ANNUAL REPORT 2011

European Bank
for Reconstruction and Development

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USING THIS REPORT

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Information online

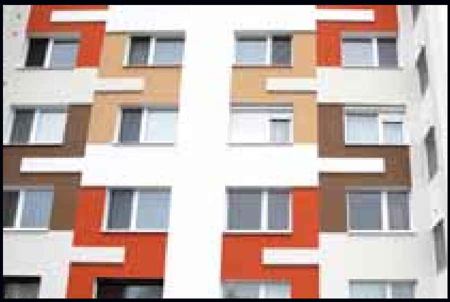
Information within the report or another EBRD publication

View this report online:
www.ebrd.com/annualreport

The EBRD is changing people's lives and environments from central Europe to central Asia. Working together with the private sector, we invest in projects, engage in policy dialogue and provide technical assistance that builds sustainable and open-market economies. In 2011 the Bank began laying the foundations for the expansion of its operations to the southern and eastern Mediterranean (SEMED) region.

HIGHLIGHTS OF 2011

JANUARY



The EBRD supports private companies and housing associations in the Slovak Republic in their drive to improve energy efficiency with a €15 million loan to UniCredit Bank Slovakia to finance sustainable energy projects.

FEBRUARY

The EBRD and Russia's state-owned development bank, Vnesheconombank, agree up to US$ 1 billion (€772.6 million equivalent) in financing for projects prioritising energy efficiency, transport, small and medium-sized enterprises (SMEs) and commercial innovation in Russia.

MARCH

The Bank signs a MoU with the EIB and the EC.

The Bank signs a Memorandum of Understanding with the European Investment Bank (EIB) and the European Commission to help foster stronger cooperation between the three organisations in their activities outside the EU region.

JULY

A record number of projects is signed in the first six months of 2011.

The EBRD finances 161 projects in the first six months of 2011, a record number for the first half of any year in the Bank's 20-year history and a clear indication of the strong demand for EBRD funding throughout its 29 countries of operations.

AUGUST

The EBRD agrees a US$ 60 million (€46.4 million equivalent) loan to major Ukrainian agribusiness group, Astarta. Helping the company expand beyond its traditional markets, the project reflects the Bank's commitment to reducing food prices by boosting agricultural output.

SEPTEMBER

Helping issuing banks meet international best practice standards in trade finance, the EBRD and the International Chamber of Commerce launch the second phase of their pioneering e-learning programme. Financed by the EBRD Shareholder Special Fund, 70 banks across eastern Europe and central Asia have now taken part since the launch of Phase I in May 2010.

APRIL

The EBRD oversees an additional commitment of €550 million from the international community for the clean-up of the Chernobyl nuclear power plant. These pledges will provide essential replenishment to the Chernobyl Shelter Fund and the Nuclear Safety Account.

MAY

Supporting Markets – Asia Meets Europe is the theme for the EBRD's 20th Annual Meeting in Astana, Kazakhstan. A local school receives a grant of €160,000 to increase its energy efficiency and offset the carbon footprint of the event.

JUNE

Funding under the EBRD's Sustainable Energy Financing Facilities (SEFFs) programme reaches €1.8 billion. This key Bank initiative is now estimated to be cutting CO_2 emissions by more than two million tonnes a year.

OCTOBER

The Board of Governors, as the EBRD's leading authority, gives unanimous support for an expansion of the Bank's geographic mandate to allow investment in the southern and eastern Mediterranean (SEMED) region. Responding to calls from the international community, and the region itself, the Bank will foster economic and democratic change in an area undergoing dramatic transformation.

NOVEMBER

This year's Transition Report, "Crisis and *Transition: The People's Perspective*", launched by the EBRD's Office of the Chief Economist, focuses on understanding the 2008-10 crisis and its longer-term implications from the perspective of households and individuals.

DECEMBER

Jordan and Tunisia become members of the EBRD.

Jordan and Tunisia become members of the EBRD, joining Egypt and Morocco as shareholders in the SEMED region. The EBRD has the capacity to invest up to €2.5 billion a year in this new locale, with the creation of special funds to facilitate the start of operations expected in 2012.

The *Annual Report 2011* provides a comprehensive overview of the Bank's activities across all sectors in its region of operations over the past year. It features sectoral summaries of activities, key facts and figures on investments and information on the Bank's organisation and staffing. A complete list of all projects signed by the Bank since 1991 can be found on the EBRD's web site at **www.ebrd.com**.

EBRD COMMITMENTS IN 2011[1] (€ MILLION)

CENTRAL EUROPE AND THE BALTIC STATES

	2011	2010	Cumulative 1991–2011
Croatia	158	386	2,619
Czech Republic[2]	0	0	1,136
Estonia	20	8	539
Hungary	124	178	2,599
Latvia	19	104	581
Lithuania	2	99	600
Poland	891	643	5,445
Slovak Republic	68	63	1,614
Slovenia	103	3	739
Total	**1,385**	**1,485**	**15,871**

SOUTH-EASTERN EUROPE

	2011	2010	Cumulative 1991–2011
Albania	96	75	665
Bosnia and Herzegovina	94	190	1,389
Bulgaria	92	546	2,450
FYR Macedonia	220	44	950
Montenegro	43	135	283
Romania	449	593	5,558
Serbia	533	598	2,939
Total	**1,527**	**2,182**	**14,234**

EASTERN EUROPE AND THE CAUCASUS[3]

	2011	2010	Cumulative 1991–2011
Armenia	93	53	516
Azerbaijan	289	59	1,503
Belarus	194	60	839
Georgia	187	349	1,612
Moldova	69	97	633
Ukraine	1,019	952	7,512
Total	**1,851**	**1,570**	**12,616**

CENTRAL ASIA

	2011	2010	Cumulative 1991–2011
Kazakhstan	289	668	4,377
Kyrgyz Republic	66	86	405
Mongolia	62	185	364
Tajikistan	28	22	247
Turkmenistan	23	6	162
Uzbekistan	3	4	755
Total	**470**	**970**	**6,309**

RUSSIA

	2011	2010	Cumulative 1991–2011
Russia	2,928	2,309	20,581
Total	**2,928**	**2,309**	**20,581**

TURKEY

	2011	2010	Cumulative 2009–2011
Turkey	890	494	1,535
Total	**890**	**494**	**1,535**

[1] "Commitments" signifies EBRD financing committed under signed agreements.
[2] Since 2008 the EBRD has not made any new investments in the Czech Republic.
[3] Formerly Western CIS and the Caucasus.

Note: Financing for regional projects has been allocated to the relevant countries.

EBRD COUNTRIES OF OPERATIONS

Central Europe and the Baltic states
01 Croatia
02 Czech Republic
03 Estonia
04 Hungary
05 Latvia
06 Lithuania
07 Poland
08 Slovak Republic
09 Slovenia

South-eastern Europe
10 Albania
11 Bosnia and Herzegovina
12 Bulgaria
13 FYR Macedonia
14 Romania
15 Montenegro
16 Serbia

Eastern Europe and the Caucasus
17 Armenia
18 Azerbaijan
19 Belarus
20 Georgia
21 Moldova
22 Ukraine

Central Asia
23 Kazakhstan
24 Kyrgyz Republic
25 Mongolia
26 Tajikistan
27 Turkmenistan
28 Uzbekistan

Russia
29

Turkey
30

PROSPECTIVE COUNTRIES OF OPERATIONS

Southern and eastern Mediterranean
31 Egypt
32 Jordan
33 Morocco
34 Tunisia

In 2011 the EBRD launched donor-funded activities in the southern and eastern Mediterranean (SEMED) region, in support of the countries which are undergoing important political and economic reforms.

Note: As of the end of 2007, the EBRD no longer makes investments in the Czech Republic.

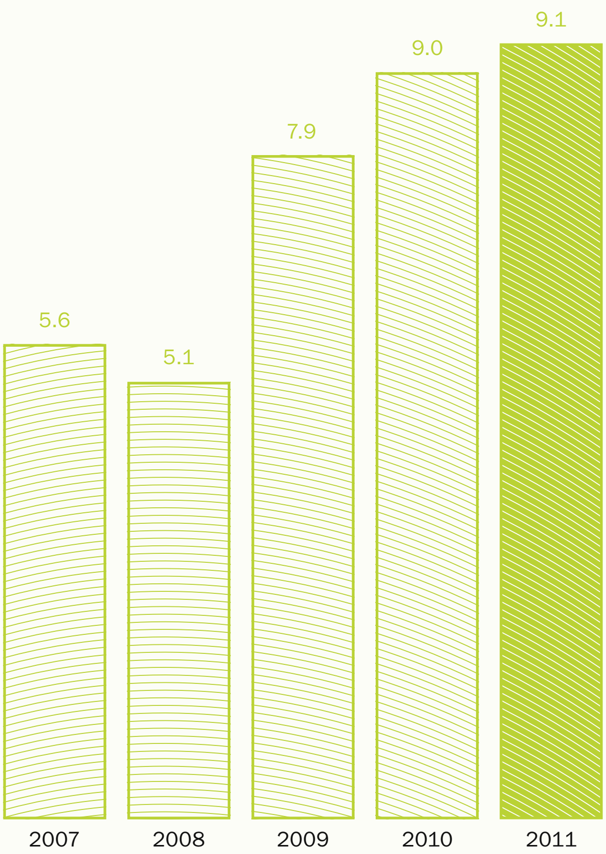
2011 IN IMAGES


2311


МАРКЕТ

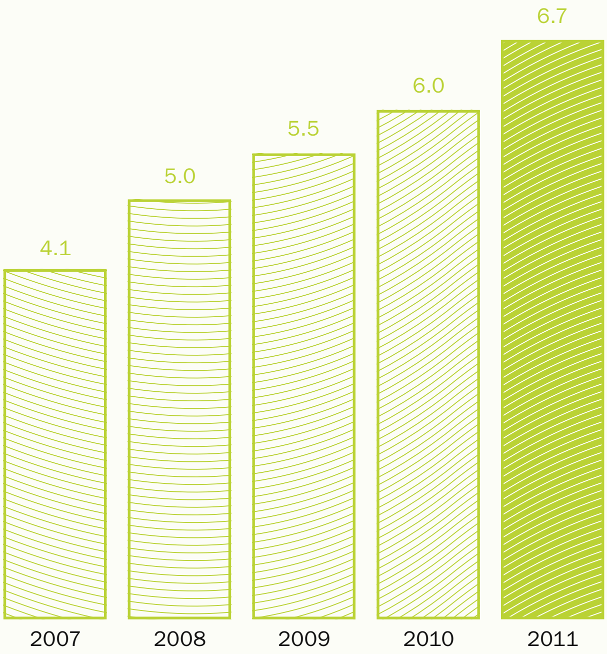
2011 IN NUMBERS
(€ BILLION)

EBRD COMMITMENTS 2007-11[4]



9.1
€ BILLION

GROSS ANNUAL DISBURSEMENTS 2007-11



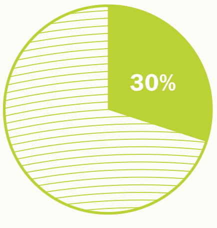
6.7
€ BILLION

[4] "Commitments" signifies EBRD financing committed under signed agreements.

For further details on EBRD gross annual disbursements between 2007-11, visit: www.ebrd.com.

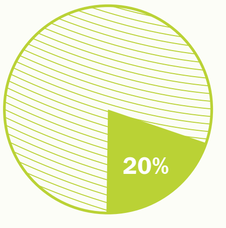
EBRD COMMITMENTS BY SECTOR 2011

CORPORATE



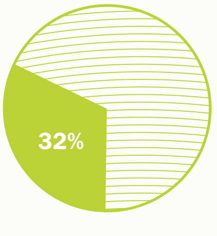
Agribusiness, manufacturing and services, property and tourism and telecommunications.

ENERGY



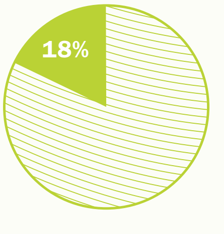
Natural resources and the power sector.

FINANCIAL INSTITUTIONS



Investments in micro, small and medium-sized enterprises via financial intermediaries.

INFRASTRUCTURE



Municipal environmental infrastructure and transport.

ANNUAL INVESTMENTS 2007-11

	2011	2010	2009	2008	2007	Cumulative 1991–2011
Number of projects	380	386	311	302	353	3,374
Annual business volume (€ million)[5]	9,051	9,009	7,861	5,087	5,583	71,147
Non-EBRD finance (€ million)[6]	20,802	13,174	10,353	8,372	8,617	138,605
Total project value[5]	**29,479**	**22,039**	**18,087**	**12,889**	**13,809**	**210,665**

380

NUMBER OF PROJECTS

FINANCIAL RESULTS 2007-11 (€ MILLION)

	2011	2010	2009	2008	2007
Realised profit for the year before impairment[6]	866	927	849	849	973
Net (loss)/profit for the year before transfers of net income approved by the Board of Governors	173	1,377	(746)	(602)	1,884
Transfers of net income approved by the Board of Governors	–	(150)	(165)	(115)	–
Net (loss)/profit for the year after transfers of net income approved by the Board of Governors	–	1,227	(911)	(717)	1,884
Paid-in capital	6,199	6,197	5,198	5,198	5,198
Reserves and retained earnings	6,974	6,780	6,317	6,552	8,676
Total members' equity (€ million)	**13,173**	**12,977**	**11,515**	**11,750**	**13,874**

866

REALISED PROFIT FOR THE YEAR BEFORE IMPAIRMENT (€ MILLION)

For further information on the EBRD's financial results, refer to the *Financial Report 2011*.

[5] "Total project value" is the total amount of finance provided to a project, including both EBRD and non-EBRD finance, and is reported in the year in which the project first signs. EBRD financing may be committed over more than one year with "annual business volume" reflecting EBRD finance by year of commitment. The amount of finance to be provided by non-EBRD parties is reported in the year the project first signs.

[6] Realised profit is before unrealised fair value adjustments to share investments, provisions and other unrealised amounts.

PRESIDENT'S MESSAGE

A milestone was passed in 2011. The European Bank for Reconstruction and Development celebrated its 20th anniversary – two decades of helping countries through the challenging process of transition. But 2011 will also be recorded for another reason. It marked the start of a new chapter: the decision by our shareholders to expand the Bank's mandate and extend its work to the southern and eastern Mediterranean (SEMED) region. The EBRD is part of the international community's response to the winds of change which are blowing through the Arab world.

While developing the private sector economies of Egypt, Jordan, Morocco and Tunisia is an important new priority, the Bank is committed to continue its sustained engagement in the region in which it has operated since 1991. This vast area – stretching from south-eastern Europe, through central Europe, Russia and central Asia – remains, as much as ever, in need of the Bank's support.

The continuing economic crisis and volatility overshadowed 2011 and will remain with us for some time to come. Against this backdrop, the Bank maintained a record level of investment of over €9 billion. More than 77 per cent of this was in the private sector and the quality of the Bank's projects and its portfolio has remained consistently high in terms of both the measured transition impact and its financial performance. The Bank's ongoing role in supporting investment during the economic crisis is evident. The EBRD's portfolio grew to €35 billion in 2011, a huge increase on the 2008 figure of €22 billion.

In a challenging financial environment, the Bank's triple-A credit rating was confirmed, with a stable outlook, by the major rating agencies. The EBRD's capital strength, together with another year of profitability in 2011, means that the level of investment for the existing 29 countries of operations can be sustained in future, while ensuring that there are enough additional funds to allow us to invest in SEMED.

The EBRD is continuing to fully deliver on its strategic initiatives. Investments in the early transition countries and the Western Balkans grew by 66 per cent and 85 per cent, respectively, between 2008 and 2011. Financing under the Sustainable Energy Initiative more than doubled over the past three years, reaching €2.6 billion in 2011. It now accounts for close to one-third of the Bank's total volume. The Bank also launched, in collaboration with other international financial institutions (IFIs), a broad local currency and capital markets initiative. It seeks to limit systemic foreign exchange risks and excessive reliance on foreign capital. During 2011 the Bank also placed a new focus on the role that the private sector can play in food and water security.

Once again, in 2011 the basis for the EBRD's high performance was the quality and motivation of its staff, its modern, flexible and well-focused mandate, its private sector-oriented business model, and its financial strength. The challenge will be to ensure this continues in the ongoing crisis environment. In a rapidly changing global environment, the Bank itself will need to adapt further. However, the Arab uprising and the expansion of the Bank's mandate to the SEMED region have reminded us of the vigour and relevance of our role.

It is clear that the EBRD remains well positioned to continue fulfilling its mandate of building well-functioning market economies in countries committed to the principles of multi-party democracy and pluralism.

Thomas Mirow

President, European Bank for Reconstruction and Development

2011 marked the start of a new chapter for the EBRD.

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OPERATIONAL RESULTS

The EBRD delivered another very strong operational performance in 2011, despite economic uncertainty and volatility. The goal was to provide support to a continuing delicate recovery in much of the EBRD region, albeit one which came under increasing pressure as the eurozone crisis deepened, with the potential for contagion to some of the Bank's 29 countries of operations and the wider global economy. The economic context of the Bank's activities was challenging and complex. Yet, despite this, the EBRD pursued and delivered its strategic initiatives.

The Bank set a new record for its annual business volume, investing €9.05 billion in 2011, an increase on the 2010 level. The number of operations was comparable with the previous year, reaching 380. In the meantime focus was maintained on the transition impact of activities. The Bank put the emphasis on quality rather than the quantity of business. A measure of how that emphasis meets the Bank's mandate is that the private sector share of annual business volume was 77 per cent in 2011, which was a rise on 2010's 74 per cent figure. The high private sector commitment is yet another sign of the EBRD's commitment to fostering open market economies and the growth of small and medium-sized enterprises (SMEs).

Once again, in 2011 the EBRD extended efforts on several strategic initiatives. They are designed to deepen and widen its activities in lesser-developed countries, as well as pursuing the challenges of increased energy security and energy efficiency which can contribute to stronger productivity and economic growth.

Evidence of the success of these strategic initiatives is reflected in these figures. The number of operations signed in the early transition countries (ETCs) has increased by 4 per cent, in 2011, to 120. Investments rose by 10 per cent on the 2010 level to just over €1 billion.

In the Western Balkans, the number of operations remained high at 65. The business volume was close to €1 billion.

It was another successful year for the Bank's Sustainable Energy Initiative (SEI). The initiative addresses the challenges of climate change and energy efficiency by integrating them into all operations as a central component and competence of the Bank. SEI is a vital part of the Bank's medium-term strategy. It was agreed in 2009 by the Board of Governors and was later approved as a core sector of activity in the fourth Capital Resources Review. During 2011 SEI investments were around €2.6 billion, up from €2.1 billion in 2010. SEI investments accounted for 29 per cent of the Bank's annual business volume in 2011. These investments were made in the third and final stage of SEI Phase 2. The Phase 3 of this highly successful initiative will be launched in 2012. SEI fits into the Bank's key objective of promoting economic competitiveness and growth which needs to be based on a low-carbon foundation.

In 2011 there was excellent investment performance in Russia. The business volume rose by 27 per cent on the 2010 level. In 2011 investments reached €2.9 billion, compared with €2.3 billion in the previous year. The Russia share of the Bank's total annual business volume reached 32 per cent.

Elsewhere, the geographical composition of business volume in 2011 shows that there was a 17 per cent share of business volume in south-eastern Europe, a 20 per cent share in the eastern Europe and Caucasus region and a 5 per cent share in Central Asia. The relatively low share in Central Asia reflects the very challenging conditions in that region.

The sector composition of business volume in 2011 was 30 per cent in the corporate sector, 32 per cent in the financial sector, 20 per cent in the energy sector and 18 per cent in the infrastructure sector. This will be examined in greater detail later in this overview, as well as in further chapters of the *Annual Report 2011*.

During the year there was strong demand for trade finance, as the region's economic recovery continued and as funding from other sources tightened. The total 2011 turnover was around a record €1.03 billion, a 33 per cent increase on 2010.

In 2011 the EBRD set a new record for its annual business volume, investing €9.05 billion.

In addition to the €9.05 billion of EBRD project finance, €20.8 billion of non-EBRD project finance was provided by co-financiers or third parties; a ratio of 2.3 for every euro of EBRD finance.

The Bank's portfolio is around €35 billion, compared with 30.7 billion in 2010. This is a 13 per cent increase. At the same time, the total project value in 2011 was around €25 billion, up 16 per cent on the 2010 level.

The strong figures reflect the EBRD's ongoing commitment to achieving its goals and supporting the region to withstand and manage turbulent economic times.

FINANCIAL RESULTS

2011 saw the EBRD make a profit, amid turbulent and demanding market conditions. The Bank had a financial accounting net profit of €173 million. The net realised profit was €866 million, down 7 per cent on 2010 but it was nonetheless a significant achievement given the market volatility and economic uncertainty.

The equity portfolio remains above cost and banking loan-impaired assets, at 3 per cent, remain low.

Before transfers approved by the Board of Governors, the EBRD will record a net income of €552 million. The Bank recorded a full-year net income of €342 million after a €190 million transfer to Chernobyl projects and a €20 million transfer to Technical Cooperation Funds for the southern and eastern Mediterranean region (SEMED) expansion (explored in greater detail in this overview).

Overall, the Bank's reserves increased to €7.0 billion at the end of 2011, reflecting the net profit for the year. Unrestricted general reserves increased from €3.8 billion in 2010 to €4.1 billion in 2011.

This financial robustness is underlined by the reaffirmation of the Bank's "AAA" rating and stable outlook from all three major international credit rating agencies.

MANDATE EXPANSION TO SOUTHERN AND EASTERN MEDITERRANEAN

During 2011 the Bank began laying the foundations for the expansion of its operations to the southern and eastern Mediterranean (SEMED) region. This is part of the international community's support for the emerging Arab democracies. At the end of 2011, Jordan and Tunisia became new EBRD members, joining existing regional shareholders, Egypt and Morocco, in seeking to benefit from EBRD assistance. During 2012 the Bank will implement its expansion and initiate its investments in the SEMED region, subject to shareholders' ratification. The Bank has already started some technical activities in the region, in preparation for the expansion. Much of the focus of investment will be on the development of SMEs in the region, a driver of job creation, entrepreneurship and growth.

In September, President Thomas Mirow attended a meeting of G-8 Finance Ministers in France that also brought together the heads of other international financial institutions (IFIs) as well as senior representatives from Egypt, Jordan, Morocco and Tunisia. These four countries are members of the Deauville Partnership that was launched in May under the French Presidency of the G-8 in response to the events of the Arab uprising.

The IFIs strongly endorsed the economic framework of the Deauville Partnership, which they noted was tailored to support the economic programmes of individual countries. At the same time they announced the creation of a Deauville Partnership coordination platform that would facilitate information sharing, organise monitoring and identify opportunities for collaboration on financing, technical assistance, and policy and analytical work. In preparation for future engagement in the new region, the EBRD concluded Memorandums of Understanding with the African Development Bank and the Islamic Development Bank in Marseille, outlining how the institutions would cooperate in the region in the future.

It began laying foundations for expanding operations to the southern and eastern Mediterranean.

CROSS-INSTITUTIONAL COLLABORATION

In March 2011 the EBRD signed a Memorandum of Understanding with the European Investment Bank (EIB) and the European Commission to help foster stronger cooperation between the three organisations in their activities outside the EU region. Such coordination aims to optimise the impact of both banks' operations for beneficiary countries and shareholders alike. The emphasis is on how these three institutions cooperate in common countries of interest (for example, central and eastern Europe, and the Eastern Partnership countries).

In December, the EBRD and four other multilateral development banks – the African Development Bank, Asian Development Bank, Inter-American Development Bank, and the World Bank – agreed a new partnership to help combat global warming. Working together to develop common tools and metrics for analysis, the banks agreed an annual commitment of US$ 8.4 billion (€6.5 billion equivalent) for cities adapting to, and mitigating against, climate change.

SECTORS

Financial institutions

Under difficult and rapidly changing economic circumstances, the EBRD's role in the financial sector remains key. Most of the region's economies are affected by the aftermath of the 2008 crisis and the Bank aims to bring well-designed financing to the real economy through its operations in the financial sector.

During 2011 the Bank signed new business in this sector worth €2.9 billion, covering 24 countries. There was increased activity in the ETCs. The Bank financed 52 transactions, for €200 million and the Trade Facilitation Programme (TFP) handled 960 transactions worth €378 million in the ETC region, a doubling of the 2010 investment in the region.

The financial sector portfolio grew by 12 per cent to €9.5 billion and operating assets grew by 20 per cent to €8.2 billion. Policy dialogue with governments, regulatory authorities and other IFIs continued to be a vital aspect of project facilitation, especially in the current financial environment.

Progress was made on the Bank's Local Currency and Local Capital Markets Development Initiative, in cooperation with other IFIs. Its creation followed the global financial crisis which revealed vulnerabilities among the economies of the EBRD region. In 2011 the EBRD placed a greater emphasis on the ETC Local Currency Lending Programme, signing 18 transactions worth €73 million in local currency loans with financial intermediaries in Armenia, Georgia, the Kyrgyz Republic, Moldova and Tajikistan.

The banking sector faced further severe challenges in 2011. The EBRD assisted by providing stable sources of funding through programmes related to trade finance and micro, small and medium-sized enterprise (MSME) and energy efficiency lending. It continued to support banks through equity investment. By doing so, the EBRD can influence business strategy and strengthen corporate governance. During the year, €177 million was committed to five banks in Russia, Serbia and Ukraine. The Bank also completed eight full divestments from banks and pension funds and two partial exits from investments in banks.

The EBRD currently has investments of over €1.4 billion in 52 universal banks and 9 microfinance banks, in 26 countries of operations.

Climate change and sustainable energy

The EBRD's Sustainable Energy Initiative (SEI) had its strongest year since its inception, achieving €2.6 billion of investment, with a total project value of €15 billion. This will lead to the annual reduction of 8.3 million tonnes of CO_2 emissions. It will also save 2.4 million tonnes of oil equivalent consumption of energy. SEI investments now account for 29 per cent of the Bank's total business volume.

Investing in sustainable energy does not merely have an impact on climate change mitigation. It also brings significant economic benefits to the EBRD region. It enhances the competitiveness of companies by cutting their energy costs and it enhances the security of energy supplies by reducing a country's vulnerability to supply shocks.

The EBRD's Sustainable Energy Initiative had its strongest year since its inception, achieving €2.6 billion of investment.

The Bank provided record support to the power sector, funding 26 projects across 18 countries for a total of €1.2 billion.

One of the most important tools used by the SEI are the Sustainable Energy Financing Facilities (SEFF) which enables a swift response in delivering funds across a range of sectors of the economy. These credit lines, working through partner banks, can enable small amounts of funding to be given to individual projects.

As part of the SEI, important pilot projects have also been initiated to deal with adaptation to climate change. These projects demonstrate how the EBRD can build climate resilience into its investments.

The second stage of the SEI is now drawing to a close. The third stage of SEI to be launched in 2012 will build on this highly successful area of Bank activity. Climate change remains a major global concern and the EBRD's efforts in this area are set to intensify in the years ahead.

Power

The power sector is a long-term, capital-intensive business which affects every part of the economy. The challenges were evident in 2011. But the EBRD was able to play an important role, not least in a global financial system where the availability of capital is constrained.

The Bank provided record support to the power sector, funding 26 projects across 18 countries for a total of €1.2 billion. In 2011 the role of clean generation was dominant.

The support of renewable energy is a major area of the EBRD's activity, and in 2011 it accounted for nearly 70 per cent of the Bank's power transactions. Investment in hydropower grew as an important source of renewable energy in many EBRD countries of operations. The Bank provided financing for five large projects in Croatia, FYR Macedonia, Georgia, Romania and Ukraine. The Bank has continued working through the successful Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDFF) launched in 2009 and due to be extended in the course of 2012.

The EBRD will continue to work to promote reform and development in the power sector. The aim is to further the transition to a liberalised, market-based system that fosters private sector participation in a well-regulated environment.

Natural resources

Many countries in the EBRD region have large reserves of natural resources and the Bank continued to focus on improved environmental, social and corporate governance, as well as enhanced energy efficiency and energy security in the sector. The Bank's focus, as with many of its activities, was also on countering the impact of market turbulence.

Natural resources companies experienced high commodity prices in 2011 but they have not been immune to the financial crisis. Support from the EBRD has prevented clients from postponing critical investment and from compromising on the environmental and energy efficiency standards of their investments.

During the year, the EBRD signed a record number of 17 transactions. The overall volume amounted to some €571 million euros in debt and equity investments. The countries that benefited included Kazakhstan, the Kyrgyz Republic, Mongolia, Poland, Russia, Serbia and Ukraine. One of the most important transactions was a €250 million loan to PKN Orlen, the leading Polish oil refining and retail group. It will finance significant improvements at a heat and power plant, reducing pollution. Although Poland is an advanced transition country, it remains one of the most energy-intensive economies, with an energy sector in need of investment and upgrading. This project with PK Orlen is the Bank's first in the Polish natural resources sector.

Infrastructure and transport

Investment in infrastructure and transport remains an important means of improving transition economies. Both in the municipal and environmental infrastructure (MEI) sector and in transport investment, the EBRD proved effective during 2011.

For details on the impact of the EBRD's investments on the lives and environments of people in the region, refer to the *Sustainability Report 2011*.

MEI investments hit another record level in 2011, with a business volume of €596 million and 35 projects signed. The business volume and the number of operations have more than doubled since 2008. Through these investments, the EBRD supports local governments or private water operators in the delivery of essential urban services, especially in water and wastewater, public transport, urban roads and lighting.

Among the highlights of 2011 were the development of innovative products and success in policy dialogue, including the reform of the Ukrainian budget code to allow municipal finance. There were a number of environmentally friendly projects such as a large-scale framework operation in Romania to co-finance EU funds, as well as multiple green urban transport projects. In 2011 urban transport represented the majority of investments in MEI. Most were focused on low-carbon transport that used modern technology.

Good transport remains fundamental to economic growth and well-functioning markets, and therefore is a crucial part of fulfilling the Bank's mandate. The EBRD provided in excess of €1 billion to support the development of safe and efficient transport networks for the third consecutive year.

Sustainability is at the forefront of the EBRD's transport business. Among the investments in 2011 was a €155 million equivalent participation in a Russian Railways bond issue. This will fund part of the company's substantial energy efficiency and railway station modernisation programme. The Bank continued to provide major support to road investment in the EBRD region. The enhancement of regional integration is a prime motivation.

For both the MEI and transport investments, the Bank's donor community provides important underpinning. Among other things, donor partnerships allow the Bank to support clients who are devising long-term sustainable transport plans.

Industry, commerce and agribusiness

The Bank's industry, commerce and agribusiness (ICA) investments are wide-ranging and at the cutting edge of the EBRD's activities in the real economy. In 2011 these investments accounted for more than 30 per cent of the Bank's annual business volume and more than 35 per cent of the number of operations. In total, the Bank committed some €2.7 billion through 134 projects, a €400 million increase on 2010.

During 2011 donors contributed an unprecedented €434 million.

Food prices remain high on the global agenda and the Bank is continuing to respond to the challenge with its agribusiness investments. The EBRD's credit has continued to flow to the agribusiness sector during difficult times and now accounts for an historically high share of the Bank's investment. During 2011 some 55 projects were spread through 21 countries ranging from central Europe to central Asia. Some 40 per cent of projects were in early transition countries. The EBRD/World Bank *Life in Transition* Survey (2011) demonstrated that many people in the EBRD region are spending less on food during this economic crisis. As a result, the Bank has launched its Private Food Security Initiative, together with the Food and Agriculture Organization (FAO). The aim is to forge a joint response, bringing together the private and public sectors, to food shortages. The initiative also reaches out to the EBRD's new SEMED region.

The challenging fundraising environment has not held back the EBRD's equity funds. The Bank has the largest private equity fund investment programme dedicated to central and eastern Europe and central Asia. In 2011, it committed €409 million to 10 private equity funds. Emphasis was again placed on those countries with higher transition gaps, such as Mongolia, where private equity is less developed.

Many countries in the region consider that building the knowledge economy is one way to revitalise their economies as a whole. The EBRD's activities in the information and communication technologies (ICT) sector has declined in recent years but in 2011 the Bank re-assessed its approach to fostering the knowledge economy. As a result of this re-evaluation, there was an unprecedented level of activity in the ICT sector in 2011, with a record €311 million in commitments for 12 projects across the region. A key initiative was a €100 million Venture Capital Investment Programme (VCIP) which is designed to remedy the scarcity of venture capital in the region.

Manufacturing and services form part of the backbone of the real economy, and assistance in the current economic uncertainty is more welcome than ever. The EBRD's involvement in manufacturing and services remains strong: in 2011, the EBRD invested €914 million in the sector. A total of 47 projects were financed, ranging from €1 million to €150 million, covering such areas as metals, capital and intermediate goods, automotives, forest products, construction and materials, chemicals, health care, pharmaceuticals and a host of other industries.

The global financial crisis and political uncertainty continued to have a severe impact on the property and tourism sector. However, in 2011 the EBRD committed €157 million to property and tourism projects, 10 of which were financed in the real estate sector. The Bank also continued to support the development of mid-range quality hotels with local sponsors and reputable international operators. Among the agreed investments was the Hotel Crna Gora, in Montenegro. The EBRD will make it a priority to fund viable projects whose development has been interrupted by a withdrawal of financing, thus restoring liquidity to the region's markets.

2011 also heralded the arrival of the Small Business Support Team (formerly the TurnAround Management/ Business Advisory Services or TAM/BAS team). TurnAround Management was re-branded as the Enterprise Growth Programme. The name change did not distract the EBRD from helping companies to grow and achieve their potential. Some €23.9 million was raised from donors for several new initiatives and ongoing programmes in the Bank's existing and new regions. During these difficult times, helping small companies to progress remains a crucial part of the EBRD's role.

ENVIRONMENTAL AND SOCIAL DEVELOPMENT

Nuclear safety

The 25th anniversary of the Chernobyl nuclear accident was marked in 2011 and was an important landmark in the history of the Bank's activities in nuclear safety. A great deal of effort was exerted by the international community in closing the funding gap for the EBRD-managed Chernobyl projects.

A pledging conference in Kiev raised the €740 million target required for completion of the project. While the lion's share of this amount was once more provided by the G-8 countries, it would not have been possible without the decision by the Bank's shareholders to dedicate part of the EBRD's 2010 net income – namely €190 million – to the effort. This brought the Bank's overall commitment to €325 million and means that the EBRD is now the third-largest donor to the Chernobyl programme. These projects include the Shelter Fund – the construction of the New Safe Confinement to enclose Chernobyl's reactor 4, destroyed by the 1986 accident and hastily covered by a temporary shelter. Completion is foreseen in late 2015.

Donor-funded activities and official co-financing

Donor funding is an important part of the Bank's drive to improve economic opportunities. It is vital to the EBRD's work in the least-advanced countries where basic services such as water, roads and public transport suffer from years of under-investment. The EBRD and donors are addressing the economic challenges faced by business throughout the region, as well as focusing on climate change adaptation, sustainable energy, gender equality and job creation.

For a full account of the impact of donor funding across all sectors of the EBRD's operations, refer to the *Donor Report 2012*.

During 2011 donors contributed an unprecedented €434 million. Such funding, the largest received by the EBRD in a single year, allowed the Bank to launch its first activities in the SEMED region. Another notable highlight is the donor funding that is being used in Central Asia to improve water and wastewater services in 15 cities. After years of under-investment, most of Tajikistan's population, for example, cannot rely on an efficient water supply. The EBRD and donors have invested over €43 million into the Tajik water sector in the past six years. Such projects are only made possible because of donor involvement through investment grants and technical cooperation funding.

ASSESSMENT AND EVALUATION

The EBRD's work is subject to various forms of scrutiny and analysis. The Bank also assesses developments in its countries of operations. This requires a great deal of external and internal examination and dialogue.

Civil society

The EBRD places great emphasis on engaging with civil society and continued to carry out that dialogue during 2011. The Bank strengthened its consultations for the country strategy preparation process, by organising workshops in two of its countries of operations – Bulgaria and the Kyrgyz Republic. Civil society engagement has also formed part of the Bank's preparations for expansion into the SEMED region. Senior bank officials held discussions with civil society stakeholders on the ground in Egypt, Morocco and Tunisia.

Democratic reform

Progress on democratic reform was mixed in 2011. The move towards the consistent application of democratic principles has advanced more in some countries than in others. Over the past year, indicators of corruption suggest a worsening of the problem throughout the EBRD region.

Freedom of media in the region is being boosted by the increase in the use of social media and the internet. However, some countries are trying to counteract that with increased controls on the media.

The impact of the global economic crisis on democracy can be seen in the more hard-hit countries, where social tensions have increased. Voters have turned to nationalist and populist parties that favour more government interference in the economy and preferences for democratic rule have weakened.

Economic reform

Economic reform is an essential component of the transition from centrally planned to open, market-based economies.

In 2011 progress in reform was limited as countries had to cope with a difficult external environment, especially in the second half of the year. Nevertheless, some important reforms continued, especially in competition policy, commercialisation of infrastructure and development of capital and private equity markets. However, there have been some reverses in a couple of countries in the areas of price liberalisation and access to foreign exchange. The EBRD assesses the progress of transition in the region on an ongoing basis. For further information on this analysis, refer to the *Transition Report 2011*.

Legal reform

During the year the Bank's Legal Transition Programme focused on the strengthening of public institutions and the consolidation of the fragile recovery process in the transition countries.

Considerable effort was also focused on the legal aspects of developing local capital markets and the Bank's Local Currency Initiative. Studies were undertaken in several countries and these will underpin policy dialogue with governments during 2012.

The first steps have also been made to launch technical legal cooperation with the SEMED region. This has included discussions with the authorities in Egypt, Morocco and Tunisia.

Evaluation

The Evaluation department (EvD) provides an independent analysis of Bank operations, programmes, strategies and policies. The analysis is used to assess performance and the lessons learned inform the Bank's activities.

Aggregate results for the projects evaluated during 2011 will be presented in the forthcoming Annual Evaluation Overview Report 2011. While these results are not yet available, the department's work shows that overall ratings of "successful" or "highly successful" have been earned by 57 per cent of evaluated projects since 1996.

The scale and breadth of the EBRD's activities in 2011 are a clear sign that its efforts are intensifying and that as a Bank it is continuing to innovate. The challenges for 2012 will be just as great in an economic environment that remains demanding. The start of increased activity in the SEMED region will also be an opportunity for the Bank to demonstrate the many tools at its disposal for supporting and improving private sector development – tools which have been tried, tested and have proven effective in its existing countries of operations.

02: FINANCIAL SECTOR

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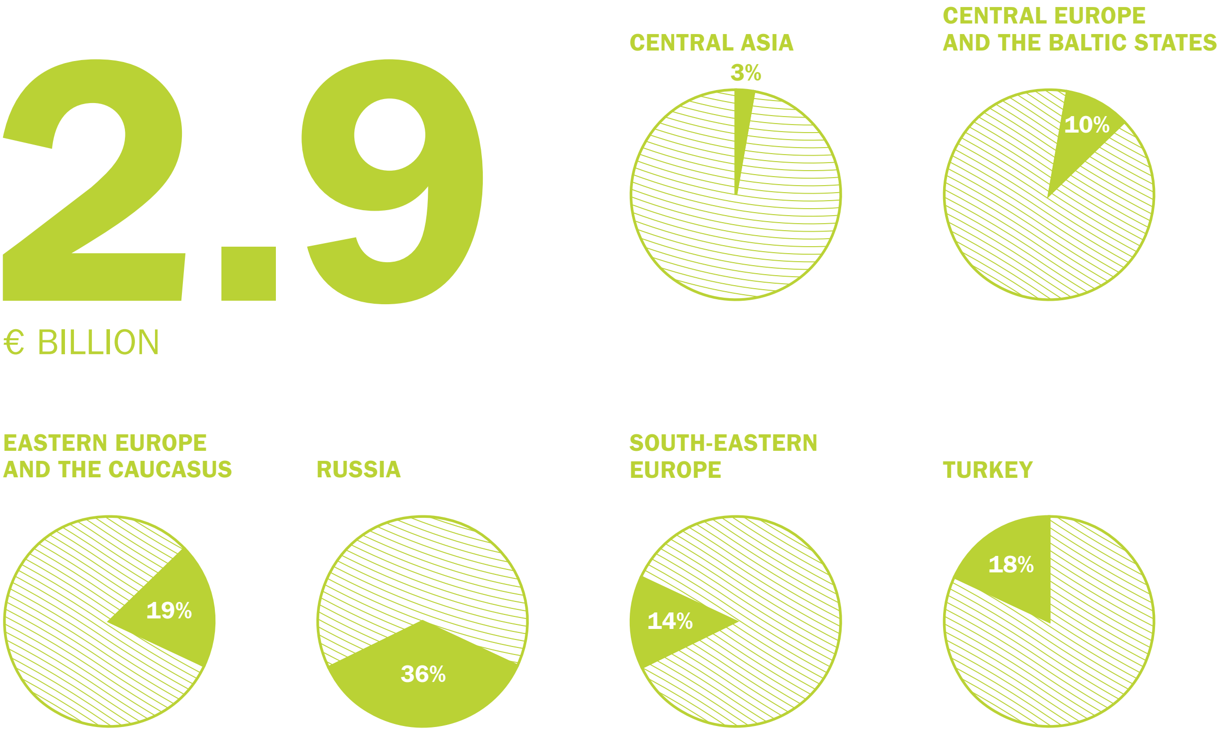
The EBRD's financial sector activity remains a key building block for sustainable transition, delivering a wide variety of products, in what remain difficult times and rapidly changing circumstances. While macroeconomic weaknesses from the 2008 crisis have continued to affect almost all of the region's economies, the Bank continues to focus on bringing consistent, well-designed financing to the real economy through its operations in the financial sector.

In 2011 the Bank signed new business in the financial sector worth €2.9 billion covering 24 countries. There was increased activity in the early transition countries (ETC) region[7] as business conditions gradually improved. The Bank financed 52 deals for over €200 million and the Trade Facilitation Programme (TFP) handled 960 transactions worth €378 million in the region; double the 2010 figure. Business grew strongly in Turkey and Russia.

Priority was given to key strategic lending programmes for energy efficiency and micro, small and medium-sized enterprises (MSMEs), delivering projects through an extended network of financial intermediaries. It was a record year for TFP in terms of both business volume and number of transactions. This resulted from a recovery of trade activity, which the reduced availability of trade finance from private sector banks struggled to meet. The Bank expanded its equity portfolio by making new investments in five banks and three non-bank financial institutions in Russia, Serbia, Turkey and Ukraine.

The financial sector portfolio grew by 12 per cent to €9.5 billion and operating assets grew by 20 per cent to €8.2 billion.

Chart 2.1: Annual business volume by sub region (2011)[7]



[7] The early transition countries are the Bank's countries of operations which still face the most significant transition challenges. They are: Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan and Uzbekistan.

Chart 2.2: Annual business volume by product (2011)

Policy dialogue with governments, regulatory authorities and other international financial institutions (IFIs) continued to be a vital aspect of project facilitation, especially in the current financial environment. The EBRD has taken a project-linked approach to policy dialogue. The main themes of activity have been:

- supporting local currency financial market development in both south-eastern Europe (SEE) and the ETC regions
- strengthening the SME legal framework in various ETCs and SEE
- financial inclusion
- strengthening the safety net of banking systems especially in Central Asia.

LOCAL CURRENCY AND LOCAL CAPITAL MARKETS DEVELOPMENT INITIATIVE

The global financial crisis revealed a number of vulnerabilities among the economies of the EBRD region. The main causes were:

- macroeconomic policies
- lack of confidence in domestic currencies and institutions
- underdeveloped domestic financial markets.

In response, the EBRD in cooperation with other IFIs, launched the Local Currency and Local Capital Markets Development Initiative in 2010.

Supporting the policy dialogue process for local currency capital market development, the EBRD has increased its emphasis on local currency lending through the ETC Local Currency Lending Programme, approved in 2011. This programme utilises donor funds for risk sharing, allowing the EBRD to support private sector development by extending local currency-denominated loans at more competitive rates. During 2011 the Bank signed 18 transactions worth €73 million in local currency loans with financial intermediaries in Armenia, Georgia, the Kyrgyz Republic, Moldova and Tajikistan.

Local currency financing
In June 2011 the EBRD signed its first local currency loan in Tajikistan. The credit line for US$ 3 million equivalent in Tajik somoni (€2.3 million equivalent) was provided to the leading micro-lending organisation, Imon International. This project is part of the new Local Currency Lending Programme in ETCs.

The EBRD provided 17 local currency loans for a range of financing purposes including MSMEs, consumer lending and leasing in Russian roubles, Kazakhstan tenge, Polish zloty and Turkish lira from funding directly raised by the Bank. In addition, the EBRD provided 30 loans to financial institutions in seven early transition countries via utilisation of the Currency Exchange Fund (TCX) in which the EBRD invests.

The Bank also continued to respond to the currency mismatch issues faced by some financial institutions, by providing a series of cross-currency swaps with Hungarian and Polish financial institutions. These currency swap mechanisms allowed client banks to better match the currency and terms of their assets and liabilities.

BANKING

The banking sector started to recover in 2011, but has been confronted by new challenges from the sovereign debt problems in the eurozone. This has brought the challenges of building sustainable local funding bases into sharper focus, given the increased pressure to deleverage faced by many of the European banking groups operating in the EBRD countries of operations.

The EBRD has been helping to fill the gaps in a number of areas by providing stable sources of funding both in foreign and local currency through key programmes, such as trade finance, MSME and energy efficiency lending, which promote partner bank engagement with under-served customers and segments.

During 2011 the Bank signed 18 transactions worth €73 million in local currency loans.

The Partnership for Growth project with Société Générale in Serbia represents a new, more strategic approach to developing and managing relationships with banking groups in the region.

Financial package for Société Générale Srbija
The EBRD and Société Générale Srbija (SGS) have joined efforts to boost the flow of credit to the country's real economy sector with a €160 million financing package for on-lending to Serbian businesses and individual consumers. The financing package includes a €150 million loan designed to support Société Générale Srbija's growth strategy in the next three years as well as a further €10 million SME Competitiveness Credit Line. The proceeds of the loans will support Société Générale Srbija's strategic objectives to increase lending to SMEs, further expand its retail banking services and branch network, as well as helping increase local currency lending.

TRADE FINANCE

The EBRD's Trade Facilitation Programme (TFP) guarantees trade transactions to stimulate import and export trade. It also provides short-term loans to selected banks and factoring companies for on-lending to local exporters, importers and distributors of imported products.

In 2011 the demand for the EBRD's TFP continued to grow as a result of increasing trade business and limited alternative sources of finance. In total the EBRD financed a record 1,616 trade transactions across 16 countries worth over €1 billion in trade (in 2010 the figure was 1,274 trade transactions worth €774 million). There was a significant increase in priority areas such as ETC, which accounted for nearly 60 per cent of transactions and support for intra-regional trade, with 363 transactions in 2011.

The increases in the number of transactions and greater utilisation of limits illustrate that trade has recovered in many countries of operations and client banks are more willing to take on new business for their local exporters and importers. However, for small and medium-sized banks in the region and banks in ETCs, the TFP is often the only source of financing for their international trade finance business.

E-learning school in trade finance

To ensure lasting transition impact and skills transfer to the TFP's issuing banks, in 2010 the Bank launched its e-learning school in trade finance. Financed by the EBRD Shareholder Special Fund, the online programme was extended in 2011 and now offers seven modules with basic and advanced trade finance subjects as well as a module dedicated to the environmental and social issues in trade, with content fully approved by the International Chamber of Commerce (ICC). The programme already includes over 300 students from more than 83 banks in 17 countries. Expansion of this programme to include issuing banks in the southern and eastern Mediterranean (SEMED) region will be one of the Bank's first activities in that region. This project is an efficient and progressive tool which has a direct impact on the quality standards of trade transactions and, as a consequence, the sector's development in the region.

ENERGY EFFICIENCY

A core component of the EBRD's Sustainable Energy Initiative (SEI), is the Sustainable Energy Financing Facility (SEFF), a dedicated credit line to local financial institutions for financing sustainable energy investment projects. Building on the EBRD's relationship with local financial institutions and making use of the latter's established distribution networks and credit discipline, SEFF has proven to be an effective financing mechanism for small energy efficiency projects and renewable energy investment by bundling technical assistance, funding, market/distribution channels and financial incentives into one structure.

Growth in energy efficiency lending through the SEFF model continued through 2011 with new credit lines worth €518 million provided to 26 banks in 12 countries. These dedicated credit lines extend finance to energy efficiency projects in the corporate, industrial, municipal and residential sectors or for small-scale renewable energy generation projects. In some cases, the lines are directing financing to projects undertaken by SMEs. Recent SEFF frameworks also support the development of local manufacturers, suppliers and installers of energy efficiency and renewable energy equipment and technology to assist their activity in the local market.

In 2011, in addition to utilising already-approved frameworks, an extension to the Residential Energy Efficiency Credit Line in Bulgaria was made, focusing on multi-purpose apartment buildings. A new facility supporting the SME sector in Romania (RoSEFF) was also launched and a €300 million extension to the Mid-size Sustainable Energy Financing Facility (MidSEFF) for on-lending to the private sector for investments in renewable energy, industrial energy efficiency and waste-to-energy projects was also approved.

Currently there are SEFF frameworks operating in 15 countries. By the end of 2011 the EBRD had provided loans to 67 partner banks which had on-lent to sub-borrowers supporting over 30,469 sustainable energy projects and produced projected lifetime energy savings of 74,071,604 MWh and projected emission reductions of 29,682,488 tonnes equivalent.

SYNDICATION

The EBRD completed eight syndicated transactions with financial institutions in Armenia, the Kyrgyz Republic, Romania, Russia and Tajikistan, as limited international appetite for syndicated debt returned. Of particular note is the project with Mol Bulak Finance, the first ever syndicated loan in the Kyrgyz Republic and provided in local currency. The Bank managed to secure participation of existing as well as new international private sector investors and encouraged credit flow to the partner institutions.

EQUITY INVESTMENTS IN BANKS

Equity investment continues to be a key tool used by the EBRD to promote transition. By supporting banks through equity investments, the Bank can influence business strategy, strengthen corporate governance and promote institution-building and best practice.

In 2011 the EBRD committed a total of €177 million to five banks in Russia, Serbia and Ukraine, and provided additional capital (€38 million) to nine existing investments in Albania, Bulgaria, FYR Macedonia, Kyrgyz Republic, Mongolia, Romania and Russia. In addition, the Bank provided Tier II instruments to two banks in Russia to strengthen their capital bases.

The Bank completed eight full divestments from banks and pension funds and two partial exits from investments in banks.

The EBRD currently has investments of over €1.4 billion in 52 universal banks and 9 microfinance banks across 26 countries of operations.

OTHER FINANCIAL SERVICES

A broad spectrum of projects was signed in 2011 for a total of €631 million.

There was a strong focus on leasing transactions, which broaden the availability of financing sources, particularly for SMEs who continued to experience a lack of access to funds. The EBRD signed nine leasing deals in five countries.

As an illustration of the increased economic confidence in Russia, the Bank provided two financial intermediaries with local currency loans for prudent consumer lending, particularly in the Russian regions.

In 2011 the demand for the EBRD's TFP continued to grow as a result of increasing trade business and limited alternative sources of finance.

The EBRD has long recognised the importance of supporting those vehicles that encourage and facilitate domestic savings and investment, such as insurance companies. The Bank made a new equity investment in OJSC Insurance Company Universalna in Ukraine and provided additional investment (debt and equity) to insurance companies in Russia and Ukraine. Expanding its client base, the Bank also made a commitment to an independent pension fund in Russia and an asset management company in Turkey.

LBT Varlık Yönetim AS
In 2011 the Bank provided 100 million Turkish lira (€40 million equivalent) in equity and debt financing to one of the top two non-performing loans (NPL) asset management companies in Turkey: LBT Varlık Yönetim. The company is licensed to acquire NPLs from banks and other financial institutions in the country. The operation will enable LBT Varlık Yönetim to further expand its non-performing loan purchases from financial institutions in Turkey, which would contribute to a stronger and more efficient non-performing loans market and facilitate new lending to the real economy.

SUPPORT FOR MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES

The EBRD has a long history of support for micro, small and medium-sized enterprises (MSMEs) in its countries of operations. Small businesses are a vital contributor to economic growth as they provide important sources of entrepreneurship, innovation and job creation. They require reliable access to funds from the formal financial sector. However, despite many private financial institutions entering this market segment and building institutional capacity for on-lending to small borrowers, access to credit for MSMEs has suffered as financial intermediaries have restricted their lending in response to pressures on their balance sheets. Improving MSMEs' access to finance is a crucial aspect of the Bank's effort to provide sustainable sources of lending to the real economy.

Small and medium-sized enterprises

The provision of credit lines to local banks and leasing companies has been the main method that the EBRD has used to target finance to support small business. In 2011 the Bank continued to facilitate credit flow to SMEs by extending 49 credit lines for €547 million to the partner institutions across 18 countries of operations. Through these transactions, the Bank intends to increase the level of financial intermediation for financing SMEs, to broaden the geographic and sectoral coverage and to encourage female entrepreneurs.

During the year the EBRD established two new frameworks in Georgia and Turkey with specific focus on the agricultural sector. The Turkey Agribusiness SME Financing Facility (TurAFF) worth €200 million, complemented by a further €200 million co-financing facility for risk participation, is aimed at increasing access to medium- and long-term funds to SMEs in the agricultural sector, whereas a smaller-scale €40 million framework for Georgian Agricultural Finance Facility (GAFF) provides medium-term financing to the local institution for on-lending to farmers and MSMEs. The aim of the facility is to regenerate Georgia's agricultural sector through increased credit flow to this under-served sector and development of value chains.

TBC Bank (Georgia) SME Agricultural Loan
The Bank extended €10 million equivalent in local currency to TBC Bank Georgia under the GAFF. The credit line aims to support primary and secondary agricultural businesses. The project is complemented by the EU Neighbourhood Investment Facility (NIF) first loss facility and benefits from the EBRD's new Local Currency Lending Programme in ETCs as part of the Bank's drive to reduce foreign currency risk.

The Bank signed five transactions for €43 million with partner institutions in Croatia, Bosnia and Herzegovina and Serbia funded under the Private Sector Support Facility for Western Balkan countries. These operations are aimed to provide credit for SMEs to improve standards in the field of environmental protection, occupational health and safety and product quality and safety, with a view to attaining EU standards. The facility promotes the competitiveness and sustainability of SMEs in the new regulatory environment.

With the first signs of a return in demand for simplified and transparent forms of structured finance, the EBRD is supporting a number of capital market products, thus playing an important role in re-introducing these financing tools to the region. As part of this drive, in 2011 the Bank supported the continued flow of credit to SMEs in Turkey with an investment of 60 million Turkish lira (€24 million equivalent) in notes issued under Turkey's first asset-guaranteed bond programme, established by Sekerbank. Sekerbank is a growing bank with a large regional outreach focusing on micro and SME financing across 70 provinces in Turkey. This transaction represents an innovation in the Turkish capital markets, combining covered bond and securitisation techniques and attracting a mix of private and public investors in a local issuance.

The EBRD currently has SME projects in 25 countries, involving over 130 financial intermediaries.

Microfinance

The EBRD supports small businesses mainly by providing finance for on-lending through local partner banks and specialised microfinance institutions.

In 2011 the micro and small enterprises (MSE) portfolio of partner institutions returned to growth on the back of the recovering macroeconomic conditions – although growth rates differed from country to country and across the type of institution. Balance sheet shrinkage was reversed with gradual portfolio growth and some reduction in non-performing loans (NPLs). However, challenges remain with market uncertainties and a cautious lending approach.

In June 2011 the EBRD approved a 50 per cent funding increase for the Russia Small Business Fund.

The Bank maintained its support to microfinance operations in 2011, signing 46 projects for €266 million. Over half of the transactions completed during the year were in the ETCs and were mostly extended in local currency.

In June 2011 the EBRD approved a 50 per cent funding increase for its largest and oldest lending programme for micro and small businesses, the Russia Small Business Fund (RSBF), as well as an extension of the Fund's activities to the end of 2015. The RSBF allows repaid funds to be recycled, thus the EBRD can continue to make new transactions within the new limit of US$ 450 million (€347.7 million equivalent). This flagship EBRD programme has played a pivotal economic and social role in Russia over the last 16 years during which more than 600,000 loans were made to Russian micro and small business borrowers, disbursing a cumulative total of nearly US$ 9 billion (almost €7 billion equivalent) through participating partner institutions. Its new term will give the programme a chance to help bridge what, despite the RSBF's success, remains an enormous gap between supply and demand in terms of micro and small business lending in Russia. A new US$ 7.5 million (€5.8 million equivalent) RSBF technical cooperation programme was also approved to continue supporting RSBF partner financial institutions in their efforts to strengthen capacities to on-lend funds to small businesses and ensure the lasting legacy of RSBF operations overall.

The EBRD's MSE finance programmes are actively lending through 102 partner institutions in 22 countries, including 13 microfinance banks, 30 non-bank microfinance institutions and 59 universal banks, many of which have introduced MSE loan products as a result of the Bank's technical assistance and donor support. Extending the outreach of the programme is an integral component of enabling people and businesses outside the capital cities to have access to finance. Six new partner institutions from Georgia, Poland, Russia, Serbia and Turkey joined programmes in 2011.

Technical cooperation

The EBRD provided significant levels of targeted technical assistance to the financial sector to accompany investment activities. Technical cooperation (TC) projects continued to be tailored to the priorities of the Bank and the needs of clients across the countries of operations. It remains an important aspect of transition.

The focus of the majority of TC assignments continued to be on risk management, particularly client management and NPLs work-outs, institution-building, support for priority products such as energy efficiency and MSME lending and the regulatory environment.

In 2011 the EBRD provided TC funding for 86 consultancy contracts totalling €28 million, covering 22 countries of operations. In line with the policy regarding cost sharing of TC which was introduced in January 2011, discussions on cost sharing (including cash contributions) take place on all of the financial institutions group's TC projects.

In addition, grant funding was available in the form of incentive payments when additional support to raise awareness and help reduce investment barriers was needed for EBRD clients and their borrowers. Nearly €15 million was disbursed in performance fees and incentive payments to participating banks and sub-borrowers – notably for sustainable energy financing and SME finance facilities.

There was close cooperation between the EBRD and other IFIs on a number of projects including the Turkish Private Sector Facility and the Eastern Partnership SME Finance Facility in order to increase the scale and market impact of initiatives.

The Bank supported activities relating to financial infrastructure, such as credit bureaus (Ukraine), strengthening deposit insurance systems, reviewing microfinance legislation (Tajikistan and the Kyrgyz Republic) and financial supervisors (FYR Macedonia). It also embarked on assessing innovative ways to support financial intermediation and financial inclusion (such as regional mobile banking, cross-border peer-to-peer exchange and remittances in the ETC region).

03: CLIMATE CHANGE AND SUSTAINABLE ENERGY

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Climate change mitigation and sustainable energy are key tenets of the EBRD's strategy throughout its region of operations.

The EBRD's Sustainable Energy Initiative (SEI) aims to mitigate climate change and improve energy efficiency. In 2011 the Bank's SEI had its strongest year ever, achieving €2.6 billion of investment, with a total project value of €15 billion. This will result in 8.3 million tonnes of annual CO_2 emissions reductions and the saving of 2.4 million tonnes of oil equivalent in consumption of energy. SEI investments accounted for 29 per cent of the Bank's total annual business volume and were made across a broad range of sectors and countries.

SUSTAINABLE ENERGY INITIATIVE: RESULTS AND ACTIVITIES IN PHASE 2

2011 represented the final year of the SEI's Phase 2.[8] From the launch of the SEI in 2006 to the end of 2011, the EBRD's SEI financing reached €8.8 billion for a total project value of €47 billion. In the SEI2 period of 2009-11, financing was €6.1 billion (compared with an original upper target of €5.0 billion) and a total project value of €29.7 billion, exceeding the upper end of the SEI2 target range of €25.0 billion. This investment is anticipated to deliver a reduction of 25.6 million tonnes of CO_2 per year. About two-thirds of the SEI's Phase 2 investments are in the private sector.

As part of SEI2 the Bank focused its activities in three areas:

- **core**: large industry energy efficiency; sustainable energy financing facilities; cleaner energy supply; renewable energy; municipal infrastructure energy efficiency and support to carbon market development in the EBRD region
- **developmental**: energy efficiency of buildings; biomass energy; gas flaring reduction; transport energy efficiency and climate change adaptation
- **supportive**: technical assistance, policy dialogue, climate finance and new product development.

Throughout the course of the SEI, the trend has been positive, both in terms of overall volume invested and as a share of the EBRD's annual business volume (ABV). SEI financing doubled over the course of SEI2. The share of SEI investments continued to increase from 17 per cent during SEI1, to 23 per cent of total Bank financing during SEI2.

ADDRESSING CLIMATE CHANGE AND MITIGATING THE EFFECTS OF THE FINANCIAL CRISIS

Beyond the climate change mitigation impact, investment in sustainable energy has significant economic co-benefits in the region, also helping to mitigate the impact of the global financial crisis. These include:

- enhancing the competitiveness of enterprises by reducing resource input cost and increasing productivity
- improving the security of energy supply to reduce vulnerability to external supply shocks
- increasing labour demand in manual/medium-skilled sectors
- reducing energy expenditure of households, thereby increasing disposable income.

The EBRD is supporting the realisation of these benefits by combining its ability to invest with technical assistance and policy dialogue financed by donor contributions and the EBRD's own resources. This helps improve awareness and changes to the regulatory and legislative environment that will improve the long-term prospects of sustainable energy investments.

The EBRD's Sustainable Energy Initiative aims to mitigate climate change and improve energy efficiency.

[8] In 2012 the Bank will launch SEI3 covering the period 2012-14. This will expand on the targets set and results achieved in the SEI2, and will add new areas of investment, in particular adaptation and the expansion of carbon markets.

The most important tool for quickly increasing investment in sustainable energy in the region is the Sustainable Energy Financing Facility (SEFF).

Other benefits accrue from these investments. Most of the EBRD region is largely or completely dependent on imports for its gas supply for heating and industrial use. Reducing gas consumption therefore reduces external payments and the current account deficit. The same effect can be achieved by increasing the production of domestic energy sources, including renewable energy. For example, in Turkey, imports of energy account for 70 to 80 per cent of the current account deficit, which is now seen by the government as the most significant economic problem it faces. To help the government address this, the Bank, jointly with other international financial institutions (IFIs), is investing up to €2 billion in sustainable energy in a range of projects, including loans to financial institutions, windfarm developers and energy efficiency projects in industry, as well as equity investments in distribution networks. The Bank has effectively utilised donor funds from both bilateral and multilateral donors such as the European Union or the Clean Technology Fund to support the establishment of credit lines for small and medium-sized enterprise (SME) energy efficiency and renewables, and it has also invested heavily in large-scale renewables and industrial energy efficiency.

HOW THE BANK IS RESPONDING

The most important tool for quickly increasing investment in sustainable energy in the region is the Sustainable Energy Financing Facility, or SEFF, as it enables a quick response, delivering funds across a range of sectors. During 2011 a number of these facilities were rolled out in Armenia, Bulgaria, Moldova and Poland and SEFFs now operate through 54 banks in 16 countries. Each SEFF normally covers a specific sector, such as housing or SMEs.

A good example of this is in Bulgaria, where the EBRD rolled out a new credit line for buildings refurbishment. This is a labour-intensive process relying on local building companies to undertake a range of works. Material is often procured locally. Refurbishing a typical building requires about 22 months of labour and injects about €72,000 into the local economy. This €25 million facility will finance the refurbishment of 350 apartment buildings, each of which in turn benefits 40 apartments, or about 100 people. Donor funds required to support housing refurbishment range from 20 to 30 per cent of the investment volume, depending on the country. This pays for the necessary technical assistance and helps to overcome affordability gaps. Without this support, there would be insufficient capital and expertise to undertake such investments. In order to achieve long-term sustainability of the emerging market demand for buildings energy efficiency, further energy pricing and regulatory reforms will be required.

The barriers to achieving this transition remain stubbornly high, and arguably may have become more difficult to overcome due to the financial crisis. New funding support from the Energy Efficiency and Environment Partnership for Europe (E5P) is in particular focused on the buildings and heating sector in eastern Europe. Continued support by the Bank as well as by donors is vital to achieving the potential for energy savings in this sector.

DELIVERING CLIMATE FINANCE NOW

During the SEI2 period (that is, 2009-11), and in particular during 2010-11, the Bank contributed to the development of the multilateral global climate finance architecture, and successfully implemented facilities supported by international climate funds in Kazakhstan, Turkey and Ukraine.

In the absence of a global agreement on climate change that delivers functioning carbon markets in the region, additional support is required to enable countries to take action for both mitigation and adaptation. The EBRD has been instrumental in delivering this support to countries in the region. The EBRD's climate finance support ranged from technical assistance to governments and project developers, to blending climate finance with EBRD facilities in order to overcome barriers such as affordability or excessive risk perceptions by investors. Given the continued uncertainty regarding climate finance following the Durban Conference in December 2011 it is likely that the region will need further support in order to demonstrate the feasibility and economic performance of low-carbon investments and to prepare it for participation in global carbon markets.

A particularly interesting use of climate finance is the support of renewable energy in Ukraine. The Ukraine Sustainable Energy Direct Lending Facility (USELF), for example, made good progress throughout 2011 in bringing forward medium-sized renewable energy projects by smaller, less-sophisticated developers. This facility provides investment support from the Clean Technology Fund to bridge funding gaps and technical assistance to developers financed by the Global Environment Facility. The first project signings are expected in 2012.

CLIMATE CHANGE ADAPTATION

Climate change adaptation was introduced as an important new component of SEI2. Accordingly, a groundbreaking technical cooperation (TC) assignment was launched in 2009 to develop approaches for integrating climate risk management and adaptation into project appraisal and development.

These approaches have generated a pipeline of 16 pilot projects with total EBRD financing of €382 million. These pilot projects demonstrate how the Bank can build climate resilience into its investments through both "hard" adaptation measures (such as physical modifications and additional infrastructure/technology) and "soft" adaptation measures (for example, adaptive management such as improved flood or hydrological monitoring and emergency response plans).

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POWER AND ENERGY

The power sector is a nexus for many of the key themes in the EBRD's transition mandate. It is a long-term, capital-intensive business which affects every part of the economy and where public regulation is in constant engagement with private investors. It urgently requires a dramatic transformation to meet the challenges of greater efficiency and the shift to a low-carbon economy. These challenges came into ever starker focus in 2011. The immediate global economic difficulties drew attention to the need for competitiveness and efficiency throughout economies and the structural and institutional reshaping required to achieve this. At the same time, the long-term agenda of resource efficiency grew in prominence, cemented by the December 2011 global commitment in Durban to limit greenhouse gas (GHG) emissions. On the other hand, tensions in the world financial system demonstrated the serious constraints on the availability of capital, especially for an industry whose investment plans are measured in decades, not years.

In this context the EBRD surpassed its previous highest-ever support to the power sector by funding 26 projects, across 14 countries for a total of over €1.2 billion. While 2010 was a year in which funding for transmission and distribution networks was a particular focus, in 2011 the role of clean generation was dominant.

Sustainable hydropower development

In recent years the largest growth in renewable energy in the EBRD's region has been in wind power. In 2011, however, investment in hydropower really stepped up. Water is a well-established source of renewable energy and one that is particularly important in many of the EBRD's countries of operations. Importantly hydropower can often provide flexible, high-quality power and so is an ideal complement to other, intermittent renewable sources such as wind or solar photovoltaic. The International Energy Agency estimates that hydropower must grow globally by 25 per cent over the next decade to meet the universal aim of stabilising GHG emissions.

In line with this agenda the EBRD provided nearly half a billion euros of financing for five large hydropower projects in Croatia, FYR Macedonia, Georgia, Romania and Ukraine. These ranged from innovative greenfield projects to major refurbishments of established facilities. Of particular note was the €40 million of debt and equity financing provided to the 87 MW Paravani hydropower project in Georgia. This will be the first greenfield private generation project in the country, setting a template for other private investors to follow. It also forms a key part of the EBRD's long-term strategy in the Georgian power sector since it is intended specifically to exploit Georgia's abundant hydropower resources to ensure the country's own energy security while enabling it to also sell power to Turkey's growing economy, using a cross-border transmission line financed by the EBRD in 2010. This is a model for the type of cross-border cooperation and investment which allows cleaner, more efficient generation to flourish.

The global power sector is also moving away from an old model dominated by large, centralised generation towards a more diverse picture, characterised by a much wider range of generation sources, including greater local, distributed generation. The EBRD's 2010 investments in distribution networks were part of this trend and 2011 saw a further development, with six projects signed to finance the development of small (less than 10 MW) hydropower projects across the Balkans. These projects are typically less than 2 MW and can be developed quickly with low environmental impacts, often by local sponsors.

Through the Western Balkans Sustainable Energy Direct Financing Facility, launched in 2009, the EBRD has used a multi-faceted approach combining technical assistance for policy-makers, targeted grants, engineering support and tailored financing to launch this market. The programme is a great success and will be extended in the course of 2012 as momentum builds to exploit the region's considerable potential in this area.

Water is a well-established source of renewable energy and one that is particularly important in many of the EBRD's countries of operations.

Continued renewable energy development

Supporting the development of renewable energy is now a major area for the EBRD, which in 2011 accounted for nearly 70 per cent of its power transactions (including large hydropower). Of particular note was the further development of biomass through two very different projects. A €34 million loan provided to Graanul Invest, a private Estonian wood pellet producer, will fund the construction of two small combined heat and power plants in Estonia and Latvia, while a €80 million loan to the Patnow II power plant in Poland will finance the modernisation of this existing large lignite-fired plant to accommodate biomass. These two projects demonstrate the wide range of approaches that can, and need to be adopted to develop this area.

The EBRD also continued its now well-established financing for wind power, with investments totalling more than €90 million in this sector in 2011. For example, the EBRD financed the Pestera and Cernavoda wind farms, developed by Portugal's EDP Renováveis, which together will comprise 228 MW of capacity, roughly 40 per cent of Romania's total. They are also noteworthy as the first project-financed wind farms in the country, again providing a template for similar investments to follow.

Promoting sector reform and redevelopment

The EBRD's work in the power sector aims for transition to a liberalised, market-based system that fosters private sector participation in a well-regulated environment. This long-standing mandate is complemented by the more recent focus on sustainable energy. For example, in 2011 the EBRD provided a €50 million loan to CEZ Shpërndarje, the Albanian distribution company recently privatised to the Czech utility, CEZ. Support for the privatisation of a key utility is central to the EBRD's reform agenda which aims at unbundling and privatisation across the power sector. It also brings significant energy efficiency benefits as private sector management techniques and new capital bring down Albania's high level of network losses. A similar 2011 investment at an earlier stage of sector reform was a €7 million loan to Barki Tojik to refurbish the Tajik distribution network – the first EBRD power project in Tajikistan.

The EBRD's power projects in Kazakhstan similarly demonstrate the convergence of the transition and sustainable energy agendas. A €15 million loan to AES Sogrinsk will finance a private sector operator in modernising its existing coal-fired district heating systems. This investment will combine EBRD capital with private sector skills to transform ageing and polluting infrastructure. Importantly the capital investment will be implemented alongside operational and regulatory improvements in a holistic approach to ensure that the greatest benefit is achieved.

Supporting the development of renewable energy is now a major area for the EBRD: in 2011 it accounted for nearly 70 per cent of power transactions.

This transaction is also aligned with the EBRD's strategy to promote the development of local capital markets since it provides long-term financing in Kazakh tenge. Similarly the EBRD's investment in Russia's Federal Grid Company's July 2011 bond issue helped support this landmark transaction as the first Russian corporate bond to achieve a 10-year maturity. Strengthening local currency debt markets is a key part of the EBRD's response to the financial crisis, and the power sector, which typically contains some of the largest, best-rated issuers, is central to this effort. The Federal Grid Company will use the proceeds of the EBRD's purchase of its bonds to strengthen the backbone of the Russian electricity system. This is an area of longstanding focus for the EBRD, shown also in 2011 by a €125 million loan to the Kazakh transmission system operator KEGOC, to ensure the reliability of the power supply to Astana and the Akmola region.

Looking ahead

In the *Annual Report 2010*, the EBRD anticipated 2011's focus to be on renewable energy, especially biomass and small hydropower. At the beginning of 2012 the immediate global economic and financial perspectives remain very uncertain. But the long-term direction for the power sector is clear: the Durban Declaration affirms the primacy of a transition to a low-carbon economy, and in particular a low-carbon power sector; the strains on all economies confirm the importance of energy efficiency; and fiscal austerity means that leveraging private capital is essential for meeting the large investment needs. Looking ahead, therefore, the EBRD anticipates a continuing focus on renewables, building critical mass in established markets and spreading their reach to new markets, alongside sustained investment in rehabilitating networks and conventional generation. Market reforms and liberalisation across all segments of the power sector will remain central to facilitate this activity.

NATURAL RESOURCES

Natural resources is a vital sector for many transition countries. The Bank's operations in this sector encompass all upstream, midstream and downstream activities in the hydrocarbon and mining sectors.

As in previous years, in 2011 the EBRD continued its focus on the following critical issues: improved environmental, social, corporate governance, transparency standards, enhanced energy efficiency and energy security. Although still representing a smaller proportion of the natural resources portfolio, the EBRD has also continued expanding its involvement in the mining sector. The mining sector is a major contributor to economic growth in several of the EBRD's countries of operations, with many local communities often being entirely dependent on it for their livelihood. This applies particularly to countries such as Russia, Mongolia or the Kyrgyz Republic where mining is not only one of the main contributors to economic growth and fiscal revenues but also a major source of export revenues. In the last two decades, there have been major improvements in the global understanding of how mining operations can be run more responsibly and with more attention to sustainability issues. However, the Bank will continue to focus on significant transition challenges that still exist across several of its countries of operations, including promoting a balanced development of the sector with that of the wider economy, the needs of local communities and environmental and social considerations, the application of the newest technologies and of higher governance standards.

In addition, in 2011 the EBRD has again stepped forward to ease the pressure posed by financial market turbulence. While experiencing high commodity price levels, natural resources companies have not been immune to the economic crisis. EBRD financing has prevented natural resources clients from postponing critical investment plans and from compromising on the environmental and energy efficiency standards of their investments.

In 2011 the EBRD signed a record number of 17 transactions, with an overall volume amounting to approximately €571 million in debt and equity investments in countries such as Kazakhstan, the Kyrgyz Republic, Mongolia, Poland, Russia, Serbia and Ukraine. These results partly reflect the EBRD's support in these turbulent times to smaller, private companies operating in a still state-dominated sector, including a significant amount of equity investments.

Significant projects

The €250 million loan to PKN Orlen was a key transaction addressing energy security, energy efficiency and environmental concerns and was an EBRD "first" in the natural resources sector in Poland. Orlen is the country's leading oil refining and retail group and one of the leading integrated oil companies in central and eastern Europe. The deal will finance substantial environmental and energy efficiency improvements at one of its heat and power plants within its Plock refinery complex. The investment will bring about a significant reduction in sulphur dioxide and nitrogen compounds every year, speeding up PKN Orlen's compliance with EU environmental standards that come into effect in January 2016. Although Poland is an advanced transition country, it remains one of the most energy-intensive economies, with an energy sector which is badly in need of investment to upgrade its ageing energy infrastructure and reach its full potential. The loan is helping the company focus on an investment which should achieve quite significant energy efficiency and environmental improvements, notwithstanding the challenging financial markets.

Another significant energy efficiency project for the year was a €80 million loan to Elektroprivreda Srbije (EPS) of Serbia, financing a project to improve the efficiency of EPS's mining operations in the Kolubara coal basin and significantly enhance the quality and uniformity of the coal it delivers to its power stations. With the use of a more uniform lignite quality the project will result in greater efficiency and emission reductions at the Nikola Tesla power plant. The loan will also promote environmental advancements at the Kolubara mining basin.

In Ukraine, a country particularly vulnerable from an energy security point of view and whose natural resources sector is still very much state-dominated, the EBRD has been relatively active in 2011, supporting a number of private companies. The Bank provided a US$ 25 million (€19.3 million equivalent) loan to KUB-Gas, a private Ukrainian exploration and production company, to develop its onshore gas and condensate fields in the Lugansk region of eastern Ukraine in 2013. Through this project, the EBRD will support private sector investments, increasing Ukraine's energy security, enhancing private sector competition and contributing to setting higher standards for the industry in the country from a transparency, corporate governance and environmental standpoint.

In the state-dominated coal industry in Ukraine, the EBRD has supported the private sector by providing a US$ 36 million (€27.8 million equivalent) loan to Sadovaya Coal Recycling, to finance a coal recycling business to produce energy coal from waste dumps and tailing ponds in eastern Ukraine. The new recycling technology being developed will result in clear efficiency and environmental remediation benefits. The project will also mean improved transparency, as well as environmental and health and safety (EHS) standards which should have a positive demonstration effect on the Ukrainian coal sector.

In Ukraine's downstream sector, the EBRD supported the private company, Nadezdha, a Ukrainian wholesale and retail distributor of liquefied petroleum gas (LPG) and petroleum products, by providing a US$ 10 million (€7.7 million equivalent) loan to the company to finance its investment programme. This includes the acquisition, construction and modernisation of LPG and multi-product stations across the country. The support will also double the capacity of a Nadezdha LPG terminal, which is strategically located on the border of Ukraine and the EU Member States. Through this project, the EBRD is assisting the development and expansion of quality, independent retail providers of fuel and improving competition in the sector.

In other downstream activities in the sector, the EBRD also supported the Ukrainian company Galnaftogaz. The Bank provided the company with a corporate loan package of US$ 35 million (€27.0 million equivalent) and a US$ 30 million (€23.2 million equivalent) equity investment to finance: the company's network expansion in the central and northern regions of Ukraine over the next two years; the associated increase in working capital and some investment in energy efficiency; and to refinance a mezzanine debt at the company's holding level. This project will promote private sector development and increased competition in a sector that remains fragmented and where the seven leading participants control just under 50 per cent of the market (as measured by the number of petrol stations). The financing will also result in the introduction of a number of energy efficiency technologies, which will increase their market penetration in Ukraine and have a demonstration effect on the industry and in the setting of higher corporate governance and environmental standards.

Meanwhile, in the same sector in Mongolia, the EBRD has provided a US$ 40 million (nearly €31 million equivalent) loan to the Magnai Trade Group for the second stage of its development, funding the construction of new depot stores and the further expansion of its gas station network. Through this project, the Bank continues to promote private sector development in Mongolia, increased competition in the local petroleum sector and the further improvement of business, environmental health and safety (EHS) and corporate governance practices.

In the Russian gold mining sector, which is unconsolidated, with a large number of independent mining companies, the Bank has supported GV Gold, a medium-sized privately owned gold producer, with a US$ 36.8 million (€28.4 million equivalent) equity investment. This will finance the modernisation, expansion and further development of its gold mining operations in the Irkutsk region and the Republic of Sakha over the next few years. The EBRD's equity investment will also contribute to further improvement in the company's transparency, corporate governance and EHS standards and help GV Gold raise its profile and gain access to international capital markets.

Zhanros Drilling is a private oil drilling service company in Kazakhstan's Kyzyl Orda region. In 2011 the EBRD provided a five-year US$ 10 million (€7.7 million equivalent) corporate loan which will support the company's expansion, including financing the purchase of new high-technology drilling equipment to enable it to offer modern drilling services, which are currently scarce in that region. With the EBRD's support the company will introduce the best international EHS standards, enabling it to work with international oil and gas clients in the future.

The €250 million loan to PKN Orlen was a key transaction addressing energy security, energy efficiency and environmental concerns.

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INTRODUCTION

The EBRD financed €1.6 billion through 54 infrastructure projects in 2011. In doing so, the Bank succeeded in mobilising significant co-financing from development partners, including the European Union, which contributed almost €1.3 billion to joint projects with Structural and Cohesion Funds in Bulgaria, Poland and Romania. The Bank's successful collaboration with the European Investment Bank, as well as other national and international financial institutions (IFIs) continued during 2011, mobilising an additional €450 million for infrastructure projects across the region, making the EBRD a significant participant in responding to calls from the G-8 and G-20 for enhanced collaboration among IFIs.

During 2011 the infrastructure teams continued their efforts to focus financing solutions on private and sub-sovereign clients, reducing the contribution of sovereign and sovereign-guaranteed financing to the infrastructure team's overall business to 30 per cent in volume terms and to around 25 per cent in terms of the number of projects. Decentralised financing is an important and effective tool for the EBRD to support better service delivery, responsive management, accountability and cost control at a local and regional level.

As in previous years, the EBRD's ability to provide tailor-made funding solutions allowed the teams to support a large spectrum of clients, ranging from very small financings of €3 million to municipal clients in Central Asia and a private rail company in Serbia, to significant transactions with Russian Railways or the newly privatised ferry operator in Istanbul, Turkey, through senior loans, subordinated debt and equity investments.

The year 2011 also saw record engagement with investments that directly contribute to energy efficiency improvements of the Bank's clients' operations. During the year, a total of €470 million of new financing was dedicated to this purpose. This corresponds to an increase of 30 per cent over 2010 and reflects the desire of the EBRD and its clients to tackle excessive energy use not only in the context of climate change mitigation, but also as part of effective operating cost reductions that can be achieved, while providing better services.

MUNICIPAL AND ENVIRONMENTAL INFRASTRUCTURE

In the municipal and environmental infrastructure (MEI) sector, the EBRD supports local governments or private operators in the delivery of essential urban services, notably in water and wastewater, public transport, urban roads and lighting, solid waste management, district heating and energy efficiency.

Due to a legacy of under-investment and the sector's limited access to commercial bank finance, the EBRD's activities in MEI have had a succession of record-breaking years since 2008, culminating in 2011 with a business volume of €596 million and 35 transactions signed. This compares with €486 million for 32 operations in 2010, representing a business volume and number of operations that have more than doubled since 2008, when the financial and economic crisis started.

Key highlights of 2011

Some of the key highlights of 2011 include the development of innovative products (for example, an energy savings company for municipal infrastructure in Romania or a senior and junior syndicated financing for a large privatisation in Turkey); policy dialogue successes (such as a reform of the Ukrainian budget code to allow municipal finance); environmentally friendly investments (notably the large-scale roll-out of a framework operation in Romania to co-finance EU funds, as well as multiple green urban transport projects); or expanded support to small and medium-sized municipalities (with a new framework operation for the Kyrgyz Republic modelled on a successful programme implemented in Tajikistan). These efforts delivered a record number of nine projects involving EU cohesion funds, with €1.3 billion of grants mobilised, as well as increased activity in the early transition countries (ETCs) and the Western Balkans, with an unprecedented number of 14 projects signed in 2011.

Water and wastewater

In the water and wastewater sector, 17 projects were signed accounting for half the number of MEI operations in 2011. While these water deals represented only 31 per cent of business volume in the MEI sector they mobilised considerable grant co-financing, notably in Romania (where €642 million was mobilised in EU Cohesion Fund grants to bring into compliance with EU standards water and wastewater systems across seven counties); Russia (due to a Northern Dimension Environmental Partnership grant of €6.5 million for a project in Pskov near the Baltic Sea); and in the ETCs (with €23 million mobilised from the European Union, Switzerland and the Bank's Shareholder Special Fund to manage affordability constraints at five projects in Armenia, the Kyrgyz Republic and Tajikistan). These water projects, together with operations in the Russian and Turkish water sectors, will greatly contribute to water security across the region by improving resilience to climate change, cutting water leakage and reducing user consumption. The EBRD also tries to leverage private sector capital and know-how by supporting private operators such as Russia's Rosvodokanal (which benefited from a second loan from the Bank in 2011), or offering technical assistance to public utilities in arranging private sector outsourcing, or participation (for example, in Bodrum, Turkey, or with the regional water company around Lake Sevan, Armenia).

Urban transport
In urban transport, the EBRD remained focused on green investments that maximise energy efficiency or low-carbon transport. In 2011 urban transport represented the majority of MEI's investments with €357 million committed (representing 60 per cent of total commitments) across 13 operations. Most investments were focused on low-carbon transport through a mix of clean, modern technology – for example, the introduction of compressed natural gas buses in Gaziantep, Turkey or modern trolleybuses in Bishkek, Kyrgyz Republic; the modal switch from cars to mass public transport (with investments in Poland for the second metro line in Warsaw or in Turkey a light rail transit in Bursa and the expansion of the newly privatised ferry system in Istanbul); as well as traffic congestion management (including a traffic management project in Skopje, FYR Macedonia, and a ground-breaking parking public-private partnership (PPP) project in Wroclaw, Poland).

District heating and energy efficiency
In district heating and energy efficiency, five projects were signed by the Bank for €48 million committed. Each of these projects is particularly innovative: two loans relate to the yet-untouched Kazakh private sector (with CAEPCO in Petropavlovsk and Pavlodar); a project in Vologda, Russia, envisioning a holistic approach to promote demand-side measures at building level; the establishment of EnergoBit ESCO in Romania to invest in municipal energy infrastructure such as heating and lighting; and a project in Pljevlja, Montenegro, promoting renewable energy through the use of wood chips as fuel for a biomass boiler.

Small or remote municipalities
More generally, the MEI team's efforts towards small or remote municipalities have continued in close cooperation with the EU Investment Facility for Central Asia (IFCA), the Netherlands, the EBRD Shareholder Special Fund and Switzerland, with a view to promoting high standards despite specific challenges. A good example in 2011 is a €4 million solid waste management project in Khujand, Tajikistan, with a highly transitional agenda which intends to transform stakeholder behaviour through active engagement. Another is the replication in the Kyrgyz Republic of a successful model implemented by the EBRD in Tajikistan since 2009 to invest in water utilities in secondary cities; indeed a framework operation was approved for the Kyrgyz water sector in 2011 with the first two subprojects signed in Osh and Jalalabad and several other subprojects under preparation. Such projects across Central Asian countries with severe water resource challenges significantly contribute to improving water security and climate change resilience.

Donor cooperation
As before, donor generosity remains central to the Bank's operations in MEI. While most donors remain robust contributors, budget constraints will be a major challenge in the years to come and require a determined mobilisation effort. In 2011 the EBRD endeavoured to enhance the developmental impact of its projects by adding new features such as gender action plans, now rolled out with success across the region (notably in Armenia, Georgia, the Kyrgyz Republic, Romania, Turkey and Ukraine). The Bank seeks to attract new donors and in 2011 this resulted in a new partnership with Taipei China to introduce green technology in urban infrastructure with donor support. This resulted in the creation of the up to €80 million Green Energy Special Fund (GESF) offering loans improved by an incentive to Bank clients to allow them to opt for advanced, energy efficient technology despite higher upfront investment costs. The first such loan was signed in 2011 in Chisinau, Moldova, to rehabilitate the city's streets and upgrade public lighting with highly efficient LED technology. The loan was financed by a €1.4 million subsidised loan from the GESF.

TRANSPORT

For the third consecutive year, the EBRD provided in excess of €1 billion to support the development of safe and efficient transport networks, which are fundamental to economic growth and well-functioning markets. Throughout the year, the Bank focused on actively addressing the constraints on commercial activity and competitiveness caused by inadequate transport systems, supporting the private sector in particular as a provider of transport infrastructure and services, with non-sovereign projects accounting for 60 per cent of the Bank's financing in the road, rail, aviation, maritime and intermodal sectors. As well as debt financing, the EBRD provided equity financing alongside key local partners in the region and launched a second Infrastructure Fund, Meridiam, focused on investing in PPP projects in eastern Europe.

Key highlights of 2011

The EBRD's innovative targeting of investment in environmentally responsive and sustainable transport systems throughout the year ensured that sustainability was at the forefront of its transport business. Noteworthy successes included a €155 million (equivalent) participation in a Russian Railways bond issue to fund part of the company's substantial energy efficiency and railway station modernisation programmes; a €119 million loan to Rosmorport to implement its environmental investment programme; and a €77 million loan to FESCO to support implementation of the first stage of the modernisation of the Vladivostock seaport and development of an energy efficiency strategy. These flagship projects are expected to have tangible demonstration effects throughout the region.

Road

Regional integration was the focus of the Bank's support in the road sector, with €107 million provided to complete Corridor X in FYR Macedonia, a key trans-European network which will ensure stimulation of trade flows in the Western Balkans and beyond; €25 million allocated to the third phase of the Moldovan road rehabilitation programme to develop key transit routes in the country; and €35 million provided to fund the construction of the Fier bypass on the North-South corridor in Albania, which forms part of the Core Network of the Western Balkans. In the Brčko district of Bosnia and Herzegovina, the Bank provided €29 million to construct a bypass around the city centre to reduce congestion and provide a much-needed link along the east-west axis to boost the local economy.

Rail

Throughout 2011 the EBRD worked to achieve a balance between supporting public and private participants in the rail sector. While supporting reform through projects to state-owned companies such as RZD in Russia, the Bank has also encouraged competition through the provision of financing to Russian private rail leasing companies such as Brunswick Wagon Leasing (€46 million), Basis Leasing (€31 million) and Nurminen Logistics (€23 million). It also successfully closed its first private rail leasing deal in Ukraine, providing €35 million to Interleaseinvest. Furthermore, the Bank signed its first private sector transport project in Serbia, supporting a local joint-venture established by PORR of Austria, providing €3 million towards the construction of a pre-stressed concrete sleeper manufacturing plant, the first of its type in the country.

Maritime and intermodal

Supporting liberalised transport activities and privatisation, the EBRD engaged with those private sector entrants tapping into the growth potential in the maritime and intermodal sectors to remove capacity constraints and drive down supply chain costs. Vital support was provided to Russian shipping companies, including €15 million to the SVL Group for fleet expansion; and a €49 million equity contribution made to Globalports – a leading Russian port stevedoring operator. Support for intermodal operations came in the form of the EBRD's first transport project in Turkey, which provided €22 million to intermodal operator, ARKAS, and €16 million to Sea Brothers of Russia.

Aviation

In the aviation sector, the EBRD supported implementation of the European Single Sky programme by providing €47 million to Croatia Control to finance part of the company's modernisation programme to upgrade air traffic management systems in Croatia and ensure compliance with European standards.

Donor community

The generosity of the Bank's donor community underpins the ability to provide significant support to the transport sector, ensuring the successful delivery of key transport infrastructure projects and sector reform. The EBRD's donors provided total funding of €14 million during 2011 covering all subsectors and supporting 25 assignments. Just under half of the donor funds, €6.5 million, was dedicated to ensuring timely and successful physical implementation of the Bank's projects, supporting resource-constrained and inexperienced clients with complex public infrastructure projects of national, regional and/or international significance. In addition, donor funds were used to advance the commercialisation of transport activities, focusing on improving efficiency and financial sustainability at the sector level. Key restructuring support was provided for the unbundling of vertically integrated railway companies and the introduction of commercial practices such as medium-term business planning and corporate development strategies in the aviation sector. Donor funding has also allowed the EBRD to support its clients in introducing mitigation and adaptation measures, as well as to devise long-term sustainable transport plans.

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INTRODUCTION

The Bank seeks to support the real economy in its countries of operations, including the knowledge economy, with a focus on agribusiness, equity funds, information and communication technologies, manufacturing and services, property and tourism and small business support, to help diversification and promote growth and sustainable development.

One of the key priorities emerging from the Capital Resources Review 4 (CRR4) was to reinforce the Bank's engagement in assisting countries to diversify their economies. To achieve this the industry, commerce and agribusiness (ICA) business group was formed at the beginning of 2010 to consolidate the Bank's activities in the corporate sector which contribute to the growth of the real economy – agriculture, agribusiness and retail, industrial manufacturing and non-financial services, equity funds and venture capital, property and tourism, information and communication technologies (ICT), and small business support (formerly TAM/BAS). The 2011 ICA results demonstrate the logic and effectiveness of this approach. Consolidating the corporate sector into one group has enabled the Bank to have a strategic and integrated overview of work in those sectors.

Capitalising on the CRR4-recommended shift to the corporate sector, ICA accounted for more than 30 per cent of the EBRD's annual business volume and more than 35 per cent of the number of operations (including 42 per cent of ETC, 37 per cent of Western Balkans and 70 per cent of equity transactions) during 2011, with the Bank committing around €2.7 billion through 134 projects, €400 million more than in 2010.

The *agribusiness* team has delivered record-breaking commitments for the third year in a row, while at the same time contributing significantly to policy dialogue, leading the way in the area of the private sector and food security. The *equity funds* team is the largest private equity investor in the Bank's region, producing strong, consistent returns, and is viewed by many as the industry leader in terms of new regions, new products, structured terms and conditions and innovative initiatives. The *ICT* team was critical in helping the Bank articulate its thinking on how best to support the knowledge economy and innovation and 2011 has been the most successful year in terms of commitments at €311 million. The *manufacturing and services* team, like the ICA group, was only created in 2010, and is now operating as a fully functional team which produces projects to high standards and, as a result, has signed close to €1 billion in commitments. The *property and tourism* team has continued to deliver quality products in an extremely challenging environment and has been able to commercially syndicate many of its projects in a difficult market. The *Small Business Support* team (formerly TAM/BAS) has completed its restructuring and has been re-branded and is making a strong start in the southern and eastern Mediterranean (SEMED) region. *ICA Russia* has demonstrated the value of an integrated sector team, committing over €1 billion in Russia; this is another record figure.

ICA Russia has again proved its strength by exceeding the €1 billion mark for the first time in 2011 and developing a strong pipeline for 2012. The ICA Russia team participated in the Russian National Forestry Council and is leading technical assistance on foreign direct investment (FDI), corporate governance and the investment climate in the forestry industry. Several projects generated positive impressions. The RusVinyl transaction was awarded the European Petrochemical deal of 2011 by *Project Finance International* and the *Project Finance* magazine. Several innovative projects were pursued with Rusnano, including co-financing a flagship equity investment in a joint venture between Pilkington and a STiS for the production of energy-efficient glass. Lastly, ICA Russia's portfolio has fared extremely well, given the economic downturn; impaired assets stand at less than 2 per cent of the portfolio.

AGRIBUSINESS

In 2011 the Bank committed a record €945 million to the agribusiness sector via 55 transactions, resulting in a historically high share of the Bank's commitments. The Bank's credit continued to flow providing strong, continuous support to the agribusiness sector in difficult economic times. The projects committed in 2011 were spread across 21 countries, from central Europe to central Asia and varied in size between €0.2 million and €125 million. Continued emphasis was placed on those countries at the earlier stages of transition, in which close to 40 per cent of transactions were signed.

One of the highlights of the year was the EBRD's launch of its Private Sector for Food Security Initiative together with the Food and Agriculture Organization (FAO). The initiative builds on the Bank's experience in bringing together the private and public sectors across the Bank's region and places a stronger emphasis on the supply- and trade-side of the food equation than has been the case so far in the global response to food security.

The Bank is also co-chairing the newly established multilateral development banks (MDB) Working Group on Food and Water Security. As a result of this working group, the MDBs have intensified their collaboration and policy coordination through developing a joint action plan helping governments and the private sector to frame robust responses to emerging challenges and steadily worsening food and water security. The EBRD, through its participation in the initiative, aims to use its role to make the voice of the private sector heard and promote private sector investment in food production.

The EBRD has the largest private equity fund investment programme dedicated to central and eastern Europe and central Asia.

In Ukraine the Bank continued to successfully focus its policy dialogue efforts on the grain sector in 2011, as its efforts helped result in the Ukrainian government removing grain export quotas in the first instance, followed by grain export duties a few months later. This significant improvement in the investment climate in the sector was achieved through the EBRD and FAO facilitating better cooperation between the private and public sectors through a number of public/private roundtables and the formation of a Ukrainian Grain Sector Working Group that promotes transparent dialogue between the stakeholders in the grain sector.

In 2011 the Bank worked with a number of new, prominent clients such as Metro Group, John Deere and Olam, while providing much-valued support to its existing client base. Furthermore, 2011 saw the approval of the EBRD's new Agribusiness Sustainable Investment Facility, which underlines the Bank's approach to the promotion of sustainable investments. The facility builds on the Bank's success addressing energy efficiency in the agribusiness sector and widens this to include environmental and social investments. After only nine months since the facility was approved, three projects were signed in the farming, dairy and biogas spheres, respectively, with more expected to be signed in the first quarter of 2012.

The Bank's loans and investments in 2011 focused on supporting clients' expansion plans across the regional spectrum, including record commitment levels in the agribusiness sectors of Russia, central Asia as well as eastern Europe and the Caucasus. In the Western Balkans, the Bank committed a record €112 million (via 12 transactions), including supporting an important cross-regional acquisition by a Serbian company of a Slovenian fruit juice producer and a loan to MK Group in Serbia, the first international syndication by the Bank in Serbia since the onset of the financial crisis, as well as the first international financing of the primary agriculture and sugar processing sectors. Furthermore, the Bank organised conferences, including a seminar to raise awareness about financing opportunities for Albania's severely underdeveloped agribusiness sector and the second Western Balkans FMCG and Retail Arena, which attracted over 200 of the region's most influential agribusiness managers and shareholders.

In the Bank's least-developed countries, it promoted local currency lending through its new Local Currency Lending Programme. ATO, a market leader in processing cotton seeds for edible oil located in southern Tajikistan, was the first recipient of a local currency loan of TJS 1.72 million (€279,230 equivalent) to address the risks that exchange rate fluctuations pose. ATO will use the financing to improve the quality of its products and purchase new equipment to maximise the extraction of cottonseed oil. In addition, the Bank signed a total of 21 other transactions, with at least one in each of the nine (out of 10) early transition countries (ETCs).

Lastly, in 2011 the EBRD successfully laid the foundations for future investment in the SEMED countries' agribusiness sectors which are of central importance. The Bank has already made numerous trips to the region to establish contact with a number of agribusiness companies and the first technical cooperation (TC) project to assist companies in the sector has been approved.

EQUITY FUNDS

With a total of 141 funds invested through 92 fund managers since 1993, the EBRD has the largest private equity fund investment programme dedicated to central and eastern Europe (CEE) and central Asia.

Despite the continued, challenging fundraising environment, in 2011 the EBRD committed €409 million to 10 private equity funds, confirming the prominent role the Bank plays in this industry. The funds cover different regions and sectors ensuring a well-diversified portfolio. Continued emphasis was placed on those countries with higher transition gaps (such as Mongolia) where private equity is less developed, and on several strategic initiatives aimed at enhancing the Bank's ability to foster the development of a sustainable and sophisticated private equity and venture capital industry in its region.

Several of the new transactions signed by the EBRD in 2011 support first-time fund managers and/or target new areas. For example, the Bank committed to the first private equity fund focused on Mongolia (the Mongolia Opportunities Fund); the fund will invest in growing small and medium-sized enterprises (SMEs) active in sectors such as mining services and supply, infrastructure and agribusiness which are forecast to grow dramatically in value as the impact of the mining revenues and increasing consumer demand are felt in Mongolia. In addition to providing much-needed capital, the fund will set high standards on integrity, corporate governance and environmental issues when dealing with portfolio companies.

The Meridiam Infrastructure Eastern Europe Fund is also one of the first infrastructure investment funds aimed at providing investors with predictable and stable long-term cash flows through a diversified portfolio of investments in public-private partnership (PPP) infrastructure projects in central and eastern Europe.

Another project signed in 2011 demonstrating how the EBRD supports first-time funds formed by experienced managers is Mediterra, a first-generation, Turkey-focused fund targeting mid-market companies, which will be managed by a local team that combines Western and local private equity experience.

During the year the Bank signed two mezzanine funds, Darby Converging Europe Fund III and Volga River Growth Fund. The funds will provide mezzanine financing with equity participation features to small and mid-sized companies in the central and south-eastern Europe region and Russia, respectively. The Volga River Growth Fund is also the first Russia-focused mezzanine fund managed by a local team, and the Bank played a catalytic role in supporting the first close of this fund.

The EBRD has also been very active in building a balanced equity funds portfolio by supporting sector-focused funds such as the first clean energy fund targeting Turkey and neighbouring countries in the Western Balkans and the Caucasus (the Clean Energy Transition Fund). A specific feature of the fund is that it will increase the availability of much-needed equity capital and thus expand the market to meet the growing investment needs in energy projects in the region.

In line with the Bank's strategic drive to support innovation and knowledge-based economies in its region, it made significant progress in the venture capital space. The Bank continued comprehensive and ongoing engagement with European, Israeli and North American venture capital fund managers with a view to identifying relevant practices, strategies and partners to enhance venture capital in its region. Several new relationships have been established with a number of key participants in France, Germany, Israel, the United Kingdom and the United States, as well as the countries of operations (Croatia, Russia and Serbia). In particular, the EBRD invested in the Russia Partners Technology Fund, one of the very first equity funds targeting venture and early growth investments in the fast-developing Russian information technology (IT), internet and software sectors. The Bank's strategy and vision form a sound base to develop business opportunities throughout 2012.

Lastly, following the call by the international community prompted by the historic changes under way in the Middle East and North Africa, the EBRD began to engage in the southern and eastern Mediterranean region (Egypt, Morocco and Tunisia). It has been very active in establishing key relationships with local participants, in understanding the private equity landscape and in promoting new initiatives with a view to introducing the Bank to the region.

INFORMATION AND COMMUNICATION TECHNOLOGIES

The year 2011 was significant for the information and communication technologies (ICT) team (formerly the telecommunications, informatics and media team). The Bank's activities in this sector had declined significantly in recent years, but as many countries of operations looked for avenues to revitalise their economies, the importance of fostering a knowledge economy in the EBRD region emerged even more strongly as a key target for growth. It was therefore important for the EBRD to re-evaluate its position in the market and consider its focus. For the ICT team, the focus was to build on the team's strength in the telecommunications sector and develop its expertise in related ICT subsectors, such as ICT production (IT systems, software) and ICT services (IT services, internet firms).

As result of this re-focus, there was an unprecedented level of activity in the ICT sector in 2011, with a record €311 million in commitments for 12 projects across the region. The geographical coverage of these projects was widespread, with three operations in Russia, three in central Europe and the Baltic states (CEB), three in eastern Europe and the Caucasus (EEC) and three in south-eastern Europe (SEE; including two in the Western Balkans). Seven of the operations were equity investments, with the remaining five being debt investments. ICT activity also supported small business and entrepreneurs, with three Local Enterprise Facility (LEF) projects, two Direct Investment Facility (DIF) projects and one Medium sized Co-Financing Facility (MCFF) project.

A key initiative of the team, developed jointly with the equity funds team, was the €100 million Venture Capital Investment Programme (VCIP). Learning from the Bank's past experiences of working in the venture capital (VC) space, specifically in technology, the VCIP has been carefully structured to help ensure the success of the programme. Using an innovative structure to capitalise on the expertise of experienced venture financiers and entrepreneurs, the Bank's proposed investments under VCIP will be screened by an external, independent advisory board of experts, and there will be a dedicated Banking team within ICT to source the projects and conduct rigorous due diligence to select projects. VC is scarce in the region and the Bank's intention is to demonstrate that good, bankable early- and growth-stage projects can be identified. By methodically approaching the main international and sometimes local participants of the VC community; helping identify business opportunities through its network of Resident Offices; enabling venture capitalists to further divide their risk to be able to complete financing rounds for innovative companies; and offering its deep knowledge of the region, the EBRD aims to act as a catalyst for venture capital's interest in the region. The Bank will always be a co-investor in VCIP projects, seeking to mobilise other sources of capital.

In support of the EBRD's initiative to promote local currency markets, the ICT team worked on the first ever local currency, rouble bond issue by a foreign, non-financial institution sponsor in Russia: Tele2. The latter is the sole, foreign-owned mobile operator in Russia and the Bank's participation in the bond issue helped to ensure its success.

In line with the EBRD's long-established experience with privatisations and the ICT team's traditional investment in ICT infrastructure, the Bank also signed the landmark Polkomtel transaction. Polkomtel, one of Poland's three major mobile telephony operators, was 76 per cent owned by four state-owned companies. The government sought, through a competitive tender process, to privatise the company. The Bank, seeing an opportunity to help improve corporate governance, increase management efficiency, and accelerate the roll-out of 4G mobile broadband services (which are currently not available in Poland) agreed to support the successful bidder. The successful bidder was Metelem Holding Company. Completion of this project demonstrated the Bank's ability to respond quickly and decisively in a critical privatisation for the Polish government.

One of the ICT team's key contributions in 2011, and of the ICA group itself, was to help articulate the EBRD's thinking on how it should invest in the knowledge economy and support innovation in its countries of operations, which was detailed in an information paper entitled "EBRD and the Knowledge Economy: A multi-pronged approach to ICT and innovation". Investing in the ICT sector and innovation has become one of the horizontal strategic priorities of the EBRD, together with food security, promotion of local currency markets, and energy efficiency and climate change. A defining characteristic of a well-functioning market economy is the ability to grow. Creating and supporting economic structures and institutions that generate total factor productivity growth, that is, innovation in the broad sense, is one of transition's objectives. The Bank's approach to the knowledge economy is to make the adoption of new technologies and innovation an integral process across all sectors.

Each ICA team contributes significantly to the development of the knowledge economy: manufacturing and services through its financing of innovative technologies in companies (for example, Petrovax, a pharmaceutical company, in Russia); equity funds through its funds which have invested in over 200 projects in the IT sector; property and tourism though the financing of technology parks; agribusiness through its financing of food processing modernisations; small business support (SBS) through its assistance to enterprises in developing their management information systems; and ICT through its financing of critical information infrastructure (that is, networks) and the ICT manufacturing and services subsectors, such as IT service providers, IT equipment and systems producers, communication equipment and systems producers, software publishers, content providers, internet firms, incubators and accelerators.

Making a good start on implementation of the plan to better support the ICT subsectors, the ICT team also demonstrated strong diversification within a wide range of ICT subsectors including mobile operators and their towers, logistics, TV, cable TV, wireless broadband and call centres.

The team continued to work with the legal transition team in the Office of the General Counsel (OGC) to support the much-needed telecommunications regulatory reform in certain countries of operations, particularly in Kazakhstan and Central Asia in 2011. In addition, in anticipation of the work in SEMED, joint visits to the new shareholder countries were made to start mapping out the ICT economy and regulatory environment.

Looking ahead to 2012, the ICT team will continue to invest in its traditional telecommunications market; deepen its engagement in the ICT subsectors and VC space (through the VCIP); undertake studies in certain pilot countries to map out the knowledge economy; continue to engage in policy dialogue in the telecommunications sector and look to bring together the private and public sector in the ICT subsectors to help bridge gaps that may be inhibiting or preventing the growth of the local knowledge economy and innovation.

Fostering a knowledge economy is a key target for growth.

MANUFACTURING AND SERVICES

In 2011 the EBRD invested €914 million in manufacturing and services projects across its entire region. Ranging from less than €1 million to €145 million per project, 47 projects focused on addressing key challenges by supporting post-crisis financing and investment needs, energy efficiency initiatives for a total of €294 million and development of local supply chains to increase efficient production. About half of these projects are in the ETCs and the Balkans.

The EBRD's involvement in manufacturing and services includes metals, capital and intermediate goods, automotives, forest products, construction materials, chemicals, health care and pharmaceuticals, consumer goods and retail. Clients are multinational groups, large local companies looking for cross-border opportunities, joint ventures, and local entrepreneurs focused on domestic markets.

Ciech Chemicals, for example, was provided with PLN 1.6 billion (€359.5 million equivalent) multi-currency loan facilities from the EBRD alongside seven other banks in Poland and a concurrent rights issue on the Warsaw Stock Exchange of PLN 442 million (€99.3 million equivalent). The transaction has demonstrated the successful turnaround of a distressed company and fruitful cooperation between an IFI and commercial banks supporting what was a difficult and complex restructuring case. In addition, it also proves that successful privatisation cannot happen before proper financial restructuring of the business.

In July 2011 the EBRD provided a €68 million loan facility to Beohemija, a leading Serbian producer of homecare and cosmetic products with wide brand recognition in south-eastern Europe. The facility consists of a senior syndicated loan of which the EBRD contributed €20 million while four other syndicate members provided the remaining €48 million. The project supported Beohemija's expansion in Serbia and the region as well as the introduction of the latest technologies and improvements in corporate governance, health and safety and environmental compliance standards.

The EBRD financed 50 per cent of the Medium-Sized Co-Financing Facility (MCFF) loan through TBC Bank to ABC Pharma for US$ 4 million (€3.1 million equivalent) under a risk-sharing participation agreement. ABC Pharma is the fastest-growing pharmaceutical chain in Georgia that managed to occupy the fourth-largest place in an extremely short period of time through its aggressive growth strategy and management. The loan was used for further expansion of the pharmacy chain through capital expenditures and additional working capital.

A €202 million financing package to RusVinyl consisted of a €52 million equity investment and 6.04 billion rouble senior loan. RusVinyl is a 50:50 joint venture established by Sibur Holding and SolVin (owned 75 per cent by Solvay and 25 per cent by BASF) to construct and operate a greenfield state-of-the art polyvinyl chloride (PVC) manufacturing plant in Kstovo, near Nizhny Novgorod in Russia. The total investment cost of the plant is €1.25 billion, making it the single-largest EU-Russia cross-border industrial project outside the oil and gas sector. The plant, when built and commissioned in 2013, will have an annual capacity of 330 kilotonnes of PVC and 225 kilotonnes of caustic soda and will bring significant environmental and energy efficiency improvements resulting from the installation of advanced state-of-the-art technology and equipment.

The EBRD provided a rouble loan for the equivalent of €40 million to Pilkington Glass Russia (owned by Nippon Sheet Glass Co. Japan, or NSG) to help refinance its existing debt and pave the way to expand its footprint in Russia's glass manufacturing industry. In addition, the EBRD committed a €35 million equity investment to facilitate the setting up of a new vertically integrated company, the first such entity ever to be created in Russia, merging the glass manufacturing assets of NSG in Russia and the glass processing and distribution assets of STiS, Russia's largest and one of Europe's largest producers of glass panes and energy efficient-insulated glass units. The Bank's equity will be invested together with JSC Rusnano for the construction of a new production line that will operate under the state-of-the-art technology of NSG and will manufacture energy-efficient, low-carbon glass, mainly for Russia's building industry. The estimated average energy savings of this project are around 3,838,300 MWh per year and the estimated carbon emissions reduction is around 1 million tCO_2 per year at end-user level for the period until 2022. The project is also expected to facilitate the use of energy-efficient coated glass in the regions as Pilkington's products can endure longer distances compared with its competitors.

PROPERTY AND TOURISM

In 2011 the EBRD committed €157 million to property and tourism projects. The Bank financed 10 projects in the real estate sector in Belarus, FYR Macedonia, Georgia, Montenegro, Russia, Turkmenistan and Ukraine. Investment was provided in the form of loans (77 per cent) and equity-linked investments (23 per cent). In line with the Bank's continued focus on energy efficiency, each direct investment was the subject of an energy efficiency audit and each new project incorporated an energy efficiency element.

The global financial crisis and political uncertainty continued to have a severe impact on the property sector, spreading further into the EBRD region which proved more resilient to the crisis last year compared with Western real estate markets. Commercial banks remained cautious about lending to the real estate sector in 2011, while equity funds had a hard time attracting institutional investors who were strapped for liquidity and struggled to manage assets in their portfolios. A number of EBRD clients faced challenges in refinancing existing debt as banks tightened their lending criteria to the sector.

The real estate market in Russia, on the other hand, continued a steady recovery after 2009 and the EBRD financed an array of projects there in retail, residential, office and logistics park development. The Bank supported existing clients with a number of follow-up investments and also forged new relationships.

The EBRD provided a €45.2 million loan to Aura Surgut Centre, bringing the modern shopping experience to this relatively affluent but remote city in western Siberia. The sponsor and the project developer have a good track record in the real estate sector and in Russia and they are replicating in Surgut their business model of retail development, already successfully implemented in other regional cities in Russia, including the Aura Shopping Centre in Novosibirsk (also funded by the EBRD). The project features the best available energy efficiency techniques and offers a good showcase of energy efficiency and low operating costs in the region. The overall project's sustainable energy investments element is €4.6 million with €2.6 million financed by the EBRD loan.

A €17.5 million equity investment was made into EcoDolie, the Bank's first direct transaction in the affordable housing sector in Russia. The novelty of the concept derives from the fact that the project will deliver one of the first large-scale residential developments involving a number of regional cities and built with modern construction technologies. In particular, the project entails the use of energy efficiency technologies and practices which exceed national requirements in terms of energy performance and comply with international best practice.

The first subprojects include investment in Orenburg and Obninsk which are characterised by highly immature residential markets. Due to their large scale, the subprojects will have a critical mass to create a new high-quality residential district which will be the first of its kind with no comparable development in either city. The architectural concepts for these subprojects with a mixture of single-family houses, townhouses and three-storey buildings were designed by reputable international architects with the involvement of Russian architectural and design bureaus.

An €8.7 million loan to Minsk High Technology Park (MHTP) has expanded the property and tourism team's geographical reach to Belarus. The country has started developing specific expertise in the IT sector and one of the important steps to promote the software development industry in the country was the establishment in 2005 of the Minsk High Technology Park. The concept behind MHTP is to develop a multi-functional platform for local and international software and high-technology companies, with a view to create a high-technology cluster, develop synergies with academic institutions and research centres, and become a substantial technology centre. The project will finance the first phase of the MHTP development involving the construction of a seven-storey office building, engineering building and 320 on-ground parking spaces.

Due to strong prospects of sustainable energy opportunities with substantial investment in sustainable energy of €2.91 million and high visibility in Belarus, the project has been provided with technical assistance from the Energy Performance Assessment and Corporate Policy Support Framework – funded by the EBRD Shareholder Special Fund.

In Montenegro the Bank is financing the refurbishment, extension and operation of Hotel Crna Gora, an existing 150-room hotel located in a prime central location of Podgorica, Montenegro. After extensive refurbishment, for which the EBRD is providing a senior loan of up to €23.9 million, the hotel complex will comprise a 200-room hotel operated at international hospitality standards under the Hilton brand and a retail gallery. This is a highly visible project in the sector which represents the key economic driver of the country's economy.

The EBRD also provided €18.9 million to Skopje City Mall in FYR Macedonia. The shopping mall was the first co-financing project with international banks in the Western Balkans.

The year 2012 is predicted to be challenging, with a continued lack of commercial debt. The EBRD will seek to support the development of regional logistics, hotel, retail, office and mixed-use facilities by the provision of long-term debt and/or equity funding. The focus on energy efficiency will remain strong and an integrated approach to sustainability will be developed.

The EBRD will prioritise financially viable projects whose development has been interrupted by a withdrawal of financing, hence restoring activity and liquidity to the region's markets, particularly in regard to its existing clients. The EBRD will also seek ways to support the emergence of distressed asset markets and investor restructuring.

The property sectors of nearly all ETC countries still continue to suffer from a difficult business environment and require further regulatory reform.

Geographical focus will remain on southern and eastern Europe, the Caucasus and central Asia.

SMALL BUSINESS SUPPORT

The year 2011 was an important transition year for the Small Business Support team (formerly the TAM/BAS team). In late 2011 TurnAround Management (TAM) was re-branded as the Enterprise Growth Programme (EGP) to better reflect its work helping companies to grow and achieve their full potential. The team's new identity more clearly indicates what the team does.

Following the new orientation provided by the team's 2011-15 strategic plan, considerable efforts were made in 2011 to implement key priorities. Working more closely with the programmes' donors was and continues to be a top priority, which was achieved with outstanding results in 2011. The team raised €23.9 million from donors for several new initiatives and ongoing programmes in all regions. New donors to the programmes include the European Union's Neighbourhood Investment Facility (NIF) for SEMED programmes and the US SME Special Fund for export-oriented companies in Central Asia. Important support continued from the EBRD Shareholder Special Fund, the Early Transition Countries Fund, the EU Eastern Partnership Programme and the Instrument for Pre-Accession (IPA) in the Western Balkans, and bilateral donors including Austria, Belgium, Germany, Japan, Korea, Luxembourg, the Netherlands, Portugal, Sweden, Switzerland, Taipei China and the United States.

The Enterprise Growth Programme and Business Advisory Services (BAS), while distinctive programmes, are working ever more closely together. For example in the Kyrgyz Republic a successful EGP with EBRD client, Dairy Spring, raised awareness of the need to provide direct training and assistance to the local farmers providing milk to Dairy Spring. A bespoke project was developed to combine assistance to the farmers from local consultants who would in turn receive training from the senior adviser assisting Dairy Spring. The team continually seeks opportunities to share the knowledge of experts visiting the countries of operations, while also recognising that training and advice is often best delivered in the local language by local experts.

BAS and the EGP were early-movers for the EBRD in the Bank's new SEMED region. The Small Business Support (SBS) team carried out feasibility studies during the second half of 2011 in Egypt, Morocco and Tunisia, and started raising awareness of the programmes among local enterprises as well as trade associations. Discussions were held with the donor community and national government institutions to find the best way to position the programmes among ongoing activities in support of SMEs. Two EGP projects were started in Egypt during the fourth quarter of 2011, while the ground was laid for a "fast start" in the other countries in 2012, with the project pipelines in an advanced stage. BAS prepared for recruitment of local teams in each of the countries with a view to begin operations as quickly as possible during 2012.

Beyond SEMED, the EGP continued to scale up operations and BAS made new beginnings in three existing EBRD countries of operations: Belarus, Turkey and Turkmenistan. Programme staff were recruited and trained so teams were ready to start projects in 2012. The year 2011 saw the start of the European Union's SME Flagship Programme, funding both EGP and BAS operations, in the Eastern Partnership countries of Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine. The programme is set to continue into 2013, with a second grant of €5 million signed at the end of 2011. In the Kyrgyz Republic, BAS continues to be supported by Switzerland's State Secretariat for Economic Affairs (SECO) with increased engagement of local stakeholders. The strong link with Japan in Kazakhstan was reinforced when the BAS team participated in the Kaizen training organised by the Japan Centre with the participation of Masaaki Imai, the founder of this business model. A comprehensive approach to micro, small and medium-sized enterprise (MSME) development was launched in Mongolia with the support of the European Union. In addition to BAS, the programme provides support for access to finance for MSMEs as well as an adviser to facilitate policy dialogue. As Mongolia is the Bank's most rapidly developing economy, the programme is timely and expected to have a strong impact, in particular by enabling more enterprises to emerge and grow. BAS has developed a programme to assist EBRD banking clients with financial management and reporting, with projects having been undertaken in Georgia and Mongolia.

The Enterprise Growth Programme helps companies grow and achieve their full potential.

The programme is targeted at enterprises benefiting from the Local Enterprise Facility or the Early Transition Country Initiative.

The EU Instrument for Pre-Accession Assistance (IPA) was the main source of funding for EGP and BAS in the Western Balkans. In Bosnia and Herzegovina and FYR Macedonia, national IPA grants were implemented during 2011, while other countries in the region benefited from the multi-country Private Sector Competitiveness Facility. In the Western Balkans, where adoption of EU standards is a high priority, BAS and EGP programmes developed increasingly sophisticated approaches to meet the requirements of the local markets and to address cross-cutting issues. The lessons learned in these markets will help the team to serve clients in SEMED, where similarly sophisticated services will be required *inter alia* for exporters to meet EU standards.

During 2011 BAS carried out 1,325 projects with MSMEs in 19 countries, committing over €13.7 million in donor funding and €5.2 million in client contributions. EGP started 96 projects during 2011 in 22 countries, committing over €9 million in donor funding and €310,000 in client contributions. In 2011 EGP clients secured €58.2 million of investments, of which EBRD direct investment totalled €43.2 million. In 2011, 230 BAS clients reported that they had secured investments, of over €137 million, in evaluations conducted one year after project completion. Of these, three BAS clients have received EBRD investments of €12.8 million combined.

The SBS team made a substantial contribution to the EBRD's work in promoting gender equality with new agreements for BAS Women in Business programmes in Moldova and the Western Balkans (Bosnia and Herzegovina, Croatia and Serbia). EGP has been working on women in business initiatives in food processing/textiles/design in the Western Balkans, as well as exploring social enterprise development. In 2011 BAS started over 400 projects with such a theme across all countries of operations as part of ongoing efforts to mainstream gender in support for SMEs.

Targeting social impacts, has become a "mainstreamed" topic of EGP work, with projects also focusing on reductions of greenhouse gases and other environmental degradation issues. German and Swedish funding has helped to promote energy efficiency projects within the programme.

The EGP initiated the development of a management information system (MIS), which will enable the programme to provide better information to stakeholders on the impact of its projects. In addition to implementing substantial changes to the programme's operations, EGP carried out a transparent recruitment process to provide team coordinators with medium-term consultancy contracts. Local managers were recruited for EGP in Bosnia and Herzegovina, Central Asia, FYR Macedonia, Turkey and Ukraine. EGP also implemented a cost-sharing policy which will result in almost all clients paying a minimum of 10 per cent of project costs. While the policy requires the programme to make a stronger selling effort, it should ensure a greater client commitment to the programme.

Together with the Office of the Chief Economist, BAS developed an assessment of transition challenges to prioritise interventions by measuring the comparative maturity of local consultancy markets and SME support in countries of operations. BAS made significant progress in bringing team members onto externally funded EBRD employment contracts in 2011 in Armenia, Bosnia and Herzegovina, FYR Macedonia, Georgia, the Kyrgyz Republic, Mongolia and Romania. BAS national programme managers received training to enable them to better identify potential candidates for financing by the EBRD or local banks. Lastly, BAS and EGP teams have moved into EBRD Resident Offices in several countries, as part of an ongoing process that will result in all but a few teams sharing an office suite with EBRD banking colleagues. This has led to much closer working relationships, and will facilitate more referrals between the SBS team and other banking colleagues, and a greater contribution by the team to policy dialogue in the MSME sector. This process has also made more donor funding available for operational activities, allowing for more projects, market development activities and visibility events.

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CHERNOBYL PROJECTS

The single most important activity in the EBRD's nuclear safety programme in 2011 concerned efforts undertaken by the international community and the Bank to close the funding gap for the EBRD-managed Chernobyl projects. It was common knowledge that the programme to transform the destroyed unit at Chernobyl into an environmentally safe condition, known as the Shelter Implementation Plan (SIP), along with the project to provide safe storage for the spent fuel from the nuclear power plant (Interim Storage Facility 2) had been underfunded. It was, however, only in 2010 that the projects were sufficiently developed so that the Bank was in a position to present sufficiently reliable estimates on costs and completion schedules.

According to these estimates the SIP required an additional €600 million and the Interim Spent Fuel Storage Facility another €140 million for completion.

France, as the 2011 chair of the G-8, and Ukraine took the lead to raise the missing funds. On 19 April 2011 the French and Ukrainian Prime Ministers Fillon and Azarov, respectively, presided over a high-ranking pledging conference in Kiev. Most of the current donors to the EBRD-managed Chernobyl programmes as well as a significant number of new donors attended and eventually the pledges reached the €740 million target with the expectation that this would be the last pledging. While the lion's share of this amount is once more provided by the G-8 countries, the European Union and Ukraine, this important success, achieved at a time when all countries are experiencing the consequences of the global financial crisis, would not have been possible without the decision by the Bank's shareholders to dedicate part of the Bank's 2010 net income. The readiness to do so created the momentum which finally ensured the funding for these vitally important projects. The Governors approved the use of €190 million, which together with earlier contributions brought the Bank's overall commitment to €325 million, making the EBRD the third-largest donor to the Chernobyl programmes. It was noted that the proposed allocation of net income is expected to be the last such allocation by the Bank and should be sufficient to ensure the completion of the projects within the agreed budget and schedule.

For further information on the EBRD's Chernobyl projects visit: www.ebrd.com/downloads/research/factsheets/nuclear.pdf

www.ebrd.com/nuclearsafety

New Safe Confinement

Without these additional commitments the Chernobyl projects could have ground to a halt in 2011. Instead, both programmes made significant progress. By far the largest project funded by the Chernobyl Shelter Fund is the design and construction of the New Safe Confinement (NSC). The NSC is to be slid over and will enclose Chernobyl's reactor 4, destroyed in the 1986 accident and covered by the "shelter" hastily built on top. The area next to it, where the arc-shaped NSC will be assembled, has been covered in a concrete layer which will protect workers from the contaminated soil. Piles for the foundations of the NSC have been driven in the ground and heavy lifting cranes are in place. The fabrication of steel elements for the arc has started and assembly on site will start in early 2012. Significant portions of the NSC design have already received the necessary regulatory approvals. Overall approval is expected by mid-2012. The contractor, French consortium Novarka, is committed to a schedule which foresees the completion of the NSC in October 2015. Once in place it will protect the environment from contaminated material inside the old shelter and will provide equipment, such as a sophisticated crane system, for future safe deconstruction and waste management activities.

Nuclear Safety Account

The Nuclear Safety Account has funded a project to complete the facility to safely and securely store the spent fuel from Chernobyl's operation. In 2011 the detailed design and construction phase (or phase 2) began. Construction will be completed in 2015 while delivery of some of the storage casks will continue until 2017. The facility will allow the highly active fuel which is currently kept in unsatisfactory conditions to be stored safely.

KOZLODUY INTERNATIONAL DECOMMISSIONING SUPPORT FUND

A similar storage facility for spent fuel, using a different design to the one in Chernobyl, was completed in 2011 at the Kozloduy nuclear power plant in Bulgaria. The facility is funded from the EBRD-managed Kozloduy International Decommissioning Support Fund, which provides donor assistance to the decommissioning process of Kozloduy units 1 to 4. Completion of this facility is a major milestone in the decommissioning process and allows the state-of-the art storage of spent fuel from the four units.

08: DONOR ACTIVITIES AND POLICY INITIATIVES

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DONOR FUNDING IN 2011

Donor partnerships remain as vital as ever to the Bank's activities from central Europe to central Asia and, most recently, laying the foundations in the southern and eastern Mediterranean (SEMED) region. They enable the Bank to blend policy-driven investments with donor-funded instruments to promote positive change in people's lives and in the economies of the Bank's countries of operations.

In 2011 donors contributed almost €434 million, the largest amount made available to the Bank in a single year. Bilateral donors continued to provide the bulk of resources (€193 million, plus an additional €62 million in concessional loan funds), maintaining their strong partnership with the EBRD. The Bank's largest donor is the European Union and cooperation has continued to grow in 2011, notably through the facilities for the EU Neighbourhood, the Western Balkans and Central Asia. The European Union has provided increasing support from its national programmes and regional platforms (€118 million).

Donor funds are used to support transition in the Bank's countries of operations through technical cooperation (TC) involving consultants, and through non-TC programmes such as performance fees and incentives, risk-sharing facilities and investment grants. They are key to the EBRD's increasing emphasis on "integrated approaches" that purposefully combine investment projects, policy dialogue and technical assistance to target reform objectives. Operations supported by donor funding in this way cover a wide range of geographical and sectoral priorities, including:

- local currency lending
- small business support
- improvements to transport infrastructure and municipal services
- sustainable agriculture and food security
- environmental remediation and protection
- gender equality
- climate change mitigation and energy efficiency
- mobilising investment in the Western Balkans and the early transition countries.

The EBRD Shareholder Special Fund (SSF) continued to complement contributions from bilateral donors in 2011 with total TC commitments of €12 million during the year. SSF funding was focused primarily on the ETC region, which also benefited from an additional €18 million of non-TC allocation from the SSF to support the Local Currency Loan Programme, MEI projects and SMEs in Turkmenistan.

DONOR INITIATIVES

Donor-funded activities in the SEMED region

Generous donor support enabled the EBRD to start TC activities in the SEMED region in 2011. Having been mandated by its shareholders to expand its operations, the Bank set out a three-phase programme for SEMED. The first phase comprises the deployment of technical assistance funded from cooperation funds, allowing the Bank to provide expert advice, prepare investment projects and foster cooperation with other institutions working in the region. The second phase will use Special Funds to implement early investment operations before the last phase launches full-scale activities for regional expansion.

Donors have responded promptly in support of this new mandate. The European Union has provided €20 million through its Neighbourhood Investment Facility and nine bilateral donors have committed or pledged almost the same amount to a new multi-donor account for the region. France committed €3 million, the Netherlands and Norway €2 million each and Germany and Sweden €1 million each. Furthermore, Australia and Italy pledged €0.5 million each, Finland €3.5 million and the United Kingdom €5.8 million equivalent. The EBRD has contributed a further €20 million from its net income allocation.

ETC Local Currency Lending Programme

Through its Local Currency and Local Capital Markets Development Initiative, the EBRD has significantly increased its lending in local currencies in recent years. Such investment is particularly important in the Bank's least-developed countries of operations; for borrowers such as local municipalities: and those businesses whose revenues are entirely in domestic currency and for whom dollar or euro debt immediately presents a potential foreign currency risk.

An important development in 2011 was the launch of the ETC Local Currency Lending Programme with donor support from Switzerland, the United States, the ETC Fund and the EBRD SSF. EBRD investments in domestic currencies reached €1.673 million in 2011 (€105 million in ETCs alone), up from €887 million in 2010 and €566 million in 2009, respectively.

Green Energy Special Fund

As part of its successful and ongoing Sustainable Energy Initiative (SEI), the EBRD provides integrated packages of loans, technical assistance and investment grants, as well as new approaches to finance climate change adaptation and mitigation projects. In the municipal and environmental infrastructure (MEI) sector, there have been increasing efforts to introduce highly energy-efficient, green technology components within standard loan-financing terms. In 2011 the EBRD created the Green Energy Special Fund (GESF) to address the affordability gap which has deterred the Bank's municipal clients from choosing advanced, highly efficient technologies to upgrade their infrastructures. The GESF is supported by US$ 80 million (€61.8 million equivalent) of concessional loan financing from Taipei China.

Grant co-financing strategic review

Challenging economic conditions around the world mean a constrained public finance environment for the Bank's donors. This requires close scrutiny of policies and procedures to ensure the optimal use of resources in meeting common objectives.

To this end, the EBRD launched a wide-ranging strategic review of grant co-financing in 2011. The review will focus on all aspects of best practice, including:

- TC prioritisation and linkage to the EBRD's strategies and business plans
- governance and policies for the use of non-TC grants such as performance incentives
- project design and management, including objectives, indicators and impact assessment
- process and systems to ensure efficiency and high-quality reporting to donors
- financial sustainability and the optimisation of donor partnerships.

POLICY INITIATIVES

During the past year, the EBRD provided strong leadership on several important policy initiatives in its countries of operations.

Private Sector for Food and Water Security Initiative

The EBRD's Private Sector for Food Security Initiative, launched in 2011, addresses the global challenge of food and water security by promoting greater involvement of the private sector. It facilitates private sector investment to increase food production both by projects supporting the private sector and by helping create an enabling business environment through policy dialogue, technical assistance and global coordination. It also helps set incentives and create the right environment to encourage the necessary private sector support. During 2011 the Bank provided strategic direction during several regional and country-focused policy dialogue events, including a major conference in Ukraine in January. The Bank led the EastAgri Annual Meeting in October 2010, which gathered representatives from international financial institutions (IFIs), development agencies, donor governments, the private sector and government officials.

The Bank has developed a long-term cooperation agreement with the Food and Agriculture Organization (FAO), sharing research and establishing a network for agribusiness stakeholders under the EastAgri umbrella. It also co-leads the international coordination through the multilateral development banks' (MDBs) working group on food and water security and spoke on behalf of the private sector in its contribution to the food security discussions led by the G-20 in 2011.

Local Currency and Local Capital Markets Development Initiative

This initiative aims to identify and support sequenced reforms and policies in the Bank's countries of operations that contribute to increased use of local currency and local capital market development. During the past year, in cooperation with other IFIs, the EBRD undertook joint assessments in a number of countries, identifying specific reform priorities as well as those EBRD investments and technical cooperation activities that will promote the development process. An initial list of countries was selected on the basis of the relevant authorities' interest, geographical diversity and the likelihood that the EBRD's intervention could help develop a local currency capital market on a sustainable basis. The initial list included Georgia, Hungary, Kazakhstan, Poland, Romania, Russia, Serbia, Turkey and Ukraine. Subsequently, as the Early Transition Countries (ETC) Programme was launched in February 2011, Azerbaijan, Armenia, the Kyrgyz Republic, Moldova, Mongolia and Tajikistan were added to the list. The focus in these less-developed countries is strong policy dialogue as outlined in a signed Memorandum of Understanding between the country and the EBRD stipulating the country's commitment to strengthening local currency and gradual local capital market development. This is a requirement of eligibility for the ETC Fund that provides risk sharing for local currency lending in ETC countries.

Vienna Initiative "2.0"

The sovereign debt crisis in several of the eurozone countries has led to renewed contagion risks in the financial sectors of many of the Bank's countries of operations since mid-2011. During the second half of the year, the EBRD has taken a leading role in cooperation with home and host country authorities, IFIs and private sector financial institutions, in developing a coordinated response to the new wave of the crisis. The new initiative – "Vienna 2.0" – has parallels with the original European Bank Coordination ("Vienna") Initiative of 2008-09, but takes account of the different circumstances prevailing more recently. The objectives are to help coordinate nation-based regulatory responses and limit systemic risks from parent bank deleveraging in the region.

EBRD-EIB-EC cooperation

A Memorandum of Understanding between the European Commission, the European Investment Bank (EIB) and the EBRD was signed in Brussels in March 2011. The memorandum sets out a new framework for cooperation between the EBRD and EIB for their activities outside of the EU region. It aims to enhance the combined impact of the two banks' operations in the interests of both the beneficiary countries and the banks' shareholders. Strong cooperation and coordination will make the best use of the core competencies and comparative advantages of both organisations.

EARLY TRANSITION COUNTRIES INITIATIVE

The Early Transition Countries (ETC) Initiative is an innovative and ambitious programme established in 2004 with the aim of accelerating transition and increasing transactions in those EBRD countries of operations which experience low average incomes and low levels of transition. The ETC Initiative rests on three pillars:

(i) the Bank taking more risk when providing financing

(ii) the Bank dedicating more human resources to the countries concerned

(iii) the Bank and donors working in partnership to improve transition and living standards.

It aims to stimulate market activity through a streamlined approach to financing more and smaller projects, mobilising more investment and encouraging reforms. The original ETCs were Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan, with Belarus, Mongolia and Turkmenistan added subsequently.

The ETC Initiative is achieving its objectives. Before the Initiative's creation, the EBRD's annual activity in these countries had been limited to around 8 per cent of the Bank's transactions (for example, 15-20 loans or equity investments) for a total of €50 to €100 million of financing. The Initiative has dramatically increased the Bank's activity: in 2007-11, the Bank averaged more than 100 transactions for €700 million of financing. Now around 30 per cent of the Bank's transactions are completed in the ETCs.

For further information, see the EBRD's *Donor Report 2012*.

The most significant development in the Initiative's work in 2011 was the launch of the innovative ETC Local Currency Loan Programme, as part of the Bank's wide-ranging Local Currency and Local Capital Markets Development Programme. The ETC Programme has been created based on key lessons learned from the local currency depreciations of 25 to 35 per cent in most ETCs in 2008-09, which led to large increases in debt service costs for borrowers – most of the loans were borrowed in foreign currency, were earning local currency revenues and were unhedged. The Programme is designed to reduce the systemic risk of dollarisation and to catalyse local currency lending in ETCs, and is supported by donors in a unique risk-sharing arrangement. The most important component of the Programme is the active engagement of governments and central banks with the EBRD and other IFIs to initiate reforms to improve their capital markets to mobilise more local currency funding that can be intermediated by domestic banks and microfinance institutions.
The response from countries has been very good – the Bank has executed Memoranda of Understanding with the majority of countries to start realising capital market improvements. Financial institutions and companies in the participating countries have also been enthusiastic. The Bank is now completing many of its loans in local currency (24 loans in 2011), with strong success in the low-income countries of the Kyrgyz Republic and Tajikistan. The near-term objective is to catalyse local currency lending and reduce currency risk for borrowers, while the medium-term objective is to reduce the level of dollarisation in the countries.

Currently the ETC Initiative includes the following key components:

- strategy and objectives to accelerate transition and support the realisation of country strategies
- operational priorities tied to the largest transition challenges
- explicit objectives of taking more risk and increasing the Bank's human resources in the countries, such as Heads of Resident Offices and bankers in each country as well as regional "hubs" in Tbilisi and Istanbul
- close coordination with the donor community realised by a multi-donor fund (the ETC Fund) to finance technical assistance projects and grants in ETC countries
- annual transaction targets as part of the scorecard for each Banking team's performance
- tailor-made products to directly and indirectly finance micro, small and medium-sized (MSME) local enterprises thorough the Direct Lending Facility for senior loans; the Medium-Sized Co-Financing Facility for participating in local banks' loans to local companies; the Direct Investment Facility for mezzanine capital and equity investments; and the Non-Bank Micro Finance Institution Facility for loans and equity to microfinance institutions
- streamlined approval procedures to accelerate decision-making and delivery to borrowers
- a dedicated Banking team to champion transactions in the ETC countries and coordinate the EBRD's loan and equity activities to private sector SMEs
- establishment and proactive leadership of investment councils to encourage transition at the national, non-project level through policy dialogue.

Despite the global economic and financial crisis which has had a material impact on the ETCs since 2009, the Bank has continued achieving record results in successive years, especially in the financing of local banks, microfinance institutions and local companies to ensure the private sector has good financing alternatives to contribute significantly to the economic growth and job creation in the affected countries.

The success in these countries over the past seven years – including higher levels of transition – has only been possible due to the generous support of technical cooperation funds and grants from the donor community, including the multi-donor ETC Fund, the EBRD Shareholder Special Fund, bilateral donors and the European Union (primarily through the Neighbourhood Investment Facility and the Investment Facility for Central Asia). In total, donors have provided around €200 million to finance more than 600 projects during the ETC Initiative, with around €75 million of these funds contributed by donors to the ETC Fund.

For further information visit: www.ebrd.com/pages/about/where/etc/financing

The EBRD has always paid special attention to the Western Balkans, with the aim of promoting stability, regional cooperation and economic development.

WESTERN BALKANS

The EBRD has always paid special attention to the Western Balkans, with the aim of promoting stability, regional cooperation and economic development. Since 1991 the Bank has invested about €8.8 billion in more than 500 projects. The impact of the crisis continues to be strong in the countries of the Western Balkans, and as a direct consequence transition lags behind compared with the region's neighbouring countries. In 2011 the Bank therefore further stepped up its activity in the region to support its economies and growth through a series of initiatives.

One of the key tools used by the Bank to promote private sector development in the region is represented by the Local Enterprise Facility (LEF). LEF is a €270 million investment vehicle for SMEs in the Western Balkans, Croatia, Turkey, Bulgaria and Romania. It provides long-term financing to such businesses because their needs are not sufficiently addressed by existing financing instruments, and over the years it has proven to be a successful mechanism to expand the Bank's market reach towards local enterprises and provide them with adequate tailor-made financing, as well as with pre- and post investment support to deliver transition impact. Established in 2006 the Facility includes a €20 million contribution from the Italian government and €250 million from the EBRD. Since its launch, LEF has financed €177 million in 75 projects in a broad range of sectors such as manufacturing, agribusiness, telecommunications, property, natural resources and so on.

The Western Balkans Sustainable Energy Direct Financing Facility (WeBSEDFF) is a regional facility for providing direct debt financing between €1 million and €6 million to local enterprises pursuing industrial energy efficiency and small renewable energy projects. WeBSEDFF is endowed with up to €50 million for providing loans and up to €12 million in incentive payments and technical cooperation funds.
To date, the Facility has financed eight projects for €29.4 million (total project cost of €56.0 million). Seven of these projects feature the development of small hydropower plants (SHPP). Thanks to the WeBSEDFF financing, some 23 SHPP will be built in Albania, FYR Macedonia and Serbia with a total installed capacity of 31.9 MW. The expected annual electricity generation is 116.2 GWh and the expected CO_2e emission reductions amount to 74,824 tonnes a year. The EBRD has also undertaken an institutional capacity-building programme. The objective is to propose new and/or refine existing mechanisms, procedures and standards in the area of sustainable energy as well as to support the local governments and other relevant institutions in incorporating and implementing sustainable energy development measures into energy market design and regulatory development.

The Western Balkans Investment Framework (WBIF) was launched in December 2009 and has developed rapidly, becoming a key instrument of support to the economic development and stability of the Western Balkans countries. The Framework pools resources from the European Union, IFIs and bilateral donors and focuses on key sectors of the Western Balkan economies including energy, environment, transport, social infrastructure and private sector development. The framework has been very active in meeting its main objective which is pooling stakeholders' resources (grants and loans) and expertise together to finance projects, as well as strengthening coordination among donors and beneficiary countries. A total of 42 grants were approved under the framework for €81 million in 2011. Of these, 37 grants concern technical assistance and 5 investment co-financing, altogether corresponding to investments of an estimated total value of €3.7 billion. The substantial results achieved by WBIF in 2011 were possible thanks to the full cooperation of its beneficiaries, on the one side, and the IFIs and donors, on the other. More importantly, in 2011 the WBIF increasingly financed projects to be implemented on a regional basis, making a central contribution to fostering local cooperation and development.

The newly established Western Balkan Enterprise Development and Innovation Facility is expected, over the period 2011–15, to mobilise €141.2 million of initial capital from the European Commission, the EBRD, the European Investment Bank (EIB) Group, and bilateral donors. This will leverage over €300 million for SMEs. The EBRD is playing a key role in the launch and development of this Facility and its Enterprise Expansion Fund (ENEF), which are expected to become flexible channels of pooling and leveraging financing for private sector development in the Western Balkans.

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DEMOCRATIC REFORM

For further information visit: www.ebrd.com/pages/country

The EBRD supports democratic reform in its countries of operations in accordance with its Article 1 mandate, which states that the Bank's purpose is to foster transition to open markets in countries committed to and applying principles of multi-party democracy, pluralism and market economics. Bank staff actively monitor political developments in all countries of operations and report to the senior management and Board on compliance with this aspect of its mandate. Political assessments are featured in the Bank's country strategies, which are produced every three years and updated annually.

In 2011 progress in democratic reform across the EBRD region was mixed. Although most countries in the region have put in place the basic institutions of democracy and have adopted democratic constitutions, the move towards consistent application of democratic principles and creation of a political culture of democratic governance has advanced further in some countries than in others. Over the past year, indicators of corruption, a difficult phenomenon to measure with precision, suggest a worsening of the problem in nearly all countries in the region. Freedom of media in the region, an essential aspect of a democratic society, is being boosted by the proliferation of new social media and wider access to the internet, which helped to mobilise civic action as well as document abuses of power and cases of election fraud. However, a number of countries in the region have taken steps to impose stricter controls on the media to counteract this trend and journalists are often the targets of harassment, arbitrary arrest and violent attacks in a few countries.

For further information see Chapter 3 of the *Transition Report 2011* or visit: www.ebrd.com/transitionreport

The impact of the global economic crisis on democracy can be seen in the more hard-hit countries, where social tensions have increased, voters have turned to nationalist and populist parties that favour more government interference in the economy and preferences for democratic rule have weakened. At the same time, the economic slow-down and new austerity measures are forcing governments to be seen as taking tougher measures to cut waste, including by stepping up the fight against costly corruption and severing links between business and government.

In central and south-eastern Europe, membership or prospective membership of the European Union continues to serve as a strong anchor for democratic reform. However, public discontent mounted in the course of 2011 as governments endeavoured, with various degrees of commitment, to implement austerity measures. This was accompanied by the adoption of populist policies and rhetoric in some countries. In Hungary, for example, the adoption of the new, more conservative constitution by the dominant ruling party Fidesz was seen by some as an erosion of democratic standards both in terms of the process and the end result of the reforms. The judicial overhaul as well as the adoption of the central bank and the financial stability laws curtailing the central bank's independence raised questions regarding their consistency with EU legislation. The Hungarian government declared that it is ready to revise some of the newly adopted laws in response to the EU Commission's decision to launch infringement proceedings against Hungary. Crisis-related protest movements also contributed to the collapse of governing coalitions in Slovenia and the Slovak Republic following no-confidence votes.

In the course of 2011 Croatia completed EU accession talks, signed an EU Accession Treaty and is on course to become a fully fledged EU Member State in 2013. Serbia and Montenegro made further progress in their EU membership process, highlighted by recommendations by the European Commission to start accession talks with Montenegro in 2012 (provided it improves the situation in the area of the rule of law) and to grant candidate status to Serbia. Inter-ethnic tensions persist in some parts of the Western Balkans, in particular in Bosnia and Herzegovina, where they are complicated by the ongoing search for the optimal internal organisation of the country.

Democratic reform achievements in the Commonwealth of Independent States (CIS) and Mongolia vary widely and trends in 2011 were also mixed. In Ukraine, dialogue with the European Union on strengthening ties and agreeing a Deep and Comprehensive Free Trade Agreement is ongoing, but the imprisonment of the former Prime Minister and leader of the opposition has raised doubts about the political independence of Ukraine's courts and the commitment to fundamental democratic values. The political environment in Belarus remained difficult following the mass arrests of political activists, journalists and leading opposition figures protesting the conduct of the December 2010 presidential elections. Many opposition leaders remain imprisoned, a number of independent non-governmental organisations (NGOs) were closed down and new controls were imposed on the independent media.

In Russia, Prime Minister Vladimir Putin announced his intention to run in the March 2012 presidential elections. Prime Minister Putin served two terms as president from 2000 to 2008 before becoming Prime Minister. The ruling United Russia party lost its two-thirds constitutional majority but retained an absolute majority in the lower house of Parliament (Duma) following elections in December 2011. Allegations of election fraud in the Duma elections led to large-scale protests in Moscow, attracting people of different political backgrounds, including from the rapidly growing middle class. This illustrated the increasing demands of civil society for a competitive and inclusive democratic process. The outgoing President Dmitri Medvedev subsequently announced further political reforms including the return of direct elections of governors.

In the South Caucasus and Central Asia political systems continue to be characterised by strong presidencies, weak parliaments and judiciaries that are prone to corruption. Most countries of the region do not have well-established political parties, developed civil society organisations or free media. Since the dissolution of the Soviet Union more than 20 years ago, democratic reforms have not progressed considerably in the newly independent states. A high incidence of poverty, unemployment and other social and inter-ethnic challenges affect some countries in the region, impeding reforms and narrowing policy choices, while in the oil- and gas-rich countries of the region there has been little appetite for a genuine political transformation. One noteworthy exception has been the change in the system of government in the Kyrgyz Republic, which has set out on a path to a parliamentary democracy with three sets of successful elections. An established parliamentary form of government and strong democratic accountability in Mongolia continues to also stand out in the region.

The decision by the Board of Governors in May 2011 to encourage the geographic expansion of the Bank's remit to include countries in the southern and eastern Mediterranean (SEMED) region focused attention on the dramatic democratic uprisings in many of those countries. Some authoritarian regimes in the region – such as in Egypt, Tunisia and Libya – were toppled, while other countries experienced strong grassroots pressure for reform. The results of this wave of democratisation are still unclear, both for the countries themselves and for the broader region. Authoritarian institutions are still deeply embedded in many countries and some of the political movements that have gained strength over the past year have not yet clearly demonstrated their democratic credentials and aspirations. The transition to functioning democracies with political pluralism, the rule of law, and free and open societies in the SEMED countries will take time. The region faces unique socio-economic challenges, vested interests that aim to perpetuate the status quo in a number of countries, and regional security dynamics that continue to shape reform perspectives. Full country of operations status for the four countries in the region that have applied – Egypt, Jordan, Morocco and Tunisia – will require amendments to the Agreement Establishing the Bank and a political assessment indicating compliance with the basic democratic values enshrined in Article 1, both internally and in relations with neighbouring countries.

ECONOMIC REFORM

Economic reform is an essential component of the transition from centrally planned to open, market-based economies. The EBRD monitors economic progress in all the countries in which it invests and each year publishes its analysis in the annual *Transition Report*. This assessment identifies the areas most in need of reform and can act as the basis for the EBRD's dialogue with governments. The *Transition Report 2011* also includes a preliminary discussion (without applying at this stage the full transition indicator methodology) of reform challenges in Egypt, Morocco and Tunisia.

In the past year, some market reforms have continued to progress – notably in difficult areas such as enforcement of competition policy, commercialisation of infrastructure and development of capital and private equity markets – but there have also been reversals in a couple of countries in more basic, first-stage transition, such as price and trade liberalisation.

For the second year in a row, the Bank's *Transition Report* presented a set of sectoral transition scores for 16 different sectors, covering four broad sector categories – infrastructure, financial sector, corporate sector, and energy – in each country, on a scale of 1 to 4+. The sector with the highest number of upgrades relative to the previous year was infrastructure, where there was significant progress in the roads and water and wastewater sectors. In Russia and Turkey, for example, the score for roads has increased from 2+ to 3-, reflecting sustained improvement in commercialisation and private sector involvement. Upgrades in Albania and Bosnia and Herzegovina reflect reform momentum over several years. In the water and wastewater sector five countries – Albania, Kazakhstan, Serbia, Tajikistan and Ukraine – have been upgraded, although from a relatively modest level (2 to 2+, except in Tajikistan where it was 2- to 2), due to tariff increases and/or methodological reforms with the aim of achieving cost-reflective pricing. Other infrastructure upgrades included Kazakhstan (urban transport), Russia and the Slovak Republic (both railways), but Hungary's score for railways was marked down to reflect the weakening of competition, and increased subsidies.

For further information visit: www.ebrd.com/transitionreport

In other sectors, upgrades were limited in number. Bosnia and Herzegovina and Latvia each received a private equity upgrade to reflect substantial increases in the amount of active capital invested. Estonia's capital market score was raised from 3- to 3 as a result of the country's accession to the eurozone in January 2011, which allows it to benefit from the eurozone money market. There was little tangible reform progress or regression across the three corporate sectors – agribusiness, general industry and real estate. Progress in the sustainable energy sector over the past year was also limited across the whole region. Nevertheless, the general trend has been towards greater use of sustainable methods and processes, and scores are likely to increase in future years if this momentum is maintained. In the natural resources sector, an upgrade occurred in FYR Macedonia, where a new energy law, approved by parliament in February 2011, complies with European Union requirements. In the power sector, the only change to the scores was a downgrade for Montenegro because of a decision by the regulator in early 2011 to reduce tariffs, particularly for residential users.

The *Transition Report 2011* also included an updated set of country-level transition scores. The most noteworthy changes were in the areas of competition policy, where there has been a significant increase in enforcement activity in many countries, particularly in central Europe and the Baltic states (CEB) and south-eastern Europe (SEE), as well as Russia and Turkey. In contrast, the past year has seen negative developments in several countries with regard to price liberalisation. In Belarus, a macroeconomic crisis developed in the spring of 2011, and the government responded by reintroducing a range of price controls to offset high inflation that resulted in part from a currency devaluation. Rising prices, particularly for food and fuel, also lay behind the decision of the authorities in Armenia and Kazakhstan to impose administrative controls on basic goods. In addition, there were trade and foreign exchange system downgrades for Belarus and Uzbekistan, reflecting important foreign exchange restrictions and a significant spread between the official and black market exchange rates.

Croatia and Montenegro were upgraded in the governance and enterprise reform category. Croatia achieved a major success in 2011 by completing accession negotiations with the European Union, which necessitated a commitment to restructuring key state-owned industries. Montenegro acquired EU candidate status at the end of 2010, and has implemented a new bankruptcy law during the course of 2011.

LEGAL REFORM

During 2011 the Legal Transition Programme, promoted by the Bank's Office of the General Counsel, focused its efforts on the strengthening of public institutions and the consolidation of the fragile recovery process in the transition countries. It also prepared for its very first steps into the SEMED region.

STRENGTHENING PUBLIC INSTITUTIONS

2011 marked the conclusion of a five-year judicial capacity-building programme promoted by the Bank in the Kyrgyz Republic. This project was aimed at improving the technical skills of judges in charge of commercial matters, with a view to increasing investor confidence in the local judiciary. Over the course of 2011 the project culminated in the training of candidate judges under a newly established programme. Before then there was no training of candidate judges in the Kyrgyz Republic. In the neighbouring country of Tajikistan, the Bank launched a similar large-scale programme to upgrade judges' commercial law skills. The training programme itself began after a regional EBRD-sponsored conference held in Dushanbe in September. In Moldova the Bank is assisting the authorities to build capacity to deal with commercial cases in ordinary courts, following the abolition of commercial courts. The latter were perceived to be an aggravating factor for corruption in the country's judiciary and the new system is expected to help curb unethical practices.

In Mongolia the Bank continued its initiative to assist the authorities in validating the Extractive Industries Transparency Initiative (EITI), after the granting of a "fully compliant EITI status" to the country in 2010. The project's first phases have focused during 2011 on drafting local legislation and will continue in 2012 with training officials and creating sustainability in local structures supporting the EITI mechanisms.

Public procurement processes are crucial to an optimal use of public budgets, which is why the Bank's Legal Transition Programme aims to strengthen them. In 2011 the EBRD completed a technical assistance project aimed at assisting the Albanian authorities in drafting legislation to modernise their public procurement systems and to train members of the review commission for public procurement. In collaboration with the United Nations Commission on International Trade Law (UNCITRAL), the Bank has launched an initiative targeting CIS countries with a view to upgrading their public procurement legislation. The initiative uses the newly revised UNCITRAL Model Law on Public Procurement as a benchmark and policy dialogue tool in that region.

Local capital markets

The Legal Transition Programme is in charge of legal aspects of the Bank's Local Capital Markets and Local Currency Initiative. In that context, it prepared and released six diagnostic studies highlighting the specific regulatory and institutional reforms needed to develop local capital markets in Hungary, Kazakhstan, Romania, Russia, Turkey and Ukraine. These studies are expected to underpin the Bank's policy dialogue with governments and to lead to technical cooperation in these countries in 2012; while additional research is being conducted on other transition countries.

Supporting SMEs

A significant part of the Legal Transition Programme's work focuses on establishing efficient mechanisms for creating collateral and resolving insolvency situations. These rules are crucial to support small and medium-sized enterprise (SME) development in transition countries. In order to be able to flourish, small businesses need access to credit through efficient collateral laws. Similarly, entrepreneurs need to be allowed to fail and re-enter the market through modern and swift insolvency procedures. In that context, in 2011 the Bank continued to help Russia, where it provided assistance to the Ministry of Economic Development on pledge and mortgage law, as well as on the regulation of insolvency administrators. The Bank has also collaborated with the Ministry of Agriculture to help prepare draft legislation on warehouse receipts, thus aiming to create more access to finance for enterprises active in the agribusiness sector.

Infrastructure

The Bank assisted the Serbian authorities with the preparation of a new concession law, which will facilitate the implementation of public-private partnerships (PPPs) for infrastructure projects. In Russia the Bank continued to work closely with the Duma subcommittee on public-private partnerships to improve the quality of concession legislation and raise awareness of public-private structures among public officials. To facilitate this process, the Bank acted as co-publisher of a reference book with legal background materials and educational information which was widely distributed to public officials dealing with PPPs. In a fresh initiative the Bank has also provided technical assistance to authorities at the region level (for example, in the Perm region) with a view to developing local legislation on PPPs.

The EBRD telecommunications capacity-building initiative gained momentum with the completion of training programmes for officials in Armenia, Azerbaijan and Ukraine. In each of these countries, the EBRD training activities provided a unique springboard to promote policy dialogue and are expected to lead to technical cooperation in 2012.

Energy efficiency

The Legal Transition Programme has fully embraced the Bank's strategy to promote energy efficiency in transition countries. The first technical cooperation project was completed in 2011, which saw the drafting of new energy efficiency legislation in Moldova, as well as important regulatory reforms aiming to increase energy efficiency in residential buildings. A similar initiative is being undertaken in Armenia.

SEMED

Towards the end of the year, the Legal Transition Programme made its first steps to launch legal technical cooperation with the SEMED region. This included policy dialogue visits to Egypt, Morocco and Tunisia.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

Environmental and social issues are evolving for the EBRD as it responds to the increasingly sophisticated needs of clients seeking competitive advantage through sustainability measures such as energy efficiency, gender diversity and "green" product standards. An important foundation of this response is the Bank's long-standing commitment to ensure that all Bank-financed projects meet high environmental and social standards.

The Bank's current Environmental and Social Policy (ESP) aims to ensure that issues such as environmental and social sustainability, the rights of affected workers and communities, compliance with regulatory requirements and good international practice are built in at every stage of the project cycle. The approach to project appraisal and structuring includes the identification and management of issues such as pollution prevention and control, biodiversity and habitat protection, industrial health and safety, labour standards and community engagement. Where necessary, detailed Environmental and Social Action Plans (ESAPs) are agreed with the client and form a key part of the Bank's terms and conditions of investment.

The quality of the Bank's environmental and social appraisal and project monitoring delivered significant sustainability benefits to clients, communities and the environment in 2011. The EBRD's environmental and social performance requirements have been integrated into the structure of all Bank-financed projects. In this way the Bank has helped clients in a wide range of industry sectors strengthen their businesses through better resource efficiency, sound risk management and socially responsible relationships with regulators, employees, communities and other key stakeholders.

For a complete overview of the EBRD's environmental and social sustainability activities, see the Bank's *Sustainability Report 2011* or visit: www.ebrd.com/sustainability

The Bank's investment in PKN Orlen, for example, will ensure that Poland's leading oil refinery and retail group is set for compliance with the EU Industrial Emissions Directive, as well as helping the company to improve its energy efficiency.

The overall impact of the EBRD portfolio for 2011 is forecast to result in net greenhouse gas (GHG) reductions of around six million tonnes of CO_2. This is the ninth year that the EBRD has published GHG forecasts and the sixth consecutive year that the overall impact of the Bank's investments has been a net GHG saving. Although the results in any single year tend to be heavily influenced by a small number of large projects, the trend suggests that by prioritising investments in renewable energy, energy efficiency and the green economy, the EBRD has been able to grow its business volume and promote transition and sustainable development without necessarily increasing carbon emissions. The Bank has also taken a leading role in developing its approach to the appraisal of the climate risks that projects face.

The EBRD also assesses the social impacts of projects and promotes transparency, stakeholder engagement and social inclusion. Gender equality is also an important objective for the Bank across all sectors. The Bank's Gender Action Plan received Board endorsement in 2010 and began with a series of pilot projects. In 2011 the EBRD made significant progress towards scaling up this work, particularly in the municipal and environmental infrastructure sector, through technical cooperation (TC) and support to micro- and small enterprises, and working with clients to promote improved labour and human resource standards. The long-term aim is to establish gender equality as a mainstream consideration and feature in Bank-financed projects and TC programmes wherever appropriate. Success achieved in 2011 provides further momentum for continuing this work in the future. The Bank makes continuous improvements to its management frameworks for environmental and social compliance, independent evaluation and internal and external accountability. In 2011 this has included new research into the occupational health and safety legal frameworks in selected countries; updating the EBRD's Public Information Policy; and improving the way that the Bank engages with civil society when reviewing its country strategies.

It also extends to preparations for potential expansion into the southern and eastern Mediterranean (SEMED) region. Commencement of operations in Egypt, Jordan, Morocco and Tunisia would involve a wide range of important and country-specific environmental and social considerations, from human rights to water scarcity. During 2011 the Bank moved swiftly to lay the foundations for its successful entry into the region. Dialogue was opened with a wide range of civil society organisations and other stakeholders, beginning an engagement process that will continue and expand in 2012.

Environmental and social issues also form an important part of the Bank's investment and TC in the region's financial sector, which accounted for over 50 per cent of annual business volume in 2011. Environmental and social risk management training was delivered to nearly 40 banks and private equity funds in 2011. Looking to the future, the Bank's strategy will increasingly focus on e-learning solutions to assist financial institutions (FIs) in implementing environmental and social policies that meet the EBRD's requirements and help the institutions operate in accordance with recognised good practice. An important development in this regard was the November 2011 launch of a new environmental and social issues module under the EBRD's e-learning school in trade finance. This course has received international recognition through formal accreditation by the International Chamber of Commerce.

10: GOVERNANCE AND ACCOUNTABILITY

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GOVERNANCE AND INTEGRITY

Office of the Chief Compliance Officer

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

Within the Bank, the Office of the Chief Compliance Officer (OCCO), headed by the Chief Compliance Officer who reports directly to the President and the Audit Committee of the Board of Directors, ensures that the highest standards of integrity are applied to all staff and throughout the EBRD's activities in accordance with international best practice.

OCCO provides a range of advice and assistance in assessing and evaluating integrity and reputational risks relating to proposed and ongoing Bank transactions. It is also responsible for the investigation of allegations of misconduct with regard to staff. As part of its ongoing efforts to ensure that Bank policies remain up-to-date and reflect international norms, the Bank introduced new Conduct and Disciplinary Rules and Procedures (CDRPs) effective March 2011 to replace the Bank's Policy for Reporting and Investigating Suspected Misconduct (PRISM) and its Disciplinary Procedures (DPs), both of which had been adopted in 2002. The CDRPs establish a consolidated set of rules and procedures concerning staff conduct, the procedures for reporting and investigating suspected misconduct, the process for imposing disciplinary measures and related matters. Among the significant changes introduced by the CDRPs, the rights and duties of both Bank and staff during the investigative and disciplinary processes, respectively, have been more expressly delineated, including safeguards to be afforded to the subject of the investigation.

Further information on the PCM is available in the EBRD's *Sustainability Report 2011* and on the Bank's web site at: www.ebrd.com/pages/project/pcm

In addition to allegations of staff misconduct, OCCO is responsible for investigations into allegations of fraud and corruption in relation to Bank projects or counterparties. The first proceedings instituted under the Bank's Enforcement Policy and Procedures (EPPs) culminated in a decision taken in July 2011 to debar two entities, together with their respective affiliates, for a period of three years from any new Bank project. The proceedings had established that it was more likely than not that the entities had knowingly, or at least recklessly, misrepresented material facts in the course of the tender in relation to a Bank project and consequently had engaged in a prohibited practice, under the Bank's EPPs. In addition, following the entry into force of the Agreement for the Mutual Enforcement of Debarment Decisions in June 2010, in 2011 the Bank cross-debarred 36 entities and 23 individuals based on 36 debarment notices received from the World Bank Group and 23 notices received from the Asian Development Bank. The list of all EBRD debarred entities and persons can be found at www.ebrd.com/pages/about/integrity/list

Also of note is the review undertaken in 2011 of the Bank's Code of Conduct for Officials of the Board of Directors and the Code of Conduct for EBRD Personnel and Experts which had been adopted in May 2006. The main purpose of the review was to evaluate whether, in light of experience, the standards of behaviour required by the Codes were sufficiently clear and robust and in line with the codes of comparator institutions. Draft revised Codes were approved by the Bank's Board of Directors at its meeting of 13-14 December 2011 and were sent to the Bank's Board of Governors for adoption. Once approved by the Bank's Board of Governors it is expected that the new codes will enter into force in March 2012.

Project Complaint Mechanism

OCCO also oversees the effective administration of the Bank's accountability mechanism, the Project Complaint Mechanism (PCM), launched in early 2010 to replace the Independent Recourse Mechanism (IRM). Like its predecessor, the PCM reviews complaints that the Bank has failed to adhere to applicable policies in approving a particular project and affords members of the affected community the opportunity to obtain the Bank's assistance in a problem-solving initiative (PSI) with the project sponsor.

In 2011 the first compliance review was completed in relation to the D1 Motorway Project in the Slovak Republic. This was the first compliance review to be completed under the PCM. Although the D1 Motorway was cancelled in September 2010 by the newly elected government of the Slovak Republic, the PCM compliance review nonetheless proceeded to ensure that the EBRD benefited from any lessons to be learned. Following a rigorous examination, the independent PCM expert concluded in May 2011 that no non-compliance had occurred.

The PCM registered six new complaints in 2011. Four of these concerned the Tbilisi Railway Bypass project and were assessed as being eligible for compliance review and/or problem-solving. The project was subsequently cancelled for unrelated reasons, and the problem-solving element therefore became redundant. However, a compliance review is currently under way to ensure that the Bank benefits from any lessons to be learned. The remaining two complaints – concerning hydropower projects in Croatia and FYR Macedonia – were still subject to eligibility assessment as of December 2011.

CIVIL SOCIETY ENGAGEMENT

The EBRD places a strong emphasis on engaging with civil society and during 2011 it continued to carry out important work in this area.

One of the Bank's priorities has been to enhance the effectiveness of such engagement when reviewing and updating country strategies. In 2011 this included the strategies for Bulgaria and the Kyrgyz Republic. The Bank has strengthened its country strategy consultation practice by organising workshops in its countries of operations with civil society organisations (CSOs) that are interested in the work of the EBRD. For example, in Bishkek, the country strategy consultation workshop attracted a substantial number of local non-governmental organisations (NGOs) who provided useful feedback on the Bank's planned operations in the Kyrgyz Republic. The workshop held in Sofia elicited an engaging discussion on the EBRD's operational priorities in Bulgaria for the next three years.

Civil society engagement has also formed an important element in the Bank's wider preparations for expansion into its new countries of operations in the southern and eastern Mediterranean (SEMED) region. Initial steps taken by the Bank in 2011 included a September meeting in London between senior Bank officials and representatives of leading CSOs including the Open Society Institute – Brussels; Human Rights Watch's Middle East and North Africa division; CEE Bankwatch network and Transparency International. This informal discussion was hosted by the Bank's President, Mr Thomas Mirow, and provided a valuable forum for an exchange of views on key issues of concern in SEMED; the Bank's potential role in the region and lessons learned from the Bank's current operations that apply to the new region, as seen by civil society stakeholders. Also, on the ground in Egypt, Morocco and Tunisia, EBRD senior management engaged with local and international civil society stakeholders, including NGOs, bloggers, youth activists, academics and think-tanks to better understand the evolving political and economic situation including human rights issues. The Civil Society Engagement Unit is also planning a series of meetings with CSOs in the SEMED region in the first quarter of 2012.

GENDER EQUALITY

Increasing the economic participation of women is an important component of the transition process, in particular to better leverage the untapped potential of women in emerging markets. Sound business management and sustainable growth require that women and men have equal opportunities to participate as entrepreneurs and business leaders in their economies, and as empowered consumers and valued members of the labour market. Although the situation varies from country to country, women in the Bank's countries of operations face a number of barriers and improving gender equality has significant potential in the region as a whole.

The EBRD adopted a Gender Action Plan in May 2009 with the aim of "mainstreaming" gender internally as well as within its investments and technical cooperation projects. The EBRD Board of Directors officially endorsed the action plan in January 2010 and that year the Bank focused on strengthening its internal coordination and implementing a series of successful pilot projects and initiatives. Technical cooperation has been supported by the EBRD Shareholder Special Fund and other donors.

Building on these strong foundations – and driven by increasing demand from clients and stakeholders – the scope and impact of the gender equality programme continued to grow in 2011 across each of the Bank's three priority themes: gender equality in the marketplace, in the workplace and in the community.

The EBRD undertook or supported a number of separate projects with explicit gender equality components in 2011 and gender equality issues have become even more firmly embedded in the mainstream activities of the Bank. Projects carried out in 2011 include:

- aiding banks in Azerbaijan, Romania and Turkey to develop strategies and products that are specifically tailored to women entrepreneurs and female business managers
- expanding the EBRD's Women in Business advisory services programme to Bosnia and Herzegovina, Croatia, Moldova and Serbia
- integrating gender equality considerations into the Bank's remittances work in Armenia, the Kyrgyz Republic, Moldova and Tajikistan
- implementing a pilot project to promote equal opportunities best practices in human resources with Romanian oil company, Petrom
- cooperating with Istanbul Ferries to help the newly privatised company improve the gender diversity of its workforce
- assisting municipal clients to optimise project design and forge closer customer relationships through gender-focused work in services such as public transport and water.

For further information about the Gender Action Plan visit: www.ebrd.com/pages/about/principles/gender/plan

Further information on civil society engagement in 2011 – including the Civil Society Programme held during the Bank's 2011 Annual Meeting in Astana – can be found at www.ebrd.com/sustainability

Gender equality issues have become even more firmly embedded in the mainstream activities of the Bank.

Other key developments in 2011 include strengthening the Bank's approach to integrating gender considerations into country strategies. Country strategies now include an operational chapter outlining the sectors in which the Bank will attempt to introduce gender, plus an annex containing basic gender information and statistics on issues relevant to the Bank's Gender Action Plan, such as labour force participation, discrimination, wage gaps and women's entrepreneurship. Gender was integrated into the new country strategy for the Kyrgyz Republic adopted in July 2011 and for Latvia in August 2011.

For further information, refer to the Bank's *Sustainability Report 2011* or visit: www.ebrd.com/pages/about/principles/gender

As part of the Bank's preparations for expansion into the southern and eastern Mediterranean (SEMED) region, a number of measures were initiated in 2011 to strengthen the EBRD's internal capacity for managing gender equality opportunities in Egypt, Morocco and Tunisia, including conducting desktop research and establishing contacts with key women's organisations in each country.

INDEPENDENT EVALUATION

Evaluating the EBRD's activities

The Evaluation department (EvD) provides an independent analysis of Bank operations, programmes, strategies and policies. This analysis is used to assess performance and identify insights and lessons from experience that the institution can then use to improve the effectiveness of future operations.

Independence and accountability

Evaluation has two core objectives, which are to contribute to:

- institutional accountability through rigorous and independent *ex post* evaluation of the results and effects of the Bank's projects and programmes
- better operational effectiveness by extracting significant and operationally relevant lessons and communicating them effectively across the organisation.

Reporting directly to the Board of Directors since 2005, EvD is institutionally well-positioned to produce the objective and independent assessments that are at the centre of its mandate, and central to the Bank delivering products and services of the highest value to the Board, management and multiple clients.

EvD's evaluation practices reflect, wherever possible, a set of good practice standards which have been developed jointly by the evaluation departments of major comparable multilateral financial institutions under the auspices of the Evaluation Cooperation Group.

EvD produces a range of evaluation products intended to serve different purposes. Project-specific evaluations have traditionally been the core EvD product, focusing on specific EBRD investments to assess performance and outcomes relative to design objectives and to identify lessons believed to have wider applicability. Other evaluations take a broader perspective, looking for findings and insights at a sectoral, thematic or country level by examining groups of related transactions; still others may explore issues identified as being of particular interest or topicality, and which might yield findings that help illuminate particular policy or operational challenges. Individual projects are normally evaluated one to two years after funds have been fully disbursed, once investment has been completed.

Transition impact and overall Bank performance

The criteria used to determine a project's impact on transition typically include the degree to which the project is expected to promote private sector development, develop skills, encourage competition, support market expansion and/or contribute to transition at the policy or institutional level. During evaluation, each project is assigned an overall transition impact rating from a six-point scale: excellent, good, satisfactory, marginal, unsatisfactory and negative.

Chart 10.1 shows historical data for the transition impact ratings of evaluated projects from 1996 to 2010. Of a sample of 738 projects, 56 per cent achieved a transition impact rating of “good” or “excellent,” while a further 24 per cent were rated “satisfactory”.

EvD also provides an overall performance rating which includes, in addition to transition impact, other important indicators such as the fulfilment of project objectives, financial performance, environmental performance and additionality. This final metric is an effort to gauge the degree to which Bank investment triggers or complements, rather than substitutes, private finance. Chart 10.2 shows that overall ratings of "successful" or "highly successful" have been earned by 57 per cent of evaluated projects since 1996.

Aggregate results for the sample of projects evaluated during 2011 will be presented in the forthcoming Annual Evaluation Overview Report 2011. Reports from earlier years may be found, together with other key evaluation documents, at www.ebrd.com/pages/about/what/evaluation/key

Based on these findings, and bearing in mind the difficult environment in which the Bank works, EvD concludes that the EBRD has been successful overall in delivering on its mandate.

Evaluating technical cooperation activities

EvD also places considerable emphasis on evaluating activities through the EBRD's technical cooperation (TC) programme. These assignments vary widely in size, scope and purpose, but broadly they encompass project-specific due diligence and other project development work, policy dialogue with governments and institutional reform. TC assignments are selected for evaluation based on their potential for generating useful lessons, and the findings are shared with operational staff through EvD's involvement in TC training and through a database which is available at the web address opposite.

Applying lessons to new operations

One of EvD's most important and challenging tasks is to contribute to processes through which evaluation findings and lessons learned are used to inform and shape future operational work. This includes effective consultation between operations teams and EvD, and encapsulating and disseminating relevant lessons in a useful and accessible form. EvD discusses with management and the Board of Directors the evaluation results of individual projects, or on a more thematic or topical level. EvD also maintains an extensive database containing the findings and recommendations of its individual evaluations, which operations teams can use to gain insights into specific experiences of past projects.

In line with the Public Information Policy, key evaluation reports and summaries of project evaluations are published on the Bank's web site and are freely available to operational staff. Visit www.ebrd.com/pages/about/what/evaluation/reports

New directions for EvD

Following a change in EvD senior management early in 2011, the Executive Board invited the team to take a fresh look at its work, effectiveness and basic direction. Drawing on internal and external analysis, EvD set out some proposals to reposition itself to produce and deliver material of greater relevance and use to the Bank, its shareholders and clients. These centre around:

- changing and refocusing the mix of EvD's basic products
- diversifying its work to meet the needs of a wider group of clients
- strengthening the key elements of the evaluation process to improve accountability and learning.

Discussions with Board Members and Management revealed considerable support for these efforts and endorsement for their integration into EvD's work programme. Therefore, 2011 served as a year of transition and strategic repositioning for EvD.

An edited version of the database is available on the Bank's web site at: www.ebrd.com/pages/about/what/evaluation/lessons

In line with the Public Information Policy, key evaluation reports and summaries of project evaluations are published on the EBRD's web site and are freely available to operational staff. Visit www.ebrd.com/pages/about/what/evaluation/reports

Evaluations informs and shapes future operational work.

Chart 10.1: Transition impact ratings of evaluated EBRD projects, 1996-2010[9]

Percentage of evaluated projects

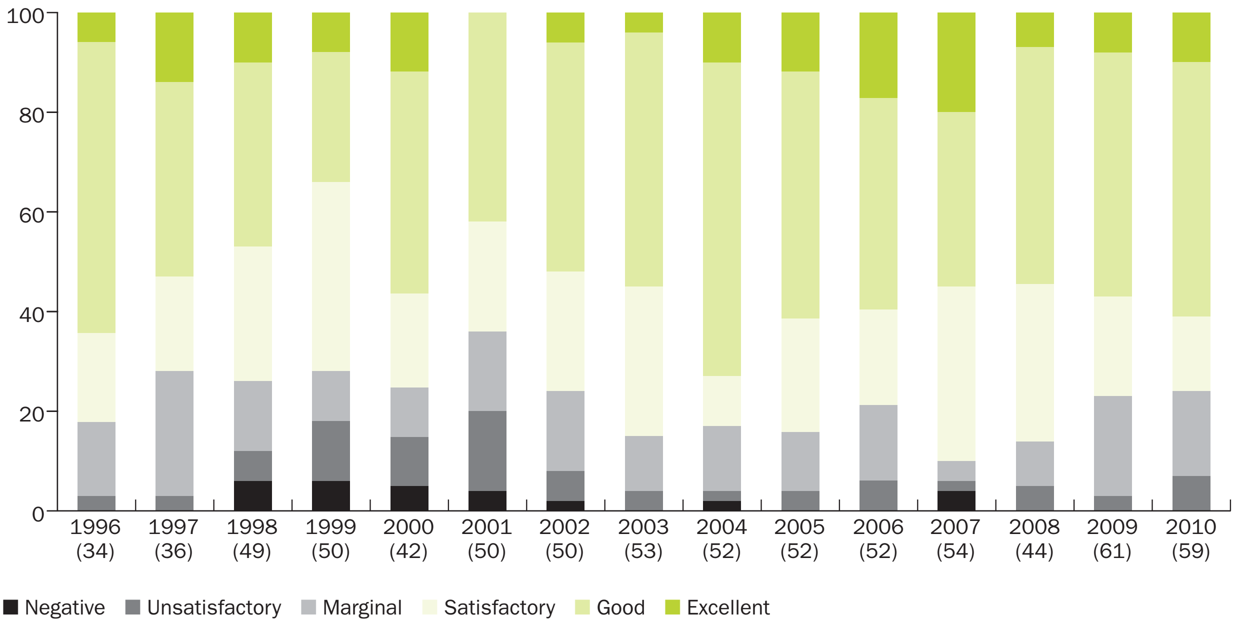
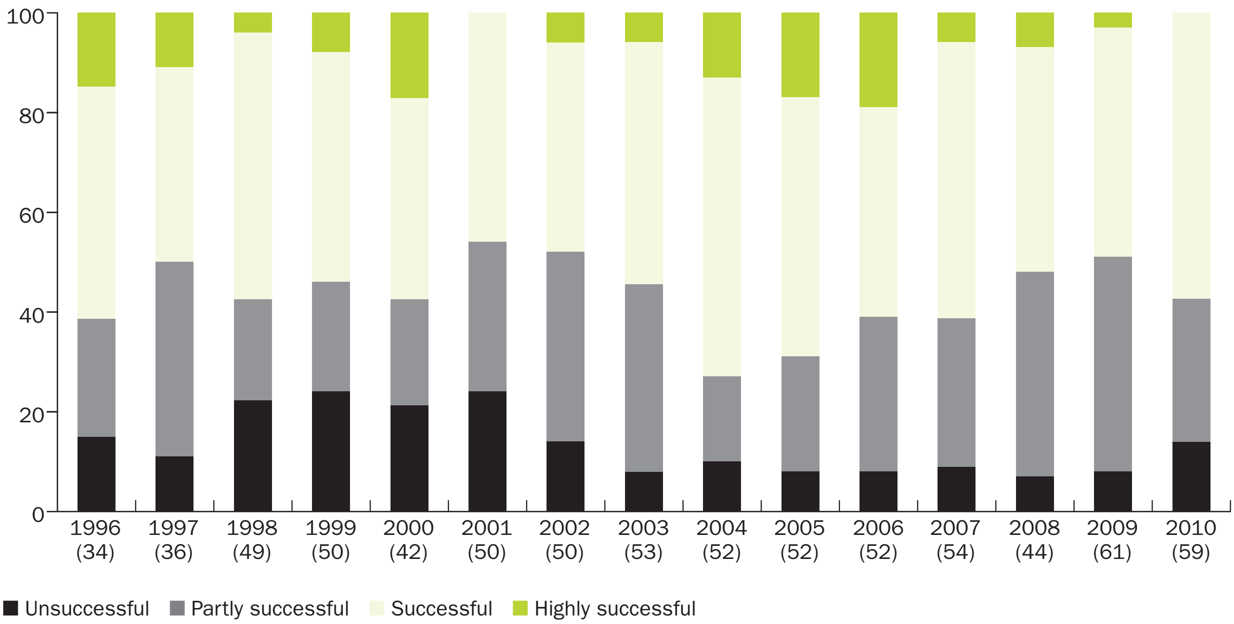


Chart 10.2: Overall performance ratings of evaluated EBRD projects, 1996-2010[9]

Percentage of evaluated projects



[9] Results for 2011 will not be available until later in 2012 when they will be presented in the Annual Evaluation Overview Report 2011.

The results framework focuses on the impact of projects on countries' transition to well-functioning market economies.

RESULTS FRAMEWORK

The EBRD's results framework (ERF) focuses on the impact of projects on countries' transition process to well-functioning market economies. The main purpose of the ERF is to act as the effective results management instrument of tracking success of the Bank's activity both operationally and institutionally. The transition impact represents the likely effects of a project on a client, sector or economy in the Bank's countries of operations, which contribute to their transformation from centrally planned to well-functioning market-based structures. This represents the main goal of the EBRD as an international organisation.

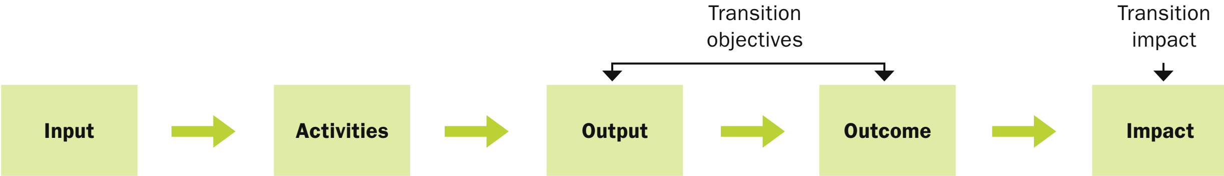
The "Transition Impact" methodology allows for a quality-at-entry assessment of all projects – each project presented to the Board is rated as having "satisfactory", "good" or "excellent" transition impact potential – as well as monitoring of success during project implementation. The *ex ante* potential transition impact for each investment project is measured against the transition challenges faced by the country and sector. As countries make progress, annual updates are made to the country and sector level transition challenges, thus improving the context in which new projects and results achieved are assessed. The assessment of progress/remaining challenges is done in terms of changes to market structure or market-supporting institutions necessary to bring them up to the standards of the most advanced market economies. The EBRD's focus is on capturing systemic change in the countries and sectors in which it works.

The achievement of transition objectives is tracked by a set of benchmarks pre-defined *ex ante* for each project. All operations in the EBRD's portfolio are regularly monitored (usually annually) over the life of the investment against these transition benchmarks. Work is being carried out to complete the harmonisation of the benchmarks for each sector, and will allow the aggregation of results to improve lessons learned.

The operational and institutional effectiveness represents the measures or controls of the Bank's management to ensure the best possible and accountable results are achieved by its activities. By implementing these measures, the Bank takes an active role in accountability for results and their effectiveness. The measures include internal institutional process and incentives schemes that ensure quality, focus, learning feedback mechanisms and resource efficiency with respect to achieving results.

The results framework is integrated into the EBRD's banking operations. Using the transition impact ratings of projects, a scorecard with specific quantitative and qualitative targets with respect to the quality at entry and portfolio performance are agreed annually with each banking team and staff compensation is linked to meeting transition impact goals. This allows close cooperation between the Bank's overall objectives, which are guided by shareholders, and the day-to-day work of the banking teams. The introduction of the institutional scorecard with the inflow- and portfolio- level transition targets (since 2001 and 2005, respectively) has proved successful for providing an incentive to the banking teams in both bringing in projects with potentially significant potential impact and ensuring the projects ultimately deliver their envisaged transition objectives.

Results chain



Results framework

Level 3	Level 2	Level 1
Organisational/operational effectiveness	EBRD contribution to transition to market economy	Progress in developing a well-functioning market economy
• institutional scorecard: a. quality-at-entry targets of projects *(2001)* b. portfolio quality target *(2005)* c. organisational/operational effectiveness targets • annual business plan • Capital Resources Review (every 5 years) • technical assistance completion reports • impact evaluations • country/sector strategies portfolio performance analysis	• project assessment and monitoring system: a. *ex ante* quality-at-entry assessment for each project *(1999)* b. *ex post* monitoring of all investments *(2003)* based on project-level indicators/ benchmarks	• assessment of transition progress/ challenges across market structures and market-supporting institutions (annually for 14 sectors in 31 countries) • assessment of progress/ challenges in inclusive transition (*under discussion*)

11: ORGANISATION AND STAFFING

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The EBRD's staff remains key to the Bank's success and the delivery of the strategic goals identified for the Capital Resources Review 4 (CRR4): 2011-15. The overarching objective of the human resources (HR) strategy for the CRR4 period is to attract, recruit, retain, motivate and develop high performers on a diverse basis. As such, in 2011 the HR department has focused on a broad range of initiatives in the areas of staff attraction and retention, diversity, performance management, leadership development, recognition and reward.

STAFFING OVERVIEW

As of 31 December 2011, EBRD staff totalled 1,611[10] with employees coming from 58 of the Bank's 61 member countries. Of these staff members, 1,203 (or 75 per cent) were based in the London Headquarters. There were 408 employees (compared with 354 in the previous year) working across 36 Resident Offices in 26 of the 29 countries of operations.

Table 11.1: Proportion of staff based in London Headquarters and the Resident Offices

HQ/RO	PROFESSIONAL	SUPPORT	TOTAL	
London Headquarters	887	316	1,203	**75%**
Resident Offices	274	134	408	**25%**
Total	**1,161**	**450**	**1,611**	

[10] This number also includes staff who worked in BAS offices in the region.

Table 11.2: Number of staff in each of the Resident Offices and Headquarters: percentage change 2010-11

	PROFESSIONAL			SUPPORT				
	2011	2010	Change from 2010	2011	2010	Change from 2010	2011 total	2010 total
Almaty	15	14	+1	7	7	+0	22	21
Ashgabat	3	1	+2	3	2	+1	6	3
Astana	4	3	+1	3	3	+0	7	6
Baku	4	4	+0	3	3	+0	7	7
Belgrade	10	11	-1	5	4	+1	15	15
Bishkek	10	4	+6	5	4	+1	15	8
Bratislava	2	2	+0	1	1	+0	3	3
Bucharest	15	11	+4	5	5	+0	20	16
Budapest	2	2	+0	2	2	+0	4	4
Chisinau	3	3	+0	3	3	+0	6	6
Dushanbe	2	4	-2	4	3	+1	6	7
Istanbul	11	5	+6	4	4	+0	15	9
Kiev	24	21	+3	11	11	+0	35	32
Krasnoyarsk	2	2	+0	1	1	+0	3	3
London	887	852	+35	316	320	-4	1,203	1,172
Minsk	4	4	+0	3	3	+0	7	7
Moscow	65	58	+7	24	25	-1	89	83
Podgorica	2	2	+0	2	2	+0	4	4
Pristina	2	1	+1	1	1	+0	3	2
Rostov	1	2	-1	1	1	+0	2	3
Samara	2	1	+1	1	1	+0	3	2
Sarajevo	7	3	+4	2	2	+0	9	5
Skopje	9	6	+3	4	3	+1	13	9
Sofia	7	7	+0	3	2	+1	10	9
St Petersburg	5	5	+0	4	4	+0	9	9
Tashkent	3	4	-1	1	2	-1	4	6
Tbilisi	14	9	+5	5	6	-1	19	15
Tirana	5	4	+1	3	3	+0	8	7
Ulaanbaatar	7	4	+3	3	2	+1	10	6
Vilnius	1	2	-1	3	3	+0	4	5
Vladivostock	1	2	-1	1	1	+0	2	3
Warsaw	12	11	+1	6	6	+0	18	17
Yekaterinburg	1	3	-2	2	2	+0	3	5
Yerevan	7	4	+3	3	3	+0	10	7
Zagreb	10	7	+3	3	3	+0	13	10
Total	**1,159**	**1,078**	**+81**	**448**	**448**	**+0**	**1,607**	**1,526**

Table 11.3: Gender analysis of total staff numbers, as at 31 December 2011

	HEADQUARTERS		RESIDENT OFFICES		TOTAL	
	Female	Male	Female	Male	Female	Male
Professional	43%	57%	41%	59%	42.5%	57.5%
Support	92%	8%	74%	26%	87.4%	12.6%
Total	**56%**	**44%**	**51%**	**49%**	**54.7%**	**45.3%**

Table 11.4: Gender analysis of new starters, as at 31 December 2011

	HEADQUARTERS		RESIDENT OFFICES		TOTAL	
	Female	Male	Female	Male	Female	Male
Professional	75	99	22	42	41%	59%
Support	55	4	14	1	93%	7%
Total	**130**	**103**	**36**	**43**	**53%**	**47%**

RECRUITMENT

For further information visit: www.ipp.ebrd.com

Recruitment was at a higher level compared with 2010 as a result of the planned expansion into the southern and eastern Mediterranean (SEMED) region. In 2011 there were 141 new hires in the Banking department compared with 136 new hires in the previous year. In total, 233 of the 312 new hires were recruited in London and 79 in the EBRD's countries of operations. Thirteen staff were hired specifically to focus on the new region.

In September the International Professionals Programme was launched comprising a 23-month rotational assignment of 12 Masters graduates (50:50 gender breakdown). The objective is to train and develop this diverse group of talented individuals into high-potential staff and possible candidates for future leadership positions within the Bank. It is envisaged that a further 12 candidates will be hired each year.

GEOGRAPHIC MOBILITY

Bank staff may be assigned temporarily from the London Headquarters to another office in a country of operations (Resident Office), *vice versa*, or between two Resident Offices. These assignments are essential to the EBRD's operational focus while offering individuals the opportunity to fulfil professional goals by working in a different location.

Table 11.5: Active assignments as at 31 December 2011

ASSIGNMENT	TOTAL
HQ to RO	54
RO to HQ	10
RO to RO	14
Total	**78**

Table 11.6: Movement of staff from between offices

ASSIGNMENT	PAYROLL LOCATION	CURRENT LOCATION	TOTAL
HQ to RO	London	Almaty	2
		Baku	1
		Belgrade	2
		Bucharest	1
		Budapest	1
		Dushanbe	1
		Istanbul	7
		Kiev	5
		Minsk	1
		Moscow	17
		Podgorica	2
		Pristina	1
		Sarajevo	1
		Sofia	1
		St Petersburg	1
		Tbilisi	2
		Tirana	1
		Ulaanbaatar	2
		Vilnius	2
		Warsaw	1
		Zagreb	2
RO to HQ	Almaty	London	1
	Baku	London	1
	Istanbul	London	1
	Kiev	London	1
	Moscow	London	3
	Sofia	London	1
	Tbilisi	London	1
	Ulaanbaatar	London	1
RO to RO	Belgrade	Yerevan	1
	Minsk	Kiev	1
	Moscow	Chisinau	1
		Kiev	3
		Samara	1
		St Petersburg	1
		Vladivostock	1
		Yekaterinburg	1
	Sofia	Pristina	1
	Tashkent	Ashgabat	1
		Baku	1
	Zagreb	Kiev	1
Total			**78**

COMPENSATION AND BENEFITS

The compensation and benefits framework at the Bank focuses on motivating and rewarding superior performance and fostering an atmosphere of continuous staff development, with the overall aim to attract and retain high-quality employees from a wide range of member countries.

A focus of the HR strategy for 2011-15 is to provide more flexibility and choice for staff with regards to benefits arrangements and a review was undertaken in 2011 to consider this.

LEARNING AND DEVELOPMENT

The development of staff and management is essential for attracting bright individuals with a passion and enthusiasm for their work, and to enhance their effectiveness while working for the Bank. Leadership and management capacity is the cornerstone of any effective organisation. Executive development initiatives continue to enhance the leadership capacity of existing managers in the areas of diversity and inclusion, improving performance and growth, encouraging constructive feedback on both sides and managing the performance of teams and individuals.

Table 11.7: EBRD Organisation Chart,[11] 31 December 2011

BOARD OF GOVERNORS	
BOARD OF DIRECTORS	Evaluation

PRESIDENT[12]	Institutional Strategy and Executive Committee Management	Communications	Office of the Chief Compliance Officer	Internal Audit

Banking First Vice Presidency	**Finance Vice Presidency**	**Risk and Resources**	**Operational Policies**	**Office of the Secretary General**	**Office of the General Counsel**	**Office of the Chief Economist**
Turkey, Eastern Europe, Caucasus and Central Asia	Treasury	Risk Management	Stakeholder Relations	Annual Meetings, Protocol and Event Management	Deputy General Counsels	Research
Central and South-Eastern Europe	Financial Policy and Business Planning	Human Resources	Environment and Sustainability Department	Board and Institutional Affairs		Country Strategy and Policy
Russia	Loan Syndications	Information Technology and Administrative Resources	Procurement	Language Services		Project and Sector Assessment
Industry, Commerce and Agribusiness	Controller's Department		Consultancy and Corporate Procurement			
Financial Institutions			Nuclear Safety			
Energy						
Infrastructure						
Energy Efficiency and Climate Change						
Southern and eastern Mediterranean						

[11] The chart shows functions, irrespective of size, with a direct reporting relationship to either the President, Board of Directors, Vice Presidents or the Offices of the Chief Economist, General Counsel and Secretary General.

[12] Chairman of the Board of Directors

EBRD management, 31 December 2011[13]

President	Thomas Mirow

President's Office

Director	Christoph Denk

Communications

Director	Jonathan Charles
Internal Communications	Lawrence Sherwin
Media Relations	Anthony Williams
Multimedia Publications	Jane Ross
Business Information Service	Alun Davies

Internal Audit

Head	Ray Portelli
Deputy Head	Pedro Reis

Office of the Chief Compliance Officer

Chief Compliance Officer	Enery Quinones
Deputy Chief Compliance Officer	Judith Shenker
Deputy Chief Compliance Officer	Rohan Schaap

Institutional Strategy and Executive Committee Management

Managing Director	Hans-Peter Lankes

BANKING

First Vice President	Varel Freeman

Front Office

Adviser to the FVP	James Hyslop
Director, Operations Committee Secretariat	Holger Muent

Turkey, Eastern Europe, Caucasus and Central Asia

Managing Director	Olivier Descamps
Turkey	Mike Davey (Istanbul)
Ukraine	André Küüsvek (Kiev)
Caucasus, Moldova and Belarus	Paul-Henri Forestier (Tbilisi)
Central Asia	Masaru Honma
Kazakhstan	Michael Weinstein (Almaty)
Early Transition Countries (ETC) Initiative	Chris Clubb

Russia

Managing Director	Natasha Khanjenkova (Moscow)
Corporate Sector	Eric Rasmussen (Moscow)
Government Relations	Alexander Orlov
Energy and Infrastructure	Zhanar Rymzhanova (Moscow)

[13] For an updated list see www.ebrd.com

Central and South-Eastern Europe

Managing Director	Jean-Marc Peterschmitt
Poland	Lucyna Stanczak (Warsaw)
Serbia	Hildegard Gacek (Belgrade)
Croatia and Hungary	Zsuzsanna Hargitai (Zagreb)
Western Balkans: Albania, Bosnia and Herzegovina, FYR Macedonia and Montenegro	Claudio Viezzoli
Romania	Claudia Pendred (Bucharest)
Bulgaria	Dan Berg (Sofia)

Monitoring

Executive Counsellor	Gavin Anderson

Financial Institutions

Managing Director	Nick Tesseyman
Western Balkans, Belarus, Moldova and Turkey	Francis Malige
Russia	George Orlov (Moscow)
Central Asia, Caucasus and Mongolia	Mike Taylor
EU and Banks	Sylvia Gansser-Potts
Insurance and Financial Services	Noel Edison
Small Business Finance	Henry Russell
Planning, Portfolio Management and Trade Finance	Allan Popoff

Industry, Commerce and Agribusiness

Managing Director	Alain Pilloux
ICA Russia	Eric Rasmussen (Russia)
Agribusiness	Gilles Mettetal
Property and Tourism	Michele Small
Manufacturing and Services	Frederic Lucenet
Telecommunications, Informatics and Media	Vacant
TurnAround Management and Business Advisory Service (TAM/BAS)	Charlotte Ruhe
Equity Funds	Anne Fossemalle

Infrastructure

Managing Director	Thomas Maier
Municipal and Environmental Infrastructure	Jean-Patrick Marquet
Transport	Sue Barrett

Energy

Managing Director	Riccardo Puliti
Natural Resources	Kevin Bortz
Power and Energy	Nandita Parshad

Energy Efficiency and Climate Change

Managing Director	Josué Tanaka
Energy Efficiency	Terry McCallion

Corporate Equity

Director	Lindsay Forbes

Portfolio Business

Managing Director	Kanako Sekine

Operational Strategy and Planning

Managing Director	Josué Tanaka

Corporate Recovery

Director	Kamen Zahariev (Joint report to Banking and Risk and Resources)

FINANCE

Vice President and Chief Financial Officer	Manfred Schepers

Financial Strategy and Business Planning

Managing Director	Paulo Sousa
Deputy Director	David Brooks

Treasury

Treasurer	Axel van Nederveen
Deputy Treasurer, Head of Funding	Isabelle Laurent
Head, Client Risk Management	Grant Metcalfe-Smith
Head, Investments-Credit	Neil Calder
Head, Balance Sheet Management	Axel van Nederveen (Acting)

Loan Syndications

Director	Lorenz Jorgensen

Controller's Department

Controller	Nigel Kerby
Funds Accounting	Jocelyn Zemianski
Financial Control	Terry Cullen
Middle Office	Bertrand de Saint-Viance
Operations Banking	Mark Smith
Operations Treasury and Control	Chris Swinchatt

RISK AND RESOURCES

Vice President	Vacant

Risk Management

Managing Director	David Klingensmith

Credit/Transaction Analysis

Director	Henrik Lannero

Credit/Portfolio Review

Director	Andrea Leon

Corporate Recovery

Director	Kamen Zahariev (Joint report to Banking)

Treasury Credit Risk

Director	Andrea Leon (Acting)

Portfolio Risk Management

Director	Miguel Iglesias

Operational Risk and Information Security

Director	Julie Williams

Human Resources

Director	Anne Sahl
Deputy Director	Matthew Drage

IT and Administrative Services

Corporate Director	Chris Holyoak

Administrative Services Department

Director	Jaroslaw Wojtylak

Information Technology

Director	Chris Holyoak (Acting)
Business Systems Development and Support	Marco Minchillo
Customer Services and Technical Development	Stuart McQueen
Head, Information Technology Security and Business Continuity	Andrew McTaggart

OPERATIONAL POLICIES

Vice President	Jan Fischer
Executive Counsellor	Alex Auboeck

Stakeholder Relations

Corporate Director	Alan Rousso

Official Co-Financing Unit

Director	Richard Jones

Civil Society Engagement, Gender Unit

Head	Biljana Radonjic Ker-Lindsay

Nuclear Safety

Director	Vince Novak
Deputy Director	Balthasar Lindauer

Environment and Sustainability

Corporate Director	Alistair Clark
Policy and Project Oversight	Mark King
Project Appraisal	Dariusz Prasek

Procurement

Director	Jan Jackholt

Consultancy and Corporate Procurement

Director	Dilek Macit
Deputy Director	Tom Husband

OFFICE OF THE SECRETARY GENERAL

Secretary General	Enzo Quattrociocche
Deputy Secretary General	Nigel Carter
Assistant Secretary General	Colm Lincoln

Annual Meetings, Protocol and Event Management

Head	Stefania Galbiati-Ball

Board and Institutional Affairs

Head	Colm Lincoln

Language Services

Head	Mike Tigar

OFFICE OF THE GENERAL COUNSEL

General Counsel	Emmanuel Maurice
Deputy General Counsel	Stephen Petri
Deputy General Counsel	Gerard Sanders
Deputy General Counsel	Norbert Seiler

Legal

Chief Counsels	Remy Cottage-Stone, Mary Faith Higgins, Thomas Hammack, Giel Hoogeboom, Paul Kearney, Michel Nussbaumer, Christoph Sicking, Brian Young, Rudiger Woggon

Operations Administration Unit

Director	Peter Robinson

Records Management and Archives

Manager	Anne Crétal

OFFICE OF THE CHIEF ECONOMIST

Chief Economist	Erik Berglof
Deputy Chief Economist and Director of Research	Jeromin Zettelmeyer
Country Strategy and Policy	Piroska Nagy
Project and Sector Assessment	Andrew Kilpatrick

Evaluation Department

Chief Evaluator	Joseph Eichenberger (Reports to the Board of Directors)

EBRD Governors and Alternate Governors, 31 December 2011

Member	Governor	Alternate Governor
Albania	Ridvan Bode	Nezir Haldeda
Armenia	Tigran Davtyan	Vardan Aramyan
Australia	Wayne Swan	David Bradbury
Austria	Maria Fekter	Edith Frauwallner
Azerbaijan	Shahin Mustafayev	Samir Sharifov
Belarus	Vladimir I. Semashko	Nikolai Snopkov
Belgium	Didier Reynders	Marc Monbaliu
Bosnia and Herzegovina	Sven Alkalaj	Vacant
Bulgaria	Simeon Djankov	Dimitar Kostov
Canada	James M. Flaherty	Morris Rosenberg
Croatia	Martina Dalić	Zdravko Marić
Cyprus	Kikis Kazamias	Christos Patsalides
Czech Republic	Miroslav Kalousek	Miroslav Singer
Denmark	Ole Sohn	Michael Dithmer
Egypt	Fayza Aboulnaga	Samir Yossef El Sayad
Estonia	Jürgen Ligi	Veiko Tali
Finland	Jutta Urpilainen	Esko Hamilo
FYR Macedonia	Zoran Stavreski	Vladimir Pesevski
France	François Baroin	Ramon Fernandez
Georgia	Dimitri Gvindadze	Giorgi Kadagidze
Germany	Wolfgang Schäuble	Jörg Asmussen
Greece	Michalis Chrysohoidis	Ioannis Drymoussis
Hungary	György Matolcsy	Györgyi Nyikos
Iceland	Árni Páll Árnason	Björn Rúnar Guðmundsson
Ireland	Michael Noonan	Kevin Cardiff
Israel	Stanley Fischer	Oded Brook
Italy	Mario Monti	Carlo Monticelli
Japan	Jun Azumi	Masaaki Shirakawa
Kazakhstan	Bolat Zhamishev	Timur Suleimenov
Korea, Republic of	Jae-Wan Bahk	Choongsoo Kim
Kyrgyz Republic	Melis Mambetjanov	Uchkunbek Tashbaev
Latvia	Andris Vilks	Daniels Pavluts
Liechtenstein	Martin Meyer	Roland Marxer
Lithuania	Ingrida Šimonytè	Rolandas Kriščiūnas
Luxembourg	Luc Frieden	Arsène Jacoby
Malta	Tonio Fenech	Josef Bonnici
Mexico	José Antonio Meade Kuribreña	Gerardo Rodríguez Regordosa
Moldova	Valeriu Lazar	Marin Moloşag
Mongolia	Bayartsogt Sangajav	Purevdorj Lkhanaasuren
Montenegro	Milorad Katnic	Nemanja Pavlićić
Morocco	Salaheddine Mezouar	Khalid Safir
Netherlands	Jan Cornelis de Jager	Uri Rosenthal
New Zealand	Murray McCully	Derek Leask
Norway	Sigbjørn Johnsen	Rikke Lind
Poland	Marek Belka	Jacek Dominik

Member	Governor	Alternate Governor
Portugal	Vitor Gaspar	Maria Luis Albuquerque
Romania	Gheorghe Ialomitianu	Mugur Isarescu
Russian Federation	Elvira S. Nabiullina	Sergey A. Storchak
Serbia	Verica Kalanovic	Bozidar Djelic
Slovak Republic	Ivan Mikloš	Jozef Makúch
Slovenia	Franc Križanič	Mitja Mavko
Spain	Elena Salgado	Jose Manuel Campa
Sweden	Anders Borg	Susanne Ackum
Switzerland	Johann N. Schneider-Ammann	Beatrice Maser Mallor
Tajikistan	Farrukh M. Khamraliev	Jamshed Z. Yusufiyon
Turkey	Ibrahim H. Çanakci	Cavit Dağda
Turkmenistan	Gurbanmurad Begmuradov	Merdan Annadurdiyev
Ukraine	Fedir Yaroshenko	Serhii Arbuzov
United Kingdom	George Osborne	Andrew Mitchell
United States	Timothy F. Geithner	Robert D. Hormats
Uzbekistan	Rustam Sadykovich Azimov	Shavkat Tulyaganov
European Investment Bank	Dario Scannapieco	Anton Rop
European Union	Olli Rehn	Marco Buti

Chair of the Board of Governors
2010-11: Governor for Korea, Republic of (Jeung-Hyun Yoon)

Vice Chairs of the Board of Governors
2010-11: Governor for Bosnia and Herzegovina (Sven Alkalaj)

Governor for Portugal (Carlos Costa Pina)

All the powers of the EBRD are vested in the Board of Governors. The Board of Governors has delegated many of its powers to the Board of Directors, which is responsible for the direction of the general operations of the Bank and, among other activities, establishes policies and takes decisions concerning loans, equity investments and other operations in conformity with the general directions of the Board of Governors.

The President chairs the Board of Directors. Under the direction of the Board, the President conducts the business of the Bank and, as head of staff, is responsible for its organisation and for making staff appointments.

EBRD Directors and Alternate Directors, 31 December 2011

Director	Alternate	Constituency
Klára Król	András Kármán	Czech Republic, Hungary, Slovak Republic, Croatia, Georgia
Kurt Bayer	Golan Benita	Austria, Israel, Cyprus, Malta, Kazakhstan, Bosnia and Herzegovina
Giorgio Leccesi	Gianluca Grandi	Italy
Thomas Hackett	Dominique de Crayencour	European Investment Bank
Ole Blöndal	Eoin Ryan	Denmark, Ireland, Lithuania
Alain de Cointet	Jérôme Baconin	France
Zbigniew Hockuba	Stefka Slavova	Poland, Bulgaria, Albania
Werner Gruber	Artem Shevalev	Switzerland, Ukraine, Liechtenstein, Turkmenistan, Serbia, Montenegro, Moldova
Memduh Akçay	Virginia Gheorghiu	Turkey, Romania, Azerbaijan, Kyrgyz Republic
Eva Srejber	Kalle Killar	Sweden, Iceland, Estonia
Toshiyuki Furui	Nobuyuki Oyama	Japan
Tapani Kaskeala	Ole Hovland	Finland, Norway, Latvia
Suzanne Hurtubise	Brian Parrott	Canada, Morocco
Bob McMullan	In-chang Song	Australia, Korea, New Zealand, Egypt
Denis Morozov	Vacant	Russia, Belarus, Tajikistan
Vassili Lelakis	Peter Basch	European Union
Pedro Moriyón	Enrique Bal	Spain, Mexico
James Hudson	Vacant	United States of America
Jonathan Ockenden	Alex Skinner	United Kingdom
Joachim Schwarzer	Herbert Junk	Germany
Jean-Louis Six	Irena Sodin	Belgium, Slovenia, Luxembourg
Paul Vlaanderen	Jan Maas	Netherlands, Mongolia, FYR Macedonia, Armenia
Abel Mateus	Vacant	Portugal, Greece

Composition of Board of Directors' committees, 31 December 2011

Audit Committee

Werner Gruber (Chair)
Paul Vlaanderen (Vice Chair)
Thomas Hackett
Giorgio Leccesi
Vassili Lelakis
Abel Mateus
Bob McMullan

The **Audit Committee** considers the appointment and scope of work of the external auditors. It also reviews financial statements and general accounting principles, policy and work of the Internal Auditor, expenditure authorisation, control systems, procurement policy and project evaluation.

Budget and Administrative Affairs Committee

Memduh Akçay (Chair)
Alain de Cointet (Vice Chair)
Kurt Bayer
Ole Blöndal
Toshiyuki Furui
Zbigniew Hockuba
Suzanne Hurtubise
Tapani Kaskeala

The **Budget and Administrative Affairs Committee** considers general budgetary policy, proposals, procedures and reports. It also considers personnel, administrative and organisational matters, and administrative matters relating to Directors and their staff.

Financial and Operations Policies Committee

Jonathan Ockenden (Chair)
Pedro Moriyón (Vice Chair)
Klára Król
James Hudson
Denis Morozov
Joachim Schwarzer
Jean-Louis Six
Eva Srejber

The **Financial and Operations Policies Committee** reviews financial policies, including borrowing policy and general policies relating to operations, as well as reviewing procedures and reporting requirements.

Board Steering Group

Suzanne Hurtubise (Chair)
James Hudson (Vice Chair)
Memduh Akçay
Alain de Cointet
Werner Gruber
Pedro Moriyón
Jonathan Ockenden
Paul Vlaanderen
Enzo Quattrociocche
Nigel Carter

The **Board Steering Group** facilitates coordination between the Board of Directors and management on arrangements for meetings of the Board, Committees and workshops.

FURTHER INFORMATION

Exchange rates

Non-euro currencies have been converted, where appropriate, into euro on the basis of the exchange rates current on 31 December 2011. (Approximate euro exchange rates: £0.84, US$ 1.29, ¥100.12).

Calculation of EBRD commitments

Repeat transactions with the same client for seasonal/short-term facilities, such as commodity financing, are not included in the calculation of EBRD commitments for the year.

Abbreviations and acronyms

The Bank, EBRD	The European Bank for Reconstruction and Development
BAS	Business Advisory Services
CEB	Central Europe and the Baltic states
CIS	Commonwealth of Independent States
CRR4	The fourth Capital Resources Review
EC	European Commission
EGP	Enterprise Growth Programme
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
ETC	Early transition countries
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FYR Macedonia	Former Yugoslav Republic of Macedonia
GAP	Gender Action Plan
GHG	Greenhouse gas
ICT	Information and communication technologies
IFI	International financial institution
IPA	Instrument for Pre-Accession Assistance
MDB	Multilateral development bank
MEI	Municipal and environmental infrastructure
MoU	Memorandum of Understanding
MSMEs	Micro, small and medium-sized enterprises
NDEP	Northern Dimension Environmental Partnership
NGO	Non-governmental organisation
NIF	Neighbourhood Investment Facility
NPL	Non-performing loan
OCCO	Office of the Chief Compliance Officer
PCM	Project Complaint Mechanism
PPP	Public-private partnership
RSBF	Russia Small Business Fund
SBS	Small Business Support
SEE	South-eastern Europe
SEFF	Sustainable energy financing facility
SEI	Sustainable Energy Initiative
SEMED	Southern and eastern Mediterranean
SHPP	Small hydropower plant
SMEs	Small and medium-sized enterprises
SSF	EBRD Shareholder Special Fund
TC	Technical cooperation
TFP	Trade Facilitation Programme
WBIF	Western Balkans Investment Framework
WeBSEDFF	Western Balkans Sustainable Energy Direct Financing Facility

European Bank for Reconstruction and Development
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Highlights of 2011
Susan Braun (Oct), ChNPP PMU/Mr Malyshev (Apr), Dermot Doorly (Sep), Sergiy Grytsenko (Jan), John McConnico (June, Nov), Hemera/Alex Popov (Feb), Bryan Whitford (May, Aug).

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