

The European Union and the EBRD

We invest in changing lives

2014

In its commitment to supporting sustainable development, the European Union (EU) aims to blend its grants with the loans of international financial institutions (IFIs) and to leverage private sector funds. Working from central Europe to Central Asia, the Western Balkans and the southern and eastern Mediterranean (SEMED) region, the EBRD endeavours to achieve its mandate of fostering a free market economy through a business model well-suited to this trend.

Structures of EU-EBRD cooperation

The Bank's relationship with EU institutions is multi-faceted and extremely wide-ranging.

The EU owns 3 per cent of the capital of the EBRD. The EU, the European Investment Bank (EIB) and the EU member states combined own 62.8 per cent of the capital of the EBRD.

As the largest single donor to the Bank, the EU has accounted for more than one-third of total grants channelled through the EBRD since the Bank's inception. In 2013, the Bank received over €114 million in contributions from the EU representing a significant share of the total donor funding provided to the EBRD that year.

Substantial additional co-financing takes place where projects receive parallel but separate flows of funds from the Bank and from the EU, in particular in the form of Structural and Cohesion funds available to EU member states. In 2013, projects including these funds were signed for a total amount of €552 million.

The EU is also critical to EBRD operations by supporting policy dialogue. The EU is a driver of policy and legislation in many EBRD countries of operations. In addition, the Bank cooperates with EU institutions on current and emerging policies (whether linked to international IFI growth plans), environmental issues, or initiatives such as Vienna 2.0 – a private-public sector platform to secure adequate capital and liquidity support to banking groups for their affiliates in central, eastern and south-eastern Europe.

EU funding channels

► EU funding is provided through regional loan/grant blending facilities as well as on a bilateral basis.

The Neighbourhood Investment Facility (NIF) was launched in 2008. It supports infrastructure projects in the transport, energy, social and environmental sectors by combining EU grant resources with loans from European development financing institutions. NIF funding is focused on the Eastern Partnership countries as well as the southern and eastern Mediterranean (SEMED) region, where the EBRD started working in late 2011. To date, the EU, through the European Commission, has made €766.9 million available to the NIF, with EU member states contributing another €78 million. The NIF has approved funding for 37 EBRD projects amounting to over €244 million of grants, which has leveraged €8.9 billion of EBRD loans, with an additional €1.6 billion in co-financing from IFIs. To date, €36.5 million of NIF funding was made available for projects in the SEMED region.

The Western Balkans Investment Framework (WBIF) was launched in 2009. It provides technical assistance, grant co-financing investments and other grant-funded instruments to support sustainable growth in the region. It pools resources from IFIs (such as the EBRD) and 19 bilateral donors for investment in the transport, energy, environment and social sectors and in private sector development. In 2013, the EBRD secured €9 million of WBIF grant financing for core infrastructure projects. In addition, the Regional Energy Efficiency Programme, which secured €23.35 million of WBIF financing in 2012, started operations. The Programme will help national governments to meet their Energy Community Treaty commitments and to implement their National Energy Efficiency action plans in the public and private sectors. In private sector development, the Enterprise Expansion Fund (ENEF) managed by the EBRD under the WBIF-funded Enterprise Development and Innovation Facility (EDIF) is expected to become fully operational in 2014.



European Bank
for Reconstruction and Development

At a glance

**EBRD's largest
single donor**

Total donor contributions

€1.255 billion

Contributions in 2013

€114 million

Data as at January 2014

Contacts

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The Investment Facility for Central Asia (IFCA) was launched in 2010. It blends EU budget grant funding with loans by financial institutions to promote investments in infrastructure, energy, the environment, small and medium-sized enterprises and social infrastructure in five countries across Central Asia. To date, the EU has made €65 million available for IFCA, with an additional €20 replenishment in 2014. IFCA has contributed over €54 million to EBRD projects, including over €14 million in 2013, supporting the first EU-compliant solid waste facility in Central Asia and municipal and environmental infrastructure projects.

► The EBRD and the EU work side-by-side in the framework of multi-donor funds managed by the EBRD.

The Northern Dimension Environmental Partnership (NDEP) fund, established in 2001, pools funds from donor governments and the EU which are then used as grants for priority environmental and nuclear safety projects in the Northern Dimension Area. The EU is the largest contributor to the fund with €84 million out of the total €347 million. In 2013, the Northern Tunnel Collector benefiting from a €24 million NDEP grant was inaugurated in the city of St Petersburg.

The Eastern Europe Energy Efficiency and Environment Partnership fund (E5P) is a multi-donor fund, initiated by the EU Swedish Presidency in 2009 to improve energy efficiency in Eastern Partnership countries. Pledges to the fund total €92 million, of which the EU has pledged €40 million. Based on its initial success in Ukraine, the Partnership is now expanding into other countries. A pledging conference held in 2013 mobilised close to €60 million for E5P projects in Armenia, Georgia and Moldova. Half of the financing for the new countries was pledged by the EU.

Bilateral programmes

In 2013, Turkey signed a contribution agreement to launch an EBRD “Women in Business” programme in the country. Co-financed by the EU, the programme will support women-owned and managed micro, small and medium-sized enterprises (MSMEs) through improved access to finance and advisory services. The EU committed €32.3 million and Turkey is contributing a further €5.7 million. Under the Instrument for Pre-Accession Assistance (IPA) funds totalling €3.48 million were also secured in 2013 to support small and medium-sized business development in Serbia. In the last five years, bilateral contributions provided through IPA, the European Neighbourhood Partnership Instrument, and the Development Cooperation Instrument in support of EBRD projects amount to €200 million.

► The EU and the EBRD cooperate on specific programmes.

The EBRD has also secured €5 million from the EU to set up an EBRD-European Local Energy Assistance (ELENA) facility. Such funding will help municipalities cover the costs of technical cooperation activities necessary to prepare and implement investment projects in areas such as energy efficiency, renewable energy and sustainable urban transport.

The EU/EBRD SME Finance Facility provides financing to small and medium-sized enterprises (SMEs) in central and eastern Europe. Eligible countries include EU Accession States and new member states. The facility is channelled through local banks, leasing companies and equity funds. By the end of 2012, the EBRD had provided €1.2 billion in credit lines to 44 banks and 40 leasing companies. The facility is being supported by EU grant funding of €139 million for incentive payments and technical assistance.

An SME Energy Efficiency Sub-window to the EU/EBRD SME Finance Facility supports investments for energy efficiency and renewable energy measures generally targeting CO₂ emission reductions. By the end of 2012, the EBRD had provided €180 million in credit lines under the Polish Sustainable Energy Financing Facility (PoLSEFF), supported by €31.5 million of EU grant funding. It also provided €50 million under the Romania Sustainable Energy Financing Facility (RoSEFF), supported by €10.6 million of EU grant funding.

The EU is particularly involved in the work of the EBRD’s Small Business Support (SBS) team, which provides advisory assistance to businesses in its region of operations. Since 1993, the EU has provided 34 per cent of the total funds supporting SBS.

With €1.84 billion made available, the EU is also the largest donor to the EBRD-managed funds providing support to enhance nuclear safety, including the Chernobyl Shelter Fund and the NDEP “Nuclear window”, among others.



Restoring Georgia's Enguri Dam

The dam on the Enguri river, in the mountains of north-western [Georgia](#), is the second tallest arch dam in the world. It was built in the 1970s as part of the Enguri hydropower plant to provide electricity for the Soviet Union.

Today, it produces over 40 per cent of the electricity consumed in Georgia and allows the country to sell surplus power to neighbouring countries and to take part in the [Kyoto Protocol's Clean Development Mechanism](#).

But a reliable power supply and the safety of the dam have only been restored recently, after years of difficulties for all Georgians affected by constant electricity cuts.

With maintenance neglected, one of the plant's five power units was shut for over 15 years and the other four were not able to work at their full capacity. The dam's structural stability had deteriorated, with galleries inside the dam frequently flooding. The operations needed to remedy the situation were too costly for Georgia to bear alone.

From 1998 the EBRD was involved in the renovation of the Enguri hydropower plant, which covered civil engineering works on the structure as well as the upgrade of the generator units, with financing totalling €58 million.

The project was co-financed by the [European Investment Bank \(EIB\)](#) with €20 million, and the EU provided grants for €9.4 million with an additional €5 million through its [Neighbourhood Investment Facility \(NIF\)](#).

Thanks to the upgrade, each unit at the plant is generating between 10 and 15 per cent more power. In 15 years, the loan will be repaid and the life of the dam is assured for much longer, providing a reliable resource of clean energy for Georgia and beyond.