

Highlights in 2002

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€1 billion in technical cooperation contributions

The EBRD's Technical Cooperation Funds Programme (TCFP) reached a milestone in 2002. Cumulative contributions from donors since the commencement of the programme in 1991 reached the €1 billion mark. The European Union, with €413 million in grants, has been the Bank's largest supporter over this period. Japan (€134 million), the United States (€87 million), Italy (€68 million) and the United Kingdom (€49 million) have also provided significant support. Chapter 2 provides further details on donor funds programmes.

The funding has enabled the EBRD to launch more than 6,000 consulting assignments that in turn have supported around €9 billion in signed EBRD investments to date. A further €2.6 billion in investments is in the pipeline. Chapter 16 provides details of the TC-investment linkages.

Official co-financing record in 2002

Investment co-financing by official agencies in EBRD projects reached a record €1.14 billion in 2002. International financial institutions (IFIs) were the main partners, and included the Black Sea Trade and Development Bank (BSTDB), the European Investment Bank (EIB), International Finance Corporation (IFC), Nordic Investment Bank (NIB) and the World Bank. The EU and bilateral agencies have also been active co-investment partners.

Since 1995 official co-financing partners have contributed around 18 per cent of the total costs of EBRD projects, slightly more than the funds supplied by commercial co-financiers. The EBRD has contributed around 27 per cent of total project costs on its own account (see Chapter 3 for further details).

Small business and micro-enterprise lending

There has been rapid growth occurring in TC assistance to small and medium-sized enterprise (SME) and micro and small enterprise (MSE) lending programmes. With support from Canada, the EU, France, Germany, Italy, Japan, Switzerland, the United Kingdom and the United States, SME and MSE lending programmes are expanding into new countries and new regions to meet the borrowing needs of small private businesses. These programmes now represent the largest element of donor funded assistance provided by the EBRD. Programme details are outlined in Chapters 4 and 5. Examples of dynamic investment linkages in MSE programmes are given in Chapter 16.

Infrastructure

Donor support continues to play an important role in the key infrastructure sectors of transport, power, energy efficiency and municipal environmental infrastructure. Since 1991, €157.1 million has been committed to infrastructure TC, with funding from Canada, the EU, France, Germany, Italy, Japan, the Netherlands, Switzerland, the United Kingdom and the United States.

The EU has also provided investment grants through the PHARE, TACIS and ISPA programmes amounting to €770 million. A new initiative, the Northern Dimension Environmental Partnership, was launched in 2002 to support municipal infrastructure and nuclear clean-up projects in North West Russia (see Chapter 6 for further details).

Donors are also supporting a new strategy to promote investment in renewable energy projects (see Chapter 7) and are supporting municipal infrastructure through the Project Preparation Committee (see Chapter 8).

Global Environment Facility grant

In 2002 the EBRD received its first grant from the Global Environment Facility (GEF) to work towards a reduction of pollutants in the River Danube. The US\$ 9 million (€8.2 million) grant will be used alongside a €45 million EBRD credit facility to help local industries, SMEs, small municipalities and agricultural businesses minimise negative environmental impacts on the river. See Chapter 9 for further information.

Focus on low-income countries

Low-income communities in the Caucasus and Central Asian regions face major obstacles to growth. In the CIS-7 group of countries (Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan), EBRD experience reveals that investments are highly reliant on donor support. TC has been required to prepare projects, develop implementation capabilities and strengthen institutions. Donors also play a role in co-financing investments. Details are provided in Chapter 10.

The EBRD is giving priority to mobilising further donor support for the low-income countries of operations. Progress is already being achieved in Mongolia, through the Mongolia Cooperation Fund supported by Japan, Luxembourg and the Netherlands. Taipei China has announced its plans to join the Mongolia Fund in 2003. See Chapter 11 for details.

Legal transition

The Bank is helping countries strengthen their commercial laws and regulatory institutions. Canada, the EU, Greece, Japan, the Netherlands, Taipei China, the UK and the US provided support in 2002 to assist the reform of bankruptcy laws, corporate governance, secured transactions laws, concessions laws and telecommunications sector laws.

In 2003 the EBRD's Legal Transition Team has identified 18 priority assignments to promote further market-enhancing legal reforms. These are outlined in detail in Chapter 12.

TAM and BAS: Advice to small businesses

The TurnAround Management (TAM) and Business Advisory Services (BAS) programmes provide direct advice to enterprises in the EBRD's countries of operations. Significant support was provided by the EU during 2002 to fund activities in Azerbaijan, Armenia, the EU accession countries and Georgia. Funding from the European Agency for Reconstruction has enabled TAM and BAS to commence operations in Montenegro. Finland, Luxembourg and Sweden have provided funds for a BAS office in Kaliningrad, which will open in 2003. See Chapter 13 for further information on the TAM and BAS Programmes.

TAM has also been active in Mongolia with the support of the Mongolia Cooperation Fund (see Chapter 11).

Central European Initiative

With funding support from Italy, the Central European Initiative (CEI) has committed in excess of €5 million to support EBRD investments valued at over €360 million. The CEI has 17 member countries and promotes economic transition and regional cooperation through project support and partnership-building. The CEI Summit Economic Forum, held in Skopje, FYR Macedonia in November 2002, attracted 1200 participants from across the region. The Forum generated a list of projects where interested partners have been identified in the infrastructure, transport and technology sectors. Chapter 14 outlines the CEI Programme details.

Donor visibility

The EBRD is taking new steps to improve the visibility donors receive in recognition of their support. A Donor Visibility Working Group meeting held in February 2003 brought together representatives of 11 donors and EBRD staff to hear a presentation from the EU on their experience with visibility practices. The meeting identified target audiences and communication methods to be pursued. Importance is attached to successful projects supported by donor TC, and improving awareness among beneficiaries of sources of donor support. See Chapter 15 for further details.

Investment linkages

A special study is under way in the EBRD to demonstrate the linkages between TC and project investment. The work is part of a larger exercise to document the contribution made by donors to the transition process in member countries. Initial results show that since 1991 donors have supported more than 42 per cent of the EBRD's investment portfolio through TC assignments. Around €820 million of donor funds have been committed to these assignments. The TC has supported EBRD investments of €9 billion so far, with an additional €2.6 billion in the pipeline. Details are provided in Chapter 16.

Lessons and experience

Work by the EBRD's Project Evaluation Department (PED) shows that success depended on the commitment of the client and the inputs by EBRD staff at the design, implementation and monitoring stages. In a number of cases, poor performance of TC assignments was found to be due to political or governmental interference. Consultant weaknesses also affect TC performance. In addition to technical skill, consultants must have awareness of local cultures and societies, and be capable of working within the rules and procedures of international financial institutions. See Chapter 17 for further information on the ratings of TC assignments.