

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
Project name	KCM LEAD ZINC CAPACITY EXPANSION
Promoter and financial intermediary	KCM AD
Country of implementation	Bulgaria
Summary project description	<p>In 2010, the promoter started a long-term modernisation and upgrading programme - running up until 2030 - to fully renew and upgrade its production assets. This technological upgrade will support the company in maintaining its market position and competitiveness, and enable its transition to a circular lead and zinc production in line with the EU 2050 non-ferrous metals sector vision. Demand for zinc is linked to galvanised steel products, the production of die-cast alloys and of brass and bronze products. Demand for lead is primarily driven by the automotive and industrial battery sectors.</p> <p>This project aims at decoupling growth from use of resources and emissions (including greenhouse gases emissions), by:</p> <ul style="list-style-type: none"> - an increased processing capacity - with a focus to increase treatment of waste streams containing zinc/lead and increase eco-effectiveness of finite precious metals in the region; increase the circularity of metals; - a decrease in production costs by improving resource efficiency, raw materials flexibility and shift from heavy fuel to natural gas; - a reduction of the environmental impact of its production to comply with future/more stringent regulations and ensure better working conditions for its production staff, and - a reduced reliance on concentrates from the mining sector, and related risk, e.g. price fluctuations and supply disruptions. <p>The project will support the promoter's technological upgrade programme for the upcoming 4 years (2020-2023) which will:</p> <ul style="list-style-type: none"> - increase production output by 25%, mostly generated through increased use of recycled materials and a more efficient, safe and productive process; - increase recycling capacity for different types of secondary (waste) lead and zinc materials by 15 percentage points. Currently, secondary materials make up 20% of total refined lead and zinc output. With this

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

project, the share of secondary materials will increase to 35%. Compared to top primary lead and zinc producers in the EU, this achieved recycled content is high: other European primary smelters report a share of secondary materials of 10 to 15%.

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	100.00%
Climate Action	27.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Environment and resource efficiency	100.00%
Climate change actions	27.00%
Other environment and resource efficiency	73.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators, as relevant, among which:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;*
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;*
- (iii) "Sustainability" i.e. environmental and social sustainability²;*
- (iv) "Employment" i.e. the project's direct employment effect;*
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".*

Pillar 3

EIB Technical and financial contribution to the project	Moderate
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);*
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;*
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer - provided in-house by the EIB or in the form of assignments to external consultants - to facilitate the preparation or implementation of a project.*

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 - Complementary indicators

Additionality

In line with the EFSI objective of support of environment and resource efficiency, as well as the objective to support less developed regions, this operation will promote the improvement of the environmental impact of the borrower's production process. As the project will be fully deployed in a Cohesion region (as a "less developed" region), it will also contribute to the Union priorities on convergence and social cohesion, helping to reduce regional disparities. The operation is equally expected to generate some energy efficiency savings and up to 27% of the investment is expected to contribute to the EIB's Climate Action objective.

The operation will support investments in the renewal, expansion and upgrading of production assets, which generate positive externalities in the form of public health and environmental benefits, notably through avoided pollution and intensifying the application of the principles of circular economy by increasing recycle rates. The project addresses a market failure and a sub-optimal investment situation, as access to the necessary long-term financing at conditions similar to those offered by the EIB is not readily available constraining the borrower in deploying its investment plan at the envisaged scale and timeline.

The operation has an increased risk profile and as such, is expected to fall under the Special Activity category of the EIB. This is principally due to high sector risk associated with the metal processing industry, the substantial outlay the investments represent, which is significant compared to their very long economic life and payback period requiring long-term funding. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

The EIB will be providing long-term financing which is expected to result in a quality stamp on the project. This shall help crowding-in financing from the private sector. The EIB financing is expected to increase other lenders' confidence in the operation and confirm their own engagement in the financing.

The operation will be the first one for the EIB with the promoter.

Set of indicators related to the macroeconomic environment

Bulgaria - Economic environment

Economic Performance

	BG 2018	EU 2018	US 2018	BG 2001-2007
GDP per capita (EUR, PPS)	15,472.62	30,935.11	43,569.11	11,841.31
GDP growth (%)	3.08	1.96	2.85	6.09
Potential GDP growth (%)	3.03	1.60	2.23	4.77
Output gap (% of potential GDP)	0.18	0.61	0.74	0.26
Unemployment Rate (%)	4.80	6.60	3.90	11.98
Unemployment Rate (%) - Y/Y change (% points)	-1.00	-0.60	-0.20	-1.71
Bank-interest rates to non-financial corporations (%)	3.32	1.26	--	8.23
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.70	-0.06	--	--
Investment rate (GFCF as % of GDP) - Total	19.04	20.54	20.84	23.05
Investment rate (GFCF as % of GDP) - Public	2.91	2.85	3.30	3.88
Investment rate (GFCF as % of GDP) - Private	16.12	17.68	17.53	19.17

Environment and Climate

	2014	2015	2016	2017	EU (latest available)
GHG emissions level (emissions in 1990=100)	55.59	59.42	--	--	77.88
Employment in the environmental goods and services sector	33,042.00	38,150.00	43,087.00	--	4,451,000.00
Resource productivity (Euro per kilogram, chain linked volumes (2010))	0.28	0.26	0.29	--	2.07
GHG emissions in non-ETS sectors (base year=100)	103.50	114.60	115.70	117.90	89.20
GHG emissions in non-ETS sectors, distance to EU 2020 target	-16.50	-5.40	-4.30	-2.10	-1.50
Value added in the environmental goods and services sector (% of total VA)	1.82	2.12	2.25	--	2.27
Employment in the environmental goods and services sector (% of total employment)	11.39	12.95	14.72	--	22.74

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial cooperations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics	Expected value at PCR
Start of works	01.01.2020
End of works	31.12.2023
Project investment cost [MEUR]	130.00 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	130.00 MEUR
External EFSI multiplier	2.00
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	65.00 MEUR
Quick start (% of expenditure during 2015-2018) [%]	
Co-financing with national promotional banks [MEUR]	0.00 MEUR
Co-financing with structural funds (ESIF) [MEUR]	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	
Energy efficiencies realised [MWh/a]	0.00 MWh/a
Climate Action indicator	27.00% Mitigation - Other (transversal)
Employment during construction - temporary jobs [person years]	200 person years
Employment during operation - new permanent jobs [FTE]	0 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.