



Europe



The development challenge in the Central and Eastern European region remains one of transforming previously authoritarian, centrally planned societies into participating democracies with strong market economies that are privately owned and managed.

Economic performance among the EU and countries in Eastern Europe generally held up well, compared with other regions, during the 2002 global slowdown. Not surprisingly, exports – which are largely directed to countries within the EU – weakened significantly over the past year as external demand slowed. But this trend was largely offset by relatively robust domestic demand, generally underpinned by lower inflation and interest rates, strong investment spending, and fiscal stimulus in several countries.

ICDF work in 2002 included projects in Azerbaijan, Belarus, Georgia, Lithuania, Macedonia and Poland. In Azerbaijan, Georgia and Lithuania, the ICDF is working with the EBRD through the Financial Intermediary Investment Special Fund. This includes a privatization project for a wool company in Lithuania, a tourism project in Azerbaijan, and providing microcredit for SMEs in Georgia to enhance private sector development in Central and Eastern Europe.

In Belarus and Poland, the ICDF is involved in a “SME Relending Project” that is helping to develop entrepreneurship, create and expand small and medium industries, increase the income of the local people, and stimulate local economic activities in both countries. The project aims to provide credit through participating banks to beneficiaries who undertake an eligible subproject in order to promote the establishment, improvement and expansion of competitive and private sector activity in Belarus and Poland.

Lastly, the ICDF is involved in the Skopje Export Processing Zone Development Project in Macedonia. The project’s aim is to develop in the Republic of Macedonia an export processing zone known as the “Skopje Free Economic Zone” or “FEZ,” which will permit investors from any country and of any nationality to engage in manufacturing and other business activities.

Azerbaijan



Fast Facts

Capital:

Baku

Languages:

Azeri, Russian, Armenian

Population:

8.1 million

Area:

86,600 sq km

Religions:

Islam, Christianity

Currency:

Manat

Economic Overview and Outlook

Azerbaijan is an economy in transition in which the state continues to play a dominant role. The country has important oil reserves and, based on a wide variety of climatic zones, significant agronomic potential. Since 1995, in cooperation with the IMF, Azerbaijan has pursued a highly successful economic stabilization program, which brought inflation down from 1,800 percent in 1994 to 1.5 percent in 2001. GDP in 2000 grew by 11.1 percent, the sixth consecutive increase.

Increasingly, the energy sector dominates Azerbaijan's economy. Oil and oil products accounted for 85 percent of Azerbaijan's exports in 2000, and increased to account for more than 90 percent of exports in the first half of 2001. Significant oil revenues, coupled with the government's conservative approach to debt, have enabled Azerbaijan to achieve an impressive measure of macroeconomic stability. However, its dependence on oil revenues leaves the country vulnerable to price fluctuations.

Agriculture is Azerbaijan's third largest sector, and further development of agribusiness is essential to creating employment opportunities and increasing family income. According to the World Bank, Azerbaijan had an external debt of US\$1.219 billion in 2001. It received US\$226 million in foreign assistance from the IDA, Japan, the EU and other donors. Life expectancy is 72 years.



ICDF Operations

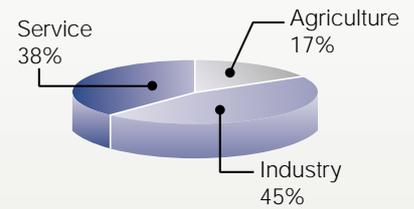
The ICDF is conducting one investment project in Azerbaijan, together with the EBRD.

Investment and Lending Project

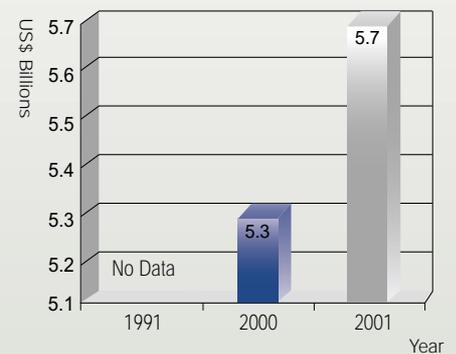
EBRD Financial Intermediary Investment Special Fund – Silk Road Motel Project

With a contribution of US\$12.5 million into the “Financial Intermediary Investment Special Fund,” the ICDF is engaging in various investment ventures with the EBRD within Eastern Europe and Central Asia. The main focus is on private enterprise, but funding can be extended to successful privatized public enterprises. The objective of this joint venture project, currently under EBRD supervision, is to help foster tourism development in Azerbaijan by establishing a new motel (Silk Road Motel). The total project cost is US\$5.1 million, of which the ICDF invested US\$400,000 and the EBRD invested US\$1.6 million.

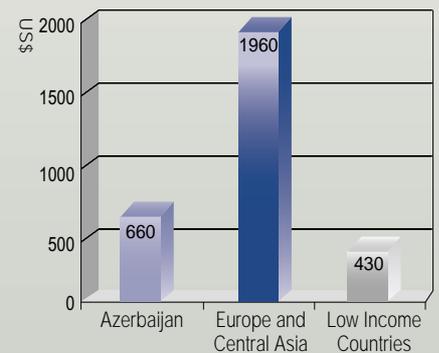
Structure of the Economy 2001 (%GDP)



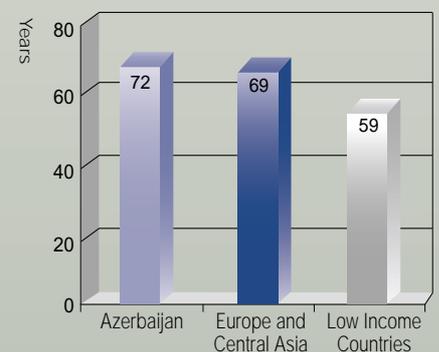
GDP



GNI Per Capita 2001



Life Expectancy 2001



Azerbaijan at a Glance

Belarus



Fast Facts

Capital:

Minsk

Languages:

Belarusian, Russian

Population:

10.3 million

Area:

207,600 sq km

Religion:

Christianity

Currency:

Belarusian Ruble



Economic Overview and Outlook

The Republic of Belarus is located in the eastern part of Europe. In the early 1990s, after gaining independence from the former Soviet Union, Belarus launched economic liberalization and structural reforms. It has recently passed through several stages in its political and economic development.

Belarus managed to unify its currency exchange rates, tighten its monetary policy, and partially liberalize the foreign currency market. These developments led to price and wage liberalization, a widening of privatization, fiscal reform, the adoption of international accounting standards in the banking sector, and the repeal of several laws and decrees to improve the investment climate.

In 2000, industrial production amounted to 39 percent of GDP, agriculture to 11 percent, and services contributed 50 percent. Belarus exports large quantities of machinery, transport vehicles, chemical and petrochemical products, fibers, fertilizers and transport services.

The number of SMEs in Belarus has increased by 1.5 times since the early 1990s. Restructuring of large industrial enterprises has brought positive results including higher productivity and new product creation and development.

According to the World Bank, Belarus had an external debt in 2001 of US\$763 million and received US\$40 million in assistance. The United States, Germany and the EU were the largest donors.

ICDF Operations

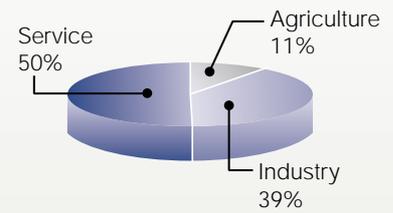
The ICDF has one investment and lending project in Belarus.

Investment and Lending Project

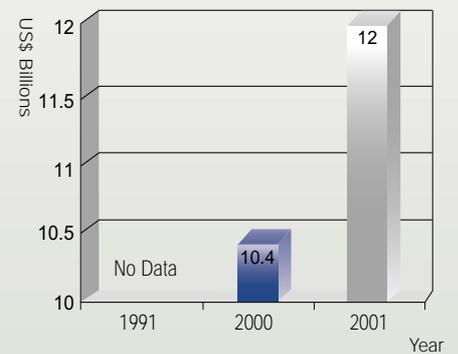
SME Relending Project

The objectives of this project are to help solve problems of capital shortages for SMEs in Belarus, improve industry competitiveness, and boost the Belarusian economy. The project aims to provide credit through participating banks to beneficiaries who undertake an eligible subproject designed to promote the establishment, improvement and expansion of competitive and private sector activity in Belarus and help foster a market oriented economy in the country. The ICDF provided US\$7.5 million and the EBRD provided US\$15 million. The National Bank of Belarus is responsible for channeling the loan to commercial banks that disburse the money to eligible SMEs.

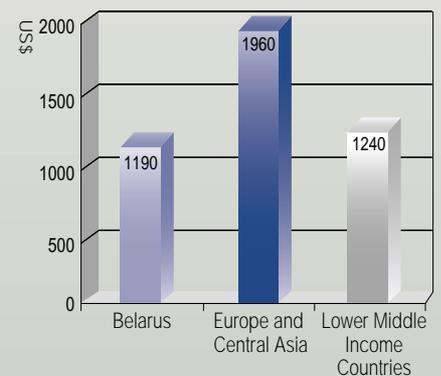
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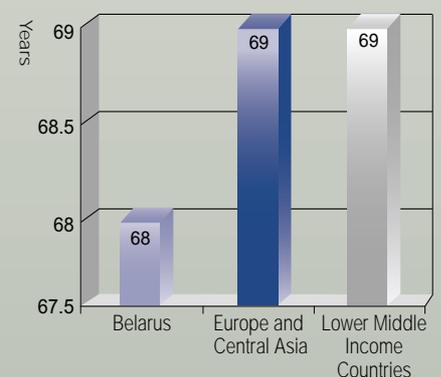
GDP



GNI Per Capita 2001



Life Expectancy 2001



Belarus at a Glance



Georgia



Fast Facts

Capital:

Tbilisi

Languages:

Georgian, Russian, Armenian, Azeri

Population:

5.5 million

Area:

69,700 sq km

Religions:

Christianity, Islam

Currency:

Lari



Economic Overview and Outlook

Bounded by the Black Sea, the Russian Federation, Azerbaijan, Armenia and Turkey, Georgia is located in a key trade and transit corridor in the Caucasus between Europe and Asia.

Georgia was absorbed into the Russian Empire in the nineteenth century. Independent for three years (1918-1921) following the Russian revolution, it was incorporated into the Soviet Union until its dissolution in 1991.

Georgia has adhered to fiscal and monetary policies that promote balanced and sustainable economic growth and facilitate the functioning of markets. The private sector's share of the economy continues to increase, both from internal growth within private enterprise and from the government's continuing privatization program. Agriculture is one of the sectors that have thrived from the introduction of a free market economic system. Rebuilding the long neglected infrastructure and improving the quality of housing have created opportunities for SME development. Georgia's role as a trade corridor also creates growth opportunities in trading, transport and transportation infrastructure.

Since 1995, Georgia has made significant strides in introducing economic and social reforms in areas such as the restructuring of banking, judicial reform and health care. Social services and health indicators in Georgia are improving after declining at the time of the breakup of the Soviet Union, and life expectancy is 73 years. New health facilities, cultural centers, water systems, irrigation systems, roads and bridges have benefited approximately one million people.

According to the World Bank, Georgia had an external debt of US\$1.71 billion in 2001. The same year it received US\$290 million in assistance, to which the United States, the IDA and the IMF were the three largest contributors.

ICDF Operations

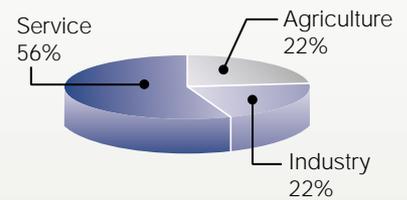
The ICDF is currently conducting one investment and lending project in Georgia with the EBRD.

Investment and Lending Project

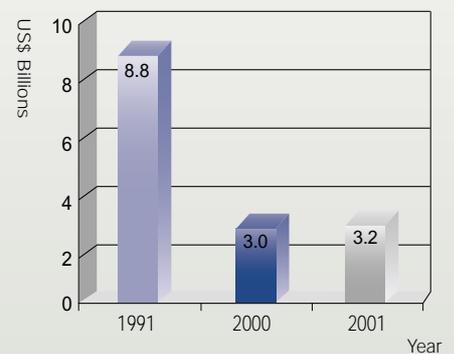
EBRD Financial Intermediary Investment Special Fund – Microcredit Bank of Georgia

The ICDF cooperated with the EBRD to provide a US\$3 million loan to the Microcredit Bank of Georgia (MBG). The bank was established in February 1999 to offer financial services to SMEs in Georgia. The ICDF is providing the funds to the MBG through its Taipei – EBRD Financial Intermediary Investment Special Fund.

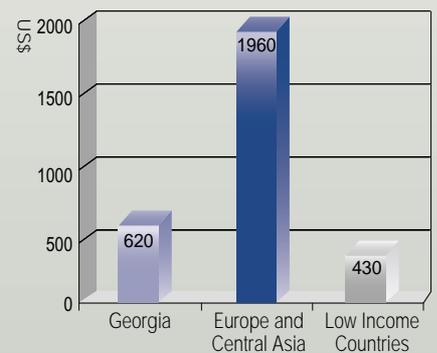
Structure of the Economy 2001 (%GDP)



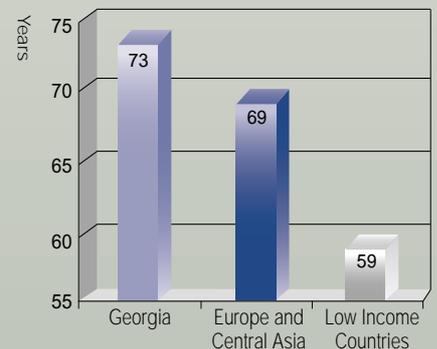
GDP



GNI Per Capita 2001



Life Expectancy 2001



Georgia at a Glance

Lithuania



Fast Facts

Capital:

Vilnius

Languages:

Lithuanian, Polish, Russian

Population:

3.7 million

Area:

65,200 sq km

Religion:

Christianity

Currency:

Litas



Economic Overview and Outlook

The modern Lithuanian state was established in 1918 and regained independence in 1990 after 50 years of Soviet rule.

The Soviet era brought Lithuania intensive industrialization and economic integration into the U.S.S.R. Soon after reestablishing its independence, Lithuania launched a program of market based economic reform that has achieved notable progress. In 1992, assisted by the IMF and other international institutions, Lithuania adopted a program to restrain inflation, reduce price controls, lower the budget deficit and privatize the economy.

Lithuania has a modern highway system, several international airports and a major ice free seaport of Klaipeda. The country is relatively lacking in natural resources. However, in its human social development index, the United Nations rates Lithuania 52nd among 174 world nations. The major branches of Lithuania's rapidly modernizing economy are services, industry and agriculture. The countries of the EU are Lithuania's major trade partners and investors. Negotiations to accede to the EU were completed in October 2002 and Lithuania will become a member in 2004.

Lithuania has achieved a remarkable economic recovery following a recession in the aftermath of Russian crisis. Real GDP growth accelerated to 5.9 percent in 2001 and six percent in the first half of 2002. With exports driving the recovery, the current account deficit declined to 4.8 percent of GDP in 2001, with foreign direct investment a major source of financing.

Industry is Lithuania's largest economic sector, and most small firms are now under private ownership. About 86 percent of all enterprises and about 83 percent of state property included in the initial privatization program have been privatized. In 1999, US\$850 million in capital went to privatization of formerly state owned property (approximately 30 percent of all the state owned property). The Lithuanian government established the State Property Fund in 1998 to manage and privatize the remaining state assets, including the energy, telecommunications and transportation sectors.

According to the World Bank, Lithuania had an external debt of US\$2.57 billion and received US\$131 million in foreign assistance in 2001. The EU, Denmark and Sweden were the largest contributors.

ICDF Operations

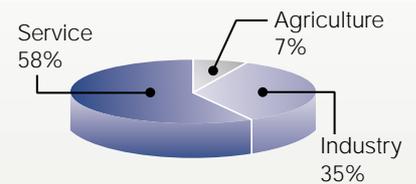
The ICDF is working with the EBRD and the IFC to provide equity investment and loans to the Drobe Wool Company in Lithuania.

Investment and Lending Project

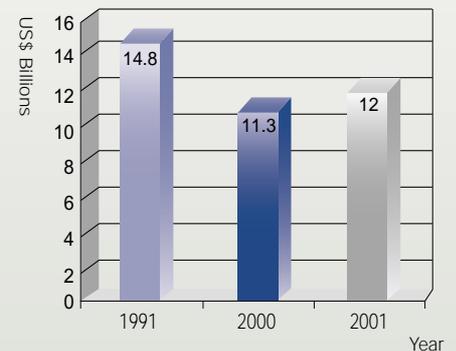
EBRD Financial Intermediary Investment Special Fund – Drobe Privatization Project

The project aims to speed up the privatization of the Drobe Wool Company as well as improve its productivity and increase high margin sales. Cooperating with the EBRD and the IFC, the ICDF is investing US\$390,000 in equity capital in, as well as providing a US\$1.89 million loan to, Drobe Wool Company, through its Taipei – EBRD Financial Intermediary Investment Special Fund. The project is being implemented and managed by EBRD.

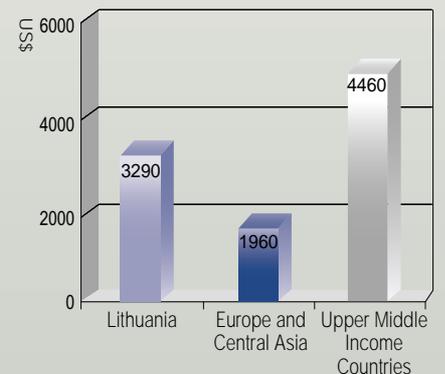
Structure of the Economy 2001 (%GDP)



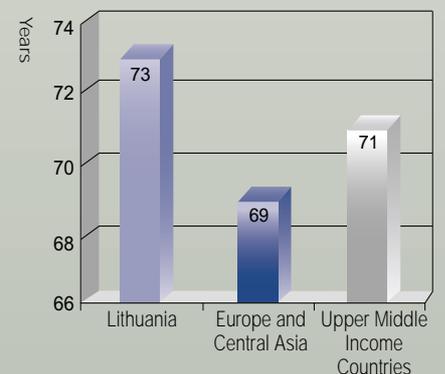
GDP



GNI Per Capita 2001



Life Expectancy 2001



Lithuania at a Glance

Macedonia



Fast Facts

Capital:

Skopje

Languages:

Macedonian, Albanian, Turkish, Serbo-Croatian

Population:

2 million

Area:

25,333 sq km

Religions:

Christianity, Islam

Currency:

Denar



Economic Overview and Outlook

FYR Macedonia gained its independence under exceptionally difficult circumstances. The breakup of the Yugoslav Federation in 1991, and the ensuing regional conflict, meant the loss of a large and protected market, key transport routes, large net transfers and more than US\$1.2 billion in foreign currency savings.

In a region where the reverse is more usually true, FYR Macedonia has remained a peaceful, democratic and multiethnic society, and made substantial progress on structural transformation.

The Macedonian government has adopted an ambitious program to boost the economy, reform legislation and the public administration, reduce unemployment, increase foreign direct investment and improve interethnic relations as well as relations with neighboring countries. A central plank of the government's policy was the integration of the country into Euro-Atlantic structures.

Successful privatization in 2000 boosted the country's reserves to over \$700 million. According to the Institute for Payment Operations, there are 31,682 SMEs operating in the Republic of Macedonia, which represents 98.5 percent of the total number of active enterprises. The process of privatization of the Macedonian economy, started in 1989, has transformed over 600 companies in Macedonia into joint stock and limited liability companies and has brought great benefit to the country.

According to the World Bank, Macedonia had an external debt of US\$ 776 million and received US\$248 million in assistance in 2001. The largest donors were the EU, the IDA and the United States.

ICDF Operations

The ICDF has one investment and lending project in Macedonia.

Investment and Lending Project

Skopje Export Processing Zone Development Project

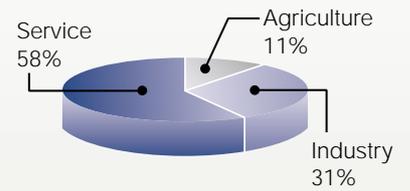
The project aims to develop in the Republic of Macedonia an export processing zone known as the “Skopje Free Economic Zone” or “FEZ,” which will permit investors from any country and of any nationality to engage in manufacturing and other business activities.

The project includes all the preliminary work undertaken for the acquisition of the interest in the land, the preparation for the development, the development itself, the completion of the development and the management, and the operation and maintenance of the developed FEZ. The total cost of development is about US\$12 million. The ICDF will provide a loan of up to US\$11.5 million. The Skopje Development and Management Company, Ltd. (SDMC) is in charge of detailed design, promotion and management of the park.

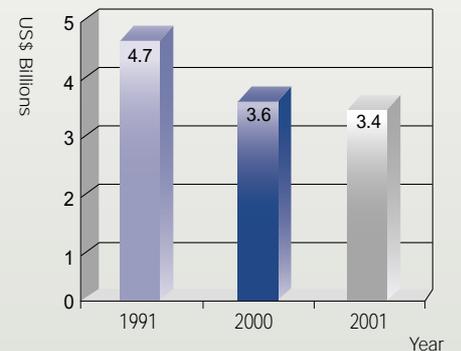


▲ A clothing manufacturing factory in Macedonia

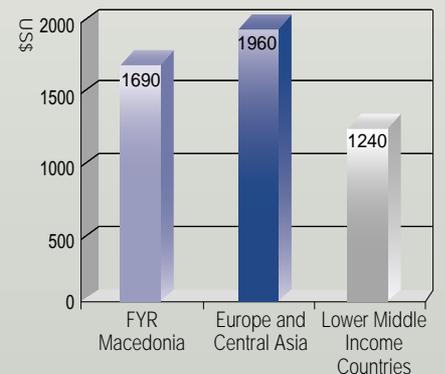
Structure of the Economy 2001 (%GDP)



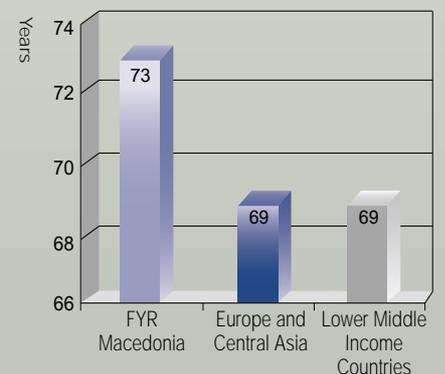
GDP



GNI Per Capita 2001



Life Expectancy 2001



Macedonia at a Glance

Poland



Fast Facts

Capital:

Warsaw

Language:

Polish

Population:

38.7 million

Area:

312,685 sq km

Religion:

Christianity

Currency:

Zloty



Economic Overview and Outlook

Poland gained its independence in 1918, only to be overrun by Germany and the Soviet Union during World War II. Following the war, it became a Soviet satellite country, but one that was comparatively tolerant and progressive. Labor turmoil in 1980 led to the formation of the independent trade union “Solidarity” that over time became a political force and by 1990 had swept parliamentary elections and the presidency.

A “shock therapy” program during the early 1990s enabled the country to transform its economy into one of the most robust in Central Europe. Negotiations to accede to the EU were completed in October 2002 and Poland will become a member in 2004.

Poland joined the NATO alliance in 1999. The Polish economy grew rapidly in the mid 1990s, but growth has slowed considerably in recent years. The GDP grew by four percent in 2000, and one percent in 2001. Slowing growth has boosted unemployment, which stood at 17.4 percent at the end of 2001.

All of Poland’s post 1989 governments have pursued economic reforms and generally sound fiscal and debt policies. Poland continues to liberalize its trade, foreign exchange and investment policies in accordance with its obligations to the EU, the WTO, and the Organization for Economic Cooperation and Development (OECD).

Agriculture employs 28.4 percent of the work force but contributes only four percent to GDP, reflecting low productivity. The best performers are oil products and derivatives, the automobile industry, and the wood and wood products sector. As a result of Poland’s growth and healthy investment climate, the country has received over \$50 billion in direct foreign investment since 1990.

Although over the past decade Poland has transformed itself into a market economy led by the private sector, the government continues to play a large role. Opportunities for trade and investment continue to exist across virtually all sectors. Strong economic growth potential, a large domestic market, prospective EU membership, and a high level of political stability are the top reasons why foreign companies do business in Poland.

According to the World Bank, Poland had an external debt of US\$33.7 billion and received US\$ 966 million in assistance in 2001. The EU, France and Canada were the largest contributors.

ICDF Operations

The ICDF has one investment and lending project in Poland.

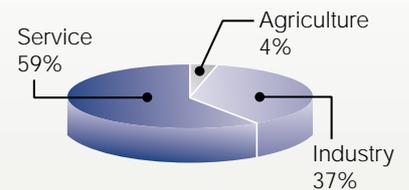
Investment and Lending Project

SME Relending Project

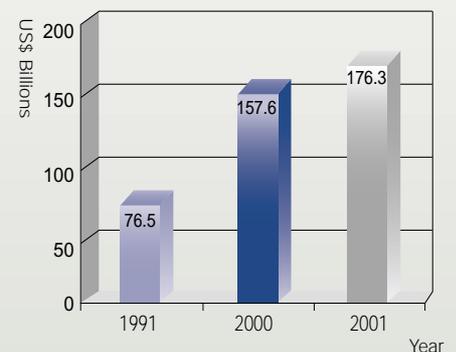
In the short term, the primary goal of this project is to increase the supply of investment financing credit in Poland for qualified industries of small and medium scale. Its secondary goals are to foster a professional consulting service for local manufacturing enterprises, and to enhance local banking capability in evaluating and managing investment financing.

To support the project, the International Commercial Bank of China will extend a loan not exceeding US\$20 million with funds to be obtained entirely from the ICDF, to the IDA with a full guarantee from the Government of Poland. The project consists of two parts: the Investment Credit Component (ICC) and the Technical Assistance Component (TAC).

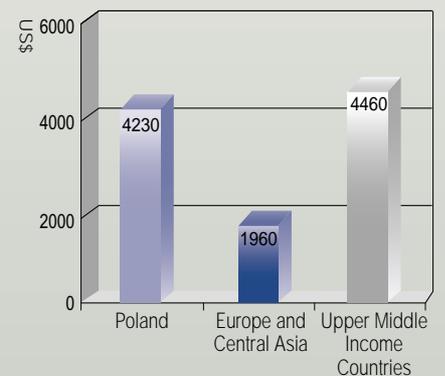
Structure of the Economy 2001 (%GDP)



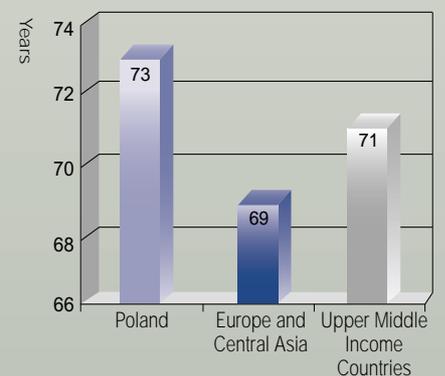
GDP



GNI Per Capita 2001



Life Expectancy 2001



Poland at a Glance