THE PROJECT
The Company was created as a joint venture during 1975. The Company’s business consisted of three major production lines for ice cream, frozen vegetables, and frozen pastry and bakery products. In 1992, the Company ceased to be a joint venture and became socially owned by its employees, who appointed management. During the second half of the 1990s, the Company’s management made some poor business decisions and their non-transparent relationship with domestic banks resulted in serious financial problems. The Privatisation Agency placed the Company on an international tender for investors. A privately owned agribusiness company (the Sponsor) won the tender. The Sponsor’s investment programme, in return for the Company’s shares, consisted of (i) reducing the existing short-term debt from domestic banks; (ii) making investments in the Company’s operational assets; and (iii) providing working capital. The Sponsor assumed the responsibility of servicing the mounting short-term debt to domestic banks and requested the EBRD provide post-privatisation financing to the Company. In December 2003, the Bank approved a six-year senior loan of €13.1 million to the Company. The loan was signed in January 2004.

PROJECT RATIONALE
The project rationale was: (i) for the Bank to perform vital privatisation undertakings and make the former state-owned company’s business viable; (ii) pioneer investment in the country’s private sector; (iii) facilitate cross-border cooperation and promote regionalisation during a period of economic recovery; and (iv) assist the Sponsor with its investment programme.

ACHEIVEMENT OF OBJECTIVES
The objectives of the investment were: (i) to position the Company as the leader in the ice cream market within three years, by regaining market share; and (ii) to maintain the Company’s leading position in the frozen vegetables market. Overall, the fulfilment of the objectives was considered Good.

OVERALL ASSESSMENT
The Evaluation Department assigned a Successful overall rating to the project, but this rating tends towards partly successful in view of the project’s environmental performance. The project had a strong rationale from the standpoint of all the parties. However, additionality was not fully achieved. Therefore, the Bank’s additionality was Verified at large. The project had Good transition impact, particularly at industry level. The transition impact was derived from increased competition, market consolidation and strengthened backward linkages. The fulfilment of the objectives was assessed Good. The Bank’s investment performance was evaluated as Satisfactory. The Company’s production facilities do not fully meet international standards. The Bank handling of the project was rated Satisfactory despite the inadequate environmental bank handling, which has improved since early 2006.

TRANSITION IMPACT AND THE BANK’S ADDITIONALLITY
The Evaluation Department considered the Project’s transition impact was Good with Medium risks perceived due to uncertainty in the regional ice cream market. The project furthered transition by: (i) helping the country’s oldest national brand of ice cream rediscover its original aspiration of 30 years ago; (ii) increasing competition and providing significant benefits to consumers; and (iii) strengthening backward linkages through a hard currency-linked farming
contract. The project has caused Some environmental change through increased production, however, with little environmental mitigation. The Evaluation Department assessed the environmental impact of the project as Marginal.

The Bank’s additionality for the project was Verified at large. The financial additionality to the Company was fully verified.

**BANK HANDLING**

The Evaluation Department considered the bank handling of the project Satisfactory, but tended towards Marginal because of the environmental performance. The environmental monitoring has significantly improved since an active interaction between the Environment Department and the Evaluation Department commenced after the evaluation.

**MAIN OPER ISSUES AND LESSONS LEARNED**

The Bank must ensure sufficient working capital and cash is available. When the borrower and sponsor are located in the EBRD’s countries of operations, the Bank should carefully review working capital for the project. Working capital, particularly cash availability, is crucial for primary agro-industry. The Bank could have considered a combination of long-term and short-term lending to ensure the borrower’s operations comprehensively.

For a post-privatisation project, the Bank’s investment conditionality needs to be designed to complement and enhance the privatisation agenda. Reviewing carefully the sponsor’s investment programme on the privatisation and preparing a complementary lending conditionality could prevent resource exploitation, could make a difference from commercial / investment banks to the investment and could increase significantly the transition impact.

A monopolistic leader in a relatively small economy can have a large impact on the industry, which it dominates. When designing a project, the Bank could capitalise the borrower’s industrial influence in the country by enhancing its policy and mandate.

Problems should be resolved during project preparation. Any potential problems should be resolved before the Bank’s approval on the investment. A hasty processing of the loan could create loose ends and potential problems, which may haunt throughout the project implementation.