

Official
investment
co-financing
in 2002

03

Co-investment from official sources (excluding export credits) reached a record level of €1.14 billion in 2002, supporting 49 EBRD investment projects. The main sources of official co-financing were the International Financial Institutions (Black Sea Trade and Development Bank, European Investment Bank, International Finance Corporation, Nordic Investment Bank and the World Bank), the European Commission, specialised bilateral financial institutions (DEG, FMO, JBIC and KfW), and government agencies from Canada, Denmark, Germany, Italy, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, Taipei China and the US.

Over the past five years (1998-2002), official co-financing amounted to almost €4.4 billion. IFIs contributed €2.65 billion of this amount (60 per cent), the European Commission contributed €863 million (20 per cent) and bilateral agencies contributed €869 million (20 per cent).

Official co-financiers provide a wide range of financial products such as parallel loans, grants, equity, loan participations and guarantees. In the past five years parallel loans amounted to two-thirds of total official co-financing, grants contributed 25 per cent, while equity and guarantees/participations provided 9 per cent, distributed as follows:

Parallel loans	€2,896 million	66 %
Grants	€1,086 million	25 %
Equity	€317 million	7 %
Guarantees/Participation	€80 million	2 %

Grants

Grant-based co-financing has focused primarily on the following areas: support to micro, small and medium-sized enterprises (SME/MSEs); Trade Facilitation Programme (TFP); and municipal environment services and infrastructure rehabilitation. The beneficiaries of such grant financing have included:

- regional programmes in central and south-eastern Europe and Central Asia (SME/MSEs, TFP)
- low-income countries such as Albania, Bosnia and Herzegovina, FYR Macedonia, Georgia, Serbia and Montenegro and Tajikistan
- EU accession countries, particularly through EU instruments (ISPA) and the Baltic Investment Special Fund
- Poland and Romania were recipients of EU grants provided in conjunction with EBRD investments in the municipal environmental infrastructure sector.

During 2002 the Northern Dimension Environmental Partnership (NDEP) was created, with initial pledges of €110 million to be contributed over a five year period. Grants from the NDEP Fund can be used for either co-financing or technical cooperation, as determined by the Assembly of Contributors. For further details on NDEP, see Chapter 6.

It is expected that grant-based co-financing will remain an important feature, as the EBRD is increasingly focusing on and leveraging its activities in the lower-income and low-transition countries of south-eastern Europe, the Caucasus and Central Asia. The low-income countries will be a focus of grant mobilisation efforts in the period ahead (see Chapter 10).

Investment mobilisation

Official investment co-financing is part of the overall funds mobilisation carried out by the EBRD to implement projects. The majority of EBRD projects involve co-financing partners. Over the period 1995 to 2002 the total cost of projects with co-financing (official and commercial) was €41 billion.

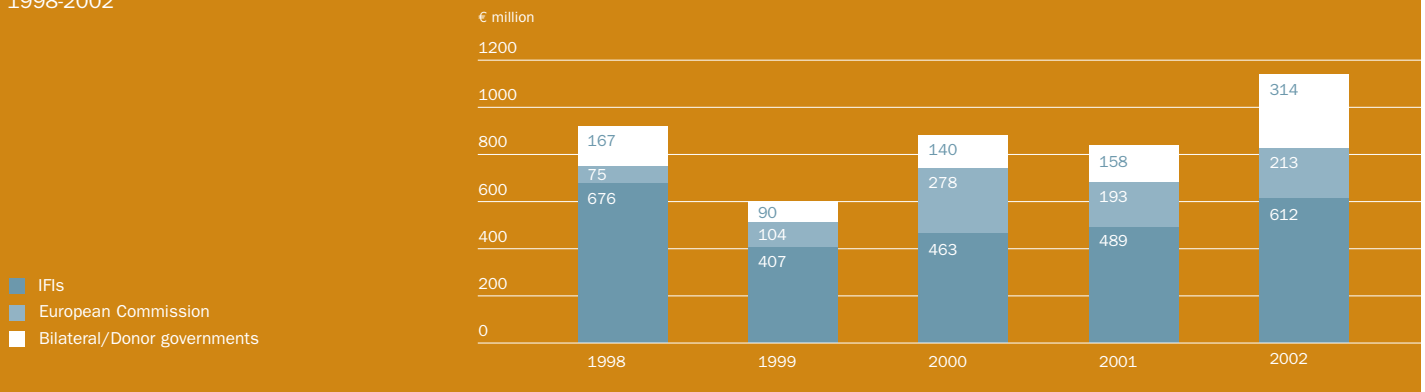
The overall mobilisation of investment finance for the co-financed projects over this period is as follows:

EBRD investment	€11 billion	26.8%
Official co-financing	€7.3 billion	17.8%
Commercial co-financing	€6.8 billion	16.6%
Other investors	€15.9 billion	38.8%
Total project cost	€41.0 billion	100.0%

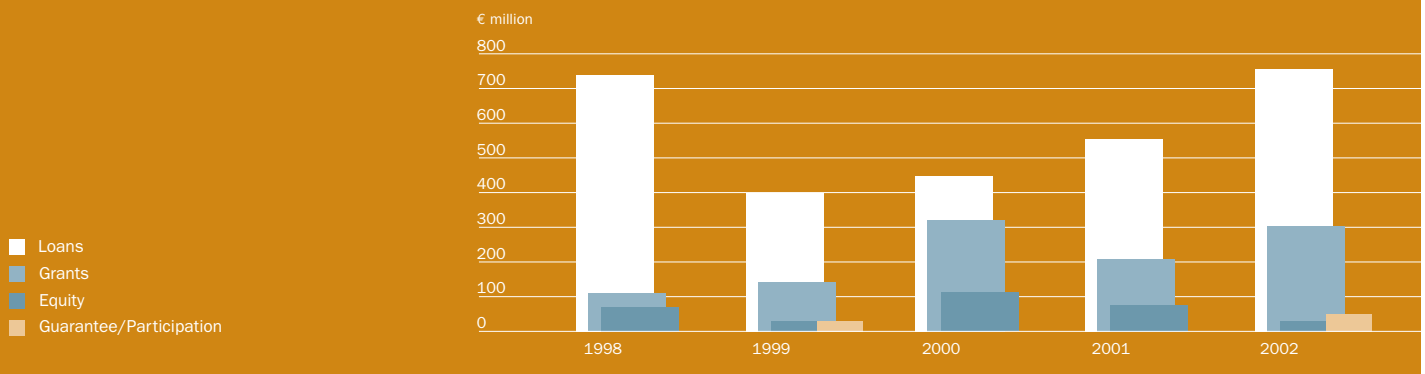
Photo: Belgrade municipal transport project



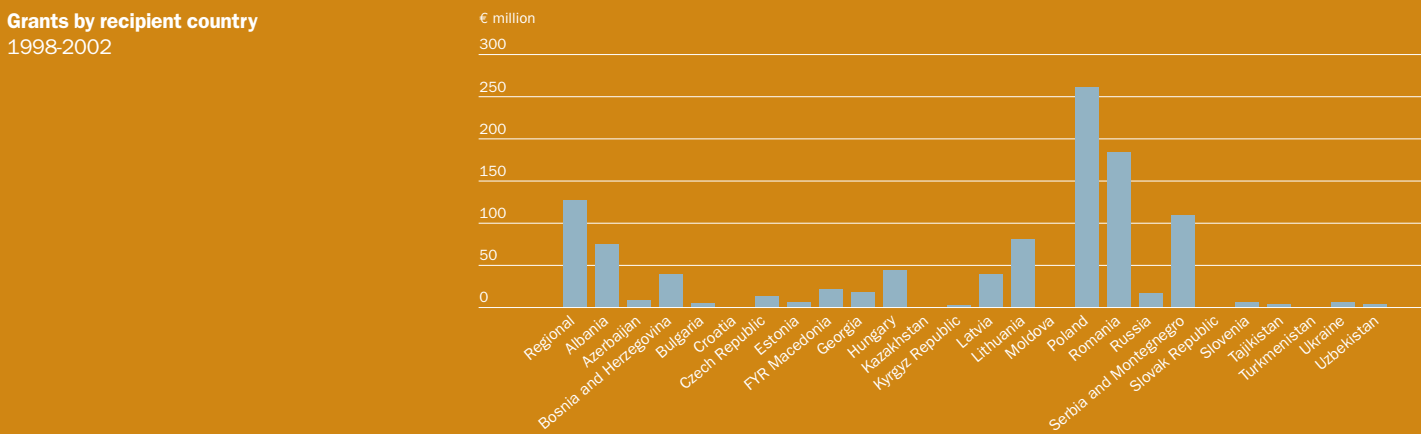
Official co-financiers
1998-2002



Official co-financing - Finance type
1998-2002



Grants by recipient country
1998-2002



Urban transport

In 2002 the EBRD signed two municipal infrastructure projects aimed at improving the quality and efficiency of urban transport in Bulgaria and Serbia and Montenegro.

The Sofia Public Transport loan will be used to purchase new buses and refurbish existing trams. The EBRD project is supported by an investment grant of €2.5 million from the Netherlands government to purchase and introduce a new ticketing system.

The Belgrade Municipal Infrastructure Reconstruction programme was supported by grants from the Japan International Cooperation Agency (€13 million) and Switzerland (€2 million). The grants were primarily used for the purchase of new buses and related equipment.

Central Asia Risk-Sharing Special Fund

In the context of the EBRD's strategy to promote trade and private business activity in Central Asia, the Bank set up a new co-financing facility, the Central Asia Risk-Sharing Special Fund (CARSSF). This fund aims to support an increased level of investment activity in Central Asia and to enable the EBRD to take additional risk, mainly through funding small and medium-sized business projects.

The fund aims to attract €30 million in grant-based contributions from official donor agencies and will be utilised for SME credit lines, micro finance, direct equity investments and guarantees. To date, Germany and Switzerland have provided risk-sharing funds to the CARSSF in support of the Trade Facilitation Programme. Switzerland has also contributed to the micro finance project in the Kyrgyz Republic.

Trade Facilitation Programme

The EBRD's Trade Facilitation Programme (TFP) gives local entrepreneurs the support they need to expand their import and export trade. By guaranteeing trade transactions, the programme stimulates international trade and strengthens the ability of local banks to provide trade financing. In 2002 the TFP registered a record business volume of over 300 transactions worth €369 million, which represents a 27 per cent increase on the previous year.

Because of the high-risk environment in certain countries of south-eastern Europe and Central Asia, the EBRD has mobilised grant support to share the portfolio risks, thus enabling the Bank to leverage its outstanding portfolio considerably. The TFP risk-sharing fund is supported by the governments of Austria, Germany, the Netherlands, Norway and Switzerland