

NEWSLETTER No.12

December 2016

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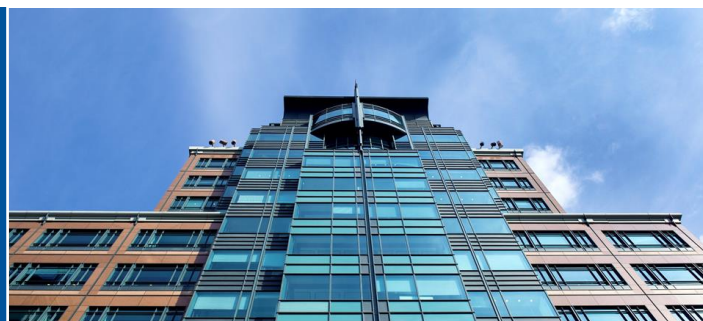
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CAREER CENTRE

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SAVE THE DATE

THURSDAY 26 JANUARY 2017

4th Annual Alumni Reunion
EBRD London HQ

Registration is required! Please follow the link below or send us an email at alumnie@ebrd.com.

CLICK HERE TO REGISTER

Join fellow alumni, your former colleagues and Bank management on Thursday 26 January 2017 at EBRD headquarters in London for the Annual Alumni Reunion!

Programme:

17:30-18:30

Badge collection and welcome drinks.

18:30-19:15

- Welcoming remarks: **Enzo Quattrocio**, EBRD Secretary General
- Update on the Association and future plans: **George Krivicky**, Alumni Association Chairman
- **Keynote address by EBRD alumnus, the Rt Hon Andrew Tyrie** ('97), Chairman, Treasury Select Committee, UK Parliament, followed by a discussion moderated by Jonathan Charles, EBRD Managing Director of Communications.

19:15

Exclusively for alumni, "transition jazz" with the East-West Trio.

19:30-21:30

Networking reception: a highly popular part of the reunion, the reception is an enjoyable opportunity to reconnect and catch up with other alumni and former colleagues over canapés and drinks with background music from the East-West Trio.

See the [Upcoming Events](#) section of this newsletter for more information about the event.

ASSOCIATION NEWS

Message from the Chairman



The EBRD makes history again

As I write this message, the giant arch at Chernobyl known as the New Safe Confinement has moved into place, securing the site of the 1986 nuclear accident in Ukraine. One of the world's greatest engineering achievements, big enough to house Notre Dame, the arch is the biggest movable land-based structure ever built. The EBRD has managed the project's financing and is the largest single donor to it. (See the [interview with Vince Novak](#) in this newsletter which tells the fascinating story of the endeavour.) I mention this achievement because it reminds us of the unique nature of the Bank, an institution we can rightly be proud of having worked for.

This newsletter is the 12th issued since the launch of the Alumni Association three years ago. In addition to reports on alumni events and activities, and fascinating interviews with selected alumni, this issue includes interviews with former colleagues who are still with the Bank, a number of articles on recent changes in the EBRD's organisation, procedures and policies, as well guidance on how alumni can continue to assist the Bank with business development.

As 2016 comes to an end, it is time to look back at what we have achieved over the past year and look ahead to plans for the Association. Membership increased substantially to around 2,400 alumni across 87 countries. Successful alumni get-togethers took place in London and other cities, including the launch of the Canadian Chapter – the Association's third chapter after Washington, D.C. and Poland. Alumni have continued to be invited to cultural and professional events at the Bank. The dedicated website has been fully rolled out. (In addition to a directory and information on alumni and events, it now includes a career centre). We have continued to disseminate news on alumni and the Bank through the Association's newsletter. And with input from the Association, there have been important improvements in the medical cover continuation plan for alumni who had subscribed to the continuation option. These came into effect on 1 July.

Our activities in 2017 will start on 26 January with the annual alumni reunion at Bank headquarters in London, in an updated format featuring VIP alumni speakers, the East-West Musical Trio, headed by the effervescent Josué Tanaka, and a networking reception. The event has something for everyone and we hope to see as many of you as possible. An important contingent of Bank management and staff will also attend. (See the [Upcoming events](#) section for more details.)

In addition to alumni events at the Bank's Annual Meeting in Cyprus in May (an alumni discount of 75 per cent is available for the Annual Meeting), more alumni get-togethers will be held regionally by the Association's chapters, a network that we hope to expand further. We will continue to develop the career centre and expand it to third parties. And we expect to take the first steps in launching thematic groups. The search for missing alumni will continue. We plan, with the help of Bank management, to strengthen our consultations with HR on matters of importance affecting alumni, as well as to examine how alumni can contribute to the EBRD's activities. We will also focus on strengthening the organisational aspects of running the Association. This will include expanding the Advisory Committee and calling on additional volunteers to help us with the work of the Association.

I would like to thank the current members of the Advisory Committee, the regional chapters' coordinators, the Bank, its management and various units for their financial, logistical and other support and, last but not least, Natalia Arkhipova, our Alumni Relations Coordinator. The progress achieved to date would not have been possible without their contributions.

I look forward to reconnecting and meeting with many of you in 2017. Let me conclude by wishing you all the very best for this holiday season.

George Krivicky, Chairman
EBRD Alumni Association

Alumni gather in Washington, D.C.; Canadian Chapter launches in Ottawa

On 25 October, the Washington, D.C. Chapter of the Association hosted an alumni get-together at the Beacon Bar and Grill. Some 20 alumni participated in the event. (See photographs taken at the event.)



Rogers LeBaron '04, George Krivicky '08 and Kazuhiko Koguchi '02

Alumni heard from Kazuhiko Koguchi (alumnus '02), Board Executive Director for Japan at the World Bank Group. Kazu was introduced by Makiko Toyoda ('02) now at the International Finance Corporation and the coordinator of the Washington, D.C. Chapter. A former Director of the Central Asia Team in Banking at the EBRD, Kazu had also held various posts with the Ministry of Finance in Japan and the Asian Development Bank. Kazu shared some of his memories from the EBRD and his pride in having worked for the Bank. He compared the World Bank Group, the Asian Development Bank and the EBRD. Based on his experience with the three institutions, it was his view that other IFIs, while having different business models, have recognised the importance of mobilising the private sector in support of development, an area where the EBRD has been at the forefront.



Sergio Pombo '97, Michele Small '12 and Nicolas Mathieu '10

George Krivicky ('08), Chairman of the Association, briefed the participants on recent developments and future plans for the Association. Michele Small, alumna ('12), who recently returned to the Bank to head the new Representative Office for Mexico, the USA and Canada, in Washington, D.C., emphasised that the alumni network was an important instrument which could help the Bank

in business development and outreach. Alumni, she noted, were well placed to help the Bank in these areas, as they are also familiar with the institution and its activities. The door of the Representative Office was always open to them. Michele said that her work could benefit very much from alumni advice as well as access to their networks.



Annabelle Libeau '14, Ananda Covindassamy '00 and Bart Stevens '99



Makiko Toyoda '02 and Joseph Dickson '14



Angelo Dell'Atti '96, Georgina Dell'Atti '97 and Bart Stevens '99



Annabelle Libeau '14 and Robert Bruce Leighton '14



Matthew Harvey '08, Kazuhiko Koguchi '02, Rogers LeBaron '04 and Makiko Toyoda '02



Elena Loukoianova '10, Leonor Fontoura '15 and Will Beach '15

Saturday 5 November saw the launch of the Canadian Chapter of the Association. (See photographs of participants.) André Juneau ('09), former Board Director for Canada and Morocco, has agreed to be the Chapter's coordinator. André and his wife Laura kindly hosted the get-together, for which the Bank and the Association are very grateful.



André Juneau '09 and Suzanne Hurtubise '15



Emil Savov '96, Josée Berthiaume '01 and Michele Small '12

A few days before the event, under André's leadership, four alumni (two former Board Directors, one former

banker and one former staff member from the Office of the Secretary General), had briefed the new Board Director for Canada, Morocco, Jordan and Tunisia, prior to his taking up his post at the EBRD. In speaking about plans for the future, André underlined the intention of the Chapter to be of help to senior Bank staff in accessing key Canadian government officials and business leaders, in coordination with the new Board Director and the Washington, D.C. Representation Office. Participants also heard from Michele Small and George Krivicky, who also attended the event.



André Juneau's wife Laura and Ray Conway '08

In addition to André, two other former Board Directors for Canada, Suzanne Hurtubise ('15) and John Coleman ('97) were present at the event. The get-together also provided the opportunity for an update on, and interesting discussion of, transition, graduation and other Bank policies. Participants expressed a desire for closer contact among themselves, and agreed to exchange email addresses.



John Coleman '97 and Marie-France Forgues '03



Yves Fortin '96 and Emilie Girard-Ruel '06

It is with great sadness that participants heard about the passing a week earlier of fellow alumnus Tullio Marrama ('95) after a long fight with cancer. Only a few days before, Tullio had signed up for the event, to which he was planning to travel from Montreal.

By George Krivicky

How alumni can contribute to business development at the EBRD

One of the areas where alumni can make an important contribution to the Bank is business development. This can be done directly by presenting projects which they are leading or involved in to the Bank for potential financing. Or it can be done through referrals and/or suggesting to potential sponsors – both from countries that are sources of foreign direct investment for our region and from the Bank's countries of operations – to approach the Bank.

The EBRD was set up 25 years ago, initially to support the transition to open-market economies in the countries of central and eastern Europe and the former Soviet Union. It has since expanded its remit and now invests in 36 countries on three continents – from Mongolia in Central Asia to Morocco on the Atlantic Ocean, from Estonia on the Baltic Sea to Egypt on the Mediterranean (follow [this link](#) for a full list of EBRD countries of operations).

To-date the Bank has invested more than €110 billion in more than 4,500 projects spanning a wide variety of sectors from financial institutions to infrastructure and from agribusiness to power and energy. The private sector share of the Bank's investments stands at 79 per cent.

In recent years, the EBRD has put particular emphasis on improving client relationship management and systems. The Bank is interested in further developing cooperation with sponsors in countries that have been sources of FDI for our region. It is also expanding this effort targeting Gulf countries, China, and India.

The Business Development Team in the Banking Department, headed by Olena Koval (kovalo@ebrd.com; Tel: +44 20 7338 7429), focuses on all these FDI countries and works in close coordination with the Banking Department's sector and country directors and regional business development coordinators.



The Business Development Team

In 2016 the Bank established two Representative Offices:

- in Washington, D.C. with responsibility for North America (Canada, Mexico and the USA) headed by Michele Small. (EBRD Representative Office for North America, Suite 640, 815 Connecticut Avenue, N.W., Washington, D.C./ 20006, USA; Tel: +1 202 846 1340; email: smallm@ebrd.com).



Leonor Fontoura, Principal, Business Development; Olena Koval, Head of Business Development at the EBRD, Michele Small, Head of the Washington, D.C. Office

- in Tokyo, with responsibility for business development in Japan, Masaru Honma, Chief Representative (EBRD Representative Office for Japan, Suite 702 A, 7th Floor, Nihon Yusen Building, Marunouchi 2-3-2, Chiyoda-Ku, Tokyo 100-0005, Japan; Tel: +813 5218 5001; honmam@ebrd.com).



Hitoshi Sanada, Head of Business Development in Japan; Suma Chakrabarti, EBRD President; Masaru Honma, Chief Representative

The Bank also extended its presence by using a network of business development consultants in China, the Czech Republic, Germany, Italy and the Netherlands.

So what can the EBRD do for foreign direct investors? It knows the markets where it operates very well, and has a robust network of local offices. Thanks to its ownership structure, the Bank has good connections with national administrations. It is a long-term investor with a mandate and a mission and it can really change things – for the companies it works with and the countries where it invests.

Alumni and/or other sponsors interested in exploring potential EBRD financing for projects can approach the respective operational units within the Bank or the Bank's Resident Offices throughout the region.

Alternatively, they can approach the Business Development team. They may be well advised when approaching the operational units or Resident Offices, to also inform the Business Development team or the Bank's Representative Offices in Washington, D.C. or Tokyo, as the case may be. The Business Development team, and/or the Representative Offices, will ensure that promoters receive feedback within 10 working days.

New business and investment

For enquiries about EBRD financing for projects and to submit business proposals, email newbusiness@ebrd.com.

Fusion: Four former employees join together for better HR solutions

Your intrepid EBRD Alumni Association Newsletter correspondent caught up recently with four erstwhile, peripatetic colleagues from HR: Sheila Bates, Jean-Baptiste Jugand, Julia Kemp and Louise Richards. Since leaving the Bank a few years ago, they have moved on from jobs in large organisations, public and private, to now come together for a brand new venture of their own – an HR consultancy named “Fusion HR Solutions”, based in London but with a truly international perspective.

We met recently for a brief chat. Their enthusiasm for their new endeavour was visible and, I must say, a bit contagious.



Alumni '14 (left to right): Sheila Bates, Julia Kemp, Louise Richards and Jean-Baptiste Jugand

How and why did you come together to form “Fusion HR Solutions”?

The birth of the idea was a meeting in 2013 between Olivier Descamps, Jean-Baptiste and Louise. Olivier had been requesting HR's help on retention issues for an EBRD client in Mongolia. At the time, we were excited about the prospect of helping them and felt we had plenty to offer, but there really wasn't enough time in the EBRD work week for this extra task. But that was the moment that the seed was sown for the idea of going out on our own to form an HR consultancy. We began to think about

a niche opportunity for consulting that no one else was doing. But, before actually leaving the Bank, it was at the level of mere conversation. Two years ago, we all left the Bank and took different paths – working at HSBC, Lloyds, the EIB and with the Centre for Effective Dispute Resolution.

We all went our separate ways but we kept in touch. In fact, we developed our own “mini HR-alumni association” and continued to exchange ideas and thoughts. We then decided to come together for a brainstorming session to see if we could collaborate and develop a concept that we could use to form a business. That was at the end of 2015.

And, as you see, we came to the conclusion that we could. We decided that the best way to deploy our talents was to do something in the realm of human resources. We felt that what was important for all of us was to work together to make a difference at the business level for organisations and (also important!) to retain an international dimension to whatever we did.

It is a big step to leave permanent jobs at large, secure organisations. Weren't you anxious about taking that first leap?

It is a big step! Yet for each of us, it had been a longstanding ambition (and goal) to work for ourselves. We wanted more flexibility in our working lives and we wanted greater proximity to clients. We wanted to be our own bosses in seeking clients, in meeting their needs and in finding solutions.

We left our respective jobs in the first half of 2016 and we have now formed our consultancy with offices at London Bridge. We've been in business since April and we love it. Our team is active and nimble; we can each concentrate on what we do best. And we're learning new skills every single day – skills that are necessary to run your own business.

What is the significance of the name you chose for your company, “Fusion HR Solutions”?

Fusion: We wanted to fuse our talents. And that's the motto you can see on our website: “Fusion...the process or result of joining two or more things together to form a single entity.” In essence, this means that there is more synergy together, with our unique set of individual skills, than working separately. Our skillsets and experience run across the private sector and extend to international organisations. In our small “gang of four”, our collective experience encompasses the whole gamut of HR skills.

What kind of services do you provide?

We deliver bespoke advice, guidance and solutions for our clients, aligned to their business plans and targets. We provide consultancy on:

- compensation and benefits
- talent acquisition
- professional development
- dispute resolution and mediation
- HR projects/studies.

What sets you apart from other HR consultancies?

We are smaller than the big firms obviously – which means we're much more personal and we know that we can punch above our weight. Collectively, we represent (and have had) a range of experience in international organisations and private corporations, including the EBRD, the EIB, MasterCard, HSBC, Lloyds, Orange and Rockwell.

Our watchwords are personal attention, care and engagement; with our extensive experience, we can be much more practical in our approach. And, last but not least, we're very likable and personable! [Ed.: They are.] We attempt to build a real relationship with each of our clients.

Do you have any advice to employees of large organisations seeking to start their own business?

We are four and not just one – so we can support each other. That is something to consider. Timing is also the key to setting up a business. When we left the EBRD two years ago none of us really felt ready to branch out on his/her own. But with the experience we each gained in the intervening two years, and building on our EBRD experience, we deepened our confidence in our ability to strike out on our own. We realised that we, as a group, had something to offer. Important too: we had known each other, warts and all, for ten years or more, so we knew each other's abilities and talents and shortcomings. We know that we can have open discussions and can tap into our talents; we look out for each other and we feel that we collaborate more effectively because we know each other so well and can be brutally honest.

What projects are you working on at the moment?

As a young business just starting out, we can't openly name clients yet. One important project is with an international organisation in Asia where we are partnering on a gender initiative across a number of countries; we are also in discussions with an established training organisation based in the UK which would like us to run their HR training business. And EBRD-ites will be happy to know that the southern and eastern Mediterranean (SEMED) region is no stranger to us – in fact, we are bidding for a salary survey for an Egyptian company that works internationally. We're also providing guidance to companies in the UK seeking to move from a five-day work week to 24/7 operations in the health care sector.

Any regrets?

Absolutely none. We feel younger, we feel we can really add value to organisations and we get more enjoyment out of our working day.

Is there a question you'd like me to ask?

Not really, but we would like to add one final thing. We have wonderful friends in the EBRD at all levels that have been tremendously supportive and generous with their time. So, in conclusion, we'd like to express and end with a hearty word of thanks to them all!

By Larry Sherwin

An interview with Jonathan Harfield, Alumnus '02



How did you come to join the EBRD? Tell us about some of the key roles and responsibilities which you had and what it was like in the early, pioneering days.

Very simple, I was approached in 1993 by headhunters Whitehead Mann, which had been retained by the EBRD to recruit professional staff. Apparently, my name had been spotted by one of their employees on a brochure offering Ernst & Young's first anti-money-laundering services. More than two decades ago, dirty money was a completely new topic. The Bank was seeking some expertise in the field. I had spent much of the 1980s training to be a Catholic priest in Rome. During that period, I had spent some time with the Institute for Works of Religion (also known as the Vatican Bank). As history can retell, this possibly equipped me well to understand how money laundering works and, more importantly, how the Bank could best address this complex area. After a single interview, I joined the EBRD on 23 June 1993, as a Principal Banker in the Financial Infrastructure Department, attended President Attali's farewell speech on my first afternoon, and boldly told my secretary that emails were a new internal invention that would never catch on, so she could deal with them for me!

During a wonderful decade both personally and professionally, I specialised in financial institutions and went on to become RO Head in Riga and Tallinn, Director for the Czech and Slovak Republics, and Deputy Director for Russia. Concurrently, I was the Bank's Anti-Money-Laundering Officer.

In its early years, the Bank was dynamic and entrepreneurial, the atmosphere intoxicating. By early 1994, Jacques Larosière was firmly in charge, with the likes of Ron Freeman and David Hexter instilling a tremendous sense of direction and purpose. When Claes de Neergaard retired as Board Director for Sweden and Estonia, he spoke of staff's driving "passion" for the Bank's mission; indeed there was a sense not just of being part of history but creating it.

The Bank played a pioneering role in the financial sector in the Baltic States, and particularly in Estonia, under

your leadership. Can you highlight some of the key achievements?

Though all three Baltic States have now returned to their Hanseatic prosperity, the relatively small, absolute size of their economies means that banks will always play a key role in financial intermediation, although there has been significant development in local capital and debt markets. The key strategy in the years 1994-99 was to take an active role in building the banking systems and having a transformative impact, especially in terms of capital base, funding tenor and maintaining confidence. Estonia had a banking crisis in 1992 and Latvia in 1995. By 1999, both countries had won acclaim for the effectiveness and stability of their financial systems, with significant Scandinavian investment, competent central banks, and strong regional co-operation. By the end of the decade, the EBRD accounted for approximately 10 per cent of the Estonian banks' liabilities. In Estonia and Latvia, the Bank had taken equity stakes in five banks, including three privatisations, catalysed mergers, provided substantial amounts of Tier II capital, and helped create the two largest pan-Baltic banking groups with Swedbank and SEB.

The road to success was not entirely smooth but much was achieved in a relatively short time. Freed from occupation and with exceptionally young ministers, government officials, and business owners/managers, many in their early or mid-twenties, the zeal with which Estonia and Latvia exercised their new-found freedoms was exhilarating. The energy was palpable and the Bank had to be at the centre of the action to be relevant. From a personal perspective three achievements stand out especially as having had profound and lasting positive effects:

David Hexter once passed a comment to me about Estonia, "small country, small elite". It is very true but it also highlights that as an expatriate it is not possible to stay so detached in a small city as in a large city; Tallinn is no Moscow. It is also important to gain an understanding of how society works and to come to know those who influence fast-moving opinions and events. In addition, the hiring of André Kүүsvek was remarkably fortuitous and was the first achievement. His country and the Bank owe him much. His interview with me, his second with the Bank, lasted 10 minutes and ended when he asked, "Is the EBRD serious or just wasting my time"? Attracting the right staff is not a science of psychometric or other testing, which reduces everything to the lowest common-denominator and augurs bland mediocrity. It is an art of spotting talent and this can only be done face-to-face and one-on-one. Bringing André Kүүsvek to the Bank was one of the most important achievements of my time in Tallinn and turned out to be critical to the record of transaction and transition success.

The second achievement was to keep the Estonian banking system steady at the end of 1997 when a number of banks in the Baltics found themselves decapitalised as their proprietary portfolios tumbled along with an over-heated stock market. The Bank intervened swiftly with the full support of the central bank. Three subordinated loan projects were approved by Operations Committee in late November 1997 and put forward for non-objection Board approval during the festive season when most directors had returned to their capitals. The deals were signed and disbursed in the first weeks of

January 1998 and the sudden strains on the banking system relieved. This also gave the Bank the opportunity to engage in policy dialogue with the central bank. Regulations on the percentage of equity that could be held in stocks were tightened significantly.

The third achievement that put the Bank at the forefront occurred during the merger of two banks, when one of the two was downgraded from BBB to CC following management fraud; more than 25 per cent of the country's deposit base was at stake. The events came to light on Mothering Sunday 1998. The Governor of the Central Bank called me at my family home in England in the early afternoon when my mobile was on divert. I telephoned David Hexter. We agreed the plan of action. Kүүsvek, the external Chairman of the Supervisory Board, and I flew to Tallinn that evening. Working closely with the central bank, Swedbank, and the owners of the then Hansapank, the troubled bank was rescued seamlessly via a merger and subordinated debt. The equity stake, which the EBRD had acquired in 1995, and then increased in around 1999, became one of the Bank's most profitable deals in percentage terms by the time of exit in the early 2000s. In times of strife when events move more rapidly than committees, the Bank like any institution relies on individuals and their ability to take quick decisions on the spot.

Alumni would be very interested to hear about your subsequent career at the First Investment Bank (FIB) in Bulgaria, FIB, Deutsche Gulf Finance (DGF) in Saudi Arabia, and Ernst and Young (EY) in the Czech Republic.

After leaving the EBRD, inter alia, I spent four years as the CEO of First Investment Bank, Bulgaria, which became the largest privately held commercial bank in the region, followed by over a year as the President of a nascent and ground-breaking sharia-compliant home finance company in Saudi Arabia, and then three years as partner in EY, based in Prague.

My experiences in Bulgaria and in Saudi Arabia made me realise that the EBRD not only executes its mandate with consistent brilliance but is also a good university of commercial life. My recollections of the Baltic States may sound like "cowboys at large" but the reality is that the EBRD teaches discipline as well as expertise. I learned the importance of process and procedure, the necessity of thorough documentation, and how clarity of the spoken and written word is critical when dealing in multi-cultural environments where English is not the native language. Often when a complex or delicate situation arose, I would ask myself, "How would David Hexter or Alain Pilloux deal with this?". I reported to both during my time at the EBRD. The former is a master banker and the latter a master tactician qualities that are essential to working in a banking institution and to making a banking institution work! I admire both men for different reasons.

Banking, whether at the EBRD or in a purely commercial setting, is about taking decisions individually and collectively. The same is not true of advisory firms such as EY where the direct opposite applies; avoid decisions and take no responsibility for decisions made.

EY is a leader in its field but there is a fundamental difference between adviser and principal. As a professional, the journey between the two is not always easy. With the exception of lawyers and statutory auditors, the value of advisers is rarely apparent and with some reason. Many reports gather dust, forgotten and

irrelevant. On the other hand, the Bank's investments and the Bank's experiential input into governmental policy discussion across the region obviously enhance business environments and better the lives of individuals.

Would you care to comment about some of the main challenges you see in the banking sector in the EBRD region and beyond?

Banks in the EBRD's countries of operations, especially those in early transition economies, are inherently more risky than banks in more developed economies. Yet since 2007, the global appetite for risk has diminished. This is a fundamental challenge for leveraged financial institutions in emerging markets, especially when seeking to access equity capital or wholesale funding.

To some extent, the capital and debt markets have taken comfort from governments' ever-greater underwriting of their banking systems through deposit insurance, which in turn has led to more stringent regulation and supervisory enforcement globally. However, worldwide, bank shareholders, subordinated and senior lenders, and larger depositors have suffered in failures and restructurings. After the turmoil in the Cypriot banking system in 2013-14, a new model for rescuing ailing banks seems to have emerged whereby only those depositors covered by insurance are protected. The concept of "too big to fail" is obsolete and the reality is that some systemic banks have demonstrated the contrary, too big not to fail. This poses an obvious conundrum for providers of capital and debt to systemic emerging markets' banks.

Perhaps the greatest challenge to banks in the EBRD's countries of operations is that while heightened regulation and supervision may have reduced the risk of failure, they have possibly diminished banks' ability to act nimbly to survive crisis. Decision-making in banks has become ever more collective and by anonymous committee rather than by strong and identifiable individuals. The collective may mitigate the risk of the "ship sinking" but it sure will not "rescue the passengers" in a collision. Do banking captains still have their hands on the tiller? The jury is still out!

By Larry Sherwin

An interview with Kinga Stanislawska, Alumna '11

Harnessing venture capital in eastern Europe

You were a principal banker at the EBRD from 2001-07. What were your main tasks and how do you think the position at the Bank prepared you for the positions you've held since you left?

As Principal Banker I was responsible for the EBRD's equity and debt financings into companies across central and eastern Europe (CEE) and the Commonwealth of Independent States (CIS). I was the operations leader for projects – meaning that I was responsible for the whole of the investment/financing process, with responsibility for the project team which included lawyers, sector specialists and others. This experience gave me a full view of the investment process from origination and selection through investment and into portfolio management.

Following my departure from the EBRD, I held numerous supervisory board seats at public and private companies and I strongly believe that I put to work the corporate governance and reporting standards that I had learned at the Bank. In my work as fund manager, I strive to set a gold standard in the venture capital (VC) industry in CEE in terms of corporate governance and social responsibility, as well as financial and operational reporting.



Working closely with the Credit team on projects at the Bank taught me to better evaluate the risk profiles of companies and I fondly recall all those long conversations with David Klingensmith and his team at that time. Integrity and transparency are two issues which I would link to working with OCE – and in particular Jose Carbajo, who invested a lot of time in showing bankers the importance of these issues.

While at the EBRD, I also gained an understanding of the importance of co-investments, the added value of partners and the idea behind risk-sharing. This is exemplified in the fact that out of the 13 investments in my current fund portfolio, 9 are co-investments with other VC funds.

Tell us a bit about what you've been doing since you left the Bank a decade ago.

I left the EBRD when I was offered the opportunity to become Global Head of Telecoms, Media and Technology (TMT) at Raiffeisen in Vienna, which I felt was a fantastic opportunity to develop new relationships, work in a new environment and move to a new country. Historically, Raiffeisen was particularly strong in south-eastern Europe and under a new joint-venture arrangement with Lazard Bank I was happy to be put in charge of implementing this new relationship in the TMT sector. Whilst at Raiffeisen I was responsible for the same countries of operations and I also had the opportunity to work in Austria, Germany, Switzerland and Turkey. Interestingly, I was the only woman and the only non-native German speaker as global head of a sector. The transactions I was involved in were mainly advisory mandates from large privatisations to much smaller sell-and-buy-side mandates of internet and technology companies or

capital-raising. The most notable transaction was the largest-ever investment in Ukraine by a private equity fund, which was Providence Equity Partners buying Volia Cable.

While at Raiffeisen I worked with local country heads. And this is how I met Marzena Bielecka (then Head of Raiffeisen Polska), who subsequently became my business partner. We left Raiffeisen together and set up our own advisory boutique: Experior Advisory. Very soon after, we also began to establish a venture capital fund, which is a first-time fund run by first-time managers – where Marzena and myself are the two founders and Managing Partners. Experior Venture Fund (EVF) invests into Polish growth companies, mainly in the tech space, software, marketplaces. The fund has a capitalisation of €20 million of which half is the commitment of the National Capital Fund (KFK) which manages the money of the Swiss contribution in this VC fund project. The other half of EVF capitalisation comes from 28 private investors, the majority being Polish nationals with 3 Brits, 1 Belgian and 1 American investor. (As you can imagine our Limited Partner meetings are usually quite large.)

At EVF, I have succeeded in putting together a wonderful team of professionals – the atmosphere reminds me often of my days at the EBRD. Everyone works really hard but at the same time can have fun together; the team members genuinely like each other and help each other out. It's a very supportive atmosphere, which is an aspect of working in the Bank that I have always remembered and which was important to me.

Raising capital for the fund was a process that took us about 18 months in total. Since establishment in 2013, we have made 13 investments and are nearing the end of the investment periods as well as the end of capital available for investment. We have 2 more projects to close before we switch purely to value-creation at portfolio companies. We will also embark on capital-raising for a larger and regional EVF II.

On the personal front, I am the mother of two girls aged 9 and 11, trying to show them the world, teach them as much as a parent can and just be there for them when they need it. We love to travel together, visit wonderful places, meet great people and learn new cultures. Recently we visited South Korea where we spent time with friends, my daughters attended a local school. We wanted to be a part of the community as much as possible. For New Year's we will be going to Norway to see the aurora borealis.

How do you view the current prospects and challenges for the private equity and venture capital industries in eastern Europe generally and, more specifically, in Poland?

The main focus of my work has been in the small private equity or venture capital community.

I am very involved in the community, I sit on the management board of the Polish Venture Capital Association (PSIK) and I am often a speaker at industry events across Europe. This week, I was on the keynote panel of the Women in Private Equity Conference in London which groups together women in the PE/VC community from all over the world. Much of the discussion centred around diversity in the PE/VC industry and around recruitment of the right talent as well as fundraising for smaller funds.

These are the main challenges which I see today for the industry in Europe. Venture capital is a very popular investment target for Limited Partners (LPs) in the USA, where multi-billion-dollar VC funds are being raised that also invest very substantial tickets into start-ups and early-stage companies. The ecosystem is very well developed so founders can benefit from knowledge and experience as well as relationships and network. The available funding both for early-stage companies and dedicated VC funds is very substantial in the USA. According to a recent market study on a gross-domestic-product-adjusted basis, US venture capital funds raised 5.3 times more than their European peers last year. The gap is equivalent to around US\$ 25 billion a year. This is even more so in the central European region and in Poland. In Poland both venture capital and private equity have struggled for many years to catalyse fund commitments from local Polish financial institutions and pension funds. So far unfortunately there is very little progress and there are no domestic financial institutions (other than public money) to invest in the PE/VC sector. The funding gap is substantial.

The Polish start-up scene is rapidly developing. The "Start-Up Poland Foundation", where I sit on the Advisory Board, has over 700 technology start-ups registered and close to 50 local investors. However, market analysis indicates a total of at least 2,400 start-ups in Poland at the moment – and this is growing fast. The sector has yet to open more to foreign capital and to the investment of VC funds from abroad.

Interestingly, the number of European start-ups raising money from VC is growing every year. The number of deals was up 27 per cent so far in 2016 with an expected US\$ 13.6 billion to be invested in Europe this year. However, the vast majority of these investments are carried out by US-based VC funds – so far they have invested in 292 European start-ups (and the year is not yet over) versus 210 investments in 2015. This shows the opportunities that are seen in Europe by US investors and their growing involvement, as well as the funding gap for VC funding in Europe.

In general, there is a huge challenge facing start-ups and corporates in central and eastern Europe (CEE) on how to work together. This challenge is currently being solved at a European level – the top 50 European corporates by value have invested in 72 tech start-ups so far this year. Such cooperation is not as visible on the CEE market. Although large corporations are now beginning to partner up with accelerators examples of this are Aviva, Alior Bank, PZU, this is usually the case for financial institutions which see the need for innovation as a part of competitive strategy. In Poland, large corporates from other sectors are also discussing participation and cooperation in start-ups but have had little tangible success until now. This is, however, being heavily promoted by the Polish government so results are expected in the near future.

As an example, an EVF portfolio company, XTRF, which produces software as a service solution for translation, currently cooperates with some of the largest players on the European translations market such as Finnish AAC Global, Spanish Seprotec and Norwegian Amesto. This is an important start in the right direction for a start-up. Another example is EVF's portfolio company Algolytics which provides solutions in big-data predictive analytics and cooperates with the likes of Polkomtel and mBank in

Poland. However, these are rare examples of this kind of success!

You say that Exporior has its capital from the National Capital Fund (KFK) and the Swiss-Polish Cooperation Fund. Is this a venture capital fund in the sense of an American venture capital firm? What special challenges does it face?

Yes, EVF is a venture capital fund in the sense of the American VC industry. However, the US VC industry is much more developed and organised, considering the fact that the first VC investments in technology companies in Silicon Valley were in the 1950s. Since that time, the VC community has grown substantially in the US and there have been multiple success stories which have fuelled further growth. A huge ecosystem of VC/tech operates in Silicon Valley, while in Europe the VC scene is a relatively new thing, with strong hubs in London, Stockholm and Berlin. The VC industry in Europe is relatively new, perhaps 20 years old; it is much smaller than in the US with fewer funds of smaller size, hence smaller investment tickets.

Europeans have recognised the importance of investing in and supporting innovation which is a key value driver of progress, competition, new job creation and GDP growth. Digitalisation is a key trend which requires technology implementation. EU structures as well as local governments have understood this need and have created investment and support structures for start-ups and VCs. The solutions implemented differ by country but the general direction of investment into technology within the EU is clear.

The central European VC scene is younger still. In Poland the first group of VC funds was established about six years ago thanks to EU funds, before that time, the only VC fund existed in Poland. The sector is very new. The “Start-Up Poland Foundation” has registered close to 50 investors – including VC funds, seed funds and angel networks. The vast majority of these entities have capitalisations below €10 million.

There are a few special challenges that the CEE region (and in particular Poland) are facing in VC funding for start-ups:

- An early-stage start-up/VC ecosystem which at the same time is dispersed between various locations.
- An unsatisfactory legislative system for the VC community including lack of legal means to establish tax-transparent investment special-purpose vehicles (in other words, funds) in Poland (with Poland being the largest market).
- Although technical expertise in the region is of a high level, commercialisation or sales expertise is low. The start-ups need to catch up on knowledge and investor experience to be able to commercialise faster.
- Insufficient access to institutional funding for funds – no local institutional investors in Poland for PE/VC, meaning that foreign institutions are also less likely to commit to Polish PE/VC as there is no local institution with which to invest.
- Many start-ups supply from founders, because founders are very keen to set up start-ups; being a founder is trendy, so the number of seed projects is really huge. Unfortunately, only very, very few grow to

become small, fast-growing companies that are global and scalable. This is due mainly to an insufficient ecosystem, and a knowledge and VC funding gap.

- “The 38-million trap”: Start-ups think Poland is a big enough market and if they succeed in Poland, this is satisfactory. It’s true that a market of 38 million is substantial but for a company that wants to go global and scale up it is insufficient. Founders often do not think globally from day one – and they should!

Alongside your professional activities, you have been working with the “WeGirls Friendship Foundation” which supports children undergoing chemotherapy and major surgery. Tell us a bit about this work and why you became involved.

Giving back to society is a value that is very close to me. I believe that we are very lucky in the way our lives are run, in where we live and what we do and that giving back to others is something that each one of us should do.

As a fund, we made an investment into WeGirls which is a company focusing on the education of girls through play in a real and in a virtual world, teaching children values and showing them role models. The two founders of WeGirls share my view in giving back to society and I was happy to learn at the time of our investment that they are also leading a foundation which supports children who are going through hair loss as a result of chemotherapy. WeGirls collects hair from both kids and adults, men and women, and makes wigs, which are then sent to needy children. Hair takes a long time to grow and it is a very important aspect of appearance. When they lose their hair, children become introverted; they are shy and feel ashamed of their looks. They don’t want to go out and play. We strive to put smiles back on their faces providing them with the attribute that makes them look like their peers. In this difficult time, such simple things really help.

In addition to my involvement at the WeGirls Foundation, I am also a mentor for women who would like to advance their careers more quickly. I am on the board of the Vital Voices Chapter Poland Foundation, which is the Polish arm of the Vital Voices organisation set up by Madeleine Albright and which works with talented women who are developing their careers in the corporate world. I am also a mentor at the Polish Women Entrepreneurship Foundation where I work with women who have set up start-ups or early-stage companies. I strongly believe in the need and value of mentoring and supporting diversity in the working environment.

By Larry Sherwin

Thierry Malleret, Alumnus '98, organises the second Barometer Get-together

For the second year in a row, Thierry organised a successful Barometer Get-together, which took place on 23-25 September 2016. Some 200 participants from around the world descended on the scenic town of Chamonix to take part in this event, held under Chatham House rules.



Thierry Malleret '98

Aside from participating and listening to discussions on current global issues, the Get-together was an opportunity to reconnect with Thierry and with Serge Desprat, both EBRD alumni '98. Thierry is the co-founder and principal author of the [Monthly Barometer](#), an analytical and predictive newsletter on macro issues for high-level decision makers. Serge, based in Prague, is Senior Advisor to PwC where he coordinates its Global Fund Advisory Platform.



Serge Desprat '98



Alicija Krivicky '08

The Alumni Association's newsletter reported last year on the 2015 Barometer Get-together. The [article](#) is available on the EBRD Alumni Association's website by following the link.

By George Krivicky

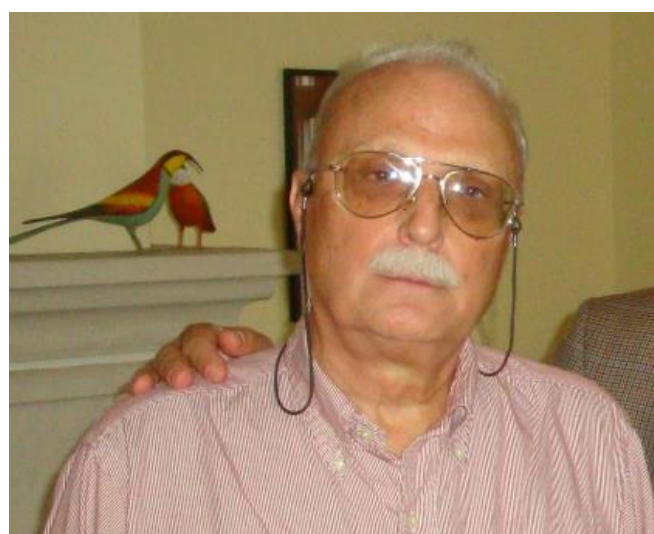


Nik Gowing

The event was opened by a town hall session on "thinking the unthinkable", led by Nik Gowing, formerly main presenter for the BBC World News TV channel and currently Visiting Professor at King's College and member of the World Economic Forum's Global Agenda Council on Geo-Economics, and inspired by a recent study which he co-authored under the same title. The many workshops held during the Get-together focused on topics such as: looming economic, geopolitical and environmental risks; investment themes and opportunities; cohesion and unrest in our societies; the rise of populism; making happier societies and inclusive economies; the future of Europe; understanding developments in countries such as Russia and Turkey; opportunities and risks associated with technological progress, political leadership in a fast moving, complex and interconnected world; and mitigating cyber-risk.

The event aimed to combine thinking and learning with mindfulness and discovery. It saw lively interaction between participants, friendliness and informality. The occasion was complemented by outdoor activities, which took advantage of the exceptional natural environment that Chamonix offers. Judging by the feedback from participants, the Get-together was an unmitigated success. Many plan to attend again next September, now that it will become a regular annual event. To participate in the Get-togethers, a subscription to the Monthly Barometer at <http://monthlybarometer.com/> is required.

Tullio Marrama, Alumnus '95, passes away



It is with deep sadness that we learned of the passing of Tullio Marrama despite the remarkable progress he had made in his fight with cancer. Tullio worked from 1992 to 1995 as a Senior Engineer in the Transport and Environment Infrastructure Team in the Banking Department.

NEWS FROM EBRD STAFF

Vince Novak

Nuclear Safety Director

Making Chernobyl safer: Vince Novak looks at one job well done, and more work to come, in an expanding nuclear safety sector



The catastrophic nuclear accident that took place on 26 April 1986, when reactor 4 exploded at the Chernobyl nuclear power plant in then-Soviet Ukraine, brought vast changes in its wake that have ended up affecting not just the area immediately around the town of Pripyat but the EBRD's whole area of operations.

The battle to contain the contamination and avert a greater catastrophe has ultimately involved over 500,000 workers and has cost the international community billions of dollars. The Bank's role in marshalling funding since 1992 – as the only IFI with a nuclear safety mandate – has put us at the forefront of these efforts.

Nuclear Safety Director Vince Novak first went to Chernobyl in 1997, and, realising the importance of the job, soon afterwards accepted a job at the EBRD to help design the project that would keep the site safe. "Some people tried to talk me out of it because they told me, 'it is an impossibly complicated project; you will never succeed; it will be a failure.' But to some extent this in fact attracted me – the challenge and significance of this work."

At the 30th anniversary of the explosion, Vince reflected on the EBRD's role in making the Chernobyl site safer through the development of the New Safe Containment (NSC), and on the broader future of nuclear safety.

What should we know about the Chernobyl accident and its consequences?

At the 30th anniversary, there are important reflections to make about this accident, which has a number of dimensions.

There's the human dimension: the tragedy of at least 30 people who died and many more who were affected. There is clearly a huge environmental dimension, with the damage that has been done in Ukraine and Belarus. And

there is a tremendous economic toll for both Ukraine and Belarus, as a consequence of the accident; they are still struggling with it.

Lastly, the accident has hugely affected the public perception of nuclear power plants and had an impact on the industry. It has raised awareness of the importance of nuclear safety in our region of operations and worldwide. It was after the Chernobyl accident that nuclear safety in our region became a high priority for the international community – and this is how the EBRD became involved.

So how did that involvement happen, and how has the Bank helped since then in nuclear safety generally?

The G7 and European Union invited the Bank to set up a nuclear safety department, starting after the G7 summit in 1992, and the Bank continues to be the only IFI with a nuclear safety mandate. We pretty much act as an instrument of the international community.

It is important to really recognise how much good work the Bank, together with the international community, has done to increase nuclear safety in the region. In very simple terms, our region is now a much safer place to be than it was 20 years ago. But there must never be complacency about nuclear safety.

To give just a few examples, nine of the "unsafe" nuclear reactors – including the last operating unit at Chernobyl – have been shut down between 2000 and 2009, largely thanks to activities under the EBRD-managed nuclear safety funds. We are now nearing completion of the programmes in the north-west of Russia which will finally deal with the legacy of the Soviet nuclear fleet. These are the programmes that have been the top priority for the European Commission, for the Scandinavian countries and of course for Russia, for at least two decades.

From that beginning in the early 1990s, the Bank now operates seven nuclear safety funds, including the latest fund, which we have just kicked off, for Central Asia's uranium mining legacy. From the modest tens of millions when they started in 1993, the cumulative contributions of the international community have now exceeded five billion. That is a lot of money, of which approximately half is allocated to Chernobyl. The other half, which is still growing, constitutes mainly the decommissioning funds for Bulgaria, Lithuania and the Slovak Republic, and for these three the European Commission is providing the vast majority of the money.

In terms of complexity, Chernobyl is the definitely the most demanding project of all of them. This is by any definition a first-of-a-kind project (and I often say I hope also the last of a kind!).

What have we helped bring specifically to Chernobyl?

What is visible now in Chernobyl is this impressive arch, which is more than 100 m high and spans 260 m, and this arch is an incredible feat of engineering. But what lies behind this phenomenally designed structure is years and years of scientific research, engineering, design and certainly a number of technical and procurement and political issues that needed to be addressed so that the project could finally get to the implementation stage.

The Bank has played a key role in defining the project and in shaping the institutional environment to make this project possible. That includes regulatory, administrative and many other issues. We have contributed to more than three dozen different Ukrainian laws, which had to be either created or amended to make the project possible – from laws on nuclear liability, to taxation of foreign aid and regulation of such facilities ... a huge spectrum of issues.

There is literally daily engagement with the relevant authorities in Ukraine, project managers and contractors to resolve issues that inevitably arise in a programme of such complexity.

Lastly, in financial terms the EBRD has become the largest contributor to Chernobyl projects. The Bank has allocated almost €500 million for the New Safe Confinement (approximately a third of the projected cost) from its net income and almost €180 million for the other project crucial for nuclear safety, the spent-nuclear-fuel storage facility known as ISF-2 (almost half of the cost estimate).

Despite Ukraine's current political difficulties, is the framework now in place for Chernobyl safe?

Almost miraculously, during the entire crisis from late 2013 onwards, the Chernobyl project has continued to make very good progress, and the impact of the overall political and economic situation in Ukraine has been limited. It has been achieved largely through our engagement with the key segments of the Ukrainian authorities that are particularly relevant for the project and through the very professional attitudes of project managers and contractors.

What does the future hold for the Chernobyl project?

Our key projects are now very close to completion. Both the New Safe Confinement and ISF-2 are scheduled for commissioning in 2017. And what does that mean? Once the New Safe Confinement is commissioned, it will fulfil a double purpose.

One purpose is to isolate the radioactive inventory of the Chernobyl shelter built hastily in 1986 to cover the ruins of Unit 4, so as to prevent the release of radiation into the environment, even if the shelter collapses before it is dismantled. (The probability of this has been significantly reduced because we did a major shelter stabilisation project, which was completed in 2008, and as a result regulators extended the shelter design life to 2023.)

The other key function of the NSC, and for which it is equipped with one of the largest and most sophisticated cranes ever built, is to enable the dismantling of the most unstable structures of the shelter and the management of its radioactive inventory – the famous fuel-containing materials. We all know about the consequences of the radioactive fallout after the 1986 accident – and that contamination was caused by approximately three per cent of the radioactive material contained in Unit 4 of the reactor. Everything else is still in there.

What has to happen to that 97 per cent of the radioactive material still at Chernobyl?

This is now in a stable state. One of our first tasks, when we started the project in 1998-99, was to assess whether there was a risk of another nuclear criticality excursion. Studies concluded that the probability of that was virtually zero. However, our project financed sophisticated

automatic monitoring equipment that, among other things, closely monitors behaviour of the fuel-containing materials.

Another of our big tasks at the beginning was to develop a strategy for the fuel-containing materials. For a variety of reasons, there were many people who insisted on the early removal of these materials, some because politicians in Ukraine had decided that this was not a task that could be passed to another generation; others perhaps out of scientific curiosity; and still others simply because a business opportunity in 40 years is not a business opportunity now! They wanted to do things now, but that would inevitably put the lives of people at risk because of the very high levels of radiation.

So the strategy which was finally adopted is a strategy of deferred removal of the fuel-containing materials. This means they will probably be removed only in several decades when the radiation levels have naturally declined somewhat, and in the context of an overall national strategy for the management of high-level radioactive waste. There is additional logic to this approach. We see now that robotics and remote-handling equipment is much more advanced than it was 10 years ago and far more advanced than it was 20 years ago ... and in another 20 years I am sure it will be probably a few steps better again than what we have now.

Maybe that is the genius of the project – that it is measured, not maximalist?

Do you know, the most difficult thing of all was to define the project? We did not start with a project in the usual way the Bank would normally start a project. We had a document developed by a group of eminent world experts, financed by the US government and by the European Commission, who had finally understood that it was impossible for anybody to define a solution and project; many had tried before.

What they had defined were safety objectives and a logic which one had to follow, with the research, engineering, and key programmatic decisions to find a solution. So we then needed approximately five to six years to define the project on a programmatic level, to understand what had to be done; and the next challenge was to design it and then to implement it. So we are now at the end of this very, very long road. And that also partly explains why it has taken so long.

One of the big challenges from the outset was how to protect workers on this highly contaminated site. This has been a key criterion in the design. As an example, this is the reason why the NSC was being built 300 metres away from the shelter, and then – when completed and weighing 36,000 tonnes – slid over the shelter in an unprecedented operation. We also had to build the entire site infrastructure and introduce state-of-the-art industrial and radiation safety programmes. After many millions of hours worked on site there has been no incident of a worker exceeding the radiation dose limit and the health and safety record, measured in the number of incidents per hours worked, compares very favourably with international benchmarks.

The same is true for the spent-fuel storage project, which is nearing completion. The facility, which will cost in the region of €400 million, will process and store more than 20,000 spent-fuel assemblies from the operation of the other three units at Chernobyl. It will be the largest of its

kind and is vital for nuclear safety and for the decommissioning of Chernobyl.

A [photogallery](#) on the Bank's website shows the EBRD's involvement in the project since the 1990s.

By Vanora Bennett

Josué Tanaka reflects on the GET approach's first year



Last autumn, the EBRD unveiled its most ambitious plan yet to put investments that bring environmental benefits at the heart of our mandate with the Green Economy Transition (GET) approach.

GET – approved by the Board in September 2015 and shown to the world at the COP21 Paris climate conference – aims to bring the volume of green financing from an average of 24 per cent of the EBRD's annual business investment in the 10 years to 2016 up to 40 per cent by 2020.

GET was part of the buzz at the historic gathering on climate change that, after years of delay, succeeded in agreeing a treaty to keep global temperatures from rising more than two degrees above pre-industrial levels. US President Barack Obama called the Treaty “the best chance we have to save the one planet we have”.

Now the Bank is on track in developing its own first GET targets.

“GET is off to a positive start with broad interest both from countries of operations and Bank teams,” says Josué Tanaka, Managing Director, Energy Efficiency and Climate Change (E2C2), who has been steering the Bank's GET approach.

“The positive interest across teams is reflected in a broad range of activities for scaling-up, innovation and policy-strengthening through GET during the first half of 2016,” adds Josué, quoting figures collected from around the Bank on all aspects of GET development.

The mid-point of the target range for this first year is 32 per cent (the target will then rise by 2 percentage points a year until it reaches 40 per cent by 2020). And, Josué says, “the current GET pipeline should be sufficient to reach a 2016 GET-to-Annual Bank Investment ratio of 32 per cent.”

“Overall, GET activity is well distributed across regions and sectors. The GET pipeline includes non-sovereign and sovereign debt. The size of the financing varies from a small component of a large project to large GET projects.”

Job done, then? Not quite yet.

Measuring success as a percentage of the Bank's overall financing will always mean there is uncertainty over exactly how the year-end figures will pan out. “It is impossible to accurately predict the year-end proportion now, as it will partly depend on how many large non-GET deals are also signed by year end,” explains Josué.

Making it crystal clear how climate finance contributes to the transition process at the heart of the EBRD's work will help to incentivise the development of green projects by the Bank. “We need to back up GET with an appropriate methodology for GET transition impact (TI). This will provide a transition incentive consistent with the 2020 GET target.”

Significant work has been done on this over the summer with the launch of a GET TI rating expected during the fourth quarter of 2016. This will make it easier to measure the GET approach as the target levels rise over the next four years.

“Momentum needs to be maintained and accelerated,” he continues. “By providing a clear signal to teams, we will support the development of a strong pipeline consistent with GET standards and objectives for the end of 2016 and beyond,” according to Josué.

“A sustained effort will also be needed to mobilise concessional funding in support of GET activity, development and implementation.”

Engines of growth

What will power the rise in the proportion of green deals? Josué highlights five drivers: the scaling-up of existing activity, enhanced innovation, broadening the environmental dimension, widening the use of private and public delivery channels, and policy dialogue.

There is a range of opportunities for increasing GET activity, including renewable energy, particularly in the southern and eastern Mediterranean (SEMED) region, reflecting the improved cost-competitiveness of both wind and solar energy; the growing emphasis on energy efficiency in rail transport infrastructure; and the MEI team's development of hospital public-private partnerships (PPPs) with energy efficiency components in Kazakhstan and Turkey.

On innovation, Josué highlights the development of the Green Cities Programme being deployed in Albania and the Caucasus, which is intended to lead to the formulation of a larger-scale framework. He also mentions the substantial work undertaken with the Green Climate Fund to set up a large sustainable energy financing facility (SEFF) framework that now covers 24 EBRD countries, with the potential for further expansion; energy recovery projects involving electricity generation from waste heat recovery, with business leads in Egypt, Bulgaria, Kazakhstan, Romania and Turkey; and many more.

Broadening the environmental dimension is, likewise, under way. The Environment and Sustainability Department (ESD) has been working with E2C2 to develop specific categories of eligible GET projects. These

include: pollution prevention and control; sustainable management of living natural resources; natural capital (both land and water); sustainable water management including wastewater treatment; and eco-efficient products, production technologies and processes that deliver green benefits under GET.



The ESD, ICA (industry, commerce and agriculture) and E2C2 teams are also doing work to identify project opportunities to drive implementation of the European Union's Industrial Emissions Directive. We have identified three to five companies, initially in Poland and Romania.

There have been developments in diversifying delivery channels in both the private and public sectors. These include, on the private side, a green TFP product developed by Financial Institutions (FI) and E2C2. On the public side, work is advancing with a public financial intermediary in Kazakhstan – the Kazakhstan State Development Bank.

Policy work is also moving rapidly in many directions. Among the results achieved in 2016, Josué mentions the signing by President Nursultan Nazarbayev in Kazakhstan of a Green Economy Law. This includes clauses to make the country's renewable energy legislation, on which the EBRD has worked since 2008, fully functional. Josué also lists several developments in energy efficiency policy in the Western Balkans. He adds that, in Turkey, the first city-based climate action plan has been launched in Gaziantep to assess climate vulnerabilities, and identify and prioritise sector-specific measures. In Ukraine, the government has officially adopted regulations developed under the EBRD Ukraine Residential Energy Efficiency Policy Dialogue Programme, funded by Austria.

"The scale of the work is vast, especially given the EBRD region's legacy of widespread environmental neglect and wasteful energy use. Yet this is a job well worth doing, since the rewards are equally vast," says Josué.

"Transitioning to a green economy affords numerous opportunities for growth. Businesses and countries that invest in new, environmentally friendly technologies and processes enjoy a competitive advantage on global markets. These investments constitute a valuable source of wealth and job creation at a time of continued economic difficulties."

By Vanora Bennett

Gilles Mettetal

Head of Agribusiness, Property and Tourism

"I hope we will leave a mark in the newest countries of operations as we have done across CEE."



To Gilles Mettetal, Acting Head of Industry, Commerce and Agribusiness, the transition from planned to market economy in central and eastern Europe is one of the most radical and rapid changes in human history. "I feel lucky to have worked for the Bank and, along with many colleagues, we have been observing and taking part in these changes."

When Gilles joined the Bank 23 years ago as an analyst, his first deal was in Moldova, in the wine industry. "I found a book on Moldovan wines, written by a Dutch trader who put me in touch with a ministry official. Here I was, on the first flight to Moldova, which back then had more than 10,000 per cent inflation." At the time there were no international money transfers in place with banks and Gilles remembers how the then minister of finance pleaded with him to carry money back to London to pay the minister's outstanding bill at a hotel.

"There was no sense of private partnership at the beginning. But both local and foreign entrepreneurs assumed that they would become millionaires within a short time." Gilles adds that "the Bank has played a major role in developing the private sector by supporting local and foreign corporate clients as well as small and medium-sized enterprises (SMEs) with debt, equity financing and advice".

Gilles takes pride in the way that many of Bank projects are regional and have contributed to the economic and political stability of the often fragile regions the Bank invests in. "Take the former Yugoslavia. There was war when we started working there. We have promoted trans-border investments, bringing together businesses and governments to work with each other and understand that they share similar concerns and difficulties."

Bringing the private and public sector together is one of the Bank's greatest strengths. "We did this successfully with the [Private Sector for Food Security Initiative](#). It worked because we listened to our clients who at the time of the global food crisis in 2008 told us that to invest more, they needed predictable policies. They also told us that Ukraine had a great potential to produce more food."

And that's how the Private Sector for Food Security Initiative was born in 2011. It championed the role of the private sector in boosting food production through

technical assistance, policy dialogue and new financing. It also helped set incentives and create the right environment for encouraging private sector support.

Dialogue between the public and private sectors has been crucial in making the initiative a success. "When it started, Ukraine was barely self-sufficient. The government was restricting grain exports because it was concerned that there wasn't enough food for the people. Today Ukraine is the third-largest exporter of grain in the world. This is a fantastic success story and we are part of it."

Over the past 25 years the EBRD has taken risks across regions and sectors while maintaining a solid balance sheet and delivering strong results. The transition to open and sustainable market economies hasn't been easy. There have been bumps on the way and there will be more in the future. But for the many companies that have grown with EBRD financing, having a reliable partner has made all the difference.

Gilles adds that "we need to take better care of our clients and listen to their advice more carefully and systematically. We can always improve and do better".

"We are successful because we are well-connected with the private sector. I hope we will leave a mark in the newest countries of operations as we have done across central and eastern Europe."

By Marjola Xhunga

Libor Krkoska

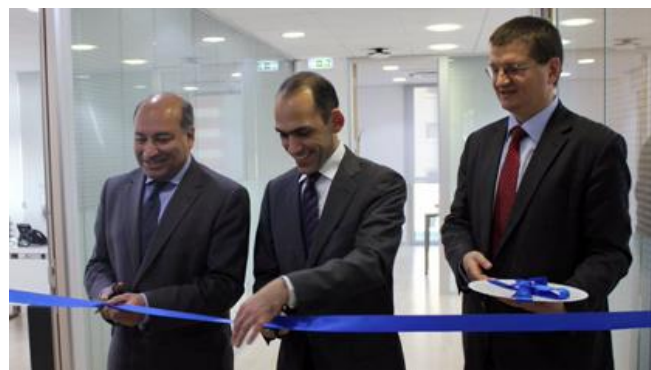
Head of operations in Cyprus

"I see the Bank continuing to make a difference for many years to come"



"The extensive range of products and clients makes my experience with the EBRD always interesting and worthwhile," says Libor, who has enjoyed several different careers within the Bank. His EBRD journey started in the Chief Economist's Office back in September 1997 where he was engaged in several interesting research studies in our countries of operations, in addition to co-authoring a number of chapters in the Transition Report. Since 2008, he has worked as a Senior Banker and Head of Office, across our countries of operations, from Moldova to Bosnia and Herzegovina, and now eurozone member Cyprus where

he helped set up the Bank's Resident Office and started operations in 2014. Here he tells us what makes his job so special.



Libor (right) at the opening of the Cyprus Resident Office

What has been your proudest moment at the EBRD so far?

There have been many, many moments that have made me proud to work for the EBRD. But my involvement in municipal projects in Moldova, the poorest country in Europe, has surely brought some of the most rewarding moments in my career. These challenging projects, be it the regionalisation of small municipal water companies, or the restructuring of the urban transport company in the capital, involved a lot of policy dialogue, close and intense cooperation between the Resident Office, the sector team and support departments. They resulted in a significant improvement in the living standards of the local population with a lot of excellent publicity for the Bank based on highly visible results.

What do you find most appealing and rewarding about working for the Bank?

I have had the privilege to represent the Bank in several countries of operations, to be in close contact with the clients, policy-makers, and local representatives of our shareholders and other stakeholders. This gives me immediate and direct feedback on our activities, allowing me to see the result of our team efforts first hand. Seeing the positive impact on our beneficiaries and the appreciation from local representatives of our shareholders and other stakeholders is in itself very rewarding. In addition, I am very happy to work in such a diverse organisation, enjoying the teamwork, as well as learning from the experience and expertise of my colleagues.

What could we improve internally?

The issues that are raised again and again in discussions with our clients are the speed and complexity of our engagement. I hope that our colleagues implementing the operational efficiency and effectiveness programme will make significant progress soon, with a tangible impact on the speed of our approval process, and the complexity of our legal documentation. There are easy wins in operational efficiency that would not have a negative impact on either our operational performance or transition impact.

How do you see the Bank making a difference in the future?

The Bank has made a big impact in many of our countries of operations. Our experience and expertise in areas such as privatisation, sustainable energy financing, restructuring, and finance and advice for small business

are still valued and needed, the more so the further south and east we go. Meanwhile innovation and new ways of financing business are highly relevant even in the most advanced countries of operations. I see the Bank continuing to make a difference for many years to come. As the past few years have shown, we will be both building on our experience and expertise to help newer countries of operations, and also reinventing ourselves and providing even higher value-added in the countries where we have already worked for a number of years.

By Claire Ricklefs

Heike Harmgart

Head of Jordan

The Head of the Jordan Resident Office tells us what working at the EBRD means to her



For Heike Harmgart, the setting-up of a brand new office in Amman in October 2013 stands out as a personal and professional highlight. “Seeing the happy and proud faces of the brand-new Jordan team, our first clients, colleagues from London and our Jordan governor – and delivering my very short speech mostly in Arabic (thanks to Nibal Zgheib in Communications) – has to be one of my proudest moments so far at the Bank,” she says.

Her EBRD journey started nearly 10 years ago now, in OCE at HQ where she worked across many sectors and regions, before spending some time in the Moscow office and then teaming up with Gilles Mettetal and the Agribusiness team on the [Private Sector for Food Security Initiative](#).

In her current role as RO Head, Heike cherishes the feeling of having an impact on the ground. “Working together across teams to find solutions that work for our clients and knowing that it makes a difference for the people in Jordan, is why I love working for the Bank.”

There is always room for improvement of course, and Heike believes that aside from more flexible HR policies, we also need to be better at showing off what we do. “While we know the costs of our operations to the last penny, we struggle to show all the benefits of our activities,” she stresses. “Benchmarking the Bank's incredible output would highlight what good value we provide.”



Amman Resident Office opening

Heike believes the Bank will remain in strong demand if it stays true to its private sector vision and remains open to innovations. “Over the next 25 years I envisage more green investments and an even bigger shift in the geographical distribution of our investments, with important new economies joining the EBRD family to engage in transition.”

By Claire Ricklefs

Christine Mercer

Senior Accounting Officer

A 25-year EBRD career that began with the words, “Can you start tomorrow?”



Christine Mercer, EBRD employee number 00000002, has been at the Bank since 1990, when a job agency asked her whether she wanted to try out her French as a receptionist for “this brand new development bank for former Communist countries that everyone was talking about.” Christine wasn’t sure, but she went along to the Bank’s pre-inauguration office suite at Broadgate Circle to try her luck at an interview.

“I was interviewed by the office manager, because there was no HR in those days; there were only 25 people at the Bank,” explains Christine, now Senior Officer, Accounting. “And he looked me up and down and said, ‘Yes, you’re presentable, though your hair’s a bit messy. Can you start tomorrow?’”

“I said, ‘OK, but don’t you want references or anything?’” she recalls. “They said, ‘no.’ And actually I couldn’t start then, because I had something on. But I started the following day, which was a Friday.”

Once she got over her surprise at this first piece of informality, Christine was to find many more surprises in store. The fledgling EBRD – which its first president,

Jacques Attali, preferred to call “the European Bank” – was still a year away from its inauguration on 15 April 1991, and very much an organisation in the making. “Things were very free and easy, and we had to put in the procedures,” she says. “In those days, you used to muck in with everything.”

Getting going

Christine and fellow-receptionist Tina Hoy, 19, seconded from the Bank of England (and also still here today) did conventional receptionists’ jobs – shepherding guests in and out, getting them coffee, taking coats and putting them into the wardrobes by the reception desk, and handling phone calls. Among those Christine dealt with were press barons: Robert Maxwell demanding an instant appointment with the absent EBRD boss; and Rupert Murdoch, walking in unexpectedly and flustering Christine, who dropped his heavy cashmere coat. “We had VIPs coming in at every moment. Even Jacques Cousteau appeared at one point.”

But the two receptionists also did anything else going. Christine bought roses for her boss’s [Jacques Attali’s] desk every week and did filing and translations of French-language documents.

There were no Communications people, so Christine and Tina did that job too. “We had this photocopy – a printout of what the Bank was about and going to do, and one of the things it said was that this was not going to be a long-term project. ‘We envisage the bank lasting about 10-15 years.’ That seemed a long time. Of course there was still the USSR at the time. We had just eight countries on our books.”

Christine soon also branched out into the adrenaline-charged form of administration the EBRD went in for in those days – including helping get cash to countries of operations with rudimentary banking systems so Resident Offices (ROs) could be set up.

French connection

The very fact of being hired as a French-speaking receptionist, at the moment Christine joined the Bank, had been unusual. There were just 25 people spread out in the Bank’s then too-big suite of offices – though it was soon to get much more cramped, and by 1991 there would be 120 people in the same space. But, in 1990, two receptionists was a lot.

Tina was already doing the job perfectly, Christine says. But she didn’t speak French. And M. le Président – who in the days before the Bank formally came into existence was still, informally, French President François Mitterrand’s right-hand man; whose commute by air to the Broadgate Circle office on a Monday morning started in Paris; and who came to work surrounded by an entourage of Francophone advisers and bodyguards – wanted a réceptionniste bilingue.

For the first year, new people started every week, right up to and beyond the inauguration at Lancaster House. Christine didn’t go to that ceremony, just to the party later. But like everyone else she was full of a sense of mission.

“We saw this starting, and it was such a good cause. Everybody worked their socks off. And then there were the perks: the inauguration ball, and that first Christmas we each got a present, maybe 60 of us, and a card. You got a real buzz. THAT’s what the feeling was: ‘there’s a job

to be done here and we’re going to do it.’ It was a great feeling!”

A sense of mission

Some of the surprises that carried on coming after that were pleasant. One day a bedraggled man came in out of the pouring rain and said his name was Miklós Németh. After a period sharing a desk with then financial controller Chris Holyoak, he became Vice-President of Personnel and Admin. “He was also – which I didn’t know at the time – the last prime minister of communist-era Hungary and helped bring down the Berlin Wall. And he was lovely.”

Other surprises were sadder, among them the outbreak of the Yugoslav war in 1992. “That was a very difficult time.” To this day, “there’s a cost centre missing on the list of cost centres for our ROs because we’d originally planned to have a Yugoslav office.”

“When the war was over I remember my then boss, John McNess, the Director of Admin, going on an RAF plane to Sarajevo to source a new office when there were still snipers in the streets! We were the first in, and I know we are still highly regarded because we were one of the first institutions, apart from the UN, in Sarajevo. It’s that kind of thing: yes, that’s why I still feel the buzz.”

By Vanora Bennett

Sunni-Shia: Islam divided

Tarek Osman and the BBC take on the epic story of how Islam split



Tarek Osman, Senior Political Counsellor, is back on the BBC as a Middle East expert – this time with a pair of Radio 4 programmes explaining the Sunni-Shia divide past and present, in which he tells the epic story of how Islam split after the death of the Prophet Mohammed.

Many of the conflicts raging in the Middle East today see Sunni and Shia armed groups pitted against one another. Communities that were once a mix of both sects have been torn apart.

To understand the origins of the dispute, Tarek takes us back to the final hours of the life of the Prophet Mohammed and the question of who was going to succeed him after his death.

Over the following decades, internal splits and confrontations led to the emergence of two groups with different views on who is the most qualified to succeed the Prophet Mohammed. The Shias believed that the rightful successors had to be from within the Prophet’s

immediate family. Those who looked to his closest companions became the Sunnis.

Tarek follows the dramatic events of the seventh century AD as Islam spread across continents and power struggles ensued. He pauses at the battle of Karbala, in Iraq, and the murder of the Prophet's grandson Hussein, a highly emotive event that continues to be commemorated across the Shii world, which entrenched the split between the Shia and the Sunni.

"This new series for the BBC is very different from my previous ones, which were focused on the Arab world's modern history and politics. And it is a world away from my work at the EBRD. It is one thing to discuss the political economy of the Arab world and Turkey, another to dig into theological and socio-political differences that go 13 centuries back."

Beyond Tarek's role as the Bank's Senior Political Counsellor for the Southern and Eastern Mediterranean, he is an author, essayist and documentary maker focused on the Arab and Islamic worlds.

His latest book, [Islamism: What it Means for the Middle East and the World](#), was published by Yale in January. His prescient and international bestseller [Egypt on the Brink](#) came out just before Egypt's 2011 uprising.

He authored and presented two earlier BBC series, "The Making of the Modern Arab World" and "Sands of Time – The Story of Saudi Arabia". You can follow them on [Tarek's website](#).

By Vanora Bennett

Helen Wallace

Analyst, Budget, Infrastructure

"It is important that we focus on our common goal of improving people's lives."



Helen Wallace (centre) with the MEI team in 1996

Helen Wallace, the Infrastructure team's analyst covering budget, has been with the Bank for just over 20 years, of which eight have been with the Staff Council. When I ask Helen of her proudest moment at the Bank, she hesitates to answer.

"It is hard to pick one," says Helen. "All projects that the Infrastructure team works on, from water to roads and airports, benefit people. Seeing the impact that our projects have on people's lives is the biggest reward and the main reason to continue to be committed to the Bank's mandate."

Helen considers herself lucky to have travelled to several countries of operations either with the Infrastructure team or the Staff Council and seen the Bank's investments first hand. "One of the proudest moments was when I went on a cruise up the Baltics to St Petersburg and passed the [city's flood protection barrier](#). The Bank financed it and I could see why it mattered." Landing at St Petersburg's [Pulkovo airport](#), another project that we financed, when on a Staff Council visit to the RO, was another such proud moment. And then there was the [Eurasia tunnel](#), the [Istanbul ferries](#). "Our projects help people. Our projects make us proud of the Bank."

"We have come a long way," adds Helen. She recalls the early days when email was a novelty and to be able to send one, staff had to apply directly with the IT department and fill in a form. "Using email for the first time back in 1994 was a breakthrough. Until then we relied on fax to send documents to ROs." But there were times when the fax wouldn't go through or they would be told that the RO had run out of fax paper and the next delivery was expected in a week's time.

Having just concluded her eight-year stint with the Staff Council, Helen has first-hand knowledge of the issues and the solutions. "My other proud moments in the Bank are the improvements that have happened as a result of the joint work of the Staff Council, HR and the Bank's management," says Helen. "We worked with HR to bring in the flexible benefits package in October 2012. We also worked with the team to introduce the Post Leaving Medical Plan on 1 July 2016. This will provide a level of security to staff who leave over the age of 55 with eight years of service and who can opt to join the new plan."

Helen takes pride in the fact that "our Bank is a good Bank where people can progress". She is mindful of the tough job ahead and believes that a lot can be done to streamline processes to make things easier for staff and the Bank's clients.

"It is important that we focus on our common goal of improving people's lives. This will contribute to the Bank's success in our newest countries of operations and hopefully make the shareholders proud of the Bank for many years to come."

By Marjola Xhunga

Overview of news from “Across the Bank”

ExCom

- As of the end of September, the Bank was putting in a record performance. At 67.4, expected transition impact was higher than at the same time last year. Annual Bank Investment stood at €5.9 billion compared with €4.4 billion at the same stage last year. The pipeline is strong.
- At the end of September, realised profit and loss for the year to date showed a gain of €425 million, compared with a budgeted gain of €569 million. Profits have been hit this year by a variety of factors, including the performance of some of the Bank's equity stakes.
- ExCom approved the 2016 Review of the EBRD Capital Adequacy Policy. The policy is a fundamental tool for ensuring that the Bank is prudently capitalised. It also incorporates the Prudential Limits for single country, sector and obligor exposures. The policy is reviewed on an annual basis.

Board of Directors

- The Board of Directors approved financing for various projects, including investments with: an electricity distribution company in Bulgaria providing services to two million customers; a developer and owner of power and water projects in Jordan to replace an inefficient oil-fired thermal power plant with a modern combined-cycle gas turbine; Kazakhstan's Fund for Housing and Utilities Development to co-finance the national programme for installing heat meters, wholesale electricity meters and individual heat sub-stations; an electricity consortium in Turkey for network expansion and upgrading, and enhanced metering systems, as well as environmental, health and safety improvements; investments with a bank lending to small and medium-sized enterprises (SMEs) in Egypt; a renewable energy company in Greece; a solid waste management enterprise in Kazakhstan; a wind farm in Jordan; a credit line for sustainable energy financing in the Slovak Republic; a building materials producer in Slovenia; a water company in Tajikistan; and a gas and electricity company in Tunisia. The Directors also agreed to increase financing for the Corridor Vc investment in Bosnia and Herzegovina.

Projects and activities

- The Bank is increasing the availability of long-term financing to the economies it serves, with the successful completion of a €350 million first round of fundraising for its debut [Equity Participation Fund](#).



- In line with the Bank's Green Economy Transition approach, the Bank is increasing its focus on environmental projects in the industrial sector. It concluded financing of €75 million for Tameh Holding for the conversion of the firm's existing mixed-fuel, combined-heat- and-power (CHP) plant in Krakow – one of the most polluted cities in Europe – into a gas-fired unit. Thanks to the project, this industrial CHP will fully withdraw from the use of coal.
- The Bank arranged a [financing package of up to €123 million](#) to the Croatian food and pharmaceutical producer Podravka. The funds will be used to strengthen the company's continued operational and financial restructuring, creating a stable platform for further growth.



- The Ignalina International Decommissioning Support Fund, one of the seven nuclear safety grant funds that the EBRD manages, [reached a key milestone](#) on 20 September 2016. An operating license was issued for the new, approximately €200 million, spent-fuel storage facility and “hot test”, and the removal of fuel from the Ignalina Nuclear Power Plant (INPP) started in September 2016. The removal of some 16,000 fuel assemblies and their storage in 190 specially designed casks will be carried out by INPP staff over the next six years. When loaded, each cask will weigh almost 120 tonnes.



- The Bank has engaged external consultants to develop a new approach to knowledge management (gathering, curating and distributing knowledge) based around communities of practice, with the aim of supporting the Bank's investment and policy dialogue activities.
- The Bank is launching an inclusion policy engagement programme for the SEMED region, with a focus on Jordan and Egypt. The programme will contribute to strengthening direct engagement

between the private sector and national education authorities to improve the standards of skills and vocational training in key sectors and thereby address the substantial challenges for youth inclusion in the region.

- In Ukraine, the Bank, together with international partners the IMF, World Bank and IFC, has worked with the Ministry of Finance in developing a governmental proposal for amendments to the law on banks and banking activity. The amendments are designed to improve substantially the corporate governance of state-owned banks.
- The Bank is piloting cooperation with the EU's Structural Reform Support Service (SRSS) in two initial technical cooperation projects: institutional capacity-building for state assets agency DUUDI and state-owned enterprises in Croatia, and developing risk guidelines for banks in Slovenia. Both projects are funded by SRSS.
- The EBRD and Kazakhstan's national gas operator, KazTransGas, [joined forces](#) to support the country's drive towards a green economy.



- The Bank is providing US\$ 55 million in new funds to Turkish lender Isbank [for on-lending to private companies investing in renewable energy and resource efficiency](#) projects in Turkey.



- The Bank is launching a €200 million framework for the [modernisation of residential building stock in Poland](#) in order to improve energy efficiency.



- In the [first SME loan securitisation in Greece since 2007](#) the Bank is investing €50 million in publicly listed senior notes as part of a €648 million offering. The notes are secured by loans provided by National Bank of Greece to SMEs under Greek law.



- The Bank is providing loans worth €21 million [to rehabilitate water supply and wastewater infrastructure in three Belarusian towns](#) with a total population of over 400,000 people. The loans are extended under the €40 million Belarus Water Sector Framework.



- In Croatia, the EBRD is providing a €34 million loan for the modernisation of Zagreb's Arena Centre as part of a €123 million financing facility. The loan will [finance refurbishments and energy efficiency improvements in the retail and entertainment complex](#) in the Croatian capital. It will also comprise inclusion measures for on-the-job training of young people to ensure their access to new skillsets.



- The Green Climate Fund is allocating [US\\$ 378 million to support green investments under the Bank's Green Economy Transition approach](#) aimed at reducing emissions and combating climate change. This is the Fund's largest approval to date.



- The Ukrainian government - with the support of international donors as well as the EBRD and the EU - is [strengthening its drive to #MakeReformsHappen](#) with the introduction of dedicated teams to help with reform delivery and the implementation of Ukraine's Public Administration Reform Strategy 2016-2020.



- The EBRD and the EU have launched a €42 million ([US\\$ 46.5 million equivalent](#)) [programme to support farmers in Tajikistan](#). The first tranche has been provided to a leading microfinance deposit-taking organisation, Arvand.



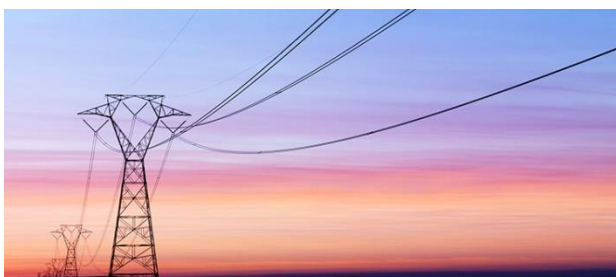
- The Bank is strengthening its outreach in Tunisia with the opening of [an office in the city of Sfax](#), the second-largest economic centre of Tunisia.



- The Bank and the Zagreb Stock Exchange launched the [SME Growth Market Project](#). Presented to the public in Zagreb on 13 October, the project aims to increase the access of local SMEs to local capital markets.



- A loan of up to €4 million loan from the EBRD and a €1 million EU grant to a new project in the Kyrgyz Republic will pay for a [modernisation programme for derelict public infrastructure](#) in the southern Osh region.



EBRD President announces changes to top-level management structure

“Structural changes will help deliver the Bank’s strategy.”



At an all-staff meeting on 19 October, Suma Chakrabarti briefed employees on changes to the Bank’s top-level management structure. Before introducing the changes that became effective on 15 November, he set out the rationale behind them. “The new structure will help us meet the big challenges in delivering the Bank’s strategy from here to 2020,” said Suma.

He explained further that geopolitical and economic challenges, along with a rise in the anti-globalisation trend and budgetary pressures lead to three operational challenges for the delivery of the Bank’s Strategic Capital Framework. “How will we maximise our transition impact by offering an even more convincing package of more investment and policy work? How to attain financial sustainability when costs are under control but revenues are much harder to come by? How to do more within flat budgets? These are our three big challenges and I believe that structure, to the maximum extent possible, must focus in and follow challenges that have to be tackled.”

The new structure divides top-level functions into four different groups: Client Services; Finance and Operations; Risk and Compliance; and Central Services. “I would stress here that these changes are immediately cost-neutral and likely to produce some savings in 2017 and 2018,” added Suma.

As part of these changes, the First Vice President becomes First Vice President and Head of Client Services Group, with overall responsibility for both Banking and Policy and Partnerships departments. Phil Bennett will continue in that role.

Under him, policy engagement, advisory and investments will go hand in hand to deliver maximum impact. He will be supported by the incoming Vice President for Policy and Partnerships, Pierre Heilbronn, and the new Vice President of Banking, Alain Pilloux, both of whom will report to the First Vice President.

Commenting on the new role, Phil Bennett said: “I am very supportive, and in fact I am very pleased by all these changes. I am particularly excited about bringing Banking and Policy together. These are twins in the client-services delivery package; Policy is integral to Banking and Banking is integral to Policy. We will ensure that we are

all coordinated so that we are delivering the right message, the right content, in the right place at the right time.”

There will be a new position of Senior Vice President, Chief Financial Officer and Chief Operating Officer. András Simor will take up that role. Alongside his focus on ensuring the financial sustainability of the Bank, he will also be responsible for the overall implementation of the Operational Effectiveness and Efficiency programme. Luise Hölscher, as Vice President and Chief Administrative Officer, will report to him.

“I truly believe that the structure that has been created is a reflection of the challenges and priorities that the Bank is facing in the market and our countries of operations,” commented András. “We in the Bank, who are not in the front line of doing deals or conducting policy dialogue, can and should support our colleagues in these markets. Pulling the two vice presidencies together to provide more effective support to our colleagues is very important, as we need to make their lives simpler and more efficient to deliver on their goals and the Bank’s.”

There will be a new role of Vice President, Risk and Compliance, widened to oversee procurement policy and administrative accountability for OCCO. Functional accountability for OCCO will remain with the President. Betsy Nelson will be the Vice President, Risk and Compliance.

Betsy commented that she welcomes “...the new structure that gives us the opportunity to forge stronger relationships between those groups in the second line of defence, safeguarding the organisation’s financial and reputational resources. It also enables us to maintain OCCO’s independence through the reporting line to the President.”

The fourth group, Central Services, accounts for the other members of ExCom: Secretary General Enzo Quattrocio, General Counsel Marie-Anne Birken, Managing Director of Corporate Strategy Hans Peter Lankes, Managing Director of Communications Jonathan Charles and Chief Economist Sergei Guriev, and also includes Chief Internal Auditor Ray Portelli and Director of the President’s Office Hannah Meadley-Roberts. All will continue to report to the President and there will be no change to their duties and responsibilities.

Marie-Anne commented: “The reason I am excited about this change is because it’s about integrating our policy and investment work as we deliver services to clients. As we are a client services function, it also helps us in OGC and other central services...to deliver our work in the same way and create better synergies.”

By Marjola Xhunga

Transition Report 2016-17

Sergei Guriev on inequality, pre-distribution, happiness and the elephant in the room

The elephant in the room in the packed auditorium on 8 November, as Sergei Guriev, the Bank’s new Chief Economist, set out the essence of the *Transition Report 2016-17*, was a line on a graph. It showed the growth of global real incomes since 1988, especially those of the

richest 1 per cent, whose startlingly big rise in wealth compared with the less fortunate group behind them looked a bit like an elephant’s trunk uplifted in triumph.



The report, formally called *Transition for all: Equal opportunities in an unequal world*, examined how that trend has shown up in our region and discussed the EBRD’s search for more inclusive ways of bringing the people left behind, somewhere on the elephant’s sagging back, up onto the trunk.

That was one departure from recent EBRD tradition. In another departure from a broader tradition, even though the report was the work of economists (whose job is so often called the dismal science), there was a good dollop of good news in it.



Let’s start with the bad news ...

Since the beginning of transition a quarter of a century ago, although the average wealth of people in our countries of operations has risen 70 per cent, inequality has also risen so dramatically that – while a minority of people are rich – most people in countries where we work either are, or feel, behind the curve.

The rise of the super-rich, although seen everywhere, is especially marked in transition countries. There are more billionaires in our area of operations than in other parts of the world – and more of them than in other parts of the world live passively off rents from mineral wealth rather than actively earning their large quantities of money by ingenuity, innovation and hard work.

At the other end of the scale, there are reduced opportunities for those raised by parents without high income and tertiary education, who risk falling still further behind as time goes on.

Lastly, as Sergei explained, people in our region are marked by the impact of transition – not just its economic, political, psychological, and philosophical effects, but even its physical impact. Times were so hard at the onset of transition, with a highly regulated but familiar way of life imploding and uncertainty and

hyperinflation taking its place, that babies born in those years have grown up to be, on average, a centimetre shorter than their younger and older peers – a similar physiological change to the effect that being born in a war zone would have had.

“The title of this report is *Transition for all*, and on the conclusion slide we put a question mark,” said Sergei. “Unfortunately we cannot put an exclamation mark, saying that transition for all has actually happened. We have seen that inequality has increased. We have seen that transition has been a painful experience, especially in the early years.”

And the good news ...

The good news Sergei had to share was about the “happiness gap”. This phrase refers to the persistent sense of misery and deprivation that people in transition countries have been reporting for years, compared with people in other countries, which has worried economists and the media, and which many EBRD colleagues will have heard echoed, anecdotally, in mournful late-night conversations with friends from transition countries lamenting, “we are catastrophically late for the modern era”. Now, statistics show, people no longer feel that way. The happiness gap has closed.

As Sergei put it, when winding up his talk, “On a positive note, we should say that now people with similar incomes living in transition countries have the same level of life satisfaction [as their peers elsewhere], and, in that sense, in terms of happiness, transition is finally complete.”

What the future holds

“But does that mean that we should say our job is done?” Sergei concluded. “The answer is no, because this thing is something that only holds on average, while for the majority there is still convergence to be done.”

“Their incomes have not kept up with the incomes of rich countries, they are now lagging behind those countries, and in that sense we need to think about inclusion policies. We emphasise that in our region there is still high inequality of opportunity. [Changing that] is not an issue of redistribution, more of ‘pre-distribution’ – providing access to skills, providing access to jobs – independent of the parental background, gender and place of birth.”

By Vanora Bennett

Updating the Bank’s transition concept and the six transition qualities

Sergei Guriev, who recently became Chief Economist – and who before that, as an academic, was part of the external panel of experts, chaired by Professor Timothy Besley of the London School of Economics, which last year reevaluated our transition concept – explains the thinking behind the reform and how we now evaluate transition.



Does the new transition concept represent the need for a new balance between the market and the state?

Yes, one of the key lessons of the past 25 years is that transition is not only about building markets, but also about redesigning the state. Modern markets rely on efficient state institutions. Market and state are not substitutes, they complement each other. Therefore in order to build a market economy we should not minimise the state; instead, we should improve the quality of both state and market institutions. This new “complements rather than substitutes” view has direct implications for the Bank’s work – as we enhance our policy dialogue activities to complement our investments.

What changes with our new transition qualities?

By consensus, Article 1 remains at the heart of our mandate. But while the 1997 concept stressed the components or structure of a market economy, we are now shifting towards the desirable qualities of a market economy. This emphasis remains compatible with a focus on systemic change. But it also implies that fostering a market economy should not be separated from the intended outcomes. The six qualities identified foster and support sustainable market economies, which continues to be our overarching aim.

Here we understand sustainability in a far broader sense than environmental sustainability only (although the latter obviously remains our priority). We have in mind sustainability of capitalist and democratic institutions mentioned in the Article 1. During the twenty-five years of transition we have seen many examples of transition setbacks. Whenever the benefits of the reforms were not shared broadly, transition was not perceived as fair by the majority of citizens so that reforms were stalled or reversed (see [Transition Report 2013](#)).

In order to avoid the risk of reversals, we need to ensure that our work contributes to building not just a competitive, but also a well-governed and inclusive market economy. Inclusion makes sure that reforms deliver to underprivileged groups (including – but not limited to – women and youth). Governance is crucial for rewarding talent and hard work rather than rent-seeking – and prevents the creation of crony-capitalist institutions. Both governance and inclusion are vital for the continued popular support of the reforms.

The crisis of 2008 brought home clearly that our framework had underplayed the role of resilience of economies and societies. Banking panics, volatility of asset prices – as well as of food and energy prices – also undermine support for the market economy. This is why we believe that our work promoting the resilience of

financial systems (especially local currency and non-debt finance – see [Transition Report 2015-16](#)), food security and energy security should be taken into account when we assess the transition impact of our projects.

We also believe that market economies must be integrated. Internal and cross-border connectivity and integration of markets promotes competitiveness and resilience; thus, integration could be considered as a tool to achieve other qualities. However, given the rising populist backlash against globalisation, we include integration as a separate quality of a sustainable economy as we want to indicate that for the EBRD integration is especially important.

The environmental considerations set out as part of the Bank's operations from the start have also come under closer scrutiny as the world moves to tackle green issues. Their link to our transition concept was not straightforward since they could not be measured purely by price signals. Projects that targeted effluent reduction, for instance, such as those aimed at improving water quality in the Baltic Sea, used to receive low transition impact scores.

When the climate change agenda gained traction and the Bank launched its Sustainable Energy Initiative in 2006 the transition concept evolved too. The solution, agreed in 2009, was to define investments in sustainable energy and associated subsidies as process decisions that compensated for inadequate price signals. Now, we go further, explicitly adding environmental sustainability to the list of desirable qualities of the market economy.

Lastly, there is the question of country specificity. Twenty-five years ago, all our countries of operations faced similar challenges. Now, some of them have almost closed the gap with the West, while others still have many economic and political transformations to complete. Also, while transition still has a clear direction, it may not have a single end-point, as highlighted by institutional diversity across advanced market economies. In conclusion, the Bank has expanded into countries which have never had a command economy and therefore their transformation is to proceed along a very different path. Therefore the original one-size-fits-all approach to transition impact assessment does not work anymore. In order to apply the new transition concept, we need to run a “country diagnostic” in terms of the six qualities listed above and determine priorities – which may be different in each country.

The six transition qualities

Competitive

Open economic systems that function well are built upon dynamic and competitive markets. The notion of a competitive economy lies at the heart of the transition process and is the first of six desirable qualities of a market economy identified in the updated concept. It represents a core characteristic underpinning the move from a state-driven, top-down mechanism to one which is more flexible and responsive to market signals.

The three elements within our definition of a competitive market economy

A competitive market economy has:

First, market structures ensuring competition among firms, with enough players and clear rules that make it easy to enter and exit.

Second, firms must have the capacity to generate added value by producing more or innovating.



Third, enterprises should have incentives to compete and advance, based on private-sector participation, management and ownership and, with public entities, governance that ensures commercially sound decision-making.

While other factors may sometimes be associated with competitiveness – the World Economic Forum's Global Competitiveness Index identifies more than 100 variables – our definition, importantly, is closely tailored to the qualities of a market economy as a decision-making system.



Signs of success: the results we seek within our three target areas

One positive sign is dynamic economic structures that promote competition and diversification, widen choice, improve goods and services and provide fair prices. This is achieved through supporting new enterprises, especially small and medium-sized enterprises (SMEs); reducing burdens on businesses; strengthening value chains; avoiding inappropriate protection against international competition; and ensuring effective competition policy and appropriate arrangements for insolvencies and corporate restructurings.

Second comes a focus on adding value, whether by virtue of a plentiful labour supply, through playing a role in global value chains or from sophisticated use of new technologies, innovative products or skilled workers.

Complementing this picture is the effective channelling of finance to entrepreneurs who are willing to take risks and

develop their firms' capacity to add value. Productivity improvements and exploiting the knowledge economy are crucial in moving towards advanced-economy status. The adoption of the best available technology, product and process innovation, improvements in business standards and upgrading of skills all contribute to a competitive economy.

Lastly, the role of commercialisation and bringing private-sector discipline to bear on market behaviours is invaluable. While private ownership has progressed considerably in the EBRD region over the past two decades, many areas are still dominated by state-owned or state-influenced enterprises. More generally, equity remains in short supply and a risk-taking culture is present only in relatively isolated pockets. Yet these elements breathe life into a successful market economy. Since the financial crisis, restructuring companies for greater efficiency has become a precondition for restarting growth. Elsewhere too, in regulated areas such as municipal utilities, market-oriented disciplines and incentives, like movement towards cost-reflective tariffs, are vital for efficiency and high-quality public services, in keeping with a competitive economy.

Many of the Bank's investment operations will support the "competitive" transition quality, which remains the basis for private sector development and central to our transition mandate.

Green

At its foundation, the EBRD integrated the environmental dimension into its core constitutive document. The *Agreement Establishing the EBRD* stipulated that "the Bank is committed to promoting environmentally sound and sustainable development in the full range of its investment and technical cooperation activities".



The 2016 review of the transition concept explicitly recognises the "green" dimension of environmental sustainability as an integral quality of transition within a sustainable market economy, implying that economic decisions should reflect the full value of resources to present and future generations. This recognition is in line with the aspirations of the international community, expressed last year in the seminal United Nations Sustainable Development Goals and the Paris Agreement on climate change. It is also very timely as the Paris accord has entered into force and 170 countries recently agreed to phase out hydrofluorocarbons (HFC gases are thousands of times more destructive to the climate than carbon dioxide).

The "green" quality of transition provides an enhanced context within which the Bank can pursue the ambitious objectives set out in its Green Economy Transition (GET) approach. These include the goal that GET financing

should account for 40 per cent of total EBRD financing by 2020. This will be achieved by scaling up existing activities (from industrial and municipal infrastructure energy efficiency to renewable energy and sustainable energy financing facilities) and through innovation in environmental financing and policy products. The Bank has a strong base from which to pursue these objectives, with cumulative environmental financing since 2006 reaching close to €21 billion in over 1,170 projects.



How it dovetails with the Bank's GET approach

In practical terms, recognising the green dimension as an intrinsic quality of a sustainable market economy has the operational benefit that the GET transition impact rating methodology already in place will now support the effective implementation of the green dimension in EBRD projects.

Specifically, this means that an efficient, predictable and transparent direct-track rating system has already been defined for projects that derive their transition impact potential primarily from their GET "greening" component. This system has been "live" since 1 October 2016. In line with the corporate strategic objective, GET will be reflected in every country strategy, with the scope of GET activity being determined by the size of the environmental and structural gaps.

The Bank has already established a strong GET delivery capacity involving its Financial Institutions, Country and Energy Efficiency and Climate Change teams, its environmental team in the Environment and Sustainability Department, its policy teams across Banking, the Vice Presidency, Policy and Partnerships and the Office of the General Counsel, its Donor Co-Financing team, its funding team in Treasury through its green bond activity, and its Communications Department disseminating GET news in the media.

The formal recognition of a green transition quality provides a still stronger basis for achieving our objectives for Green Economy Transition, with benefits to our region of operations and beyond.

Well-governed

One of the important lessons of the EBRD's first 25 years has been that transition is not just about building markets and the private sector. It is also about improving the quality of both state and private sector institutions and ensuring that they work well together.

This understanding has resulted in a renewed emphasis on the Bank's work on governance – not least by the establishment of the Investment Climate and Governance Initiative in 2014 – and also helped shape the definition of “well governed” in the context of the Transition Concept Review.

Definitions of “governance” and “good governance” vary in academic literature and the IFI world. Most of them, however, have two key elements in common – the institutions and the processes that these institutions employ. The EBRD's concept of “well governed”, proposed by the Besley report and refined through the Bank's concept paper, fully aligns with this trend: “Governance concerns authority, decision-making and accountability in all domains. At its core, governance is about the quality of institutions and the processes that they support.”



To ensure that the concept aligns with the Bank's mandate, two key pillars have been introduced. One is the notion of national or subnational economic governance, which refers to the institutions and processes that support economic activity and economic transactions at state-wide or subnational levels. The other is corporate-level governance, which relates to the system of rules, practices and processes by which companies are directed and controlled. While the latter has already been mainstreamed into the Bank's work, the former still offers considerable potential to be further developed in future project and policy work.

Incentivising improvement

Recognising that poor governance can contribute to countries being “stuck in transition” might be easier than finding ways to assess challenges. It might also be easier than creating incentives for a combination of projects and policy dialogue that can help countries back onto the path of success. A large part of the current work relates precisely to that – translating the concept into a set of indicators that will be used to assess transition challenges, measuring the status of transition in our countries, the country strategies, the country diagnostics and the results management.

For national and subnational governance, the key indicators centre on the quality of institutions, standards of integrity, and the control of corruption as well as on the rule of law. At the corporate level, the focus is on the key concepts of corporate governance as well as other integrity- and governance-related standards that are relevant for corporates.

The combination of these two dimensions will make it possible to build on the good work the Bank has been doing for many years on legal reform, public procurement,

and integrity standards. But it will also do more to help shape the agenda for private sector development in our countries of operations. It will encourage public-private dialogue and help governments develop and implement reforms aimed at addressing the institutional and structural challenges that their countries face.

Inclusive

Economic inclusion, the opening-up of economic opportunities to previously under-served social groups, is integral to achieving transition towards sustainable market economies.

An inclusive market economy ensures that anyone – regardless of their gender, place of birth, socio-economic environment, age or other circumstances – can access labour markets, entrepreneurship and, more generally, economic opportunity. Promoting an inclusive market-based system is therefore about the efficient allocation of human resources within an economy rather than about social policy.



Operationally, inclusion enhances the Bank's investments by creating economic opportunities for young people, women and people in less-advanced regions. These opportunities are broadly defined as access to jobs and skills, finance and entrepreneurship, and services such as IT connectivity or improved water connections.

The Bank's approach to economic inclusion

Transition impact (TI) is awarded to those projects that increase economic opportunities for at least one target group, particularly in countries where [inclusion transition gaps are largest](#).

The EBRD's unique approach to inclusion leverages the Bank's private sector engagement to demonstrate how positive inclusion practices can also support clients in addressing key operational challenges. For instance, the lack of a well-trained workforce often results in high staff turnover and lower productivity, barriers to innovation and growth. Inclusion projects address these challenges by improving training provision, establishing skill standards that reflect employer needs or supporting clients to develop new products and services to access underserved market segments.

Examples include improved vocational training programmes in manufacturing or retail sectors to help [young people](#) gain skills needed by employers. They also include equal opportunities initiatives helping more women to access jobs in areas where they remain underrepresented, and training partnerships between agribusiness companies and schools or universities. Other examples are [Women in Business](#) programmes that

support female entrepreneurs through business finance and advice, or [transport projects](#) that introduce inclusive procurement practices.

The EBRD is the only IFI that builds such inclusion elements directly into its investments, creating unique added value for our clients and policy stakeholders.

What will change

Since its integration into the Bank's transition concept in 2013, inclusion has been considered as a cross-cutting issue across the then-seven transition dimensions. The Bank's Strategy for the Promotion of Gender Equality 2016-2020 also confirmed this.

Now named as one of the six new transition qualities, inclusion will be fully integrated into the Bank's updated transition assessment process.

Assessments of transition gaps will inform the development of priorities for country strategies and related operational responses.

Inclusion indicators will be integrated into the new Country Strategy Results Frameworks, so that inclusion impact will be measured not only at the project and policy level but also at the country level.

Lastly, we are working on the EBRD Economic Inclusion Strategy, due for launch in 2017, to further strengthen our response to inclusion challenges.

Resilient

"A resilient market economy supports growth while avoiding excessive volatility and lasting economic reversals," says the Transition Concept Review. And what we are measuring here is the ability of markets and market-supporting institutions to resist shocks.

Because a well-functioning financial system is central to a sustainable market economy, financial stability is the most important element, complemented by macroeconomic stability. We also look at economic diversification, food security and energy security resilience.

Financial stability

Financial stability refers, at a minimum, to a financial system's ability to withstand shocks without major disruption in financial intermediation and in the supply of financial services. At best, it also suggests the absence of excess volatility, stress or crises.

Since the financial system in most EBRD countries of operations centres on banks, the Bank's focus, likewise, is primarily on the health and stability of banking systems.

A good starting point is for a banking sector to be well capitalised, majority private-owned, profitable, liquid and not exposed to significant maturity, with adequate governance structures, risk management practices and an effective regulatory framework.

Things look better still if the level of non-performing loans is sustainable; if there is no over-concentration on individual sectors or borrowers; if there are what are known as macroprudential frameworks, providing regulation to evaluate a given financial system's underlying health, soundness and vulnerabilities (such

frameworks have become more widespread since 2008); and if end-borrowers are not exposed to risk from foreign currency fluctuations.

Macroeconomic stability indicates the ability of a country to keep its domestic and external positions in order. In times of crisis an economy should have reserves available for partial release to ease stresses and also have fiscal flexibility – stimulus packages and support for financial institutions facing difficulties. A balanced external position, likewise, reduces dependence on volatile capital flows and over-reliance on export markets.



Other elements

Economic diversification – not “keeping all one's eggs in one basket” – also helps make an economy resilient. What we look for is avoiding concentration on a single sector (say, natural resources), decreasing dependency on imports and exports, and increasing the number of trading partners.

Resilience in food security is improved by making agriculture more productive and productivity gains more resilient to external shocks including climate change. Making value chains more efficient, reducing losses and improving trade both increase food availability and reduce price volatility. Improving access to finance and private sector investment also strengthens resilience.

Energy sector resilience is fostered, long term, by encouraging investments through the development of appropriate energy market and regulatory structures and emphasising diversity in supply or export options. In the short term, it is about responding flexibly to sudden changes in the balance of supply and demand.

Export and import infrastructure (pipelines or LNG facilities) is crucial. So are third-party access regimes, regional initiatives and platforms facilitating energy trading, such as the Coordinated Auction Office in South East Europe. National resilience is advanced by open markets, energy efficiency and demand-side management.

Integrated

Integration is a central element in any economy's competitiveness. It enables trade at greater speed, lower cost and better quality. It is critical as an enabler of growth and job creation.

As a transition quality, integration refers not only to the physical dimension (such as larger cross-border projects in major transport, energy and IT networks), but also improvements to internal markets through national-level improvements between ports, airports, electricity grids,

cities and rural areas alike. Integration also includes efforts to achieve higher standards, greater harmonisation with international norms, stronger institutions, development of regulatory frameworks and greater adherence to the rule of law.



In fostering integration, the EBRD is aligned with major international policy efforts. Achieving integration through connectivity is high on the international agenda, having been highlighted by the world's 20 leading economies (the G20), international financial institutions (IFIs) and the Organisation for Economic Cooperation and Development (OECD) in the recent creation of the new Global Infrastructure Connectivity Alliance.

China's Belt and Road Initiative, linking China to the global economy, is another example of how integration is critical for the wider world. These initiatives are occurring now with good reason: studies by the OECD and the G20's Global Infrastructure Hub have established the positive relationship between connectivity and economic growth, and show that there has been underinvestment in transport connectivity in many developing countries.

For instance, foreign participation in the "transport stock" in this sector represents 60 per cent of private investments in OECD countries, but only 36 per cent in non-OECD economies. To overcome this integration gap, connectivity investments are needed that capture positive externalities, improve coordination, lower transaction costs for trade, while also attending to considerations of the political economy.



The Bank is not a newcomer to fostering integration. With over 100 project investments in this field, the Bank's active participation in the EU's TEN-T and TEN-E (Trans-European Networks for transport and energy, respectively) initiatives are real examples of how important integration is in the wider European context.

In Central Asia, road investments in Kazakhstan and Tajikistan help improve critical trade routes, backed by improvements to institutional frameworks, funding

sources for maintenance and modern asset management approaches, higher standards, and road safety.

In Turkey and the Western Balkans, port and rail investments improve trade corridors that improve economic competitiveness for the region and enable it to serve as a link between Asia, the SEMED region and the rest of Europe. In Bosnia, financing of the regional road corridor Vc2 was underpinned by an increase in the fuel levy to ensure the investment's sustainability. In the Caucasus, our investments in electricity transmission network projects are solidifying cross-border energy markets, lowering costs to business and consumers alike. In Ukraine, our efforts are deepening the integration of its gas transmission network, while the Bank's support for the Southern Corridor and LNG investments helps promote trade, growth and competitiveness. Lastly, the Bank fosters "soft integration" to harmonise the capacity for electricity transmission in the Balkans through support for the regional Coordinated Auction Office for South East Europe.

By Vanora Bennett, Andrew Kilpatrick, Josué Tanaka, Milica Delević, Barbara Rambousek, Mattia Romani, Thomas Maier and Matthew Jordan-Tank

Country strategies redefined

One of the first deliverables from the Operational Effectiveness and Efficiency work



Zsuzsa Hargitai, Director, EU Funds Co-Financing, reveals the Bank's succinct, connected (and beautiful) new country strategies.

The country strategy the EBRD produces as a guide for its activities in a given country – that thick volume of information, analysis and description of potential activities all Bank staff know, which until now has taken a good year to put together – is getting a makeover.

It is to be replaced by a new-look document that is not only visually attractive, succinct (a slim 23 pages for the mock-up already in existence) and written in clear, jargon-free language, but also rich in data and strategic thinking.

The updated approach connects better the Bank's priorities and targeted activities in a country with the work of other international financial institutions and the European Union, constitutes a live platform where our results can be tracked and objectives adjusted, and takes only 30-32 weeks to prepare from the first discussions to

Board approval – much better than the year it currently takes.



A mock-up of the new-style country strategy

Streamlining and updating has multiple benefits, says EU Funds Co-Financing and Financial Instruments Director Zsuzsanna Hargitai, overseeing a change that forms part of the Bank's Operational Effectiveness and Efficiency (OE&E) programme. "Less time will be spent on writing, and more time will be spent on strategic thinking, both internally and with our stakeholders."

Prompted by OE&E, the team started by thinking about the efficiency question, "How can we be leaner?" It has resulted in what Zsuzsa hopes will be a more effective tool for the Bank.

"Even before OE&E, it was our plan to make the country strategy more visually attractive and readable – but the programme gives you an opportunity and a push."

The needs ...

The point of a country strategy, as Zsuzsa says, is to address the simple question, "What can the EBRD do in a country to leave visible and tangible results, both at the client level and at the country level?"

The old document, though long, didn't fully do the job. "It often seemed to reflect patches of inputs and could feel stodgy even when newly approved. The assessment sometimes lacked depth, not always giving a joined-up picture of all our activities in the country of operation."

... the results ...

The new-style strategy is a redesigned format "that is more 21st-century, more succinct, can be easily put online with trackable results during implementation". The production process has also had a redesign: "one less SPCom, one less Board workshop." There is more time for in-country consultation: "Now it is standard to go to the country to consult with civil society. You talk more to the government; there is a set of policy reforms that they agree the EBRD should support them on, so it is clearer."

... and the process

The first stage is diagnostics: we ask "What needs to change in a country and what is the context?" The Economics, Policy and Governance team then consults all the relevant stakeholders in and out of the Bank.

From then on, strategy creation is led by country management in Banking, working with the Country Strategy Coordination and Results Management (CSRM)

team so that there is consistency across strategies and adequate uptake of diagnostics. "This is also the team that frames how we can translate strategic priorities into measurable results."

Once the strategy is in place, country-specific results can be updated to give a current picture.

"With this better data, each year we can go to the Board and say, 'In these countries, this is what we have achieved, this is where we are struggling, this is what we suggest to adjust, this is the way forward. And on a regional basis – be it SEMED, eastern Europe and the Caucasus or any other region – there is an internal management stocktaking of where we are with strategy implementation. We will not have a simple 'country strategy information update' with the Board so much as a country strategy delivery discussion."

Finally, implementation

Implementing the new approach will fall to the CSRM team who have been closely involved in the redesign. "We are very excited about rolling out the new generation of country strategies," says Christoph Denk who took over from Zsuzsa as CSRM Director in July. "In future, country managers will have a very attractive tool to discuss the Bank's priorities, activities and results in their country."

"When Suma asked me to sponsor that particular workstream, I was enthusiastic," says Francis Malige, Managing Director for Eastern Europe and the Caucasus. "Our country strategies used to be on average 20,000 words and more than 50 pages long. Which, if you add this up for all 36 countries, represents 720,000 words. It took the equivalent of a full-time person working on this for 16 months to write one country strategy. We are replacing these 20,000 words with 20 pages of presentation: it will be a case of a slide is worth a thousand words! I think the team can be justly proud of their achievement."

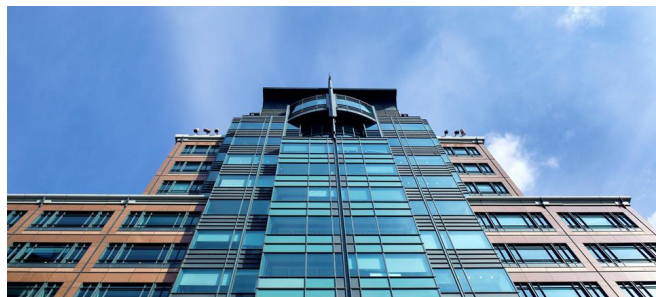
Bosnia and Herzegovina will be the first country for which the new approach will be applied. Work started in mid-November.

By Vanora Bennett

UPCOMING EVENTS

ALUMNI ASSOCIATION EVENTS

Fourth Annual Alumni Reunion, EBRD HQ, London



SAVE THE DATE

THURSDAY 26 JANUARY 2017

4th Annual Alumni Reunion

EBRD London HQ

Registration is required! Please follow the link below or send us an email at alumnie@ebrd.com.

CLICK HERE TO REGISTER

Join fellow alumni, your former colleagues and Bank management on Thursday 26 January 2017 at EBRD headquarters in London for the Annual Alumni Reunion!

Programme:

17:30 to 18:30	Badge collection and welcome drinks
18:30 to 19:15	- Welcoming remarks: Enzo Quattrocio, EBRD Secretary General - Update on the Association and future plans: George Krivicky, Alumni Association Chairman Keynote address by EBRD alumnus, the Rt Hon Andrew Tyrie ('97), Chairman, Treasury Select Committee, UK Parliament, followed by a discussion moderated by Jonathan Charles, EBRD Managing Director of Communications. Following his work as a senior economist at the Bank, Andrew Tyrie has had an impressive career. He will share some of his memories from the Bank and his perspective on a number of key issues of current interest. Among his many responsibilities and assignments since 1997, Andrew has been a member of numerous Parliamentary select committees. As Chairman of the Treasury Select Committee, Andrew has been one of the most persistent examiners of the banking industry after the 2008 financial crisis. The Committee has regularly questioned government ministers, regulators and economists, including the Chancellor of the Exchequer, the Governor of the Bank of England and bank CEOs. In 2013, <i>The Independent</i> referred to Andrew as "the most powerful backbencher in the House of Commons". Andrew has written extensively

on a wide range of subjects, including financial regulation, the economy, constitutional change and, most recently, Brexit.

19:15

Exclusively for alumni, "transition jazz" with the East-West Trio: the East-West Trio comes from Michigan and Moscow, from Trinidad and Prague and from Rio de Janeiro, Paris and a bit of Japan. The Trio is headed by Josué Tanaka, Managing Director, Energy Efficiency and Climate Change at the EBRD, with the participation of Tim Stubbs, Alumnus OGC '02, and Nick Kacal. Over more than 10 years, the Trio has developed its own sound with an original combination of piano, double bass and conga.

19:30 to 21:30

Networking reception: a highly popular part of the reunion, the reception is an enjoyable opportunity to reconnect and catch up with other alumni and former colleagues over canapés and drinks with background music from the East-West Trio.

Special hotel rate:

A special EBRD rate has been arranged with the **Grange Holborn** hotel for those attending the reunion. Please visit the Alumni Association [website](#) to see details of the rate and discount code to be quoted.

CAREER CENTRE

The EBRD Alumni Association launched the Career Centre section at the Alumni Association website. Please visit the website to see [postings by Alumni](#), [EBRD consulting opportunities](#) and [EBRD staff job postings](#).