

NEWSLETTER No.13

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Alumni Association upcoming event

EBRD 2017 Annual Meeting & Business Forum

Targeting Green and Inclusive Growth
Meeting Regional and Global Challenges

Nicosia, Cyprus
9-11 May

Alumni Reception
Thursday 11 May



To register for the full Business Forum 9-11 May, and/or for the Alumni Reception, which will be held on Thursday 11 May at 16:30, follow the instructions in the [Upcoming Events](#) section of this newsletter.

Visit the Alumni Association website

The [website](#) contains an alumni directory, previous newsletters, a career centre and other information of interest to alumni, including many photographs. We encourage you to visit the site. If you have lost your username and/or password, please contact alumnie@ebrd.com to have these reset or for any other assistance in accessing the website.

Featured topic in this issue: The EBRD Local Currency and Capital Markets Initiative (LC2)

The newly introduced section of the Alumni Association Newsletter offers a snapshot of the Bank's achievements in developing local currency lending and local currency capital markets, showing the scale of the ambitions and the breadth of contributions that have been required across the Bank to realise this strategic initiative. [Read more from page 23.](#)



The LC2 team

ALUMNI ASSOCIATION NEWS

Message from the Chairman



We are pleased to issue this April 2017 edition of the Alumni Association newsletter, the 13th in our series. We hope that you will find it interesting.

Newsletter articles are chosen to appeal to the varied interests of our readers. They inform you of association activities and services, include interviews with individual alumni, and report on recent EBRD policies, programmes and activities.

This newsletter is particularly rich in content. In addition to reports about two successful gatherings in London and Warsaw recently (which tested new event formats), the newsletter includes many fascinating articles on former Bank colleagues. These attest to the uniqueness of the EBRD alumni community, not only in terms of the diversity of talent, but also the commitment, initiative, creativity and innovation demonstrated by its membership – attributes which are also characteristic of the Bank. For the first time, the newsletter also covers a special topic in greater depth, in this case the EBRD [Local Currency and Capital Markets \(LC2\) Development Initiative](#).

I am happy to report on significant steps in the development of our Association. Membership has now reached 2,500 alumni across 90 countries. The next alumni gathering will take place on 11 May in Nicosia, Cyprus, on the occasion of the Bank's 2017 Annual Meeting and Business Forum. We have initiated bi-annual consultations between the Association and the Bank's HR team to address issues arising as part of the medical continuation cover for those alumni who have subscribed to this plan. A number of initiatives are being taken to encourage alumni support for business development at the EBRD. We are completing a major update of our alumni database that will shortly be reflected in the alumni directory, which is accessible through our password-protected website. In particular, links to "Linked-In" profiles will be included in the directory entries and visible to all alumni. As part of the Bank's current initiative to establish communities of practice, we are also examining how members can access the expertise of selected alumni, directly or indirectly.

I hope you enjoy reading this newsletter. As always, your feedback is most welcome. (Please forward comments and suggestions by email to alumnie@ebrd.com.)

George Krivicky, Chairman
EBRD Alumni Association

EBRD Alumni Association comes of age, London, 26 January

This was a great evening and the photos prove it. (Log in to [Alumni Association website photo gallery](#) or follow the [Flickr link](#) to view photographs.) An evening of warm encounters and renewed relationships, personal and professional, as 160 former EBRD staffers and about 100 current, long-serving employees met at this year's annual meeting of the EBRD Alumni Association.



Tajana Mrkic '16; Charlotte Ruhe, EBRD Director, Advice for Small Business; Susan Goeransson, EBRD Director, Municipal & Environmental Infrastructure; Vesna Mukoetova '10 and Constantin Koutzaroff '97

Under the chairmanship of George Krivicky, the Association has come of age with some 2,500 former employees located – and another 1,300 still at large – hailing from some 90 countries around the world. Chapters have been opened in Poland, Canada and in the USA, with more planned. A regular newsletter keeps former staffers up to date on events at the Bank, while a dedicated website features an alumni directory enabling old friends to find each other and communicate.



George Krivicky '08, Chairman, EBRD Alumni Association and Rt Hon Andrew Tyrie ('97), Chairman, Treasury Select Committee, UK Parliament

Back to this year's alumni reunion (by mutual agreement, the most successful yet) which was opened by EBRD Secretary General Enzo Quattrocioche and featured a brief speech and discussion with Andrew Tyrie, Member of the UK Parliament for Chichester since 1997 and

current chair of the British Treasury Select Committee. Andrew had some amusing anecdotes and interesting memories from his years in the Office of the Chief Economist where he worked until 1997. Given the keynote speaker's experience and expertise in matters of international finance, it was natural that the discussion revolved around the issues of the day, from the 2008 global financial crisis through the ramifications of Brexit to European integration and globalisation.



Ivan Dubovsky '94 and Torsten Thiele '93



Gunter Grabia, EBRD Senior Fund Manager, Nuclear Safety and Egbert Joehrens '96

Another highlight of the evening awaited guests in the Mozart, where they were regaled by an extraordinary musical trio headed by Josué Tanaka who, it turns out, has been keeping the beat up since the early 1970s when he started drumming in the cellar of his Paris home. The group, appropriately named "The East-West Trio", has been working together for 10 years and includes former EBRD staffer Tim Stubbs of OGC fame and Nick Kacal. Conga drums, piano and double bass – shall we call it "transition jazz"? After all, the influences are many and reflect the backgrounds of trio members – Michigan and Moscow, Trinidad and Prague, not to mention Rio, Paris and a bit of Japan.



Tim Stubbs '02; Nick Kacal, East-West Trio musician and Josué Tanaka, EBRD Managing Director, Operational Strategy and Planning, Energy Efficiency & Climate Change

With bossa nova as background and lively conversation for hours, all sorts of relationships were re-kindled – perhaps to re-ignite at the forthcoming alumni event, a reception to take place at the Bank's Annual Meeting in Cyprus in May.

By Larry Sherwin

Alumni Reunion in Warsaw, 6 March

This meeting of our colleagues residing in Poland was very well received. We tried out a new format, inviting a well-known external speaker for a speech and a bit of informal conversation. This was a dinner event organised with the support of the Warsaw RO. Wojciech Gebicki, our local chapter coordinator, acted as the evening's master of ceremonies with all proceedings in Polish.



Wojciech Gebicki addressing the alumni gathering

Many of the evening's guests were well-known public figures. This included Krzysztof Bielecki, former Polish PM; Tadeusz Syryjczyk, former Minister of Transport; the former Minister of Finance, Mateusz Szczurek; Hanna Gronkiewicz-Waltz, Mayor of Warsaw; Grzegorz Zielinski, the EBRD's Director for Poland and the Baltic States, three alumni heading equity funds investing in Poland, as well as alumni working at the IFC, EIB and the National Bank of Poland – not to mention colleagues from commercial banking, consulting/advisory services, and enterprises involved in the energy, environment and engineering sectors.

The event featured an address on the future strategy of the Polish Development Fund (PDF) Group by guest speaker Pawel Borys, President of the PDF Group, which together with the follow up discussion, were held under the Chatham House rule. Radek Pyffel, the Polish Alternate Board Director at the AIIB, also participated as special guest.



Patryk Borzecki, Warsaw RO; Marcin Szmakfefer '07; Dariusz Strojewski '04 and Wojciech Gebicki '98

The PDF Group, which compares itself with the German KfW, is a key instrument of the current government's new economic development strategy. It comprises a group of financial and advisory institutions, supporting companies, local governments and individuals. As a few months ago, it integrates the work of various investment funds, the State Development Bank of Poland, the Agency for Industrial Development, the Export Credit Insurance Corporation, the Polish Agency for Enterprise Development, and the Polish Investment and Trade Agency.

Grzegorz Zielinski, Director for Poland and the Baltic States, underscored the importance of the evening for the EBRD: "The event was very successful. In addition to allowing alumni to reconnect and obtain useful information on the new PDF strategy, it will also benefit the Bank by building a stronger relationship between the Bank and the PDF. The latter can be an important partner and co-financier for the Bank in Poland."



Pawel Borys, President of Polish Development Fund in conversation with Krzysztof Bielecki '03



Piotr Matczuk '14 and Grzegorz Zielinski, EBRD Regional Head Poland and the Baltic States



Wojciech Deska '01; Piotr Matczuk '14; Jaroslaw Fotyga '11 and Witold Radwanski '95



Kinga Stanislawska '07; Jaroslaw Fotyga '11; Adam Jasinski '16; Tadeusz Syryjczyk '07; Alicja Krivicky '08; Hanna Gronkiewicz-Waltz '05 and Mateusz Szczurek



George Krivicky '08; Kinga Stanislawska '07; Jaroslaw Fotyga '11; Patryk Borzecki, Warsaw RO and Adam Jasinski '16



Alicja Krivicky '08; Barbara Anna St.Claire-Ostwald '97 and Barbara Carolan-Uszynski '16



Bill Watson '97 with Mateusz Szczurek, EBRD Regional Lead Economist

NEWS ABOUT ALUMNI

Manfred Schepers ('16) looks back at ten years as EBRD Chief Financial Officer and Senior Advisor



Riding the storm in the global financial markets

In October 2014, Manfred Schepers completed eight years at the Bank as Vice President, Finance, and Chief Financial Officer, riding the storm of the global financial crisis that broke soon after he arrived in 2006. Here Manfred reflects on the challenges and achievements of that time. He also describes the tasks he faced over the period 2015-16, when he served as Senior Advisor to the EBRD President. During that time he launched the Bank's new Institutional Investment Partnership, bringing in Institutional Investors to invest through the EBRD in equity investments in its countries of operation through the innovative Equity Participation Fund.

What brought you to the Bank in 2006?

I joined the Bank after having spent 20-plus years in the private sector. Already, even before the crisis, I felt that the Bank's business model was unique in terms of supporting private sector development in emerging economies, because of the toolkit it has and the shareholder structure. I was a bit surprised about the "sunset bank" talk at the time I joined – and of course within a very short period of time that was sent to the graveyard. The role of the Bank in addressing the financial crisis was very clear. I think that the unique business model of the EBRD since 2008 has been more than demonstrated. And I think what has also been demonstrated is that this is not a Bank that just fulfils a purpose as part of an EU accession process, but that we're now looking at a Bank that serves a purpose for private sector development for the next generation. This is because the role of the private sector in the EBRD regions is going to take decades to reach the fully developed, transitioned state that we aspire to. That's completely different thinking from when I arrived.

Was there a big adjustment to make in leaving the private sector for the EBRD's culture?

Not really, if you look at my background. I'm very involved in a school organisation called United World Colleges. I studied development economics. Before starting at the EBRD I spent a year and a half managing financial market associations in Europe and Asia. So I was always interested in development economics and public policy, and had an affinity for global issues. I knew where I was going. That was the attraction.

What are the challenges and achievements you will remember?

In my time at the Bank it has had a business model through which it's been able to demonstrate its unique and central position in the countries that we are supporting. During the financial crisis, we were able to innovate. We could take risks across the balance sheet, in terms of new instruments across the capital structures and that was used extensively during the crisis in terms of the support we gave the banking system. It has been exemplified in the important role the Bank now plays in Turkey, the countries of the southern and eastern Mediterranean (SEMED), and Cyprus. All this is evidence that the business model appears to have teeth.

The fact that the Bank has local presence in and deep understanding of the countries in which it operates means it can take risks across all asset classes. The area I've personally been deeply involved with is the development of the Local Currency and Capital Market (LC2) Development Initiative. That initiative was by definition a cross-Bank effort as it involved Treasury and our banking, economics and legal departments, because all of them were involved in financial market development. The LC2 Initiative was one of the first where the Bank actually took staff from all departments and put them in one team. This Initiative is going to be critical, because at the heart of all private sector development in our countries must be an efficient financial market, particularly because the global financial market is now so heavily curtailed. The financial system in all our countries of operations is very weak – it never had to develop because global liquidity was so abundant. That has now gone.

Lastly, due to the business model of the Bank of course, the EBRD has uniquely performed so well during these eight years. We nearly doubled the capital of the Bank through retained earnings. We incurred effectively no losses on the loan book and equity book, and no losses in the Treasury book – this is compared to the outside world, you know, and we should not take it for granted! This underpins our triple-A rating. The institution is important but that performance is what underpins it.

You stayed at the Bank to help establish the Equity Participation Fund?

Because the Bank had done well in its various portfolios over the previous 25 years, in particular in its equity portfolio, we were able to create the Equity Participation Fund (EPF), in which long-term institutional investors, initially sovereign wealth funds, can participate in the Bank's direct equity investments. By means of this fund, the EBRD has become a manager through which institutional investors can invest in transition economies on the basis of the Bank's investment policy. The whole process of designing, marketing, approving and closing

the Fund took five years. But that's what in reality it takes to create a transformative financial instrument that enables the EBRD to effectively raise additional capital and at the same time create a new asset class, mobilising institutional investors. Timing was of course difficult with challenging market and political conditions in the Bank's countries of operations during the past couple of years. But I think in several years' time, we will look back at the EPF and realise that 2016 was a great year to invest in the EBRD's equity business!

What are you going to do next?

After nearly 40 years in the UK, we are moving back to the Netherlands where I have taken directorships with two banks, Nederlandse Waterschapsbank and Van Lanschot Kempen, and a leading solar power development company, FRV. At the same time I am working with other parties in the Netherlands to establish a development finance platform for the Dutch pension fund industry, drawing on valuable experience gained during my time at the EBRD. I strongly believe that there remains a huge opportunity to engage with global institutional investors to more directly support the aims of the UN's Sustainable Development Goals by participating in development and transition finance with banks such as the EBRD.

Life as an international school governor.....

Outside the Bank, Manfred has spent the past 15 years as a governor of United World Colleges (UWC), which has 17 schools around the world, where students from over 100 countries, selected on merit, study for their International Baccalaureate. He currently serves as Governor of UWC Atlantic College in Wales and UWC Dilijan in Armenia. Manfred comments: "UWC Dilijan is unique as there are students from across central and eastern Europe and the Middle East, including Turkey – the first students from Turkey to study in Armenia in 100 years – as well as students from Russia and Ukraine. The future of our region lies with these type of students, students with high potential doing international education – and learning that the only way we can find a proper peaceful transition is by learning and not hitting each other over the head."

General background

Manfred Schepers is a Dutch national, holds a BSc and MSc from the London School of Economics and obtained his International Baccalaureate from the UWC Atlantic College in Wales.

He currently serves as Independent Director at the Nederlandse Waterschapsbank, Van Lanschot Kempen and FRV in the Netherlands, and Shurook in Jerusalem. In addition to serving as Governor of two UWC colleges, he is currently Chair of the Board of Trustees of Het Scheepvaart Museum in Amsterdam.

From 2004 until 2006, Manfred was Head of the Securities Industry and Financial Markets Association in Europe and Asia and, prior to that, held various senior positions during a 17-year career at SBC Warburg and UBS. He managed distribution in Asia from 1987-1991, and was Global Head of Debt Capital Markets from 1992-2004.

Sunil Sabharwal ('96): From socialist Hungary to private equity success via the EBRD



The tale of Sunil Sabharwal is a fascinating one – of emigration from socialist Hungary, of a new life in the United States and of a fateful return to Budapest as EBRD country director. Born of an Indian father and a Hungarian mother, Sunil went on to open the Bank's first office in Hungary and, eventually, to be appointed Executive Director for the United States to the IMF. We recently spoke with him early one Washington morning.

When and how did you come to the EBRD?

I came to the EBRD in 1992 and had been working in corporate finance at Coopers & Lybrand. At the time, they were expanding into eastern Europe and, as fate would have it, I was basically headhunted by the EBRD to join the Bank at its London Headquarters. The Bank was so small at the time and its first president, Jacques Attali, met each and every newcomer personally. In conversation with him in his office, he found out that I spoke Hungarian and, in 1992, the very first EBRD Annual Meeting was supposed to be held in Budapest. It was February and he wanted an office open before the Annual Meeting in April. I was asked to do just that – which meant I formally joined in February, opened the office in March and facilitated the Annual Meeting in April.

Those were truly pioneering days. I opened the EBRD office bank account with my own US\$ 500 and then began the mad rush to get the office operational in time. To be fair, office space had already been selected but still needed to be set up, including everything from cleaners to legal status – everything had to be done in no time. We

managed. The EBRD President opened the office with the Hungarian finance minister and it was very big news.

The office had a very successful start. Compared with most other socialist countries, Hungary was a step ahead of the game and had legislation for privatisation in place. In those first years, some 50 percent of all Bank disbursements went to Hungary, reflective of the fact that the country was ripe and ready for foreign investment.

You have an extraordinary background. Can you tell us how you and your family managed to leave socialist Hungary in 1983?

My father was Indian, my mother Hungarian. You may recall that Indira Gandhi's India was very much allied with the former Soviet Union so there were many Indian exchange students all over the Soviet bloc. My father was one of those students and he met my mother in Budapest. They went to Delhi, got married, and lived there until I was nine years old when my parents separated and I moved back to Hungary with my mother.

My mother's family is an old Hungarian one that never accommodated to the communist regime. Hungary was different from other Warsaw Pact countries and in the early 1980s there was the possibility of going on package tours to the West – which is exactly what my mother and family did. We took a package tour to Vienna, then went to the US embassy and registered to seek political asylum. We all spoke English because of my father and our years in India.

Fencing of all things played a role in your life – a role beyond mere sport, correct?

Bear in mind that I had been a champion fencer in Hungary – and Hungarian fencing was far superior to American then. We stayed in Austria for about six months. Our emigration to the US was then sponsored by a Lutheran church in Columbus, Ohio – and we had no idea where that was. When we arrived in the American mid-west, a local newspaper ran an article about us. As it happened, Ohio State University had a fencing team and its coach was a Hungarian who had emigrated during the 1956 uprising. He hunted me down and I enrolled in Ohio State University where I became a fencing champion and went on to win major championships. And I majored in business at the university.

The EBRD enabled you to return to post-communist Hungary to set up the Budapest regional office in 1992. What were your thoughts and impressions on returning to a country you had escaped from?

It was fascinating of course to return to the country 10 years after I had emigrated for good. All my former high school friends lined up to meet me, as did my fencing club teammates. The country had obviously changed by then, but I would say the big developments were yet to come – the entry of Western shops and privatisations. Phone lines were still scarce when we returned. To witness the change from the early 1990s for the next decade was truly transformative. Shops, theatres, services, fast-food restaurants, cinema multiplexes appeared in short order in what had been a socialist landscape.

Can you share some recollections from the years you spent with the Bank?

I was with the EBRD from early 1992 to the end of 1996 – and the Bank's representative in Hungary for three years, after which I joined the FI team in London – at the

time, lending to banks and lending to private equity and venture capital funds. GE Capital was just getting going in mid-late 1990s. Through a mutual project with them, I got an offer from GE to lead their private equity activity for central and eastern Europe in 1997 – and I was with them for about 8 years.

After your time at the EBRD, you pursued a successful career in private equity and mergers and acquisitions. Had the EBRD experience paved the way for your years in the private sector?

Very much so. At the EBRD, we were involved in privatisation directly, taking equity stakes, lending to telecoms and banks, as well as the EBRD being a limited investor to foster additional private investment. It had a direct relevance to my success in the private equity field.

I ended up spending about 20 years in the private sector, with large corporates and then with my own investment firm, which is focused on financial technology and which teamed up with other private equity firms throughout the world. In 2014, I was approached by the Obama administration to consider becoming one of the USA board members at the IMF. These positions are subject to Senate confirmation. I was nominated in 2015, and confirmed in 2016 for a two-year term. It was a Democratic president who nominated me, but I was confirmed unanimously by the Republican-led Senate. I am very proud of that – and it was a great honour for me to appear before the Senate Foreign Relations Committee and to have my nomination voted on by the US Senate.

You were appointed by the White House to be Alternate Executive Director at the IMF. What made you decide to consider the switch back to international public service?

I believe that I would not actually have been chosen and confirmed had it not been for the combination of public and private sector experience that I brought to this job. And this goes directly back to the EBRD experience. The search committee for an IMF directorship looks for financial experience of course, but also for diplomatic international experience like I had at the EBRD.

Why did I accept the job? I thought that, after 20 successful years in the private sector, it was time to give something back to the country that had given me my new home. I was honoured and excited to serve in the global public interest. The IMF is a unique place to be able to do that. Under Mme Lagarde, the IMF has been delivering high value to its membership and to the global economy. All in all, it has been a fascinating experience.

Part of my EBRD years were of course in London. We ended up living in London for 12 years and the city became home for me and my children. I keep in touch with many people at the Bank.

By Larry Sherwin

Auf Wiedersehen, Hans Peter Lankes ('17)



Hans Peter Lankes, MD Corporate Strategy, left the Bank in January this year to take up his new position as Vice President, Economics and Private Sector Development at the International Finance Corporation in Washington, D.C. where he will be importing "a little bit of the EBRD" in order to help them leverage their project, policy and country strategy work.

Before leaving, Hans Peter shared some of his most memorable experiences from his long career at the Bank with us.

You can look back at a long career at the EBRD, having held various roles in the Office of the Chief Economist, President's Office, VP Policy and Corporate Strategy Unit between 1993 and 2000 and again from 2007 to today. What roles or achievements are you most proud of?

The recent modernisation of the transition concept is certainly something I enjoyed helping to shape, but I have to say that I am also proud to have helped with the conceptualisation of the Bank's first transition concept – so what the Bank is all about really – starting in 1993 when I first joined and which was only formalised in 1997. It was all about designing it in a way that can be operationalised, so people know what they need to do for it to work. It was always about combining the conceptual with the operational – something that still underpins the Bank's ethos today.

Expansion into the southern and eastern Mediterranean (SEMED) is another area I feel privileged to have helped with. The work on this started when I was still part of (then) President Mirow's office and there had been official requests from countries in the SEMED region to become countries of operations. I was asked to join a task force responding to this back in 2010, well before the Arab uprising, which nobody expected to happen at the time of course. The Corporate Strategy unit was created in May 2011 partly in response to the changes in SEMED and the Arab uprising earlier that year. It had become clear to us that the Bank had a lot to offer in the region and that it would also benefit the long-term future of the Bank itself.

I also think that the Bank did a great job in responding to the financial crisis of 2008. Everyone worked together for a common purpose, from management to operations,

from OCE to Finance and Credit – it was an incredible group effort and the Bank came out stronger than ever.

Do you think the Bank is future proof?

I think the Bank is in such a strong position and will do well in the future because of its solid business model. It has always been a step ahead in terms of development economics by putting the private sector into the driving seat. It's about getting the private sector to engage in the market in the right way and enable it to fulfil its role in creating competitive market economies, rather than us as a development institution filling that gap. That role and concept hasn't changed. What has changed is the environment we operate in and the geopolitical context. We are witnessing a wave of anti-liberal sentiments which provides a challenge to our mandate, our economic and democratic ideologies. But even the populist responses that we see in many countries around the world right now are unlikely to challenge the central role of the private sector, which will remain the driver of economic development.

What are your most memorable moments?

Several trips to the region stand out, including trips to Bosnia and Kosovo in the 1990s. On one memorable trip, former colleague Dragica Pilipović Chaffey and I found ourselves, in suits and with suitcases, walking in no-man's-land in Bosnia, between NATO tanks, before we were offered a ride on an ox cart. On another trip, Claudio Viezzoli, Zsuzsa Hargitai and I hitch-hiked our way through Kosovo, just after the end of hostilities, in order to scout out the country, only to find the first EU mission to the country arrive at the border to FYR Macedonia in armoured trucks, bullet-proof vests and UN helmets. It is fair to say we felt somewhat exposed.



That memorable trip to Kosovo

And then there is every trip with Josué (Tanaka) – his passion for his work is so infectious, you really feel you are part of a big endeavour to save the planet when you are with him – and a visit to Georgia with Olivier (Descamps). Everyone there knows him. It's like being with the prime minister. When you enter a restaurant,

everyone wants to greet him in respect for the man who was so instrumental in helping the country stand on its own feet.

Any parting words or thoughts you'd like to add?

I love the EBRD, it's part of my DNA. I like the people, I like the atmosphere. Despite its sometimes muddled identity (public mission, private culture) and complaints about its bureaucracy, I think it is still a fairly nimble outfit. I have always experienced it as a friendly place to work and I certainly hope to stay in touch with the colleagues and the friends I have made along the way. And who knows, there's always a possibility that I could come back for a third time...

By Claire Ricklefs

Hildegard Gacek ('17): From the Balkans to London to SEMED

Hildegard Gacek, Managing Director, SEMED, retired from the Bank in January 2017. Hildegard joined the Bank in 1998 as a Senior Evaluation Manager and has held a number of senior managerial roles in the Banking Department including as Director for five countries, covering the Caucasus, Belarus and Moldova and spending 10 years in the field, first as Director for Romania and then as Director for Serbia. In April 2012, Hildegard became the first Managing Director for the SEMED region where she established country of operations status in Morocco, Tunisia, Jordan and Egypt.



Hildegard Gacek reflects on nearly 20 years at the EBRD

What role or achievements are you most proud of?

Of course I am proud to have built up the SEMED region as our newest region of operation, but I am also very proud to have championed programmes tailored to our smaller countries of operations and projects. Today, bankers have an obligation and are judged on their scorecard, for delivering small business projects. But when I first took up my role as Director for the Caucasus, Belarus and Moldova, I was desperate for support for those countries. After all, they are all shareholders, no matter what their size, and they should benefit from Bank investments. So I took my request for support to (then

Vice President for Banking) Noreen Doyle who fully supported my idea and asked Irina Kravchenko to launch a working group on small business. The rest is history.

If I had to single out an initiative, it would be the resettlement of the Roma community living under Gazela Bridge. This is the most important bridge in Belgrade and a part of the major north-south highway, crossing right through the city centre. The structure and its approach roads were in urgent need of rehabilitation and so the EBRD and the EIB stepped in to finance the rehabilitation of the bridge. However, one of the conditions we attached to our financing was a resettlement plan for the 1,000 or so Roma living in informal settlements under the bridge. The key thing was to put pressure on the Mayor and make him realise that it was also the City's responsibility to help them and to provide the Roma community with adequate alternative housing.

Another one is the privatisation of Banca Comercială Română (BCR), the largest bank in Romania. I initiated the privatisation discussions together with FI Director Kurt Geiger and eventually BCR was acquired by Erste Bank Austria, which was a big success for the Bank and one if not the largest capital gain that the Bank made. Another reason why I mention this is that – as the saying goes – you always meet twice in life. Last year I was asked by Erste to become their independent Board member which since September 2016 I am after the approval of the Central Bank of Romania. This already gives you an idea about what I will be doing after leaving the Bank.

What would you say makes the Bank so successful?

I think it is incredible what we are able to achieve in our countries of operations. Crucially, we always trust and rely on local talent, developing them and getting them into middle and upper management positions.

The Bank is also very responsive and adaptive to change and crisis. I'm thinking about how we responded to the Russia crisis (1998), financial crisis (2008) and pushed through the Vienna Initiative, stepping in and dealing with issues when nobody else would. We are good at identifying the problem and sorting it out. In a way we are like bees, we go where the food is and turn it into something sweet. Moreover, we work across all teams and departments and we are able to mobilise others. To use another metaphor, we are like a locomotive, you put us on a track and off we go.

What will you miss most?

I shall NOT miss briefings, World Bank meetings even if they are in lovely places like Lima, or answering hundreds of emails. What I WILL miss is what makes the Bank - its people, the exchanges we have, the easiness of getting in touch with colleagues, the nice coffees, lunches and dinners. I think it is great that we get to work with so many different cultures and nationalities at the Bank and I don't think I would have had that opportunity anywhere else.

Hildegard's colleagues reminisce

During her long and varied career at the Bank, Hildegard met and worked with a diverse range of people and it is the people and personal connections she made along the way that she treasures most. When talking to some of her colleagues, both old and new, it is clear that they hold her in equally high regard.

"Hildegard has that valuable quality of negotiating assertively and achieving the Bank's objectives while, at the same time, managing to develop smooth working relationships with her counterparts," remarks Tarek Osman. "In SEMED, she faced complicated and often fraught political situations. But she managed to navigate them to arrive at the desired goals, not only without antagonising officials, but often deepening the relationships in the process."

Volker Recker worked with Hildegard on projects in the Balkans region and in particular in Serbia. He stresses how well respected Hildegard is in Serbia and that her direct and at times tough style in policy dialogues with national government representatives is legendary. "During recent restructuring negotiations I had the former Serbian Minister of Economy, Mr Nebojsa Ciric, in front of me as counterpart. He knows Hildegard very well and holds her in high regard," Volker recalls. "When his company missed a payment deadline for the second time, I jokingly told him that there will be no third missed payment, because if that were to happen, Hildegard would come back to Serbia and sort it out herself. He started laughing and told me, that we do not want to risk that and I should therefore rest assured that they will pay on time this time around..."

But there is more to Hildegard than her tough negotiation style. Her colleagues also use words such as "fun-loving", "caring", "energetic" and "life-affirming" when recalling their adventures together.

"Travelling with Hildegard is always a great adventure but also fun because she really cares for the people we meet," says Heike Harmgart. "On a trip to Ramallah from Amman, she kept her cool at the border crossing and showcased her amazing ability to get a good deal for the Bank by haggling with the Palestinian Minister of Finance about tax exemptions for future Palestinian employees – he just had to give in and concede to her perseverance and charm."

"Hildegard has the unique skill of engaging with the local authorities no matter what the local context and culture," agrees Marina Petrov. "Her genuine dedication and care about the people in the region helped her to navigate the most difficult issues that she had to bring to the table and our counterparties knew that no matter how challenging the situation she would always act in the best interests of her countries."

"When we opened Tunis RO and got our phone connections with HQ in place, Hildegard was the first to be called and she got really excited!" remembers Marie-Alexandra Veilleux-Laborie. "I will always remember her drive, energy and enthusiasm – it is so impressive and an example to follow. She has often been the one to go to bed last while I was really shattered... before retiring she should be 'forced to' give up her secrets!"

"Hildegard's ability to develop impactful business, leading and inspiring colleagues across the EBRD is known and recognised by a wide array of Bank colleagues," says Zsuzsa Hargitai. "Having known Hildegard for over a decade, I would single out two other qualities that we'll miss as she's embarking on new endeavours: First, she has inspired and advised a great number of us and shared her experience, bringing together colleagues from different ROs whenever we were in London and ... then we had our lively, stimulating chats in Moshi Moshi at Liverpool Street Station. Quite a few new senior bankers,

managers and RO heads have come out of this school! Second, she has had a ubiquitous presence in and influence on her countries that she has been passionate about. Always respectful of local culture, nurturing excellent local government and business networks, enjoying the 'couleur et chaleur locales', Hildegard has derived tremendous energy from local interactions, identifying business opportunities as well as the need for reform support in her countries. She has convinced, argued, cajoled and ... made friends all along. These friendships have accompanied and will accompany her long after she's left those countries."

"Work should be fun!"

Irina Kravchenko remembers how on their first trip to Belarus together, Hildegard told the local office staff how important it was to enjoy work and have fun: "The staff asked what do you mean have fun at work? She responded that work should always be enjoyable and she certainly led by example! She even managed to charm the Belarusian government officials and turned around our relationship with them. She also isn't afraid of challenges or change. She is a very open-minded person and not afraid to be herself - she always comes across as genuine, communicating in a very direct but charming and effective way. It is obvious that she likes people and enjoys working with them. She manages to project this onto people, to motivate and engage them. She believes in people, that they are the Bank's greatest asset."

Petra Nienhaus remembers a truly remarkable event: "A Spanish beer company had a stall opposite the 'Fat Lady' statue in Exchange Square as a marketing ploy, and you could win diverse prizes by just setting a round disk in motion. The arrow then showed which prize you had won, mainly bottles of beer. We were going for lunch and there was nobody there, so the girl dealing with passers-by asked us if we wanted to try it. I didn't feel like it, but Hildegard felt sorry for her because she was on her own and insisted we try. So OK, up we went and I swung the disk. And behold! It stopped at the main prize – a weekend in Madrid!"

Then Hildegard's turn, and – would you believe it – she won the second prize, a dinner at a Spanish restaurant with transport back to the station for us later. I don't think I have ever experienced anything like it. The photographer started jumping around us taking millions of pictures and our faces just showed pure disbelief!

We had a fabulous break in Madrid, and spent the first afternoon sitting outside in a small restaurant, talking about anything under the sun for six hours and ordering food and drink until our waiter had to leave, because his shift was over... Such lovely memories!"

Sylvia Gansser-Potts agrees that Hildegard's energy and drive are infectious, her conviction admirable and passion inspirational. "Nothing seems impossible with Hildegard - there is no such thing as an obstacle which can't be overcome," says Sylvia. "But she also has a huge heart and a bigger than life personality. Putting aside her remarkable professional success, I think her personal story is truly inspiring. She is such a fighter, not just for herself but for others. I am one of many who are grateful to her."

"Hildegard has been an important mentor for me here at the EBRD, right from our first project together in Armenia in 2001," says Holger Muent. "Obviously, I could never

quite match her unique, charming, yet extremely straightforward style. I wish Hildegard all the best and hope to continue working closely with her in her new role as the Bank's marketing supremo in Germany!"

By Claire Ricklefs

Róisín Fitzpatrick ('95) – Artist of the Light



Róisín (pronounced Ro-sheen) Fitzpatrick, EBRD alumna '95, is a leading contemporary Irish artist and author. She is a graduate of Trinity College Dublin and the University of Geneva where she specialised in International Relations. Speaking both French and Italian, Róisín worked for a short time at the European Commission and the United Nations before joining the EBRD's Privatisation and Restructuring team. She currently lives in County Wicklow, Ireland.

The day after her 35th birthday, Róisín had a life-altering, near-death experience caused by a sudden brain haemorrhage. From that experience (which she reports has been validated by leading medical expert, Dr. Bruce Greyson, of the University of Virginia) she discovered that each and every one of us is more powerful than we can begin to imagine. As she puts it, her purpose over the past decade has been to ask how brightly each of us wishes to shine. Through the combination of her business skills from her former professional career, along with her life-altering experience, this has led her to become an international artist and author.

Passionate about sharing the beauty of the light from her near-death experience in a way that people can connect with their own inner light, she was inspired to create a series of artworks – the **Artist of the Light®** collection. Róisín's primary intention through this artwork, created with the finest quality crystals hand-sewn on silk, is to enhance well-being in residential and corporate environments.

She exhibits regularly on both sides of the Atlantic, with over 10 exhibitions in the US over the past few years in Manhattan, Washington, D.C. and the greater Boston area. In addition, Róisín's art is on permanent display at

The National Concert Hall in Dublin. Róisín's Artist of the Light artwork features in the collections of *New York Times* best-selling author Deepak Chopra and actor/producer Roma Downey.

Róisín's art has been critically acclaimed by Forbes, the Wall Street Journal, the Washington Post, the Boston Globe, IN New York, WHERE New York, Irish Arts Review, Irish America Magazine, Irish Voice, Irish Echo, Irish Independent, The Irish Times and Artnews.



Róisín's artwork which she recently donated to the Irish Hospice Foundation

Her solo art exhibition was opened in Washington, D.C. by H.E. Michael Collins, former Ambassador of Ireland to the United States, who stated, "Róisín's artworks are a great example of contemporary Irish art...thank you Róisín for bringing much-needed light into our lives at this time when we risk being overwhelmed by darkness. It is a measure of the vibrancy and resilience of Ireland that we continue to produce such wonderful talent."

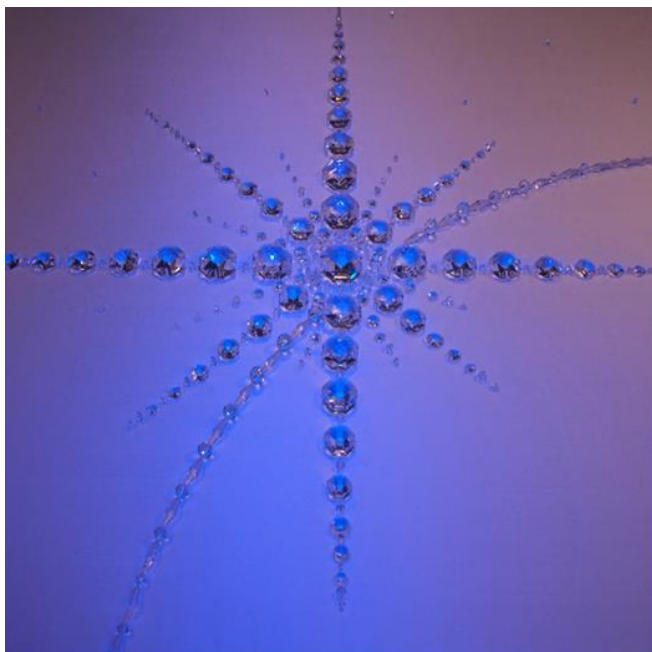


Róisín standing beside the Newgrange inspired artwork at her solo art exhibition at the Irish American Heritage Museum in New York

Using natural silks and the finest quality crystal to maximise the reflection and refraction of light, Róisín's art fuses light and imagery, creating an entirely unique medium. Róisín draws on the wisdom of her Irish heritage for inspiration, from illustrating the Winter Solstice

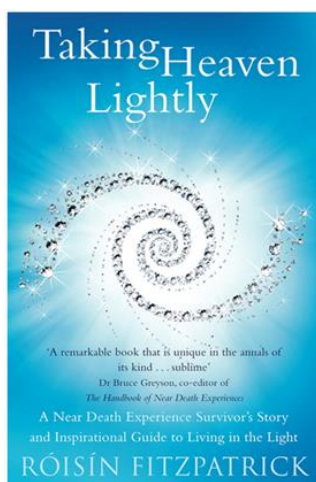
illumination of the Neolithic chamber at Newgrange (dating from 3,200 B.C.), to various aspects of light in nature including water crystals and fractal designs.

Róisín believes in giving back and regularly donates artworks to enhance people's quality of life. To date, her art has raised funds for the Irish Hospice Foundation, American Ireland Fund's Barretstown children's camp, Laura Lynn and Jack & Jill projects, Haven (for building houses in Haiti), The Irish Arts Center in New York and the Ireland Chamber of Commerce Albert Schweitzer Young Leadership Program.



Róisín's artwork "New Dawn in blue light"

Róisín's debut book entitled ***Taking Heaven Lightly***® became an immediate bestseller after publication in 2015. The launch of her book was attended by a number of prominent personalities, including H.E. Kevin O'Malley, US Ambassador to Ireland and Mr Niall Burgess, Secretary General of the Irish Department of Foreign Affairs. It achieved extensive coverage on national TV, radio and print media in Ireland and the US.



In this ground-breaking book, Róisín Fitzpatrick takes the reader on her remarkable journey.

"Ironically, this brush with death became the most powerful healing in my life. I connected to an eternal light - Solas Siorai in the Gaelic language - which I came to realise, is available to us all should we choose it. My wish

for readers is to feel this loving light, peace and joy during life.



Niall Burgess, Secretary General Department of Foreign Affairs; Róisín and His Excellency Kevin O'Malley, U.S. Ambassador to Ireland

Currently in its fourth reprint, the book received excellent reviews from medical experts, academics and media on both sides of the Atlantic. Reaching a wide audience her book has been described as "transformative" because of its powerful impact inspiring people to embrace a more meaningful life.



Róisín with Sir James Galway, internationally renowned flute player

Dr. Bruce Greyson, co-editor of *The Handbook of Near Death Experiences: Thirty Years of Investigation*, wrote: "Róisín Fitzpatrick has written a remarkable book that is unique in the annals of near-death experiences. Fitzpatrick describes her own harrowing brush with death and transcendent near-death experience, and guides us through her discovery of the forerunners of NDEs in the ancient roots of pre-Celtic culture. Experiences like Róisín's have now been validated by hundreds of

scientific studies around the world, and provide evidence that consciousness is more than the brain and indeed that we are more than our bodies. As a guide to enhancing your own spirituality, *Taking Heaven Lightly* is a love story in the most sublime sense."



Dr Bruce Greyson and Róisín

Sean Mahon, actor in the movie *Philomena*, TV series *Red Rock* and former leading actor in the *39 Steps* on Broadway, wrote: "An insightful and in-depth look into what lies beyond our physical realm. Where do we go when we die? Róisín Fitzpatrick's stunning book takes us into the world that lies beyond our senses and suggests ways in which we can integrate that world into our everyday life. It is a remarkable piece of writing and one that ultimately lifts the soul. A must read."



Róisín with Sean Mahon

Róisín is currently working on an art installation which will have a significant public profile during 2018. It will focus on bringing ancient Irish heritage to light in a way that is relevant to our modern lives. (We will bring you more on this project in a future newsletter.)

Róisín asked to finish this article with a very uplifting quote from George Bernard Shaw: "Life is no brief candle to me. It is a sort of splendid torch which I have got hold of for a moment, and I want to make it burn as brightly as possible before handing it on to future generations."

Roksana Ciurysek-Gedir ('03): A life in banking and art



One doesn't usually associate art with the activities of a banker. Roksana Ciurysek-Gedir is that unusual exception – a person of multiple interests, with the rare combination of an exuberant personality and financial expertise. She was with the Bank for six years, having joined as an intern in the Environmental Protection Unit in 1997. While at the EBRD, Roksana was able to complete her Master's thesis on the Polish agricultural sector pre-EU accession at the Gdansk Technical University.

Your intrepid alumni correspondent caught up with her at her London office.

What came next for you after your intern position at the EBRD?

It was a great experience to start my professional career at the EBRD. I started off at the Environmental Protection Unit; subsequently I was part of the Agribusiness team writing my Master's thesis and became a full-time employee, working as an analyst in Strategic Planning with Josué Tanaka. I then went on to work in the Treasury Department where I got a taste for capital markets.

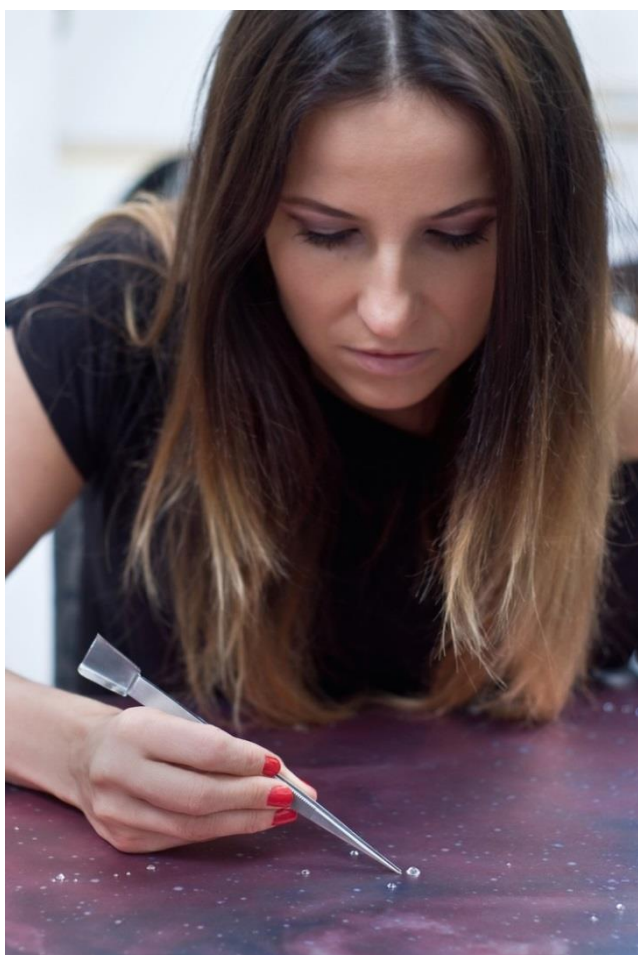
Do you have any fond recollections from the years you spent with the Bank?

I will always have a soft spot for the Bank. It was, after all, my first proper job experience. Everyone was very welcoming. It was a fascinating time for me – and gave me the ability to immerse myself in working with commercial bankers while getting the perspective of expoliticians. I'd also like to mention Dariusz Prasek who is still with the Bank. He became my mentor – he enthusiastically shared his knowledge and advice and guided me around the institution during my first crucial months.

You currently work at a Swiss private bank. Can you tell us a bit more about your responsibilities? Was your experience at EBRD helpful in your later career?

I now work at Credit Suisse where I head a UK team looking after ultra-high-net-worth clients from emerging

Europe – from central and eastern Europe, from Greece and Israel, and from the countries of the former Soviet Union. Directly after leaving the EBRD, I moved to Vancouver for personal reasons as my boyfriend at that time (now my husband) is from Canada. I took a break from banking as I was not allowed to work in the country and I immersed myself in art (one of my big passions), studied photography and had my first art exhibition there. I then moved back to London and worked for Merrill Lynch, JP Morgan, and Edmond de Rothschild before establishing myself at Credit Suisse. For sure, the EBRD was a very useful experience, but it is of course a very different animal to the big investment banks. In a word, I cherished my EBRD experience.



Tell us something about your role in setting up and running the Polish City Club.

The idea was born when I was at the EBRD. Together with a few Polish friends, we decided to set up a platform to allow Polish professionals to network and support one another. I was inspired by the work of one of the Bulgarians, Ilya Lingorsky, who sat with me in the same office and who founded the Bulgarian City Club. Our Club was set up as a not-for-profit organisation, under the auspices of the Polish ambassador in London who was instrumental in helping us to gather a very prominent group of honorary members. For us, it was an opportunity to exchange ideas and know-how and network with like-minded people. The Club invites interesting guest speakers in a relatively intimate members' club, which we have limited to 100 members. My role these days is not as involved as previously, but I remain part of the advisory board and am happy to share my knowledge and contacts where needed.



St Line, 2007, digital ink print on aluminium, hand-encrusted with Swarovski crystals

How did it happen that you became a World Economic Forum Young Global Leader in 2014?

This is a great honour and an award that the World Economic Forum bestows every year to around 100 global professionals under the age of 40 who are leaders in different areas. Leaders from politics, philanthropists, entrepreneurs, inventors, financiers – people who, in the Forum's view, are changing the world for the better. I am very humbled to have been chosen as a member of such a group and feel enormous responsibility at the same time. I was originally put forward by a CEO in the USA who believed my efforts in deepening UK-Polish relations should become noticed, from co-founding the Polish City Club, through to producing a short movie about the role of Polish pilots in the Battle of Britain and who also appreciated my artistic endeavors – at least this is what he said. The Forum looks for well-rounded people who are doing things beyond their normal job description that have positive impact on the world. The group works to support the sustainability goals of the WEF.



Roksana Ciurysek-Gedir is a Fabergé artist-in-residence

Famous members and alumni of the Young Global Leaders include Alibaba founder Jack Ma, actor Leonardo DiCaprio, Anderson Cooper, Google co-founders Larry Page and Sergei Brin, Facebook founder Mark Zuckerberg, German Formula One champion Michael Schumacher, composer and poet Lera Auerbach, as well as acclaimed filmmakers and visual artists Florian Henckel von Donnersmarck and Ólafur Elíasson, to name just a few.

Tell us about your art work, photography and film work. What is your inspiration and how do you reconcile the world of art and the world of moneyed individuals?

I strongly believe one can and should reconcile art and capital. Many of my clients are amazing, creative personalities themselves. They have a great interest in art, some are major collectors, a lot of them have philanthropic activities which make a difference in the world. I would like to think that a majority of my clients are also global leaders, though maybe not all meet the “under 40 years of age” criterion. I have been able to learn from the most successful global entrepreneurs and can apply what I have learned to hopefully make a difference, even in a small way. I feel quite passionate about it and get inspired daily by the amazing work of other Young Global Leaders.

My inspiration? Life is my inspiration; the people I meet are my inspiration. My signature style is photography printed on metal and studded with ethically-sourced precious stones – diamonds, emeralds, sapphires, rubies. I am currently artist-in-residence for Fabergé. I am privileged to have many amazing collectors, including Baroness Rothschild, Stelios Haji-Ioannou, and designer Matthew Williamson, to name just a few. For the past two years, I have exhibited my work at the [World Economic Forum in Davos](#). I am proud to say that Eric Schmidt of Google opened my exhibition.

Would you care to share any other plans that you may have?

I would like to launch an art exhibition in space.

By Larry Sherwin



Installation shot of *Diamonds in the Sky* at Annoushka. South Kensington



Peacock Messier, 2016, digital ink print on brushed aluminium set with 100 diamonds

Harry Bingham '93 - Banking on the write stuff

We are grateful to the Oxford Times and Harry Bingham for allowing us to reprint [this article](#) by Stuart Macbeth which appeared in the Oxford Times on 5 November 2015. Harry Bingham worked at the Bank from 1992 until 1993 as a Banker in Financial Institutions team.



Harry Bingham ('93) wrote his first book at the age of 29 while sitting at the bedside of his seriously ill wife

Stuart Macbeth talks to the crime writer Harry Bingham about his creative process

Crime writer Harry Bingham's career in the City was cut short when his wife became seriously ill in 1996.

"There's no neat explanation for her illness, which was a complex autoimmune response to an enteroviral condition."

"It meant she became functionally blind, and was too weak to go up and down the stairs. For a while we tried juggling care assistants," he reflects. "But when that didn't work, I gave up my job at JP Morgan to look after her."

This difficult time also marked the beginning of Harry's writing career: "I had always wanted to write. I'd had the idea in my head for some time. So I decided to sit down by my wife's bed, and write my first novel. It hadn't occurred to me that it might be difficult. I was 29 and naive. I had no idea."

The Chipping Norton-based author has gone on to publish nine successful novels, beginning with *The Money Makers* in 2000 and four works of non-fiction.

His books have been adapted for television and translated for "every major market in the world".

Now at 48, he also runs The Writer's Workshop, the UK's largest editorial agency.

"My first book was 180,000 words long and I re-wrote it multiple times," he confesses. "When I came to look for an agent I wrote the worst covering letter of all time. Instead of sending them the first three chapters, I sent three completely random chapters. I didn't get an agent, and was puzzled."

"I revised my approach and eventually got there. My experience shows that if the book is good enough, and your approach isn't totally incompetent, you will get an agent," he advises. "What matters most is the quality of the material."

Harry's ninth novel, *This Thing of Darkness*, was published by Orion in July. It's the fourth in a series featuring Detective Constable Fiona Griffiths, who the Sunday Times has called "the most startling protagonist in modern crime fiction".

"The Fiona Griffiths series are the best books I've ever written," he acknowledges, adding that Fiona stands apart from the conventional characters you might find in British crime novels.

"Usually you'll have a tough, experienced, boozy male Detective Inspector. Or if it's a female character she is still tough, and relatively important within the hierarchy. For the Fiona Griffiths books, I wanted someone female, young and small. Fiona is a marginal figure, but her intensity and intellect make her a powerful force."

"Fiona is in recovery from a genuine psychotic condition called Cotard's syndrome. People with Cotard's syndrome think they're dead. They often exist in a depressed, psychotic state. Although Fiona has recovered, the shadow of Cotard's syndrome hangs over her. She has empathy with corpses."

Harry was born in the Notting Hill area of London but grew up near bookshop-rich Hay-on-Wye before reading PPE at Balliol College from 1985 to 1988: "I loved Oxford" he recalls, "who didn't?"

"Back then you could learn for the sake of learning. The whole focus on careers came later, so there was less tension, more a sense of studying for the enjoyment of it."

After Oxford, he spent two years working for JP Morgan in mergers and acquisitions before switching to the newly founded European Bank for Reconstruction and Development. He said: "At that time we were working towards the reconstruction of Eastern European nations, who were only just coming out from the shadow of the Soviet Union."

"Countries such as the Czech Republic and Poland faced economic challenges and also huge challenges to their mindsets. I remember us being in a meeting with a Russian banker named Sergei who started thumping his fists on the table and getting angry with us. 'Sergei, do you even know what banks are for?' my boss asked. Sergei paused, looked at us puzzled, before shouting back 'banks are there to supply money to the workers!'"

Harry believes that today's young Polish people would hardly recognise their own country, as he had found it, in the early 1990s.

"For one thing the ugliness was striking. The communists had built homes for the workers, but there was no pressure on them to make towns and cities attractive in any way. Urban, industrial Poland was really depressing."

"The people at the top of a lot of companies were only there because of their communist connections. The abilities they possessed were the opposite of those which were needed to turn their businesses around."

"I remember one particular company which had around 300 employees. They made their own lathes, but they couldn't buy screws of sufficient quality. So they employed a guy whose job was to stand at a lathe, cutting all the screws by hand! These people had no instinct for managing change."

After his time at the EBRD, Harry returned to JP Morgan "making upwards of 50 flights a year from one corporate office to the next", before leaving to nurse his wife.

So how is she?

"She has got substantially better," he says. "She's still long-term disabled, but we now have kids and a better quality of life. Her disability doesn't have to be at the centre of our world any more."

As a result, Harry balances childcare with work, and writes in his back garden.

"Whenever I can, I write outside, from as early to as late as possible. Seven days a week."

Having asserted that his years in banking were only a 'diversion', Harry concedes that he has also taken much from it to use in his novels.

"For all its faults, investment banking is a relentlessly hard-working, meritocratic industry," he admits. "I apply all those principles to all my novels."

"Going from my peak as a banker to my low as an author meant a huge drop in income but I've never thought about going back, because I love to write."

"I've always loved storytelling. It's the life chores, such as mowing the lawn, that feel like work to me. Writing never feels like work, it feels like playing."

By Stuart Macbeth, The Oxford Times

Francesca Cassano (Pissarides) '09: "It was like the Wild West"



You were at the EBRD for 17 years. What are your fondest memories?

Indeed! I was at the Bank for 17 years starting in 1992, almost from the beginning of its existence. It was such an exciting place to work at and to develop professionally. I remember the first very fast and adventurous years

where each meeting was a real brainstorming session, where each one of us would make suggestions about what to try next to make each project work. A small institution compared with now, no bureaucracy, very lean, full of enthusiastic people. At that time, I worked together with George Krivicky (now Chairman of the EBRD Alumni Association) on Poland. I remember the first serious meeting I took part in to figure how to restructure Poland's debt utilising environmental debt swaps. (The essence of this project, in laymen's terms was "I will clear up my pollution next to EU borders and you forgive some of my debt." Each one of us felt committed to translate the Bank's mandate into actions. Hierarchy did not really count in meetings. What mattered was what each one of us could contribute in terms of ideas, skills and effort. And if something did not work out as intended, no shame, no blame, we would just move on to the next idea. I remember one time when the tourism team rented a sailboat to show the beautiful Albanian coastline to a potential private investor. No doubt, you could probably not do this now but at the time eastern Europe was like the Wild West. You had to go out of your way to make it known to Western investors.

By the time I left, the Bank had become larger and older. The lessons learned were too many to be kept in one's mind, and checks and balances were introduced to ensure transparency, accountability and coherent working standards. As a consequence I felt at times that one needed to bypass all middle management to get to the ears of the President to make something happen! The good thing was that you could still do that. Maybe the fact that you could call every colleague by his/her first name really did help.

My work mainly focused on supporting the now extinct microfinance team. As an economist, it was so much fun to be in that team and to rethink the whole business in terms of incentives for each participating actor in the investments – in other words, how to obtain funding, how to involve participating banks, how to translate economists' jargon into everyday language for the loan officers that had to implement our ideas... how to make things work in a classic win-win game. It was great to demonstrate to the outside world that microfinance is not a charitable business but a profitable investment. I remember how we crashed the sound barrier once when our banks accepted very unusual collateral from MSEs, in one instance a vat of bull semen from a cattle breeder! What counted was not the collateral itself, as the Bank would have never been able to recoup it, but the fact that the entrepreneurs were asked to post something as collateral whose loss would have terminally damaged their business.

What do you miss from those years?

Although leaving was a scary decision, I soon realised I had moved on to another chapter in my life. I thought I would miss the actual work, my ability to prove myself in endless fields of expertise. I thought I would miss working in a team. And sincerely I thought I would miss getting my salary paid into my bank account at the end of each month. I can say now for certain that what I really miss are my dearest colleagues who had over the years become a second family to me. As for the rest, I have managed to prove to myself that I can make a good living even without the umbrella of the Bank, and that I have developed more and more skills.

One thing though that was really difficult for a while is what to say when you meet someone new who asks what you do or where you work. I now say I work managing my own funds and I KNOW that is a much tougher job than managing someone else's funds and living off a commission. So, chin up!

Tell us a bit about what you have been doing since you left the Bank. We heard you are writing a novel. Can you tell us something about what draws you to writing?

I left the Bank following a very difficult period in my personal life. I needed a break and somehow initially thought I would stop working for a while and then work as an occasional consultant to keep my brain alive. But my departure coincided with the bottom of the financial crisis. And so, to re-equilibrate my funds, I was able to invest my Bank pension and the proceeds from the sale of my home at fantastically low prices in financial assets. I did well, so that my current income is the same as in 2010 without having to press the same button of the lift every morning. To keep the brain going, I kept roughly 10 per cent of my wealth in a separate fund for trading. I am happy with my decision, as it helped me understand aspects of my character, fears and attitude towards risk and taught me one very big lesson. Buy what you love and what you believe works. Don't waste time agonising over too many indicators. This is the same rule one should follow when buying art. Never buy art as an investment. The market is too unpredictable. Buy the art you are prepared to have in your home, and wake up happy to see it.

I have also forever wanted to write. I plotted many novels – one of them with a former colleague about funny events that occurred during our years in the Bank, but sadly never got round to producing a word. But at some point I had this very clear realisation that even the darkest moments and the saddest and most dramatic events, if seen in the right way, can make people smile. Re-reading something that caused grief at the time can trigger a "what was I thinking?" question. So it is all a matter of wearing the right glasses to look back at the past, be optimistic, desire to make others happy to read what you have to say. That's all it takes. Yes, that is what drives me: I love to make people smile.

Your daughter Miranda is a talented artist. How did she embark down this career path? And what is her work like?

She is! She has always been very creative and it was nice to see her fully embrace this when she decided to pursue it as a profession. She underwent five years of intense studies in a BA in Fine Arts and won several art prizes. It is by no means an easy career path and the fact that she went for it full on demonstrates how much she loves and dedicates herself to it. Miranda's work is unique in that it does not fall under a specific category. She is fascinated with the space between art forms – specifically sculpture and painting. Her sculptures evolve from her paintings. She is constantly exploring and producing work to further her practice. Rather than producing a simple visual subjective she creates an all-encompassing experience for the viewer. There is a sense of literally walking through a painting when experiencing her work in person.

Miranda has exhibited in many galleries in the UK and abroad, including currently in Nicosia, the venue for the

Bank's 2017 Annual Meeting. Where can we see her work?

A good selection of her current work is on show at Gallery K, 14 Evrou Street Strovolos, Nicosia, the biggest contemporary art gallery in Cyprus (www.gallerykcyprus.com) and well worth a visit. Otherwise she can be contacted via her website (www.mirandapissarides.com) and private viewings at her studio near Waterloo in London can be arranged. In fact I have taken the habit of organising drinks at her studio to see friends and former colleagues as I no longer have a place in London to socialise (being now based in Milan). I will make sure I spread the invitation further to the alumni next time I do that!

By Larry Sherwin



Miranda sitting next to "Girl", 2016, mixed media, pigment, resin on wheels and behind her is "Relic", 2016, mixed media, pigment, resin, on wheels (185x65x65)



Painting "Kapparis", named after a beach in the south east of Cyprus, 2016, oil and pigment on canvas (100x120)

Bill Kennedy ('03), Mehrdad Nazari ('03) and Mark King ('13) reunited at IAIA17 in Montreal

Bill Kennedy, Mark King and Mehrdad Nazari, all former staff from the Bank's Environment and Sustainability Department (ESD), recently attended the International Association for Impact Assessment (IAIA) annual conference in Montreal between 4 and 7 April 2017. The theme of this year's conference was Impact Assessment's Contribution to the Global Efforts in Addressing Climate Change. The conference was attended by over 900 participants, from 120 nations, including current EBRD staff: Peter Moore and Pierre Biedermann (Senior Environmental Specialists, ESD) and David Simpson (PCM Officer, OCCO).

At the conference, Mark King, Chief Officer, Environmental and Social Standards at the World Bank, accepted IAIA's Global Environment Award on behalf of the World Bank Group, while Bill Kennedy, Director, Office of Accountability at US Overseas Private Investment Corporation (OPIC) received IAIA's Lifetime Achievement Award.

IAIA was organised in 1980 to bring together researchers, practitioners and users of various types of impact assessment from all parts of the world.



From left to right: Mark King, Mehrdad Nazari, Peter Moore and Bill Kennedy

Obituaries

The EBRD Alumni Association has been informed of the following alumni having passed away.

Carsten Lindre, former Helpdesk Administrator (1998-2007), sadly passed away at the age of 50 in February 2017 from a heart attack.

Professor Jan Winiecki, first former Board Director, Poland and Bulgaria (1991-1993), sadly passed away in June 2016 at the age of 77.

Elizabeth Danes, former Associate Banker from Early Stage Equity team (1993-1996), sadly lost a battle to cancer in her family home in Albany, New York in May 2014.

NEWS FROM EBRD STAFF

Meet the EBRD's new Chief Economist Sergei Guriev

Born in the southern Russian town of Vladikavkaz, in North Ossetia, Sergei Guriev started his impressive education at the elite school for Physics and Mathematics in Kiev. He holds a Master Summa Cum Laude in economics and computer science from the Moscow Institute of Physics and Technology and a PhD in applied mathematics from the Russian Academy of Sciences, where he also became a Doctor of Science in Economics. In 2003–04 he was a Visiting Assistant Professor at the Department of Economics at Princeton University. In 2004 he became the rector of the New Economic School in Moscow. He was then a Professor of Economics at the Institut d'études politiques (Sciences Po) in Paris. Sergei has also held many advisory positions and board directorships in both the public and private sectors.

Here, the father of two teenage kids tells about his Russian past and why he is excited about his newest role at the EBRD.



Your CV shows a strong interest in mathematics. Where do you think this came from and how did you transition to economics?

In the Soviet Union mathematics and physics attracted the best talent as they were meritocratic and de-politicised. I received an excellent education at the Kiev Physics and Mathematics High School No. 145. When I was 17, in 1988, I moved to Moscow and joined the Moscow Institute of Physics and Technology. These were very exciting times. I was always interested in economics and social science. When the transition from plan to market started, it became clear that these issues were not just intellectually challenging but also very important for human well-being. In the 1990s I worked on mathematical models of economic transition in the Russian Academy of Sciences. Then, in 1997–98, I visited the Department of Economics at MIT for a one-year post-doctoral placement. It was there where I understood how exciting economics and its impact on society really was.

After this I joined the New Economic School (NES) in Moscow as its first full-time faculty member. In 2004, I became its first full-time tenured professor and rector. Working at NES has taught me many lessons. Managing a university is a very challenging task. Academics cannot be ordered or paid to do their jobs, they have to be convinced and inspired. Also, as NES is private (and very small), in order to succeed (and even to survive) we had to work a lot on promoting the school's visibility and on fundraising. We had to persuade the stakeholders in the private sector and the government – as well as the general public – that the NES's mission was important for Russia's success.

Have you also had experience of working in business?

I have actually served on Boards of several companies including Sberbank, Russian Venture Company, Agency for the Home Mortgage Lending (Russia's counterpart to Fannie Mae), the Russian Agricultural Bank, Alfa Strakhovanie Insurance Company and E.ON Russia. I also have a Certificate in Company Directorship from the London-based Institute of Directors.

You are the first Russian national to hold the position of Chief Economist at the Bank. In that role, how will you deal with Russia?

What happens in Russia of course affects many of our countries of operations. It is not my job to comment on political developments.

What attracted you to the Bank?

In 2009 I was asked to be part of the "First Besley Commission" to evaluate the Bank's transition mandate; we produced a [paper on transition and transition impact](#). So I got a good insight into how the Bank works. I discovered a lot of intellectual integrity, depth and rigour at the EBRD. I was struck by EBRD staff's intrinsic motivation and hard work. Since then whenever Russian institutions with a similar mandate asked me for advice, I would always recommend them to learn from the EBRD.

I am very excited to be here. In my job description it says I am responsible for economic research and "thought leadership" on economic issues, which I really like as a brief.

Can you give us an insight into your "thought leadership" and potential new transition concept for the Bank?

I think it is exciting that the Bank is now working on revising its Transition Concept. When transition started, all of the Bank's countries of operations were emerging from communism and faced a similar set of challenges on their way to capitalism. Now, one size no longer fits all. Our countries of operations are practising different brands of capitalism so they need to prioritise different sets of reforms. Second, we now also operate in countries that have never had a command economy. Lastly, we now understand the risks of reform reversals. This brings about the need for sustainable transition. The Bank's countries should build market economies that work for all, where the benefits of growth are shared broadly. This is why the new Transition Concept includes not only competitiveness but also other properties of the market economy such as inclusion, environmental sustainability, governance, international integration and resilience to

shocks. This broader Transition Concept that assures the legitimacy and irreversibility of economic reforms is fully consistent with the initial formulation of our Article 1. In our region today, the countries that managed to create sustainable democratic institutions are the ones that have also made the most progress in economic transition. Vice versa, the less democratic countries are stuck with corruption and crony capitalism.

The formulation of the new Transition Concept, however, is just a beginning. In order to operationalise it, we need to connect the qualities of a sustainable market economy to the Bank's work. This is what makes the Chief Economist's job not only exciting but intellectually challenging.

By Claire Ricklefs

Matthew Jordan-Tank on why infrastructure development needs more from the private sector

The scale of infrastructure investment needed in emerging markets is vast

On the occasion of the Regional PPP Seminar "Fostering Private Sector Investment in Infrastructure: Moving toward Implementation" which took place in Athens in March, Head of Infrastructure Policy and Preparation Matthew Jordan-Tank explains that investment in infrastructure is key to achieving sustainable growth.

The seminar was organised by the EBRD, World Bank Group and the G-20 Global Infrastructure Hub.



Matthew Jordan-Tank in Athens

Everybody is talking about infrastructure. Infrastructure provides the framework under which an economy performs and the state of roads, the quality of telecommunications and the stable supply with power, to name just a few examples, more often than not makes the difference between a successful and a struggling economy.

It is also true that (almost) everybody loves infrastructure. Well-designed projects combine economic needs with environmental sensitivities, they create jobs and provide companies with the opportunity to become more productive

Global economic growth, productivity and job creation depend in no small degree on the ability to invest in and maintain critical new infrastructure assets. So why is

infrastructure investment lagging far behind actual needs?

In 2016 the McKinsey Global Institute published an influential study which identified enormous needs: For the period 2016-30 alone a global infrastructure spend of US\$ 49.1 trillion is needed, with some 60 per cent of this total needed in emerging market countries.

While some countries have indeed increased investment in the sector, the overall shortfall is significant, with negative outcomes to global growth. As the report concludes: "If the current trajectory of underinvestment continues, the world will fall short by roughly 1.1 per cent, or US\$ 350 billion a year. The size of the gap triples if the additional investment required to meet the new UN Sustainable Development Goals is included."

These are doubtless mind-boggling numbers. In April 2015 the international development institutions launched a paper "From Billions to Trillions" about the realisation of the United Nation's Strategic Development Goals. Infrastructure investments play a core role in this. Without the private sector this will simply be impossible and it is our view that it is now imperative to increase the level of private sector investment in infrastructure.

The EBRD believes that conditions on the ground favour greater private sector investment in infrastructure.

Firstly, the scale of infrastructure investment needed in emerging markets is vast and this is widely recognised by governments in developed and emerging markets as well as all leading international bodies. Economic competitiveness in a country or region hinges to a significant degree on increased investment in high quality infrastructure: those who plan and build well, will grow and create jobs. And due to the vast scale of the challenge, the IFIs and emerging market governments understand that private sector investment and know-how will be required.

Secondly, there is a need to secure high-quality investment in infrastructure assets that are completed on-time and within budget. Well-crafted public-private partnership projects (PPPs) have proven to be better on these two measures than traditional public sector delivery approaches. The old adage "time is money" is very apt in the infrastructure sector as the opportunity cost of delays to improving and expanding infrastructure is real and quantifiable.

Thirdly, the global PPP industry is now maturing: sponsor groups made up of construction firms; leading equipment and technology suppliers; specialised equity funds backed by institutional investors are now able to invest together in a wide range of markets and sectors from transport, to municipal utility services, renewables, hospitals and schools.

Fourthly, the international financial institutions (IFIs) and the G-20 have come together in an unprecedented manner to create pools of knowledge and instruments for capacity building, but also have created a coordinated number of project preparation facilities dedicated to helping emerging market governments prepare, tender and deliver infrastructure PPPs.

Lastly, given all of the above, the EBRD, as part of the wider IFI system, realises that it can play a critical role by leveraging its unique position by helping to mobilise and catalyse private sector investment into emerging market

infrastructure. IFIs can also provide credit enhancement support and blended finance to widen the pool of bankable projects with private sector participation. This multiplies impact in ways that go far beyond any single project investment.

In response to the global infrastructure challenge many IFIs such as the EBRD or the World Bank Group today have dedicated units of PPP specialists with ample funding available to pre-fund PPP project development from feasibility studies all the way through to PPP award and financial close.

The sums are meaningful: across all the IFIs, there is now upwards of US\$ 300 million available for PPP preparation. Rather than competing, the EBRD, the World Bank Group and others are working together as partners to prepare PPPs because we understand that any given transaction will benefit more from joint IFI support.

This creates a framework whereby the private sector can take a leading role in the delivery of infrastructure – the public sector alone cannot address the challenge. This must not be misunderstood as bad news; on the contrary, this represents a huge opportunity where each side can contribute according to their best abilities for the benefit of the common need.

By Matthew Jordan-Tank

Charles Smith and Isabelle Laurent on financing change through the green bond market

Financing green investment through bond issuance is a relatively new development, with the EBRD at the forefront. The green bond market, already at US\$ 150 billion since the first issue in 2007, will play a key role in bringing to life the historic decisions taken in the past year about our sustainable future, from the Sustainable Development Goals agreed at the [United Nations General Assembly](#) in New York last September to our own [GET approach](#) and the climate change treaty agreed at [COP21](#) in Paris last December. Here, Charles Smith, EBRD Senior Funding Officer, describes how the green bond market works, and Isabelle Laurent, EBRD Head of Funding, how the EBRD works with it.

Charles Smith: how the green bond market works

In August this year, the green bond market reported another milestone when aggregate green bond issuance reached US\$ 150 billion since the first bonds in 2007-08. With the heightened awareness of global environmental and climate challenges, green bonds are increasingly seen as a tool that could allow the private sector to take an active part in raising the funds needed to put our society on a more environmentally sustainable footing. But what exactly is a green bond, and who decides whether it is green or not?

The distinguishing element of a green bond is its “use of proceeds” pledge. This earmarks the proceeds for specific projects with environmental benefits, such as a wind park or a water treatment plant. For anyone in the

development finance industry this is a familiar concept, but in fixed income markets most financial instruments have traditionally been separated from the assets they fund. Technically most bonds fund so-called “general corporate purposes” and the only difference in documentation between a normal and a green bond is the “use of proceeds” section. However, this relatively minor change raises a host of new issues. What are the green assets that are funded? How are they selected and what are the environmental benefits? How are the funds and projects segregated and tracked? How is all this reported to investors and other stakeholders?



What makes the green bond market particularly dynamic is the fact that it straddles two very different worlds: the capital markets and environmental development (from both a technical and policy angle). It also requires coordination of administrative functions and resources by issuers, investors and market intermediaries alike. In 2014, a group of influential issuers, underwriters and investors agreed on a set of voluntary process guidelines called the Green Bond Principles (GBPs) in order to support communication among market participants and promote market-driven solutions to specific green bond issues. The GBPs focus on transparency, disclosure and integrity from a process point of view. The goal is not to define what may constitute a green project, but rather to ensure enough transparency in a green bond issuance for any investor to assess the potential environmental merits. The decision as to whether a bond is green enough therefore lies with the investor and, as in any market, the different investor focus areas and criteria promote diversity and growth. This also flexibly accommodates changing views of what constitutes green as, say, technology evolves.

The requirements for an issuer to establish a green bond programme are significant, and a good example is the depth and range of reporting that is expected. The reporting involves not just tracking the proceeds and qualitatively describing the benefits, but transparent quantitative measures are increasingly required. The reporting is made more complicated by the broadening range of issuer types (from banks to corporates in various industries) with different green assets and operating in dissimilar regions. This makes comparing the bonds challenging to say the least, and the reputational risk for the issuer in making a mistake in the reporting could be considerable.

Whereas the USA and Europe rely on voluntary guidelines and reputational incentives to retain the integrity of the market, some emerging markets (such as China and India) have chosen a regulated approach, including a

more prescriptive definition of what is green. There are, however, concerns that a regulated approach, in which issuers might for instance face legal repercussions should environmental benefits not materialise as planned for any reason, could limit growth and diversity.

The GBPs have proven highly effective in promoting a transparent, diverse and flexible marketplace that is well suited for the evolving nature of the underlying assets, and that encourages growth yet also retains integrity. With continued strong growth in green bonds – and the assets they fund – this instrument will increasingly contribute to a more environmentally sustainable society.

Isabelle Laurent: The EBRD's approach to the green bond market

Even before the inception of the green bond market in 2007-08, the EBRD had been in active dialogue with investors seeking bonds that contribute to the pursuit of social and environmental goals. Indeed, as long ago as 2002, the Bank's Environmental and Sustainability Department (ESD) and Treasury had noted an increasing demand from "socially responsible" investors (SRI) for information on the EBRD's corporate governance standards, as well as social and environmental standards. The emphasis was as much on the Bank's internal application as on our projects, with questions on the water and energy consumption and recycling activities in all our offices, as well as on the breadth and depth of our Human Resources (HR) policies, necessitating the robust engagement of a number of other departments including HR, the Office of the Chief Compliance Officer, the Office of the General Counsel, the Office of the Secretary-General, Internal Audit, Banking, and External Relations & Partnerships.



Green bond issuance, in the early stages of the market, was dominated by multilateral development banks (MDBs). It focused on climate finance, with a commitment to segregate and monitor the proceeds of a given green bond, which would be disbursed to new, eligible green projects, with undisbursed monies being placed on deposit. Working with ESD, we in Treasury sought to define broader general criteria for projects that could be supported by such issuance to include projects focused on water management, waste management and sustainable transport as well as renewable energy and energy efficiency, where at least 90 per cent of the funding is directed towards the green outcome. Noting that much of the green bond issuance was relatively short-dated, whereas our relevant projects tended to be longer with delays in disbursements, Treasury sought to persuade investors that the proceeds of an EBRD green bond could be used to refinance existing projects as well

as new ones. This also assuaged the concerns of the then Vice-President, Banking, Varel Freeman, that green bond issuance by the Bank might set too high a volume level for Banking to achieve.

We launched our inaugural green bond in 2010, with the assessment methodology, and the form and medium for information to be disseminated to investors agreed with ESD as well as key Sustainable Resource Initiative (SRI) market players; with the criteria for establishing and monitoring eligible projects established by Operational Strategy and Planning; and with strong estimated volumes of eligible green loans from the Energy Efficiency and Climate Change (E2C2) team. The bond went under the title Environmental Sustainability Bond, because the World Bank was said to have "patented" the name green bond in Japan, where the first bond was placed to both retail and institutional investors. Our first green bond was a somewhat modest A\$ 25 million four-year bond. It nonetheless launched our programme, which has now seen us raise €1.64 billion through 57 bond issues in eight different currencies.

While it would be true to say that we can fund these projects without recourse to the green bond market, and that there is currently no pricing benefit for such issuance, there have been two distinct advantages for us in issuing green bonds. Doing so has broadened and diversified our investor base, and it has allowed us to highlight our SRI credentials to investors, which encourages some to buy our normal bonds as well. There are also risks and downsides, especially reputational concerns if we are deemed to flout our high social and environmental standards, as well as the additional work involved in criteria selection, monitoring and reporting. Given the EBRD's overall and very public commitment to sustainability, we believe the reputational issues exist with or without our green bonds, and many of the monitoring and reporting demands are required by other constituencies as well as investors in our ordinary issuance. We are nevertheless grateful to all those who contribute to the SRI reporting requirements. We would especially like to note the heroic efforts of ESD, and in particular Alistair Clark, Martin McKee and Mikko Venermo, who not only underpin the project selection and reporting process, but have contributed to many key investor and market discussions. E2C2, especially Josué Tanaka, Terry McCallion, Andreas Biermann and Carel Cronenberg, have ensured that their projects, which are approximately 75 per cent of our green project portfolio, are correctly reported; and we thank Dan Green and Akinola Edun for producing quarterly data updates.

As to the future, we are eagerly anticipating the fruits of the Bank's Green Economy Transition approach.

By Charles Smith and Isabelle Laurent

FEATURED TOPIC:

The EBRD Local Currency and Capital Markets Initiative (LC2)

Introducing the Initiative

This section of the newsletter offers a snapshot of the Bank's achievements in developing local currency lending and local currency capital markets over the years, showing the scale of the ambitions and the breadth of contributions that have been required across the Bank to realise this strategic initiative.

Although it took formal shape only in 2010 as the Local Currency and Capital Markets Initiative (LC2), the development of local currency finance and local currency capital markets has been in the DNA of the Bank since its inception. It really took off in the early 2000s, when the Bank developed a large and potent Russian rouble borrowing, lending and syndicating capacities. The Bank was instrumental in the creation of the Mosprime index, issuing local market and international bonds referencing it and building a large rouble loan book across several industry sectors. But the effort to increase local currency lending was approached in a piecemeal manner, leading to varied results.



The LC2 team

The financial crisis of 2008 exposed the dangers associated with hard-currency borrowing as a business model for most of our countries of operations. The EBRD decisively responded to calls by regulators and key stakeholders for a more holistic approach. In May 2010 the Local Currency and Capital Markets Development Initiative (LC2) was announced as a cooperation between EPG, Treasury, Legal and Banking to solve issues related to high levels of foreign currency financing (known as "dollarisation") and lack of domestic market activity and infrastructure.

The LC2 Strategy is based on five themes: building sustainable macroeconomic policy frameworks, improving the regulatory environment to support capital market
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activity, developing financial market infrastructure, developing the institutional investor base, and, lastly, promoting a more efficient transaction environment and expanding product range.

The idiosyncratic nature of each of the Bank's countries of operations, their differing stages of legal, market and regulatory development are affected by multiple internal and external forces expressed at different times and scale of effect. The recipes for the successful development of local markets in Tajikistan and Poland are thus very different. So, as Axel van Nedevee, the EBRD's Treasurer, explains, the Bank has adopted a bespoke approach to each country, its financial market stakeholders and its clients.

The first challenge, he says, was to agree a diagnostic framework that would capture the vast array of different elements that would influence not just what is missing in a particular country but also what is possible to build in a sustainable manner. To this end a diagnostic tool was developed together with the IMF, the World Bank and the OECD. Internally we use a similar, if shorter, mapping tool to understand how to set priorities in the type of work to be done.

These still form the base for market assessment and diagnostic work on the state of play and barriers to development that goes into each country strategy. If the country strategy mandates further intervention, the analysis drives the priorities set for the policy dialogue which can lead to infrastructure, market, regulatory and legal domestic law reform.

The LC2 team formed in 2013 and headed by Director André Küüsvek has built its own expertise in specific areas of the capital market landscape, but still draws heavily on the resources available in Banking, EPG, OGC, and Treasury.

The very diverse LC2 team – 15 people, drawn from across the Bank – handles policy work which paves the way for future transactions. Although individual teams working in local currency had previously done policy work as part of their negotiations, it had always been project-led. The idea of this specialised team was, among other things, that it would take on policy work that was not part of a current project but would nevertheless improve the broader environment for using local currency – for example, promoting stronger links between small national stock exchanges, to increase their liquidity.

In André's time at LC2, there has been enthusiastic support from donors to the SME local currency fund (EU, USA, Switzerland, Japan, and SSF). More recently, several Asian donors – Japan, Korea, Taipei China – have also contributed to LC2 TC projects.

André is pleased with the success story told by the latest results for EBRD local currency debt transactions in 2016: 16 per cent up compared with 2015, and its highest level ever. As the President of the Bank indicated, "developing local currency and capital markets is one of the strategic initiatives of the Bank. I am proud to see that the EBRD has now become the leader among IFIs in this field."

In the engine-room of modern economies

An interview with LC2 Team Director André Kúüsvek



Why does LC2 focus both on local currency lending and local capital markets?

As the EBRD, we cannot do local currency financing unless we can fund ourselves in local currency funding. And if that funding is to be long term you need a lot of other things. You need a pricing benchmark – normally the government bond pricing, or a reliable money market benchmark. You also need a derivatives market, because you need to be able to convert one currency to another through foreign exchange swaps to mitigate your currency risk, or you need to hedge your interest rate risk. In short, you need a functioning capital market.

Capital markets are the engine room of modern economies.

The capital market is an alternative source of funding to banking. Money can move from where it is doing nothing to where it is most needed, which is investment projects, without putting banks' balance sheets at risk.

Capital markets help to mobilise funding, price and hedge risks. Prices in the capital markets are reflective of what's happening in the markets, how the market perceives the risk, and are indicative of realtime supply and demand. You can see stock prices, you can see currency exchange rates, you can see government bond prices, almost immediately reflecting the news coming out, either government actions, elections or any other corporate news relating to risks on specific markets. What we call LCM, the local capital markets side of our work, and what we abbreviate to LCY, or the currency side, are very closely linked. You can't think of one without thinking of the other.

Long-term local currency lending is only possible if the local capital markets are being developed in parallel. And so we work with both. All this is a collective effort by many different departments and teams at the EBRD.

What are the challenges today?

There are two main challenges.

One is that the local currency interest rates are still significantly higher than the euro rates.

If I am a borrower, and I go to my bank in - let's say - Ukraine, my bank might tell me, "I can lend to you in

Ukrainian hryvnia, but, one, I can only do it only for short-term and, two, it will cost you 20 per cent annually. Or, I can lend you dollars and I can do it longer-term, and it will only cost you 10 per cent a year."

That puts the corporates who are borrowing in a situation where they really have to compare apples and oranges. One looks cheaper, but if you go for that option then you need to pray for the loan period that the exchange rate doesn't move, because if your revenue is in hryvnia and your loan is in dollars, then you are in deep trouble if the rate moves against you.

In Ukraine, the US dollar rate has in fact moved by more than 200 per cent since 2013, from 8 hryvnia to the dollar to 27 as of now. So if I had been a Ukrainian entity and taken that dollar loan, then my loan in local currency terms would be three times higher now - which would blow my balance sheet through the increased liability.

And the second challenge is that foreign investors' access to local currency is sometimes either impossible – restricted by governments or regulators.

How does this affect our work promoting the use of local currency?

Whenever we finance in local currency we need to first find an opportunity to borrow in local currency. As the EBRD, we advise others not to take foreign exchange risk; we don't want to take it either. Treasury sorts this out, as part of our funding strategy, in one of three ways. We might issue local currency bonds, which tend to price close to the government bond rate. We might fund ourselves through swap agreements, which is more flexible in terms of enabling the EBRD to match its assets with liabilities. If neither is available, our Treasury might go to the local money market and agree with some leading banks to lend us at a local benchmark rate. The latter two options transfer the risk of interest rate movements to the end-borrower, though.

Tell me about some elements of the Initiative's work today.

Cooperating between the Small Business Initiative, LC2, Treasury and various Banking teams, the EBRD focuses on lending in local currency to SMEs. We have a donor-funded pot of money, which will take a first loss on our SME local currency programme, letting us offer more competitive rates to SMEs. The *quid pro quo* is that we ask them in return to sign an MoU, agreeing to specific action plans for capital market development. We have agreements with six ETC countries, as well as with Tunisia and Ukraine, new MOUs currently being negotiated with Azerbaijan, Croatia, Morocco and Serbia.

There are several other capital market elements that we are working on: developing bond markets, including the structured bonds such as covered bonds; equity markets and the work we do with stock exchanges and on post-trade infrastructure, the developing derivatives market, and fostering market liquidity. To support the demand side, we work to develop the long-term institutional investor base, from pension funds to life insurance companies, who generate long-term local currency savings.

While it is easy for governments to say that they support capital market development, often the politics is tricky and governments find it difficult to prioritise this within their multiple directions. One of the reasons is also that

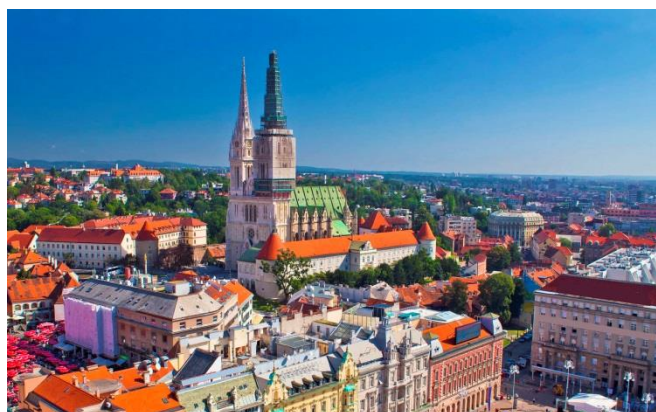
the election cycle of four to five years is often too short to see tangible improvements in terms of capital market development. Markets are fragmented. The capital markets infrastructure can be basic in terms of stock exchanges, clearing and settlement platforms. Very few companies are listed. The pension system in many countries has never really reformed. There's no investment culture of private stock ownership. With low liquidity, markets under-perform and investors don't pay attention.

So what can we do? At the LC2, we try to always keep supply and demand in mind, try to figure out what is missing from the picture, and see what we can do to cover some of these gaps, both for the EBRD and also for other market participants.

We start with country capital market diagnostics. We figure out what are the really important bits without which long-term sustainable development will not happen, and then we come up with recommendations for reform.

We come up with tailor-made solutions from early engagement in venture capital, fund raising platforms, moving on to private markets and over-the-counter trading – pre-IPO type of things – moving on to the SME growth market, then the standard market and finally the prime market. We try to move companies from the early stage to a more developed market, from small to mid-sized and large.

Case study: the view from Croatia



Croatia has long been a focal point of the EBRD's drive to strengthen local capital markets in the regions where it works. It was in the Croatian capital of Zagreb that the EBRD launched its Local Currency and Local Capital Markets initiative during the Bank's Annual Meeting six years ago in May 2010.

That initiative was a direct response to the impact of the global economic crisis that had hit the EBRD region so severely in 2008 and 2009. The crisis unmasked a major underlying weakness in those economies – a very strong appetite for fuelling growth with low interest rate foreign borrowing.

It all looked so attractive in the pre-crisis days. The outlook for the central and eastern European economies was for continued, rapid growth. Economic convergence with Europe was on the horizon. Membership of the European Union and then signing up to the euro was on the cards.

Borrowing in hard foreign currencies made sense. With the euro beckoning there did not seem much point in developing markets for local currencies that were destined shortly to disappear.

Croatia was no exception to this trend for foreign borrowing. Some 60,000 Croatian homeowners took out mortgages in Swiss francs and more in other foreign currencies. In the pre-crisis days the interest rates on Swiss franc loans were in low single digits, compared often with double digits on mortgages in currencies from the region.

The Croatian kuna had already depreciated against the Swiss currency during the crisis, sharply increasing the Swiss franc cost of repayments that had to be made by Croatian homeowners.

Domestic cries of pain in response to the kuna depreciation turned into howls of anguish in January 2015 when the Swiss National Bank sent the franc surging yet again with a decision to scrap the cap that it had imposed on the value of the Swiss currency over the previous three years.

It was a step of enormous economic consequence for Croatia, where at the time the total value of mortgages in Swiss francs represented about eight per cent of the country's Gross Domestic Product.

Various steps are being taken to protect the interests of Croatian holders of foreign mortgages – some of which have been the subject of discussion with the EU authorities.

Irrespective of individual responses to deal with the immediate problem, the EBRD has not wavered in its own determination to forge a vibrant and successful Croatian capital market, one of the Bank's priorities for the country, that will give the Croatian markets access to financing that is free of foreign currency risks.

The Bank was already playing a role in the development of markets in Croatia at the start of this decade when it arranged funding for training programmes on the Zagreb Stock Exchange (ZSE). These aimed to bring to the exchange European best practices, raise awareness of capital market challenges and make sure local staff were equipped to take on the challenge.

Fast forward to the start of 2016 and the EBRD is announcing its decision to take a stake in the ZSE, supporting its expansion as a regional player following its acquisition of the Ljubljana Stock Exchange (LJSE) in neighbouring European Union member Slovenia. (And fast forward again to the end of 2016, when the ZSE honoured the Bank's contribution to the development of local capital markets with special recognition at the bourse's annual awards ceremony in Zagreb on 9 December).

With its 5.2 per cent investment in ZSE, the Bank is supporting the initiatives improving the capital market infrastructure, promoting improvements in regulation and listing requirements as well as driving regional cooperation.

At the time of the acquisition, the EBRD's Director for Croatia Vedrana Jelušić Kašić, described the investment as an important step in the modernisation of local capital markets.



Director for Croatia Vedrana Jelušić Kašić

She also noted that since the start of the training programme the Bank had helped initiate six years earlier, some 4,000 students had enrolled in the Zagreb Stock Exchange Academy.

This year, the EBRD has participated in a HRK 1.8 billion, seven-year, local bond issue of Zagreb Holding with HRK 44.6 million. The Bank's portion of the bond issued by the City of Zagreb aimed to demonstrate new ways of financing for public companies owned by local authorities. The deal is expected to encourage other issuers to tap local exchanges and help to strengthen those markets and also to provide a pricing benchmark for other smaller issuers.

Efforts such as these to improve the performance of capital markets are part of the overall strategy of the EBRD to re-energise transition in EBRD countries, by strengthening transition resilience, promoting integration and addressing global and regional challenges.

One achievement has been the creation and development of [SEE Link](#), a regional platform for securities trading which was started by the Bulgarian, Croatian and FYR Macedonian stock exchanges.

The EBRD also secured technical assistance for ZSE to assess the feasibility of establishing an exchange-operated regional market for the growth of small and medium-sized enterprises (SMEs) in Croatia. In essence, this would be a new financing platform for SMEs that would aim to increase their access to local capital markets and create a regional financing platform for the sector. The SME growth market platform is supported by technical assistance from the TaiwanBusiness - EBRD Technical Cooperation Fund.

In addition, the EBRD secured support from its own Shareholder Special Fund for the provision of consultancy services to Funderbeam South-East Europe (SEE), an innovative crowdfunding platform for start-up companies that is based on blockchain technology. Funderbeam SEE is a joint venture of Funderbeam and the Zagreb Stock

Exchange, which own 80 per cent and 20 per cent, respectively.

The subsidiary of the Estonian-founded platform [Funderbeam](#) allows growth companies to receive funding and be traded across borders, spurring exactly the sort of regional financial integration the Bank is targeting. The Funderbeam/ZSE joint venture Funderbeam SEE provides young companies with access to the necessary capital through joint financing.

According to Ivana Gazic, the Zagreb Stock Exchange's Chief Executive, "With this innovative model of raising capital we will support the development of entrepreneurial ideas and enable small and professional investors to invest money and participate in the success of the businesses they believe in."

The EBRD is providing direct support for this project with Shareholder Special Fund financed technical cooperation funding aimed at increasing the visibility of the platform and providing advisory services and transfer of know-how to start-up companies interested in obtaining financing through Funderbeam SEE.

Other EBRD activities in Croatia have contributed to the strengthening of the local capital market, including its involvement with Atlantic Grupa d.d., one of the largest food and beverage producers and consumer goods groups in south-eastern Europe. In 2015, the EBRD reduced its stake in the company, with the specific aim of increasing the liquidity of its stock by expanding the free float of shares on the stock exchange.

The EBRD is also supporting the development of capital markets through policy dialogue. In cooperation with the Croatian Ministry of Finance, Croatia's National Bank and the Croatian regulator HANFA the EBRD is supporting an initiative aimed at the introduction of covered bonds. The work includes the development of the institutional framework, including a draft law in liaison with the authorities and key stakeholders.

Effective capital markets that can efficiently deliver access to finance to the real economy and its businesses are a crucial element in this process of strengthening resilience to future shocks, such as the slow-down and the devaluations that were so devastating to Croatia, not just at the height of the global crisis but for many years after.

By Anthony Williams

Case study: lending to SMEs in local currency

The EBRD broadens small business access to lower-risk local currency loans

In Mongolia, life as a small textile producer with a foreign-currency loan can be a gamble. You wake up in the morning and hope the country's exchange rate has not depreciated. What if? Losing the gamble could close your business.

Despite EBRD efforts, small and medium sized enterprises (SMEs) still depend on risky foreign currency loans to finance their business ventures.

The EBRD *Transition Report 2015: Rebalancing finance*, identified access to local currency funding as a major

persistent challenge. EBRD countries had some of the highest foreign exchange risk in the world. In around half, more than one-third of private-sector debt is denominated in foreign currencies. And 78 per cent of EBRD lending to SMEs was still in foreign currencies.

The EBRD's SME Local Currency Programme, however, should help make SME business easier. The Bank has made US\$ 500 million worth of local currency loans available to help our countries of operations develop local capital markets and encourage local currency lending.

"We expect to noticeably accelerate the pace of local currency lending over the next two years and so reduce systemic vulnerabilities to foreign exchange movements," says Christelle Fink from the LC2 Team.

"A strong SME sector is the key driver of transitional economies like Tajikistan. However, it is a recurring issue that SMEs have limited access to financing, including in local currency. It is crucial that the EBRD and supporting donors continue providing local currency financing to SMEs, while the country remains committed and willing to implement reforms targeted towards strengthening local currency and the economy," says Claudio Viezzoli, Managing Director of SME Finance and Development Group.

The SME LCY Programme brings together two EBRD initiatives - Small Business Initiative (SBI) and the LC2. It combines EBRD capital, donor resources and policy dialogue to accelerate the development of local money and capital markets in countries with significant transition gaps in SME financing, and to increase the EBRD's proportion of SME financing in local currency.

It has three components. One is EBRD-led policy dialogue and technical cooperation to improve domestic financial intermediation in local currency. This leads to national action plans that improve domestic financial intermediation in local currency for SMEs.

A second element is EBRD funding and hedging for small and medium businesses. This broadens the range of instruments the EBRD Treasury department can use to fund and hedge local currency exposures, so as to increase the availability of local currency funding for SME financing projects.

Lastly, an SME local currency lending facility makes EBRD funding more viable for local SMEs by lowering the interest rate premium on EBRD SME local currency loans over domestic market rates.

The willingness of donors to share risks has been key to the programme's success. Donors provide a "first-loss guarantee" to the EBRD that reduces our risk exposure and allows cheaper on-lending.

"Our donor funding reduces our credit margin and helps make our loans more competitive. But there is a *quid pro quo*. In exchange, our partners need to agree to specific action plans for capital market development, the implementation of which is being monitored very carefully," explains André Küüsvek, LC2 Team Director.

So far the governments of eight countries have made such a commitment by entering into a Memorandum of Understanding (MoU) with the EBRD. The first six MoUs in the ETC countries are being updated, with Armenia and Georgia signed in 2016, together with new MoUs in [Tunisia](#) and [Ukraine](#). Updated action plans in the Kyrgyz

Republic, Moldova, Mongolia and Tajikistan, would follow suit.

Under the SME LCY Programme, the EBRD has signed 142 local currency operations for the equivalent of US\$ 392 million, effectively providing local currency funding to more than 320,000 SMEs.

By Anthony Williams

Case study: the beauty of covered bonds

Jacek Kubas, Principal, Local Currency and Capital Market Development, describes the mortgage-backed bonds in the LC2 offering

If the question for the LC2 team is how to help clients create a more diversified local-currency environment - with multiple sources of funding, alternative additional benchmark rates, and fewer currency mismatches - one good answer is to promote the issue of covered bonds.

A covered bond is a medium- to long-term maturity debt instrument. "The bonds date back to 18th century Prussia, and are mostly backed by mortgages," explains LC2's Jacek Kubas.

"Since the 2008 financial crisis, covered bonds have been playing an important role in the capital markets, contributing to the efficient allocation of capital and, ultimately, to economic development and recovery," Jacek adds. "Before 2008, they were not a 'sexy topic' in the City, as they are now. This was mostly due to their simplicity, which is now their biggest advantage."

Covered bonds - a Financial Institutions Group product - offer holders double protection (technically, dual recourse) and are strictly regulated. Although a covered bond is backed by a pool of assets, it is not a securitisation.

"This type of investment has proved effective in larger, more flexible markets, from Germany to Denmark, Canada and Australia. But until recently it was little known or used in the EBRD's countries of operations," says LC2 Director André Küüsvek. "It combines safe long-term funding for banks with a great transition story. Behind every covered bond, there are hundreds of mortgage loans, and behind every mortgage loan there is a household and a family."

Seeing the potential, many EBRD countries have now either introduced or are working on covered bond legislation.

Jacek Kubas is proud of a multi-pronged operation in Poland (which, internally, won an EBRD Policy Award last year). The EBRD worked with the Polish government to formulate a law on covered bonds, adopted on 1 January 2016.

"EBRD bankers then made three deals in 2016 based on the law we co-produced. So not only have we helped the market, but we have managed, as the EBRD, to invest at a significant level in the market, linking investment with our earlier policy and TC work."

The most recent was for €20 million in covered bonds that the EBRD subscribed to in mid-October, issued by [PKO Bank Hipoteczny S.A.](#), one of three mortgage banks

operating in Poland. In technical terms, this is an inaugural, euro-denominated, fixed-rate covered bond benchmark issuance, backed by Polish zloty-denominated residential mortgage loans. It is PKO BH's third covered bond, hedged with a cross-currency swap.

This enhances and diversifies the financing structure of Bank Hipoteczny's parent bank, PKO Bank Polski S.A. – the largest commercial bank in Poland – by providing access to long-term funding for its mortgage loan portfolio.

"We are pleased to participate in this important transaction", comments Lucyna Stanczak-Wuczynska, EBRD Director for EU Banks in the FI Group. "It shows that there is a need for this type of instrument from Poland on the European capital market."

Covered bonds can also be a cost-effective source of foreign investment, allowing local banks to attract foreign investment at a lower cost and potentially higher quantities than other forms of fund raising. As well as facilitating foreign investment, when local banks fund domestically they facilitate the development of a liquid, high-quality, local capital market.

Similar reforms are taking place in other countries, adds Jacek. Romania has its legal reform in place, making possible covered bond issuance and EBRD investments. Similar projects are already being worked on in Croatia, Lithuania, the Slovak Republic and Hungary. "This is really a big business line."

By Vanora Bennett

Case study: electronically linking stock exchanges

SEE Link: bringing together small and fragmented markets for greater liquidity

A number of stock markets of southern and eastern Europe (SEE) are too small and fragmented to make the economics work for local or foreign investors, or for the stock exchanges operating in these countries, due to low trading volumes and little liquidity.

So the EBRD has stepped in with a project called SEE Link to help integrate the Balkan exchanges through an electronic, cloud-based, order routing system. Using it gives the three founding stock exchanges of Bulgaria, Croatia and FYR Macedonia a combined equity market capitalisation of US\$ 30 billion and order routing of approximately 400 stocks.

"The SEE Link is a great example of the benefits of regional integration in capital markets," said Operation Leader Jacek Kubas. The idea behind this EBRD-inspired cross-border initiative is to integrate regional markets without merger or corporate integration, using only technology that will help make these markets more efficient for investors while enable the participating stock exchanges to remain independent.

"This is good for market consolidation, because the bigger the market, and the longer the list of investable securities traded on it, the more likely it is that liquidity will happen," added LC2 Team Director André Küüsvek.

"It's live and trades are happening. And now there are more markets interested in joining," André said. The SEE

Link project is expanding to connect to Slovenia and Serbia, while exchanges in Bosnia and Herzegovina, Greece, Montenegro and Romania have expressed interest in connecting to the platform. "Hopefully we will create something that enables trading across the whole of the Balkans – which would be fantastic."

The formal framework is the SEE Link joint-stock company incorporated in FYR Macedonia in 2014, with its three founding exchanges holding an equal share of ownership. The [creation of the SEE Link](#) was supported by a €540,000 grant from the EBRD Shareholder Special Fund to introduce the electronic system for order-routing. In parallel, the participating stock exchanges extended €80,000 to SEE Link.

"We wanted to be sure that we put something in place that united the smaller markets and gave them the power of liquidity, the power of investors and the power of supply and demand," said Jacek.

The SEE Link's growing maturity has brought it a research partner – InterCapital – that produces daily research covering all the SEE Link markets.

And two indices - SEELinX and SEELinX EWI - have been created to enhance the visibility of the regional market. These indices are composed of the 10 most actively traded listed companies across the three founding markets, including five from Croatia, three from Bulgaria and two from FYR Macedonia. The indices can be broadened as new members join.

By Vanora Bennett

Case study: equity investments in stock exchanges

Beefing up stock exchanges through a variety of means is a key part of strengthening the infrastructure of local capital markets.

If capital market infrastructure is rudimentary in terms of stock exchanges, clearing and settlement platforms, and depository, there may also be a lack of investment culture of private stock ownership, very few companies listed, and, as a result, low liquidity. Such fragmented markets then under-perform because nobody wants to invest, and, since very little is happening, investors don't pay attention.

One way of moving on to a more positive footing is by making direct or indirect equity investments in the exchanges themselves – something the EBRD has now done directly in Russia, Romania, Croatia and Turkey (a good example of effective collaboration between the FI Insurance and Financial Services team headed by Noel Edison, the resident offices and LC2) and indirectly in a few more.

The Bank holds a 6.0 per cent stake in the Moscow Exchange, 6.06 per cent of the Bucharest Stock Exchange, 5.2 per cent of the Zagreb Exchange and 10.0 per cent of Borsa Istanbul.

As LC2 Associate Director Hannes Takacs explains, "the Bank's investments in exchanges are of the utmost importance to sustainably support the development of the local capital markets and leverage the transition

impact. The EBRD's policy dialogue, technical cooperation projects, the investments in corporate bonds, pre-IPOs and IPOs and exits of the Bank's investee companies on the local stock exchange will, on the one hand, foster the development of the local and regional capital markets and, on the other hand, increase the value of the Bank's exchange investments. Furthermore, to achieve the transition impact and the desired value enhancement, a highly coordinated approach is needed to insure the Bank's capital market activities are aligned, actions agreed and properly sequenced.

Indirect investments include cross-partnerships between the EBRD, the Zagreb Stock Exchange, and the crowdfunding platform Funderbeam which formed a partnership with the Zagreb exchange after an introduction from the EBRD. The Zagreb exchange, 5.2 per cent owned by the EBRD, has since taken a 20 per cent stake in Funderbeam South East Europe. You can read more in the next story.

By the LC2 team

Case study: innovative investments

Frontclear and Funderbeam

Innovation is key to EBRD efforts to help countries turn their minds towards tomorrow. Two very modern investments in local capital market development show how the LC2 Team is taking it on.

"The quality of the financing environment for companies is crucial for the development of a business location, and developing capital market infrastructure using the newest technology and innovative approaches plays a vital role when shaping the financing environment for companies," says the LC2 Team's Hannes Takacs.

"This is one of the reasons why LC2 is monitoring the latest developments related to financial technology, from crypto-currencies to alternative financing platforms like crowdfunding, and assessing the potential impact on the Bank's business and our countries of operations."

Frontclear

In 2015, the EBRD invested US\$ 33 million in [Frontclear](#), an innovative start-up with significant capital market development potential. Frontclear is a financial markets development company focused on catalysing stable and inclusive interbank markets in emerging and frontier markets. Properly functioning interbank markets can improve the capacity of local banks to manage risk, thereby improving access to finance for local firms and stimulating activity in the real economy.

Frontclear, which provides guarantees to cover counterparty risk, also offers training and advice to financial institutions and regulators to boost their risk management capacity and conducts research at the client and market levels.

The innovative proposal of Frontclear is the acceptance of local currency securities as collateral and the global diversification of collateral risk to facilitate lowest cost access to local and global financial markets.

Frontclear offers Basel III-compliant credit guarantees on local currency (LCY) collateral to enhance medium-term

funding and risk management transactions in emerging markets. This will in turn improve the EBRD's access to risk and liquidity management products in currencies where they do not currently exist and thereby improve its capacity to offer more flexible loan products to borrowers in local currency.

Funderbeam

The EBRD has also helped one of the stock exchanges in which we have equity – the Zagreb Stock Exchange – connect to Funderbeam, a crowdfunding platform for early-stage start-up investments based on the blockchain technology behind bitcoin, adds Hannes.

In October 2016, Funderbeam and the Zagreb Stock Exchange (ZSE) announced a joint venture that will enable investors to invest in growth companies in south-eastern Europe (SEE) and trade their investments. LC2 supports the platform, as well as the establishment of a SME Growth Market, as part of a multi-level market structure enabling stock exchanges to act as company financing hubs covering the whole financing lifecycle, and to complementing traditional bank financing.



Kaidi Ruusalepp, founder and CEO of Funderbeam

When the partnership was announced, Ivana Gazic, President of the Supervisory Board at Zagreb Stock Exchange, explained why partnering with Funderbeam is attractive: "We want to create an environment in which we can foster significant issuers on the regulated market. We think Funderbeam is an ideal partner for this, and we plan to make the SEE part of it strong."

Kaidi Ruusalepp, Funderbeam's CEO and founder, said: "Funderbeam has created a solution for financing companies and trading their investments cross-border without unnecessary friction. We aspire to make this new funding and trading model global. The goal is to have the first companies fund raising and trading this year."

Case study: derivatives law

Advances in derivatives law help local capital markets develop and hedge risks

Derivatives are a tool for managing exposures and hedging risk, making the development of a derivatives market vital for establishing stronger capital markets – and highly relevant to the LC2 Initiative.

"We are not talking about scary and complex derivative transactions here. What interests us is the swaps market, particularly what we call plain vanilla swaps, both the foreign exchange swap and the interest rate kind. These

two are the simple transparent derivatives, simply for hedging purposes, and they help clients in the EBRD region,” said LC2 Team Director André Küüsvek.

In many developing capital markets, the market and legal frameworks do not yet provide for the enforceability of derivatives transactions. In some countries of operations, derivatives transactions are even classified as gambling, and are thus considered unenforceable.

Yet, explains Jacek Kubas, a Principal from the LC2 team who - together with the OGC Finance team - leads the EBRD’s derivatives law reform programme, “plain vanilla derivatives are highly necessary for any local currency lending to be in place, with a specific law and regulatory framework around them.”



Jacek Kubas discussing derivatives law

So the Bank provides technical cooperation (TC) to help build up the necessary legal and regulatory framework. Currently TC programmes are active in Georgia, Ukraine and Morocco, with negotiations being undertaken in each country leading to the passing of a law facilitating the trading of derivatives. A TC project is soon to begin in Kazakhstan.

In October 2016, a project in Armenia reached a successful conclusion when the EBRD’s first derivatives law was passed. A similar law in Ukraine recently got through its first reading in parliament.

“Once the law enters into force, not only do we hope that banks will use it, but also that we, the EBRD, can use it as an instrument to hedge or source local currency,” Jacek said.

The Bank’s work on derivatives promotes them as a hedging tool and creates an underlying safe and efficient environment, through legal, regulatory reform and capacity building.

Case study: modelling a yield curve

How the LC2 team supports governments modelling a yield curve

One of the foundation elements needed for growing local capital markets is a reliable and up-to-date benchmark curve – typically a government yield curve from which corporates can price the bonds they might also issue. And one way the EBRD’s LC2 team is fostering development is by helping governments model these yield curves.

In finance, the yield curve of an issuer is a graph showing several yields or interest rates across different debt issue lengths for that issuer. It shows the relation between the

interest rate and the time to maturity, or term, of the debt for a given borrower in a given currency.

The LC2 team’s Christelle Fink explains the importance of the sovereign yield curve, saying, “the sovereign curve helps market participants to position themselves and to value their positions and instruments in the market. Publishing a well-modelled yield curve creates an important reference point for all market participants, contributing to transparency in price discovery and valuation of financial instruments.”

To help two countries, Egypt and Georgia, the LC2 team brought in consultants to build dynamic models that would work with market price data feed and hence adequately reflect up-to-date pricing across the market. (Separately, as 2017 begins, the team has also just started work on modelling the yield curve in Tunisia).

The sovereign markets of Egypt and Georgia are very different, and have different needs.

Georgia is an Early Transition Country where sovereign issuance trading is in the early stages. The curve is therefore published weekly.

The Egyptian sovereign market is more active. The model hence incorporates data from both the primary and secondary market and is ready to publish a curve daily.

The results of the work show both the excitement and occasional frustrations of the LC2 team’s work.

“In Georgia, the moment the yield curve was ready the central bank published it, which was good news,” recalls André Küüsvek. “In Egypt they decided not to publish it yet. Sometimes these things are easier to do in smaller markets.”

The Georgia project started in October 2014 and the yield curve has been officially published weekly on the central bank’s web site since 2 November 2015.

Over that year of preparation, our consultant worked with the central bank’s teams, collecting and analysing the available data both for the primary and secondary market, recommending the best model for the Georgian market, assisting the central bank in configuring the model and defining its parameters, and helping with implementation and first publication. As Christelle underlines, “What is key is that we are deriving the yield curve from market data.”

Explaining why Egypt – which last November also let its currency float in an attempt to boost its competitiveness – had pulled back from publishing the yield curve immediately, Christelle added: “The Central Bank of Egypt was very cautious about the publication of the yield curve because they wanted to see how the modelled curve would react under different market conditions, over a reasonable length of time. The devaluation of the EGP (Egyptian pound) certainly created a more volatile and uncertain environment in the domestic market and the authorities have recognised the validity and contribution of such a tool in difficult times.”

“Also, it is likely they came to realise how useful and important a reference point it is for market participants. This is why the EBRD supports the modelling of yield curves: publishing the sovereign yield curve is a form of public service by the central bank or the Ministry of Finance for the benefit of the local market,” she added.

By the LC2 team

Overview of news from “Across the Bank”

2016 summary

In 2016 the EBRD invested in 378 individual projects for a total of €9.4 billion, matching the record set in 2015. It stepped up financing in local currencies with 93 local currency projects in 2016 compared with 80 a year earlier. It maintained a strong level of investment in small businesses that are seen as key to ensuring underlying economic strength and providing job opportunities. It increased the number of projects in the least advanced transition countries to 114 from 102 a year earlier. The Green Economy Transition Annual Bank Investment ratio estimated at 33 per cent positioned it well on the drive to reach 40 per cent by 2020.

In 2016 the Bank attracted [a record level of donor funds](#) amounting to €445 million, an increase of more than 40 per cent on the previous year. The net profit before allocations was €975 million, compared with €800 million in 2015 and a 2016 Business Plan of €495 million.

The clarity and strength of results achieved in 2016 should not mask the very real transition, economic, financial and transactional challenges that the Bank has to confront and address in 2017.

Projects and activities

Since the last newsletter, Directors approved among others:

- investments with Slovenian Steel Group and the Istanbul metro
- the Shareholder Special Fund Workplan 2017 which will deploy €105 million from the 2016 Net Income Allocation provided by the Board as well as savings amounting to €5 million from previous workplans
- the first country strategy for Egypt, which focuses on four key priorities: (i) supporting the competitiveness of Egypt's private sector; (ii) improving the quality and sustainability of Egypt's public utilities through private sector participation; (iii) supporting Egypt's Green Economy Transition; and (iv) strengthening governance
- financing a renewal of the Regional Direct Finance Framework Corporate Facility which targets private companies, typically domestic or foreign mid-caps, principally in the Industry, Commerce and Agribusiness sectors, and other sectors such as natural resources or transport
- a framework committing up to [€300 million to finance renewable energy investments in Greece](#). The facility will finance investments in electricity generation from renewable sources and in electricity distribution and transmission capacity to improve efficiency, reduce losses and enable the integration of renewables into the grid. This is a major step towards strengthening the green economy in Greece
- an equity investment of up to €70 million in favour of Dino Polska S.A. The Bank's investment will facilitate

the company's Initial Public Offering on the Warsaw Stock Exchange

- an equity investment of up to €40 million in favour of AMC Capital IV, an investment fund registered as a Luxembourg special limited partnership. The Bank's participation will enable the fund to make mezzanine and equity related investments primarily in small and medium-sized enterprises and mid-market companies across a region which includes central and eastern Europe and the Western Balkans, as well as Greece, Turkey and Ukraine, with the objective of achieving long-term capital growth
- financing of US\$ 100 million for the TBC Bank to expand its lending to small and medium-sized enterprises in Georgia
- a €5.5 million loan for Slovenia's Javna Razsvetljava d.d. to be able to refinance short-term loans incurred to finance street lighting Energy Performance Contracts with nine Slovenian municipalities, as well as to re-finance loans for new street lighting contracts in Slovenia to be implemented in the first half of 2017
- a €50 million to VIPA (Lithuanian Public Investment Development Agency) to on-lend the funds to private apartment buildings for investments in building energy efficiency and rehabilitation. The loan will leverage a €74 million European Commission grant to the Lithuanian government and co-finance residential energy efficiency investments in private apartment buildings

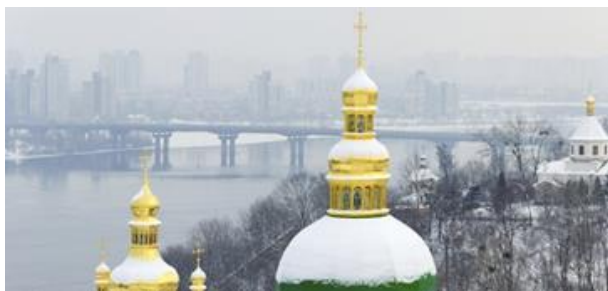
In addition:

- the Bank has partnered with NLB Banka AD Skopje [to support business women in FYR Macedonia](#). It is providing a €3 million loan to the lender to finance small and medium-sized enterprises (SMEs) that are led by women. The loan is part of the EBRD's regional Women in Business initiative across the Western Balkans. The programme combines financing, technical assistance and business advisory services to support SMEs run by women



- the [Bank launched and priced a US\\$ 1.25 billion four-year Global bond issue](#). It was the Bank's first public global benchmark of 2017
- the EBRD [has exited successfully from Wirtualna Polska Holding SA \(WPH\)](#), Poland's leading online media, by selling 100 per cent of its stake

- together with the Partnership for Transparency Fund and the Kyiv School of Economics the Bank [launched a two-year project to monitor the public procurement of goods and services](#) using the national electronic procurement system, ProZorro, and a special application developed by Transparency International Ukraine for collecting feedback



- the Bank [is joining the buyout of Allegro Group](#), the leading online market platform and the largest non-food online retailer in Poland. It is an important transaction because expanding and strengthening online platforms in Poland facilitates faster development of companies in the country
- the Bank is rolling out [a €200 million framework for mortgage covered bonds in the Slovak Republic](#) with the aim of strengthening the development of the local capital market
- the Bank [reduced its stake in Cyfrowy Polsat](#), Poland's leading media and telecommunications group, by selling 50 per cent of its stake. The partial sale reflects the company's successful development and the Bank's ongoing commitment to it
- the Bank successfully completed [the first transaction in the agribusiness sector in Greece](#) by providing €10 million in long-term financing to Loulis Mills, a leading company in the Greek flour milling industry
- the Bank [is continuing to support private SMEs](#) in Turkmenistan by enabling one such company to expand into a new sector. It is providing a US\$ 3.5 million loan to support Turkmen Penjire in launching a new production facility for window and door frames made of PVC profiles
- Société Générale Albania and the Bank are joining forces to [increase local farmers' and agribusiness companies' access to finance](#), especially in remote regions of the country. Together with the Albanian government, the Bank is providing unfunded risk participation of €30 million. This will free up to €60 million in loans to be provided by Société Générale Albania to local agribusiness clients



- the Bank is providing [financing of US\\$ 10 million](#) to Turkmenistan Coca-Cola Bottlers to support the

company's expansion and energy efficiency improvements

- an EBRD investment of €22 million will help to [improve commuting and reduce pollution in Constanta](#), Romania's Black Sea port. The loan will enable the City of Constanta to purchase new low-emission buses



- the Bank and DFID, with support from the World Bank's Concessional Finance Facility, are strengthening the resilience of Jordan as the influx of refugees from Syria continues to strain the country's resources. [Its investment of US\\$ 24 million to the Water Authority of Jordan](#) will finance the construction of a 30 km wastewater pipeline that will relieve the pressure on the country's capital Amman



- the Bank is supporting [an innovative solution to help Latvian energy service companies obtain long-term financing for energy efficiency upgrades](#). A €4 million loan will be provided to the Latvian Baltic Energy Efficiency Facility, a company founded by energy efficiency specialists.
- [the Bank is providing a €10 million loan to Bozankaya](#), a Turkish producer of public transportation vehicles such as trams and electric buses, in a move to strengthen the integration of the local economy with global markets
- the Bank is extending [a senior five-year loan of €15 million to Raiffeisen Leasing Belarus](#) – the EBRD's first engagement in the Belarusian leasing sector



- in response to pressing environmental issues affecting urban areas, [the Bank and the municipality of Tirana are joining forces](#) to develop a comprehensive set of policies to ensure the sustainable development of the Albanian capital

- the Bank is increasing support to Turkish exporters and importers with [a US\\$ 25 million trade facility to Burgan Bank](#) under the Trade Facilitation Programme (TFP). Burgan Bank is the fifth issuing bank in Turkey to join the TFP



- the Bank's engagement with Hrvatska poštanska banka d.d. Zagreb (HPB) is deepening with a wide-reaching financial package consisting of [three loans worth up to €10 million](#). The first loan is a €6 million credit line for on-lending to micro, small and medium-sized enterprises



- strengthening the integration of the Greek economy and developing the country's important tourism industry, the Bank – together with a consortium of lenders – is supporting the [modernisation of 14 regional airports](#)
- in a move to [support innovation in Turkey's financial sector](#), the Bank is providing a syndicated loan of 120 million Turkish lira (€36 million equivalent) to Hayat Varlık, the largest non-performing loan (NPL) and asset management company in the country
- the Bank, the Agence Française de Développement, the European Investment Bank and the EU launched the Green Economy Financing Facility for Egypt. [The Bank's new €140 million programme for Egypt](#) will provide loans for energy efficiency and small-scale renewable energy investments by private companies through a group of participating banks, with the aim of also achieving energy security
- [the Bank and the Hungarian authorities](#) have agreed to set up a working group to analyse the impact of the recent amendment of the Judicial Enforcement Act by the country's parliament on the banking sector and to identify ways to mitigate any potential adverse consequences



- the Bank and Nef, a leading real estate developer in Turkey, are joining forces in a US\$ 120 million venture to [invest in modern, earthquake-proof and energy-efficient property](#) in a move to promote urban regeneration and greener standards in the construction sector
- a US\$ 100 million Bank facility will finance the regional expansion of Louis Dreyfus Company (LDC), a leading global merchant and processor of agricultural goods. [The new facility will finance the working capital needs](#) of LDC in eight EBRD countries of operations



- the EBRD President signed [an agreement with the government of Uzbekistan](#) to explore ways of increasing its investment activity in the country



- belarusian customers will benefit from the [expansion of the leading domestic DIY retail chain OMA](#), supported by the EBRD. The Bank is extending a six-year €24 million loan to OMA, the leading domestic DIY retail chain, which will support the company to open up to nine new stores across Belarus by the end of 2019
- the Bank is joining forces with Mid Europa Partners to [strengthen Romania's leading and fastest-growing supermarket and convenience chain Profi Rom Food S.R.L.](#) by providing a €25 million equity investment
- in order to [support the expansion of tomato farming and processing activities and to improve irrigation and plastic waste treatment practices](#), the Bank is providing a US\$ 15 million loan to Agrofusion Group (Agrofusion), the largest tomato paste producer and exporter in Ukraine



- in order to improve the quality of animal feed and bring in new industry standards, the Bank is [supporting the expansion of the major Lithuanian](#)

[agribusiness holding KG Group in Belarus](#) with a €10 million working capital loan

- the Bank is [strengthening the resilience of the local economy in the Republika Srpska](#) with a €15 million loan to ZP Elektrokrajina A.D. Banja Luka, the state-owned power distribution company in one of the two entities constituting Bosnia and Herzegovina. The financing will be the first non-sovereign loan to a publicly owned power company in the Republika Srpska



- in order [to provide modern water treatment solutions for households and businesses in Ukraine](#), the Bank is extending a US\$ 3 million loan to Ecosoft, the country's leading producer of water purification equipment. The investment will strengthen inclusion by providing customers with access to clean water at affordable rates
- the Bank is [strengthening the resilience of the financial sector in Hungary](#) with the acquisition of local currency covered bonds from OTP Mortgage Bank (OTP MB). The deal aims to revitalise the Hungarian covered bond market, support the National Bank of Hungary's objective to strengthen the balance sheet structure of banks and improve the environment for mortgage funding in Hungary
- in recognition of the EBRD's continuing impact on the economies of central and eastern Europe (CEE), the Bank has been named ["Investment Bank of the Year" at a ceremony in Warsaw](#).

Sharing EBRD's project health and safety know-how

EBRD project health and safety leads the pack among development institutions

Over the past few years, health and safety awareness among development financial institutions (DFIs) has gained momentum, and a health and safety working group has been established for environmental and social practitioners to share experience. On 10 November 2016, the EBRD hosted the third of its meetings.

"In the sustainability universe, health and safety sometimes feels like the orphan," said ESD Managing Director Alistair Clark, addressing more than 40 environmental and social specialists from Canada, the United States of America, Africa and Europe who took part in a full day of presentations and discussions on, among other things, the management of contractors and occupational road risk. "But health and safety is an important subject and deserves more attention."

As it turned out, there is no need for the EBRD's project health and safety experts to feel like orphans. The outcome of a highly interactive day, with excellent engagement and participation, was a growing confidence at the EBRD that the high importance the Bank gives to the health and safety of both the communities affected by the workers involved in its projects – not to mention the 2014 standalone Performance Requirement 4 on health and safety within the Environmental and Social Policy – is putting us first among equals. While accidents still occur, the checks and balances in EBRD project appraisal and monitoring are among the best.



Guided by Derran Williams, Principal Health and Safety Adviser in the Environment and Sustainability Department (ESD) - who is responsible for all project-related health and safety issues at the Bank – ESD provided an overview of the Bank's health, safety and security arrangements while on missions, which can place staff at significant risk both on-site and while travelling to and from projects. Among EBRD staff to present were Leigh Anderson and Sonia Whiteley from the Health, Safety, Security and Travel team. Marcial Bustinduy Navas from the transport team discussed road safety.

Outside delegates were impressed by the support the EBRD provides for its staff. The EBRD team had requests from the group to share the new, more focused, travel risk assessment that ESD is currently trialling, as well as for information on the Bank-wide UNTRIP security system and car safety requirements. The Bank's guests were all eager to share their findings with their own institutions.

For the first time, the meeting's guest list was broadened to include not only other development institutions but also several national government-run Export Credit Agencies (ECAs), which share many of the Bank's health and safety concerns because their work is similar to its own. "Opening up this event to this bigger group provides a greater opportunity to share experience and learn from others," said Derran.

Closing the meeting, Alistair concluded: "The meeting showed the need to share our experiences and the journey we have taken even more broadly. It is clear that the EBRD is leading the way when it comes to health and safety among DFIs and ECAs. Although we are not yet where we should be, we are further along than anyone else. We should share the in-depth knowledge we have - clearly marked with its EBRD stamp."

By ESD

Bank recognised at Private Equity Awards



The Bank was once again recognised at the Private Equity Exchange and Awards, the major pan-European summit on private equity and restructuring held in November 2016 in Paris. For the third consecutive year, the Bank was awarded the silver award for Best Limited Partner (LP) Regional Strategy by a global jury of 80 private equity industry experts. This accolade commends its continued efforts and commitment to excellence in a region too often overlooked by a skittish private equity investor community. "It is with great pleasure that we receive this award on behalf of the Bank," says Anne Fossemalle, Director of the Equity Funds Team. "It recognises the crucial role that the EBRD takes in shaping institutional quality funds and thereby attracting other capital to the Bank's region".



The Bank was joined by a number of its private equity clients – both long established and recent – at the award ceremony. Among them were the EBRD's long-term client, Mid-Europa Partners, who won Best Russian & Central and Eastern European Private Equity Fund. Meanwhile 4i Capital Partners (previously the team behind Dragon Capital, a client), won the Rising Star award in the Best Russian & Central and Eastern European Private Equity Fund category for its activity in Ukraine.

These results formed a continued statement of confidence in private equity in the region after a year marked by political shifts and lower returns across investments globally – a fact not lost on the many leading speakers participating in the Paris conference's debates. The amplification of these macroeconomic challenges in the EBRD's countries of operations, and the lingering effects of the 2008 crisis, only serve to highlight the continued importance of the Bank's role in signalling and affirming investment opportunities in the region. Indeed, given the success of private equity investments in transferring key skills, with salutary effects on corporate

governance, transparency, management and strategy, private equity continues to manifest itself as a capital-efficient tool with which to fulfil the EBRD's mandate.

To date, the Bank has committed over €4 billion to equity funds investments, thereby helping to attract over €20 billion in additional capital, while providing funding to over 1,400 underlying companies in the region. In doing so, it has succeeded in generating over €1.1 billion in returns since its inception.

By Christopher Upton-Hansen

New Client Services team publishes report on EBRD region's health sector

In an early success for the new Client Services team, economists from the Economics, Policy and Governance (EPG) department and the Manufacturing and Services banking team have jointly published a report on the health care sector in all 36 EBRD countries of operations. It is the first study focused on the Bank's countries of operations and providing cross-comparisons of how health systems are organised, financed and delivered as well as trends in public and private health spending.

The report (which can be found [here](#)) "gives investors, clients and EBRD colleagues an overview of broad trends in the health care services sector", as Matthias Loening, Senior Adviser, Health, Manufacturing and Services, notes. "It also looks at operational challenges facing the main providers of health care services, and considers the general reform trends in the sector", add Pavel Dvorak and Yuni Kim of EPG.

"For people in countries where the EBRD invests, health care has always been a high priority. The first two Life in Transition Surveys, conducted jointly by the EBRD and the World Bank in 2006 and 2010, indicate the need to reform health care," the paper begins.

The second of these surveys in particular showed that a majority of respondents saw health care as the highest or second highest priority for additional government spending. A high level of dissatisfaction was noted.

This is perhaps unsurprising. Health infrastructure in some of the countries analysed is outdated, obsolete or inefficiently managed, the paper says. Regulatory frameworks for the sector often lack transparency, and standards of service are weak. While public health care services are formally free at the point of delivery in many countries, their availability is often constrained by demands for substantial unofficial payments.

Has the situation improved since those surveys? Interest in health care has risen as its cost has soared, pushed upwards by ageing populations and the introduction of new and expensive technologies. Since the global financial crisis, constraints on government balance sheets have made it harder to finance the rising cost of health care.

Given these pressures, many governments increasingly perceive that providing better access to quality health care, and controlling the costs of this care, are only

possible through the greater involvement of the private sector. Governments see private sector alternatives such as public-private partnerships (PPPs) as generating competition, while improving efficiency and quality in service delivery. In less-developed countries, regulatory frameworks are often ill-equipped to deal with the rise in private sector provision that is filling the widening gap between demand and supply.



Elisabetta Falcetti, Director, Sector Economics and Policy, praised authors Pavel Dvorak and Yuni Kim for their “hard work and an example of the excellent collaboration with Frederic (Lucenet)’s (M&S) team.”

(Authors and contributors: Pavel Dvorak, Yuni Kim, Matthias Loening, Piroska Nagy Mohácsi and Matthew Townsend.)

By Vanora Bennett

EBRD and OECD join forces to improve business integrity



Corruption remains one of the most significant roadblocks to transition to a well-functioning market economy in our region. A crucial component in fighting corruption in these countries is the enhancement of business integrity through government and private sector initiatives.

To boost knowledge about business integrity risks across this region, the Governance and Political Affairs team (GPA), the Office of the Chief Compliance Officer (OCCO), the Civil Society Engagement Unit (CSEU), and the Public Procurement Department teamed up with the OECD Anti-Corruption Network for Eastern Europe and Central Asia

(ACN) to launch an initiative to promote business integrity via a joint EBRD-OECD programme.

The programme is joining up the efforts of all these teams to strengthen anti-corruption and business integrity measures and is coordinated on the EBRD side by the GPA. On 25-27 January, the initiative was launched with an expert seminar held in Kiev, Ukraine in conjunction with the United Nations Development Programme and the Business Ombudsman of Ukraine.

Participants from government, state-owned enterprises, the private sector, business associations and civil society organisations across the region gathered to hear distinguished panellists address the major business integrity challenges confronting public and private institutions.

EBRD representatives featured prominently in several panels. Lisa Rosen (OCCO) opened the seminar by highlighting the EBRD’s work in supporting anti-corruption and business integrity reforms and the need for cooperation between partner organisations to achieve such long-term and demanding goals. Milica Delevic (EPG) chaired the first session outlining the goals of the initiative. Juraj Strasser (OCCO) moderated a panel on high-level reporting mechanisms and ombudsman functions. Francis Malige, Managing Director for Eastern Europe & Caucasus, led a panel on compliance in the private sector, while Sevki Acuner (Head of Ukraine) discussed the EBRD’s role in supporting the establishment of the Ukrainian Ombudsman.

The EBRD also provided experts who spoke on a variety of topics. Melissa Khemani (OCCO) gave an overview of major integrity risks confronting state-owned enterprises and measures to address such risks, and Cristina Buzasu (CSEU) discussed the role that civil society plays in promoting business integrity and company compliance through monitoring and oversight, as well as concerted efforts and partnerships between civil society, businesses and governments. Chiawen Kiew (OCCO) led two workshops that saw participants work in small groups to develop recommendations on improving business integrity for a hypothetical country plagued with corruption risks.

The two-day expert seminar was followed by a Ukrainian Roundtable on 27 January 2017 that was co-moderated by Juraj Strasser (OCCO). The roundtable focused specifically on the impact of recent reforms in Ukraine on business integrity and how to improve cooperation between the private and public sectors.

Following the successful and well-received launch of the Programme, the OECD/ACN and EBRD will now organise focused country and regional trainings and possible follow-up activities, including measuring the effectiveness of the initiative in enhancing business integrity throughout the EBRD region and potential technical cooperation projects to support the governments and private sector in their efforts to strengthen anti-corruption measures and business integrity. Watch this space.

By Chiawen Kiew

New Resettlement Guidance and Good Practice publication

Helping clients manage resettlements with care

At the end of 2016, the Bank published its Resettlement Guidance and Good Practice, a document which has been designed to provide advice on interpreting and implementing Performance Requirement 5 (PR5): Land Acquisition, Involuntary Resettlement and Economic Displacement under the Bank's Environmental and Social Policy.

The Bank's aim with its projects is to always avoid resettlement where possible. If it cannot be avoided entirely, then appropriate mitigation measures must be carefully planned and implemented. Failing to address resettlement impacts satisfactorily can adversely affect the lives and well-being of individuals and communities who will be displaced. This can be particularly devastating for vulnerable individuals and/or groups. However, managed properly, resettlement can bring long-term economic and social benefits for affected communities. Managing the process well is therefore crucial.

Many years in the making, Resettlement Guidance and Good Practice shares the Bank's relevant experiences and provides practical information to help our clients determine the best approach to addressing physical and/or economic displacement for their specific project.

Relevant to all sectors and project types, the guidance is also suitable for affected people, consultants, stakeholders, civil society and anyone embarking on resettlement projects.

A comprehensive guide

Over the years, many of the Bank's clients have expressed the need for guidance so, rather than duplicate existing handbooks and "how to" guides, the Environmental and Sustainability Department (ESD) designed this comprehensive document to address the most common challenges in a resettlement/livelihood restoration scenario. The guide outlines how to manage these issues and also provides links to additional resources and template documents such as censuses and surveys. While the focus is on the countries of operations, the information in the document could be applicable to any resettlement process.

"Resettlement is challenging, but it can bring about many positive changes if it is done well," explains Michaela Bergman, Chief Counsellor for Social Issues. "Because resettlement involves people and their daily lives, it is impossible to apply a cookie cutter approach that will work for every scenario – there are as many different resettlement scenarios as there are affected people – so our aim with this guidance document was to really encourage the audience to put themselves in the shoes of affected people so they can understand just how crucial it is for their views and needs to be placed at the centre of the resettlement process."



From left to right, Social Adviser Rachelle Marburg and Chief Counsellor for Social Issues Michaela Bergman

"The document can be read as a whole, particularly for those who have not had much previous experience with PR5 or similar requirements, but it can also be used as a reference tool, as it has been designed for individual GPNs and specific challenges to be referred to as and when needed. The GPNs are segmented by colour, so it's useful for when you're out in the field, in thick of it," says Rachelle Marburg, Social Adviser in ESD and project manager for the document.

What's in the document?

Resettlement Guidance and Good Practice consists of two main components. The overarching document provides a brief overview of why resettlement matters, what can happen when it goes wrong and the benefits and importance of getting it right. It gives information on the key PR5 requirements and discusses the resettlement process in the project context. Topics covered include the resettlement planning process and key roles and responsibilities.

Following the overarching document are the good practice notes (GPNs), which individually address common resettlement planning and implementation topics and the key challenges associated with each of them, providing practical guidance on how they can be addressed or avoided, supported by examples and references to other relevant topics. The GPNs cover key steps in resettlement planning and livelihood restoration including:

- legislative review
- census
- socio economic survey
- asset inventory and valuation
- defining eligibility for compensation and assistance
- stakeholder engagement
- entitlement measures
- economic displacement and livelihood restoration
- resettlement/livelihood restoration documentation.

Thinking outside the box

The aim of any resettlement process should be to minimise negative impacts and maximise development opportunities. Therefore the key messages of Resettlement Guidance and Good Practice are

addressing both physical and economic displacement; livelihood restoration (resettlement often means that people lose land they rely on for their income); making provisions for vulnerable people or groups; the process for replacing land and assets; and managing compensation entitlements in a fair and transparent way. “The aim is to encourage those involved in resettlement to approach it in a practical way, to use common sense and to think outside the box,” explains Rachelle Marburg.

Resettlement Guidance and Good Practice is designed to be adaptable and will be updated by the ESD social team from time to time, depending on the needs of our clients and feedback received. The guidance will be rolled out across the Bank – any department who would like to know more about it is welcome to contact the Social team to arrange a briefing at relevant team meetings.

“There are no cut-and-paste solutions when it comes to resettlement,” says Rachelle Marburg. “Hopefully our guidance document will give our clients a roadmap for the key issues to think about when they encounter it in their projects. Involving the Bank as early as possible is always a good idea – the EBRD has a lot of relevant experience in resettlement and we are here to help our clients in this process and guide them through the best approach and committing the appropriate resources to make resettlement, when it cannot be avoided, a success for everyone involved.”

Resettlement Guidance and Good Practice is available [online](#). Sample tools are also available.

By Philippa Moore

EBRD scoops two PFI awards

The EBRD, named Global Multilateral of the Year in Project Finance International’s annual awards last year, scooped another two awards this year for its innovative infrastructure projects.

Elazig Hospital PPP, an MEI deal, was recognised as the Turkish Deal of the Year and the Slovak D4/R7 motorway PPP, led by the Transport team, collected the European PPP Deal of the Year Award.

Innovative risk-mitigation for Elazig hospital PPP

As PFI puts it, 2016 was a tough year for Turkey. A nationwide state of emergency and downgrade of the sovereign’s credit rating to non-investment grade were not the ideal backdrop for the country’s first hospital PPP project bond. But the price of success is adversity, they say.

In the final weeks of December, Elazig found its success in a new credit enhancement mechanism from the EBRD, a resulting two-notch uplift in the project rating from Moody’s and the cheapest debt pricing on a Turkish hospital PPP to-date.

The credit enhancement, which combines a €89 million liquidity facility from the EBRD and political risk insurance from the World Bank’s MIGA, makes Elazig a landmark deal. MIGA insurance is not an on-demand product, with arbitration typically a long and drawn-out process, so the

EBRD’s credit enhancement is considered more important for investors in the short term if the project gets into difficulty. It is already being discussed for use on other EBRD schemes and by European development banks keen to bring it to below investment-grade countries in Africa, Europe and the Middle East.



This year, two EBRD teams won the prestigious awards. The Transport team and...



the MEI team.



From left to right, Asli Erden Ozturk, Sue Goeransson and Goncalo Correia

Asli Erden Ozturk, Senior Banker who led the deal, said: “We’ve done more of the classic financing for hospital PPPs through syndicated loans and now we’re moving into much more sophisticated instruments. The idea is to bring non-conventional investors into PPPs. We are moving into credit enhancement as a more innovative tool to attract investors.”

The Elazig project raised €83 million of 2034 bonds, €125 million of 2036 bonds, and €80 million of unrated 2036 bonds that rank *pari passu* to the rated bonds.

Investors from Europe, China and Japan included development banks IFC and Proparco, and commercial lenders MUFG, Siemens and ICBC.

The €350 million, 1,038-bed hospital is in Eastern Anatolia and is being developed on a 28-year availability-based concession. Project shareholders are Meridiam, Rönesans, Sila, SAM and TTT.

European PPP Deal of the Year for Slovak roads project

It was the financing structure that won the Slovak Republic's R4/R7 the PFI's European PPP Deal of the Year Award.

As the project team, led by Senior Banker (now head of Baku RO) Ivana Duarte, explains, the project makes use of three tranches of debt, each with a grace period equal to the tenor of the preceding tranche, that is a sequential repayment schedule. This structure allows lenders to target specific investors for each individual tenor according to liquidity and market appetite, lowering the overall cost of financing of the project. In addition, the door-to-door tenor was one of the longest tenors seen in infrastructure PPPs in the region.

The EBRD has extended up to €150 million loan in debt facilities to the concessionaire Zero Bypass Limited under a PPP scheme and as part of a larger package totalling close to one billion euros. Other participants included the European Investment Bank, the Slovak Investment Holding, Instituto de Credito Oficial and Unicredit, CSOB, SMBC and Credit Agricole as commercial lenders. The EBRD also provided its pro-rata share of the underlying interest rate swaps.

The construction of new sections of the D4 highway and the R7 expressway is particularly important to the Slovak Republic which has established itself as a major production centre for the car industry in Europe.

When Jaguar Land Rover started the construction of a one billion pound plant in Nitra in September 2016, it was only the latest car company to join an impressive list of competitors who are taking advantage of the many benefits an investment in the country can offer. According to research by Unicredit, the Slovak Republic is the biggest car producer in the world per capita.

So it is only fitting that a country with world-class car production also puts in place a world-class road network. The expansion and connection of the D4 motorway and the R7 expressway is a major step towards this goal. The D4 motorway, commonly referred to as the Bratislava bypass, will improve the connection of the Slovak capital with national and international motorways, while at the same time reducing the burden of traffic passing through the city.

The R7 expressway will connect the D4 and D1 highways and provide access to the city of Bratislava from the south east. It will also improve the connection between the industrial zones and urban districts of the country.

By Olga Rosca and Axel Reiserer

Drive for green buses in the refugee-hosting city of Gaziantep

€5 million loan and €5 million grant to ease strain on public transport

Joining international efforts to tackle the refugee crisis caused by the civil war in Syria, the Bank extended a €5 million loan and a €5 million grant to the south-eastern

Turkish city of Gaziantep, for the acquisition of 50 new buses.



Project team from left to right: Analyst Zeynep Velimahmutoglu, MEI Director Susan Goeransson and Principal Banker Fatih Turkmenoglu

With a population of close to two million people, Gaziantep, one of Turkey's oldest cities and among its most populous, is deeply affected by the influx of refugees from neighbouring Syria. Today, refugees account for about 35 per cent of the inner-city residents. The sharp increase in population puts a strain on key municipal services, and urban transport in particular.



Buses bought with a previous EBRD loan are a common sight in Gaziantep

Our financing, including the grant from the Shareholder Special Fund, will help the municipality meet growing demand for services at a time of enormous challenges and increasingly tight budgets. The financing will enable the city to buy 50 environmentally friendly, compressed natural gas (CNG) buses.



Gaziantep is deeply affected by the influx of refugees from neighbouring Syria

This is our second loan to the municipality of Gaziantep. In 2011 the Bank provided €10 million to finance 50 buses, essential maintenance equipment and a CNG filling station.

Fatih Turkmenoglu, the Istanbul-based Principal Banker who led both projects and travelled frequently to Gaziantep, which is close to the Syrian border, recalls: “It was an intense exercise to coordinate all activities between the city, the central government (which needs to approve the loan) and the Bank itself to have the project signed in only four months so we could respond to an urgent need.”

At the signing ceremony in Gaziantep, Mayor Fatma Sahin said the buses will help improve the quality of services and access to public transport. Her team is now discussing with EBRD bankers other areas of cooperation.

Back from her trip to the city, Susan Goeransson, MEI Director, adds: “The responsibilities facing refugee-hosting communities, such as Gaziantep, are enormous. The city has been doing a great job and we are happy to support these efforts.”

Financing for these Gaziantep buses is the first Turkish project under the EBRD’s refugee crisis response. In addition, as part of work to build economic resilience in Turkey’s south-east, the Bank has provided financing of €80 million for a state-of-the-art hospital to be built in the city under a public-private scheme. Also, the Bank is already offering advisory services and training for local businesses and is about to launch a joint programme with the Gaziantep Chamber of Commerce to support and encourage entrepreneurship in the city and surrounding region.

By Olga Rosca

Investment Councils: sharing best practice to improve the business climate

Two-day conference brings together EBRD-backed Investment Councils

When businesses identify policy hurdles for their growth and governments want to develop a reform agenda that effectively responds to their legitimate concerns, sitting around the same table and openly discussing solutions should be a priority.

That table, in Albania, Armenia, Georgia, Kyrgyz Republic, Moldova and Tajikistan takes the shape of [Investment Councils](#) (ICs), established thanks to the support of the EBRD and further boosted by donors including Italy, the Central European Initiative and the UK Government’s Good Governance Fund.

These public-private dialogue platforms help the business communities raise key issues, provide assistance to the government in developing reforms, facilitate consultations with the entrepreneurial community and

transmit feedback on proposed reforms to the authorities.



Milva Ekonomi, Albanian Minister of Economic Development, Tourism, Trade and Enterprise, addresses the conference

Although the business environment in each country is different, Investment Councils often face similar challenges. That’s why the Bank, under its [Investment Climate and Governance Initiative](#), has organised a conference to share Councils’ experiences to learn from one another and disseminate best practice.



The two-day conference was organised by the Governance and Political Affairs Unit

President Chakrabarti welcomed the Secretariats of the Councils and stressed the importance of their work for the growth of the private sector: “Our experience is that it is much easier to develop the private sector if a government actually listens to businesses and then acts on what it hears.” He also stressed that the EBRD’s vision is that a successful economy has to be [well-governed](#), one of the EBRD’s transition qualities.

Building trust in the government’s capacity to deliver reforms that improve the business climate is fundamental, maintained Steve Utterwulge, Global Lead of Public-Private Dialogue of the World Bank Group. Investment Councils have a role in boosting this scarce commodity.

Milva Ekonomi, Albania’s Minister of Economy, confirmed that governments need instruments such as the Investment Councils to process dialogue with entrepreneurs and clearly identify issues that need to be tackled.

But passing laws is not enough, contended Ion Lupan, Head of the IC Secretariat in Moldova. Perception is as important in order to make an economy attractive for

investors. As flawed as they may be, rankings such as the World Bank's Doing Business reports have an impact and certainly they are good instruments to identify trends, commented Milica Delevic, EBRD's Director for Governance and Political Affairs.

The results of the work of the Investment Councils are tangible. For example, in Albania, the Council's recommendations to simplify tax procedures were approved by the parliament in November.

In the Kyrgyz Republic, where one of the challenges is voicing the concerns of less business-literate entrepreneurs in rural areas, the Investment Council which is 10 years old, initiated a risk-based reform to reduce the number of tax audits.

In Georgia, the Council helped to develop amendments to the law on court injunctions and to evaluate reforms aimed at promoting the judiciary's independence and integrity, a priority issue.

Focused discussion groups allowed experts in legal reforms, economy, communication and administrative procedures to deepen the scope of their discussions to technical and practical issues.

By Lucia Sconosciuto

Uzbekistan rejoins the EBRD family

An historic turning point for a country that has stood on the outside for too long

Uzbekistan is open for business, Uzbekistan is open for reform, Uzbekistan is open for the EBRD again. Those were the three messages emphasised time and again by the Uzbek government when Suma led a senior delegation to Tashkent to sign what was described by ministers as an historic agreement.



Uzbekistan is back in the EBRD family after a lost decade when relations with the Bank were in the deep freeze. The period was officially called "a pause" by the Uzbeks but behind the euphemism was a determination by the late President Karimov to shut the EBRD out of the country. These days, ministers gloss over the reason for the breach, saying the past is past, but those of you with long memories will no doubt recall the cause. Our Resident Office in Tashkent was closed in 2010 and there have been no new projects since. Two staff members, Dilshod Akhundjanov and Svitlana Kim, stayed on to work from their homes and keep an eye on the

dwindling portfolio of Uzbek projects. They kept the EBRD flag flying and Suma paid tribute to their dedication in difficult circumstances.

Now, though, the long freeze is over. Spring has arrived in Tashkent, seasonally and politically. The new President, Shavkat Mirziyoyev, wants the country to open up and is busy restoring the long-troubled relations with Uzbekistan's Central Asian neighbours. Reform, political and economic, is in the air. Walking around the capital, the mood was noticeably freer and more relaxed, people were talking about issues in a way that would have been unimaginable a year ago. There was a real vibrancy in the atmosphere.

At a news conference organised by the authorities, dozens of journalists attended and were able to ask any question they wished, one even noted the importance of a free press and how it was now thriving in Uzbekistan. The reception given to the EBRD delegation led by its President, which included Vice President for Policy and Partnerships, Pierre Heilbronn; Managing Director for the region, Natasha Khanjenkova; Managing Director for Communications, Jonathan Charles; Francis Delaey from the President's Office and Masaru Honma from the Tokyo Office, as well as Senior Political Counsellor, Jonathan Aves, was warm in meetings with all the key ministers. The EBRD President's meeting with the Uzbek President lasted twice as long as scheduled. Everyone we met was enthusiastic for the EBRD to start work as soon as possible. The country is searching for a new economic model after the semi-stagnation of the Karimov years. 500,000 young people are joining the labour market each year and jobs need to be created.

A Memorandum of Understanding was signed with the government, setting out the focus of proposed EBRD activities. The Bank will concentrate on building up small and medium-sized companies, encouraging entrepreneurship but we will also look at green projects, the infrastructure, energy and energy efficiency, and a host of other sectors. The Bank is also helping to clean up the terrible legacy left by Soviet-era uranium mining and processing. In meetings, EBRD's President described it as "a new beginning".

The Bank already has a new governor, Senator Sodiq Safoyev, and he will be coming to the Annual Meeting in Cyprus. Uzbekistan is determined to be fully represented for the first time in years. It will be part of the Swiss constituency on the Board and the Swiss Director, Heinz Kaufmann, joined the visit to meet many of his future counterparts for the first time.

Pursuing reform won't be an easy path to tread, but the Bank has promised to support the government as it embarks on this long journey. So, the EBRD has another active country of operations and as Senator Safoyev said "Uzbekistan has rediscovered an old friend". It truly did feel like an historic turning point for a country that has stood on the outside for too long.

By Jonathan Charles

UPCOMING EVENTS

Fourth Annual Alumni Reunion, Nicosia, Cyprus



EBRD Alumni are cordially invited to the EBRD 2017 Business Forum, to be held at the Twenty-sixth Annual Meeting of the Board of Governors in Nicosia, Cyprus, from Tuesday to Thursday, 9-11 May 2017 and to a special Alumni Reception which will be held on Thursday 11 May 2017 from 16:30. Visit the [Annual Meeting website](#) for more information about this year's event.

Following successful Alumni receptions held during the EBRD Annual Meetings in Warsaw (2014), Tbilisi (2015) and London (2016), the EBRD Alumni Association is pleased to hold its fourth such event in Nicosia this year. The event will provide an opportunity to network, re-connect with former colleagues and friends, and meet fellow alumni, as well as members of the Bank's management and senior staff.

The Alumni Reception will offer an opportunity to hear from the EBRD President; from Dragica Pilipović Chaffey, VP Corporate Affairs, United Group, formerly EBRD Country Director for Poland and the Baltic States (2007-08), Serbia and Montenegro (2003-07), and Russia (1999-2003); and from George Krivicky, Alumni Association Chairman, followed by a video on the Alumni Association, and a reception, including drinks and canapés.

EBRD alumni wishing to attend the full Business Forum from 9-11 May are eligible for a 75 per cent reduction on the standard registration fee. Alumni thus pay £200.00 (or €231.25 or US\$ 243.75).

Admission to the Alumni Reception ONLY is free of charge. Please note that the reception is for current and former EBRD employees only.

REGISTRATION INSTRUCTIONS

Preferred option: registering with a business email

1. Enter your email in the '[New registration and accreditation](#)' section on the right hand side of the webpage and press continue.

2. Fill in your personal details in the 'Registration Step 1' section. Select 'Yes' next to 'Are you an EBRD Alumni?' and choose whether you will be attending the 'EBRD Full Annual Meeting and Alumni Reception' with registration fee of £200.00 (or €231.25 or US\$ 243.75) or 'Alumni Reception Only' which is free of charge.

3. Fill in your organisation details in the 'Registration Step 2', press confirm and await for registration approval which will be sent by email and can take up to 2 working days. If you do not have a company name and address, enter *EBRD Alumni* in the "Company/Organisation" field and your home address.

4. Once you receive the registration approval email which will contain a username and password, follow the link provided to enter your username and password within the '[Received an invite or already registered](#)' box to complete required registration details (passport details, photograph etc) and make payment if attending the 'EBRD Full Annual Meeting'.

Alternative option: if you don't have a business email, but a private email (Gmail, Hotmail etc.)

Please send an email to the Alumni Relations Team on alumnie@ebrd.com stating whether you would like to attend the full Annual Meeting & Business Forum (including the Alumni Reception) or the Alumni Reception only and requesting alternative registration instructions.

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](#), [EBRD staff job postings](#), [early career opportunities](#) and [NGO opportunities](#).