

April 2009

The Bank's operational objectives in Latvia will remain in accordance with the strategic outline for the years 2006–10 agreed upon in Capital Resources Review 3, while also addressing the crisis needs in Latvia and across the region, without questioning graduation, as determined by the crisis response programme adopted by the Board of Directors.

Recent EBRD activities

In light of the global financial crisis, the Bank's priority in assisting Latvia is to work closely with the commercial banks and other international financial institutions, to mobilise financing for nationally important projects in infrastructure and energy, and promote lending to SMEs and financing of energy efficiency projects.

In April 2009 the EBRD acquired a 25 per cent stake in Parex Bank, which was taken over by the Latvian government in late 2008. Two important infrastructure projects (roads and airport) have also progressed and the EBRD has expressed its interest to further support these projects. The Bank also had active discussions with the Latvian authorities on the part-nationalisation of Parex Bank in late 2008, with support from the International Monetary Fund, European Union and some governments.



EBRD strategy in Latvia

The Bank's activities will be guided by the priorities of the current strategy, approved in September 2008.

Enterprise sector

The EBRD will provide equity investments to companies that require restructuring or corporate governance support, environmental investments and/or cross-border investments. It will also promote companies' investments in energy efficiency and encourage competitiveness.

Financial sector

Where appropriate, the EBRD will help to strengthen banks' corporate governance and business practices. The Bank will also provide long-term capital to selected mid-tier banks that lack a strategic owner, and commit capital to new regional equity funds, particularly those that focus on SMEs and/or agribusiness.

Infrastructure, environment and energy

The EBRD will encourage and support private sector participation in the financing of municipal and transport infrastructure. Where possible these projects will be complemented with EU funding.

Improve energy efficiency.

Support the development of alternative energy sources and contribute to energy security in Latvia and the surrounding region.

The EBRD's priorities for the coming year include supporting financial institutions in order to foster continued lending to SMEs and nationally important infrastructure projects.

At a glance*

Number of projects
30

Net business volume
€271.6 million

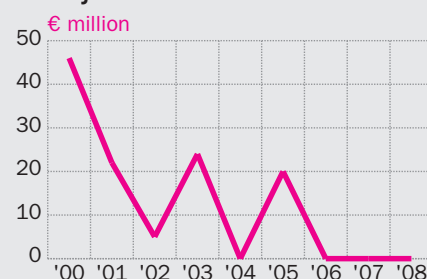
Total project value
€849.0 million

Gross disbursements
€261.6 million

Additional mobilisation
€589.5 million

Share in private sector
67 per cent

Project volume 2000-08



*cumulative, as at March 2009

Financial crisis

Responding to the global economic crisis the Bank is increasing its projected 2009 business volume by a third to €7 billion. The Bank is supporting viable financial institutions and companies to maintain their activities under the current circumstances. To maintain vital trade flows the Bank is also doubling its Trade Facilitation Programme (TFP) to €1.5 billion.



 www.ebrd.com/new/fin_crisis.htm

Economic overview

Latvia was among the first transition countries to enter a recession in 2008. Financing conditions have tightened significantly and weaker domestic and external demand is set to lead to a fast correction of imbalances. In line with its IMF agreement, Latvia's policies are now centred on defending the currency peg and correcting imbalances through fiscal tightening. Maintaining financial and fiscal stability are key challenges that will determine Latvia's path to euro adoption.

While Latvia's business environment is among the best in the region, high inflation and excessive wage growth have eroded overall competitiveness. However, the current adjustment process, including wage disinflation, should give it a boost. To promote export competitiveness, Latvia needs to shift the composition of its merchandise exports towards goods of higher value added.

Country data

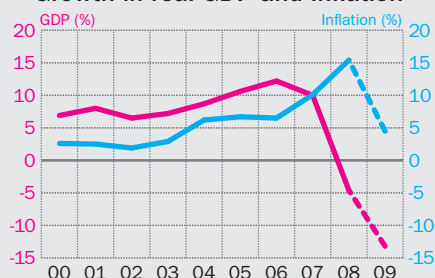
Population
2.3 million

Area
64,500 sq km

GDP (2008)
US\$ 27.2 billion

Average transition score
3.63 (scale: 1 to 4.33)

Growth in real GDP and inflation



Inflation: change in annual average retail/consumer price level, in per cent. Figures for 2009 are projections

 www.ebrd.com/economics

EBRD invests in BaltCap Private Equity Fund

The EBRD has invested up to €20 million in the BaltCap Private Equity Fund to support the growth and development of medium-sized enterprises in the Baltic states of Estonia, Latvia and Lithuania.

The Fund is concentrating on equity investments from €2 to €15 million in innovative local companies in the Baltics which are active in rapidly growing sectors or in promising new areas.

Many local enterprises have benefited from EU enlargement and the favourable economic climate in neighbouring countries. The inflow of new equity is crucial to making this dynamic development sustainable. The EBRD plays a key role by acting as a catalyst for other potential investors.

The targeted size of the Fund is €70 million with a maximum set at €100 million and a first round of funding of €57 million. The Bank will commit an initial minimum of €15 million which will help the Fund to achieve its minimum size. Further EBRD commitments will be made following an overall increase of the volume of the fund. The EBRD aims to keep its share at 20 per cent.



How to obtain EBRD financing

Large private sector projects

Private sector projects range from €5 million to €250 million; the average amount is €25 million.
www.ebrd.com/apply/large

Small projects

The EBRD also supports financial intermediaries, such as local commercial banks, micro-business banks, equity funds and leasing facilities.
www.ebrd.com/apply/small

Trade

A range of products to facilitate intra-regional and international trade in the EBRD's countries of operations.
www.ebrd.com/apply/trade

Complementary schemes

TAM and BAS work directly with individual enterprises, providing industry-specific advice.
www.ebrd.com/apply/tambas

Application form

www.ebrd.com/apply

Today the EBRD uses the tools of investment to help build market economies and democracies in countries from central Europe to central Asia.

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