

EBRD Alumni Association

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Update from Chair

Dear EBRD Alumni:

Welcome to our second Alumni Association electronic newsletter. Going forward, we plan to issue newsletters more frequently – about every four to six weeks. We are gradually improving the format to make it more user friendly.

On the news front, the Alumni Association held a well-attended alumni reunion in Warsaw on 15 May. A number of alumni took advantage of the fee discount offered to them to attend the Bank's Annual Meeting. A first seminar organised by the Alumni Association and the Financial Institutions team was successfully tested two weeks ago, providing a concrete example of how the Alumni Association can contribute to the Bank's operational priorities.

I am pleased to report that we are making progress in finding alumni and more than 1,500 have now been located. (We still have a way to go given that the Bank has around 5,000 alumni.) We are constantly seeking new ways of locating alumni, and are moving as quickly as possible. If you are in contact with any alumni who have not received our materials, please send us their details or ask them to get in touch with the Alumni Team at alumniE@ebrd.com.

On HR matters, we have launched more systematic consultations with the Department on benefit-related issues as well as ways in which the Alumni Association can support HR-related functions within the Bank. Our communication effort, both within and outside the Bank, is expanding. You will find a list of cultural and professional events to which alumni are invited in this newsletter.

Progress on the IT platform (which would include an alumni directory) has been slower than expected. In the meantime, the Alumni Team will be happy to help you get in touch with each other where we have contact details.

We are also addressing various issues related to the structure of the Association. Consideration is being given to testing decentralisation through the establishment of one or two national chapters. We are gratified by the considerable enthusiasm demonstrated by both alumni and Bank staff for the Alumni Association.

*George Krivicky
Chair, EBRD Alumni Association*

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'Old Home Week' on the Vistula

Alumni gather on the occasion of EBRD's Annual Meeting in Warsaw

The American notion of "Old Home Week" goes back to New England where former residents of a town were invited back for a week of festivities and reminiscences. Webster's Dictionary (yes, there is a dictionary of the American language) goes a step further, defining the phrase as "a reunion of former associates marked by special warmth or cordiality".

The Alumni Association's reception held on 15 May in Warsaw certainly fits this bill, marked most definitely by warmth, cordiality and excitement at meeting former colleagues for an evening reunion. They hailed mostly from around Poland, but there were also alumni based abroad who had travelled to attend EBRD's Annual Meeting. All in all, some eighty people (45 alumni and 35 current EBRD staff) made it to the National Stadium for the event.

What would an alumni meeting be without speeches – remarks of welcome, reminiscence and amusing anecdotes? The event was kicked off with a few words of welcome from Jonathan Charles, EBRD Communications Director, who confirmed that the launch of an Alumni Association had been a priority for the current Bank president.

He was followed on the podium by Zbigniew Hockuba, Board Director for Poland, Bulgaria and Albania who said that the Association allows alumni to feel part of the Bank and to share in the pride of having contributed to a great institution.



Alumni Association Head, George Krivicky

Alumni Association Head George Krivicky summarised progress since the launch event at London headquarters in January. With a proactive Advisory Committee, a first Association newsletter published, 1,500 alumni now located, and a webpage up and running on "ebrd.com", much progress has been made. Forthcoming plans include an online platform with a members' directory, and plans for national chapters, with Poland being the testing ground.

Hanna Gronkiewicz-Waltz, Mayor of Warsaw, reminisced about her years in London as EBRD Vice President, an experience which continues to serve her well with her current responsibilities.



Hanna Gronkiewicz-Waltz, EBRD alumna and Mayor of Warsaw

Another prominent alumnus also took to the podium – former EBRD Board Director (and former Polish Prime Minister) Jan Bielecki; he found himself in good company, with other former Polish board directors in the audience.

The reception turned out to be a great professional networking opportunity – especially given the extraordinary number of contacts and resources present: two former Polish prime ministers, the mayor of Warsaw, the CEO of the largest company in South-eastern Europe, former ministers and heads of central banks, CFOs, commercial bank executives, heads of investment funds, the head of a non-profit organisation, alumni working in other IFIs, and many more.



Olivier Descamps, EBRD Managing Director in Banking, and alumna Mariana Gheorghe, CEO of Petrom

Polish alumni were in the majority of course, but there were a number of prominent non-Polish alumni attending, including Fabrizio Saccomanni, former EBRD VP and outgoing Italian Minister of Economy and Finance, and Mariana Gheorghe, former Senior Banker, now CEO of Petrom.



Curious? You can spot old friends and colleagues by checking out the [scores of photographs](#) taken at the event. Or perhaps you'd like to see and hear what some of the participating alumni had to say? Please find the below links to very interesting short video interviews taken at the event with a number of well-known friends, all of whom emphasize the importance and the various facets of the EBRD Alumni Association:

[Jan Bielecki](#) | [Mariana Gheorghe](#) | [Hanna Gronkiewicz-Waltz](#) | [Kazimierz Przelomski](#) | [Fabrizio Saccomanni](#)

First FI/Alumni Association seminar led by Andrzej Witak and Mary Ellen Collins hits the sweet spot

"How to increase the value of equity investments in small and medium sized banks?" was the subject of a seminar organised by the Financial Institutions (FI) team and the EBRD's Alumni Association. Twelve bankers participated in the seminar which took place on the afternoon of 6 June. Mary Ellen Collins and Andrzej Witak – both experienced former EBRD bankers – moderated the discussion and presented a case study.



Mary Ellen Collins, former Director of Corporate Recovery

The free-flowing discussion focused on the importance of two key points in the investment process when the fate of an investment is often decided. The conclusions? Insightful due diligence and development of a practical value creation plan with involvement of

shareholders and the board are most important in the pre-investment

phase. Immediately post investment, proactive leadership from the bankers is often the decisive factor in the value building process.

On the day, the very low level of Blackberry and smartphone activities among participants

indicated that the seminar was well received. Post-seminar feedback was also very positive in relation to the moderators, the topic and the idea of a follow-up. Of course, the incentives prepared by FI team management, including a generous supply of exquisite confectionery, may also have contributed to the overall success.

The FI team are looking forward to a possible repeat performance to be organised in the third quarter of 2014.



Andrzej Witak, former Senior Banker FI and Corporate Recovery, Head of Tashkent RO and Deputy Director Ukraine

ALUMNI IN FOCUS

A true EBRD pioneer: an interview with Magne Haga

Magne Haga was a true EBRD pioneer. He first hung his hat at the old offices on Leadenhall Street in 1991 and worked at London headquarters during the Bank's formative years until 1994 – first as Director



for Central and Eastern Europe, later as Country Team Leader for the CIS and Baltic States and, lastly, as Director of the Russia Team. He came to the EBRD rich in banking experience, having started his career in the early 1970s at Hambros Bank, a traditional London merchant bank, then moving on as Deputy Managing Director of Christiania Bank in Norway. After leaving the EBRD, he went on to a series of executive positions at SEB in Oslo and London, as well as at the Bank für Gemeinwirtschaft in Frankfurt. His final position was at SEB in Stockholm.

All in all, Magne's banking career spans some 40 years but I think he would agree with the assertion that his EBRD years were amongst the most colourful and adventurous. See what you think from his responses to our questions below. They make for fascinating reading.

What attracted you to the EBRD to begin with?

Two factors pulled me towards the EBRD when the opportunity arose. First, I wanted to get back to the London banking scene which I loved. Second, Russia and eastern Europe intrigued me; their history and culture had had a pull on me since my early school days. During my interview, Jacques Attali, the Bank's first president, laid out his vision for this new IFI – I knew immediately, deep inside me, that this was something that I should do. So I sold my house in Oslo and moved to London with my family to join the new experiment that was the EBRD at that stage.

The early 1990s were historic times with the collapse of centrally planned economies across eastern Europe and the demise of the USSR. What was it like working here in those pioneering days? What challenges did you face and what did you achieve?

Many people, in fact most people (in the countries of operations) at the time of the collapse of the USSR, had very little knowledge of the market economy. We had to start by explaining the fundamentals – basic concepts, expressions and definitions.

I had the feeling that any sense of morality and responsibility had evaporated with the collapse of the centralised political power and had left a vacuum. How else does one explain the fact that I could walk into a

Leningrad shipyard that manufactured nuclear reactors for submarines and take snapshots to show friends? A year earlier, I would most likely have been arrested before I got past the entrance.

One of the challenges was to explain that EBRD money and financing came with conditions, that there was an underlying purpose to our financial activities. In Russia, people took some time to understand that concept. It was indeed a challenge to negotiate terms and conditions when your counterpart does not fully appreciate the art of compromise and views not winning an argument in terms of losing face and losing a battle.

It was hugely ambitious for the Bank to take on all the challenges it did simultaneously. We did capacity and institution building whilst, at the same time, doing business with governments and budding entrepreneurs. In those early days, there was immense pressure of various kinds put on staff members – pressure of a markedly different kind than what one finds in today's working environment.

You remarked that working at the EBRD at the very beginning meant that you and others had "to write your own rulebook". What did this mean in practice?

Institution building also meant making sure that we had the tools, systems and routines needed to undertake the commitments needed in markets that were just emerging – for example, having a credit policy in place. Of course there was none when we started. In this one instance, a handful of us were asked to put our heads together and, with an eye to our collective previous experience and the Bank's Charter, write a policy paper which would be approved by the Board at the end of the process. We had a number of workshops and retreats to thrash out various instructions and procedures and we created a credit policy for the new Bank – at the end of the day, a process that was great fun and very inspirational. We felt like pioneers and the process itself brought us closer together.

Can you share some of your fondest memories of those times? Do you have any anecdotes of your times at the EBRD that you could share?

There are many, many stories to tell – too many for this interview!

When I joined, the Bank was located in Leadenhall Street. Space was cramped so for quite a while I shared an office with Noreen Doyle and Randall Fisher. They were, I might add, great office-mates. You can imagine how inspirational it was to sit together with talented people like that, to exchange ideas spontaneously, and get what I would term uninhibited feedback!

As long-serving employees know (and it's part of the lore and history of the Bank) our original offices in Leadenhall Street were blown to pieces by a huge IRA bomb whilst most of us were away in Budapest taking part in the Bank's first Annual Meeting.

Travelling representing an IFI in the early 1990s had its more surprising, cinematic moments. There was the time in Moscow when a few of us were accompanying the President who was scheduled to have a meeting with then Prime Minister Victor Chernomyrdin. We arrived in Moscow at the height of the early evening rush hour but that did not hinder our transport. Government Zils (the limousine of choice for Soviet leaders) drove straight through central Moscow in the famous middle lane, previously reserved for Party officials, as if no traffic existed! Needless to say, unfair as it was, there was a certain charm to being whisked through traffic – definitely a great way to travel.

Or there was the time that my delegation was scheduled to visit Nizhny Novgorod. Unfortunately, there was problem with the hotel's drainage system and whole place reeked of sewage. How was the problem solved? Pragmatically (given the year). I am embarrassed to admit that we discovered that an entire floor of a nearby hospital was vacated for us, with patients sent home to make room for our delegation. Upon learning of this, I admit that I began quietly praying that my room had not been located in the contagious diseases ward.

And then I shall never forget the first time I visited Tallinn. The Baltics were really starved of most things at that time. The Minister of Finance himself picked me up at the airport and drove me to his offices in his private Volga. After that, the Baltics countries proceeded to implement an economic reform programme at breakneck speed – an impressive achievement. Just a few years later I returned and could barely recognise the place

One last unforgettable incident from my EBRD adventure book - I was scheduled to visit Kaliningrad together with the Russian board director. We travelled via Warsaw, but our transport ended at the no-man's land that then separated Poland from Russia. How to cross? Naturally we walked, unaccompanied (and perhaps unobserved?),

through that zone until we reached the fence and the gate that was the Russian border. We knocked and shouted to be let in, but it took quite a while until anybody heard us. Unbeknownst to us (and quite incredible thinking what the border had been like previously), the border guards had left their post and gathered for a local celebration of Russian New Year. When our presence was finally discovered, and the Director explained who we were and how on earth we came to arrive by foot in Russia, we were given an exceedingly friendly reception and invited to join them in the festivities.

You spent decades after the EBRD in jobs in other banks. Is there something that sets our Bank apart in your memory?

Looking back at my time at EBRD, the fondest memories are those of togetherness and the sense of having taken part in something historic and unique. I learned a lot about cultural differences and cultural understanding. I learned how both words and timing can be interpreted in so many different ways depending upon whom you are addressing. I was deeply impressed by the intelligence, knowledge and dedication of the people I had the pleasure of working with. And after I left, I fully understood and appreciated the quality that the EBRD represented as well as the professional respect people from the EBRD rightly enjoyed in the eyes of other professional bankers.

By Larry Sherwin

From solitary fax to London listing

A conversation with Mariam Megvinetuhutsesi, Deputy CEO at TBC Bank

Your intrepid alumni chronicler had the pleasure of meeting Mariam twice over the past two weeks, first in May at the Alumni Association's reception at the Warsaw annual meeting, and then on the occasion of her recent business trip to London. It is worth noting that she is a vivacious and enthusiastic patriot – of her country and of the EBRD. And she has a fascinating tale to tell – of a career path that in many ways reflects the success of the region and the impact of the Bank. Mariam worked for some 11 years for the EBRD, from 1996 when she joined as a



mission adviser until 2007 when she left as Principal Banker reporting to Mike Davey to join TBC Bank as Director, Investment Banking.

Tell us a bit about your background and about what attracted you to the EBRD?

I majored in English language and literature (including a dose of Jacobean drama and poetry) at Tbilisi State University as the Soviet Union was breathing its last. Those were heady times and, as the USSR was disbanding (and having submitted 53 photos of myself to a still thriving Soviet bureaucracy), I set off for an academic year at Sarah Lawrence College in New York. I will never forget flying into LaGuardia Airport after a flight via Moscow. I was picked up by a limousine sent by my host family which whisked me away to Westchester County for the beginning of a fantastic and completely crazy year abroad. I was one of the college's first "Soviet" students, and people were so excited to meet someone from the USSR, asking questions after question.

Back in Georgia in 1992, I met the first people from the EBRD when I worked in the Foreign Relations Department of the President's Office. I even translated for Jacques Attali during his first visit to Georgia.

I came to the EBRD I suppose for the mission, the sense of doing something specific and concrete to help Georgia. I don't want to sound pompous. I thought the Bank was doing a good thing and could do a good job in Georgia. I wanted to be part of this fantastic opportunity and I must say that the Bank has always been good to me.

How did your Bank career begin?

Auspiciously, albeit with a single fax machine in my apartment. And my career developed together with the Bank. At that time, in what I'll call my apartment RO, you couldn't yet send faxes, only receive, which meant that I had to go to the post office to answer communications from HQ. And because there was no viable banking system in the country (in other words, you simply couldn't trust the banks), I had to wait six months for staff to bring salaries in cash... I was indeed "working from home" and, when the next chapter came, was the only employee when the EBRD opened its first office on Nikoladze Street.

It was truly a pioneering time and the first years were, in a sense, "educational", as we explained to people and potential clients what the Bank was doing in Georgia and why. As for me, my career in banking wasn't a given. As it happened, one of the first EBRD FI bankers I worked with, Ferdinando Buffoni, encouraged me to become a banker – which I did, going back to school in Tbilisi and then on for an MSc in finance and investment at Edinburgh University. I was part of what was then called the "high potential programme" in London, working in FI and Risk. And I became a full-fledged banker, returning to Georgia.

In a sense, your personal development mirrored the Bank's development ...

I suppose it did, and in 2007, I decided to take on a new challenge, moving to TBC Bank where I joined the capital markets team, becoming Deputy CEO a year later. TBC Bank has a strong focus on the SME sector, so our

strategy is closely aligned with the EBRD's in looking to the future development of the country.

This was of course the fateful year of 2008 which ushered in a crisis with Russia as well as a global financial crisis – not a promising start but one fraught with challenge and risk. We worked non-stop as we needed to restructure our exposures and re-capitalise our bank. It needs to be said that Georgian Banking sector and TBC in particular withstood the crisis really well.

And now you're in London ...

... to celebrate the listing of TBC Bank on the London Stock Exchange, something I couldn't have imagined when I started down this path with that solitary fax machine.

What are the challenges facing the EBRD today in Georgia?

In my view, the Bank does an excellent job in Georgia; it has the biggest reach among the IFIs and a profound understanding of the issues facing the country. In terms of its relevance, it doesn't have much to worry about – going forward, helping industries will be a challenge, not to mention supporting structural reform in the country. Georgia's aspirations are high, so active policy dialogue and advice on legislation will help.

On a more personal note, let me add that I love the EBRD. It has been fantastic to me as an employee and now as a counterpart that I deal with every day, being one of our largest shareholders. In a broader sense, it has been a school for Georgia, providing qualified staff to the country – my deputy, for example, is ex-EBRD, so are a number of top executives in other Georgian financial institutions. In a word, it has given me a lot: expertise, education, contacts, friends and friends for life.

One final thing: Next year's EBRD Annual Meeting is in Georgia, a chance obviously to see old friends but, more importantly, this will be a fantastic opportunity for the country, an opportunity to increase its visibility on the world stage. AM '15 in Tbilisi will bring something very important to the Georgia.

By Larry Sherwin

NEWS FROM THE BANK

An overview

Board of Directors

In May 2014, the Board approved financing for projects in Albania, Croatia, Egypt, Georgia, Jordan, Kyrgyz Republic, Poland, Romania, Russia and Tunisia. In Egypt, a €126 million loan from the Bank will help fund the purchase of new rolling stock that will run on the line between Cairo and Alexandria. In Turkey, a €30 million long-term loan to Şişecam, the leading glass producer, will finance a glass recycling project. Turkey will also see the establishment of the Women in Business Programme to help SMEs led by women to access finance and know-how. An €8 million loan to the Kyrgyz Republic will be on-lent to Bishkek City for the benefit of the Bishkek Water Company, which will improve water supply and wastewater services. In Russia, an equity investment of US\$ 75 million in Russia Partners IV Feeder Fund will enable the fund to invest in equity and equity-related securities of medium-sized companies in Russia and neighbouring countries.

The Board approved the country strategy for Turkmenistan for the next three years, the revised Environmental and Social Policy and the Public Information Policy.

Bank-wide

Treasury, as part of the Kazakh reform programme signed by the EBRD, helped to increase local currency lending capacity for SMEs by US\$ 1 billion in Kazakh tenge. This was made possible by the signing of the extended repo facility and a new FX swap facility with the National Bank of Kazakhstan.

Treasury has led an innovative two-day training programme for nine local commercial partner banks in Baku, Azerbaijan. Funded by the Shareholder Special Fund, this interactive asset and liability management training is integral to the Bank's institution-building strategy and plans are afoot to deliver this training in Armenia, Georgia and Russia.

Agribusiness together with FAO is organising the EastAgri Annual Meeting in Belgrade this June. The event is a unique platform for governments, the private sector and international financial institutions to strengthen partnerships aimed at producing more and better food in the EBRD region. The Bank will also launch its policy dialogue on Serbia's meat and dairy sectors at the event.

Responding to devastating floods in the Balkans, the Bank is reallocating existing funding so that it can be used to finance the rehabilitation of damaged roads, railways and water supply systems, as well as damaged power stations and transmission and distribution networks in the affected countries. The EBRD is also looking to provide extra capital to SMEs, especially in the agribusiness and farming sectors.

As part of the crisis response, the Ukrainian Corporate Support Facility, worth €150 million, has been established to provide short to medium-term financing to existing clients with operations in the private corporate

sector. The Facility will play a key role in bridging a difficult period of financial stress and will instil confidence in existing lenders, leading to the re-establishment of their financing lines.

The Human Resources Department has announced its reorganisation.

'After Warsaw: Suma Chakrabarti addresses future challenges and opportunities for the Bank'

At a well-attended and lively all-staff meeting held at HQ on 14 May, President Chakrabarti reported on the successful Annual Meeting in Warsaw and addressed the current challenges and opportunities for the Bank and how it is responding to them.

Warsaw was Suma's second Annual Meeting and he reported that the venue and location was an inspired choice in many respects - not only does 2014 hold a number of historical milestones for Poland (25 years since the first competitive elections in the communist world; 10 years since joining the EU) but the country is also a great example of successful transition.

Medium-term directions

In bilateral meetings and roundtable discussions, Suma reported that Governors emphatically endorsed the new medium-term directions (MTDs) for the Bank, the first since 2009. "This time we have focused on our key competencies," Suma explained. "It is important to focus on the fact that we are a client-focused, project-based Bank and will continue to be."

The overarching theme of the MTDs is re-energising transition. Suma cited the 2013 Transition Report "Stuck in Transition" as hitting the nail on the head with our present situation – that transition has slowed down on a systemic level in parts of the region and that we need to push our countries to get back on the transition path.

He said that continuing our work in economic integration and building resilience in our countries of operations remains vital to our medium-term direction. At the Annual Meeting there was a lot of demand from various countries to help them improve their investment climate. The Bank also continues to prioritise its work for the global public good in energy efficiency, climate change and food



security, both on a project level and a global advisory level. A new theme that is emerging from this is that of energy security, which is also linked to current geopolitical tensions, and that will be a priority going forward.

Overall, Suma emphasised that the MTDs have very much taken an evolutionary approach this time around. "We are simply doing more of what we're good at," he explained.

Geographical expansion

Suma reported that both Libya and Cyprus were accepted as new country members of the Bank at the Annual Meeting. Libya has become a member for the first time but is not yet a country of operations, although it wants to be. The next step will be to do a political, economic and operational assessment to ascertain how we can best operate there. For Cyprus it is a little different - the country was a founder member but is now a country of operations temporarily, until 2020. A more detailed assessment needs to be done to determine where we can add the most value (with SMEs, corporate restructures, etc). Meanwhile, interest from other countries remains high. "There is demand to be associated with the EBRD in these regions, which is very pleasing," Suma said. Governors have also backed the idea of giving senior managers more geographical flexibility.

Planning process reform

Planning process reform is also a key issue – the current CRR system is going to be replaced in 2015 by two new processes, a Strategic Capital Framework (which will incorporate a review of capital capacity) and a Strategy Implementation Plan. There is also a review of the portfolio and project processes to see if we can lighten the burden in those areas.

Immediate challenges

Despite an incredibly strong start to 2014, the issue of pipeline conversion is now crucial. Geopolitical tensions in the region have impacted us, with the pipeline in Russia slowing down drastically. We must recognise that geopolitical issues also drive our shareholders. "We must continue working on our Russian projects and make the case for why the EBRD needs to stay engaged there," said Suma. "We have done a lot of good there and we want to keep going."

Egypt still hopes to be a full country of operations but the current political situation is making this a challenge. "Have we got the right balance between the public and private sectors in Egypt? I believe we have," Suma said. Shareholders want to see progress in the democracy roadmap - if that is found to be sufficient then we may be able to move forward. An executive session will be held on Egypt at the end of June.

Ukraine was also at the forefront of many discussions in Warsaw. "For the EBRD and its shareholders, Ukraine will be a test case for our medium-term directions," Suma explained. "The aim is to act quickly and get the country back on the transition path."

The 2015 budget is now being prepared to ensure the Bank's resources are most appropriately aligned with its priorities. "We want to make our management more flexible," emphasised Suma. "This is not about reducing headcount, and it is not about cost cutting."

Overall

The EBRD is in good health and this was recognised by the shareholders in Warsaw. "There are big challenges ahead but we have proved in the past that we're good at meeting them," concluded Suma. "I have every confidence we will continue to do so."

EBRD to step up engagement in Ukraine

Bank's financing and technical assistance will supplement the international response and the IMF programme

The European Bank for Reconstruction and Development is planning an increase in its investments in Ukraine, including a return to sovereign lending for public sector projects, as part of an international economic support package for Ukraine.

The EBRD could invest around €1 billion a year over the next few years, significantly raising its investments from the range of €550 to €750 million contemplated earlier in 2014. This increase is envisioned in the context of the response of the international community, including Ukraine's agreement announced today with the International Monetary Fund for a macro-economic stabilisation programme.

The EBRD will continue to monitor economic developments in Ukraine and will adjust its approach accordingly in support of its clients. The EBRD has a portfolio of investments in Ukraine of around €4.7 billion.

While the EBRD's emphasis on private sector projects will continue, the Bank will also return to sovereign lending for public sector investments after abstaining from pursuing them over the last 12 months.

To underpin its investments in Ukraine, the EBRD will reinvigorate its Anti-Corruption Initiative, which should help to address the country's acute problems of corruption and the unsatisfactory business climate.

In the private sector, the Bank will be active in both the corporate and financial sectors, and will also provide financing for energy efficiency projects. The Bank will aim to increase its funding specifically for small and medium sized enterprises and open a new office in Lviv to strengthen its support of this essential segment of Ukraine's economy. It will also stand ready to increase its support for trade financing, as necessary.

In the public sector, the EBRD will revive its investment plans. These may include some major infrastructure projects that are critical to the recovery of the country's economy.

The EBRD expects Ukraine's economic output to contract in 2014. The EBRD believes that the implementation of the economic and structural reforms which Ukraine has agreed with the IMF, along with the other support from the international community including our own, should eventually help return the country to economic stability and growth.

EBRD and Kazakhstan agree historic partnership to boost reform and investment

Partnership between Kazakhstan and IFIs will manage US\$ 2.7 billion; funds will help EBRD increase own investment



The EBRD's Olivier Descamps and Karim Massimov, Kazakhstan's Prime Minister, in Astana

The EBRD and the government of Kazakhstan have agreed on a ground-breaking partnership that will boost investment and drive forward reforms in the country.

The Partnership for Re-Energising the Reform Process in Kazakhstan will engage the world's major international financial institutions (IFIs), including the EBRD, to channel US\$ 2.7 billion provided by the Kazakh government into important sectors of Kazakhstan's economy. The money will be provided by the country's Oil Wealth Fund and other sources.

The Partnership will enable the EBRD – already the largest non-oil and gas investor and the largest foreign investor in the country – to significantly increase its investment in Kazakhstan. Government grants, provided by the new fund, will be used to co-finance projects that may not be otherwise possible. The Partnership will also provide enhanced and broader policy dialogue and technical cooperation.

The agreement was signed at the Astana Economic Forum by the Prime Minister of Kazakhstan, Karim Massimov, and the EBRD Managing Director, Olivier Descamps.

Signing the memorandum of understanding, Olivier Descamps said: "This agreement takes our cooperation with the government of Kazakhstan to an entirely new level. It means that the EBRD will facilitate the successful implementation of the national industrialisation strategy, thanks to its delivery capacity and project know-how. This partnership can be more than a smart way to channel money to the economy through IFIs. It may become a way to boost reforms, and to re-energise the transition to a market economy. And it may become a blueprint for other middle income countries."

"We believe Kazakhstan can be one of the largest of our countries of operations," said EBRD Director for Kazakhstan, Janet Heckman. "We have been looking for

ways to increase our investment in the country, and the new Partnership will enable us to be more involved and to contribute significantly more to Kazakhstan, dramatically increasing our own investment."

The programme will be managed by a coordination council consisting of the participating IFIs and chaired by Prime Minister Massimov. Each of the participants will focus on their areas of strength.

The government envisages the following priority areas under the Partnership: financial sector, small and medium-sized enterprises (SMEs), innovation, skills, investment climate, regional development and institutional reforms. The EBRD will focus on priorities outlined in the recently adopted country strategy, namely diversification of the economy, energy efficiency/green economy and rebalancing the role of the state in the economy.

According to the latest EBRD economic forecast, Kazakhstan is projected to grow at about five per cent this year and again in 2015. Analysing the pace of growth and reforms in the latest Transition Report, EBRD economists note that reforms can increase GDP growth by as much as 1.5 per cent in the long term.

This agreement is the most prominent of recent deals between the EBRD and the government headed by Prime Minister Massimov. Earlier this week, the EBRD and the National Bank of Kazakhstan agreed two new facilities that will enable the EBRD to dramatically increase its lending in local currency. The new facilities will allow the EBRD access to the tenge equivalent of about US\$ 1 billion.

Since the beginning of its operations in Kazakhstan, the EBRD has invested close to US\$ 6.5 billion in the country's economy, with more than half of the Bank's projects supporting the private sector. In 2013 alone, the EBRD invested over US\$ 500 million.

Renewable power and energy efficiency projects win awards

Two deal of the year prizes from EMEA Finance

The EBRD's dedication to increasing energy efficiency and renewable power generation saw the Bank pick up two prestigious prizes at an awards ceremony in London last month.



Petr Konstantinov and Aida Sitdikova accepting the RusHydro award

The judges of EMEA Finance magazine's Project Finance Awards named the Pawlowo wind farm project in Poland

the best sustainability deal of 2013. They also picked the RusHydro Combined Heat and Power Plant transaction in Russia as last year's best power deal in central and eastern Europe.

Power and Energy principal bankers Rita Sa Couto and Petr Konstantinov attended the ceremony at the Law Society to accept the awards on behalf of the Bank, along with Aida Sitdikova, Director of Energy and Natural Resources in Russia and Central Asia, and IPP analyst Tiphaine Sire.

Big CO2 savings

Phase one of the Pawlowo project in northwest Poland covers the installation of a 79.5MW capacity wind farm and the facility is expected to reduce CO2 emissions in the country by some 100,000 tonnes per annum. The EBRD is providing a loan of up to PLN 301 million (€72 million equivalent) for the project, which will be developed, constructed and operated by Relax Wind Park III Sp. z o.o. The company is a subsidiary of EDP Renováveis SA (EDPR), the renewable arm of EDP Group, a leading wind energy producer in the world.

The EMEA Finance award for Pawlowo was the second prize given to the Bank for that project. The same deal was named M&A/Financing Deal of the Year at the CEE Energy Awards in Warsaw last week. The annual CEE Energy Awards were created by media group BizPoland Magazine, EuropaProperty and Petroleum Club Magazine to recognise excellence in the central and eastern European energy industry.

Cutting pollution in the Pacific

The RusHydro project is a long-term RUB 4 billion (equivalent to €100 million) loan to finance the first new power plant to be built in Russia's Far East border region of Primorsk in the last 30 years. The CHP plant will cut coal pollution in the Pacific Ocean port of Vladivostok and reduce greenhouse gas emissions by 700,000 tonnes of CO2 a year. The EBRD's 12-year loan to Joint Stock Company "Energy System of East" (ESV) is guaranteed by ESV's parent company RusHydro, one of the world's largest hydro power generating companies. The Project is co-financed by the European Investment Bank and is the first transaction done under the Rouble Funding Agreement between the EBRD and the EIB.

The citation for the Pawlowo award mentioned Grzegorz Zielinski, Rita Sa Couto, Adrian Goralski, Olivier Tricca, Tiphaine Sire, Robert Adamczyk and Daniele Quaggitto. For RusHydro, the citation named Petr Konstantinov, Sergey Gerasimov, Ioannis Papaioannou, Robert Adamczyk and Lars Jamten.

How to ensure sustainable finance?

OCE and LC2 event at Warsaw AM

OCE and EBRD's Local Currency & Capital Markets Initiative (LC2) teamed up with the Institute of International Finance (IIF) and the National Bank of Poland (NBP) to organise a one-day conference on current trends in banking and capital markets in the EBRD region as part of the Bank's Annual Meeting and Business Forum in Warsaw.



Commissioner Michel Barnier

The conference provided an opportunity to tackle some of the key questions facing policy-makers and regulators in the financial sector over the coming years including barriers to credit supply and how to tackle them and support SMEs and the knowledge economy; the implementation of the Banking Union and how to ensure economies outside the Eurozone benefit; establishing diversified funding sources; and designing infrastructure financing projects to overcome the limitations of small and segmented domestic capital markets.

The event attracted a large number of high-level participants ranging from representatives of commercial banks, central banks, IFIs, European institutions, regulatory and supervisory bodies, law firms and senior government officials.

Supporting SMEs and innovation

Suma opened the event by speaking of the potential opportunities for the financial sector to boost economic growth globally.



The Cross-Border Banking panel

Transforming Bank Business Models in

Support of SMEs and Innovation, the first session of the day, was moderated by Philip Reading (Oesterreichische Nationalbank). Hung Tran (IIF) presented its SME survey undertaken with Booz Allen on how to restore financing and growth to Europe's SMEs.

Neeltje van Horen (De Nederlandsche Bank) presented on 'Bank lending techniques and SME lending' (based on our Bank Environment Perception Survey (BEPS)). She argued that, despite several policy initiatives, further structural solutions are needed to provide a long-term answer and protect SMEs from the cyclicity in credit.

Examples of these solutions include incentivising firms and banks to seek long-term banking relationships.

Ralph De Haas (EBRD) asked the question “Can banks help firms to innovate?” Using evidence from Russia, Ralph showed that firms with easier access to bank credit are more likely to innovate and introduce more new products and processes. This work will also be developed further as part of the 2014 Transition Report.

Cross-border banking

The second session, Creating a Financial Architecture Supporting Cross-Border Banking, focused on the evolving global regulatory framework, particularly the Banking Union, as well as the Vienna Initiative’s role in further influencing cross-border deleveraging and shaping the evolving



Cristian Popa of the National Bank of Romania

Banking Union framework. The topic was introduced in a special address by EU

Commissioner Michel Barnier who spoke passionately about cross-border banking and of the Banking Union as one of the most important reforms of recent years, highlighting in particular the Vienna Initiative 2 as an important element of the emerging financial architecture in Europe.

The Commissioner’s address was followed by a lively panel moderated by Ralph Atkins (FT). The Benoît Cœuré (ECB), Adam Farkas (EBA), Mateusz Morawiecki (Bank Zachodni WBK, Santander Group) and Cristian Popa (National Bank of Romania). The main discussion was about whether we have too much or too little cross-border banking in central Europe.

The overall conclusion was that this question could not be answered without a discussion of the appropriate growth models for the economies in the region and an understanding of what regulatory and supervisory framework can be established. The discussion ended on a positive note with the panellists speaking of their optimism for the future, but some expressed concerns for future hurdles such as the implementation of the framework and the individual role of the macro policies of each country.

At the working lunch Marek Belka, President of the National Bank of Poland, gave the keynote speech on ‘A new normal for the financial market in the CESEE after the crisis’. Governor Belka spoke of the need for banks in the CESEE region to support the long-term growth of the economies in which they operate, calling on the financial sector and the authorities to play an even more innovative role in ensuring the forging and maintaining of sustainable economies.

Capital markets in transition economies

The afternoon sessions, focusing on capital markets, were opened by EBRD Vice-President and CFO Manfred Schepers. The speakers debated how to grow sustainable

capital markets in transition economies, focusing on two building-blocks: (i) the role of stock exchanges in contributing to future economic growth, and (ii) ways to promote the development of more complex financial instruments, such as covered bonds and asset-backed securities.

The first panel was chaired by Richard Hopkin (Association for Financial Markets in Europe) and concluded that structured products, although controversial owing to their contribution to the financial crisis, have recently regained popularity. Richard Kemmish, CEO of Richard Kemmish Consulting Limited, observed: “The covered bond is a brand that has not defaulted for the past 240 years and therefore offers investors some protection; securitisation, on the other hand, is just a technique”.

The discussion then focused on the on-going regulatory developments (Basel III and Solvency 2) and their impact on both covered bonds and asset-backed securities. Finally, Jakub Papierski (PKO Bank Polski) referred to the still nascent Polish covered bond market) and commented on the on-going efforts by the Ministry of Finance and EBRD to improve legal and regulatory framework for these assets.

Integrating exchanges

“On- or off-exchange” was the second question of the afternoon discussed by a panel representing an issuer and investor (PKN Orlen from Poland), the post-trade infrastructure (Euroclear) and three stock exchanges from the EBRD region: Borsa Istanbul, and the Warsaw and Zagreb Stock Exchanges. The discussion focused on the integration of exchanges and relevant markets. The Zagreb Stock Exchange presented an integration project with the Macedonian and Bulgarian exchanges on which it is cooperating with the EBRD. Speakers addressed the future of stock exchanges and market infrastructure, specifically whether integration will be vertical or horizontal. Some investors prefer the vertical model which, like a “McDrive”, allows security purchase, settlement, clearing and other related services to take place over one platform.

The closing remarks were delivered by LC2 Director André Küüsvek who concluded that the EBRD can make a significant contribution to the sustainable development of constantly e panel consisted of Erik Berglöf (EBRD), Klemens Breuer (Raiffeisen Bank International), evolving banking and capital markets in the EBRD region.

UPCOMING EVENTS

PROFESSIONAL

Following Chris Cviić: Ethics and Reconstruction from 'the Balkans' to Ukraine

Thursday 26 June, 5.30pm, EBRD London HQ

Annual Chris Cviić Memorial Lecture which this year will be given by Professor of International Peace and Security from King's College London, James Gow. The lecture will be followed by a Q+A session and then a reception in the coffee bar area. [More](#)

Deadline for registrations 25 June 2014. Please email alumniE@ebrd.com to register.

Launch of the IEMed Mediterranean Yearbook 2013

Thursday 3 July, 4.30pm,. EBRD London HQ

A discussion of the major challenges facing the SEMED region (Egypt, Jordan, Morocco, and Tunisia) followed by Q&A and reception. [Read more](#) (pdf)

To register for any of the events, please email alumniE@ebrd.com with your full name. Should you wish to bring a guest, please also send us their full name. Please note that all attendees must bring a form of identification to obtain a pass.

Coming soon: While all our events are currently based in London, we are looking to extend our geographical reach and open professional and cultural events to alumni in our countries of operations and other regions.

CULTURAL

Concert with Tuvan throat singer Radik Tyulush and folk musician Lu Edmonds, in association with DASH Arts

Thursday 10 July, 6.45pm (reception from 17:30)

The Baltic All Stars Jazz Concert

Thursday 25 September

Details forthcoming in our next newsletters

Exhibition of Bulgarian artist Greddy Assa

Thursday 9 October

Details forthcoming in our next newsletters

The Hidden Gems of Belarus, art exhibition and concert

Thursday 20 November

Details forthcoming in our next newsletters