

EBRD

A MULTILATERAL DEVELOPMENT BANK
WITH A EUROPEAN BACKBONE

Last updated January 2022



European Bank
for Reconstruction and Development

WHO WE ARE

The European Bank for Reconstruction and Development (EBRD) is a **multilateral development bank** with a **strong European backbone** and a **unique transition mandate**. It is a reliable delivery partner for Europe's development priorities, as well as the global 2030 Agenda for Sustainable Development.

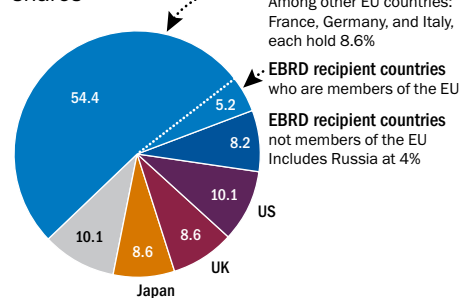
The EBRD has 71 shareholder countries on five continents, including all of the European Union (EU) member states, all of the economies in which the Bank invests and many others, such as the United States of America, Japan and Canada, as well as the EU itself and the European Investment Bank (EIB). The founding treaty of the EBRD stipulates that EU member states, the EU and EIB hold a majority of its total subscribed capital stock at all times. Currently, the EU, its

member states and the EIB hold a combined share of 54.4 per cent. The EBRD and the World Bank are the only multilateral development banks in which all EU member countries are shareholders, and **the EBRD is the only multilateral development bank with an EU-held majority**.

The EBRD's business model rests on the principles of sound financial management and the preservation of prudent levels of capitalisation and liquidity. This ensures its long-term financial sustainability and translates into a **triple-A credit rating** from all of the major ratings agencies.

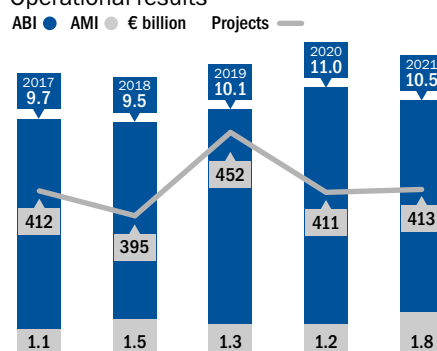
Since its inception in 1991, the EBRD has **sustainably grown capital from retained earnings** to increase its capacity to invest. It has the capacity to lend up to €13 billion a year over the next five years.

Voting power as a percentage of shares



Other
Including Australia (~1%), Canada (~0.8%), China (0.1%), South Korea (~1%), India (~0.03%), Israel and Switzerland

Operational results



ABI: Annual Bank Investment is the volume of commitments made by the Bank during the year.
AMI: Annual mobilised investment is the volume of commitments from entities other than the EBRD made available to the client due to the Bank's direct involvement in mobilising external financing during the year.

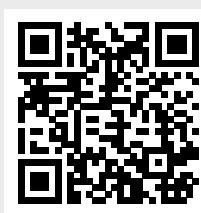
The EBRD's mandate is:

“to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in countries committed to and applying the principles of multiparty democracy, pluralism and market economics.”

Article 1

Agreement Establishing the EBRD

Watch our 30th anniversary video



51%

Green financing
share of ABI in 2021



WHAT WE DO

The EBRD invests in 38 economies on three continents, of which 26 are spread across the EU's eastern and southern neighbourhood, the Western Balkans, Turkey and Central Asia. To date, more than **79 per cent of all EBRD cumulative investment is in the private sector** and 75 per cent is outside the EU.

In 2020, the EBRD responded swiftly to the Covid-19 crisis, investing a record €11 billion.

The EBRD focuses primarily on private-sector investment and leverages its policy engagement to support reforms that improve the investment climate. The Bank's work with the public sector helps to promote reform, develop commercially oriented solutions to public policy issues and unlock opportunities for the private sector. Consequently, the EBRD is able to offer investment, policy engagement and technical assistance under one roof.

Investment decisions are guided by the principles of **sound banking**, **additionality** and **transition impact**. The latter is defined by six transition qualities that characterise a successful, sustainable market economy: competitive, well-governed, green, inclusive, resilient and integrated. These qualities are well aligned with the Sustainable Development Goals (SDGs).

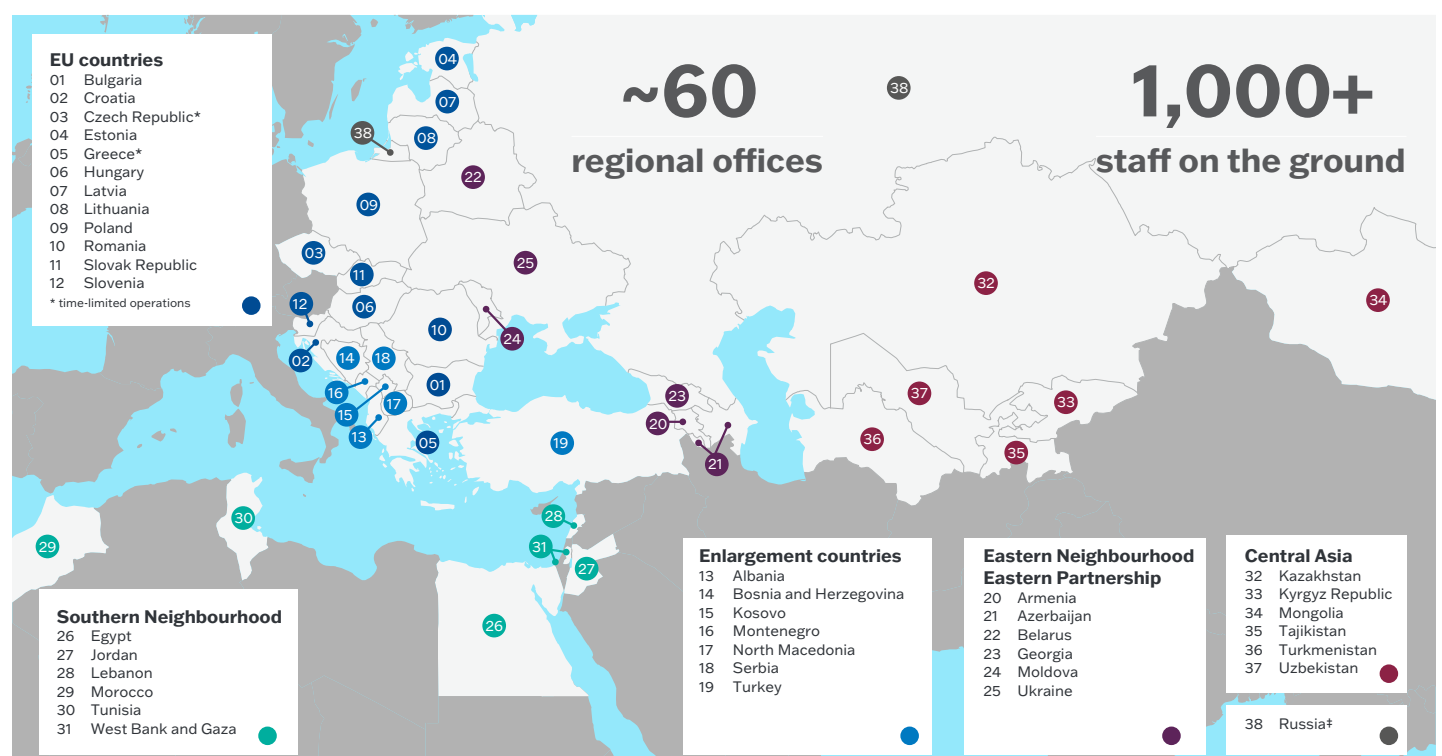
The EBRD committed all of its funding for 2020-21 to helping its investee economies navigate the Covid-19 crisis. The Bank has adapted and scaled up existing instruments and developed new initiatives to provide finance, policy and advisory support, targeting those sectors particularly affected by the crisis, from financial institutions and small and medium-sized enterprises (SMEs) to corporate sectors, such as tourism and hospitality, automotive and transport providers, agribusiness and medical supplies.

Beyond crisis response and recovery, the EBRD is also supporting countries with an eye on the post-Covid-19 era, to preserve the transition gains and progress made on building sustainable and open market economies to date and to accelerate transition progress. Three **strategic themes** underpin the Bank's 2021-25 strategy:

- (i) **enhancing the transition to a green, low-carbon economy,**
- (ii) **promoting equality of opportunity and**
- (iii) **accelerating the digital transition.**

These strategic priorities align with those of the EU: the European Green Deal, an economy that works for people, and a Europe Fit for the Digital Age. The EBRD's mandate, private-sector focus and operational approach are well suited to the international community's aim to harness the full potential of markets and the private sector to achieve the SDGs and deliver on the Addis Ababa Action Agenda, the European Consensus for Development and the Paris Agreement.

WHERE WE ARE



HOW WE DELIVER

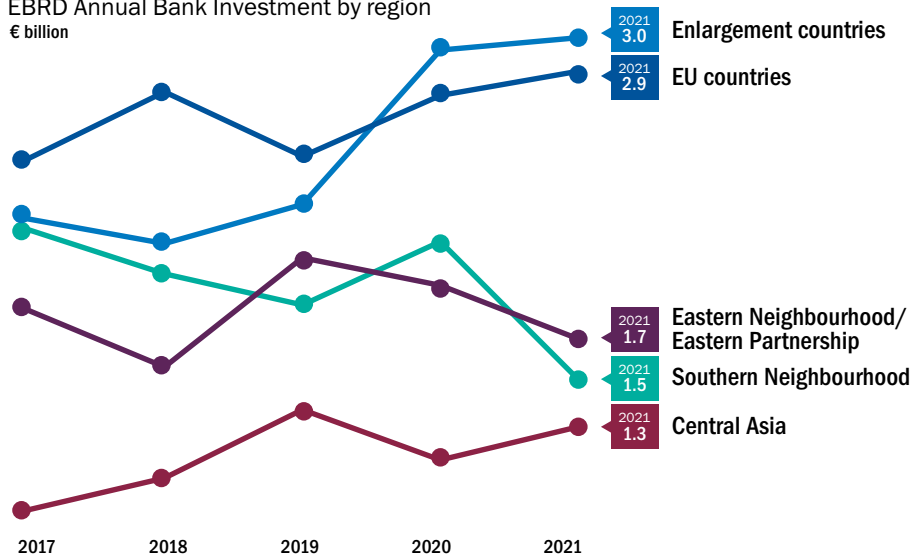
The EBRD delivers results by combining effective investment, policy engagement and technical assistance:

- **investment:** loans, equity (direct and through equity funds) and guarantees that are carefully structured to match client and project needs, with an average project size in 2020 of around €22 million and a typical investment range of €0.5 million to €250 million-plus
- **policy engagement:** engagement with national authorities and the promotion of dialogue between the public and private sectors to accelerate policy, regulatory and institutional reforms that help forge commercially oriented solutions to public policy issues and unlock opportunities for the private sector
- **technical assistance:** advisory services and capacity building to maximise impact, for example, to prepare and implement infrastructure projects and provide advisory services to SMEs.



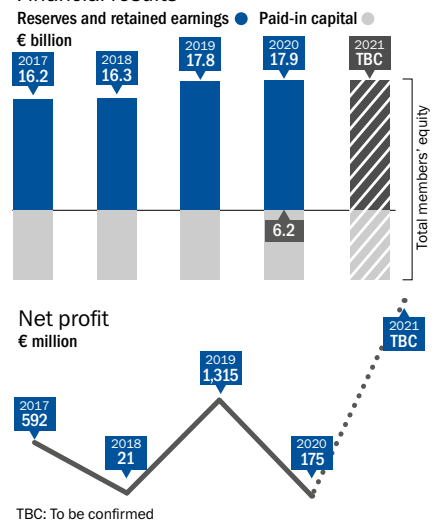
The EBRD's holistic offering helps create well-functioning and sustainable markets. It implements it through an **extensive network of around 60 regional offices**, with roughly one-third (over 1,000) of its staff based in economies where it invests. This local presence extends beyond national capitals to important regional cities. In Ukraine, for example, the Bank has offices in Kyiv, Lviv, Odessa and Kharkiv. The EBRD's people on the ground provide it with in-depth local market knowledge, enable hands-on work with clients and facilitate sustained engagement with local authorities.

EBRD Annual Bank Investment by region
€ billion



‡ The EBRD remains present in Russia to support existing projects and our clients. The Bank's operational approach, following guidance from a majority of Directors, is currently not to undertake any new business in the country.

Financial results



A TRUSTED PARTNER IN THE COVID-19 RESPONSE AND RECOVERY

As a specialised development bank, the efficacy of the EBRD's mandate and business model has made it a pivotal partner for the EU over the past 30 years. Most recently, it has been a core partner of the **Team Europe Covid-19 response**.

The EBRD was the first international financial institution to adopt emergency measures to address the economic impact of the coronavirus pandemic. The Bank is proud to have supported Team Europe from the outset by establishing a **Resilience Framework**, worth up to €4 billion, to provide finance to meet the short-term liquidity and working-capital needs of its existing clients.



The EBRD has also expanded financing under its **Trade Facilitation Programme** to keep global trade activity flowing under these extremely challenging circumstances. It offers **fast-track restructuring** for distressed clients, while maintaining high standards of accountability and enhancing established frameworks to support SMEs and companies that are not yet clients. The Bank has also launched a **Vital Infrastructure Support Programme** to provide short-term liquidity and capital investment to preserve the stable provision and green agenda of essential services, such as electricity, water, waste management, sanitation and public transport. In addition to focusing on the immediate Covid-19 response, the EBRD is working to ensure that the recovery from the pandemic will be resilient and sustainable and in line with global climate goals that preserve commitments to a low-carbon economy. It has engaged with strategic partners to capitalise on their strengths and forge synergies.

Overall, in 2020, in response to the Covid-19 pandemic, the EBRD made **record investments worth €11 billion in 411 projects**, addressing the urgent needs of the 38 economies in which it invests. Indeed, the Bank's shareholders agreed to dedicate most of its investment for 2020 and 2021 to supporting the crisis response in those countries, with a view to providing a total of up to €21 billion.

Because of the EBRD's strong local presence, it collaborates with EU delegations on specific Team Europe initiatives. The Bank has worked with the European Commission to re-prioritise **European Fund for Sustainable Development** programmes for crisis response. Team Europe is a vivid example of how European development actors can pull together in a swift and coordinated way. This kind of action and delivery is what will bolster European visibility.

“You are a unique institution, a true bridge between the European Union and our neighbouring countries”

Ursula von der Leyen
President of the European Commission



The EU-EBRD partnership in support of Team Europe: recent examples

- ▶ Joint support for the **municipal, infrastructure and industrial sectors** that have been affected by the Covid-19-induced economic crisis in the EU's southern and eastern neighbourhood. The EU provided a guarantee under the European Fund for Sustainable Development of up to €100 million to support EBRD investments of around €300 million and other loans from the private sector, for a cumulative total investment of more than €500 million. This Covid-19 recovery guarantee aims to boost economic resilience and climate action in the EU neighbourhood, where businesses, industries, municipalities and infrastructure will benefit from new finance.
- ▶ Joint support for climate finance to accelerate a green recovery. With a total of €61.3 million in grants, the EU supports three EBRD programmes to help businesses invest in energy efficiency, cut their carbon footprint, introduce innovative green technologies, support the circular economy and improve legal frameworks for energy- and resource-efficiency investments:
 - ▶ In **Egypt**, a €24.8 million grant from the EU supports the EBRD's Green Energy Financing Facility (GEFF), which focuses on making energy-efficient and renewable energy investments through local financial institutions that lend on to private companies.
- ▶ In **Morocco**, the GEFF benefits from a €21.1 million EU grant enabling local businesses to invest in green technologies. Beneficiaries reduce their costs by implementing climate adaptation measures, energy-efficient and renewable energy technologies, thereby also improving their competitiveness.
- ▶ In the EU's **Eastern Partnership region**, €15.4 million from the EU4Climate initiative will be channelled to corporate-sector clients through the EBRD's Finance and Technology Transfer Centre for Climate Change (FINTECC) programme in the form of investment grants, technical assistance and climate innovation vouchers, which are expected to accelerate the adoption of new climate technologies and sustainable business practices.

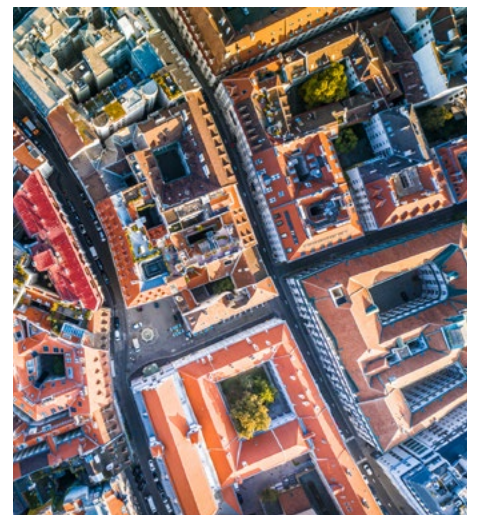


How EBRD collaborates

The EBRD is also stepping up cooperation with other financing partners, including the EIB, European development finance institutions, other multilateral development banks and the International Monetary Fund (IMF). For instance, the EBRD led the reactivation of the **Vienna Initiative**, which will help banks to remain engaged in financing the economies of EU and partner countries. The Bank is also promoting concrete ideas to step up cooperation among development finance institutions, increasing mutual reliance and setting up agreements for

reciprocal syndication. One example is the February 2021 memorandum of understanding between the EBRD and the 15-member Association of European Development Finance Institutions (EDFI), which enhances cooperation with a view to creating efficiencies and strengthening the impact and sustainability of joint engagements.

The EBRD and EIB also signed a Framework Cooperation Agreement on mutual reliance in October 2021.



STRATEGICALLY ALIGNED WITH EU POLICY PRIORITIES

The EBRD's new medium-term strategy, the Strategic and Capital Framework 2021-25, sets out how the Bank will support the economies in which it invests to preserve transition gains in the face of the Covid-19 crisis and what the EBRD will do to accelerate transition. The EBRD has identified three cross-cutting strategic themes that align well with EU policy priorities.

1. Supporting transition to a green, low-carbon economy

The EBRD can make a major contribution to delivering the **European Green Deal**. It has a proven green business model that combines private-sector and sub-sovereign lending with policy engagement and capacity building. It aims for 50 per cent of its annual investments to be in green projects by 2025 and is working towards speedy alignment with the Paris Agreement.

Green finance accounted for 51 per cent of the EBRD's total annual investment in 2021, bringing its cumulative green finance commitments as of year end to over €40 billion – 64 per cent of that to the private sector – spanning more than 2,300 green projects. These projects are expected to reduce annual carbon emissions by 112 million tonnes. The EBRD is also a regular issuer of **green bonds**, backing several first issues in the economies where it invests. It also issued the world's first **climate resilience bond**.

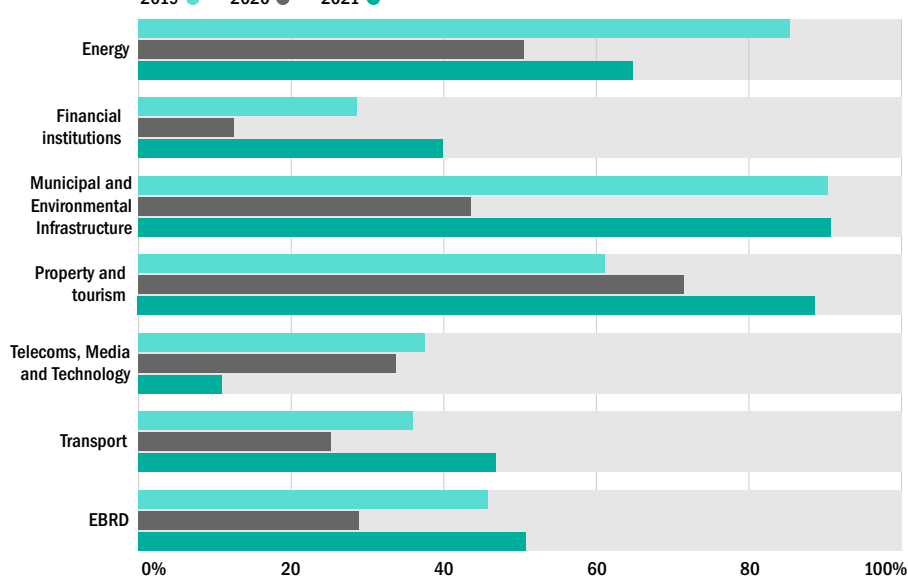
The EBRD is recognised as a leading multilateral development bank in the area of climate finance thanks to its successful Green Economy Transition (GET) approach. This is ever more relevant amid the growth in scope and scale of potentially significant disruptive environmental and climate impacts on political, economic, financial and social systems.

The EBRD uses its expertise and tools to help **achieve systemic impact** through innovation and upscaling in Green Deal areas, including the greening of the financial system, facilitating sustainable construction and buildings, energy efficiency to support the **Renovation Wave**, energy, transport and industrial decarbonisation (also through green hydrogen), sustainable infrastructure and mobility, green digital solutions, circular economy, sustainable food, natural capital and green value-chain financing.

With its extensive **private-sector** client base, the Bank supports EU public-private initiatives, such as the European Battery Alliance, the Bio-Based Industries Joint Undertaking, the Clean Hydrogen Alliance and the upcoming Raw Materials Alliance. It will continue to lend expertise to developing green finance policy and standards, as it did for the High-Level Technical Expert Group on Sustainable Finance.

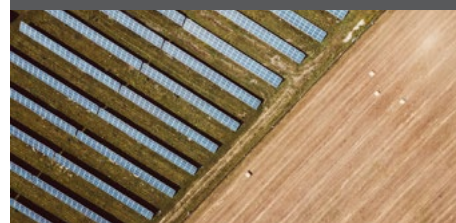
The EBRD welcomes the EU's focus on **just transition** in the context of the Green Deal, an important cross-cutting area of the EBRD's GET 2.1 approach. The EBRD has developed a **Just Transition Initiative**, leveraging its unique expertise in supporting private-sector investment and economic diversification in the most fossil fuel-dependent regions of Europe.

GET share of Annual Bank Investment by sector
2019 ● 2020 ● 2021 ●



Policy example

The EBRD is providing more competitive procurement and better tendering processes to attract private-sector investments to renewable energy in Egypt, Armenia, Kazakhstan, Kosovo, North Macedonia and Tunisia. In Jordan, the Bank's reform roadmap for the national energy operator is part of the country's five-year reform plan and has made the economy more resilient and green.



2. Promoting equality of opportunity

The EBRD promotes the **development of “economies that work for people”**. The Bank firmly believes that sustainable and productive market economies must draw on the capabilities of the whole population. The changing nature of work has already disrupted labour markets and increased inequalities between and within countries. The coronavirus pandemic has exposed and exacerbated these inequalities, as women, youth and migrants are more likely to work in service industries and other hard-hit sectors, such as tourism. Inclusive growth is essential to tackling these challenges and helping to stem unmanaged migration and increase social and political cohesion.

Recognising inequality as one of the defining political, economic and social challenges of our times, the EBRD promotes equality of opportunity for systematically disadvantaged groups, including women, youth, and people living in remote areas, through a practical approach rooted in the Bank’s private-sector focus. This helps to address three key dimensions of inequality:

- ▶ **Promoting access to employment and skills.** The EBRD helps companies to improve human capital development and talent management in both the operational and executive functions, while opening up access to jobs and new skills for target groups. The Bank also draws on the power of the private sector to tackle key policy challenges, such as introducing national skills standards and removing labour-market restrictions.

- ▶ **Supporting access to finance and entrepreneurship.** The EBRD invests directly and through partner financial institutions to provide tailored financial and non-financial services. The Bank engages in policy dialogue to improve the investment climate and access to finance for women-led SMEs, youth-led SMEs and SMEs operating in less developed regions.
- ▶ **Improving access to services.** The EBRD supports the inclusive and gender-sensitive design of infrastructure, including green investments, and safe transport for all, improving connectivity for regional areas and harnessing the advantages of technology.

The Bank is also stepping up its gender mainstreaming commitment – in line with the European Commission’s Union for Equality goals and Gender Action Plan III – in these areas and beyond, recognising the particular social and economic barriers that women may face in the aftermath of the Covid-19 pandemic and as part of the transition to a digital economy. For example, the EBRD is helping clients address gender-based violence and harassment in the workplace and promoting a more effective care economy to help address challenges resulting from the additional child- and elder-care responsibilities that usually fall on women.

Policy example

The EBRD is supporting the improvement of skills to enhance youth and gender inclusion in Egypt, Jordan and Turkey. The EBRD’s policy engagement has led to the removal of legal barriers to economic opportunities for women in Kazakhstan’s heavy industry sector (natural resources, power and energy), enabling them to work in a sector that is often the only employer in remote areas. Gender-responsive investment-climate reform in Tajikistan is another example of the EBRD’s policy engagement to support inclusion.



3. Accelerating the digital transition

As the digital revolution continues to transform economies and society around the globe, the uneven pace of digital delivery in the economies where the EBRD invests, as set up in the 2021-22 EBRD Transition Report - System Upgrade: Delivering the Digital Dividend remains a key barrier to broader economic progress.

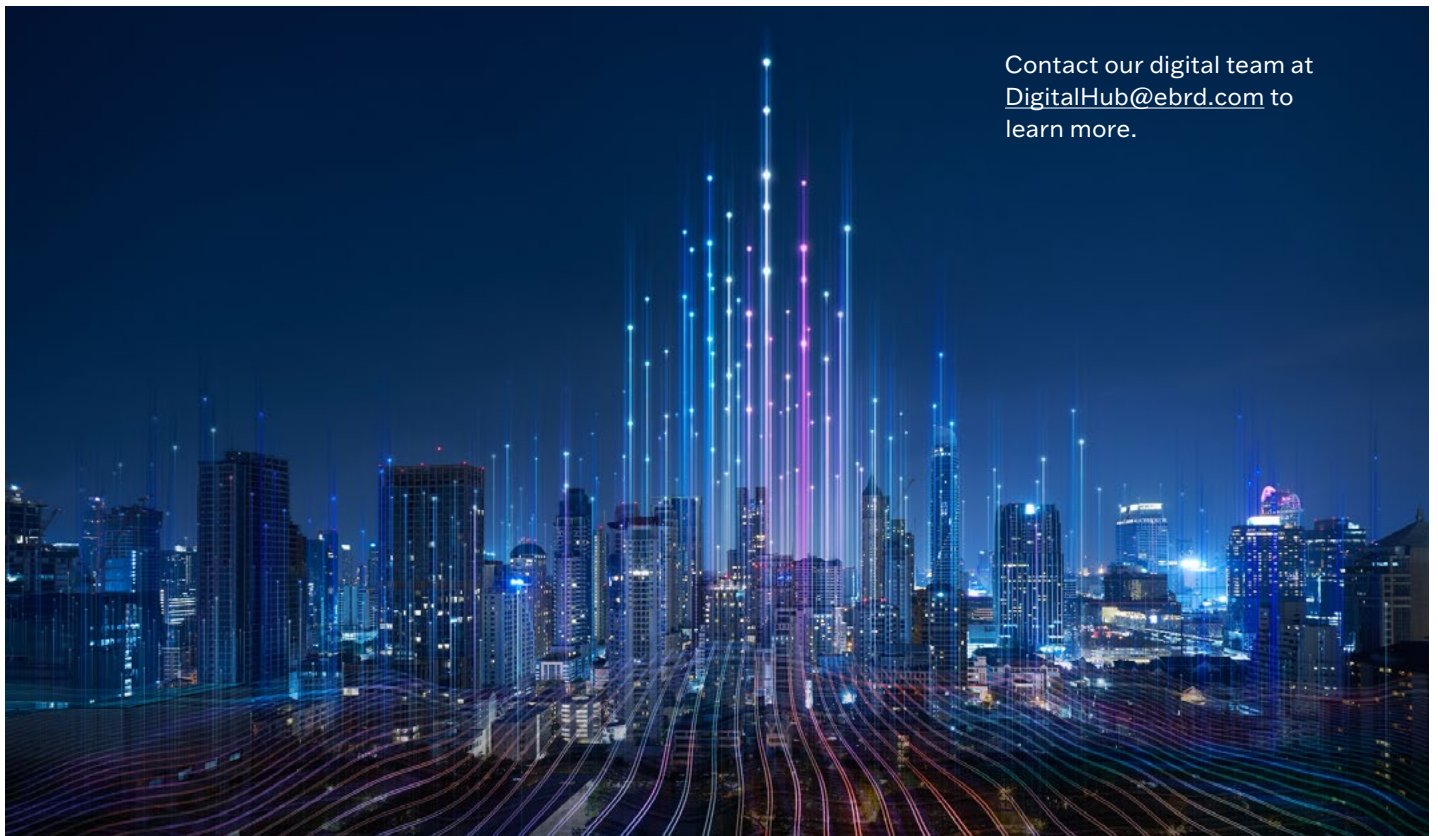
The EBRD responded to these challenges with the launch in 2021 of its first Approach to Accelerating the Digital Transition, which sets out a comprehensive framework on how the Bank will use its three instruments – investment, policy engagement and advisory services – to support the digital transition in the economies where it invests.

To harness the power of technology and shape a recovery from the pandemic that is both sustainable and inclusive, the new Digital Approach will see the Bank focus on:

- ▶ **Establishing the foundations for digital transformation:** The EBRD will continue developing enabling legal, regulatory and institutional frameworks, as well as implementation capacity. This includes promoting innovation, supporting healthy competition in digital markets, promoting cyber security, safeguarding energy and financial stability and ensuring appropriate data protection.
- ▶ **Promoting adaptation among enterprises and governments:** The EBRD will support investments enabling technology and knowledge transfer, the digitalisation of products and processes in local companies and the digitalisation of financial institutions through technical assistance and financing.
- ▶ **Supporting innovation and new market entrants:** The EBRD's support could include regulatory sandboxes for start-ups and

accompanying digital government services, an increase in Star Venture Programmes and bespoke advisory services for high-potential start-ups, accelerators and incubators over a wider geographical area. Venture Capital and Equity Funds will also be stepped up.

To support the implementation of this ambitious agenda, in January 2022 the EBRD established a **Digital Delivery Hub** dedicated to operationalising the approach within the Bank's existing digital track record, and strengthening partnerships. The EBRD aims to become a key delivery and policy partner for the EU in the digital realm, both within the Union through the RRF funds for digital transformation and the InvestEU unfunded guarantee programmes; and in the neighbourhood and beyond through NDICI, EFSD+, and Team Europe Initiatives.



Contact our digital team at DigitalHub@ebrd.com to learn more.

A UNIQUE PARTNERSHIP WITH THE EU

A strong partnership built on solid foundations

The EBRD is fully committed to contributing to the successful implementation of EU priorities over the bloc's budgetary cycle (the Multiannual Financial Framework, or MFF) for 2021-27 and long-term NextGenerationEU budget. Framed as an "open architecture" with a "level playing field" for EU financial partners, the next MFF could have a catalytic effect. The EBRD stands ready to leverage new instruments, such as the Neighbourhood, Development and International Cooperation Instrument (NDICI) and the European Fund for Sustainable Development plus (EFSD+), InvestEU and the Instrument for Pre-Accession (IPA), as well as the Recovery and Resilience Facility (RRF).

The EBRD is a reliable and effective partner in delivering transition-focused assistance, both within the EU (in the 11 countries where the EBRD invests) and outside the bloc, in its neighbourhood and beyond, delivering impact and expanding the universe of bankable projects, building capacity and promoting critical policy reforms. The EBRD and the EU have a unique relationship. EU policy provides a strong steer for EBRD activities and the European Commission is by far the Bank's most influential donor. The European Commission, in turn, calls on the EBRD to deliver its strategic priorities, while EU funds enable the Bank to push the frontiers of what it can accomplish, reaching new and

more difficult markets and innovating for greater impact. The EBRD contributes to substantive debates on emerging EU donor policies and practices, including through its Representative Office in Brussels.

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The EBRD-EU relationship extends beyond the traditional donor-recipient dynamic and is more of an efficient, mutually beneficial partnership. There are several dimensions to this special relationship:

1. Delivering on key EU policy priorities

- ▶ The EBRD actively helps to **operationalise the European Green Deal**, both within and outside the bloc. It does so by drawing on its specific expertise in areas such as greening the financial system; facilitating sustainable construction and energy efficiency in buildings; energy, transport and industrial decarbonisation, including through green hydrogen; sustainable infrastructure and mobility; green digital solutions; circular economy; sustainable food; natural capital; and green value-chain financing.
- ▶ The EBRD has developed a Just Transition Initiative, building on its experience supporting private-sector investment and economic diversification in the most fossil fuel-dependent regions of Europe.

The Bank is actively involved in the EU Just Transition Platform and is leading the financing component of the "platform initiative in support of coal regions in transition" for the Western Balkans and Ukraine.

- ▶ The EBRD is a valued source of **private-sector financing, both outside and inside the EU** (in the 11 countries where the EBRD invests). The EBRD's new strategy reaffirms its private-sector focus, which is at the heart of its business model and sets it apart from other institutions in the development-finance landscape. Some 75 percent of the Bank's business over the strategy timeframe will be in the private sector, and it is working to step up its mobilisation of private capital.

- ▶ The EBRD supports the successful implementation of the **EU Neighbourhood Policy** and helps to promote prosperity in the region. The Bank has contributed to achievements in the eastern EU neighbourhood under the "20 deliverables for 2020" roadmap for the bloc's Eastern Partnership and is committed to continuing its support under the post-2020 policy framework. As the largest international investor in the Western Balkans, the EBRD helps lead the successful implementation of the European Commission's economic and investment package and assists the region's governments in implementing the recommendations of the EU's Economic Reform Programmes.

2. An agile partner for swift EU response

- ▶ The EBRD promotes **peace, stability and sustainable growth in the Western Balkans**, in line with the Berlin Process, as a key implementing partner of the Western Balkans Investment Framework (WBIF) and a trusted convenor of the heads of state and government of these countries.
- ▶ Together with the IMF and the EIB, the Bank coordinates the Vienna Initiative to support central and Eastern Europe in the aftermath of the **global financial crisis**.
- ▶ The EBRD invested in Greece and Cyprus on a temporary basis in response to the **eurozone crisis**. The Bank ceased new operations in Cyprus in 2020 and will continue to invest in Greece until 2025.
- ▶ The Bank developed a crisis-response package in Ukraine, which included, for example, a reform agenda for the energy sector.
- ▶ In response to the **Arab Spring**, the EBRD expanded its operations into North Africa and the Middle East in 2012, with cumulative investments of more than €13.3 billion as of the end of 2020.
- ▶ The Bank established a refugee response programme in the context of the Syrian crisis to support refugees and their host communities in Jordan and Turkey.

3. Expertise and a strong track record in areas of key importance for the EU

The EBRD has a distinct comparative advantage in the following areas:

- ▶ developing capital markets and local-currency financing
- ▶ strengthening entrepreneurship and the role of SMEs, with tailored tools for small businesses, including women-led businesses
- ▶ working at municipal level, including support for green cities, for example, to improve municipal infrastructure such as wastewater management and public transportation
- ▶ supporting reforms and capacity building around rule-of-law issues that are fundamental to facilitating a business environment (such as insolvency, public procurement and the operation of commercial courts)
- ▶ boosting enterprise competitiveness and improving corporate governance
- ▶ managing and coordinating international efforts to ensure nuclear safety
- ▶ participating in EU public-private initiatives, such as the European Battery Alliance, the Bio-Based Industries Joint Undertaking, the Clean Hydrogen Alliance and the Raw Materials Alliance
- ▶ contributing expertise to the development of high-level green finance policy and standards, as with the High-Level Technical Expert Group on sustainable finance.



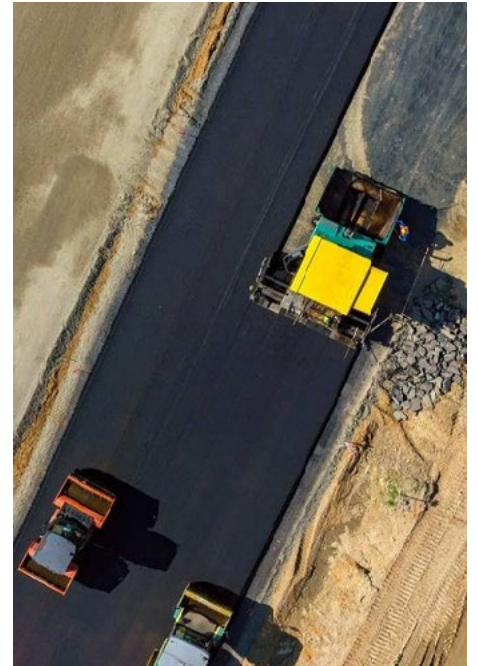
4. A partner that delivers

The EBRD leverages EU funds for technical cooperation, co-investment grants and guarantees to maximise the efficiency of EU taxpayer resources.

For example, ever since their inception, the EU's central blending facilities – such as the Neighbourhood Investment Platform, the WBIF, the Asian Investment Facility and the Investment Facility for Central Asia – have served as successful cooperation platforms where the EBRD and EU have jointly achieved geographic and thematic goals that neither institution could have achieved alone. Through these facilities, the EU's current External Investment Plan and the future EFSD+, the EBRD will continue to support the implementation of EU policies and priorities.

This partnership is also important in terms of bringing EU standards and best practice into the policy frameworks underpinning the EBRD's engagement with the global donor community. The EBRD also brings the voice of the private sector and end clients into EU policymaking. The EU acquis has been the anchor of reform in many of the countries where the EBRD invests.

The EBRD also leverages EU donor funding to deliver its policy work, further reinforcing the alignment of the EU and EBRD as a mutually beneficial partnership.



The EBRD as fund manager for the EU

The WBIF is a joint initiative of the EU, bilateral donors, international financial institutions and the Western Balkans governments. The WBIF and its associated Joint Fund, co-managed by the EBRD and the EIB, provide financial blending and technical assistance focused on the socioeconomic development of the Western Balkans region through strategic investments in infrastructure, energy efficiency and private-sector development. In 2009-19, the WBIF supported 194 projects with a total investment value in excess of €20.8 billion.

See Western Balkans Investment Framework (2020), 2019 Annual Report, WBIF Secretariat, European Commission. Available at <https://bit.ly/3gzFkOc> (last accessed on 31 March 2021).



The EBRD as implementing partner for EU funds

The EBRD has received an allocation of €265 million in unfunded budgetary guarantees from the EFSD, enabling it to step up its engagement in EU neighbourhood countries. This includes €50 million through the bloc's renewable energy programme and €100 million through the municipal, infrastructure and industrial resilience programme, which has two separate components – a Covid-19 crisis component, under which all of the EBRD's municipal, infrastructure or industrial clients are eligible for support to mitigate the negative consequences of the coronavirus pandemic, and a green recovery component, covering loans to those sectors that contribute to the transition to green, low-carbon economies in the EU neighbourhood regions. The €115 million EU Initiative for Financial Inclusion has also been repurposed to focus on micro-, small and medium-sized enterprises (MSMEs) in the EU neighbourhood that have been impacted by the Covid-19 pandemic.



EXTENSIVE PRIVATE-SECTOR EXPERTISE

The EBRD works with private-sector clients in three major economic sectors.

1. Financial institutions

There are three principal dimensions to the EBRD's work in the financial sector:

- ▶ building a strong and **sustainable financial sector** as the lifeblood of economies by providing capital (through debt, equity and capital market transactions) and support for skills
- ▶ working with **partner financial institutions** through dedicated credit lines, accompanied by technical assistance, policy advice for governments and regulators, and extensive trade finance programmes to improve access to finance for SMEs, green investments, women and youth
- ▶ developing deeper and more liquid **capital and local-currency markets**, as well as broadening and diversifying the financial sector by supporting non-bank and microfinance institutions, for example, through the dedicated SME Local Currency Programme.

Policy example

The EBRD was instrumental in resolving the severe banking-sector crisis in Moldova. As a result of its equity investments, new corporate governance standards are being introduced across the sector, making the economy more resilient.



2. Industry, commerce and agribusiness

The EBRD supports competitiveness and innovation and helps to develop a strong, diversified and well-governed private sector. It invests in **firms of all sizes** – through both debt and equity, also in local currency – in the manufacturing, services and agriculture sectors. The Bank achieves impact at three levels:

- ▶ at company level, by increasing both firm and market efficiency
- ▶ at sector level, through the demonstration effect of new and better approaches, which in turn promote sectoral change as other firms adopt the same techniques
- ▶ at national level, especially when supported by policy engagement, through policy and regulatory development and the strengthening of the overall investment climate, leading to national systemic impact. The Bank also has expertise in supporting privatisation.

Policy example

The EBRD was instrumental in setting up the institution of the Business Ombudsman in Ukraine soon after the Maidan uprising of 2014, which brought about a reform-minded government keen to improve the investment climate. In partnership with the Ukrainian government, the Organisation for Economic Co-operation and Development (OECD) and five Ukrainian business associations, the EBRD signed a memorandum of understanding establishing an anti-corruption initiative that led to the creation of the Ukraine Business Ombudsman Council as a governing body.

3. Sustainable infrastructure

The EBRD works to develop efficient and **sustainable energy, transport and municipal infrastructure**, with a strong focus on low-carbon trajectories and supporting just transition. The EBRD's strength in this regard lies in its ability to work in both the public and private spheres. Its emphasis on sustainability is complemented by the promotion of **energy security**. Another EBRD focus is its support for technological advances to accelerate the move to renewable energy, the electrification of transport and the **digitalisation of service delivery**.

The Bank has particular experience in **sub-sovereign lending**, including through its **EBRD Green Cities**, in investing in public-private partnerships (PPPs) and the financing of secondary sales, and in the financing of smart and sustainable energy systems.

EBRD Green Cities is active in 53 cities across the Bank's economies, including Alexandria in Egypt, Sarajevo in Bosnia and Herzegovina and Ulaanbaatar in Mongolia. It provides a comprehensive approach for green urban development: offering more than €5 billion of EBRD and donor support to cities to address their most pressing environmental challenges through targeted green investments, policy actions and capacity building.



LEVERAGING EUROPEAN AND GLOBAL-LEVEL PARTNERSHIPS FOR IMPACT

Global partnerships for sustainable development are crucial.

1. Fostering policy reform

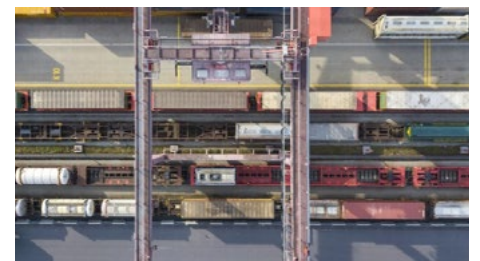
The EBRD's governance, shareholding and local presence are key to building partnerships and promoting local ownership of policy reforms and sustainable development strategies.

By way of illustration:

- ▶ **Investment in climate and capital markets.** Under the EU's Structural Reform Facility, the European Commission asked the EBRD to develop investment climate reviews and action plans to help improve the business and investment climate in each of the six Eastern Partnership countries. The EBRD is also active in fostering the capital-market and banking-union agenda within the EU.
- ▶ **Corporate governance.** In Ukraine, the EU considered the reform of NAK Naftogaz (NAK), a state-owned enterprise responsible for gas imports and domestic supply, to be a major policy priority. The EBRD, therefore, tied an emergency gas-purchase loan to NAK to corporate-governance reforms and cross-referenced the reform agenda of international financial institutions working in Ukraine. At the end of 2018, NAK successfully unbundled its gas transmission in compliance with EU rules, thus meeting a key condition for a new transit deal with Russia, agreed through the trilateral Russia-Ukraine-EU negotiating platform.
- ▶ **Renewable energy.** While preparing to invest in Africa's largest solar plant in Benban, Egypt, the Bank adopted a "policy first" approach to establish a new legal and regulatory framework for renewables in the country. This leveraged the Bank's experience in investing in private renewables projects in the economies where

it invests and conducting policy dialogue in countries with nascent renewables sectors.

- ▶ **Climate action.** In Turkey, the EBRD helped develop an EU-funded plan enabling the country to cut primary energy consumption by 14 per cent and to shift a significant share of transport from road to rail and sea.
- ▶ **Policy coordination.** In Tunisia, the EBRD and numerous international financial institutions joined an EU high-level mission to speak with the government, with one voice, about reform priorities. The Tunisian authorities, at the highest level, committed to deliver on the agreed reform roadmap, notably with regard to a private renewables programme, state-owned enterprise governance and operational reform, and improving the investment climate.



2. Mobilising private finance

Mobilising domestic and foreign capital in the economies where it invests is one of the EBRD's core strategic objectives in the Bank's medium-term strategy. Attracting investors to these economies has a direct transition impact, diversifying the sources of finance, increasing the prosperity and resilience of financial systems and economies, among other things. Private investment, together with domestic resource mobilisation and official development assistance, are essential to achieving the SDGs.

Total financing from private entities, including project sponsors, for

projects in which the Bank invested in 2020 (private indirect mobilisation) was an estimated €9.3 billion. Direct mobilisation from private sources amounted to €411 million for 10 projects in 2020. The EBRD also attracted risk sharers via unfunded risk participations (URPs). In 2020, there were URPs in 22 transactions totalling €487 million.

The EBRD primarily mobilises domestic and foreign capital through loan syndications, a flexible and market-oriented approach. Cofinancing increases the resources available for funding other projects

and introduces borrowers to the international debt markets. Over the period until 2025 the Bank will aim to at least double its baseline level of direct mobilisation by its internal definition to €2 billion, through a combination of increased use of existing instruments, expanding the number of investable projects, increased investor outreach and education and strengthened incentives.

1 Ahead of a full reconciliation with other development banks, the estimated total comprises prorated commitments to projects in which other development banks also participated, thus eliminating the double counting of indirect mobilisation.

3. Partnering for impact

Cooperation with others allows the EBRD to draw on the complementary skills and expertise of other international financial institutions. The EBRD's partnerships are extensive, with multilateral development banks, development finance institutions, bilateral and multilateral donors and the United Nations system, individually and through associations such as the EDFI. The Covid-19 pandemic has injected additional urgency into the need for better and tighter coordination and pragmatic collective action to meet overwhelming demand.

The Bank collaborates closely with other multilateral development banks and development finance institutions, such as the EIB, the International Finance Corporation (World Bank Group), the African Development Bank, the Asian Development Bank, the Islamic Development Bank and the Asian Infrastructure Investment Bank. It also works closely with bilateral agencies, such as Germany's KfW and the French Development Agency (AFD), and European development finance institutions, such as the United Kingdom's CDC Group, the Deutsche Investitions- und Entwicklungsgesellschaft (DEG), the Dutch Entrepreneurial Development Bank (FMO) and AFD subsidiary Proparco. The EBRD has co-invested more than €12 billion with the EDFI in recent years (€7.6 billion from the EBRD; €4.4 billion from EDFI members).

- ▶ Supporting recovery and building a better future will require even more effective coordination and collaboration. When setting country strategy priorities, the EBRD analyses complementarity with other sources of public-sector finance in the country in question, including governments, international financial institutions, the EU and other donors, and focuses on areas where the EBRD will not be duplicating, but rather adding to the chosen priorities.
- ▶ In Egypt, in 2018, the Bank partnered with Proparco and others to support the modernisation of Cairo's metro line 1, providing a financial package to the Arab African International Bank.
- ▶ In Turkey, the Bank co-financed three innovative PPP hospital projects with DEG.



AT A GLANCE: HOW THE EBRD DELIVERS IMPACT

The EBRD's business model rests on three operating principles and the Bank has well-established methods for balancing them at portfolio level.

1. Transition impact

Delivering transition impact is at the heart of the EBRD's mandate. The Bank supports the transition of countries towards well-functioning and sustainable market economies that are competitive, well-governed, environmentally friendly, inclusive, resilient and integrated.

These six transition qualities align well with the SDGs. Indeed, the work of the EBRD directly supports 15 of the 17 goals. In particular, the Bank's work in the countries where it invests helps achieve transition impact and progress on gender equality (SDG 5), clean water and sanitation (SDG 6), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry, innovation and infrastructure (SDG 9), reducing inequalities (SDG 10), sustainable communities (SDG 11), responsible consumption (SDG 12) and climate action (SDG 13).

2. Sound banking

The EBRD – in applying sound banking principles – structures projects in a manner designed to mitigate the risk of potential failure and makes sure that the return on investment reflects the risk the Bank takes. Its credit process subjects all projects to suitable review and ensures that appropriate controls (for example, managing investment concentration) are in place at portfolio level.

The EBRD's sound banking approach serves to protect and build the Bank's capital. Thus, it can expand its investments and have the financial strength to withstand negative shocks and provide counter-cyclical support, as happened during the global financial crisis.

Competitive

Building dynamic and open markets that stimulate competition, entrepreneurship and productivity growth.

Inclusive

Building inclusive market economies which ensure equal economic opportunity for all and leave no group behind.

Resilient

Building resilient market economies that can withstand turbulence and shocks.

Well-governed

Promoting the rule of law, transparency, and accountability, and stimulating firms to adequately safeguard and balance the interests of their stakeholders.

Integrated

Building geographically integrated domestic and international markets for goods, services, capital and labour.

Green

Building green, sustainable market economies which preserve the environment and protect the interests of future generations.

3. Additionality

The EBRD's interventions in markets seek to bring additionality in the form of a specific support, be it financial or non-financial, that is otherwise not available from commercial sources of finance.

- ▶ **Financial additionality** is where the EBRD's offer goes beyond what is available in the market with respect to term, tenor, currency or type of financial product, for instance.
- ▶ **Non-financial additionality** is EBRD input to projects that enables clients to go beyond what they could have done if financed by commercial institutions, for example, with respect to meeting higher environmental, social or governance standards. Non-financial additionality also arises where the EBRD's presence in a deal helps mitigate risks in a way that no commercial partner could, unlocking investments that otherwise would not happen.

In supporting the development of sustainable markets, the EBRD seeks to complement, not crowd out, the private sector. It does so by pricing

in line with market norms to ensure the financial sustainability of projects and helping to mobilise domestic and foreign capital for the countries in which it invests.

The EBRD's commercially oriented business model

The EBRD's business model features:

- ▶ a **commercial approach** that complements, rather than supplants, private finance by pricing in line with market norms to ensure the financial sustainability of projects, including cost recovery
- ▶ **strict discipline when blending concessional finance**, so that the Bank supports the development of financial and capital markets and does not undermine them
- ▶ **significant risk taking** against the Bank's balance sheet (the current non-sovereign loan portfolio has an average rating of B+; the vast majority of clients are sub-investment grade) while maintaining a triple-A rating, without requiring blanket guarantees from shareholders.

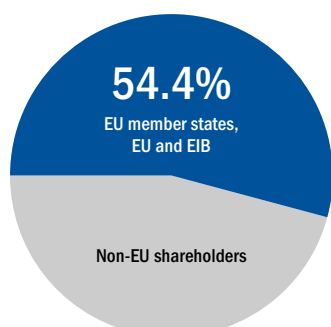
AT A GLANCE: GOVERNANCE AND SHAREHOLDING STRUCTURE

1. The EBRD's inclusive governance

The shareholder composition of the EBRD is testament to the vision of its founders. It exemplifies the multilateral cooperation and international partnerships needed to meet the big challenges of our time and to counter the risks arising from geopolitical and geo-economic competition. The EBRD's governance structure is aligned with the EU's commitment to multilateralism.

Every economy in which the EBRD invests is a member and shareholder of the Bank. This partnership gives the EBRD a strong policy voice with excellent access to and buy-in from those economies to foster good governance and strengthen the institutional capacity of local authorities.

Shareholder structure



2. Growing membership

The EBRD is owned by **71 countries**, as well as the **EU** and **EIB**. The Bank recently welcomed United Arab Emirates and Algeria as members. EBRD shareholders have approved the membership of Iraq and await conditions precedent being satisfied. The Bank's founding treaty stipulates that EU member states, together with the EU and the EIB, must hold the majority of the Bank's shares.

3. Representation

Each shareholder is **represented individually on the EBRD's Board of Governors**, which has overall authority over the Bank and sets its strategic direction. Shareholders are also represented through a resident Board of Directors composed of 23 directors from 23 constituency offices. There are also 23 Alternate Directors and 35 advisers. Every shareholder is entitled to have their vote recorded individually. Shareholders usually take decisions by consensus but, if needed, formal votes may take place. No one shareholder has veto power.

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