

The European Union and the EBRD



European Bank
for Reconstruction and Development

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In its commitment to supporting sustainable development, the European Union (EU) increasingly 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 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 EU Member States collectively 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 2012, the Bank received over €92 million in contributions from the EU, representing over half 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 the past three years, such funds have averaged between €450-500 million per year. In 2012, projects including Structural and Cohesion Funds were signed for a total amount of €246 million.

The EU is also critical to EBRD operations in supporting policy dialogue as 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 that are linked to international financial institutions (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 Western banking groups for their affiliates in central, eastern and south-eastern Europe.

EU funding channels

► EU funds are channelled through the following loan/grant blending facilities:

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 has started working since late 2011. To date, the EU, through the European Commission (EC), has made €766.9 million available to the NIF, with EU member states contributing another €77 million. The NIF has approved funding for 32 EBRD projects amounting to over €195.6 million of grants, which has leveraged nearly €9 billion of EBRD loans and a significantly higher total project value. €20 million of NIF funding was made available for projects in the SEMED region.

At a glance

EBRD's largest single donor

Total donor contributions

€958,977,926

Contributions in 2012

€92,240,000

Contacts

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The Western Balkans Investment Framework (WBIF)

was launched in 2009. It provides technical assistance, grant co-financing investments and other grant-funded instruments. It pools resources from the EU, partner international financial institutions such as the EBRD and 19 bilateral donors for investment in the transport, energy, environment and social sectors and in private sector development. Since inception, WBIF has received a total amount of over €70.6 million. In 2012 the EBRD secured €23.35 million of WBIF financing to establish the Regional Energy Efficiency Programme for the Western Balkans. The programme will help national governments meet their Energy Community Treaty commitments

and to implement their National Energy Efficiency action plans in the public and private sectors. The WBIF also approved grant funding of €37.5 million for 31 priority infrastructure projects, seven of which will be led by the EBRD. Outside the WBIF, Instrument for Pre-Accession Assistance (IPA) funds totalling €21.5 million were secured in 2012 in the Western Balkans region to support the construction of the Vlorë Bypass in Albania and the Capljina water supply system in Bosnia and Herzegovina.

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, environment, small and medium-sized enterprises (SME) and social infrastructure in five countries across Central Asia. IFCA has contributed over €42 million to EBRD projects, including over €17 million in 2012, supporting access to finance for micro, small and medium-sized enterprises (MSMEs) and sustainable energy, municipal and environmental infrastructure and energy efficiency 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 and managed by the EBRD, 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 a total pledge of €84 million out of the total €342 million.

The Eastern Europe Energy Efficiency and Environment Partnership fund (E5P) is a multi-donor fund managed by the EBRD, initiated by the EU Swedish Presidency in 2009 to improve energy efficiency while increasing competitiveness in eastern Europe. Pledges to the fund total €93 million, of which the EU has pledged €40 million. Based on the initial success of the initiative in Ukraine, and as initially envisaged in the rules of the fund, the partnership will now endeavour to expand into other Eastern Partnership countries.

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 the areas of energy efficiency, renewable energy and sustainable urban transport.

- ▶ The EU and the EBRD cooperate on specific programmes.

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 who provide stand-alone 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 €1.841 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.



Armenia: protecting Lake Sevan's waters

In mountainous, landlocked Armenia, Lake Sevan, one of the largest high-altitude lakes in the world, is a major source of livelihood for people like Azat Karapetyan, the owner of a small restaurant by the shores of the lake.

Until recently, none of the towns and villages around the lake had any wastewater treatment or adequate sewage disposal. Outdated wastewater collection systems that used damaged pipes and unsanitary cesspits were discharging raw sewage into rivers and streams flowing directly into the lake.

To help the Armenian government bear the high costs of a wastewater system upgrade in five municipalities around the lake, the EBRD has provided a €7 million loan and the EU has contributed a €5 million grant. The project includes sewer pipe repairs in the Sevan and Jermuk area and construction of sewer networks and wastewater treatment plants to serve the towns of Gavar, Vardenis and Martuni. These are among the most destitute areas of Armenia, a country where 30 per cent of the population lives below the poverty line.

To support the preparation and implementation of this first EBRD Municipal and Environmental Infrastructure operation in Armenia, the EU and the EBRD Early Transition Countries (ETC) Fund provided €1.1 million for technical cooperation (TC) projects. This will encourage the transfer of outside knowledge and skills to the water company which will expose the company to best practices in design, engineering and high standards of transparency and governance in procurement.

Thanks to this project, Azat Karapetyan's restaurant business can continue to grow and his guests can now enjoy his food on the shores of a clean lake.