Taiwanese funds and cooperation with the EBRD
Where the EBRD operates

The EBRD, owned by 61 countries and two intergovernmental institutions, aims to foster the transition from centrally planned to market economies in 29 countries from central Europe to central Asia.

1. Albania
2. Armenia*
3. Azerbaijan*
4. Belarus
5. Bosnia and Herzegovina
6. Bulgaria
7. Croatia
8. Czech Republic
9. Estonia
10. Former Yugoslav Republic of Macedonia
11. Georgia*
12. Hungary
13. Kazakhstan
14. Kyrgyz Republic*
15. Latvia
16. Lithuania
17. Moldova*
18. Mongolia*
19. Montenegro
20. Poland
21. Romania
22. Russia
23. Serbia
24. Slovak Republic
25. Slovenia
26. Tajikistan*
27. Turkmenistan
28. Ukraine
29. Uzbekistan*

* indicates Early Transition Countries
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Taipei China and the EBRD have had a longstanding partnership since the establishment of the Bank in 1991. The welcome support provided by Taipei China has been making a real difference in the EBRD’s countries of operations. Funding for technical assistance through the TaiwanBusiness-EBRD Cooperation Fund has benefited almost all of the countries of operations and the TaiwanICDF (International Cooperation Development Fund) for investment co-financing has given a significant boost to building market economies, particularly in encouraging development of small and medium-sized enterprises in the region.

In recent years, Taipei China has participated in the Bank’s Early Transition Countries Fund, to assist the eight countries where the challenges are the greatest: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Uzbekistan. In addition, it supports the EBRD’s Sustainable Energy Initiative (SEI) to improve energy efficiency and to tackle climate change.

Although it is not a member of the EBRD, Taipei China has become a trusted operational partner. Infrastructure and restructuring of the financial sector have benefited from its support, and it has enabled the Bank to access Taiwanese expertise in key operational areas including legal transition, the TurnAround Management Programme and small businesses.

The establishment of the Taiwan Office for EBRD Business Development in Taipei in 2006 reflects the shared goal of improving Taiwanese business awareness of the Bank’s countries of operations. The technology and know-how that Taiwanese businesses offer can benefit the EBRD and its clients, establishing new business ties and contributing to economic development.

I would like to take this opportunity to thank Taipei China for its cooperation. Over the coming years we look forward to continuing our cooperation in order to push the transition process further toward prosperous market economies.
Celebrating 16 years of cooperation (1991-2007)

Having benefited from international aid in the past, Taipei China recognises the importance of external financial assistance in fostering development. There are a number of parallels between the political, social and economic challenges it faced in the 1950s and those currently being tackled by the EBRD’s countries of operations. Its transformation over the past 50 years into a prosperous economic entity provides a successful model of progress for these countries.

Over the past 16 years, Taiwanese funding has made a valuable contribution to the Bank’s technical cooperation (TC) and co-financing programmes. TC funding helps to prepare the way for EBRD projects and allows the Bank’s clients to benefit from expert advice. The country has participated actively in the EBRD’s multi-donor funds, such as the Mongolia Cooperation Fund, the Early Transition Countries Fund and the Sustainable Energy Initiative. Funding has also been provided by the Taipei China-EBRD Cooperation Fund and the recently established TaiwanBusiness-EBRD Cooperation Fund.

In addition to TC funding, the authorities in Taipei have provided support through the International Cooperation and Development Fund (TaiwanICDF), co-financing EBRD projects across the region. TaiwanICDF’s co-financing is channelled through special funds, such as the Financial Intermediary Investment Special Fund (FIISF) and the FIISF-Trade Facilitation Programme.

As well as financial grants, it has provided consultancy support, has supported the EBRD’s Legal Transition and TurnAround Management (TAM) programmes, has financed small enterprises through the Bank’s special funds and is a participant in the Bank’s Trade Facilitation Programme (TFP).

Relations reached a new milestone in 2006 with the establishment of the Taiwan Office for EBRD Business Development in Taipei.

Through its active involvement in EBRD projects, Taipei China has helped to encourage trade growth and establish new markets for its products. Its presence has been welcomed by governments across the Bank’s countries of operations, which have come to recognise the authorities in Taipei as a reliable partner for the long term.
Technical cooperation (TC) grants provided by donors are used by the EBRD to provide know-how to EBRD clients via specially hired experts. TC assignments funded by donors include assistance with preparation of EBRD investment projects, development of skills in the implementation of projects and advisory assistance to businesses and government agencies.

**TaiwanBusiness-EBRD Cooperation Fund**

The TaiwanBusiness-EBRD Cooperation Fund was established in 2006 to succeed the Taipei China-EBRD Cooperation Fund. This had been in operation since 1991, and was one of the oldest TC funds supporting the Bank’s activities. A total of €14.3 million has been committed from the two TC funds.

The TC funding has been used in most of the EBRD’s countries of operations, with Russia receiving the largest amount of support (see Chart 1). Around 50 per cent of financing has gone towards regional projects, benefiting two or more countries. These projects have included organising seminars to promote the EBRD’s TFP and raising awareness of information and communication technologies.

Taiwanese funding has also supported the publication of *Law in transition*, the EBRD’s biannual legal journal, which aims to promote legal reform in the Bank’s countries of operations.

In 2004, the EBRD launched the Early Transition Countries (ETC) Initiative to increase its activities and coordinate donor support in the poorest of its countries of operations: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan. Mongolia joined the ETCs upon becoming an EBRD country of operations in 2006. The ETC multi-donor fund was established with the objective of reducing poverty in the ETCs through projects fostering strong, sustainable growth.

**Chart 1 Taiwanese TC commitments by country (1991-2007)**

1 Contributions to regional projects (covering two or more countries) amounted to €7.0 million in this period, representing nearly 50 per cent of the total and are not shown in chart 1.
Boosting business in Hungary

In Hungary, with assistance from Taiwanese advisers, TAM helped a ladies’ lingerie and swimwear manufacturer and distributor. The Hungarian management team was very concerned that production might be moved to lower-cost locations, leaving the company with a recently built plant that would be largely under-used.

The TAM team analysed the management and company structure, current market, product distribution and development strategies. Over the next two and a half years the team helped to establish and train a new sales department, streamline management and establish a clear structure. The team also created focus groups to identify market needs and develop products accordingly in order to expand export markets into the southern hemisphere.

The company’s management accepted the advice provided by the TAM team and worked well along with the TAM advisers, increasing the enterprise’s potential to grow in the future.
As of July 2007, the fund has received more than €44 million from the contributors – including €1 million of Taiwanese contribution – of which €40 million has been allocated to 113 projects in the eight countries. The projects have supported microlending and developing small businesses, improving transport and municipal utility services, assisting businesses through establishing investment councils, research into remittance flows, improving the regulatory framework and training of judges, increasing energy efficiency and providing training for environmental due diligence.

The Balkan Region Special Fund, which has utilised funding from several donor countries to assist in the reconstruction of the Balkan region, has been the recipient of €1.3 million of Taiwanese finance. The EBRD’s Sustainable Energy Initiative, launched in 2006, under which the EBRD will invest €1.5 billion in energy efficiency and renewable energy projects over the next three years has also received €600,000 (see Table 1). The Bank will also strengthen policy dialogue with governments and work with donors to support sustainable energy initiatives.

Infrastructure, particularly municipal infrastructure (such as water and heating services), and restructuring of the financial sector have been important areas for support (see Chart 2).

 Taiwanese contributions to a variety of infrastructure projects have amounted to just over €4 million. These include help to upgrade water services in Poland (see case study) and to improve bus services in Bulgaria. It has also provided funding for a review of the airline industry in Ukraine and for economic analysis of the flood barrier in St Petersburg. Taipei China recently approved funding to assist the development of the metro system in Tbilisi, Georgia and to improve energy efficiency at a district heating company in Ukraine.

<table>
<thead>
<tr>
<th>Fund name</th>
<th>€ million committed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Of which</td>
<td></td>
</tr>
<tr>
<td>Balkan Region Special Fund</td>
<td>1.3</td>
</tr>
<tr>
<td>Early Transition Countries Fund</td>
<td>1.0</td>
</tr>
<tr>
<td>Sustainable Energy Initiative</td>
<td>0.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sector</th>
<th>€ million committed</th>
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</thead>
<tbody>
<tr>
<td>Microlending</td>
<td>0.2</td>
</tr>
<tr>
<td>Seminar/Research</td>
<td>1.0</td>
</tr>
<tr>
<td>TAM/BAS</td>
<td>0.6</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>4.2</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.5</td>
</tr>
<tr>
<td>Legal transition</td>
<td>1.3</td>
</tr>
<tr>
<td>Finance</td>
<td>2.9</td>
</tr>
<tr>
<td>Others</td>
<td>1.9</td>
</tr>
</tbody>
</table>
In addition to substantial finance for infrastructure projects, €2.9 million has been committed to the financial sector, nearly €1.0 million to a seminar and research programme, €1.3 million to the EBRD’s legal transition efforts and more than €1.5 million to the manufacturing sector. Taking into account all of the sectors for which financing has been provided, Taiwanese contributions to TC funds amount to more than €14.0 million.

Over €0.6 million of this TC funding has been provided to the EBRD’s TurnAround Management (TAM) Programme. This supports small and medium-sized enterprises (SMEs) by assisting and improving management skills in privately owned businesses, resulting in greatly improved business performance and increased local job opportunities.

Since 1998, Taiwanese assistance has been used to finance 13 TAM projects in Armenia, Georgia, Hungary, Moldova, the Kyrgyz Republic, Russia and Ukraine. These projects have involved Taiwanese experts providing business advice to local enterprises. There are currently 96 such experts listed on the TAM database, of which 38 are senior industrial advisers and 58 are industry specialists.

Cleaning up Gliwice’s water supply

The city of Gliwice in southern Poland received a loan of €15 million from the EBRD in 2004 to extend the sewer network in the city, to protect the environment and to comply with EU directives on sewer connection. The project was co-financed by a grant of €35 million from the European Commission.

Taiwanese finance was used for a creditworthiness enhancement TC assignment to develop expertise in financial management, asset management and municipal service provision among the city’s officials. As a result of the investment and the TC assistance, the water and waste-water services in Gliwice have improved. There have also been improvements in the local environment, leading to better living standards.
Official co-financing – an investment partnership

Official co-financing is a key way of raising project funds for many companies in the EBRD’s countries of operations, as access to international finance is limited. Sources of official co-financing include government development agencies, bilateral financial institutions and international financial institutions (IFIs).

The EBRD targets its official co-financing activities at commercial projects being undertaken in high-risk countries, where businesses generally have difficulty raising money on international capital markets and where local financing opportunities are limited. The Bank has worked to establish new projects while sharing the commercial risks with other organisations in order to minimise risk in the event of loan defaults. Since 2000, the EBRD has mobilised external co-financing worth about €22 billion, about 34 per cent of which has come from official sources.

The EBRD’s official co-financing is primarily associated with low or middle-income countries with limited access to international capital markets, such as those in south-eastern Europe, Central Asia and the Caucasus region. The emphasis of official co-financing has focused particularly on small businesses and micro-finance, the banking sector (trade facilitation and equity funds) and physical infrastructure (municipal and environmental services, transport, power and energy).

While the Taiwanese business relationship with the EBRD has focused primarily on TC through the Taipei China-EBRD Cooperation Fund and the new TaiwanBusiness-EBRD Cooperation Fund, it has also co-financed a number of projects in the EBRD’s countries of operations through its International Cooperation and Development Fund (TaiwanICDF).

**TaiwanICDF**

The TaiwanICDF was founded in July 1996 to oversee foreign assistance programmes. Its mandate is to provide assistance in line with foreign policy priorities. Its scope has ranged from providing basic humanitarian aid to initiating and supporting projects aimed at promoting economic development, including fostering the development of SMEs.

The TaiwanICDF has been active all over the world, including Africa, Asia-Pacific, the Caribbean and Latin America. A co-financing relationship was established with the EBRD in 1994 and €15 million was set aside to fund projects in the private sector.
Reducing barriers to international trade

An example of an intra-regional TFP transaction, partly covered by risk-sharing funds from TaiwanICDF, is the import of T-shirts from Turkmenistan into Russia. This has been financed by a letter of credit issued by Credit Bank of Moscow.

The transaction is a good example of the transition process promoted by the programme. While in the past some Russian banks used the TFP mostly for financing imports from OECD countries, they use it now increasingly also for financing imports from other EBRD countries of operations.

Another TFP transaction, partly covered by risk-sharing funds from TaiwanICDF, is the import of Taiwanese machinery and equipment into Russia. This has been financed by a letter of credit issued by Promsvyazbank in Russia and confirmed by ABN Amro in Taipei.
TaiwanICDF provided €9 million to the Bank’s Financial Intermediary Investment Special Fund (FIISF) in 1998 with the aim of investing in local private companies or by providing them with access to loans. In addition €7 million has been provided to the Small Business Account under the FIISF to focus on small businesses, particularly in the early transition countries. TaiwanICDF made an additional contribution of €4 million in 2006 to the risk-sharing facility of the Bank’s TFP, which aims to promote import and export trade.

Taipei China, along with Austria, Germany (KfW), the Netherlands, Norway and Switzerland, supports the TFP through risk-sharing funds. These funds support the programme’s activities in Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and south-eastern Europe. The funding enables the EBRD to provide longer tenors and take higher exposures in trade transactions.

**Mongolia Cooperation Fund**

The Mongolia Cooperation Fund (MCF) was established in 2001, with four donors contributing a total of €10.3 million, including €1.0 million from the Taiwanese authorities. The fund has since provided assistance with privatisation options for the telecommunications sector, management support to an airline, training for small businesses and support for urban transport in the capital, Ulaanbaatar. All four donors have agreed to provide assistance to Mongolia in the future through the ETC Fund, and the MCF will close by the end of 2008.

**Micro lending**

Official co-financing is critical to the success of micro and small enterprises (MSEs) in the EBRD’s countries of operations. Micro-lending programmes supported by official co-financing enable small businesses to access the formal financial system, which has often failed to serve the needs of MSEs in the past. The co-financing allows for risk mitigation and increases the level of financing available to small businesses. In addition to working with existing banks, the EBRD establishes microfinance banks and non-bank microfinance institutions.

<table>
<thead>
<tr>
<th>Fund name</th>
<th>€ million committed</th>
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</thead>
<tbody>
<tr>
<td>Financial Intermediary Investment Special Fund</td>
<td>9.0</td>
</tr>
<tr>
<td>FIISF Small Business Account</td>
<td>7.0</td>
</tr>
<tr>
<td>Trade Facilitation Programme</td>
<td>4.0</td>
</tr>
<tr>
<td>Total committed</td>
<td>20.0</td>
</tr>
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</table>
TaiwanICDF participated in the EBRD’s first loan to CredAgro through the Bank’s Financial Intermediary Investment Special Fund (FIISF). CredAgro is a credit organisation that currently operates in 21 regions of Azerbaijan. The institution provides finance for rural entrepreneurs and local businesses. In 2002, for example, CredAgro helped Mr Maharramov to realise his dream of starting his own business as a farmer.

Mr Maharramov applied for a loan of US$ 2,000 (€1,500) and used the funds to grow fruit trees on his own plot of land. The knowledge and skills inherited from his family allowed him to use the money efficiently and to diversify his business by purchasing cattle and poultry. His second loan for the same amount was used to increase the number of apricot and cherry trees, whereas his third loan for US$ 3,000 (€2,200) was invested in an additional hectare of land.

As his business grew stronger, Mr Maharramov purchased a further eight cows and started construction of a new shelter for his animals. In May 2007, he received his fourth loan, of US$ 10,000 (€7,300), which he used to acquire additional land and to plant more fruit trees.

Currently, Mr Maharramov is managing a small but well-established family business. He owns a large plot of land (four hectares), ten cows, 200 chickens and 10,000 apricot and cherry trees. Mr Maharramov is grateful to CredAgro for enabling him to accomplish his business plans.
Taiwan Office for EBRD Business Development

The Taiwan Office for EBRD Business Development was established to support the EBRD’s efforts to foster transition from centrally planned to market economies in its countries of operations. The office was formally opened by First Vice President Varel Freeman in October 2006.

The Taiwanese business community is very keen to work with the EBRD and this has been facilitated by the establishment of the office in Taipei. Taiwanese businesses will increasingly share their experiences and expertise – particularly in small business – with companies in the EBRD’s countries of operations.

Apart from providing assistance to Taiwanese enterprises wishing to explore business and investment opportunities in the EBRD’s countries of operations, the office coordinates with the trading activities of financial institutions in the EBRD’s countries of operations through the TFP.

The office also organises events, for example seminars, to strengthen the partnership between the EBRD and private sector companies in Taipei China. Seminar topics have covered areas such as how to assist the business sector in exploring opportunities in the EBRD’s countries of operations and how to work with projects initiated by the EBRD.

The office’s first event was a three-day series of seminars on the TFP. The office specifically targeted Taiwanese export and import firms and invited confirming and participating banks from cities other than Taipei. In addition, the seminars provided an overview of eastern European markets to the audience. Many Taiwanese exporters have subsequently successfully benefited from the TFP.
Since 2004, 12 Taiwanese banks have participated in syndicated loans with the EBRD, committing more than €135 million. The most active Taiwanese financial institutions in EBRD syndicated loans have been Bank of Taiwan, Chang Hwa Commercial Bank, First Commercial Bank, Hua Nan Commercial Bank, Land Bank of Taiwan and Taiwan Cooperative Bank.

The co-financing provided by these banks has supported mainly loans to banks and also the SME sector. Russia has been the primary recipient of syndicated loans involving Taiwanese banks.

Commercial co-financing

EBRD loan syndications have attracted more than €9.5 billion in commercial co-financing in support of EBRD projects. The Bank’s cooperation with Taiwanese banks started in October 2004 when Chinatrust Commercial Bank participated in a syndicated loan transaction involving RZB Leasing Russia.
Consulting opportunities

The EBRD’s Procurement Policies and Rules are based on the fundamental principles of non-discrimination, fairness and transparency. They are designed to promote efficiency and effectiveness and to minimise credit risk in the implementation of the Bank’s lending and investment operations.

The EBRD’s principles of procurement are:
- fairness and transparency
- accountability and cost-effectiveness
- saving time and money.

Opportunities for consultancy contracts with the EBRD are published in the form of procurement notices on the Bank’s web site (www.ebrd.com). If consultants believe that they, or their organisation, are qualified to undertake any of these contracts they should express interest by following the instructions in the appropriate notice.

eSelection

The EBRD has launched eSelection, a web-based system which enables electronic selection of consultants for Bank projects and TC-funded assignments. The aim of the system is to modernise the EBRD’s selection processes, encourage wider participation and achieve greater transparency.

eSelection notifies consultants of consulting opportunities as they are published on the Bank’s web site and enables them to express interest online, as well as submit technical and financial proposals. Consultants can also monitor the progress of all opportunities they have submitted proposals for through eSelection. eSelection only covers projects for which the EBRD is responsible for selecting consultants.

Selection procedures

The selection procedure is dependent on the value of the consultant contract. The various procedures are detailed in the table on page 15.

Further information

Consultants should contact the Consultancy Services Unit at the EBRD headquarters in London for further information. See page 16 for contact details.
## Selection procedures for consultant contracts

<table>
<thead>
<tr>
<th>Value of consultant contract</th>
<th>Selection procedure</th>
</tr>
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</table>
| Less than €50,000            | - Selection is made directly by the project team  
- There is no requirement to prepare a short list of qualified consultants  
- The contract is negotiated with the selected consultant |
| €50,000 and above (individual consultants) €50,000 – €200,000 (firms) | - A procurement notice is posted on the EBRD web site  
- Interested consultants apply  
- A short list of qualified consultants is prepared  
- Short-listed consultants are evaluated and a successful applicant chosen  
- Written proposals are not required  
- The contract is negotiated with the selected consultant |
| €200,000 or more (firms)     | - A request for expressions of interest is published on the EBRD’s web site  
- Interested consultants apply  
- A short list of qualified consultants is prepared (minimum 3, maximum 6)  
- Short-listed consultants are invited to submit written proposals  
- The proposals are evaluated and a successful applicant chosen  
- The contract is negotiated with the selected consultant |
Taiwanese funds and cooperation with the EBRD

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Other relevant publications

- Annual report
- Donor Report
- Law in Transition
- Information and communication technology
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February 2008

Abbreviations

EBRD, the Bank European Bank for Reconstruction and Development
CIS Commonwealth of Independent States
BAS Business Advisory Services
BRSF Balkan Region Special Fund
ETC early transition country
FIISF Financial Intermediaries Investment Special Fund
FIISF-SBA FIISF-Small Business Account
IFI international financial institution
KfW Kreditanstalt für Wiederaufbau (German development bank)
MCF Mongolia Cooperation Fund
MSE micro and small enterprise
SEI Sustainable Energy Initiative
SMEs small and medium-sized enterprises
TaiwanICDF Taiwan International Cooperation and Development Fund
TAM TurnAround Management
TC technical cooperation
TFP Trade Facilitation Programme

Photographs

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Jack Hill (page 9)

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