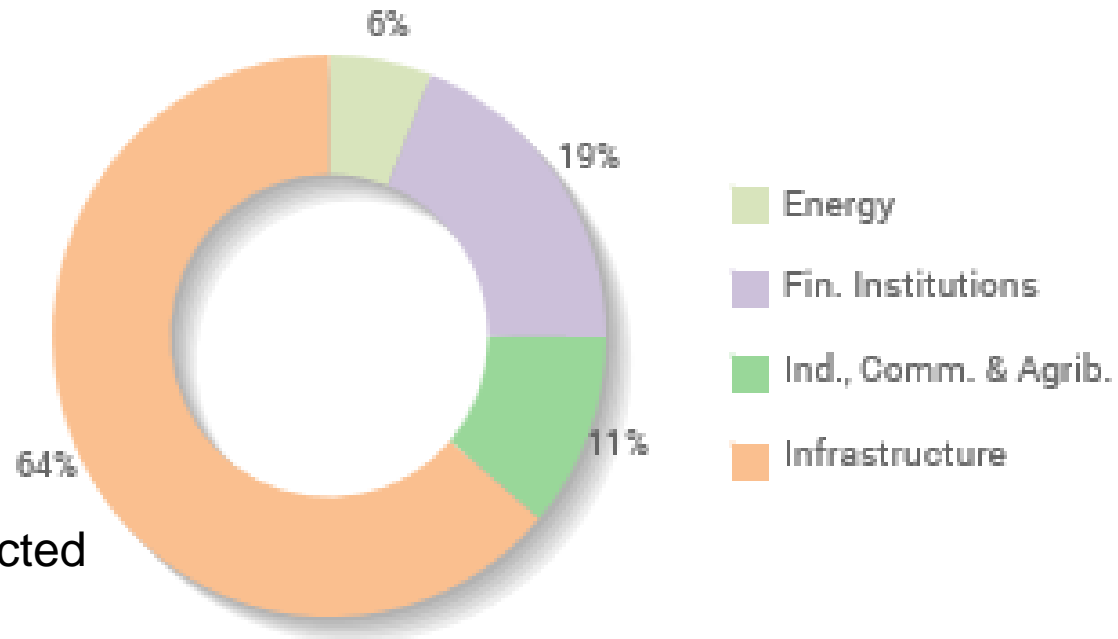
Focus in Moldova:

- Creating conditions to support private sector development
- Promoting European standards and regional integration
- Enhancing commercialisation and sustainability of municipal enterprises



- Largest institutional investor in Moldova
- Office in Chisinau since 1996, currently 15 employees on the ground
- Cumulative investments - 106 projects worth over €900 million
- 2013 saw a record volume of €128.5 million in 15 projects;
- €120 million in 11 projects expected in 2014
- In energy, transport, agribusiness, general industry and banking sectors
- Infrastructure over 60% of portfolio

Where EBRD invests in Moldova





- Water Sector Policy Support Programme 2010-2012:
 - Sector Budget support 42 MEUR
 - Nisporeni Rayon water supply rehabilitation project 5 MEUR
 - Water SPSP Technical Assistance 3 MEUR
- FS for Chisinau WSS rehabilitation 3.15 MEUR
- Construction of this WWT Facility at Orhei 2.84 MEUR

ENPI EaP Regional project in Environment and Climate Change Sector:

- Environmental Protection of International River Basins (EPIRB)
- National Policy Dialogues on Integrated Water Resources Management (Support to the EU Water Initiative)

Support to GIZ project Modernisation of Local Public Services (5 MEUR)

EU High Level Policy Adviser to the Ministry of Environment

Jointly financed water projects with EBRD and EIB (next slides)

2. Jointly Financed Water Projects

- a) Moldova Utilities Development Programme
- b) Chisinau Water
- c) North Moldova Water



Overview

- Purpose: create 6 regional operating companies (ROC) in small towns & villages to rehabilitate and expand sanitation infrastructure, and service a wider area
- Project cost: EUR 30 million
- Financing: loans (EBRD 10m, EIB 10m) and 10m EU grant
- Borrower: Republic of Moldova
- Promoter: Ministry of Environment
- Beneficiaries: 200,000 inhabitants in Soroca, Floresti, Hincesti, Orhei, Leova, Ciadir-Lunga



Timeline

- 2007: initial study and identification of suitable towns
- 2008: first selection of towns
- 2009: appraisal of the project, final selection of towns, tender for due diligence study,
- 2010: due diligence study, signing of the loans, tender for PIU consultant,
- 2011: signature of EU-EIB-EBRD implementation agreement, start of implementation,
- 2015: end of implementation

In partnership with:	
Objective: Extension of wastewater system in Ceadir- Lunga Phase 4 Obiectul: Extinderea sistemului de canalizare in Ceadir-Lunga Faza 4 Объект: Расширение канализационной системы в городе Чадыр-Лунга Фаза 4	
Project title: MOLDOVA WATER UTILITIES DEVELOPMENT PROGRAM IMPLEMENTATION SUPPORT	
Name of Employer Beneficiara Саварне	Name of Contractor Contractorul Тропуеве
JSC „APA TERMO” Ceadir-Lunga	SRL «LUCET COMERT»
Name of consulting engineer: Ingenierul de consultanță: Имя инженера-консультанта:	Eptisa Servicios Ingenieria SL
Project value: Valoarea proiectului: Стоимость проекта:	1 580 006,16 Euro
Date of project: Data inceperii și finisării proiectului: Дата начала и окончания проекта:	03.06.2013 - 30.09.2014



Challenges/Lessons learned

- Regionalisation: willingness of towns to create regional operators varies
- Implementation: PIU consultancy support is critical
- Tariff conditions: tariff adjustments to cost-recovery are politically difficult
- Overall investment capacity: limited despite large grant component
- Operation: sustainability only through continued assistance





Overview

- Purpose: rehabilitate the capital's water and sanitation infrastructure
- Project cost: EUR 61.8 million
- Financing: loans (EBRD 24m, EIB 24m) and 13.4m EU grant
- Borrower: Apa-Canal Chisinau
- Promoter: Apa-Canal Chisinau
- Guarantor: Municipality of Chisinau
- Beneficiaries: 800,000 inhabitants of Chisinau agglomeration



Timeline

- 1997: first EBRD loan to Apa-Canal Chisinau for emergency measures
- 2004: completion of this project
- 2010: tender for Chisinau water and sanitation master plan,
- 2012: conclusion of the master plan,
- 2013: appraisal of the project and signature of the finance contracts
- 2014: start of implementation

Challenges/Lessons learned so far

- Institutional situation: public service agreement, new regulator, etc.
- Implementation: unable to build upon PIU structure of previous project (“brain drain”),
- Tariff conditions: tariff increases politically difficult





Overview

- Purpose: rehabilitate and expand water infrastructure, create Regional Operating Company
- Project cost: EUR 30 million
- Financing: loans (EBRD 10m, EIB 10m) and 10m EU grant
- Borrower: Republic Moldova
- Promoter: Ministry of Environment
- Beneficiaries: 190,000 inhabitants in the districts of Soroca, Floresti, Drochia, Riscani, Singerei, Telenesti and in Balti municipality



Timeline

- 2009: first study to rehabilitate the Soroca-Balti-pipeline,
- 2012: tender for feasibility and PPP study,
- 2013: conclusion of the feasibility study and appraisal of the project,
- 2014: signature of the finance contracts,
- 2014: start of implementation,





Challenges/Lessons learned so far

- Implementation: creation of Regional Operator and its capacity is critical,
- PPP: successful recruitment of a private operator requires clear institutional situation,
- Tariff conditions: tariff adjustments to cost-recovery politically difficult but necessary
- Overall investment capacity: limited despite large grant component
- Operation: sustainability only through continued assistance, including consultancy support



3. Outlook



Outlook

- Realised and ongoing projects demonstrate that blending loans with grants is successful,
- Without significant capacity increases on promoter side technical assistance will remain instrumental, both for project preparation and implementation,
- Development of further projects will be limited by investment capacity and tariff constraints,
- The new Water Law is a big step forward but further institutional reforms are required to attract private operators in the water sector.

THANK YOU FOR YOUR ATTENTION!

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