



EBRD role in ESIF equity instruments

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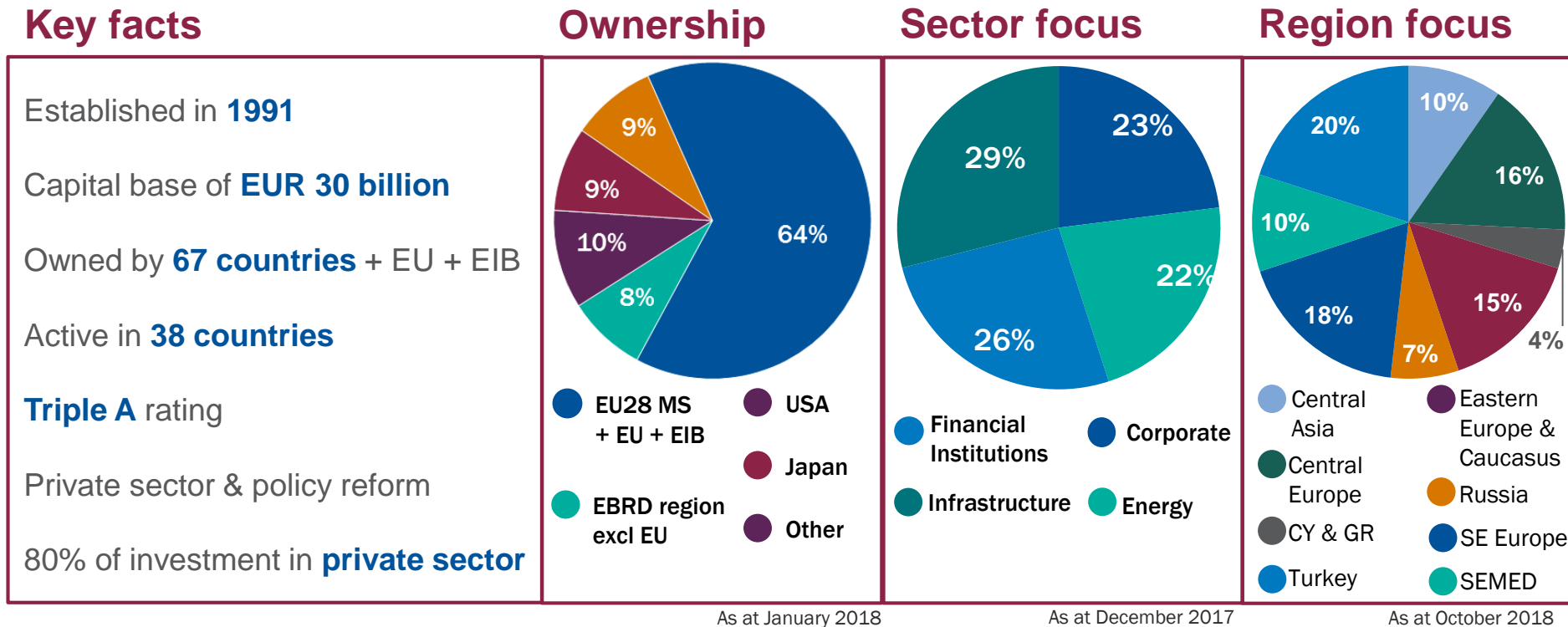


1. Overview of EBRD
2. EBRD and EU Funds
3. EBRD and Equity Financing
4. What we do with ESIF in equity
5. What we learned

EBRD objective and key statistics

Section 1
Overview of EBRD

Objective: To foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative.

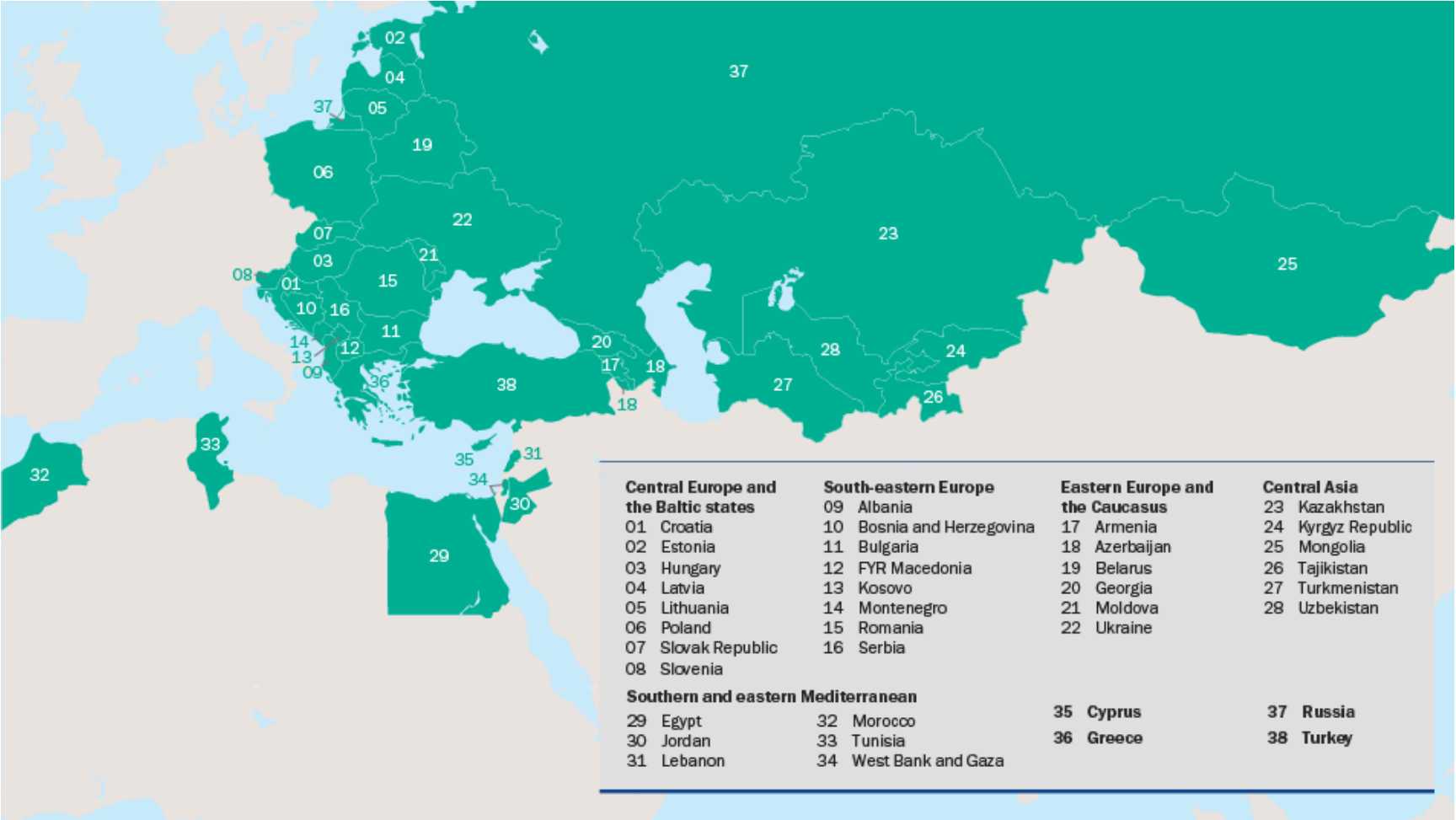


EBRD Countries of Operation

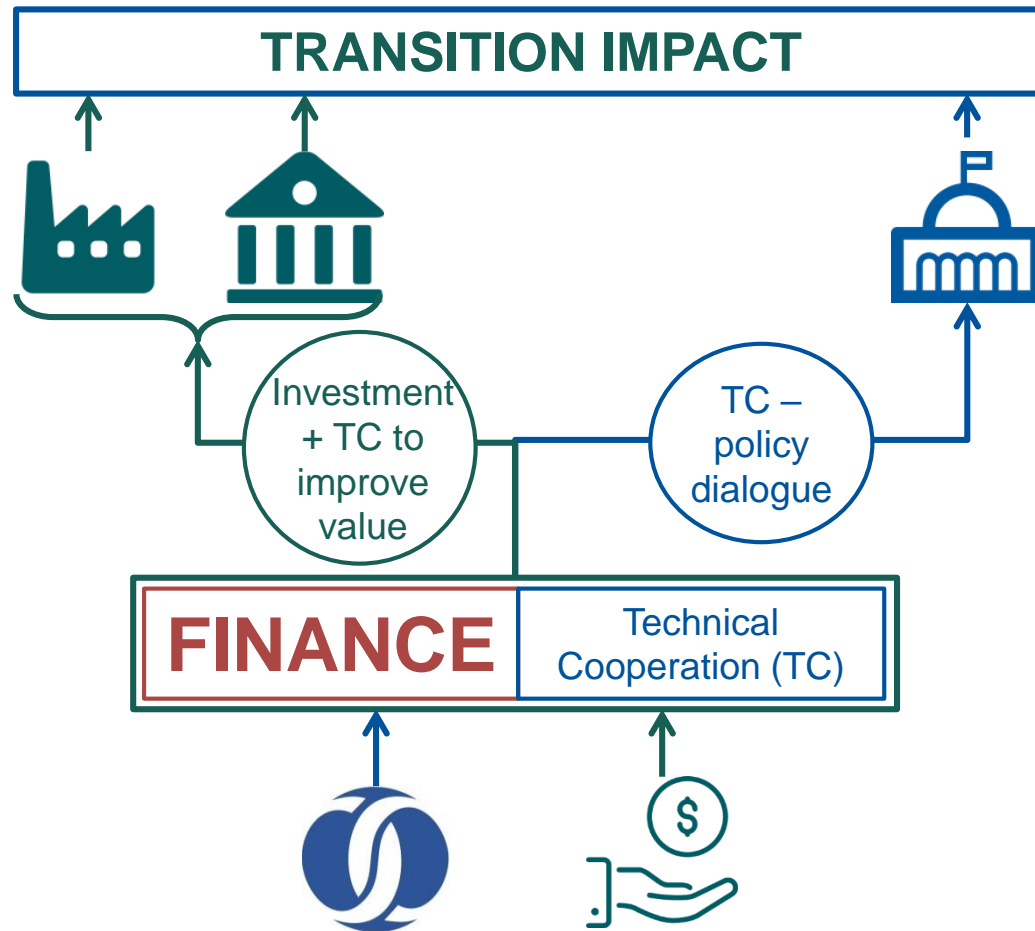


European Bank
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Section 1
Overview of EBRD



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Transition concept

With each client, EBRD seeks to bring about a **change in the way economic decisions are made**, i.e. transition to a sustainable market economy.

Transition is measured via the **six transition qualities** (Competitive, Well governed, Inclusive, Integrated, Green, Resilient) assessed in each project.

Inclusive means **promoting a fair and equitable access to economic opportunity**. EBRD includes inclusive conditions with each investment or project.

Section 2 EBRD and EU Funds

European Structural and Investment Funds (ESIF)

- EBRD is implementing a **EUR 2.15 million** advisory support programme for SMEs in Cyprus financed by ESIF. The programme called “Advice for Small Businesses” (ASB) was launched in 2017 providing a wide range of services to SMEs and consultants to improve their capacity in a wide range of areas;
- EBRD is cooperating with Invega in Lithuania and Altum in Latvia who are acting as Funds of Funds managers for ESIF financial instruments. EBRD is providing support in the design and implementation of the ESIF equity instruments;
- EBRD will implement an ESIF financial instrument in the water sector in Bulgaria. EBRD signed an agreement with FMFIB who is the ESIF Fund of Funds manager for up to **EUR 115 million of ESIF**. The same amount will be leveraged by EBRD.

European Investment Advisory Hub (EIAH)

- **EUR 6 million** signed with EIB in 2017 to implement EBRD’s ASB programme in Bulgaria, Greece and Romania;

Horizon2020

- **EUR 20 million** programme agreed in Sep 2018 to help innovative SMEs & mid-caps in Bulgaria, Latvia & Romania.
 - **EUR 12.5 million** in grants to Romania, alongside EBRD credit lines;
 - **EUR 7.5 million** for advisory services for SMEs and mid-caps in the three countries, to prepare firms for EBRD financing;
 - Aim is to help companies make use of innovative technologies, reduce emissions, and be more resilient to climate change effects.

Section 3
EBRD and Equity
financing

EBRD invests in equity in three ways:

- 1) Direct equity investments in firms**, using direct or quasi-equity products.
 - *We only invest in minority equity positions, ranging from EUR 2 – 100 million;*
 - *We do not take controlling interest, nor assume direct responsibility for managing firms.*
 - **Results:** *see next slide*

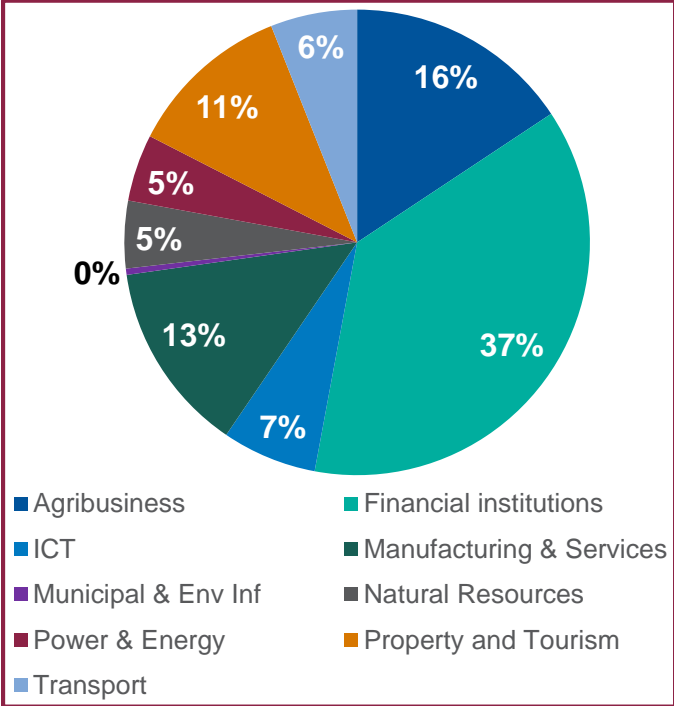
- 2) Investments in equity funds**, covering various stages and types (e.g. buyout, growth, mezzanine, VC, turnaround), regional or country-specific, and generalist or sector-specific.
 - *Aim is to make financing available to companies which EBRD would not reach otherwise (SMEs);*
 - *We also have a co-investment facility, enabling other fund managers to propose co-investment opportunities;*
 - **Results:** *193 funds signed since inception, EUR 4.1 billion committed capital, 100% private sector.*

- 3) Equity participation fund**, managing a vehicle for global institutional investors to participate in EBRD's direct equity investment program via equity return swaps.
 - *The fund mirrors EBRD's direct equity business and mobilises funds from global institutional investors;*
 - **Results:** *13 investments so far, EUR 79 million invested commitments.*

EBRD equity experience (direct investments)

Section 3
EBRD and Equity
Financing

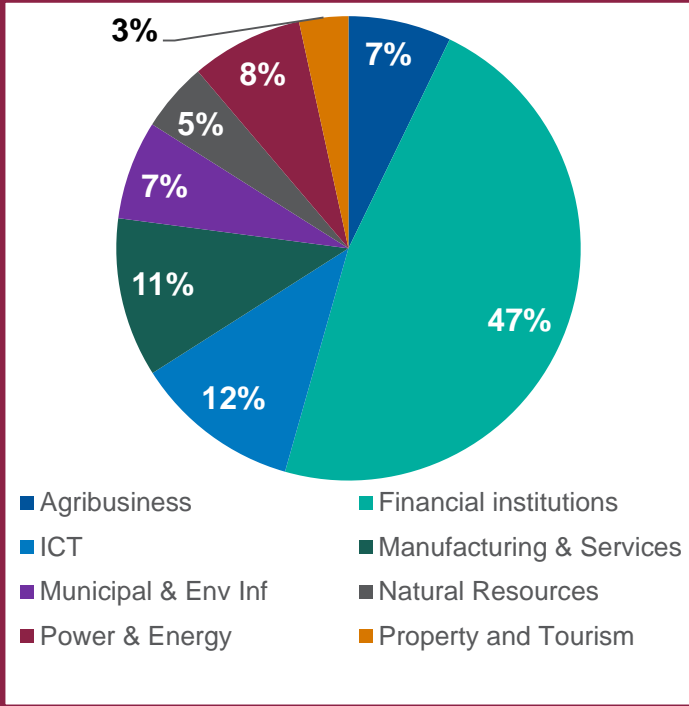
Active portfolio (world)



As at October 2018

Total: EUR 4.85bn

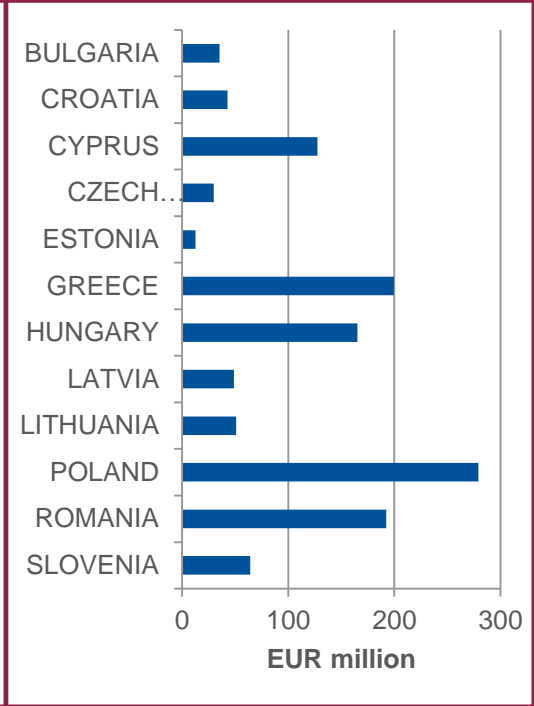
Active portfolio (EU)



As at October 2018

Total: EUR 1.25bn (94% direct equity, 6% quasi-equity)

Active portfolio (EU)



As at October 2018

Section 3
EBRD and Equity
Financing

EBRD also promotes knowledge-sharing in equity and venture capital markets. Our **Integrated Approach for the Further Development of the Venture Capital and Private Equity Ecosystem in the Baltic States (Baltics IA)** was set up in 2013 to address a series of transition challenges preventing the venture capital and private equity sector in the Baltic states from realising its full potential.

Baltics IA is based on two pillars:

a. Targeted policy dialogue and sector engagements:

- *Focus on regulatory/legislative aspects affecting the sector (e.g. developing a new collective investment vehicle law in Estonia, or public procurement procedures for selecting fund managers in Latvia & Lithuania).*
- *Capacity building for local actors, enhancing availability of market data, improving networks within region.*

b. Investments in selected private equity/venture capital funds across the Baltics:

- *We invest, e.g. EUR 17 million in Livonia Partners Fund for growth/acquisition capital to SMEs in Baltics.*

Baltics IA won the “*Annual Achievement Award for the Private Equity & Venture Capital Industry*” in Vilnius in 2017, and “*The Industry Supporter of the Year '17*” in Riga in 2018.



Two relevant ESI Funded projects in the equity sector:

1) Cooperation with INVEGA (Lithuania)

- *Since Oct 2016, EBRD has been supporting INVEGA implement risk capital financial instrun using ESI Funds in local SMEs;*
- *INVEGA is implementing four risk capital funds, deploying EUR 58.8 million of ESIF and leveraging additional resources;*
- *EBRD helps INVEGA evaluate, select and monitor fund managers for their four funds.*



2) Cooperation ALTUM (Latvia)

- *EBRD is supporting ALTUM to provide advisory services and help the national development manager implement ESIF equity instruments and selecting/monitoring fund managers;*
- *the objective is for ALTUM to implement 9 risk capital funds.*





Section 5
What we learned

- EBRD has operated over the years in challenging environments with non-existent or outdated legal frameworks which put barriers towards market driven initiatives such as equity financing. Improving these frameworks has been a priority of EBRD through policy dialogue.
- Equity financing is not identified and distinct in national legislations thus treated like any other activities in terms of taxation, procurement etc. Developing specific legislation for risk capital investments is necessary to motivate stakeholders.
- This is however a constant challenge since the market often runs faster and leads the way without waiting for the states to adapt. Technical support is thus very important, but also capacity building for market stakeholders since often there is a lack of competence for equity financing among service providers such as legal services but also national promotional agencies which are becoming more active in this area require support and constant development of their resources and knowledge to achieve continuity
- Due to high country risk and beneficiary risk in many countries, public intervention in equity financing remains imperative. IFI investments and ESIF initiatives have managed to put equity financing on the map but it seems that public intervention is required to continue developing these environments.
- Specifically regarding ESIF: JEREMIE programmes played a crucial role in launching equity financing in markets such as Greece, Bulgaria and the Baltics. But under ESIF regulations, equity instruments are often treated as any other financial instrument causing confusion or delays due to requirements such as ex-ante assessments, regional disbursement, domiciliation etc...

Thank you

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EU Funds Co-financing

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