SOFIA, BULGARIA

Rolling stock renewal with a loan from the European Bank for Reconstruction and Development (EBRD)

Background/context
The high age of the public transport rolling stock, unreliable service and high maintenance costs were the main factors in the City of Sofia’s decision to build transport infrastructure and to buy new vehicles. In so doing, the city could meet European environmental standards and stimulate the development of public transport services.

The City of Sofia sought financing through an international financial institution because state guarantees needed for loans from commercial banks were not available. Also, the international financial institutions provided better loan conditions.

Description of the case
After road improvements and water utility privatisation programmes, in April 2002 the City of Sofia signed a loan agreement with the European Bank for Reconstruction and Development (EBRD) to finance the Sofia Public Transport Project. The project focused on priority investments to improve public transport services. The loan allowed operating companies to refurbish part of the tram fleet and to buy 111 new buses. An additional project component was the introduction of a new and efficient passenger ticketing system to reduce fare evasion and increase revenues. The ticketing system was funded through a grant from the Dutch government, administrated by EBRD.

The project was realised with four international tenders:
- In 2003 — purchase of 50 new articulated buses — Euro 3. (Mercedes Benz O 345 G). These vehicles are in operation.
- In 2006 — two-stage tender for refurbishment of 18 trams — AC motors (95% new components; four AC motors; 16% middle low-floor section.) First refurbished tram was accepted for operation on April 3, 2008.
- In 2006 — two-stage tender for supply and installation of a public transport ticketing system. The system has been in pilot operation with trams and trolley-buses since September 2008.

The main partners in this project are the creditor (EBRD), the borrower (City of Sofia) and the beneficiaries: municipal bus and tram operating companies.
Legislation and policy issues
Each tender was carried out under the EBRD’s procurement policies and rules. These are based on the fundamental principles of non-discrimination, fairness and transparency. They are designed to promote efficiency and effectiveness and to minimise credit risk. The proven procurement practices of the bank led to time and money savings for the city and helped to ensure successful project implementation and operation.

Transferability and success factors
The approach is transferable to other cities as well as transport operators. The key success factors were:
- Virtually no financial risk for the both parties
- Transparent tender procedures under EBRD procurement policies and rules
- Signing of new public service contracts with the transport operators. The contracts defined the rights and obligations of each party, including the quantity and quality of services to be provided by the operator in return for service payments by the City.

Conclusions
Through the EBRD loan the public transport fleet is being upgraded through a six-year renewal programme, the most significant investment in Sofia public transport since the 1980s. The EBRD loan formed the basis of a long-term improvement programme for Sofia’s transport system.

References and contacts
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