

The Global Environment Facility (GEF) and the EBRD

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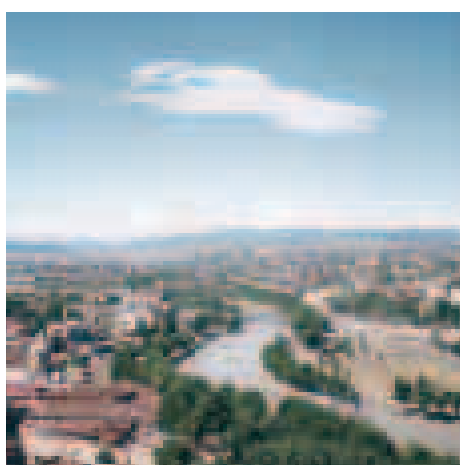


Photo: River protection

The Global Environment Facility (GEF) was established in 1991. It is an independent international financial institution created to provide grant financing to address six critical threats to the global environment identified in international conventions: biodiversity loss, climate change, degradation of international waters, ozone depletion, land degradation and persistent organic pollutants (POPs). GEF provides grants both for financing investment projects and for preparing projects (Project Development Funds or PDF). Project proposals need to be submitted to the GEF Council for approval. The EBRD is recognised as one of the international executing agencies for GEF projects.

Danube River protection

During 2002 the EBRD obtained a US\$ 9 million (€8.2 million) grant from GEF to support the reduction of pollutants in the River Danube. The funds will be used alongside EBRD credit facilities (€45 million) to help local industries, small and medium-sized enterprises (SMEs), small municipalities and agricultural businesses minimise negative environmental impacts on the river. In addition, these facilities will be backed by a further US \$900,000 (€815,000) in technical cooperation designed, among other things, to improve the recipients' environmental management practices and to pay for the

services of independent environmental advisers to ensure that sub-projects meet the eligibility criteria of the facility. The work will be managed by the EBRD's Environment Department, Financial Institutions Team and the TurnAround Management Group.

GEF's financial support to this project will allow the EBRD to work through financial intermediaries and to reach a wide range of industrial companies, small municipalities and SMEs which otherwise would be difficult to service directly in an efficient manner.

This grant is the first the EBRD will receive from the Global Environment Facility. Through this award, the Bank will contribute to the GEF mission of combating the degradation of international waters, in this case, of the Danube River Basin, which extends across ten countries of the region.

The GEF - bringing together 173 member governments, development organisations, scientific institutions and NGOs - held an assembly meeting in Beijing, China, on 16-18 October 2002, where this EBRD grant agreement was approved. Continued cooperation between the Bank and the GEF is being planned to take advantage of the EBRD's wide network of co-financiers that it can bring into project finance structures.

Additional co-financing will increase the leverage and impact of GEF grants, particularly in private sector operations. GEF-assisted EBRD projects could become the first instances of private sector involvement in the GEF's International Waters portfolio. Success in this project could lead to further initiatives being replicated across the region.

Through the TurnAround Management Group, the EBRD will also mobilise business advisory services to help client enterprises to improve their production processes in ways that benefit the environment. The concept is to work with the enterprise managers of polluting industries and to assist them in looking at ways of improving their processes and controls. This should ensure that the money they borrow through the EBRD credit line will effectively address pollution control measures.

This combination of the GEF grant and EBRD SME credit line is an innovative way to help the EBRD finance smaller environmental projects through its local network of financial intermediaries. Financial institution projects are an important part of the Bank's investment activity. Local commercial bank operations combined with targeted advisory assistance offers significant potential for addressing environmental problems.