U.S. Commercial Service Liaison to the European Bank for Reconstruction and Development

COMMERCIAL GUIDE

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

2005

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Introduction to
The U.S. Commercial Service Liaison Office
To The European Bank for Reconstruction and Development (EBRD)

The Commercial Service Liaison Office to the EBRD (CS-EBRD) is an integral part of U.S. representation at the EBRD and works closely with the U.S. Executive Director's office to increase the effectiveness of U.S. participation in the Bank. CS-EBRD provides information to U.S. businesses on how the EBRD works and how U.S. companies can participate in EBRD projects. CS-EBRD also offers guidance to U.S. companies throughout the project cycle.

Within the Department of Commerce, CS-EBRD is organized as part of the Trade Advocacy Center. Further information about the Trade Advocacy Center may be found at the website http://export.gov/advocacy/.

U.S. companies can work with the EBRD as borrowers/investors in private sector projects; as suppliers of equipment and services to Bank-financed public sector projects; and as consultants under the Bank's Technical Cooperation program and Bank-financed projects.

CS-EBRD offers the following services:

Counselling: We offer one-on-one counselling on EBRD projects and opportunities in our London Office or at outreach events in the U.S. and in the EBRD's countries of operation. We also provide long distance counselling via e-mails and telephone.

Company introduction and Advocacy: As part of our "Focus EBRD" Program, we assist U.S. companies in setting up meetings with key EBRD officials and project leaders. We also assist companies if issues arise regarding the EBRD procurement process.

Market leads: Working with several multiplier organizations (such as BISNIS, CEEBIC) and using our own market database we disseminate EBRD project announcements to a wider audience.

Outreach: Throughout the year we organize seminars and breakfast briefings for U.S. companies that have a focus in the EBRD region.

Additional contact details for CS-EBRD can be found at the end of this document or at http://www.buyusa.gov/ebrd.

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EXECUTIVE SUMMARY

The European Bank for Reconstruction and Development (EBRD) was established in 1991. Its purpose is to foster transition towards a market-oriented economy and to promote private and entrepreneurial initiative in the former Soviet Union and Central and Eastern Europe. The EBRD's twenty-seven countries of operation stretch from the western border of the Czech Republic to the eastern border of Russia. The Bank's wide range of sectors includes finance, transport, telecommunications, environment, municipality development and agriculture. In 2004, eight EBRD countries of operation joined the European Union (EU), and the Bank is now shifting its focus south and east to those countries where transition market-oriented economies are less advanced. Southern Europe and Eurasia are now the areas where the EBRD's private sector approach and its work with U.S. private sector investors will have the greatest impact.

The U.S. Government has been an important shareholder in the European Bank of Reconstruction and Development since its formation in 1991. With a capital commitment worth 2 billion Euros (10% of the total), the U.S. is the EBRD's largest single shareholder. In addition to this commitment, the U.S. Government has been active in many Bank programs, ranging from participation in the Technical Cooperation Program to supporting micro financing projects.

The U.S. private sector also works directly with the EBRD – for example, through investment in the EBRD region, or in procurement opportunities for EBRD projects. U.S. company interest in the EBRD region remains high: today the stock of U.S. foreign direct investment in the region exceeds $17 billion, and in 2003 alone U.S. investment in the EBRD region was approximately $2 billion.

In addition, many U.S. companies have been successful in winning Bank tenders, especially consultancy tenders. In 2003, four of the top ten winners of EBRD consultancy contracts were U.S. companies. Fewer U.S. companies have submitted bids on EBRD public sector project tenders, but those firms that have participated have experienced a 31% success rate (a higher success rate than French or German companies). U.S. companies can also work with the EBRD through programs like the Technical Cooperation Program and the Trade Facilitation Program. Further information about EBRD projects and programs can be found on the Bank's website: http://www.ebrd.com.

This Commercial Guide provides general information about EBRD operations and outlines the ways U.S. companies can take advantage of opportunities to do business with the Bank. In addition to the EBRD website (given above), American companies can also look at the website of the U.S. Commercial Service Liaison Office to the EBRD: http://www.buyusa.gov/ebrd.

Note: The information contained in this Commercial Guide has been obtained from various sources. These sources include the EBRD website, presentations by EBRD bankers, interviews with EBRD officials, EBRD publications and U.S. Foreign Commercial Service country commercial guides. Conversions from Euro to U.S. Dollar are correct as at the date of publication of this Guide, or the relevant source, if applicable.

1. INTRODUCTION TO THE EBRD

1.1. Purpose and Role

In 1991, the European Bank for Reconstruction and Development (EBRD) was established to foster the transition towards market-oriented economies and to promote private and entrepreneurial initiative in the former Soviet Union and in Central and Eastern Europe.

Today, the Bank supports the economies of its 27 countries of operation by promoting competition, privatization and entrepreneurship in a democratic environment. The Bank aims to help its countries of operation to implement structural and sectoral economic reform, including de-monopolization, decentralization and privatization, taking into account the particular needs of countries at different stages of transition. Its activities include the promotion of private sector activity, the strengthening of financial institutions and legal systems, and the development of the infrastructure needed to support the private sector.

The EBRD encourages co-financing and foreign direct investment from the private and public sectors, helps to mobilize domestic capital, and provides technical cooperation in relevant areas. The Bank offers a number of public and private procurement opportunities for businesses worldwide and U.S. companies have been competitive in winning EBRD tenders. The Bank works in close cooperation with other international financial institutions and organizations. Welcoming U.S. investment, the Bank actively seeks and encourages U.S. financial institutions to participate in the financing of its projects. The Bank promotes environmentally sound and sustainable development in all of its activities.

1.2. Membership and Capital

The EBRD has 62 members (60 countries, the European Community and the European Investment Bank). Its members include the EBRD's 27 countries of operation in Central and Eastern Europe, Russia and the Commonwealth of Independent States (CIS).

The Bank's subscribed capital is €20 billion (approx $24.8 billion). The U.S. is a founding member of the Bank, and is represented on the Board of Directors. The U.S. has provided the largest capital subscription to the EBRD (€2 billion or 10%), and is a major partner in the Bank's lending and investment activities.

1.3. Organization

The powers of the EBRD are vested in a Board of Governors, to which each member appoints a Governor and an Alternate. The Board of Governors has delegated powers to a Board of Directors with 23 members, who are elected by their Governors for a 3-year term. The Board of Directors is responsible for the direction of the general operations of the Bank, including establishing policies, taking decisions concerning projects and approving the budget. The Board of Governors elects the President for a 4-year term. The Board of Directors on the recommendation of the President appoints Vice Presidents. The Bank's current first Vice-President is a U.S. national and has demonstrated a commitment to increase U.S. company involvement in Bank activities through regular outreach trips to the U.S..

1.4. Financing

One of the EBRD's strengths is that it can operate in both the private and public sectors. The Bank merges the principles and practices of merchant and development banking, providing funding for private or privatizable enterprises and for physical and financial infrastructure projects needed to support the private sector.

The EBRD aims to be flexible by using a broad range of financing instruments, tailored to specific projects. Working in both the public (21 per cent) and private sectors (79 per cent), the Bank encourages co-financing and foreign direct investment to complement its own investments. Every EBRD deal must adhere to sound banking principles, promote the transition to a market economy, be environmentally acceptable, and enhance private sources of finance rather than compete with them.

The terms of the EBRD's funding are designed to enable it to cooperate both with other international financial institutions and with public and private financial institutions through co-financing arrangements.

1.5. Operations

The EBRD's operations are carried out through its Banking Department, which is composed of teams combining the Bank's private sector and public sector specialists. Country teams ensure consistent implementation of the Bank's country strategies. These teams are backed up by the specialist expertise of sector teams and operations support units.

The EBRD's headquarters are in London, and the Bank has established a total of 32 Resident Offices or Regional Offices in all 27 of its countries of operation. Resident Offices enhance the Bank's local presence, provide interface representation and carry out important operational activities. The Resident Offices are also the first point in contact for the wider public in regard to project conception and development.

The other departments at EBRD headquarters include Finance, Human Resources and Administration, Evaluation, Operational and Environmental Support, Office of the Secretary General, Office of the General Counsel, Office of the Chief Economist, Internal Audit, Office of the Chief Compliance Officer and Communications.

2. EBRD PERFORMANCE

2.1. EBRD Performance 2003

The EBRD committed €3.7 billion and disbursed €2.1 billion in 2003, signing 119 projects, in countries from central Europe to central Asia across a wide range of industry sectors.

New projects ranged from aircraft manufacturing in Russia to traffic management in Lithuania, and from a bank privatization in Romania to an upgrade of the phone network in Kazakhstan.

In 2003, the EBRD had its most successful year ever in terms of attracting commercial co-finance. Financial institutions invested €2.7 billion alongside the EBRD, exceeding by 30 per cent the previous record set in 2001. Net cumulative business volume – all committed loans, equity and other investments over the past 13 years – rose to €22.7 billion. Combined with funds from outside investors, the Bank has mobilized financing commitments with a total project value of €69 billion.

The €2.10 billion of geographic disbursements in 2003 was split across the region as follows: €1.17 billion was committed to advanced transition countries (2002: €1.27 billion); €1.45 billion to early and intermediate countries (2002: €1.35 billion); and €1.1 billion to Russia (2002: €1.29 billion).

€5.7 billion of the portfolio is now in advanced transition countries (the same as in 2002); €5.7 billion in the early and intermediate countries (the same as in 2002); and €3.3 billion in Russia (2002: €3.1 billion).

79 per cent of 2003 annual business volume was in the private sector (2002: 71 per cent).

2.2. <u>EBRD 2003 Selected Features</u>

- €3.72 billion of new business volume, including 119 projects --the cumulative total of projects topped 1,000 for the first time.
- EBRD made nearly 200,000 loans (amounting to €956 million) through lending programs for micro and small enterprises. The MSE program has now provided more than 450,000 loans in total, worth €2.47 billion.
- The largest transaction in 2003 was the Russia Road Reform II project (€230 million).
- In 2003 the Board of Directors approved €4.0 billion of deals, though some have not yet been signed.
- €413 million of environment-related investment, including a wastewater treatment project in Wroclaw, Poland, and an operation to improve energy efficiency at Uralkaly, Russia's largest potassium producer.
- With the Dutch Government, the EBRD established one of Europe's first carbon trading funds.
- Donors led by the EU, U.S., Japan, Netherlands and Canada contributed €73 million for technical cooperation activities.
- 83% of the EBRD's investments in 2003 were rated as having a "good" or "excellent" impact on the transition process.
- In 2003, the Bank provided €720.5 million in loans under which borrowers signed a total of 181 contracts. The same number of contracts was signed the previous year in 2002, but there was an increase of 45% in value.
- Municipal infrastructure and transport projects were undertaken across the region in 2003, representing 19 percent of the EBRD's investments.
- EBRD invested €615 million in 27 manufacturing projects, spanning 10 countries and covering a broad range of sectors.

2.3. EBRD commitments by country for 2003

The EBRD committed a total of €3.7 billion for 2003. Geographically distributed: €1.10 billion was committed to Russia; € 1.17 billion to advanced transition countries (central Europe and the Baltic states); and €1.45 billion to early and intermediate transition countries (Central Asia, southern and eastern Europe, and the Caucasus).

The following table shows the allocation for each country.

	2003			Cumulative		
	Number of signed projects	*Commitments € million*	*% of total EBRD investments*	*Number of signed projects*	*Commitments € million*	*% of total EBRD investments*
Russia	27	1,100	29.6	171	5,174	22.8
Poland	10	315	8.5	129	2,843	12.5
Romania	14	385	10.3	75	2,361	10.4
Hungary	6	379	10.2	66	1,526	6.7
Ukraine	6	116	3.1	58	1,279	5.6
Croatia	5	125	3.3	51	1,232	5.4
Slovak Republic	1	138	3.7	38	1,012	4.5
Czech Republic	4	82	2.2	41	916	4.0
Kazakhstan	6	264	7.1	32	872	3.8
Bulgaria	8	240	6.5	46	848	3.7
Uzbekistan	2	26	0.7	21	527	2.3
Serbia and Montenegro	9	149	4.0	24	509	2.2
Slovenia	1	44	1.2	26	506	2.2
Estonia	1	26	0.7	42	451	2.0
Lithuania	1	16	0.4	27	393	1.7
Latvia	1	45	1.2	24	332	1.5
FYR Macedonia	3	102	2.7	20	307	1.4
Azerbaijan	3	25	0.7	16	280	1.2
Bosnia & Herzegovina	2	36	1.0	19	259	1.1
Georgia	3	17	0.4	20	185	0.8
Albania	2	47	1.3	15	170	0.8
Moldova	1	15	0.4	20	162	0.7
Belarus	1	19	0.5	7	158	0.7
Turkmenistan	0	1	0.0	5	125	0.6
Kyrgyz Republic	2	2	0.1	14	123	0.5
Armenia	0	5	0.1	6	90	0.4
Tajikistan	0	3	0.1	6	29	0.1
Total	**119**	**3,722**	**100**	**1,019**	**22,669**	**100**

Source: EBRD as of 07/17/04. Table refers to the projects signed, but net yet necessarily disbursed, by the EBRD.

3. DOING BUSINESS WITH THE EBRD

This section aims to give U.S. companies information on existing U.S. participation in EBRD activities and basic guidelines, or "first steps," to working with the EBRD. This section also outlines key success factors in working with the Bank.

Doing business in Central and Eastern Europe and the countries of former Soviet Union offers profitable opportunities for U.S. firms. The economic, political and commercial environment, however, is diverse, complex and difficult. As is the case for other difficult and complex markets, it is essential that U.S. firms seeking to access and penetrate the market develop a well thought out international marketing strategy. U.S. firms new to export, or new to this market are advised to contact the nearest U.S. Department of Commerce Export Assistance Center. U.S. firms new to the EBRD and new to the region, or wishing to enhance their commercial activities in the EBRD's region, are encouraged to contact the U.S. Commercial Service EBRD, London, UK. Contact information is provided at the end of this guide.

There are three ways in which U.S. companies can work with the EBRD:

1. As borrowers/ investors in private sector projects that require financing;
2. As suppliers/exporters of equipment, works and services on Bank-financed projects; and
3. As consultants under the Bank's Technical Cooperation program and other Bank-financed projects.

3.1. <u>As Borrowers/Investors for Private Sector Projects</u>

U.S. firms sponsoring projects must be fully cognizant of the EBRD's mandate and criteria for such projects and must have a well-prepared business plan that addresses the developmental mandate of the Bank and financial risk. Some additional factors:

- The EBRD typically funds up to 35% of the total project cost in the form of debt or equity, or both.
- Other investors make significant equity contributions.
- Private sector projects typically are based on 66% debt financing and 33% equity.
- The sponsor's equity can be in the form of equipment or machinery, and is usually at least as large as the Bank's financing.
- EBRD typically invests in projects of over $15m ($5m sponsors, $5m EBRD, $5m other lenders).
- Projects must clearly show the impact of the project on the transition of the economy and of course demonstrate that sufficient revenue can be established to service repayments.

For more information on financing with the EBRD, see the EBRD website at: http://www.ebrd.com/apply/index.htm.

3.2. <u>As bidders on tenders as contractors for equipment, works and services on Bank financed public sector projects.</u>

Successful U.S. firms need to be fully responsive and competitive in both the technical and financing portions of their bids. U.S. firms will be competing with other international firms who know the market and commercial conditions very well. Some key points:

- Public sector projects are a substantial source of procurement contracts for U.S. suppliers.

- The borrowers must follow the Bank's open tendering procedures on:

  - Good and services contracts > €200,000 [$246,000]
  - Works contracts > €5 million [$6.15m]

- U.S. firms have a good success rate when they bid on EBRD public sector tenders. For example, in 2003, U.S. companies submitted a total of 16 bids on 14 EBRD contracts, out of 181 EBRD tendered public sector contracts for that year. (This figure includes bids from U.S. companies which submitted bids from branches/subsidiaries outside the U.S.A.) Of these U.S. bids, 5 were successful, giving a success rate of 31%. (By way of comparison, in 2003 German companies had a success rate of 25% and French firms had a success rate of 26% on EBRD public sector tenders.)

- Public sector contracts awarded to U.S. companies in 2003 had a total value of €7.8 million, or approximately $9.6 million. (In 2003, the EBRD awarded public sector contracts to a total value of €720,5 million, or approximately $892 million.)

Upcoming public sector projects are listed in the "Pipeline" section of the Bank's monthly Procurement Opportunities publication, which is available at: - http://www.ebrd.com/oppor/procure/index.htm.

For more information on procurement procedures, policies and rules, see http://www.ebrd.com/about/policies/procure/ppr.pdf.

3.3. As consultants and providing technical services

The EBRD works with consultants in three ways:

- Executing the Bank's Technical Co-operation Program (see also Section 5)
- Assisting in project preparation and implementation
- Performing due diligence

U.S. companies have been very competitive in this area. In both 2002 and 2003 the U.S. ranked in second place in value and number of winning bids for non-Technical Cooperation contracts (i.e., untied consultancy contracts). In the same years, four of the top ten consulting contract winners were U.S. based. U.S. companies have been especially successful in winning EBRD consultancy contracts with a high value. U.S. consultants achieved a fourth place ranking in 2003 with 40 contracts worth €4.5 million (approx $5.5 million). Well over half of these successes were for untied contracts open to all bidders. In comparison, in 2003 France won about $10 million in contracts – but almost 98% of these contracts were tied-aid consultancies, not open to all bidders.

U.S. consultants' success was especially impressive in winning the EBRD's legal consultancy contracts, where U.S. companies ranked in second place according to value of contracts awarded.

All consultancy contracts of over €50,000 are published on the EBRD website: http/www.ebrd.com/oppr/procure/index.htm. For more information on the selection process see http://www.ebrd.com/oppr/tc/index.htm. *Note that the deadline for responding to calls for expression of interest for smaller projects is only five working days after publication.*

The EBRD does not maintain a register of consultants, and it is up to U.S. companies to be proactive in monitoring the EBRD website for contract notices. In 2005, the Bank aims to introduce a new program; “e-SOCs, Electronic Selection of Consultants”. This online program will make possible electronic selection of consultants via the Internet. It will enable consultants to subscribe to e-mail notification for advertised assignments as well as to submit their expressions of interest and technical and financial proposals online.

The following sections provide an overview of EBRD programs, procedures and practices for public and private sector projects.

4. EBRD PROJECTS

4.1. Private Sector projects – Investors

The primary targets of EBRD financing are private companies or state-owned enterprises undergoing privatization and the creation of new companies, including joint ventures with international strategic investors. A key aim is to encourage investment in the region, and the Bank works in partnership with other investors and lenders to provide a range of financing instruments including loans, equity and guarantees. This activity is complemented by finance for infrastructure projects in the public sector that support initiatives in the private sector. The Bank encourages regional cooperation, and the projects it supports may involve more than one country.

The Bank lends for specific projects and investment programs and co-finances with multilateral institutions, commercial banks and other lenders. The terms of the EBRD's funding are designed to enable it to cooperate both with other international financial institutions and with public and private financial institutions through co-financing arrangements. From the U.S., the EBRD works with the Overseas Private Investment Corporation (OPIC), a number of commercial banks, and the Export Import Bank (EXIM). In June 2003, the EBRD signed a Memorandum of Understanding with EXIM through which the two organizations will cooperate closely on financing in the EBRD region.

The Bank also invests in the equity capital of private and state-owned enterprises, and may facilitate access to international capital by underwriting debt or equity securities offerings and providing guarantees, financial advice and various other forms of technical cooperation.

4.1.1. Private Sector: Lending Requirements

The Bank is normally prepared to provide, in the form of debt or equity, up to 35 per cent of the capital for a single project. The sponsor, in turn, is expected to provide an additional third of the project cost in the form of equity, with the remaining financing provided by an outside lender. The terms will primarily reflect the commercial and country risks, although the latter are mitigated by the EBRD's status as a preferred creditor. The Bank's financing may take the form of limited recourse (to the sponsors), senior or subordinated debt, equity or guarantees. **All projects financed by the Bank must be commercially viable and must be able to generate a revenue stream sufficient to service the debt.**

Loans are available in local or hard currency. If hard currency funding is provided, the project must demonstrate the ability to generate hard currency or the ability to absorb increases in local currency financing costs should there be any devaluation during the loan period.

4.1.2. Private Sector: Mobilizing Co-financing

At present, the principal form of mobilizing external financing for private sector projects is the participation by banks in EBRD loans. The Bank has a role as a catalyst to encourage the involvement of commercial banks and other sources of financing the region. Through this technique, the commercial banks can share with the EBRD the benefit of its status as an international institution. The EBRD, as lender of record, extends a loan to a borrower on terms pre-arranged with, and funded by, bank lenders and the EBRD. Structurally, the EBRD sells participation, without recourse to itself, in such loans to the banks. Through the participation mechanism, each bank lender may benefit from the EBRD's preferred creditor status.

The EBRD works with commercial, investment and merchant banks acting as advisors to investors in its countries of operations. The Bank also co-operates with other lenders and risk-takers such as export credit agencies (EXIM) and investment insurers (OPIC), and international institutions such as development banks and bilateral donors. The Bank's objective is to provide and develop capital sources for investments.

4.1.3. Private Sector: Small and Medium Sized Projects

Many projects are too small to be funded directly by the EBRD. To give entrepreneurs and small firms greater access to finance, the EBRD supports financial intermediaries, such as local commercial banks, micro-business banks, equity funds and leasing facilities.

Investment criteria are consistent with EBRD policy, but financial intermediaries make independent decisions about which small and medium enterprises (SMEs) they fund. The U.S. has been the largest supporter of micro-finance operations, having committed €71 million (approximately $85 million) to help promote the EBRD's small and medium enterprise program. The program recently marked its $1 billionth loan to small businesses in Russia. For more information, see http://www.ebrd.com/apply/small/index.htm.

4.1.4. Private Sector: Proposing a Project

Private sector projects are generally brought to the Bank by the borrower (either a local or a foreign firm operating in the EBRD's Region) or a joint venture. A U.S. company with a project in mind is advised to write a thorough and complete **Business Plan**, which should be submitted to the Bank as a first step in applying for Bank funds. The proposal should include a description of the project and the main parties to the transaction, a financing plan and a financial overview (for financing with the EBRD - see the EBRD Web page at http://www.ebrd.com/apply/index.htm). It is important to note that responsibility for project preparation rests with the borrower, and not the Bank, although the Bank works closely with the borrower to ensure that the proposal meets Bank standards.

CS-EBRD does not provide investment project counseling, but can help refer U.S. companies to the right EBRD banker for project discussions.

Investment Range

- Generally, $ 500,000 - $ 2.5 million.
- Equity share target range is 25 - 30% but up to 49% in the short term.
- Preferred investment span is 3 - 5 years, but up to 7 years is possible.

Project Requirements

- The project must be located in an EBRD country of operation.
- It must have good prospects of being profitable.
- Significant equity contributions in cash or in kind are required from the project sponsor.
- The project must benefit the local economy.
- It must satisfy the EBRD's environmental standards as well as those of the host country Equity share target range is 25 - 30% but up to 49% in the short term.

Excluded sectors the EBRD does not finance

- Defense-related activities.
- Tobacco industry.
- Substances banned by international law.
- Stand-alone gambling facilities.

In addition, the Bank may not finance certain products or processes due to their environmentally harmful nature or if adverse impact cannot be adequately mitigated.

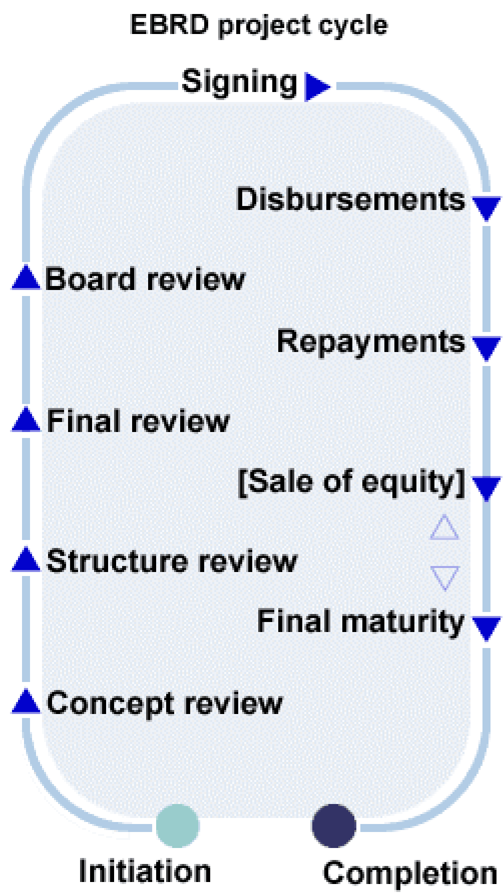
4.1.5. Project Cycle

If, after reviewing the Business Plan, the Bank is interested in the project, the following process will occur:

Concept Review — This first step ensures that an operation fits within the policies of the Bank and is consistent with prevailing country priorities and sector operations policies. The Operations Committee agrees on the project concept and overall structure, including the proposed financing structure and supporting obligations. At this stage, the EBRD and the client sign a mandate letter, which outlines the project plan, development expenses and responsibilities.

Structure Review — This stage takes place either at the Operations Committee meeting or off line with non-banking departments depending on the complexity of the project.

Final Review — The project, now in the form of a draft final review package, returns to the OpsComm, having received approval from relevant departments such as procurement, environment, credit, co-financing, loan syndication, etc. At this stage the focus is on the successful resolution of any outstanding business and credit issues, on readiness foimplementation of the project, and on project consistency with the policy and portfolio goals of the Bank.



Board Approval — The final responsibility for approving a project rests with the Board. The Board meets twice a month, and requires at least three weeks to review a project prior to the date scheduled for consideration.

Time Required — Although timing varies for each individual project, approval for projects has been completed in as little as four and a half months (this is rare) but in some cases it has taken over a year

4.2. EBRD Trade Facilitation Program (TFP)

In 1999, the EBRD's Trade Facilitation Program (TFP) was established to promote foreign trade to, from and within Central and Eastern Europe and the countries of the former Soviet Union. Through the program, the EBRD provides guarantees to international confirming banks, taking the political and commercial payment risk of international trade transactions undertaken by banks in EBRD countries of operation. The Bank also can guarantee any genuine trade transaction to, from and within the countries of operation. This enables local banks to provide trade financing and gives entrepreneurs in the EBRD's 27 countries of operation support to expand their import and export trade.

The TFP has displayed great success and accomplishments.

- Euromoney Trade Finance Magazine *readers have voted the EBRD as the Best Development Bank in Trade.*
- Over 79 issuing banks in 19 CIS countries participate in the program with limits exceeding €600 million.
- 503 confirming banks throughout the world, including 122 banks in 22 EBRD countries of operations, have also joined the program.
- EBRD has facilitated more than 2,600 TFP trade transactions in 20 countries, totaling U.S.D 1.9 billion without a single loss or claim.
- The number of transactions increased from 676 in 2002 to 939 in 2003, with business volume growing by 26 percent in a year- last year with a healthy €467 million turnover.

U.S. companies have been enthusiastic participants in this relatively new program.

- 17 U.S. based banks are TFP Confirming Banks.
- 4 U.S. based Confirming Banks have so far done 15 trade deals for an amount of €43 million guaranteed by the TFP.
- 43 trade transactions involving U.S. exporters or importers for a total amount of €50 million have benefited from TFP guarantees.
- In addition, TFP guarantees supported substantial trade volumes channeled through foreign branches of U.S. banks.

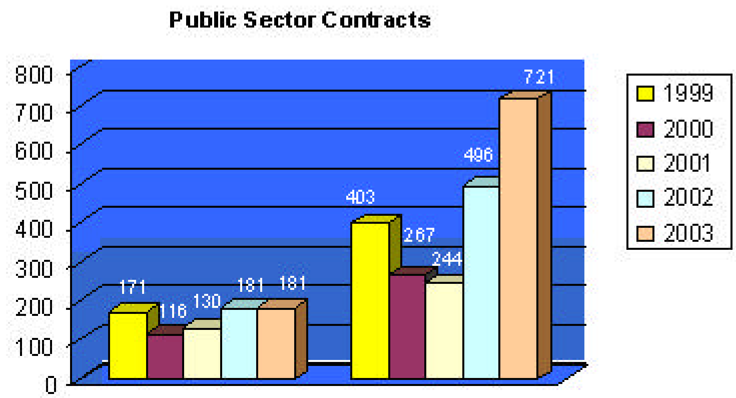
5. PROCUREMENT

According to EBRD procurement guidelines, in their transition to market economies, the countries of operation of the EBRD need to achieve economy and efficiency in both public and private sector operations, and transparency and accountability in public administration. The establishment of sound procurement policies and practices must be an integral part of the transition process.

The Bank considers that good procurement practices should lead to significant time and money savings for the Bank's clients and help ensure successful project implementation and operation. The EBRD takes careful steps to ensure its procurement policies are followed properly.

5.1. <u>Public Sector Projects – Procurement</u>

EBRD-financed projects in the public sector are a substantial source of procurement contracts. Public sector projects reach the EBRD in a number of different ways. Many times, the government of a member country - an agency, ministry or other organization, proposes projects. Sometimes the Bank will propose a project based on its own analysis (see country strategies (http://www.ebrd.com/about/strategy/main.htm). In cases where the Bank is being asked to co-finance a project, an international organization or financial institution will often approach the Bank.



Once a public sector project is identified and has passed Concept Review, it is placed in the project pipeline, and a description is published monthly on the procurement section of the EBRD website http://www.ebrd.com/oppor/procure/pipeline/pipeline.htm. This section contains the earliest formal notification that a project is being prepared. It displays basic information on the project, including the borrower, the size of the project, a brief description and status report and allows interested companies to contact the borrower.

The EBRD finances approximately 21% of its end portfolio to public sector projects.

5.1.1. Project Implementation

The actual implementation of the project is the responsibility of the borrower, as is the procurement of goods, works and services. For all projects that the Bank finances, the borrower, not the Bank, is responsible for the procurement. The Bank requires that procurement activities follow procedures, policies and rules as specified in the loan agreement, and assists the borrower in this regard. The Bank carefully monitors the procurement process to ensure that these procedures are followed and that the process is fair and transparent.

5.2. Private Sector Procurement

Procurement in private sector operations should follow established good commercial practice and be in the best financial interest of the client company. Although not obliged to use international tenders, private sector clients must use appropriate procurement methods to ensure value for money. The Bank undertakes due diligence and monitors contract administration to ensure that fair market prices are obtained.

U.S. companies lead in terms of private investment in EBRD projects. They accounted for over a quarter of Bank private-sector deals by the end of 2002. Many of these U.S.-financed private sector projects have provided opportunities for U.S. goods and services.

All EBRD projects (public and private) are announced in the Bank's website in the "Project Pipeline" section. Interested U.S. suppliers may contact clients of EBRD-financed private sector projects to ascertain possible buyer interest. Such opportunities are not formally tendered by the EBRD.

5.3. Key Highlights of Procurement Contracts

- In 2003, the Bank provided €720.5 million in loans in which borrowers signed a total of 181 contracts. The same number of contracts was signed the previous year in 2002, but there was an increase of 45% in value.

- In 2003, the overall growth portfolio was close to $4 billion.

- In comparison to previous years, open tendering was used in 85% of the cases, or for 98.6% of total contract value, excluding consultancy contracts in which other procedures apply.

- A broad variety of contracts were awarded because of the success of the participation rate.

- Entities from EBRD countries of operation are successful in winning tenders in their own countries and have started to win contracts in other countries of operation.

Success of U.S. companies in EBRD financed public sector procurement

- In 2003, the EBRD received 656 bids on its public sector contracts. Of these, 14 bids were from U.S. firms. However, this figure is based on EBRD internal statistics – and may not capture any bids from American companies which bid from overseas representative offices or through joint venture partners. In addition, this figure does not capture those U.S. companies which participated in the EBRD bidding process as part of a consortium, headed by a firm from another country.

- 181 contracts were awarded worth €720.5 million. Of these, 4 contracts worth a total of €7.8 million were awarded to U.S. companies:

    - Goods: Detroit Diesel- Serbia
        - Adventek International Inc.-Kazakhstan
        - NCI Projects International Inc. –Uzbekistan

    - Works: Black & Veatch Sp. Project Corp. -Russia

- U.S. firms have a good success rate when they bid on EBRD public sector tenders. For example, in 2003, U.S. companies submitted a total of 16 bids on 14 EBRD contracts, out of 181 EBRD tendered public sector contracts for that year. (This figure includes bids from U.S. companies which submitted bids from branches/subsidiaries outside the U.S.A.) Of these U.S. bids, 5 were successful, giving a success rate of 31%. (By way of comparison, in 2003 German companies had a success rate of 25% and French firms had a success rate of 26% on EBRD public sector tenders.)

Breakdown of U.S. companies' performance in EBRD Public Sector Procurement

Year	EBRD Total Euro Value	€ Value				Total
		Goods	Works	Supply & Installation	Consultancy Services	
1999	458,291,465				114,192	**114,192**
2000	374,134,001	119,297			1,350,888	**1,470,186**
2001	310,671,292	1,425,406			300,412	**1,725,818**
2002	488,411,802			121,740	49,100	**170,840**
2003	720,529,707	6,315,470	1,534,610			**7,850,080**
TOTAL	**2,352,038,26**	**7,860,173**	**1,534,610**	**121,740**	**1,814,592**	**11,331,11**

Note: Statistics show only lead partner if a joint venture is involved.

5.4. The Procurement Process (Public and Private Sector)

The EBRD does not purchase goods and services directly from suppliers for projects that it finances. The borrower, not the Bank, is responsible for procurement. The borrower (i.e. the executing agency) determines what goods, works, and services are required to carry out the project, when they are needed, and what procurement procedure is most suitable for each contract.

The borrower, often with the help of consultants, prepares the specifications and tender documents, determines the procurement schedule, publishes the notices, evaluates the tenders, and awards and administers the contract.

The Bank's role is to make sure that the borrower's work is done properly, that the agreed procurement procedures are observed, and that the entire process is conducted openly and fairly. The Bank does not get involved in the procurement process until the borrower recommends a contract award winner. Upon receiving an evaluation report from the borrower detailing the selection process and the award candidate, the EBRD either approves or rejects the recommendation depending on whether procurement rules have been followed correctly.

With the exception of consulting contracts for which separate rules are applied, all public sector borrowers must follow open tendering procedures for contracts of goods and services equal to or greater than €200,000 for services and €5 million for works.

The normal process for public sector procurement involves the following steps:

1) Notification
2) Pre-qualification
3) Invitation to Tender
4) Receive and Evaluate Tenders
5) Award of Contract
6) Administer Contract

Once the Bank has approved the procurement plan, and as early in the project cycle as possible, the borrower must issue a General Procurement Notice that has to be internationally advertised. This notice must be published in a newspaper with wide circulation in the borrower's country and in official gazettes and international trade publications. The Bank publishes the notice on its website at: http://www.ebrd.com/oppor/procure/index.htm

Additionally, notices (procurement notices, invitations to tender, invitations for expressions of interest) are normally transmitted as Foreign Government Tender telegrams to the U.S. Department of Commerce, Washington, D.C., where they are captured electronically and disseminated via several multiplier channels to the U.S. business community. U.S. firms may check for notices at:

- BUYUSA.GOV or their nearest Export Assistance Center of the U.S. Department of Commerce
- BISNIS: The Business Information Service for the Newly Independent States (BISNIS). Web: www.bisnis.doc.gov Tel: + (202) 482 -4655, Fax: + (202) 482 -2293.
- CEEBIC: Central and Eastern Europe Business Information Center (CEEBIC). Web: www.mac.doc.gov/eebic/ceebic.html Tel: + (202) 482 -2645, Fax: + (202) 482 -4473.

The project cycle includes the steps of project preparation, appraisal, approval and implementation. All projects go through this cycle, although the time required varies. The best way to monitor projects is to access the EBRD website regularly and check on notices, project awards and new projects entering the pipeline. Both technical cooperation projects as well as public sector projects are included, along with contract awards and procurement notices.

5.5. EBRD Consultancies

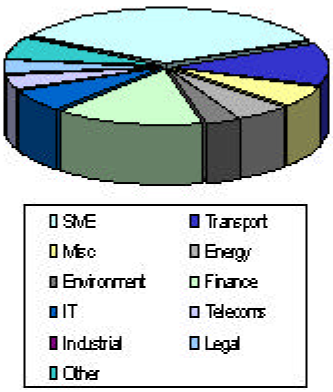
The EBRD makes extensive use of consultants to execute its technical cooperation program, to assist in project preparation and implementation, and to perform due diligence. Consultants are utilized to undertake sector and feasibility studies, to identify and prepare projects, and to provide training, technical assistance and advisory services across a wide range of sectors. In addition to the more traditional public sector infrastructure expertise, the Bank seeks advisory services in the areas of privatisation, legislative reform, environment, training and other areas necessary for creating an efficient institutional infrastructure. The Bank's clients may also need consultants, either as advisors or to implement or supervise a project.

With 27 countries and a multitude of sectors, the EBRD and its clients place considerable value on consultancy services to cover such an expansive knowledge gap. The EBRD is committed to an engagement of fair and equal opportunity to all contenders from any country and does not give domestic preference. The Bank exercises due diligence to ensure transparency in procurement, uses economic resources and high quality of output from the consultants.

The EBRD offers great consultancy opportunities. In 2003, the total value of consultancy contracts amounted to €109.71 million (approx. $135 million) for 1,602 contracts. Although the value has decreased slightly from the past year, the number of contracts has increased by a greater number. Also, the reasons for the reduction in the overall value of contracts are due to a decrease in Technical Cooperation and European Community funds and different contracting sources.

The U.S. has been a part of the EBRD consultancy advantages and success. In 2003, seven of the twenty top leading firms by value of contract were from the U.S.. It is also important to note that even in previous years, U.S. companies were also very competitive. h 2002, American consultancy companies ranked fourth in the value of consultancy contracts awarded by the EBRD.

Areas of Consultancies



The EBRD distinguishes among types of consultancies. The graph on the left displays the different areas and depicts the value of contracts of 2003. As shown, SME-related activities are the number one area where consulting services are engaged. The second largest is transport and energy. The municipal and environment infrastructure are also other large sectors that use consulting services.

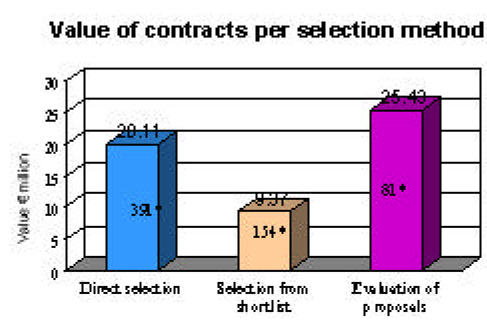
Additionally, there is an opportunity for consultants to be engaged to work for the Bank's clients during the project cycle or for the Bank itself. Consultants, however, cannot work for both Bank and Bank clients on one project.

Consultant Selection

The EBRD believes that when it comes to selecting consultants, quality comes first. The EBRD has organized three types of procedures to make such a subjective process as objective as possible.

- For consultant assignments estimated to cost **less than €50,000 (approx $61,500)**, the EBRD is able to select consultants directly with minimum cost and maximum efficiency. Consultants are encouraged to market their resources directly and make Bank officials aware of their services and experience in order that they may be considered.

- For contracts worth **between €50,000 and €200,000 (approx $61,500 - $246,000)**, there is a selection from a short list. These assignments are published at the EBRD's website. Please note that some Technical Cooperation (consultancy) notices often have a deadline of only 5 working days after publication. A short list contains a minimum of three, maximum six firms or individuals. No more than two consultants from the same nationality can be on the short list in order to make the opportunity available for everyone.



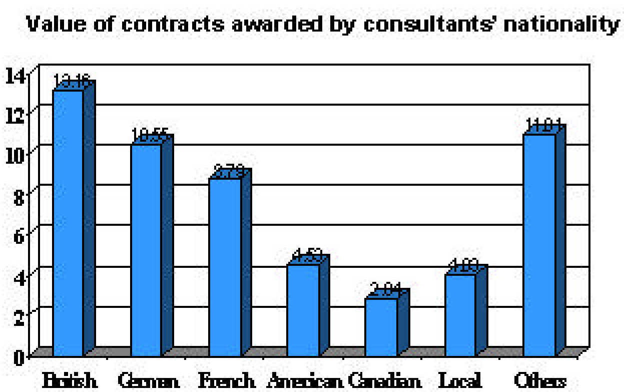
- With assignments estimated to cost **more than €200,000 (approx $246,000)** or more, there is a more formal process. As a formal requirement, consultants are chosen without price taken into account. Therefore, the assignment is based on technical merit only. If however, a financial evaluation is necessary, 80% is based on technical merit and 20% is based on finance. Financial proposals are sealed and kept in a central unit until the technical evaluation is carried out first.

Requirements for and notices of consulting services over €50,000 (approx $61,500) are posted in the Bank's website at www.ebrd.com/oppor/procure/opps/index.htm. Here you will find invitations, expressions of interest, Technical Cooperation notices and general procurement notices, as well as advice on how to compete for consulting contracts. Consultants are encouraged to use this publication to identify assignments where their expertise may be required and should respond directly to the project officers listed in the announcements. Only 5 working days to are allowed to respond to notices for consultancy contracts between €50,000 and €200,000 (approx $61,500 - $246,000) with longer response times for larger contracts. Smaller contracts are usually awarded on the basis of an expression of interest, and larger contracts go through a short listing and full proposal stage.

Web Based Initiatives

A new web-based initiative has been undertaken by the Consultancies Services unit in the EBRD. The team has been working on e-procurement for selection of consultants. This is an IT project designed to facilitate the selection of consultants on the Internet. In the new system, individual consultants or consultancy firms will be able to register their details into a database. They will be given an ID number and upon expressing an interest on a given assignment, the consultant can use that ID number. The project is expected to be introduced during 2005.

Success Rates of Different Nationalities



In 2003, for contracts with higher value worth €50,000 and above (approx $61,500 and above) consultants from Canada, Poland, Singapore, U.S., UK and Germany had the highest success rate at the short-listing stage. Specifically, the U.S. was rated sixth with an 86% success rate for short listing. On the left is a graph displaying the number of contracts awarded by selected nationality in 2003.

5.6. <u>Funding Sources for Consulting Activities and Technical Cooperation Funds</u>

The EBRD has three main sources of funding for consultancy services. One funding source for consultants is the Bank's own administration budget. This tends to be rather limited, averaging €30 million (approximately $37 million) a year. The second major source is the loan proceeds that the borrowers borrow and spend on consulting services. This is approximately €10 to €30 million (approximately $12.3 to $37 million) a year. The third major source of consulting funding is the Technical Cooperation Fund (TC). The EBRD has extremely limited technical cooperation resources of its own and relies on official co-financing from bilateral sources (such as member governments and international organizations) to fund some of its TC requirements. Bi-lateral funding administered by the EBRD includes funds from the USTDA, USAID and from the U.S. Treasury. Also, another source of funding is from other multi-lateral organizations, such as the European Commission and other bi-lateral organizations from any other member state of the Bank. The EBRD Technical Corporation Fund averages €70 to €100 million (approximately $86 to $123 million) a year.

In 2002, donor funding through the Technical Cooperation Fund had reached a milestone of €1 billion (approximately $1.2 billion). Of the cumulative total between 1991 and the end of 2002, the European Union led in TC funding with €413 million (approximately $508 million) in grants, followed by Japan with €134 million (approximately $165 million), the United States with €87 million (approximately $107million) Italy with €68 million (approximately $84 million) and the United Kingdom with €49 million (approximately $60 million). In 2003, €50 million (approximately 61.5 million) was spent on technical cooperation funds, approximately €31.5 million (approximately $39 million) in bank loans and about €28 million (approximately $34 million) of the Bank budget for consultancy services.

The EBRD Technical Cooperation Funds Program is a key instrument in the Bank's strategy for assisting the transition process in the EBRD countries of operation. Grant funds provided by donor governments are used by the Bank to provide institution building and skills transfer within the context of investment operations in private and public sector projects.

There are three main types of Technical Cooperation (TC) funding:

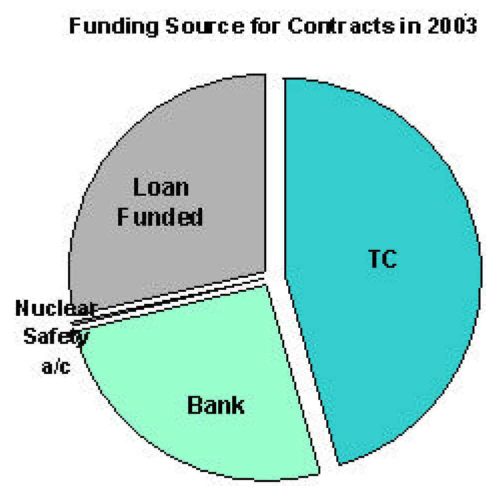
- **EBRD'S own resources**- when the EBRD'S own funds are used there are no eligibility restrictions on participant consultants.

- **Untied Funds** - bilateral TC funds from Japan, South Korea, Taiwan and the United Kingdom, which do not have eligibility restrictions for consultants based on nationality and therefore, U.S. consultants can participate in assignments funded by untied funds.

- **Tied Funds** - under which consultants hired must be from the donor's own country or country of operation.

  For U.S. Tied Funds, there are two such funds and they can only be used to finance consultants who are U.S. nationals:

  1. The USTDA Evergreen Fund provides financing for feasibility studies, tender document preparation for public sector projects and other technical cooperation projects likely to lead to significant U.S. exports.
  2. The USAID Advisors is a smaller fund but with a wider remit for financing U.S. consultants to serve the EBRD's TC needs. *USAID funds have focused on municipal infrastructure, legal transition, small enterprise support.*



Much of the Technical Cooperation funds provided by European countries, with the exception of financing from the U.K., are tied to consultants from that country. Also the EU Phare, Tacis and ISPA programs only support consultants from the EU, or from the program's target countries. U.S. companies which have affiliates or significant operations in these countries can often qualify by bidding through, for example, their locally established French or Spanish or Polish affiliate companies or by partnering with local companies.

2004 marked a transition process in the EBRD's TC Funds, as eight of the countries of operation joined the European Union. Although the EBRD will continue to invest in these countries to promote transition, the Technical Cooperation Program will shift its priorities to the south and east of the EBRD's region of operation.

5.7. Private Sector Feasibility Studies

Development and preparation of private sector investments are, by definition, the responsibility of private sector sponsors or operators. However, if the Bank becomes financially involved in the investment, it will consider incorporating the cost of the feasibility study in its loan or valuing the study as part of the private investor's equity participation. Companies should contact the U.S. Trade and Development Agency (USTDA) for more information on feasibility study finance (Tel: 703-875-4357). Internet: www.tda.gov.

5.8. Hints and Tips for winning EBRD contracts

- Review the EBRD website weekly (daily for consultants)
- Learn how the Bank operates, how it is organized, its priorities, and follow its activities. The U.S. Commercial Service Liaison Office, EBRD can assist you in this respect.
- Follow an operation through each stage of the project cycle.
- Learn as much as you can about the borrower or executing agency.
- Provide the borrower's executing agency with information about your company, product or service.
- If possible, travel to the country of operation and make direct contact with the relevant officials. It is often helpful to associate with a local agent or representative in the project country, especially for consultants, since most consultancy business occurs very early in the project cycle.
- Respond promptly and as instructed to invitations for expressions of interest
- Obtain the tender documents as soon as possible.
- Make sure your tender is priced competitively and complies strictly with all specifications and contractual conditions stipulated in the documents. Ensure that all required bonds, guarantees, or deposits are posted for each contract bid.
- If at all possible, attend the tender opening to learn about your competitors' pricing.
- Keep in mind that for goods procurement, the lowest evaluated bidder (i.e. technically compliant) will win the contract. Offering more than is asked for at a higher price is not a winning strategy.
- Be focused and selective, in order to give your company a comparative advantage

6. EUROPEAN ACCESSION AND STANDARDS

6.1. EU Accession

In May of 2004, eight central European countries of the EBRD region joined the European Union. The eight countries that have made great progress since the dissolution of the Soviet bloc are the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia and the Slovak Republic. In EBRD terminology these countries are currently in the "advanced stage" of transition market economies.

Since 1991, these accession countries have undergone significant and successful economic and political reforms. In fact, their growth rates have outstripped the other EU countries.

Nevertheless, the accession economies are still not as developed as Western Europe. It is still necessary for these countries to establish market economies and improve infrastructure, competitiveness and living standards. Therefore, these countries are still undergoing a transition process and the EBRD will continue its support to them. Indeed, in February the European Parliament requested that the EBRD carry on its work in the new member states.

Now, the new accession countries need help in the transitioning of their economies to those of the existing EU members. There are two stages of transitioning: nominal convergence and real convergence.

First, in the early stage of integration into the EU, the accession countries need to fulfill the conditions of joining the Union. Joining the Euro-zone will eliminate exchange rate risk, reduce long-term cost of capital and magnify the benefits of the common market. Many of the countries have already pegged their currency to the Euro, but each country will adopt the new currency according to their own conditions.

The second and much longer stage is real convergence, which means achieving the standard of living with the other EU countries. The gap in per capita GDP between the accession countries and the current EU average is still quite large. This will take some time to adjust as even if the annual growth rate were to average five to six percent, it will still take 20-30 years to reach just 75 percent of the growth rate of the existing 15 EU countries.

In addition, as the new EU accession countries start to mirror the rest of the EU Member States, the accession countries will experience a painful reduction in their agriculture and industrial sectors. Further, the EU will not be able to provide its new members with significant resources to bring their infrastructure closer to EU standards and the tight budgetary controls imposed by EU membership will make it difficult for the governments to fund the expansion themselves.

Thus, the EBRD will help with the transition process of the new accession members in order to support their full economic development and to mitigate the social consequences of accession.

The EBRD is slowly easing its involvement in these countries due to market signals. In 2001, its investment in central Europe was €1.6 billion, €1.3 billion in 2002 and €1 billion in 2003 (approximately $1.97 billion, $1.6 billion and $1.23 billion respectively). This gradual reduction of investment is a reflection of the maturity of these markets, meaning that private sector capital markets are becoming well established.

6.2. Standards

6.2.1. EU Standards

With some of the EBRD countries of operation joining the EU, the issue of standards may have more prominence for U.S. companies. As stated in a recent information paper prepared by the U.S. Mission to the EU, in recent years, the European Union has created standards harmonized across 25 EU Member States and European Economic Area countries in order to allow for the free flow of goods. Products tested and certified in the U.S. to American standards are likely to have to be re-tested and re-certified to European Union requirements as the U.S. has a different approach to the protection of the health and safety of consumers and the environment. All EU harmonized standards can be found on www.newapproach.org/

The EU Conformity Assessment process is a mandatory step for any manufacturer in the process of complying with specific EU legislation. The purpose of conformity assessment is to ensure consistency of compliance during all stages of production to facilitate acceptance of the final product. EU product legislation gives manufacturers some choice with regard to conformity assessment, depending on the level of risk involved in the use of their product. These choices range from self-certification, type examination and production quality control system, to a full quality assurance system.

To sell product on the EU market of 25 EU Member States as well as Norway, Liechtenstein and Iceland, U.S. exporters are required to apply CE marking whenever their product is covered by specific product legislation. CE marking product legislation offers manufacturers a number of choices and requires decisions which safety/health concerns need to be addressed, which conformity assessment module is best suited to the manufacturing process, and whether or not to use EU-wide harmonized standards.

The independent certification bodies, known as notified bodies, have been officially accredited by competent authorities to test and certify to EU requirements. However, under the U.S./EU Mutual Agreement Recognition Agreements (MRAs), notified bodies based in the United States and referred to as conformity assessment bodies, will be allowed to test in the United States to EU specifications and vice versa.

6.2.2. Other Country Standards

Other countries where the EBRD is active may follow a set of different standards. This section provides a summary of available information. For additional information on specific countries, please refer to the Country Commercial Guides published by U.S. Commercial Service Offices, available on the website: www.buyusa.gov, or to the other sites mentioned in the text below.

Kazakhstan

In 1996, the U.S. National Institute of Standards and Technology signed a Memorandum of Understanding with the Kazakhstan Government to bring Kazakhstan metrology methods into conformity with international rules and practices. While Kazakhstan has sought to bring its standards in line with WTO regulations, these reforms are uneven. However, Kazakhstan standards agencies actively promote ISO 9000 and ISO 14000 usage.

Romania

Romanian standards of quality and safety fall under the jurisdiction of the Romanian Association for Standardization (ASRO). Generally, they match ISO and Western European standards. International quality control standards such as ISO 9000 have been incorporated in Romania's national standardization system.

Although the ISO standards are not compulsory by law for individual companies, buyers increasingly require suppliers to prove the quality of their products and services by the certification of the quality control system they practice.

Russia

Many products imported for sale into the Russian Federation are required to have the certificate of conformity issued by the Russian State Standards Committee (GOSSTANDART). GOSSTANDART tests and certifies products according to Russian Government standards, rather than other widely-widely accepted international standards (e.g., the ISO-9000 system). However, other agencies are involved in certification of certain products as well.

The issue of standardization and certification is one of main problems that affect U.S. firms doing business in Russia. Russian standards and procedures for certifying imported products and equipment are non-transparent, expensive, time-consuming, and beset by redundancies. Russian regulatory bodies are reluctant to accept foreign testing centers' data or certificates. Russia's rapid economic transition and the enormous growth it has experienced in international trade have altered and significantly increased demand for the proper oversight of trade and the protection of consumer rights and public health. A clear, precise and explicit set of regulations governing standards and certification requirements is necessary for this.

Russian legislators intend to change the existing cumbersome standardization and certification systems, to harmonize the Russian legislation with international standards, as well as establish a transparent system for adoption of standards and to reduce significantly the number of requirements and steps in the certification process for imported goods. For now, the current technical regulations will remain in effect until the new ones have been developed and approved by the Russian Government.

The current Russian product certification regime makes it difficult to get products into the Russian market and creates barriers to Russian exports as well. Manufacturers of telecommunications equipment, construction materials and equipment, and oil and gas equipment have reported serious difficulties in obtaining product approvals. Certification is particularly costly and prolonged for telecommunications equipment, which is tested for compliance with standards established by both the State Standards Committee (GOSSTANDART) and the Ministry of Communications and Information. This process has been known to take as long as twelve to eighteen months. Self-certification in this area is currently not possible. Order 113, introduced in 1998 by the Ministry of Communications, requires all mobile communications systems in Russia to convert to the Russian GLONASS system by July 1999, instead of the U.S. Global Positioning System (GPS). This required costly reconfiguration of systems by U.S. telecommunications companies to maintain access to the Russian market, even though GLONASS is widely regarded as less reliable than GPS.

For up to date information, visit Gosstandart's website: www.gost.ru

Ukraine

Imported products/goods are subject to sanitary, veterinary, radiological and ecological control. Ukraine's regulatory environment is in flux and foreign firms have found the production certification system procedures to be difficult. Ukraine's numerous certification bodies effectively operate as independent (often monopolistic) entities on a private profit basis. Many products require multiple certificates from multiple agencies at local and regional levels, requiring investors to provide additional documentation beyond that which is required by Ukrainian central agencies.

A 1994 Governmental Decree imposed compulsory certification requirements for goods imported into Ukraine. The Decree specifies a list of goods subject to certification and regulates certification procedures. Certificates may be one of two types: (a) Certificate of Acceptance of a foreign certification issued by the Ukrainian State Standardization Committee (DerzhStandard), and (b) Conformance Certificate issued by a Ukrainian agency upon certification of goods. This decree states that certificates issued by foreign certification authorities are to be recognized in Ukraine only to the extent provided in international treaties to which Ukraine is party. Taking into account that there are currently no intergovernmental agreements on product certification between Ukraine and the U.S., a foreign certificate of acceptance will not be honored without first testing the product.

Product testing and certification generally relate to technical, safety, and environmental standards, as well as efficacy standards with regard to pharmaceutical and veterinary products. Such testing often requires official inspection of the company's production facility at company expense and is often done on a unit-by-unit basis rather than "type" testing. Where Ukrainian standards are not established, country of origin standards may prevail. Ukraine applies a range of sanitary and phytosanitary measures that are not consistent with a science-based approach to regulation. The certification and approval process can be lengthy, duplicative, and expensive.

Since 2001, the Ukrainian Parliament has passed several new laws on standardization and certification to streamline the standardization process. Ukraine would like to harmonize its standardization and certification system with international norms, and plans to bring its standardization system into conformity with the European Standards System by 2008. On August 1, 2002 a National Accreditation Body was established to ensure the use of standards and procedures consistent with the European Cooperation for Accreditation policy. Ukraine also began separate regulation of accreditation and certification. Regulatory reform has also been introduced at the regional and municipal level. Further reform is still needed, as Government employees are underpaid and the shadow economy in Ukraine continues to provide many opportunities for corruption.

7. EBRD PUBLICATIONS

The EBRD is publishing more and more documents each year exclusively on the Internet. For a comprehensive and up to date guide to EBRD publications please see www.ebrd.com.

Through its publications program, the EBRD makes available a considerable amount of information about its organization, its operational strategy and its assessment of the economic climate in its countries of operation. The Bank also releases information about its operations and other matters of interest to the public. Many EBRD publications are available in French, German and Russian as well as in English.

The publications listed on these pages are provided free of charge, unless otherwise stated. If a large number of publications is required, the Bank may charge an appropriate fee to cover postage costs and staff time. In general, all publications will be sent by the most cost-effective methods.

Unless indicated otherwise, publications are available from the EBRD's Publications Desk (Tel: +44 207 338 7553; Fax: +44 207 338 6102; E-mail: Pubsdesk@ebrd.com).

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