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Governance

The EBRD is committed to achieving the highest standards of governance, integrity and transparency in the conduct of its business and continues to strengthen key policies and mechanisms in support of these goals.



Good governance, integrity and transparency

OPENNESS

The Public Information Policy (PIP) promotes disclosure and transparency, guided by the presumption that, whenever possible, information concerning the Bank's activities will be made available to the public unless there are compelling reasons for confidentiality. The Bank reviews the PIP every three years. The most recent review was in 2008, in parallel with the review of the Environmental and Social Policy (ESP), and the next review is due to take place in 2011.

INTEGRITY

The EBRD holds itself to the highest standards of integrity, ethics and business practice in all its activities. The Bank's Office of the Chief Compliance Officer (OCCO) is a key participant in this effort: it advises on the selection of project sponsors, clients and co-financiers, handles complaints by those adversely affected by EBRD projects and investigates allegations of fraud, corruption and misconduct.

In 2009 OCCO provided advice on approximately 385 projects compared with 280 projects in 2008. This increased volume of advice is consistent with the rise in the Bank's overall business volume.

OCCO also continued to advise on the application of the Bank's own Codes of Conduct, and dealt with 10 reports of suspected misconduct under the Bank's Procedures for Reporting and Investigating Suspected Misconduct (PRISM).

Policies

In April 2009 the Bank adopted its first *Integrity Risks Policy*, which details how OCCO can help protect the EBRD's reputation. Risks to integrity can stem from investment activities and improper behaviour of employees, and failure to recognise and address these risks can damage the EBRD's name and standing. The new policy is available at www.ebrd.com/about/integrity/

The Enforcement Policy and Procedures (EPPs), approved in December 2008, entered into force in March 2009 following the establishment of the Enforcement Committee, which determines whether an allegation of fraud, corruption, collusion or coercion has been substantiated. The EPPs apply across all the activities and projects financed from the EBRD's ordinary capital resources, Special Funds resources (that is, funds from donors that the Bank then uses for investment and technical assistance activities), or from cooperation funds administered by the Bank.

Since the EPPs came into force, OCCO has dealt with seven complaints regarding procurement exercises and seven complaints concerning the Bank's private sector operations. Of these 14 complaints, all but two were dismissed following preliminary assessment. The remaining two (one involving an allegation of a fraudulent practice and the other, a collusive practice) are undergoing further investigation. Depending on the outcome, a recommendation may be made to the Enforcement Committee as to whether formal enforcement proceedings should ensue. If the alleged prohibited practice is found to have occurred, enforcement actions range from reprimand to cancellation of financing, restitution and/or debarment.

Approximate number of projects
that benefited from advice from
OCCO in 2009

385



Sharing information and knowledge with those who work for the EBRD is essential.

Also in this past year the EBRD introduced its policy on workplace harassment, sexual harassment and abuse of authority as part of ongoing efforts to ensure that staff conduct themselves with the highest possible standards of behaviour.

Last year also saw the conclusion of the review of the Bank's accountability mechanism, the Independent Recourse Mechanism, and the approval of its successor, the Project Complaint Mechanism (PCM). For further information on the review and the new mechanism see the *Sustainability Report 2009*.

Looking to 2010, the EBRD will finalise its review of PRISM and Disciplinary Procedures, as well as reviewing its Whistleblowing Policy. The Bank, as a member of the Joint IFI Anti-Corruption Task Force, will also be considering better ways to deter and prevent corrupt practices, including, for example, how an enforcement decision made by one IFI (such as the World Bank) can be implemented by others.

Information and training

Sharing information and knowledge with those who carry out work for the EBRD is an essential part of promoting and maintaining high ethical working standards. For example, in 2009 the Bank hosted an anti-money-laundering training programme for external participants in Krasnoyarsk, Russia, and provided funding for 30 EBRD representatives from its countries of operations to attend a seminar on countering terrorist financing organised by the Basel Institute on Governance held in December.

Training EBRD staff members is equally important and in 2009 courses were run on anti-money laundering, countering the financing of terrorism and integrity due diligence, as well as the Bank's Integrity Matters! Programme. In addition, 40 employees received training on their role as nominee director on the boards of some of the Bank's investee companies.



Improving corporate governance in banking

The current financial crisis has emphasised the need for sound corporate governance practices for achieving and maintaining confidence in the banking system. Corporate governance of banks is especially important in the EBRD's countries of operations, where the majority of stock markets are still relatively underdeveloped and banks are the most important source of finance for companies and the main depositories for the nation's savings.

The EBRD has set itself the target of working with banks and decision-makers in south-eastern Europe to strengthen corporate governance standards for the region's banking system. A meeting in Belgrade in December 2009 jointly organised by the EBRD and the Global Corporate Governance Forum kick-started the discussion by bringing together banking regulators and practitioners from Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Montenegro, Romania and Serbia.

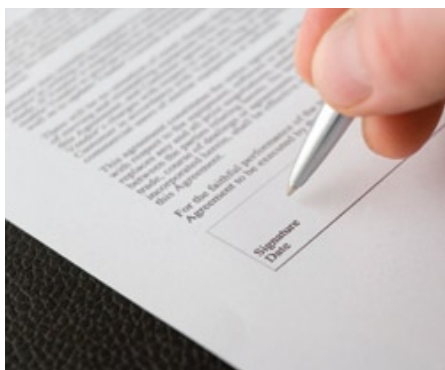
It followed the joint EBRD/OECD policy brief on corporate governance of banks in Eurasia a year earlier. The policy brief provides banks in Eurasia with some practical guidelines on how to improve their corporate governance practices. Armenia, Azerbaijan and Georgia have already drawn from the policy brief in the development of their national corporate governance codes. Moldova and Mongolia are now following suit.



www.ebrd.com/fi
www.ebrd.com/law

**Number of projects for transport and
MEI financed in 2009**

63



Revised harmonised tender documents for goods and design and build contracts are expected in 2010.

PROCUREMENT

The EBRD offers open and fair competition for the procurement of goods, works and services needed for EBRD-financed operations. For private sector projects, the Bank must be satisfied that procurement procedures are carried out under normal commercial practices. For public sector projects, the procurement of goods and services must meet EBRD guidelines.

The principles of non-discrimination, fairness and transparency are fundamental in all the EBRD's procurement activities. These principles are designed to promote good practice and efficiency and to minimise risk in implementing Bank-financed projects. They are a fundamental part of the Bank's Procurement Policies and Rules, a revised version of which was approved in May 2009. The revisions link the procurement process with the Bank's environmental and social considerations and the Enforcement Policy and Procedures.

All participants in the procurement process are expected to observe the highest standards of ethics and conduct during contract tender and implementation. Any complaints received from aggrieved tenderers during the tender process are always reviewed by the Bank's Procurement Complaints Committee. To enhance transparency in the procurement process and inform about tenderers' recourse, the Bank launched a new procurement complaints section on the web site (see www.ebrd.com/oppor/).

New standard tender documents for IFIs

A new version of tender documents for works contracts – agreed among the IFI community – was also launched in 2009 for public sector clients. Revised harmonised tender documents for goods and design and build contracts are also expected in 2010.

Statistics for 2009

In 2009 EBRD-financed projects led to 84 public sector contracts for works, goods and services, valued at €395.8 million, of which €243.1 million was financed by the EBRD (representing 61.4 per cent of the total contract value). This compares with 124 contracts valued at €1.2 billion in 2008, and indicates a 67 per cent decrease in total contract value for 2009. Of the 84 contracts signed, 63 were for transport and MEI and totalled €377.0 million. This represents 75 per cent by number and 95 per cent by value of all public sector contracts awarded in 2009.



See www.ebrd.com/oppor/ for procurement opportunities concerning EBRD-financed projects.

**Value of a technical cooperation
project to help Azerbaijan
Microfinance Institution**
€'000

134

GENDER

Gender equality is key to advancing sustainable development in the EBRD's countries of operations. The Bank seeks to empower women by investing in their businesses and promotes equality between women and men through various initiatives and activities, such as micro lending programmes, the TFP and the TurnAround Management (TAM) and Business Advisory Services (BAS) Programme.

In 2009 the Bank stepped up its support for gender equality. The Gender Action Plan, developed in 2008, was implemented from May 2009. The plan will ensure that gender equality is incorporated into all the EBRD's activities, which will in turn benefit women and men as workers and decision-makers. It also means mitigating any negative impact that the Bank's projects might have on men and women. For example, when a community is displaced due to a project, the Bank will focus on the needs of anyone affected.

Throughout the year the EBRD also helped to build on existing initiatives that address gender concerns. These include dedicated credit lines and microfinance for female entrepreneurs through small business finance, improving the skills of businesswomen through TAM/BAS and gender equality assessment during the project appraisal conducted by specialists in the Bank.

As part of a €50 million EBRD loan for on-lending to small businesses outside large Turkish cities, Garanti Bank committed to extend loans to female entrepreneurs wherever possible. And a €134,000 technical cooperation project was approved to help the Azerbaijan Microfinance Institution build its internal capacity to assist the Bank in increasing the number of female loan officers and women clients in EBRD partner institutions.

The EBRD also initiated several pilot projects in municipal and environmental infrastructure (an area where many women are end-users) and agribusiness (a sector in which a large proportion of the labour force is female) in three countries: Georgia, the Kyrgyz Republic and Romania. These pilot schemes will test various approaches to addressing gender priorities that could be replicated and adapted in other sectors and other countries of operations.



Empowering Turkish women entrepreneurs

The EBRD began lending to Turkey's banking sector in late 2009 with the financing of two of the country's most important banks. A €20 million loan to DenizBank targeted the development of the agricultural private sector, while a €50 million loan to Garanti Bank is supporting micro, small and medium-sized enterprises (MSMEs).

For the past five years, Garanti has loaned about €7 billion to 443,000 MSMEs but the sector remains hungry for finance, which has become more scarce as a result of the global financial crisis. The importance of small businesses to the Turkish economy is best told in figures. Over 1.7 million SMEs provide over 76 per cent of Turkey's total employment, but these enterprises receive only 25 per cent of loans from the Turkish banking sector. Businesses in rural areas are particularly affected.

In November 2009 the EBRD teamed up with the Netherlands Development Finance Company (FMO), the International Co-operation and Development Fund (TaiwanICDF) and five commercial banks to lend €50 million to Garanti Bank. The financing will be available for investments in small companies operating outside the three main Turkish cities of Ankara, Istanbul and Izmir.

Another special feature of the loan is that it will promote lending to female entrepreneurs. Garanti Bank has developed the Woman Entrepreneurs' Support Package which includes consumer loans with special rates for female entrepreneurs, letters of credit, long-term loans for small businesses and even pension programmes. And if businesswomen do not choose to take up any of the above services, they can

still participate in meetings and business training sessions or enter Turkey's Woman Entrepreneurs competition organised by Garanti Bank.

With research indicating that female entrepreneurs are missing out on opportunities to access finance, Turkey's Garanti Bank is set to become the bank that does not just lend to women entrepreneurs but also works to empower them with knowledge.



www.ebrd.com/turkey



Civil society plays an integral role in promoting public dialogue.

CIVIL SOCIETY

Civil society plays an integral role in promoting public dialogue about decisions that affect the lives of local people and environments, as well as holding governments and policy-makers publicly accountable. Open communication with non-governmental organisations (NGOs) and communities enhances the Bank's effectiveness and impact in the transition region.

For the Bank's purposes, civil society includes NGOs, policy and research organisations, community-based organisations, business development organisations and other socio-economic and labour-market actors. Dialogue between the EBRD and civil society has to date focused on environmental and social issues, democracy, local community, transparency and business development issues related to the Bank's operations.

Activities in 2009

In 2009 the EBRD continued to engage with civil society through over 30 meetings, workshops and dedicated consultations in London and some of its countries of operations (Belarus, Georgia, Kazakhstan, Mongolia and Russia). These events gave civil society groups the opportunity to share their views and provided valuable input to the development of a range of Bank policies and country and sectoral strategies, as well as project implementation. And throughout the year, EBRD Board Directors travelled to Albania, Belarus, FYR Macedonia, Kazakhstan, the Kyrgyz Republic, Russia, Turkey and Ukraine to meet civil society representatives to discuss local conditions.

In March at the Bank's London Headquarters, representatives of international civil society groups met the EBRD's President Mirow and senior management to exchange views on the Bank's transparency and accountability and its clients, human rights issues in Central Asia and the implications of the global economic crisis for the Bank's activities. This was followed by a Civil Society Programme at the EBRD's Annual Meeting in London. Here, around 40 NGOs and other civil society representatives from across the transition region and shareholder countries discussed a variety of environmental and social issues in a two-day series of meetings with Bank staff, senior management, the President and Board Directors.

Environmental and social responsibility in mining is of crucial importance in the countries where the EBRD invests, and was the theme of a special workshop hosted by the Bank at its Headquarters in late 2009. The event brought together nearly 80 participants from the international mining industry and industry associations, experts from environmental consultancies, law firms, international organisations, academia, think-tanks and the NGO community, as well as EBRD staff. The discussions, which focused on sustainability, health and safety, stakeholder engagement and artisanal and small-scale mining, provided initial input into the preparations of the Bank's new Mining Strategy, likely to be implemented in 2010.