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**THE TWENTIETH PLENARY SESSION OF THE PABSEC GENERAL ASSEMBLY
ECONOMIC, COMMERCIAL, TECHNOLOGICAL AND ENVIRONMENTAL
AFFAIRS COMMITTEE**

REPORT

ON

**"THE BLACK SEA TRADE AND DEVELOPMENT BANK: THE FINANCIAL PILLAR OF
COOPERATION IN THE BLACK SEA REGION"**

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I. INTRODUCTION

1. The Black Sea Trade and Development Bank (BSTDB) was established by the eleven Member States of the Organisation of the Black Sea Economic Cooperation (Albania, Armenia, Azerbaijan, Bulgaria, Georgia, Greece, Moldova, Romanian, Russian Federation, Turkey and Ukraine) in 1998 as a regional multilateral development financial institution starting its full operation on 2 June 1999.

2. The purpose of the Bank is to accelerate development and promote co-operation among its shareholder countries. The BSTDB promotes regional trade, finances projects, and facilitates efforts of Member States to create stronger links among their respective economies.

3. The three largest shareholders are Greece, the Russian Federation and Turkey with 16.5% each of the total subscribed capital. Bulgaria, Romania and Ukraine account for 13.5% each with the five remaining members, Albania, Armenia, Azerbaijan, Georgia and Moldova each contributing 2% of the total subscribed capital. The Bank benefits from a subscribed capital base of 1 billion Special Drawing Rights (SDR) (approximately 1.35 billion USD).

4. The Bank's activities are guided by the following principles: consistency with sound banking principles and prudent banking practices; transparency, accountability and effective corporate governance; fair consideration of any business proposal; efficiency and flexibility; focus on clients' needs.

5. The role of development banks is significant for achieving economic growth and mobilising economic activities. Development banks mobilise financial resources for regions and facilitate economic cooperation and development. They better assume elements of political and country risk that often keep private investors away and improve access to financing for companies in the Member Countries as they know the region in which they operate and its needs.

6. The Parliamentary Assembly has on a number of occasions over the past few years drawn attention to the work of the BSTDB. Thus, among others, the Assembly adopted a Recommendation and Report on the BSTDB at its General Assembly in Ankara in June 1999 upon the establishment of the Bank. Through its Economic Affairs Committee regularly reviews the activities of the bank and in its Recommendations to the BSEC Council, has stressed the need to improve the overall financial and banking systems of the member countries as well as to better involve the bank in the regional integration process.

7. The BSTDB's role has increased in the last years, through the acceleration of its activities which have turned it into the financial pillar of regional cooperation. The Assembly reviews the Bank's activities since its operation with a view to contributing in giving an input in its future strategies. This Report draws on the Annual Reports of the BSTDB, and the contributions of the national delegations of Bulgaria, Greece and Romania.

II. THE BSTDB'S MISSION, STRATEGY AND PRIORITIES

8. *Mission.* The Agreement Establishing the BSTDB describes the central purposes of the Bank as contributing to the development of and economic cooperation among its

member states, by providing banking services for projects in the public and private sectors in its member states and promoting trade activities among them. The bank has thus a dual mandate: to promote development in the individual member states and to enhance regional cooperation.

9. The Bank's operational strategy is formulated along the lines of its mission to facilitate the progress of each member country and the Black Sea region towards balanced economic and social development. In particular, the Bank's strategy aims at:

- i. The facilitation of economic cooperation and acceleration of intra-regional integration via promotion of trade and investment activities in and among the member countries.
- ii. The mobilisation of resources within the region and improvement of its access to foreign investment and capital markets.
- iii. The development of private enterprise sector, including SME promotion.

10. During the initial period of its operations, the Bank primarily concentrates on the following areas:

- i. Project finance includes medium-size, medium-term, and economic infrastructure investments with strong cooperation and development impact, preferably involving participation of several member countries. The Bank seeks to co-finance such projects with other International Financial Institutions (IFIs) as well as to attract private sources of capital (commercial banks and institutional investors).
- ii. Trade finance aimed at fostering trade and economic cooperation among member countries. These operations are intended to increase regional demand for goods and services produced by member countries and to have a strong economic development impact with resulting increased productive investments.
- iii. Private enterprise sector development by providing credit lines and equity investments, in particular to SMEs which constitute the most vibrant and dynamic component of the private sector in member countries and are the principal source of new jobs. The majority of these operations are implemented through selected financial intermediaries and they also include the development of human capital especially through vocational training and education.

11. While direct financing by the Bank for social infrastructure projects is not envisaged, especially during the start-up period, the Bank pays particular attention to the positive social development and job creation impact in all of its operations. The Bank's strategy targets mobilization of domestic and foreign resources into the region by borrowing on the international capital markets, attracting official and commercial co-financing to its projects, and creating attractive conditions for investments otherwise not available from alternate sources.

12. The Bank takes pro-active steps to identify projects with co-financing possibilities. The key elements of the Bank's co-financing strategy include:

- co-financing from official sources in order to strengthen regional development and co-operation between the member countries
 - co-financing from market sources on a joint, but preferably parallel, co-financing basis, mainly for private sector projects
 - co-financing with other IFIs, both joint and parallel, on terms and conditions, which avoid the imposition of conditionalities of the loans on the governments. While it seeks to explore all the opportunities for cooperation with other IFIs in
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the region, the Bank pays particular attention to its additionality principle and, therefore, to opportunities where it can attract financing to prospective areas not yet covered by the other IFIs.

BSTDB Operations 1999-2002 (Trade and Project Finance)					
	To date: 1999-2001		Projections for 2002		Accumulated: 1999-2002
Stage	No	\$m	No	\$m	\$m
Appraised	27	222	30	175	397
BoD Approval	27	176	24	130	306
Signed	19	121	20	102	223
Disbursed	9	99		84	183

Source: Annual Report 2001, BSTDB, 2002

13. *Resources.* The work of the bank is based on paid in capital, reserves, profits and capital raised on the financial markets. The bank's own assets (equity) reached 218,177 thousands SDR in December 2001.

III. COUNTRY STRATEGIES

14. Through a permanent communication with its member countries, individual financial requirements and investment priorities of each member country are analysed. A key outcome of the Bank's operation has been thus the preparation of Country Strategies- which summarise economic performance and key issues facing the country, and lay out the Bank's priorities for project finance and trade finance activities for a certain period (two-year period). There are many issues common to all the member countries, chief of which is the need- and desire- to increase regional cooperation and to lay the framework for greater economic integration. However, there are also different prospects and challenges facing each of them, forcing the Bank to tailor its strategy to the needs and desires of each country. In general, the Country Strategy depends upon the levels of development and macroeconomic stability of each particular member. If the Member is at a stage where macroeconomic stability remains elusive, then the Bank's strategy is to leverage activities in a manner that will help move in the direction of achieving stability. Cooperation with other international financing institutions generally plays a larger role to help such a country and improves the climate for private business.

15. For the majority of the BSEC countries, the main challenge is not achieving macroeconomic stability, but rather entrenching the stability, improving the economy's resilience in the face of exogenous and endogenous shocks (such as the 1998 Russian financial crisis), and most importantly, carrying out the necessary structural reforms to bring about the preconditions for sustained growth. Cooperation with other IFIs continues to play a role, for projects that aim to develop market institutions, advise on legal and institutional reforms, build infrastructure, and facilitate the establishment of competitive frameworks through activities such as sectoral restructuring and enterprise privatisation. However, there is a greater emphasis on private sector operations, facilitating intra-regional trade and helping to stimulate private sector activity and investment. Improving access to capital is important even for the more developed and market oriented BSEC countries.

16. **Albania.** The improved political climate in Southeast Europe generates substantial opportunities for increased trade and integration with neighbouring states. The

fledgling financial sector in the country provides little support to commercial transactions, the BSTDB thus, seeks to work with financial intermediaries with capable management and strong support in order to support trade. In project finance, BSTDB seeks to participate with private firms engaged in sectors such as food processing, consumer products, construction materials and textiles. In addition, the Bank seeks to support economic infrastructure development, and takes an active interest in cross border infrastructure and possibly telecommunications. Since almost all enterprises in Albania fall within the category of SMEs, BSTDB explores ways to provide support to SMEs, wary of the fact that the sector has attracted considerable attention, but there has been little in the way of successful results.

17. Armenia. Financing needs in Armenia are extensive as almost all sectors of activity, telecommunications, energy, transport and industry, demonstrate a need for investment. BSTDB focuses primarily on two activities for its project finance program: (i) export oriented industries and (ii) transport, for which existing bottlenecks, and the relative isolation of the country pose formidable obstacles for development in other sectors of the economy. Identifying partner commercial banks is challenging, but BSTDB hopes to contribute to building capacity and confidence in promising local banks.

18. Azerbaijan. BSTDB concentrates its activities in Azerbaijan on providing financial support in particular for projects in non-oil sectors. It plans to establish a post privatisation facility to help already privatised enterprises to restructure and develop, as a way of supporting high development and transition impact, social impact, mobilization of external funds, and financial sector development. As a long-term priority BSTDB supports member countries investors to participate in privatisation in Azerbaijan and considers financing projects in telecommunications, transportation, manufacturing, agribusiness, and oil and gas industries. For trade finance, BSTDB focuses its support in areas of the economy that have potential, but require additional support, such as support for purchase of equipment and other inputs in order to increase agricultural production and to improve food processing, packaging and canning industry.

19. Bulgaria. Since much of the investor reluctance- domestic and external- which affects the country adversely is due to perceptions of regional and country risk, there is considerable scope for BSTDB to provide genuine 'additionality' or value added, to operations which otherwise would not occur. The key is identification of private firms with solid management and good track records that are involved in sectors such as food processing, consumer products or textiles. In addition, there is scope for BSTDB participation as a co-financier in transport, cross border infrastructure, and possibly telecommunications.

20. Georgia. Georgia's geographical position places it at an advantageous position as far as transport and communications potential are concerned. The energy sector is of particular interest, both infrastructure for transit of energy resources and power generation activities- the latter depending upon structural reforms and the pace of privatisation. The best prospects for working with private firms involves dynamic medium sized firms that are involved in export oriented or import substituting activities. This includes much of the agribusiness sector, and certain industries that are

export oriented. Identifying partner commercial banks is challenging, but BSTDB hopes to contribute to building capacity and confidence in promising local banks.

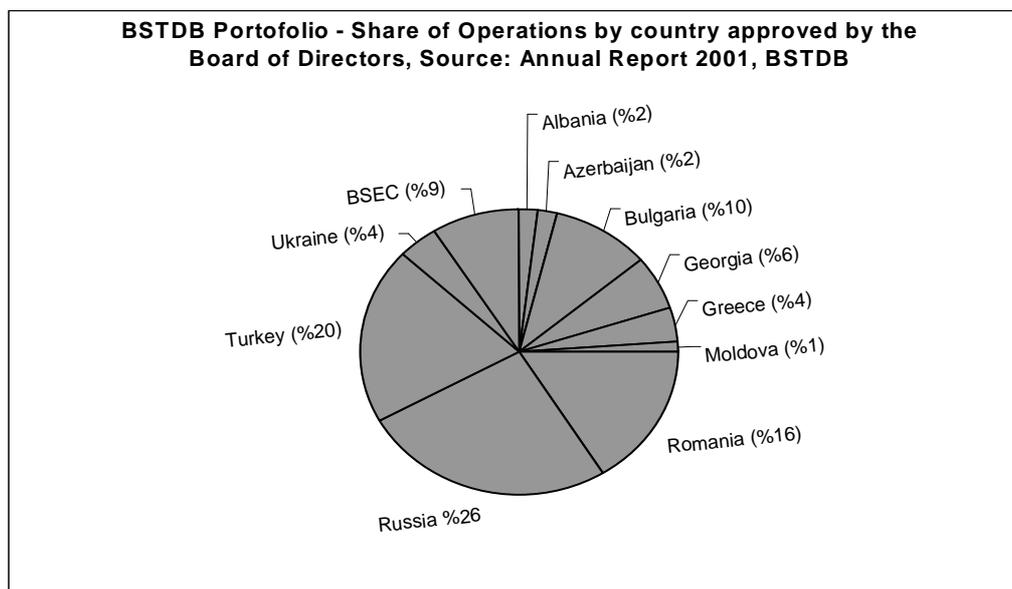
21. Greece. In view of the status of Greece within BSEC, project finance prospects within Greece are more limited than in other member countries. There is little need for BSTDB participation in activities in Greece, since private firms can access funds more quickly and cheaply through private banks. There may be participation in cross-border initiatives, and intra-BSEC investment projects. In addition, shipping draws attention, since it is by nature a sector in which the regional cooperation prospects are high. There is considerable scope for project finance activities involving Greek firms investing in other BSEC countries as many Greek firms are looking to neighbouring countries for the development of new markets, and they have been active in numerous BSEC countries. The increasing export orientation of Greek firms to the BSEC region, combined with the perceived risks of doing business in other BSEC countries, suggests that BSTDB should be able to work with Greek banks and their client firms to help them benefit from the guarantee program, and buyer credits.

22. Moldova. The BSTDB's primary strategy for support of the Moldova economy lies in the following important areas. In trade finance, the key aim is to promote Moldova's exports. This would reduce Moldova's vulnerability to external shocks, would promote private sector development, and would employ export growth as an engine for economic development and better utilisation of domestic resources. In addition, the Bank seeks to provide assistance for the creation of a Moldova export promotion agency. BSTDB places great emphasis on private sector development. This entails supporting the development of SMEs through development of local financial intermediation. On a case-by-case basis, the Bank examines the possibility of supporting specific enterprise restructuring and privatisation assignments. In addition, the Bank intends to contribute to the development and privatisation of a competitive private sector in the financial sector.

23. Romania. In the first years of operation the Bank focuses on co-financing with other international financial institutions medium term, medium size, public infrastructure operations- in particular transport, energy and telecommunications. The highest priority is for cross-country operations with strong regional cooperation impact. In addition, the Bank seeks to support private sector development, in particular locally owned and incorporated medium size businesses in manufacturing of goods with export potential. The Bank particularly seeks to mobilise capital through credit lines and promotion of equity participation. For trade finance, the Bank seeks to foster trade among the region countries, aiming at superior utilisation of existing fixed capital and labour capacities, and increasing value added of export oriented producers of goods and services.

24. Russia. The project finance strategy for Russia involves focusing on projects in the regions of Russia near the Black Sea- primarily Rostov, Krasnodar, and Stavropol. Investments involving regional BSEC cooperation that are outside these three regions also receive due consideration. The reasons for this, include the geographic proximity of these regions to the other BSEC members, the relatively lower share of interest and initiatives from IFIs they have received, and the fact that since Russia is so vast geographically, the best way for the Bank to achieve impact is by focusing on specific areas where the prospects to add value are greatest. The best opportunities for

business in these regions are with firms involved in food processing and light industry, especially firms which are involved in 'import substitution' activities, or which carry out exports. Project finance activities also involve working with a number



of Russian firms, which undertake investments in other BSEC member countries. The trade finance strategy seeks to promote export capacity of Russia, and to facilitate trade between Russia and the other member states. The Bank's trade finance program target firms (in the industrial and processing sectors) encounter problems of access to finance and the general problems associated with country risk.

25. Turkey. The Bank focus on (i) co-financing with other IFIs and the Turkish government medium term, medium size, public infrastructure operations and regional development projects; and (ii) supporting private sector development, in particular locally owned and incorporated medium size businesses in manufacturing of goods with export potential, and SMEs particularly in the less developed parts of the country. However, a priority for BSTDB is also to partner with Turkish firms investing in other member countries. In trade finance, there is great potential of cooperation with Turkish firms and banks to assist in the promotion of intra-regional trade. In particular, BSTDB works with Turkish banks to provide additional resources to assist exports, and to work with local banks and their client firms to help them benefit from the guarantee program and buyer credits.

26. Ukraine. The BSTDB's primary strategy for support of the Ukrainian economy lies in the following important areas: diversification of the sources of energy supply; increasing Ukrainian exports, primarily to BSEC countries; providing financial support for purchases of necessary capital goods for use in agriculture and manufacturing; and supporting SMEs development. A number of sectors of activity-energy, telecommunications, transport and industry, show an urgent need for investment and include a number of initiatives, which involve strong regional co-operation elements. BSTDB therefore pro-actively seeks lending opportunities chiefly in these sectors.

IV. The Bank since 1999

27. *Operations in the member countries.* Since 1999 the bank has generated business in sectors which contribute to further cooperation among member states. It has business targets for each member country but is not tied to any fixed quotas for allocation of its financial resources. While the bank has expanded the scope of its operations, it has yet to implement operations in certain member countries (e.g. Armenia) for a range of reasons including limited investment opportunities, a difficult environment, a need to raise awareness.

28. In the field of Project Finance, the bank has financed joint-ventures or investments involving firms from one or more member countries. In 2001, project finance activity doubled relatively to 2000 with 11 operations amounting to 87 million USD were approved by the Board of Directors. Transport projects especially those involving ports were given priority while other sectors financed were energy, manufacturing and the financial sector. The total amount of the Trade Finance activities of the Bank, as of the end of 2001 reached 97.1 million USD including mainly short-term pre-export finance. The vast majority of the banking loan portfolio is in the private sector (231.9 million USD or 97% of the portfolio), with only two operations receiving a sovereign guarantee. With many of the countries facing debt challenges and implementing IMF macroeconomic stabilisation programs, the potential for sovereign projects is limited. The Bank has preferred focusing on SMEs as they account for the bulk of existing employment and has thus formed its own SMEs Strategy. The three SMEs projects approved in 2001 totalled 23.75 million USD.

BSTDB's operations in the member states 1999-2002
<p>Albania Transbalkan SME Equity Fund</p>
<p>Azerbaijan <i>January 2002:</i> The bank extended USD 4 million to International Bank of Azerbaijan to promote trade in the Black Sea Region</p>
<p>Bulgaria <i>May 2002:</i> The bank extended a Pre-Export credit line of the the amount of US\$ 1 million to Commercial Bank - Bulgaria Invest A.D. (CBBI) to be used by CBBI to advance sub-loans to Bulgarian exporters primarily in the SMEs sector to finance production and exports. <i>April 2001:</i> The bank made available USD 1,5 million credit line to CB "Unionbank" in order to provide pre-export financing to Bulgarian exporting companies. "Unionbank". <i>April 2001:</i> The bank made available USD 9.171 million for financing specific elements of an ongoing environmental improvements program at the Kombinat za Czvetni Metali S.A. (KCM), zinc-lead smelter in Plovdiv. The implementation of the project will bring the facility into compliance with the Bulgarian and the EU environmental requirements, and prevent future environmental damage. <i>March 2001:</i> The bank made available USD 5 million credit line to First Investment Bank, to be used to provide Bulgarian exporting companies with working capital.</p>
<p>Georgia <i>April 2001:</i> The bank provides up to USD 1 million to finance the working capital requirements of Progress Ltd., one of the largest producers of flour in Georgia. The loan would be intermediated by the Bank of Georgia. <i>May 2001:</i> The bank signed credit agreements (within its trade fiance program) of a total of 2,5 million USD with the Bank of Georgia and the Microfinance Bank of Georgia. <i>June 2000:</i> The bank made available US\$ 1.5 million credit line to the Bank of Georgia for the purpose of lending trade finance products in Georgia. The credit line will be used for short-term trade finance programs supporting export of value added products to generate more employment, productivity and hard currency revenues in Georgia.</p>
<p>Greece: <i>April 2000 :</i> The bank approved a US\$ 10 million loan to Vardinoyannis-Avin International group</p>

(Greek) for a project involving construction of an oil/product tanker vessel by the State Joint Stock Holding Company 'Black Sea Shipbuilding Yard' at Nikolaev.
<p>Romania</p> <p><i>April 2002:</i> The BSTDB Provided Guarantee for KfW lending to Banca Romaneasca S.A. to Support SME Development in Romania.</p> <p><i>October 2000:</i> The bank signed a US\$ 4 million credit line agreement with Demirbank S.A. operating in Romania to promote trade transactions.</p> <p><i>Other Projects:</i></p> <ul style="list-style-type: none"> - Termoelectrica trade finance loan (15 million USD) - BankPost credit line to SMEs (facility of up to 10 million USD over a six year period) - RomTelecom group financing
<p>Russia</p> <p><i>April 2002:</i> The BSTDB Expanded its Trade Finance Program in Russia to Include PROBUBINESSBANK.</p> <p><i>December 2001:</i> The BSTDB made available a US\$ 4 million Facility to KMB Bank (Small Business Credit Bank). The Facility is used by KMB Bank to on-lend financial resources to Russian SMEs for viable projects.</p> <p><i>August 2001:</i> The BSTDB (together with the EBRD) participates in the financing of the Togliatti Azot (ToAz) company with USD 15 million. The loan will be used to meet the working capital needs of the Company. This will allow ToAz (a large ammonia producer) to allocate its own funds for the export port facility project on the Black Sea coast.</p> <p><i>May 2001:</i> The bank extended a credit line for the amount of US\$ 10 million to the Vneshtorgbank for Pre-Export Finance Facility. Vneshtorgbank will use the Facility to provide working capital to Russian exporting companies, thus promoting exports in the Russian Federation.</p> <p><i>November 2000:</i> The BSTDB approved a USD 12 million credit line for SMEs and expanding businesses in southern regions of Russia – Stavropol, Krasnodar and Rostov. The loan is extended to selected Russian banks for on-lending operations to SME borrowers, for the period of up to 5 years.</p>
<p>Turkey</p> <p><i>April 2000:</i> The bank signed a 6 year, USD 10 million credit agreement with the Industrial Investment Bank (SYB). The proceeds of the credit line will be used by SYB for providing financing to SMEs affected by the August 17 and November 12, 1999 earthquakes in Turkey.</p> <p><i>September 2000:</i> The Bank signed an agreement with turk Eximbank representing Banks' commitment valued at US\$ 16,250,000 on a revolving basis of 180 days. The purpose of the facility was to provide short term pre-export financing to turk Eximbank's customers in Turkey, which export goods to other BSTDB member countries.</p>
<p>Ukraine</p> <p><i>November 2001:</i> The bank made available US\$ 6 million to Gastransit (Ukraine) for the expansion of the Trans-Balkan Gas Pipeline which links six members (Russia, Greece Bulgaria, Romania, Ukraine and Turkey). The project with the total cost of US\$97 million will be financed together with the EBRD, HypoVereinsbank and Agricultural Bank of Greece. The project involves the expansion and operation of a stretch of the Trans-Balkan Pipeline in south-western Ukraine.</p> <p><i>December 1999:</i> The bank made available US\$ 12 million to built a gas compressor station in Ukraine for a trans Balkan gas pipeline project. The project will increase the capacity of the gas pipeline from Russia to Turkey via Moldova, Romania and Bulgaria. It is implemented by the Gastransit (Ukraine), a joint venture established by Gazprom (Russia), Naftogaz (Ukraine) and Transbalkan and Turusgas (Turkey).</p> <p><i>November 2001:</i> The bank announced the financing of a major grain terminal project in the port of Ilychevsk with a 9 million USD.</p>
Source: BSTDB <i>Annual Reports</i> published in 2001 and 2002 and Bank's Press Releases.

29. *Special Funds.* On July 4, 2001 the BSTDB concluded a Contribution Agreement with the Government of the Hellenic Republic in respect of a Technical Cooperation Special Fund for Euro 800.000 to be provided by the Hellenic Government. The facility represents the first Special Fund to be administered by BSTDB. The Fund is a project preparation facility, which will be used by BSTDB to hire individual consultants or consulting companies to assist in the preparation of feasibility studies, business plans, the upgrading of financial statements and accounts, and other technical assistance needed for projects in member countries. The Fund is tied to the

use of Greek consultants and consulting firms, with at least 75% of funding of each activity under the facility and up to 25% of the funding may be used for financing consultants or firms from other BSTDB member countries, or from other donor countries which provide technical cooperation funds to the Bank.

30. The BSTDB together with other major development and commercial financiers, has invested in the Trans Balkan Fund (TBF), focused on equity investments in SMEs. The Bank's contribution to the capital of the TBF is 4 million US dollars. The Bank's members, Albania, Bulgaria and Romania are eligible for investments by TBF.

31. *Promoting environmental concerns.* As an integral component of its objectives, the Bank promotes environmental sustainability and soundness and cleaner technologies in the projects it finances. The Bank is focused on the unique environmental issues of the region, and supports the various national, regional and international efforts to prevent pollution in the Black Sea and the surrounding environment. The Bank is guided in these efforts by its Environmental Policy, which gives special attention to the preservation of natural conditions and the pollution prevention of groundwater, wetlands, coastal areas, natural parks and protected areas, forests, fisheries and wildlife. The Bank's environmental policy was recently reviewed against current international environmental trends and the unique aspects of the Bank's member countries.

32. *Co-operation with other International Institutions.* The past few years have witnessed intensified partnerships between the BSTDB and several international institutions, not least through information exchanges and the co-financing of projects. Thus, the Bank enjoys observer status with the IMF and World Bank Group; is a partner in the Stability Pact for South Eastern Europe, especially in the Working Table on Economic Reconstruction, Development and Cooperation; works together with the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the European Union. It has also signed Memorandum of Understanding with the Islamic Development Bank.

33. *Cooperation with the Organisation of the BSEC and its Related Bodies.* The bank has concluded a Framework Cooperation Agreement with the BSEC and signed a Memorandum of Understanding with the International Centre for Black Sea Studies. It has supported the work of the BSEC among others sponsoring meetings of the BSEC Working Group on Economic Development and Trade and being an active partner in the establishment of the BSEC Project Development Fund and of Export Promotion Centres and Export Credit Agencies in the member states.

V. SHAPING FUTURE ACTION

34. The strategy of the Bank should continue to be focused on priority objectives resulting from the experience gathered by now as well as from the statutory priorities and the priorities of the Organisation of the BSEC. The future changes in the functioning and further development of the Bank's activities should serve such a strategy that comprises the following objectives:

- enlarging activity on its priority objectives
 - aiming at a better geographical and financial distribution of its loan portfolio
 - intensifying its operations to promote social development
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35. Boosting the Bank's action in all fields necessitates adequate resources, both financial and human and in this respect the political will of its shareholders to support the expanding the Bank's activities is fundamental. At the same time, further, active cooperation with other IFIs will not only upgrade the Bank's international status but will also bring positive impact in the Black Sea as a capital destination.

36. A major task for the BSEC is the establishment of a positive investment environment. At the same time, it is crucial that the Bank's activities support the development of financial institutions sector in the member countries as the existing underdevelopment of the financial and banking sectors of most of the BSEC countries undermines their efforts to achieve economic development on one hand and to successfully integrate in the world economy on the other.

37. Taking into consideration the increasing needs of the BSEC countries for energy which are a result of the continuous development of regional economy, the Bank could provide significant support to securing much needed financing of energy projects that interlink the countries of the region. Within this framework, specific projects such as the Costanta – Omysal pipeline could be considered for co-financing with other IFIs.

38. Regional cooperation and in general developmental impact should continue being an integral component of the operations approved by the BSTDB. The BSTDB is expected to play a primary role in achievement of this strategic goal of sustainable economic development of the region therefore, the mechanism for interaction between the BSEC and the BSTDB should be more intensively implemented.

39. The accompanying Recommendation 65/2002 includes specific policy proposals directed both to the governments of the BSEC member states as well as to the BSTDB for making the bank's operation more effective and successful.
