

ANNUAL REPORT 2015



European Bank
for Reconstruction and Development



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President's message

About this report

The EBRD's *Annual Report* provides a comprehensive overview of the Bank's activities and achievements over the past year in the regions where it invests.

The 2015 edition demonstrates that, amid economic and political turbulence and the deterioration of economies, the EBRD remains a strong, resilient and trusted partner.

The report describes the transition impact of the Bank's investments, projects and policy work, highlights its innovation in key sectors and geographical initiatives, and shows how the Bank continues to promote sustainable growth and recovery.

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2016 is a special year for the European Bank for Reconstruction and Development. It marks a quarter-century of helping our countries of operations to make the transition to more market-based, sustainable economies.

The anniversary follows a year of record investment levels and impact in EBRD recipient countries. In 2015, we invested €9.4 billion in over 380 projects. It was also the year in which our goal of re-energising transition started to bear fruit. 2015 saw the best reform performance in our region for a long time, which was confirmed by improvements in a number of our transition reform indicators, especially in the infrastructure sector.

Our operational efforts and increased focus on policy reform dialogue were achieved despite serious economic, geopolitical and security challenges in our regions. For the second year running, following guidance from our shareholders, we were unable to undertake new projects in Russia. The achievements of 2015 therefore underlined that the EBRD is an adaptable, innovative and strong bank. Our work in our countries of operations was recognised by others, and we were particularly pleased to receive the 'Global Multilateral of the Year' award from Project Finance International, part of Thomson Reuters.

Throughout the past 25 years, the Bank has been continuously evolving, both geographically and operationally. It has always sought new ways to create impact on the ground and ensure that it stays relevant to the needs of countries, citizens and clients.

The dynamic nature of the EBRD is captured by our roadmap for the next five years, the Strategic and Capital Framework, which was agreed by our Governors in May 2015. It aims to increase our impact by focusing on three themes: we will build the economic resilience of our countries by improving their competitiveness and making them more stable, inclusive and better-governed; we will improve their integration into the regional and global economies; and we will help them to fight global challenges such as climate change by making their economies more sustainable.

In 2016, we have started implementing this fresh strategic effort through various tools, including a new Green Economy Transition approach, which seeks to boost the amount of investment in sustainable and environmental projects to 40 per cent of the EBRD's total annual financing by 2020, and our first Strategy for the Promotion of Gender Equality. In line with the Strategy, projects will be assessed for their potential to promote equal opportunities. Increasingly, investment and the policy expertise that can accelerate reform will go hand in hand.

The Bank's robust performance, and the sharpened focus of our activities, would not have been possible without the modernisation efforts that we have pursued internally over the past four years. They have made us more agile, innovative and responsive. As the world becomes more



Suma Chakrabarti

President, European Bank for Reconstruction and Development

“

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challenging, the EBRD has grown nimbler to cope and deepen our impact. The next stage of that work is under way, focusing on making the institution more efficient and effective internally, in order to fulfil our goals externally.

The EBRD has never been complacent and has always remained innovative – understanding that the key to future success lies in continuously examining whether there are ways to deliver better outcomes. We can celebrate our 25th anniversary confident in our skills and ability to adapt, aware of the strong global economic headwinds and determined to meet our strategic objectives.

A handwritten signature in black ink, reading 'Suma Chakrabarti' in a cursive script.

Suma Chakrabarti

President, European Bank for
Reconstruction and Development

About the EBRD

Who we are

The EBRD is investing in changing people's lives and environments from central Europe to Central Asia, the Western Balkans and the southern and eastern Mediterranean region. With an emphasis on working with the private sector, we invest in projects, engage in policy dialogue and provide technical advice that fosters innovation and builds sustainable and open-market economies.

What we do

We provide direct financing for well-structured, financially robust projects of all sizes (including many small businesses), both directly and through financial intermediaries such as local banks and investment funds. The Bank works mainly with private sector clients, but also finances municipal entities and publicly owned companies. Our principal financing instruments are loans, equity investments and guarantees.

We maintain close policy dialogue with governments, authorities, international financial institutions, and representatives of civil society, and provide targeted technical assistance using funds donated by member governments and institutions.

Where we invest

EBRD annual Bank investment in 2015¹ (€ million)

Central Europe and the Baltic states

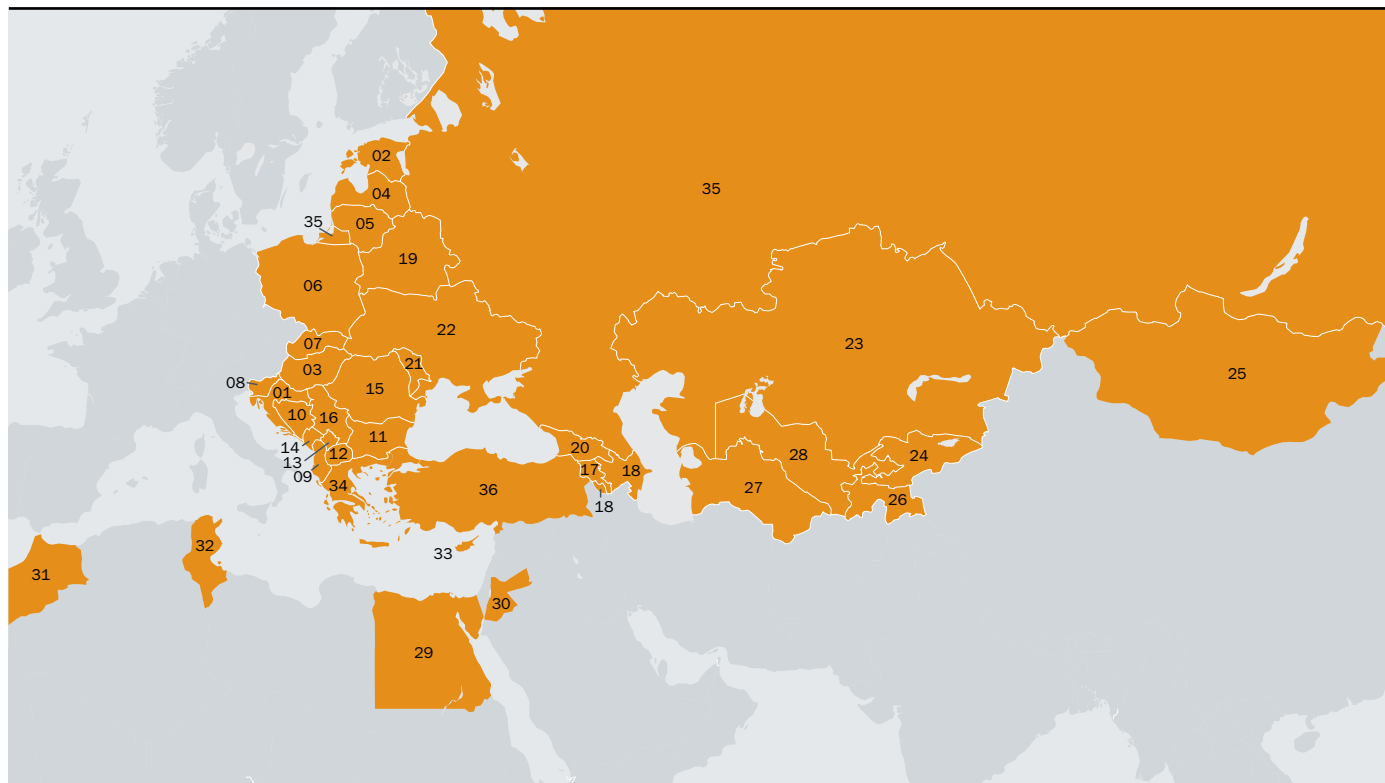
Map ref.	Country	2015	2014	Cumulative 1991-2015
01	Croatia	198	298	3,264
02	Estonia	48	40	642
03	Hungary	79	6	2,810
04	Latvia	61	4	628
05	Lithuania	8	32	651
06	Poland	647	594	7,896
07	Slovak Republic	87	62	2,093
08	Slovenia	77	35	898
Total		1,204	1,068	20,106²

South-eastern Europe

Map ref.	Country	2015	2014	Cumulative 1991-2015
09	Albania	10	119	942
10	Bosnia and Herzegovina	138	68	1,832
11	Bulgaria	82	83	3,039
12	FYR Macedonia	158	252	1,649
13	Kosovo	56	37	178
14	Montenegro	99	75	538
15	Romania	260	592	7,186
16	Serbia	478	453	4,183
Total		1,282	1,679	19,547

Eastern Europe and the Caucasus

Map ref.	Country	2015	2014	Cumulative 1991-2015
17	Armenia	138	114	1,042
18	Azerbaijan	269	238	2,561
19	Belarus	53	242	1,792
20	Georgia	116	214	2,661
21	Moldova	98	105	1,107
22	Ukraine	997	1,210	11,861
Total		1,671	2,124	21,024



Central Asia

Map ref.	Country	2015	2014	Cumulative 1991-2015
23	Kazakhstan	709	576	6,542
24	Kyrgyz Republic	48	35	561
25	Mongolia	467	117	1,330
26	Tajikistan	166	62	590
27	Turkmenistan	12	12	238
28	Uzbekistan	0	0	883
Total		1,402	803	10,144

Southern and eastern Mediterranean³

Map ref.	Country	2015	2014	Cumulative 1991-2015
29	Egypt	780	593	1,601
30	Jordan	163	138	536
31	Morocco	431	225	921
32	Tunisia	82	114	297
Total		1,456	1,070	3,355

Cyprus⁴

Map ref.	Country	2015	2014	Cumulative 1991-2015
33	Cyprus	33	108	3,140
Total		33	108	3,140

Greece⁵

Map ref.	Country	2015	2014	Cumulative 1991-2015
34	Greece	320	N/A	320
Total		320	N/A	320

Russia

Map ref.	Country	2015	2014	Cumulative 1991-2015
35	Russia	106	608	25,400
Total		106	608	25,400

Turkey

Map ref.	Country	2015	2014	Cumulative 1991-2015
36	Turkey	1,904	1,394	7,163
Total		1,904	1,394	7,163

¹ "annual Bank investment" (ABI) is the volume of commitments made by the Bank during the year. This includes: (i) new commitments (less any amount cancelled or syndicated within the year); (ii) restructured commitments; and (iii) amounts issued under the Trade Facilitation Programme (TFP) during the year and outstanding at year-end. In EBRD Annual Reports before 2013, ABI was shown as annual business volume (ABV).

² This figure includes investments totalling €1,225 million made in the Czech Republic before 2008.

³ In November 2013, Jordan, Morocco and Tunisia became EBRD recipient countries. Egypt became a recipient country on 30 October 2015.

⁴ Cyprus became a member of the EBRD and an EBRD recipient country on 15 May 2014, on a temporary basis.

⁵ On 29 March 2015 Greece became an EBRD recipient country on a temporary basis until 2020.

2015 in numbers

EBRD annual Bank investment by sector 2015

32%

Financial institutions

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

27%

Energy

Comprises natural resources and the power sector.

22%

Industry, commerce and agribusiness

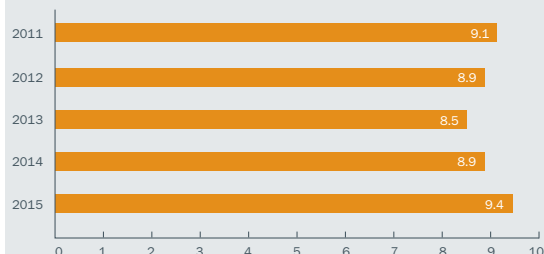
Includes agribusiness, manufacturing and services, property and tourism, equity funds, and information and communication technologies.

19%

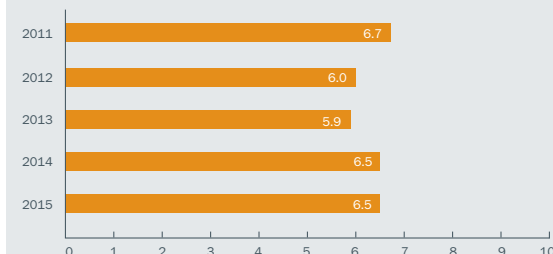
Infrastructure

Comprises municipal and environmental infrastructure and transport.

EBRD annual Bank investment 2011-15 (€ billion)



Gross annual disbursements 2011-15 (€ billion)



Operational results 2011-15

	2015	2014	2013	2012	2011
Number of projects ⁶	381	377	392	393	380
Annual Bank investment (€ million)	9,378	8,853	8,498	8,920	9,051
Non-EBRD finance (€ million)	21,767	13,867	13,488	17,372	20,802
Total project value ⁷ (€ million)	30,303	20,796	20,527	24,871	29,479

Financial results 2011-15

€ million	2015	2014	2013	2012	2011
Realised profit before impairment ⁸	949	927	1,169	1,007	866
Net profit/(loss) before transfers of net income approved by the Board of Governors	802	(568)	1,012	1,021	173
Transfers of net income approved by the Board of Governors	(360)	(155)	(90)	(190)	–
Net profit/(loss) after transfers of net income approved by the Board of Governors	442	(723)	922	831	173
Paid-in capital	6,202	6,202	6,202	6,202	6,199
Reserves and retained earnings	8,384	7,947	8,674	7,748	6,974
Total members' equity (€ million)	14,586	14,149	14,876	13,950	13,173

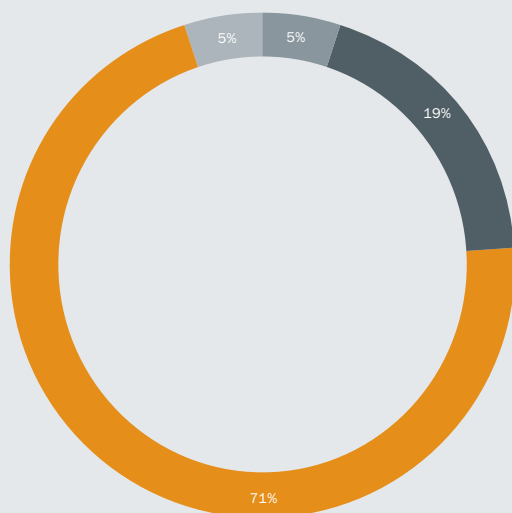
For further information on the EBRD's financial results, refer to the *Financial Report 2015*.

⁶ The number of projects to which the EBRD made commitments in the year.

⁷ "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 Bank investment" (ABI) reflecting EBRD finance by year of commitment (see footnote 1). The amount of finance to be provided by non-EBRD parties is reported in the year the project first signs.

⁸ "Realised profit before impairment" is before unrealised fair value adjustments to share investments, provisions, loan write-offs, other unrealised amounts and transfers of net income.

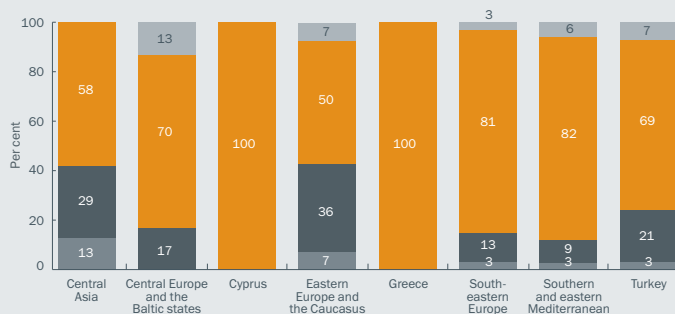
Transition impact potential of new project signings in 2015⁹



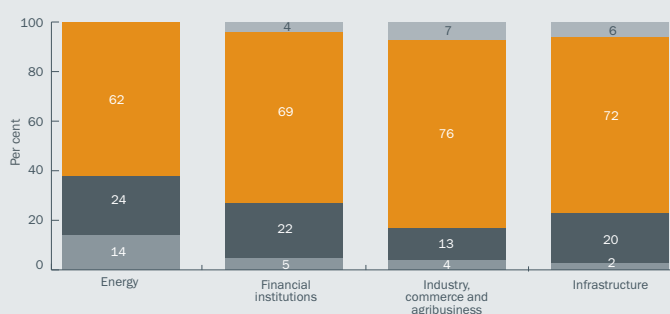
■ Excellent
 ■ Very good
 ■ Good
 ■ Moderately good

⁹ As well as considering the transition impact potential of projects, the Bank takes into account the risk (low, medium, high or excessive) of not achieving that impact. Based on these two factors, it gives projects an Expected Transition Impact (ETI) rating.

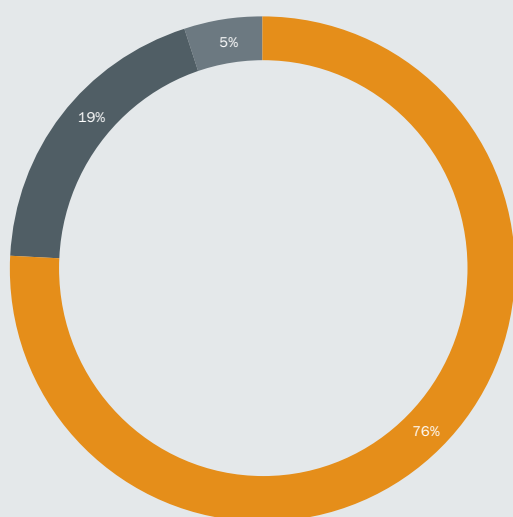
Transition impact potential of new project signings in 2015, by region



Transition impact potential of new project signings in 2015, by sector



Transition impact performance¹⁰ of active portfolio¹¹ at end-2015

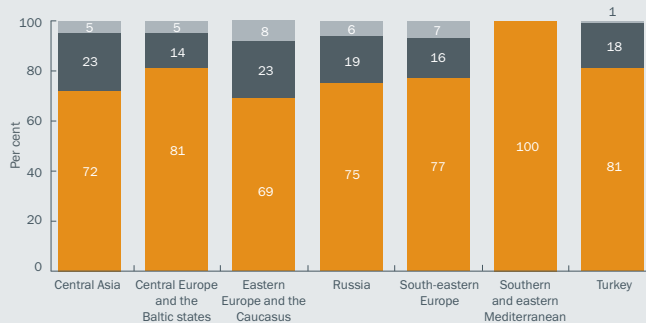


■ On track
 ■ Partially on track
 ■ Likely to fail

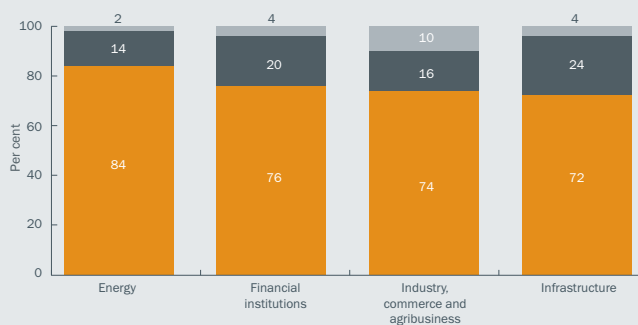
¹⁰ Transition impact performance reflects how likely projects in the active portfolio are to achieve the transition impact that was expected of them at signing.

¹¹ At least two years since signing.

Transition impact performance of active portfolio at end-2015, by region



Transition impact performance of active portfolio at end-2015, by sector



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and eastern
Mediterranean
region

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market reforms

Overview

In 2015 the EBRD overcame considerable economic and political challenges to deliver a record annual investment of €9.4 billion committed through 381 operations across 35 emerging economies. Bank activities make a significant contribution to the transition process, by strengthening the private sector, promoting sustainable development, combating corruption and encouraging inclusive growth.





Operational results

2015 saw the EBRD intensify efforts to maximise impact in the countries where it operates and provide shareholders with better value for money. In addition to raising annual Bank investment (ABI)¹² to a record €9.4 billion, the institution placed greater emphasis on policy dialogue to support the reforms needed to create systemic, long-lasting change in emerging economies and revitalise the transition process.

In order to guide investment and policy activities towards this goal of re-energising transition, in 2015 the Bank introduced, with shareholder approval, a Strategic and Capital Framework for the period 2016-20. This roadmap focuses on three main themes: fostering the economic resilience of countries of investment; improving their integration into the regional and global economies; and addressing global and regional challenges, such as climate change and energy security. In meeting these objectives the EBRD will continue to be guided by its key operating principles of transition impact, sound banking and additionality.

To equip the EBRD with the additional tools required to deliver more impact, last year the Board approved a Green Economy Transition (GET) approach, due for rollout in 2016, which seeks to raise the level of environmental investment to 40 per cent of total EBRD financing by 2020. It also approved the EBRD's first Strategy for the Promotion of Gender Equality, which sets out how the Bank will seek to increase women's empowerment and equality of opportunity over the next five years. The EBRD continued to strengthen its engagement in equity financing to help provide diversified funding options and improve the corporate governance of

¹² See footnote 1 on page 3.

Annual Bank investment
reached a record

€9.4 billion.

investee companies. The institution received Board approval to create an Equity Participation Fund that will provide global institutional investors with access to the EBRD's portfolio of direct equity investments across the region. These innovations complement a range of other measures taken by the EBRD in 2015 to enhance transition in its recipient countries.

In operational terms, the EBRD delivered strong results in 2015 despite a notably difficult economic and political context in the Bank's region and beyond. Annual growth in the region slowed for the fourth successive year to negligible levels, as final data for 2015 was expected to show. The EBRD sought to overcome this challenging investment environment by increasing its support for transition and recovery, with total ABI for 2015 of €9.4 billion, compared with €8.9 billion the previous year and a previous record of €9.1 billion set in 2011. The rise in EBRD financing occurred despite the Bank making no new investments in Russia. This followed guidance from a majority of shareholders in July 2014 that for the time being they would not consider new projects in the country.

Investments were made to 381 operations in 2015, compared with 377 in 2014. In February 2015 the EBRD welcomed Greece as a temporary recipient country and in November the Bank signed its first transaction in Greece by taking stakes worth a total of €250 million in its most important banks (see case study on page 9). The EBRD continued to increase its investment levels in the southern and eastern Mediterranean (SEMED) region, signing 37 operations and investing close to €1.5 billion in 2015. In December 2015 shareholders approved a request for membership by China. They also approved a request for membership by Lebanon with a view to conducting operations there in future.

Business activity was strong in Turkey during 2015, with €1.9 billion invested and 43 transactions signed across a wide range of sectors. The EBRD continued to offer support to Ukraine with new lending – as well as renewed commitments – of close to €1 billion.

Altogether, the EBRD invested in 35 countries in 2015, with investments by region as follows: Central Asia €1.4 billion, central Europe and the Baltic states €1.2 billion, Cyprus €33 million, eastern Europe and the Caucasus €1.7 billion, Greece €320 million, south-eastern Europe €1.3 billion, SEMED €1.5 billion and Turkey €1.9 billion. In addition, the Bank supported three existing operations in Russia with €106 million of investment.

The EBRD continued to support key economic sectors in line with its operational strategy. ABI in the financial sector reached €3.0 billion in 2015 (with SME financing a priority), in the energy sector €2.6 billion, in the diversified corporate sectors €2.1 billion and in the infrastructure sector €1.8 billion.

The transition relevance of projects signed in 2015 reflected this strategy, with 95 per cent of them assessed as having good, very good or

excellent transition impact potential. Some 95 per cent of active projects well into implementation were assessed as generally on track to achieving the transition objectives envisaged for them (see transition impact charts on page 5).

The EBRD's mandate to foster transition and reform by working with the private sector was reflected in the private sector share of ABI, which was 78 per cent in 2015, up from 72 per cent in 2014. This private sector focus was supported by the Bank's ability to offer equity investment alongside traditional debt financing, with the EBRD providing €1.3 billion of equity to 55 companies in 2015 (2014: €1.2 billion and 39 companies).

Through the application of strategic initiatives the EBRD seeks to deepen the impact of its activities. These initiatives are designed to promote the sustainable use of resources, support early transition countries (ETCs), create conditions in which small and medium-sized enterprises (SMEs) can flourish and stimulate the development of local capital markets. Engagement in these four areas is tracked in the corporate scorecard, which from 2016 will also monitor the promotion of gender equality in the Bank's activities.

The EBRD's Sustainable Resource Initiative (SRI) promotes sustainable energy, climate change resilience and resource efficiency, which are important components of EBRD transition strategy in the countries where it works. As well as tackling water and materials efficiency, it supports energy efficiency, renewable energy and climate change adaptation. During 2015 the EBRD invested €2.8 billion in 154 projects under the SRI, accounting for 30 per cent of total annual Bank investment. This is estimated to yield annual reductions of 7.4 million tonnes of CO₂ emissions.

The ETC Initiative aims to increase financing and strengthen the business climate in the EBRD's less economically advanced countries of investment. More than one-quarter of the Bank's transactions in 2015 were undertaken in the ETCs, with record investment of close to €1.4 billion. Since most firms in these countries are locally owned, and considered to be SMEs by international standards, 81 per cent of operations had a value of less than €10 million, with an average investment size below €3 million.

Working to establish the conditions in which SMEs can succeed is anchored in the EBRD's transition mandate and business model and this is the purpose of the Small Business Initiative, which aims to streamline and strengthen the support that the EBRD provides to SMEs. In 2015, in addition to investments of €1.1 billion in 82 financial intermediaries for on-lending to SMEs, the Bank invested directly in 62 SMEs, providing more than €250 million of investment.

The EBRD's Local Currency and Capital Markets (LC2) Development Initiative seeks to establish viable local currency financing and to encourage the

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In 2015
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Case study

EBRD seeks to boost the Greek banking sector

As part of efforts to strengthen Greece's banking sector and support the recovery of the wider Greek economy, the EBRD purchased equity stakes worth a total of €250 million in the country's four systemic banks. It invested €65 million in Alpha Bank, €65 million in Eurobank, €50 million in the National Bank of Greece and €70 million in Piraeus Bank. As a shareholder the EBRD will play an active role, in particular by enhancing the banks' corporate governance.

The investments will give these banks a more robust capital base and facilitate their return

to private ownership. The stabilisation and restructuring of the Greek banking sector is needed to restore depositor and investor confidence, re-establish credit flows and improve access to finance for the real economy.

The financing assists efforts by Greece's four systemic banks to strengthen their capital base to levels prescribed by the Single Supervisory Mechanism and the Bank of Greece. It complements a memorandum of understanding between the Greek authorities and the European Commission.



development of efficient and self-sustaining local capital markets, thereby reducing key vulnerabilities in the EBRD region. Banks in most EBRD recipient countries continue to face significant challenges, making local capital market development more important than ever. In 2015, the Bank signed 80 local currency loan and bond transactions – 25 per cent of the total number of debt transactions by the EBRD during the year.

In addition to these strategic initiatives, the EBRD engaged in targeted programmes to bolster food security, encourage the economic and financial inclusion of under-served sections of the population, stimulate the development of an innovation-based knowledge economy and promote a better legal environment for business.

As well as supporting individual transactions and

€41.6 billion
portfolio of investment
operations at the end of 2015.

wider initiatives linked to investments, policy work addressed key weaknesses in the business climate. In particular, the EBRD pursued efforts to combat corruption and foster good governance through its regional Investment Climate and Governance Initiative, which includes a programme for the improvement of the business environment in Ukraine (see page 11).

The Bank's portfolio of investment operations (including undisbursed commitments) increased from €38.7 billion in 2014 to €41.6 billion at the end of 2015, with finance provided through new investment operations exceeding reflows from existing investment operations and cancellations of unused amounts.

Gross disbursements reached €6.5 billion in 2015, equivalent to the 2014 level, with loan repayments of €4.3 billion and equity divestments of €1.0 billion resulting in operating assets of €28.6 billion at end 2015, up from €27.2 billion at end 2014. In accordance with the aspects of its mandate that cover the mobilisation of domestic and foreign capital for clients, the EBRD maintained a robust record of raising debt and grant co-financing from a variety of sources, despite difficult economic and geopolitical circumstances.

Projects signed in 2015 included additional non-EBRD finance of around €21.8 billion (2014: €13.9 billion), with the EBRD directly mobilising €2.3 billion of investment from co-financiers – principally through €1.6 billion of syndicated loans using the Bank's A/B loan structure (2014: €0.9 billion) in 16 transactions. These spanned numerous sectors and brought private finance to borrowers in Azerbaijan, Bulgaria, Croatia, Kazakhstan, Mongolia, Romania, Turkey and Ukraine.

2015 also saw the EBRD raise €0.8 billion for 26 projects from bilateral or other lenders, either through parallel loans or through its Special Funds structures. EBRD activities enjoyed strong support through donor funding, including the Special Funds programme and technical and investment cooperation funds.

These operational results reflect an ongoing commitment to countries in the EBRD region as they build and strengthen open-market economies.

Financial results

The EBRD recorded a net realised profit in 2015 of €0.9 billion before provisions, unrealised losses on share investments and other unrealised amounts (2014: €0.9 billion profit). The main contributor to realised profit is the Bank's strong net interest income.

Including provisions and unrealised amounts, the EBRD recorded a net profit of €0.8 billion for 2015 (2014: €0.6 billion net loss). The turnaround

was due mainly to a return to profitability of the Bank's equity investment portfolio, together with a strong performance by Treasury and a release of general provisions owing to a revision to the Bank's provisioning policy.

The ratio of non-performing loans increased slightly to 5.9 per cent at year-end (2014: 5.6 per cent) and the average credit rating of the loan portfolio overall continued to equate to B+.

For 2015, general administrative expenses were €431 million (2014: €355 million), reflecting the weakening of the euro relative to sterling, the currency in which expenses were predominantly incurred. Sterling general administrative expenses for 2015 totalled £315 million (2014: £300 million).

The Bank's reserves increased to €8.4 billion at the end of 2015 (2014: €7.9 billion), reflecting both the net profit for the year and net income allocations.

The EBRD maintained its triple-A rating, reaffirmed by all three major rating agencies in 2015.

The geopolitical uncertainty in the EBRD region is likely to continue contributing to volatility in the Bank's earnings. Full details and financial statements are provided in the EBRD's *Financial Report 2015* (see ebrd.com).

EBRD joins global transparency initiative

Transparency and accountability have been key principles guiding the EBRD's work since the establishment of the institution in 1991 and occupy a prominent place in its Public Information Policy.

In 2015, the EBRD took a major step forward in the way it discloses information about its operations by starting to publish data in line with the standards of the International Aid Transparency Initiative (IATI).

IATI aims to make information about aid and development spending easier to access for the general public, including civil society organisations. It provides common definitions and publishing standards for the activities of more than 300 institutions – including the EBRD and other development finance institutions (DFIs).

The EBRD now publishes information about its work in IATI's agreed electronic format (XML) and links it to the IATI registry. The Bank also publishes its IATI implementation schedule, in line with the agreed standards for DFIs and international financial institutions.

Since the launch of IATI in 2008, its initial remit covering aid spending has grown to include organisations similar to the EBRD which primarily focus on private sector development and do not provide aid.

“**The EBRD now discloses information about its work in line with IATI standards.”**

Donor-funded activities

During 2015 donors provided crucial support for EBRD efforts to re-energise the transition process. They signed agreements to contribute €359 million in new grant financing and the EBRD used €405 million of donor funds in support of investment projects last year. Donor funds extend the range and depth of EBRD investments, help compensate for market failures and foster the development of market-based solutions to economic challenges. EBRD products blend commercial financing with grant-funded elements for risk mitigation, advisory support, technology sharing and concessional financing. These instruments enable donors to achieve impact on a greater scale than would otherwise be possible and deliver better value for taxpayers' money. Typically, donor funds support one-third of EBRD investment projects per year.

Infrastructure, small firms and the sustainable use of resources remained the central focus of donor activity. Other areas that received strong donor support over the past year included promoting good governance, private sector competitiveness, gender equality and economic inclusion. The EU remained the EBRD's largest single donor and last year made a record contribution of €179 million to the Bank.

For more information on donor activities see page 47.

Ukraine crisis response

The EBRD maintained its strong commitment to supporting Ukraine amid continuing difficulties for the country, which in 2015 saw its GDP shrink by 11 per cent. The Bank signed 29 transactions worth almost €997 million while its policy dialogue efforts contributed to the reform process and to significant improvement in Ukraine's business climate and export potential.

The largest deal was a US\$ 300 million (€276 million equivalent) loan to the national gas and oil company Naftogaz for winter heating purchases. Substantial investments were also made in the agribusiness sector (€184 million), and in the financial sector (€386 million), including through the Bank's Trade Facilitation Programme as well as several equity transactions. The EBRD remained active in transport (€17 million) and in the MEI sector, signing five transactions worth a total of €38.4 million and approving a €100 million facility for public transport improvements in Ukrainian municipalities.

The Bank provided its own funds and helped secure donor funding for essential undertakings such as the Business Ombudsman Council for Ukraine, which became operational in 2015 (see page 46), and the National Reform Council. Significant resources were committed to supporting a transparent and competitive legislative regime for the privatisation of state-owned enterprises. The EBRD also pursued efforts to modernise Ukraine's agribusiness sector and maximise its export potential. These resulted, among other achievements, in Ukrainian companies obtaining permission to export dairy products to China.

Lastly, the EBRD continued to administer donor funds to make the Chernobyl site safe and secure. Construction of the New Safe Confinement reached a major milestone last year when the two halves of the structure were joined together. In addition to its role as fund manager, the Bank has committed €675 million of its own resources to support Chernobyl projects (see page 52).



Case study

Helping Jordan's water infrastructure cope with the refugee crisis

The EBRD responded to the refugee crisis in the Middle East by financing the upgrade of Jordan's water infrastructure, which is struggling to cope with the influx of people from neighbouring Syria.

A loan of up to US\$ 14 million (€12.9 million equivalent) to the Water Authority of Jordan (WAJ) will support urgently needed modernisation of the sewage network. An estimated 1.4 million people have fled from Syria to Jordan, mainly to the north of the country. This is equivalent to nearly 20 per cent of Jordan's total population before the refugee crisis and puts a serious burden on the kingdom's resources and infrastructure.

The EBRD investment will enable the WAJ to construct a wastewater pipeline from East Zarqa pumping station to As-Samra Wastewater Treatment Plant and rehabilitate an existing water pipeline and related infrastructure. The loan is co-financed by an investment grant of US\$ 5.5 million (€4.6 million equivalent) from the Bank's Shareholder Special Fund. The EU Neighbourhood Investment Facility (NIF) funded associated technical assistance and environmental assessments.



“The Bank is a reliable partner in challenging times.”

Southern and eastern Mediterranean region

In 2015 the EBRD substantially increased its investments in Egypt, Jordan, Morocco and Tunisia, signing 37 projects worth a total of €1.47 billion (€1.07 billion in 2014) and bringing the overall amount it has invested in the SEMED region since it began operating there in 2012 to €3.4 billion. 2015 saw the Governors of the EBRD vote to make Egypt a formal recipient of Bank finance.

This strong financial engagement, amid considerable geopolitical tensions and economic uncertainty in the region, demonstrates that the Bank is a reliable partner in challenging times. Illustrating this support, last year the EBRD held its first SEMED Business Forum to promote investment opportunities in the private sector in these countries.

Important areas of focus for the EBRD's work in SEMED include assisting financial institutions, developing infrastructure, supporting SMEs and other private enterprises and promoting the sustainable use of energy, water and other resources. In 2015 the EBRD and partners launched a US\$ 250 million (€230 million equivalent) financing framework for private sector renewable energy generation in the SEMED region, which still relies overwhelmingly on fossil fuel imports for its energy requirements.

Notable investments included a loan of up to US\$ 200 million (€184 million equivalent) for the construction of a new 1.8 GW combined-cycle gas-fired power plant to help alleviate Egypt's energy shortages, up to €200 million in financing for the construction of a new port close to the town of Nador, Morocco, and financing for the modernisation of wastewater infrastructure in Jordan to help cope with the refugee crisis.

A wide range of donor-funded activities were carried out, many of which sought to facilitate project preparation and implementation and build capacity. Technical cooperation (TC) funds for the region are provided from the SEMED Multi-Donor Account and by EBRD shareholders through the SEMED cooperation funds account.

2015 saw the launch of a
US\$ 250 million
 financing framework for renewable
 energy in the SEMED region.

Measuring results

The EBRD measures the transition impact of its work at the institutional, country and project levels. As part of institution-wide modernisation efforts, the Bank is engaged in improving and streamlining its results architecture to give stakeholders a clearer picture of how the EBRD is performing.

The corporate scorecard provides a framework for aligning the organisation to the strategy set out by the Bank's shareholders. It tracks the performance of the Early Transition Countries, Sustainable Resource, Local Currency and Capital Markets Development, and Small Business initiatives. From 2016 it will be expanded to include the promotion of gender equality. In addition to operational, financial and organisational performance parameters, the scorecard sets targets for the transition impact objectives of investments at their approval stage; measures how successful their implementation has been against these objectives; and tracks the proportion of successfully completed TC assignments.

Last year the Board approved eight new country strategies, all of which featured a results framework

based on a structure introduced in 2014. This includes clear and measurable objectives for each country, based on an analysis of challenges, opportunities and risks. Each framework reflects the Bank's specific transition mandate and business model and helps guide the EBRD's activities in the countries where it invests.

At the project level, the EBRD measures the results of investments and TC projects. In 2015 it worked to enhance assessment of the transition impact of investment projects at the conceptual stage to ensure greater transparency, consistency and strategic relevance.

The organisation also strengthened its systems for monitoring success and reporting aggregate transition results. Using a results framework introduced in 2014, the Bank started tracking the outcome of TC projects. This framework specifies the results expected and enhances the flow of information to donors and other stakeholders.

Lastly, the EBRD engaged with other IFIs to harmonise metrics for their activities and develop a common approach for measuring and reporting on value for money.

Case study

Bank signs 1,000th sustainable resource investment

A loan to Ege Profil, the second-largest maker of polyvinyl chloride (PVC) windows and door systems in Turkey, marked the 1,000th EBRD investment in the area of energy and resource efficiency.

Ege Profil will use a €26 million financing package from the Bank and the Clean Technology Fund (CTF) to construct a new, state-of-the-art and environmentally friendly production plant in Izmir province.

The facility will feature photovoltaic solar panels, wastewater treatment facilities and a combined cooling, heating and power plant as well as infrastructure that will enable Ege Profil to carry out more recycling.

The loan was extended under the EBRD's Near-Zero Waste programme in Turkey and Ege Profil is expected to recycle at least 800 tonnes more PVC per year as a result of the investment.



Democratic and market reforms

Article 1 of the Agreement Establishing the Bank states that the EBRD invests in countries “committed to and applying the principles of multiparty democracy, pluralism and market economics”. The Political Affairs team in the Vice Presidency - Policy and Partnerships group monitors compliance with Article 1 and reports to the Board regularly on political developments throughout the year.

Formal political assessments for each country are prepared as part of the country strategy process, following a methodology approved by the Board of Directors in 2013 which is available on **ebd.com**. The assessment covers 14 criteria related to free elections and representative government; civil society, media and participation; rule of law and access to justice; and civil and political rights.

In 2015 the following country strategies were approved by the Board, including the political assessments found in Annex 1 of each strategy: Armenia, Bulgaria, Cyprus, Kyrgyz Republic, Morocco, Romania, Tajikistan and Turkey.

Across most of the EBRD region, the political and economic environment remained challenging. However, the outlook for market reforms appears to have improved over the past year. This observation is borne out by the EBRD’s annual analysis of structural reforms, as reported in the *EBRD Transition Report 2015-16*. The Report took a slightly different approach to those of previous years, by pointing to major changes across the region that could potentially – but will not necessarily – warrant an upgrade or downgrade in EBRD sector-level transition scores in the future.

This “watch list” was, on balance, mainly positive. The largest number of positive developments was in the area of infrastructure, with 14 scores on positive watch and just two on negative watch. However, positive developments also outnumbered negative developments in the corporate sector (by four to one), the financial sector (by seven to four) and even the energy sector (by five to one), reflecting a more favourable outlook than in recent years.

In infrastructure, there was significant progress in the roads sector of several countries, including Albania, Kazakhstan and Poland, indicating an increasing interest in fostering private-sector involvement in the building of new roads or in the maintenance of existing networks. There were also notable improvements in the railways sector in several EU countries, as well as in Serbia.

In the energy sector, the governments of Egypt and Ukraine have introduced measures to reduce state subsidies related to energy prices, as a result of which there has been a sharp rise in prices for consumers.

“BEEPS is a crucial instrument for assessing the state of transition across our region of operations.”

BEEPS reveals obstacles facing businesses

The Business Environment and Enterprise Performance Survey (BEEPS), a joint initiative of the EBRD and the World Bank, is a crucial instrument for assessing the state of transition across the region, identifying obstacles firms face in their day-to-day operations and determining where additional operations and policy dialogue are most needed.

2015 saw BEEPS completed for the first time in the SEMED region and work started on extending the fifth round of the survey, previously conducted in 30 countries, to include Cyprus and Greece.

Based on BEEPS, the EBRD published overview reports on the business environment. These showed that firms in SEMED complained most about political instability, corruption, and unfair competition from the informal sector. In the rest of the EBRD region, excluding Cyprus, Greece and Turkmenistan, for which data was unavailable, firms identified unfair competition from the informal sector, lack of access to finance and an unreliable or costly electricity supply as the top three obstacles to their operations. Country profiles discussing the top business environment obstacles in each country¹³ accompanied the reports, which the EBRD used to inform its investment and policy dialogue activities.

In the SEMED region, BEEPS work came under the Middle East and North Africa Enterprise Surveys (MENA ES), conducted jointly by the EBRD, the World Bank and the European Investment Bank (EIB) between 2013 and 2015. A joint World Bank, EBRD and EIB MENA ES report, which will cover more countries than the SEMED overview reports, is due to be launched in mid-2016.

¹³ The reports on business environment and country profiles are available at <http://ebd-beeps.com/reports/>

While such measures are unpopular with the general public, they can help to remedy large deficits, allow state resources to be used for other, more pressing matters and help to attract investment in the sector.

Elsewhere, there were important advances in the financial sector in Cyprus, Slovenia and Ukraine, as well as in Greece, where the four main banks were successfully recapitalised towards the end of 2015. Several countries have also made important steps towards improving the business climate.

A more detailed perspective on the political and economic environment in EBRD recipient countries is available on **ebd.com**, including the dedicated country pages and country strategies, as well as the individual country assessments in the *Transition Report 2015-16*.

Case study

Oyu Tolgoi offers Mongolia a brighter future

The Oyu Tolgoi mine in Mongolia boasts one of the world's largest undeveloped copper and gold deposits. Once the underground mine is fully operational, Oyu Tolgoi is expected to generate up to one-third of Mongolia's GDP and make a significant contribution to raising living standards in the country.

In 2015 the EBRD helped to bring this economic boon closer to realisation by arranging a US\$ 1.2 billion (€1.08 billion equivalent) syndicated loan to the company operating the mine. This was the largest syndicated deal the Bank has arranged and included US\$ 400 million (€368 million equivalent) of EBRD financing.

Oyu Tolgoi is already producing copper from an open-pit mine, but more than 80 per cent of its value lies in the proposed underground mine. The Bank's financing is part of a US\$ 4.4 billion (€4.05 billion equivalent) package extended by

international financial institutions, export credit agencies, development banks and commercial banks. The EBRD played a leading role in arranging the package and worked extensively with the government, local communities and other lenders to minimise environmental and social impacts of the project.



17	Financial sector
21	Industry, commerce and agribusiness
25	Infrastructure
29	Natural resources
30	Power and energy utilities

Activities by sector

The EBRD delivers transition impact through its investments, mostly in the private sector, and by conducting project-related technical assistance and policy dialogue. The Bank is active in the financial and corporate sectors and in infrastructure, power and natural resources.





Financial sector

In 2015 the financial sector in the EBRD region continued to face notable challenges. The slow crisis-recovery in many countries, the impact of Russia's recession on neighbouring economies, the ongoing cross-border deleveraging of banks, tighter regulation of the financial sector, and structural economic problems all combined to limit the amount of credit available to firms.

By signing new business worth €2.95 billion in 2015 covering 133 projects in 30 countries (2014: €2.8 billion covering 135 projects in 30 countries) the Bank supported lending to the real economy and fostered strong financial institutions. It provided 34 loans financed through local currency instruments in order to reduce foreign exchange risks for partner institutions and their clients.

The EBRD undertook financial sector projects across the whole region (see charts on page 18). A high level of activity took place in Poland and Turkey, where 22 transactions were signed across both countries for combined annual Bank investment (ABI) of €1 billion. The Bank invested in a new country of operations, Greece, expanded its activities in Bosnia and Herzegovina, Egypt, and Jordan, and remained active in the early transition countries (ETCs) where it invested €307 million in the financial sector. At a time of geopolitical and macroeconomic uncertainty, the EBRD continued to support financial institutions in Ukraine.

MSME financing

In line with the EBRD's Small Business Initiative (SBI), the Bank promotes financing for micro, small and medium-sized enterprises (MSMEs) in order to stimulate the real economy. Small firms are a traditional driver of economic growth in EBRD recipient countries but have been particularly affected by the shortage of credit.

In 2015 the Bank concluded 51 MSME-focused operations for over €689 million to partner institutions such as banks, leasing companies and specialised microfinance institutions across 25 countries. An example was the €30 million loan to Banque de Tunisie in Tunisia for on-lending to SMEs. Energy-efficiency credit lines and financing programmes for women entrepreneurs also supported finance for small businesses. The EBRD supports MSMEs through over 190 partner institutions in 28 countries. At mid-2015, these partner institutions had portfolios of 2.3 million MSME loans totalling €9.7 billion.

Women in business

Consistent with the Bank's Strategic Gender Initiative (SGI), and to help strengthen the role of women entrepreneurs, in 2015 the EBRD signed its first credit line under the Women in Business programme in Kazakhstan. Similar programmes are active in Croatia, the Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), Egypt, Turkey and the Western Balkans (see case study on page 39). These integrated programmes provide MSMEs run by women with advice and finance via credit lines to local banks. They also offer participating financial institutions technical assistance and, for some programmes, risk mitigation in the form of first-loss cover. Donors fund the risk mitigation, technical assistance and advisory elements of Women in Business programmes.

In addition, the Bank offers credit lines that feature targeted finance for women entrepreneurs outside the Women in Business programmes. In 2015 the EBRD signed a total of 11 projects providing financing for companies run by women.

Sustainable energy and resource financing

Dedicated credit lines to local financial institutions for investments in sustainable energy and resource projects remained a core component of the EBRD's Sustainable Resource Initiative (SRI), which builds on the Sustainable Energy Initiative (SEI) launched in 2006. Donor funds that accompany these loans enable the Bank to provide expert advice to partner banks and private companies seeking financing for energy- and resource-saving projects.

Notable transactions in 2015 included US\$ 290 million (€267 million equivalent) in financing to the Turkish banks Akbank, Garanti and Yapı Kredi to fund mid-sized renewable energy projects undertaken by private companies. In Poland, the EBRD extended a total of €100 million to BZ WBK Leasing and Bank Millennium under a new framework that provides leasing finance for energy efficiency investments. A loan to Bank Eskhata in Tajikistan was part of the EBRD's first financing mechanism aimed at building resilience to the effects of climate change (see case study on page 46).

Since 2004, the EBRD has disbursed green financing worth over €3 billion to partner institutions, which have on-lent €2.3 billion to sub-borrowers, thereby supporting almost 100,000 sustainable energy and resource projects.

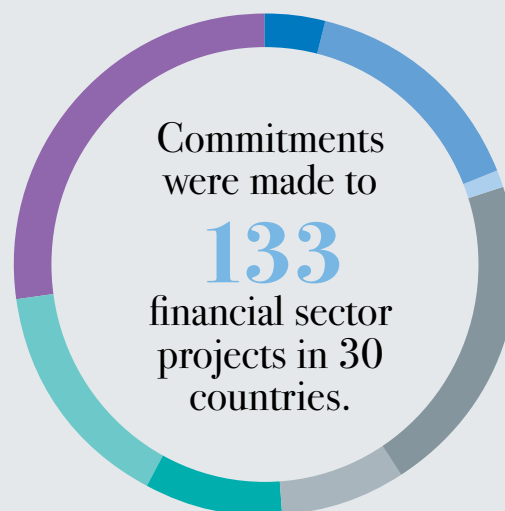
Chart 2.1. Financial sector annual Bank investment by product, 2015

Bank and other equity investments	24%	Sustainable energy and resources	17%
MSME financing	23%	Trade finance	20%
Women in Business programmes	5%	Capital markets	2%
		Other finance	9%



Chart 2.2. Financial sector annual Bank investment by sub-region, 2015

Central Asia	4%	Greece	8%
Central Europe and the Baltic states	15%	South-eastern Europe	9%
Cyprus	1%	Southern and eastern Mediterranean	15%
Eastern Europe and the Caucasus	21%	Turkey	27%



“Dedicated credit lines are available to local financial institutions for investments in sustainable energy and resource projects.”

Equity in the financial sector

The Bank increased its equity investment activity in the financial sector during 2015 to help strengthen banks in the region. As part of its commitment to supporting reforms and a revitalisation of the country's financial sector the EBRD invested in four Greek banks (see case study on page 9). The Bank also acquired shares in Hellenic Bank of Cyprus as part of efforts to restructure the institution, while in Turkey the EBRD bought a minority stake in Fibabanka to support its growth plans. With regard to exits, the Bank secured 10 full and five partial divestments from a range of institutions in its portfolio. The EBRD has investments of €1.96 billion in 67 financial institutions across 25 of the countries where it works.

Capital markets and other financial services

To help diversify the funding base of financial institutions and encourage lending to the real economy, the EBRD supported bond issues and securitisation, factoring and leasing projects. The acquisition of senior bonds issued by Warsaw Stock Exchange and equity investments in two further exchanges – Borsa İstanbul and Zagrebačka Burza, Croatia – demonstrated support for the development of market infrastructure and capital markets. The Bank also participated in two Polish zloty bonds issued by banks to provide them with medium-term funding and to strengthen local-currency debt capital markets. It continued to respond to the currency mismatch faced by some financial institutions by offering its cross-currency swap product to Romanian and Serbian financial institutions.



Case study

Equity stake in Borsa İstanbul finances expansion plans

The EBRD signalled its support for the development of Turkey's capital markets and its confidence in the wider Turkish economy by purchasing a 10 per cent stake in Borsa İstanbul, the sole exchange entity in the country.

The Turkish government has a comprehensive capital market reform programme that aims to make Istanbul a major financial centre for Central

Asia, North Africa and south-eastern Europe. The EBRD investment will support this endeavour by financing plans to improve the efficiency and liquidity of Borsa İstanbul and help it become a leading exchange in terms of the number of listed companies and market capitalisation.

The Bank is committed to strengthening bond, equity and securities markets as part of its strategic initiative for local currency and capital markets development.

Trade finance

The Trade Facilitation Programme (TFP) provides short-term trade finance facilities to selected banks and factoring companies for on-lending to local exporters, importers and distributors of imported products. The Programme plays an important role in supporting economic activity in countries where foreign banking groups hesitate to engage in trade finance because of higher levels of risk.

In 2015 the EBRD financed 1,035 trade transactions worth a total of €868 million, working with 65 banks across 23 countries. In response to the current difficulties in Ukraine, the Programme strengthened its support for local businesses by processing trade transactions worth €183 million. The Bank concluded its first TFP transactions in Cyprus and the Programme remained an important means for the EBRD to establish banking relationships in the southern and eastern Mediterranean (SEMED) region. The ETCs continued to have a significant share of trade finance business, accounting for 48 per cent of the number of TFP transactions (and 22 per cent of the volume).

Technical cooperation

Thanks to donors, technical assistance supported EBRD investments and policy dialogue in priority areas. Sustainable energy and MSME lending, the Women in Business programmes and activities promoting the Bank's Local Currency and Capital Markets (LC2) Development Initiative and trade finance featured prominently. In 2015 there were 102 technical cooperation (TC) assignments issued in the financial institutions sector with a total value of €27 million. In addition, donors funded €27 million of incentive payments to participating institutions and their clients for energy and resource efficiency and SME competitiveness.

Extensive preparatory work continued towards the launch of a three-year programme dedicated to supporting SMEs via local financial institutions in Georgia, Moldova and Ukraine. This programme is part of a broader EU facility aimed at fostering economic development in the Deep and Comprehensive Free Trade Area (DCFTA) established by agreements between the EU and those countries.

TC projects enabled the Bank to support the National Bank of Ukraine as it develops a strategy for banking system reform and undergoes reorganisation and modernisation.

Policy dialogue

Policy dialogue activities played an important role in the areas of non-performing loan (NPL) resolution, support for the deposit insurance system, corporate governance, access to finance and capital market infrastructure in line with the LC2. The EBRD worked on developing an electronic platform linking stock exchanges in Bulgaria, Croatia and FYR Macedonia to promote regional integration of their capital markets.

In addition, the EBRD cooperated closely with other international financial institutions (IFIs) to support the health of the financial sector across the region. The Vienna 2.0 Initiative, the Joint IFI Action Plan for Growth in Central and South Eastern Europe and the Ukraine Financial Forum were among the main platforms for this work.

Case study

Every grain counts: improving Egypt's food logistics

Egypt is a major importer of grain, so the efficient storage and handling of this commodity holds great importance for the country's economy. To improve operations in this area, the EBRD agreed to extend a US\$ 20 million (€18.4 million equivalent) loan to Medsofts, a family-owned company that is one of the key agricultural importers and supply chain managers in Egypt.

The loan will finance the company's working capital, which is growing due to the completion of a grain-storage and handling terminal, 50 per cent owned by Medsofts, in the port of Alexandria. The investment will increase the terminal's utilisation rate and set a standard for efficient grain logistics operations in Egyptian ports. Technical assistance linked to the project will help Medsofts implement international standards for corporate governance and risk management.



Industry, commerce and agribusiness

Through its projects in industry, commerce and agribusiness (ICA), the EBRD promotes the development of a strong private corporate sector that generates sustainable and inclusive growth and contributes to the emergence of a knowledge economy. The Bank uses loans, bonds, equity investments, participation in equity funds, policy dialogue and donor-funded technical assistance to support clients.

During 2015 the Bank invested €2.11 billion in 140 ICA projects. The sector accounted for 22 per cent of annual Bank investment and 37 per cent of the number of operations (including 43 per cent of ETC transactions and 53 per cent of pure equity transactions).

Agribusiness

In the agribusiness sector EBRD investments and policy dialogue aim to unlock the enormous agricultural potential of the Bank's region while promoting sustainable production and distribution methods, higher standards of animal welfare and better quality food.

In 2015 the organisation invested a total of €770 million (2014: €859 million) through 51 transactions in agribusiness, including €131 million in support of the SRI. The Bank used debt and equity investments (both direct and indirect) and financing in local currency to foster a stable and competitive private agribusiness sector. An example of an indirect equity transaction was a participation in the buyout of Danube Foods Group in Serbia by the Mid Europa Partners private equity fund. Technical assistance funded by donors deepened the impact of projects, for instance by promoting the economic inclusion of underserved sections of the population.

The EBRD expanded its presence in Turkey's agribusiness sector and worked with the government on reforms to increase the competitiveness of the food production and distribution industry. Among notable projects in Turkey was a €50 million loan to finance the expansion of tea and snack producer Doğuş Çay.

The Bank increased its support for agribusiness companies in Ukraine through investments and policy dialogue to maximise their export capacity and diversification following the loss of the Russian market. In 2015, the EBRD provided more than €184 million in financing for Ukraine's agribusiness sector through seven projects. For example, the Bank arranged a syndicated loan to a Ukrainian sunflower oil producer and exporter which will also help provide much needed pre-harvest financing to local farmers.



With donor funding, the EBRD initiated a partnership between the Ukrainian government and private companies to work together on priority reforms that will help meet international standards in the agribusiness sector. In September, the Bank hosted a meeting at its London headquarters with international investors, government representatives and agribusiness firms to discuss how they could speed up reforms, tackle corruption and boost investment in Ukraine's agri-food sector.

In the SEMED region, the EBRD continued its innovative engagement with the agribusiness sector. Investments included a loan in support of a privately owned grain-handling terminal in Egypt to increase import efficiency, and financing for the modernisation of a poultry production company in Jordan.

The Private Sector for Food Security Initiative remained an important focus for investments in agribusiness. The Initiative seeks to overcome constraints on market supply and improve the efficiency and quality of food production and distribution through technical assistance, policy dialogue and coordinated action with our partners. This work helps to increase agricultural output and quality within the EBRD region at a time of growing global demand for food. The Initiative benefits from

“During 2015 the Bank invested €2.11 billion in 140 ICA projects.”

the generous support of donors and in 2015 they contributed €6.9 million to its work.

Under the Initiative, the EBRD and the Food and Agriculture Organization (FAO) of the United Nations supported dialogue between the public and private sectors in Egypt, Kazakhstan, Serbia, Tunisia and Ukraine. They made progress on removing regulatory constraints to investments, improving food distribution networks and facilitating exports to new markets. In 2015, the Ukraine Dairy Working Group facilitated by the EBRD and FAO helped Ukrainian companies obtain permission to export dairy products to China.

A policy forum in Barcelona in May 2015 focused on promoting resource-efficient production and enhancing food security in the SEMED region, which is characterised by population growth, natural-resource constraints and inefficient production of staple foods. The forum was organised by the EBRD, FAO and the Union for the Mediterranean. In parallel, the EBRD and FAO worked with producers in Tunisia on adding value to olive oil exports. In Egypt they supported private sector efforts to improve the efficiency of the grain supply chain.

The EBRD continued work to upgrade food quality standards and foster resilient value chains across the region. In Croatia, Montenegro and Serbia the Bank worked with producers to develop Geographical Indications or other premium labels as a way to boost sales of high-quality products and exports to the EU.

The Initiative continued to facilitate more liquidity in primary agriculture, enabling producers to invest in their farms and boost output. It achieved this by supporting legal frameworks for pre-harvest financing mechanisms, crop receipt systems, in Serbia and Ukraine. In 2015, with EBRD and FAO support, Serbia and Ukraine issued their first crop receipts. The EBRD also increased its cooperation with a number of banks to implement agriculture and agribusiness credit lines.

Manufacturing and services

The EBRD's activities in the manufacturing and services sector promote the sustainable use of resources as well as the development of the knowledge economy and innovation. The Bank invests in a broad spectrum of industries, including (in 2015) automotive manufacturing, aerospace, chemicals, forestry products, construction materials, consumer and capital goods, health care and pharmaceuticals and retail.

During 2015 the EBRD invested €765 million in the manufacturing and services sector, signing 53 projects (compared with €890 million for 50 transactions in 2014). Investments varied in size from €0.2 million to €100 million and helped mobilise €116 million of syndicated financing.

Of these transactions, 33 were for €10 million or less and the vast majority of these were in the

ETCs (20 in total), the Western Balkans and SEMED. Projects with SMEs accounted for 19 investments in this sector. Bank ventures in manufacturing and services foster gender equality in the workplace and promote inclusion by creating job opportunities for women and young adults.

Policy dialogue focused on creating a regulatory environment that encourages sustainable and resource-efficient practices in industries including cement production and wood processing. The EBRD provided €191 million in financing for innovative resource-efficient industrial projects. An example was the financing, arranged with the Clean Technology Fund (CTF), for the construction of an environmentally friendly plant by Ege Profil, a Turkish company that makes insulated plastic windows and doors (see case study on page 13).

The Bank also invested in research and development and technology upgrades that enhance the productivity and competitiveness of manufacturing and service companies. Notable transactions included financing for hospitals in Montenegro and Poland and pharmaceutical companies in Croatia, Egypt, Georgia and Jordan. A €200 million syndicated loan to Turkish automaker Tofaş supported the design and production of two new car models targeted for export.

In addition, the Bank continued its work to attract foreign direct investment in the region, provided local currency financing to limit client exposure to foreign exchange risk and promoted the development of local capital markets, for instance through bond investments. The purchase of bonds issued by Synthos, a Polish chemicals manufacturer, illustrates this work. Improving corporate governance was another focus of the Bank's activities in this sector, including through the six equity capital transactions closed in 2015. Equity represents a quarter of the Bank's €3.4 billion in operating assets in the manufacturing and services sector.

Equity

The EBRD takes both direct and indirect equity positions in companies and projects. It is a major investor in private equity and venture capital funds across the region and focuses primarily on growth and expansion capital. In 2015 the Bank continued efforts to strengthen its own capacity to identify and pursue direct investment opportunities and maximise the value of equity transactions. The institution received Board approval to create an Equity Participation Fund that will enable global institutional investors, such as sovereign wealth funds, to access a diversified portfolio of direct equity investments across the EBRD region.

Direct equity

Through its direct equity investments the organisation works to improve the corporate governance of investee companies and deepen the transition impact of Bank activities. The investments help support a market which is notable for the lack of available equity and provide reassurance to international co-investors entering the EBRD region.

In 2015 the EBRD increased its direct equity activity, investing €1.1 billion in 51 transactions across nearly all sectors. Since 1992, the Bank has invested over €11.5 billion in more than 660 direct equity investments across the region. At the end of 2015, its direct equity exposure was €4.6 billion in 221 investments. Taking only minority positions, the Bank makes direct equity investments ranging from €1 million to €250 million in energy, infrastructure, and the financial sector, as well as industry, technology, property, tourism and agribusiness.

Noteworthy transactions in 2015 included the purchase of growth equity stakes in a subsidiary of Moroccan food retailer Label'Vie and in Egyptian pharmaceutical distribution company Ibn Sina Pharma. The number of investments under the EBRD's Venture Capital Investment Programme (VCIP) grew from four in 2014 to six in 2015. The Bank also secured a full exit from Poland's Bank Zachodni WBK and further reduced its stake in Russian hypermarket chain Lenta.

Equity funds

With investments in over 170 funds since 1993, the EBRD has a large private equity and venture capital fund investment programme. Through investments in private equity and venture capital funds, the Bank seeks to build investment capacity, providing growing companies across all sectors with much-needed equity finance and improving their corporate governance. By mid-2015 over 1,350 investee companies had benefited from EBRD funds.

In 2015 the EBRD committed €223 million to nine private equity funds (compared with €185 million for nine funds in 2014). The Bank invested €17 million in the Livonia Partners Fund I, which provides equity financing, principally for SMEs, in Estonia, Latvia and Lithuania, under the Integrated Approach for the Further Development of the Venture Capital and Private Equity Ecosystem in the Baltic States (the Baltics IA). Underlining its support for Turkey's knowledge economy, the Bank invested in the Revo Capital Fund I, an early-stage venture capital fund, under the Early-Stage Innovation Facility. It also invested in three other Turkish funds dedicated to companies at different stages of the business life-cycle. The Bank also made a commitment of up to US\$ 12.5 million (€11.5 million equivalent) to Zubr Capital Fund I, the first fund for Belarus.

The institution underscored engagement with its new regions by committing up to US\$ 25 million

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**The Report
draws on data
from some 300
investments by
private equity
funds in
the region.”**



Transition Report 2015-16

The *Transition Report 2015-16* looks at the post-crisis evolution of finance in the region where the EBRD invests and considers ways to stimulate growth.

The publication documents a significant drop in levels of investment for many parts of the region and warns that this puts convergence with advanced economies at risk. At the same time, the Report finds that levels of public debt have increased rapidly since the crisis and that some parts of the private sector are over-indebted. Meanwhile, unique data from the Business Environment and Enterprise Performance Survey (BEEPS) suggests that for many SMEs access to credit or equity is limited or non-existent.

The Report concludes that finance needs to be rebalanced in order to provide diversified funding options and increase investment levels in the region. In particular, equity financing needs to become more prominent. Using data from some 300 investments by private equity funds in the region, the Report documents the special role that equity financing can play in supporting investment, raising productivity and strengthening firms.

Redressing the balance between foreign and local currency financing is another priority: on average around 50 per cent of the total debt of households, firms and governments in the region was denominated in foreign currency in 2014. The *Transition Report* urges local banks to increase their reliance on domestic funding sources and calls for more diversified foreign direct investment flows in which other emerging markets and non-European advanced economies play a greater role. See tr-ebd.com

(€23 million equivalent) to Foursan Capital Partners II, a fund dedicated to investments in Jordanian SMEs, and €20 million to the Diorama Hellenic Growth Fund. This marked the Bank's first commitment to a Greek fund.

Specific focal points for policy dialogue related to private equity and venture capital included looking at the legal framework for investment vehicles and procurement regimes in the Baltic States in anticipation of additional EU structural funding becoming available. Cooperation continued with other development finance institutions, both on individual transactions and through knowledge and best practice-sharing workshops organised and led by the EBRD.

Information and communication technologies

The EBRD promotes the development of a modern information and communication technologies (ICT) sector that enables citizens and firms to benefit fully from the digital and mobile revolutions. Activities in this sector, including projects under the VCIP, are a critical element of the Bank's Knowledge Economy Initiative.

Last year the EBRD invested €155.8 million in the ICT sector through 14 projects in the region (2014: €158 million for 10 projects). Equity transactions accounted for €37.6 million of this amount and the rest was debt. Notable transactions included a €50 million investment in the bond issue by OTE, Greece's largest telecommunications operator, which constituted the first Greek corporate bond issue in over a year.

The Bank signed three new projects in Poland's fast-growing technology sector. These included the purchase of bonds issued by pay-TV provider Cyfrowy Polsat and the acquisition of shares in online media

platform Wirtualna Polska Holding. The Bank also increased its stake in Virgin Mobile Central and Eastern Europe, a mobile virtual-network operator, to support its activities in Poland.

The VCIP contributes to the development of a venture capital ecosystem that can support innovative, high-growth technology companies. Six new investments under this programme were signed in 2015. Examples included the purchase of a stake in the Lithuanian company that operates TRAFI, a mobile application for planning travel by public transport, and an equity investment in the owner of GoOpti, a Slovenian web platform that offers low-cost, long-distance shuttle services between airports and cities in seven European countries.

The Bank supported the distribution of cutting-edge communications technology in the ETCs and Western Balkans. A loan to Mongolian mobile operator Mobicom will help it to offer higher-speed broadband and data services to a wider population. A €1.3 million loan to local broadcaster Stereo+ will facilitate the switchover from analogue to digital broadcasting in Georgia.

Case study

Taking high-speed broadband to Poland's remote regions

An investment in local currency bonds issued by Cyfrowy Polsat, a leading Polish telecommunications and media company, will support the delivery of high-speed mobile broadband to areas outside Poland's main cities and encourage the development of a local corporate bond market.

The EBRD holds a 4.9 per cent stake in the company, which is listed on the Warsaw Stock Exchange, with the majority of its capital privately controlled.

Proceeds from the bond issue will support the expansion of the company's telecommunications networks and technologies and increase mobile broadband coverage in remote areas in Poland. Broadband networks are an important part of the infrastructure needed to foster an innovative, high-tech economy.

The investment also supports the Bank's Local Currency and Capital Markets (LC2) Development Initiative as it fosters the growth of the corporate bond market in Poland. The sizeable bond issue by Cyfrowy Polsat is expected to act as a catalyst for similar placements by other private companies.

As part of the transaction, Cyfrowy Polsat committed itself to using the proceeds of the EBRD investment to strengthen the company's social and environmental performance and its corporate governance.



Property and tourism

In property and tourism, the EBRD finances private projects that promote job creation, urban regeneration, economic inclusion and resource efficiency. It invests in hotels, offices, retail centres, logistics and mixed-use facilities that stimulate the growth of a modern tourism industry and a sustainable property sector.

In 2015 the EBRD committed a total of €172 million to 13 property and tourism projects (2014: €227 million for 11 projects). Of this amount, €125 million was debt and the remainder equity. Investments in equity included the purchase of a stake in a subsidiary of food retailer Label'Vie, which is the exclusive franchisee of the French hypermarket chain Carrefour in Morocco. Enhancing its reputation as a reliable partner in challenging times, the Bank provided loans to Polish developer Global Trade Centre to finance the restructuring of projects in Bulgaria and Romania.

The Bank contributed to economic inclusion by investing in property projects that improve routes from training to employment for women and young adults. Examples included a US\$ 60 million (€55 million equivalent) loan for the construction of tourism infrastructure in the Jordanian port city of Aqaba. This project will establish a training programme to help address the issue of youth unemployment in the area (see case study on page 43). The EBRD signed an agreement with the UN World Tourism Organization (UNWTO) to work together to promote inclusive and sustainable tourism, with a particular emphasis on youth inclusion.

Recognising that buildings are heavy consumers of energy and water, the EBRD supports property projects that make efficient use of power and other resources. For example, the investment in the subsidiary of Label'Vie will help the firm to introduce energy- and water-efficiency measures, waste minimisation and recycling processes to the Moroccan retail sector.

Projects in the ETCs included a loan to finance improvements to the Ak Bermet hotel on the shores of Lake Issyk-Kul in the Kyrgyz Republic and an investment in the development of a hotel under the InterContinental brand in the Georgian capital, Tbilisi.



The Bank supported the distribution of cutting-edge communications technology.”



35 million people are expected to benefit from MEI investments signed in 2015.”

Infrastructure

Improved infrastructure, including transport networks and municipal and environmental utilities, is crucial for returning the EBRD region to a path of sustained economic growth. Public financing alone, however, will not suffice to meet the huge infrastructure needs of the countries where the Bank invests and the EBRD is committed to mobilising private sector financing to meet this shortfall.

In 2015 the EBRD joined the new Global Infrastructure Facility (GIF), launched by the World Bank to harness private and institutional financing to close the infrastructure funding gap. In particular, it facilitates the preparation and structuring of complex infrastructure public-private partnerships (PPPs). The GIF complements the Infrastructure Project Preparation Facility, approved by EBRD Governors in 2015 to meet infrastructure challenges in the Bank's region over the period 2015-17.

Municipal and environmental infrastructure

EBRD operations in the municipal and environmental infrastructure (MEI) sector promote access to safe drinking water, sanitary waste management, green urban transport, energy-efficient heating and cooling, high-quality hospital facilities and other urban infrastructure. The Bank works with local governments, private operators and donors to foster systemic changes that bring tangible improvements to the lives of millions of people in the EBRD region.

The Bank financed 45 projects in MEI during 2015 (41 transactions in 2014), representing a total EBRD commitment of €713 million (€726 million in 2014). Significant transactions included a €74 million equivalent investment in the City of Bucharest's ground-breaking bond issue and a €125 million loan to support the development of a high-tech hospital near the Turkish capital, Ankara. The Bank made nine investments in the MEI sector in Kazakhstan as part of an enhanced partnership with the Kazakh government.

The sustainable energy components of MEI projects accounted for €470 million in 2015, 66 per cent of total commitments in the sector. MEI investments made in 2015 should reduce annual carbon emissions by 878,000 tonnes of CO₂ equivalent. The Bank's investments in water and sanitation services, waste management, district heating and other municipal infrastructure in 2015 are expected to benefit more than 35 million people, while investments in urban transport systems will improve travel conditions for an estimated 531 million passengers every year. In addition, projects to modernise urban bus fleets typically help to reduce fine particulate-matter emissions, which

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**Metro Line 2
capacity will
increase by
around
23 per cent.**”

Case study

A better metro service for Cairo's commuters

Millions of commuters in Cairo will benefit from a €100 million sovereign loan that will enable the Egyptian National Authority for Tunnels (NAT) to procure 13 new trains to be operated on the Cairo Metro.

Traffic congestion in Cairo has been increasing at a rapid pace, leaving people immobile, particularly during peak hours, at substantial cost to the Egyptian economy. There is a clear and urgent need to increase the number of higher capacity and low-emission public transport vehicles to reduce congestion and pollution levels.

Used by over 2.4 million passengers per day, the Metro is one of the key modes of public transport in the city. The EBRD funds will increase the capacity of Metro Line 2 by approximately 23 per cent.

The Bank will assist NAT in incorporating gender and disability considerations into the planning and provision of services for passengers. Furthermore, the public procurement process for the Metro upgrade will lead to the creation of an on-site training programme that will offer unemployed young people the opportunity to enhance their technical skills and improve their job prospects.



create smog and are particularly harmful to children and elderly people, by some 80 per cent compared with the pre-investment situation. Promoting the economic inclusion of underserved social groups through improved access to essential services was an important focus of MEI activity.

MEI investments by the EBRD leveraged considerable volumes of loan and grant co-financing from the EU and other sources. The integrated use of technical cooperation, frameworks (covering a number of projects with similar themes) and policy dialogue remained a key part of the Bank's work in the sector and donor generosity remains central to its operations and impact in MEI (see "Donor partnerships" on page 47).

Since entering the MEI sector in 1994, the EBRD has signed over 360 transactions and committed nearly €5.84 billion of its own resources – while leveraging a further €9.4 billion from other financiers – to urban projects that support more efficient, reliable, financially sustainable and environmentally friendly services.

Water and wastewater

The Bank signed 19 projects in the water and wastewater sector in 2015, investing €143 million to improve the quality and efficiency of drinking-water, sewage- and effluent-treatment services for underserved populations. Ventures in this sector also benefit the local environment by reducing the volumes of untreated effluent entering bodies of water.

These projects included the Bank's first MEI investment in Tunisia – a €20 million loan to finance the upgrade of wastewater treatment in the Bizerte region – and the first non-recourse loan in Serbia to Belgrade's water company.

In addition, the Bank extended a US\$ 14 million (€12.9 million equivalent) loan complemented by US\$ 5 million (€4.6 million equivalent) in grant funding to finance a new wastewater pipe in Jordan which will help address rapidly increasing wastewater flows caused by the recent refugee crisis.

Solid waste

By helping cities to collect refuse and dispose of it in a sanitary way that also protects the environment, the Bank makes a considerable difference to the welfare of people in countries where it invests. In 2015 the EBRD signed seven operations in the solid waste sector for a total investment of €40.5 million. For example, Georgia will receive a tranché sovereign loan worth up to €7 million to finance the introduction of a modern solid waste management system that will benefit five municipalities in the southern Kvemo Kartli region. In Jordan, a tranché loan worth up to US\$ 13 million (€12 million equivalent) to the administration of the capital, Amman, will finance a landfill-gas recovery system. Investment grants provided by donors supported the affordability of these projects.

Urban transport and roads

The EBRD invested €221.4 million in urban transport and roads in 2015 (2014: €320 million) across 10 projects. Its activities focused on reducing carbon emissions by supporting greener modes of transport such as electric trams. The Bank also helped clients to improve the accessibility of their services for under-served social groups, including women, the elderly and people with disabilities.

For example, the EBRD launched the Cairo Urban Transport Integrated Approach (IA) to address key challenges in the Egyptian capital's transport system such as the lack of safe travelling conditions for female passengers (see case study on page 26). The Bank also approved a €100 million financing facility for public transport improvements in Ukrainian municipalities and a €120 million facility in Romania for sustainable mobility and access to road transport.

Street lighting

Street lighting is another sector where the Bank is increasing its activity. It signed a first project in Yerevan, Armenia, and envisages similar projects in the future as municipalities seek to control rising electricity costs through energy efficiency measures.

Energy networks

As part of the MEI contribution to sustainable energy activities, the Bank invests in district heating and cooling projects that reduce the amount of power wasted in derelict networks, outdated facilities and energy-inefficient buildings. It committed €33 million to four projects in 2015 (2014: €91 million). A district heating modernisation programme in Ukraine is supported by grants from the Eastern Europe Energy Efficiency and Environment Partnership (E5P) and concessional financing from the Clean Technology Fund (CTF).

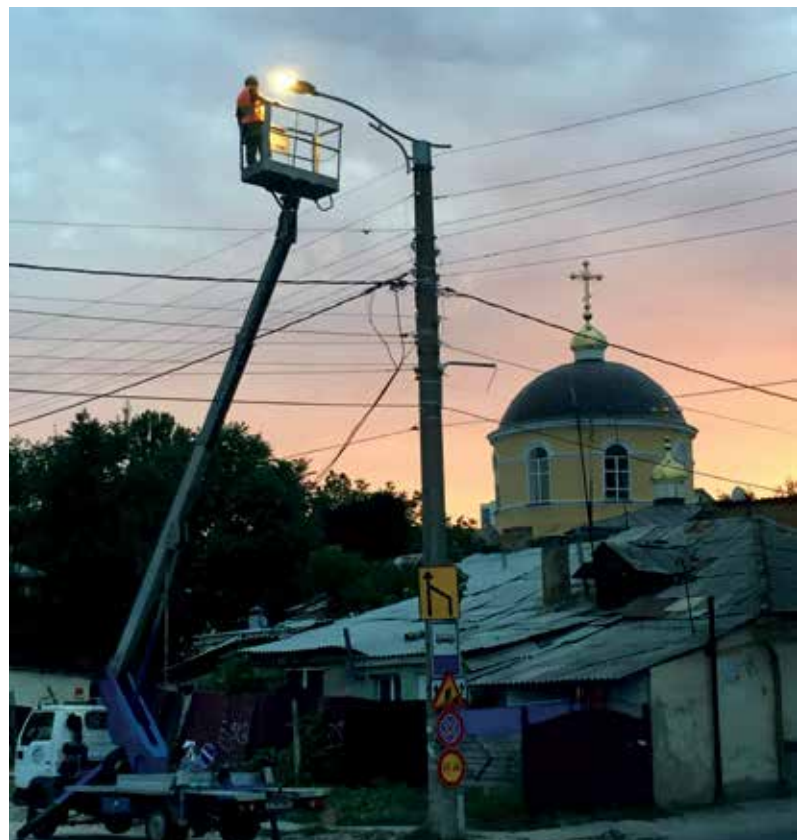
“**€221.4 million was invested in urban transport and roads in 2015.**”

Facility management of public buildings

The EBRD extended €125 million and mobilised another €131 million in syndicated financing to support a €1.12 billion hospital construction project in Etlik, near Ankara. The Bank provided the financing under a €600 million investment framework, launched in 2014, to help fund Turkey's €12 billion hospital infrastructure PPP programme. The framework is supported by a comprehensive technical assistance package to build the Turkish Ministry of Health's capacity to assess and monitor hospital facility-management PPPs. In 2015, the Bank invested a total of €198 million in three hospital infrastructure projects.

Less-advanced economies

MEI projects have a significant impact on communities in those countries facing bigger transition challenges, namely the ETCs and the Western Balkans. Examples for 2015 included the modernisation of street lighting in Yerevan, the expansion of water supply in Bosnia and Herzegovina and four projects to improve water services in the Kyrgyz Republic. During the year, the EBRD invested €66 million in 13 projects that benefit those challenged communities.



Transport

The EBRD invests in transport projects that give people access to essential services and economic opportunities and connect businesses to suppliers and consumers. Creating sustainable transport networks and promoting road safety, developing the private market for transport services, fostering regional integration and supporting capital market financing for the transport sector are priorities for the Bank in this field.

In 2015 the Bank signed 27 transactions in the transport sector for a total EBRD investment of €1.047 billion. Non-sovereign projects accounted for 54 per cent of Bank ventures in the aviation, maritime, rail, road and intermodal sectors by value. The organisation provided debt and equity financing and signed five transactions in local currency. Projects signed under the SRI accounted for €312 million of the EBRD's investment in this sector, bringing to €1.738 billion the total committed by the Bank to energy efficiency and mitigation projects in transport since 2009.

Intermodal transport and logistics

Major areas of focus for EBRD efforts to promote sustainable transport are the investments in logistics and projects that support the more efficient movement of cargo across different modes of transport. These reduce energy consumption by streamlining the movement and storage of freight and are particularly important given the growing use of intermodal containers around the world.

During 2015 the Bank extended a €100 million loan to Polish freight transport company PKP Cargo to finance the acquisition of Advanced World Transport and promote the development of intermodal services in central and eastern Europe. A €5 million loan to PIMK Holding Group will help the Bulgarian company build an intermodal cargo terminal in the city of Plovdiv while a €7 million loan to Turkish logistics firm TLS will strengthen its financial position. The Bank also acquired a stake in InPost, Poland's largest private postal service, at the company's initial public offering on the Warsaw Stock Exchange.

Aviation

An EBRD loan worth 8.5 billion tenge (equivalent to €22.8 million) will support the modernisation of Astana airport and promote tariff reforms within Kazakhstan's air transport sector. Another local currency loan will finance Air Astana's expansion plans, which include the construction of Central Asia's first maintenance facility capable of serving large aircraft.

The Bank extended a €41.2 million loan to the national air traffic services company of Ukraine to upgrade its communication, navigation, surveillance

and data processing equipment in line with EU standards. Aviation projects were also signed in Armenia and Tajikistan.

Maritime

Investments in maritime transport included a loan of up to €200 million to finance the construction of a new port close to the town of Nador in Morocco (see case study) and the purchase of a stake in Turkish port operator Global Ports. The Bank also financed the development of a new liquid-cargo terminal in Ploče, Croatia and the construction of a grain drying and purification facility in the port of Odessa, Ukraine, as well as investing in the expansion of a leading ship-management company based in Cyprus.

Case study

New port to stimulate economy in Morocco's north-east

The EBRD is investing in the construction of a new port on the Mediterranean coast of Morocco, 30 km from the town of Nador in the east of the country. A loan of up to €200 million to Nador West Med (NWM) will finance the construction of a breakwater, quays, dredging and related infrastructure work.

The port will feature terminals for the storage and handling of containers and bulk cargo. It will contribute to the economic development of Morocco's north-eastern Oriental region, where unemployment is a problem.

NWM, which is owned by the Moroccan government, will incorporate environmental protection measures into the construction process, including the use of lower-carbon cement. In addition, €1 million of technical assistance funded by the EBRD Shareholder Special Fund and the SEMED Multi-Donor Account will provide management support and facilitate the implementation of an environmental and social action plan.



In 2015 the Bank provided up to €214 million for improvements to arterial transport routes in the Western Balkans.”



Rail

The EBRD sustained its longstanding cooperation with Kazakhstan's national rail company, KTZ, by arranging a US\$ 180 million (€163.3 million equivalent) syndicated loan in support of a modernisation and restructuring programme. KTZ will use the loan to refinance its eurobonds and to carry out tariff reforms and sustainable energy improvements as part of the financing agreement. In Kosovo, the Bank signed its first transport deal for the country, a €19.2 million loan to improve the national rail network and its connection with neighbouring countries and the rest of Europe.

Road

To support regional integration, the EBRD invests in road infrastructure in the Western Balkans. In 2015 the Bank provided financing of up to €214 million for improvements to arterial transport routes in Bosnia and Herzegovina, FYR Macedonia, Kosovo and Montenegro. In Moldova, the Bank contributed €47 million to a €315 million financing package for the construction and rehabilitation of the country's road network. The EBRD provided financing alongside the European Investment Bank and the EU, which extended a €15 million grant through its Neighbourhood Investment Facility.

In addition, the EBRD supported the development of a secondary equity market for PPPs by purchasing equity stakes totalling €30.1 million, alongside

institutional investors, in the M6 Duna and M6 Tolna motorway concessions in Hungary. The Bank signed these transactions under the Framework for Development of a Secondary Market for Maturing Infrastructure PPPs, which was approved by the Board in 2015.

Natural resources

The EBRD invests in the oil, gas, and mining sectors to help countries realise the benefits of their natural resources in a responsible and transparent manner. If managed properly, natural resources can be a major source of jobs, government revenue and a wide array of other advantages. The Bank recognises that climate change, energy security and affordability are challenges that require a long-term, strategic response from the natural resources industry.

Providing finance and advice for private and public sector clients, the EBRD promotes the best international standards and practices in the fields of energy efficiency, the environment, and health and safety protection. Its projects adhere to the best international standards for corporate governance and responsible social development.

In addition, the EBRD helps governments adopt fair and reliable regulations, strengthen their capacity

to develop these industries across the value chain and manage the transition to a low-carbon economy. As well as supporting investment in the natural resources sector, the EBRD works to ensure that local communities enjoy concrete benefits from its projects. Bank efforts in this area include investing in local infrastructure and requiring transparency and disclosure in line with the Extractive Industries Transparency Initiative.

In 2015, although the price of energy and mineral commodities continued to fall, the EBRD signed 16 transactions in the natural resources sector for a record overall volume of €1.36 billion (compared with €634 million in 2014 and a previous record of €693 million in 2010). This result reflected the Bank's engagement with robust clients in support of long-term projects that promote sustainable practices.

Notable ventures included the arrangement of a US\$ 1.2 billion (€1.08 billion equivalent) syndicated loan to Oyu Tolgoi in Mongolia to help bring into operation an underground mine which is one of the world's largest undeveloped copper and gold deposits (see case study on page 15). In Egypt, the EBRD signed three transactions to support responsible exploitation of energy and help the country meet rising domestic demand for oil and gas. These projects feature a strong emphasis on environmental management and health and safety.

The EBRD participated in a US\$ 2.4 billion (€2.2 billion equivalent) financing package for the development of the Shah Deniz II offshore natural gas field in Azerbaijan. A network of pipelines will transport the gas via Georgia and Turkey to south-eastern Europe, boosting energy security in that region and bringing Europe closer to a common gas market.

The Bank pursued its work in favour of gas sector reform in Ukraine. A US\$ 300 million (€276 million equivalent) loan to Naftogaz to finance the purchase of gas for winter consumption will also help the country diversify sources of supply through its interconnections with Europe. Under the terms of the loan, the state-owned energy company must improve its corporate governance and follow best European procurement practice when purchasing gas with EBRD funds.

Policy dialogue work in the sector over the past year focused on improving health and safety within the extractive industries, raising standards of corporate governance, and promoting gender equality. With donor support, the EBRD is helping the Kyrgyz government identify ways of lifting legal barriers to women's employment in the labour force, including in the natural resources industry.

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In 2015 more than two-thirds of EBRD investments in the power sector supported renewable energy projects.”

Power and energy utilities

In 2015 more than two-thirds of EBRD investments in the power sector supported renewable energy projects. This prominence anticipated the UN climate conference held in Paris in December, which reaffirmed the global commitment to combat climate change and move towards renewable energy sources.

Last year the EBRD invested nearly €1.2 billion in 20 projects from the power sector, across 13 different countries. Of these projects, 15 supported renewable or low-carbon energy generated by wind, solar or hydropower, biogas, biomass or geothermal technology.

Notable transactions included a 561 million dirham (€52 million equivalent) project-finance loan alongside a local commercial bank to support construction of the 120 MW Khalladi wind farm in Morocco. The wind farm does not rely on any public support or subsidy and will sell energy to private purchasers, competing on price with conventional generation. This is the first time that the Bank has financed a renewable project on this basis,



and a demonstration of the newfound maturity and competitiveness of the renewable-energy market.

In Kazakhstan the EBRD provided a 14 billion tenge (€38 million equivalent) loan to finance the 50 MW Burnoye plant, the first large-scale facility for solar generation in the country (see case study on page 34). This project, together with the Yereymentau wind farm financed by the Bank in 2014, supports Kazakhstan's new regulatory framework for renewables, which was structured and put in place with extensive support from the EBRD. As with the Khalladi wind farm, this project shows the importance the EBRD places on strengthening local capital markets and providing local currency financing wherever possible.

The Bank supported the construction of the first wind farm in the Balkans, the 72 MW Krnovo project in Montenegro, building on many years of work with the Montenegrin government to develop a regulatory framework for renewable power. The project has the potential to catalyse similar work across this region, which faces the challenge of replacing ageing coal-fired plants with more sustainable generation.

The EBRD continued to support Turkey's efforts to improve the security and sustainability of its energy supply in the face of sustained growth in demand. The Bank arranged more than US\$ 700 million (€663 million equivalent) in financing for the

country's largest geothermal plant, and invested US\$ 115 million (€106 million) in the renewable energy arm of the Akfen conglomerate to support a portfolio of wind, solar and hydropower ventures.

Recognising the efficiency and security gains that accompany cross-border energy trade, the EBRD extended a US\$ 110 million (€101 million equivalent) loan to the Tajik national power company, to finance its share of a transmission line that will allow Tajikistan and the Kyrgyz Republic to sell clean hydro-generated electricity to Pakistan and Afghanistan (see case study below).

Similarly, a €37 million loan to fund a high-voltage interconnection between Albania and FYR Macedonia will complete the east-west corridor across the southern Balkans and help build a more interconnected energy market in this region. This has been a priority for the EBRD over many years, most recently through its 2013 financing of the Montenegro-Italy electricity interconnection. A €200 million loan to the Serbian state power company in 2015 will promote the same aims of sector reform and greater interconnection in the Western Balkans and help achieve liberalisation of the Serbian energy market, an important condition for EU accession.

Case study

Tajik hydropower to help light up neighbouring countries

A US\$ 110 million (€101 million equivalent) loan to Tajikistan's national electricity company will help the Central Asian nation further unlock its hydropower potential and export electricity to neighbouring Afghanistan and Pakistan, both of which rely heavily on fossil fuels.

The loan to state-owned utility Barki Tojik will finance the construction of a power converter station and related infrastructure that will form part of a high-voltage transmission line venture known as the Central Asia South Asia Electricity and Trade Project, or CASA-1000.

Thanks to CASA-1000, Tajikistan and the Kyrgyz Republic will be able to sell more of their summer electricity surplus to Afghanistan and Pakistan. By importing zero-carbon hydropower to replace carbon-intensive electricity, Pakistan will cut its CO₂ emissions by more than 1.5 million tonnes per year, which is equivalent to the carbon emissions of more than 750,000 cars.

The EBRD financing is conditional on Barki Tojik implementing reforms including the establishment of an independent energy regulator and third-party access rules for the cross-border transmission line.



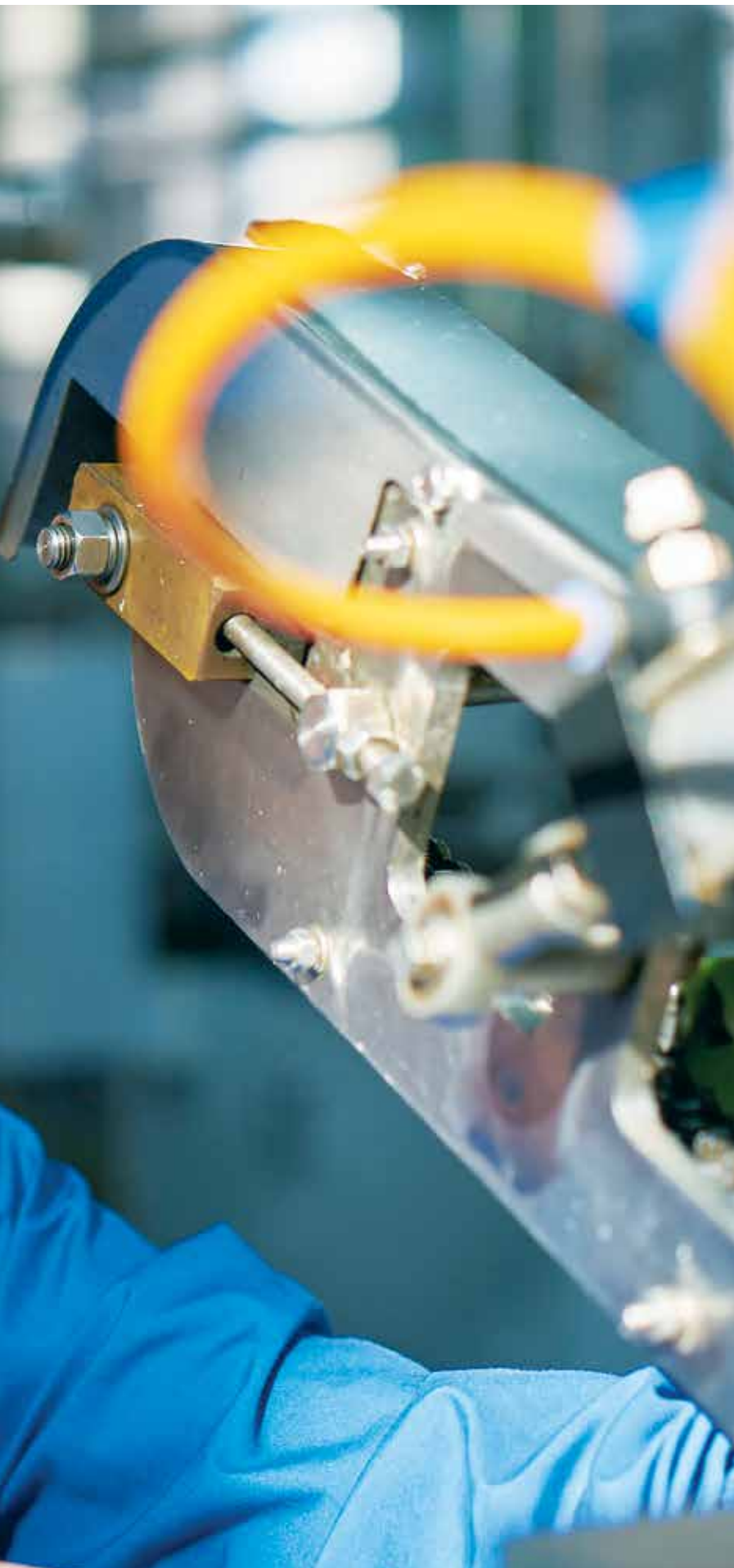
Nearly **€1.2 billion** was invested in 20 power sector projects during 2015.

33	Sustainable resources and climate change
35	Small Business Initiative
37	Local currency and capital markets
38	Early transition countries
39	Gender equality
41	Economic inclusion
41	Knowledge economy
43	Legal transition

Strategic engagement

Through its strategic initiatives, the EBRD mobilises resources from across the organisation to address specific transition challenges in a targeted and highly effective manner. Engagement in the areas of resource efficiency and resilience to climate change, the development of a healthy SME sector, stronger financial intermediation and transition in the less-advanced economies of the region was tracked in the corporate scorecard in 2015. From 2016, this will also monitor the promotion of gender equality. The Bank also fosters inclusive growth, the emergence of a knowledge economy and legal reform.





Sustainable resources and climate change

In 2015 the EBRD pledged its commitment to successful implementation of the historic agreement on fighting global warming adopted by more than 190 countries at the UN climate conference in Paris. With its Green Economy Transition (GET) approach, approved by the Board in September 2015 and due for rollout in 2016, the EBRD aims to raise the level of environmental investment to 40 per cent of its total financing by 2020. This would correspond to a GET investment of €18 billion over the period 2016-20 and bring a major contribution to efforts by the Bank's countries of investment to move towards a low carbon economy, in line with the Paris accord.

The GET approach will build on a strong track record under the Sustainable Resource Initiative (SRI) of financing projects that promote the sustainable use of energy, water and other resources as well as projects that improve resilience to climate change.

The EBRD's business model in this area is now tried and tested. It combines commercial project financing; technical assistance to overcome barriers through market analysis, resource audits or training and awareness-building; and policy dialogue to support the development of strong institutional and regulatory frameworks that incentivise sustainable resource projects.

EBRD projects that promote the sustainable use of energy, water and other resources are diverse. They range from the financing of wind, solar and hydropower generation to energy efficiency improvements in the corporate sector. They also include green transport and efficiency improvements in municipal infrastructure.

The Bank uses different financing modes, including the direct provision of debt and equity to its clients and credit lines to local financial institutions which on-lend funds to small and medium-sized enterprises (SMEs), the residential sector and other investors for sustainable resource projects. It has a robust accounting mechanism under which the finance provided to and the outcomes generated by these projects can be tracked and reported on, often jointly with other MDBs.

Between 2006 and the end of 2015, the EBRD invested €19 billion in projects supporting the sustainable use of energy and other resources. In 2015, the Bank signed its 1000th investment in this area – a loan to Turkish plastic-goods manufacturer Ege Profil (see case study on page 13).



Since 2006 €19 billion has been invested in the sustainable use of energy and other resources.”

Projects signed under the SRI – which will be replaced by the broader GET approach in 2016 – accounted for €2.8 billion committed during 2015 in 154 transactions, representing 30 per cent of total annual Bank investment (ABI). These should reduce annual CO₂ emissions by 7.4 million tonnes and create an energy saving of 30 million gigajoules or 715 kilotonnes of oil equivalent. In addition to cutting greenhouse gas emissions, ventures signed under the SRI in the municipal sector bring environmental benefits by reducing the levels of fine particulate matter emitted by urban bus fleets and by decreasing the amount of untreated effluent entering bodies of water.

Of this €2.8 billion, the EBRD invested €425 million in 34 water- and materials-efficiency projects that are expected to result in annual water savings of 11.6 million cubic metres. Furthermore, 32 climate change adaptation investments signed in 2015 and worth a total of €1.1 billion, including €211 million of dedicated adaptation finance, assisted clients as they adapted to a changing and more variable climate.

Donor support remained crucial, with more than €200 million of technical cooperation (TC), concessional co-financing and incentive grants supporting the preparation and implementation of projects in 2015. The EBRD implements some projects with support from donor funds such as the Climate Investment Funds (CIF) and the Global Environment Facility (GEF). These multilateral funds seek to augment global climate finance through risk sharing, technology transfer, policy dialogue, advisory support and concessional financing.

For instance, the EBRD combined its commercial financing with CIF concessional co-financing and technical assistance to improve the affordability and accelerate the implementation of projects, such as the Burnoye Solar renewable plant in Kazakhstan (see case study).

Building sustainable markets through intermediaries

EBRD sustainable energy financing facilities (SEFFs) unlock the energy-saving potential of smaller projects and build expertise by extending credit lines to financial institutions for on-lending in support of green projects. They provide these institutions and their clients with expert guidance on designing lending products and assessing opportunities to turn sustainable energy projects into sound investments.

Through these facilities and the EBRD's direct sustainable energy lending, companies of all sizes can pursue energy efficiency or small-scale renewable energy projects that boost profitability and increase competitiveness while also reducing their carbon footprint. Loans to the residential sector, meanwhile, contribute to reducing energy consumption and utility bills.

In September 2015, the EBRD, in partnership with the United Nations Environment Programme

Finance Initiative, hosted an event in Istanbul that saw delegates from more than 70 financial institutions share knowledge and successful business strategies relating to energy efficiency finance. The participants also endorsed a statement pledging to further integrate this area of business into their operations and channel an increased volume of finance into low-carbon investments. During the run-up to the Paris conference, the initiative grew to include more than 100 financial institutions.

During 2015, the EBRD invested €507 million through sustainable energy financing facility programmes in 23 countries and in collaboration with more than 100 local financial institutions. The EBRD launched its first financing facility specifically designed to support climate change adaptation projects in the residential, SME and agricultural sector, signed in Tajikistan (see case study on page 46).

Case study

First large-scale solar project in Kazakhstan

The 50 MW Burnoye solar plant will be the first large-scale facility for solar generation in Kazakhstan.

The EBRD provided a 14 billion tenge (€38 million equivalent) loan in support of the landmark venture, which is pioneering the use of a non-recourse project finance structure. This is expected to open the door to more private investment in renewable energy in Kazakhstan.

Work on Burnoye was made possible by the adoption in 2014 of a new law on renewable energy generation, on which the EBRD cooperated closely with the Kazakh government. The plant, which is owned by UK-based United Green Energy Limited and the investment arm of Kazakhstan's sovereign wealth fund, also benefits from a €13.8 million loan from the Clean Technology Fund.



“Small and medium-sized firms are an essential source of jobs and growth.”

Small Business Initiative

The EBRD applies a streamlined and strategic approach to working with SMEs to maximise the support it provides to this vital sector in collaboration with donors and external partners.

Small and medium-sized firms are an essential source of jobs and growth but are particularly vulnerable to some of the obstacles to transition that exist in the EBRD region, such as financing constraints, difficult business conditions and an economic legacy dominated by large state-owned companies.

Building on its longstanding support for SMEs, the EBRD launched the Small Business Initiative in 2013 to promote conditions in which small and medium-sized firms can flourish. The SME Finance and Development group leads implementation of the Initiative by departments throughout the Bank.

This work focuses on five areas: financing through financial institutions; co-financing with partner institutions; direct financing for SMEs; business advice; and policy dialogue. The business climate remains challenging in many parts of the region and last year the Bank continued to support governments as they tackled corruption at all levels.

Finance

In 2015, the EBRD extended €1.3 billion in direct and indirect finance to small firms in 144 transactions, accounting for 38 per cent of its projects. Local currency lending played an important role, representing 28 per cent of debt transactions in the SME sector. The Bank continued to deploy a combination of instruments to provide finance tailored to the needs of SMEs, including debt, equity, mezzanine finance and other forms of risk capital.

In the Western Balkans, for example, the Bank continued to manage and invest in the Enterprise Expansion Fund (ENEF), which provides equity and quasi-equity financing for SMEs that have high potential for growth. The fund made its first investment in 2015 by purchasing a stake in retail company Viva Fresh in Kosovo. The EBRD is also an investor in the Enterprise Innovation Fund (ENIF), a sister fund focused on companies in the start-up and early expansion stages.

During the past year, in order to provide more uniform and efficient support for small firms, the Bank amalgamated many of its financing facilities for SMEs and expanded its direct risk-sharing programme to cover the entire EBRD region. As a result, the Bank now provides support for

SMEs via three region-wide frameworks covering direct financing, indirect financing and risk sharing.

Advice

Addressing areas ranging from business strategy to marketing, quality management, export promotion or energy efficiency, in 2015 the Bank drew on the expertise of thousands of local consultants and international advisers to help small firms reach their potential for growth and employment.

It also worked to build a strong, competitive market for business advice in each of the 26 countries where it provides advisory services, through training courses to build the capacity of local consultants, and through workshops, seminars and other activities. The Bank conducted 81 courses for local consultants as well as launching a suite of courses designed for women entrepreneurs and a course for export-oriented SMEs.

The EBRD carried out more than 1,780 projects in 2015 connecting SMEs to local consultants for specific business advice, and over 160 projects providing medium-sized firms with the industry expertise of international advisers. The impact of these projects is clear: from 2013 to 2015, 76 per cent of enterprises surveyed showed increased turnover in the year following their projects. In addition, 58 per cent increased their staff numbers, creating 21,644 jobs. Greater access to finance for SMEs also remains a key goal of these activities.

Over the past year the Bank also launched a series of workshops to help develop the automotive sector. These were held in Belgrade and Cairo, bringing together experts from the sector and entrepreneurs from across the car industry value chain. Events of this type put firms in touch with the latest developments within the industry and help the EBRD to target its advisory services more accurately. More workshops are planned for other countries and sectors in 2016.

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for business advice.

Integrated products

The EBRD increasingly delivers support to SMEs through products that combine access to finance with business advisory support and risk-sharing elements for partner financial institutions. Examples of this integrated approach include the Women in Business programmes (see case study on page 39). To help women entrepreneurs identify their business needs, the Bank last year launched Business Lens, an online platform that assesses their strengths and highlights suitable opportunities for development available through the Women in Business programme.

Integrated products for small businesses constituted one of the main themes of the SME Finance Forum hosted by the EBRD in June 2015. The event drew together representatives of leading IFIs, development agencies, the European Union (EU) and Turkey to discuss ways of improving access to finance and support for SMEs. The EBRD will introduce more integrated products in 2016.

Working with donors

Donor assistance is crucial to all aspects of the EBRD's work with small companies. In 2015 the Bank established the Small Business Impact Network and the associated Small Business Impact Fund to bring together donor financing in support of SMEs. A new information management system, introduced by the SME Finance and Development team to track the Bank's small business activities more effectively, will also provide donors with clearer data on how their funds are used and the impact they generate.

All advisory projects operate on a cost-sharing basis and are possible thanks to the continued support and engagement of a wide range of donors, including the EU and over 20 bilateral donors and other organisations. In 2015, the Bank raised €96.7 million in new financial commitments from donors for advisory projects. The EU was the largest donor, with important contributions also coming from BG Kazakhstan, the governments of Kazakhstan and Luxembourg, the EBRD Shareholder Special Fund (SSF), the Early Transition Countries Fund, and Tengizchevroil (TCO). Donors also continued to contribute strongly to the Bank's SME activities through financial institutions (see page 18) and the Early Transition Countries Initiative (see page 38).

The Bank also mobilised €1.3 billion in private capital to its SME support activities.





2015 saw the
equivalent of almost
€1.4 billion
signed in 82 local currency
loan and bond transactions.

Local currency and capital markets

The Local Currency and Capital Markets (LC2) Development Initiative is a major focus of EBRD efforts to revitalise and deepen the transition process in countries where it invests. Launched in 2010 in the wake of the financial crisis, it aims to establish viable local currency financing and contribute to the development of efficient and self-sustaining local capital markets, thereby lessening key vulnerabilities in the EBRD region.

The Initiative combines policy dialogue, investments, transaction support and advice, and technical assistance. It also supports knowledge-building and sharing through seminars and other outreach activities that develop institutional capacity.

The Bank has been an active lender in local



**The EBRD has
been an active
lender in
local currency
markets since
1994.”**

currency markets in a number of countries since 1994. In 2015, it signed the equivalent of almost €1.4 billion in 82 local currency loan and bond transactions – 28 per cent of the total number of debt transactions by the EBRD in that period. Local currency lending was particularly strong in Kazakhstan, Poland, the Kyrgyz Republic, Romania and Tajikistan, and in the southern and eastern Mediterranean (SEMED) region.

To support the development of capital markets and strengthen corporate governance, the Bank increased its equity investments in listed companies, signing seven transactions worth a total of €332.3 million. The EBRD also invests in debt capital-market instruments, including swaps and bonds. In 2015, the Bank invested in four swaps and 11 bond issues. Eight of these transactions were in local currency and seven were in foreign currency. An innovative deal in this area was the purchase of bonds issued by the City of Bucharest to finance improvements to municipal services.

The EBRD continued to invest in capital market infrastructure, notably in Turkey, where the Bank acquired a 10 per cent stake in Borsa İstanbul, and in Croatia, where it purchased a stake in Zagrebačka Burza. An investment in Frontclear will support access to interbank markets for local financial institutions in developing economies (see case study on page 42). The EBRD also issues its own local currency bonds.

A dedicated team of LC2 experts leads implementation of the Initiative, working with – and supported by – all departments of the EBRD and in coordination with other IFIs. Policy dialogue and TC projects are an essential part of the Initiative. Many of the policy dialogue and capacity-building activities related to LC2 are linked to the team's country assessments and the implementation of assessment recommendations. With EBRD technical assistance, Poland and Romania passed new laws on covered bonds that make it easier for banks to raise funding and offer mortgage financing to citizens.

A major focus of the Initiative's policy dialogue and investment work is the development of Romania's capital markets. In 2015 the Bank helped the Bucharest Stock Exchange (BVB) develop a new corporate governance code for companies whose shares are traded on the bourse. The EBRD is a shareholder in BVB and supports reforms aimed at promoting Romania from frontier to emerging market status on the FTSE and the S&P Dow Jones indices, among others.

The EBRD pursued its work with stock exchanges in south-eastern Europe (SEE) to establish an order-routing trading platform, SEE Link, that facilitates cross-border trading. The Bank carried out research on the benefits of creating a regional Central Counterparty (CCP) for central and eastern Europe to foster the integration of local capital markets in this region. Work in these two areas will continue in 2016.

“**2015 saw a record €1.4 billion invested in the early transition countries.**”

Early transition countries

The Early Transition Countries (ETC) Initiative was established in order to accelerate transition, increase financing and strengthen the business climate in the EBRD's less-developed recipient countries. The Initiative aims to mobilise more financing and donor funds to improve the economies and living standards of people in this region, which includes Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Turkmenistan – all of which are recipients of Official Development Assistance (ODA).

The annual percentage of financed projects in the ETCs has increased from 8 per cent of the EBRD's total in 2003, the year before the Initiative was launched, to 32 per cent on average in 2012-15. The region's share of annual Bank investment (ABI) has risen from less than 3 per cent to 11 per cent over the same period.

In 2015 the EBRD signed 102 projects and invested a record €1.4 billion in the ETCs (compared with a previous record of €1.1 billion in 2014). More than 65 per cent of these ventures supported locally owned companies – mostly micro, small and medium-sized enterprises (MSMEs) – in line with the Initiative's priorities. Although Bank investments in the ETCs are typically smaller than in other parts of the EBRD region, they are more significant as a share of GDP.

The Bank was particularly active in the financial sector, which accounted for 40 per cent of transactions in the ETCs. Agribusiness, manufacturing and services, municipal and environmental infrastructure and power and energy were also important areas of investment. Meanwhile, the EBRD provided €136 million in Trade Facilitation Programme financing in the ETCs.¹⁴

Strong partnerships and commitments from the donor community have complemented this financing activity since the start of the Initiative. The multi-donor Early Transition Countries Fund (whose contributors include Finland, Germany, Japan, Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Taipei China and the United Kingdom), the EBRD SSF, the EU and bilateral donors have provided a total of almost €100 million in grants to support the countries.

The EU has designed mechanisms – such as the Investment Facility for Central Asia (IFCA) and the Neighbourhood Investment Facility (NIF) – to mobilise additional funding to cover development and investment needs in infrastructure, energy, environmental projects, financial institutions and

SME support and financing. These facilities cover most of the ETCs. In 2015, the EBRD and the EU, via its Asia Investment Facility, agreed a new programme to support small businesses and economic development in Mongolia.

Priority areas for EBRD financing and transition activity and for donor support in the ETCs include private sector and SME development and municipal and environmental infrastructure. In the latter area, thanks to projects of the Bank and donors in 110 municipalities, 2.7 million people in the region now have access to improved solid waste services, 900,000 citizens enjoy better water and wastewater facilities and more than 22 million passengers a year benefit from modern public transport as a result of EBRD operations.

Another important focus for donors and the Bank is catalysing local currency financing and developing local capital markets to reduce systemic foreign exchange risk in the ETCs, many of which have large current account deficits and a high percentage of unhedged MSMEs. Through the US\$ 320 million (€294.6 million equivalent) ETC Local Currency Programme in Armenia, Georgia, the Kyrgyz Republic, Moldova, Mongolia and Tajikistan, the Bank addresses over-reliance on foreign exchange financing, which is exacerbated by the lack of conventional sources of local currency funding. Donors – the ETC Fund, the US Treasury, the Swiss State Secretariat for Economic Affairs (SECO) and the EBRD SSF – have supported the Programme by allocating US\$ 40 million (€36.8 million equivalent) of risk-sharing funds.

The Programme has financed a cumulative US\$ 360 million (€331.4 million equivalent) of local currency loans, which partner banks and microfinance



¹⁴ See footnote 1 on page 3.

Case study**Unleashing the potential of women entrepreneurs in the Western Balkans**

In 2015 the EBRD provided €11.5 million in financing as part of its Women in Business programme to help women entrepreneurs in the Western Balkans access the finance and advice they need to grow their business.

For the first time, the EBRD extended credit lines under the programme in Albania, FYR Macedonia, Kosovo and Serbia. The Bank's first loan under the Women in Business programme in the Western Balkans was a €2 million credit line in Bosnia and Herzegovina in late 2014.

Although the importance of women in the economy is generally acknowledged, women-led businesses in the Western Balkans often face obstacles in obtaining credit and developing managerial skills. The Women in Business programme combines support for partner financial institutions and women entrepreneurs to unleash the economic potential of a section of the population that has traditionally been underserved by the financial sector (see page 18 for more information).

Women in Business programmes are also active in Croatia, the Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine), Egypt, Kazakhstan and Turkey. During 2015, the EBRD extended its first credit lines through the Women in Business programme to local financial institutions in Croatia and Kazakhstan and provided financing worth some €100 million to partner lenders in Turkey as part of the initiative.



institutions have on-lent to more than 320,000 MSMEs. The largest number of beneficiaries have been in the Kyrgyz Republic and Tajikistan. Currencies in the ETCs depreciated by around 25 per cent on average in 2015, highlighting the vulnerabilities associated with high levels of dollarisation. The Programme allowed the EBRD to finance 29 new local currency transactions in the region for a total amount of around €72 million.

The Bank and donors also support investment councils in Armenia, Georgia, the Kyrgyz Republic, Moldova and Tajikistan. These councils, chaired by the president or prime minister of each country, are vehicles for fostering public-private sector dialogue to improve the business environment and investment climate through changes to legislation and regulation.

Investment councils are one example of successful ETC initiatives that the Bank has since implemented in other parts of the EBRD region. Further examples include local currency funding for SMEs and certain financing instruments.

Gender equality

In 2015 the Board approved the EBRD's first Strategy for the Promotion of Gender Equality, which sets out how the Bank will seek over the next five years to increase women's empowerment and equality of opportunity in the countries where it invests.

Modern market economies thrive when women and men can participate equally in the workplace and enjoy the same freedom to make use of financial and other services. Promoting gender equality is therefore an essential part of the transition process and crucial to building inclusive societies.

The Strategy broadens and deepens the EBRD's commitment to addressing gender inequality through its investments and other activities. It builds on the Strategic Gender Initiative (SGI), established in 2013, and will add engagement in this field to the corporate scorecard from 2016.

“The Board approved the EBRD's first Strategy for the Promotion of Gender Equality.”



Case study

Public transport app gets backing for growth plans

The purchase of an equity stake in the Lithuanian company that operates TRAFI, a mobile application for planning travel by public transport, will support its owners' ambitious plans for international expansion.

TRAFI allows users to receive real-time updates on public transport schedules based on publicly available transport authority data, crowdsourcing and predictive modelling algorithms. It is owned by Trafi Limited, which launched the application in Estonia, Latvia, Lithuania and Turkey and aims to expand across eastern Europe and other emerging markets.

The EBRD acquired a stake in Trafi Limited through its Venture Capital Investment Programme, a €100 million facility dedicated to direct equity investments in early and growth-stage technology companies. By championing these businesses, the EBRD aims to encourage international venture capitalists to enter the region and foster a VC financing ecosystem. The VCIP is an important part of the Bank's Knowledge Economy Initiative, which supports innovation and technological dynamism.

“**The EBRD aims to encourage international venture capitalists to enter the region.**”

The EBRD focuses on three areas in its work towards gender equality: access to finance, access to employment and skills, and access to services. The Bank helps clients remove barriers in the provision of loans and other financial products, in recruitment procedures and the workplace, and in the design and delivery of customer services and infrastructure.

During 2015 the Bank signed 23 investments with a gender focus or component under the SGI, including credit lines through the Women in Business programme in Croatia, Kazakhstan, Turkey and the Western Balkans. The programme is also active in Egypt and the Eastern Partnership countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). It addresses the supply and demand side of financing for women-led businesses and combines financing with risk-sharing, capacity-building and advisory services (see case study on page 39).

The Bank helps clients put in place human resources and equal opportunity policies that meet international standards of best practice while also supporting the design of training and skill-enhancement packages. A recent case in point is a €50 million loan to Turkish white goods producer Vestel, which is conditional on the client introducing an equal opportunity action plan to address gender gaps in this male-dominated sector.

Safe and efficient access to public transport is an important issue for all. But for women in many parts of the SEMED region and Central Asia the lack of safe public transport is a barrier to free movement and full economic engagement. EBRD support for the modernisation of Cairo's public transport system will include capacity-building and other measures to help the company respond appropriately to the needs of all passengers, including women.

The EBRD uses TC projects to support the due diligence, implementation and monitoring of its gender projects. These are funded via the EBRD's Gender Advisory Services Programme which benefits from the support of the Bank's SEMED Multi-Donor Account, the EBRD SSF and the TaiwanBusiness-EBRD Technical Cooperation Fund, or on a standalone basis by donors such as the EU. (For more on TC-funded activities, see "Donor partnerships" on page 47).

The Bank engages in policy dialogue with stakeholders and takes an active part in international dialogue to promote gender equality. The EBRD chairs the MDB working group on gender and in 2015 contributed to the growing body of MDB research in this area by publishing, for instance, the report "Enhancing Women's Voice, Agency and Participation in the Economy: Studies in Egypt, Jordan, Morocco, Tunisia and Turkey".

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Policy
dialogue on
inclusion
expanded
throughout
2015.”



Economic inclusion

In 2015, the EBRD signed 17 projects with an economic inclusion component across a wide variety of sectors and many parts of the Bank's region, particularly Central Asia, SEMED, Turkey and the Western Balkans. The main inclusion impact of these projects stems from their fostering systemic changes that increase the economic opportunities available to women, young adults and people in economically less-developed areas.

Notable investments included financing for a new tourism destination in Jordan that will support the development of a training programme for unemployed young people and women which is based on the needs of employers (see case study on page 43). A €100 million loan for the upgrade of the Cairo metro will help establish on-site training opportunities for young adults through the introduction of inclusive procurement models. Furthermore, investments of €125 million in the automotive sector in Turkey will showcase the importance of vocational education and training for the sector and facilitate access to jobs for young people, blue-collar workers and women.

Since 2013 economic inclusion has been fully integrated into the EBRD's assessment of transition impact. This means that inclusion impact is one of the factors that the Bank takes into account as part of the design and selection process for projects as well as related policy dialogue. Most projects with an

inclusion component achieve a particularly high score for transition impact and are among the EBRD's most profitable investments.

Donor support is key to the success of the EBRD's work on inclusion. In 2015 the Bank launched an Inclusion Technical Assistance Framework (€2.5 million over three years) to provide targeted technical assistance for projects seeking to improve the economic opportunities of young adults and people in less-developed regions.

Inclusion policy dialogue expanded substantially throughout 2015. The Bank launched programmes focused on strengthening private sector engagement in the development of standards for vocational and technical skills in manufacturing, tourism and hospitality in Jordan and Turkey. This work aims to ensure that the education of young people is more relevant to the needs of industry and will benefit job seekers and businesses alike.

The EBRD established partnerships with international agencies, such as the European Training Foundation, to enhance private sector involvement in reducing the persistent mismatch between the skills of school leavers and the demands of the labour market. The Bank also signed a partnership agreement with the World Tourism Organization (UNWTO) that commits both organisations to the promotion of inclusive and sustainable tourism as a source of socio-economic growth.

Knowledge economy

Established in 2014, the Knowledge Economy Initiative helps businesses to improve their productivity and contribute to sustainable economic growth. It brings a more targeted approach to the EBRD's longstanding support for innovation and technological dynamism.

Development of the knowledge economy is particularly important in the countries where the Bank invests, as many of them have a legacy of energy waste, labour-intensive production processes and over-reliance on natural resources.

Under the Initiative, the Bank uses investments and related activities to support the development of information systems and infrastructure (such as broadband), technological upgrades for industry, and financing for small, ground-breaking technology companies, for example through the Bank's Early Stage Innovation Facility (ESIF) and the Venture Capital Investment Programme (VCIP). The EBRD also uses policy dialogue to foster appropriate innovation policies. This approach takes into account the different levels of technological development in the region, helping each country develop its own knowledge economy.

In 2015, the EBRD invested €418 million in 21 projects that supported the knowledge economy, with six investments in information infrastructure, eight in technological upgrades in manufacturing and seven in finance for small, innovative tech companies.

Examples included participation in a €200 million syndicated loan to Turkish automaker Tofaş Türk Otomobil Fabrikası A.Ş. to finance the production of two new models of passenger cars for export to foreign markets. Tofaş's own research and development centre will lead the process, which will involve Turkish universities and the company's suppliers and give them access to the latest knowledge and pioneering technologies. Another significant transaction was a €50 million investment in the bond issue by OTE, Greece's largest telecommunications operator.

In addition, last year the Bank signed six projects through its VCIP, including an equity investment in the Lithuanian company that operates TRAFI, a mobile application for planning travel by public transport (see case study on page 40). It signed an investment in Revo Capital Fund 1, an early-stage venture capital fund, under the ESIF.

The EBRD also engaged in policy dialogue and provided technical assistance to advance the region's knowledge economy. In 2015 the Finance and Technology Transfer Centre for Climate Change (FINTECC) programme, which operates in the ETCs and SEMED, was expanded to Ukraine. FINTECC offers technical assistance provided by the Bank and international consultants and is funded by the Global Environment Facility, the EU NIF and the EBRD SSF.

Last year, the EBRD and the Wageningen University

and Research Centre (WU) in the Netherlands launched the Innovation for Agribusiness pilot programme to support the transfer of know-how to the sector. Under the programme, WU will provide advice to selected Ukrainian companies on new products, processes and technologies and on upgrading food quality standards to facilitate access to EU markets. Work in the Western Balkans will focus on linking agribusiness SMEs to food processing firms and retailers by promoting the adoption of international best practice in supply chain management.

Policy work included assisting countries to accelerate broadband rollout and develop more competitive regulatory regimes, and supporting the government of Jordan to establish a National Centre for Innovation (financed through the Middle East and North Africa Transition Fund). The Bank facilitated dialogue with producers and governments in Turkey and the Western Balkans to improve legal frameworks for the registration and protection of Geographical Indications, which are origin-based food-quality labels that enable producers to access high-value markets. Meanwhile, policy dialogue in the Baltic states helped prepare market participants for new EU structural funds which will be available to support innovative SMEs.

“Policy work included helping countries develop more competitive regulatory regimes.”

Case study

Improving access to funding for local banks

2015 saw the EBRD invest up to US\$ 33 million (€30.4 million equivalent) in Frontclear, a new company that aims to establish more stable and inclusive access to local and global interbank markets for financial institutions in developing markets.

Properly functioning interbank markets can improve the capacity of local banks to manage risk, thereby improving access to finance for local firms and stimulating activity in the real economy.

Frontclear, which provides guarantees to cover counterparty risk, also offers training and advice to financial institutions and regulators to boost their risk management capacity and conducts research at the client and market levels. The company provided its first guarantee in September and has an ambitious deal pipeline in the EBRD region and other countries.



Legal transition

The Legal Transition Programme (LTP) is the Bank's initiative to promote a better legal environment for business in transition countries. The programme seeks to reduce legal impediments to investment and encourage the creation of the rules and institutions that a vibrant market economy needs.

Activities under the LTP match EBRD investment strategies and complement strategic initiatives such as the Local Currency and Capital Markets Development Initiative, the Sustainable Resource Initiative or the Early Transition Countries Initiative. They also support the Bank's efforts to improve the investment climate and promote good governance (see page 45).

Work carried out under the LTP includes the preparation of diagnostic tools and the provision of advisory services to governments and regulators. In 2015 the LTP facilitated the adoption of significant pieces of legislation, including:

- a law on public procurement and related secondary legislation in the Kyrgyz Republic, prepared under a joint programme between the Bank and the United Nations Commission on International Trade Law (UNCITRAL)
- a mortgage law in Serbia
- reformed laws on covered bonds in Poland and Romania, aimed at developing the market for these debt securities
- a banking law in Slovenia and a new supervision methodology for the Bank of Slovenia
- amendments to the law on consensual financial restructuring of companies in Serbia.

The Programme also assisted with the preparation of a new corporate governance code in Romania, adopted by the Bucharest Stock Exchange. In addition, it helped prepare instruments leading to the accession of Moldova and Ukraine to the World Trade Organization (WTO) Agreement on Government Procurement, under a joint initiative between the Bank and the WTO.

In October 2015, the finance committee of the Tunisian parliament approved a new draft law on public-private partnerships (PPPs), incorporating LTP advice. Parliament is expected to adopt this legislation in the near future.

As part of efforts to address cross-cutting problems in the business environment, the LTP also aims to strengthen contract enforcement, including by the courts. In 2015 the Bank trained some 340 judges in Bosnia and Herzegovina, Croatia, Jordan, Montenegro and Serbia on matters of commercial law. In addition, it trained 200 civil bailiffs in Mongolia on enforcing judgements.

Case study

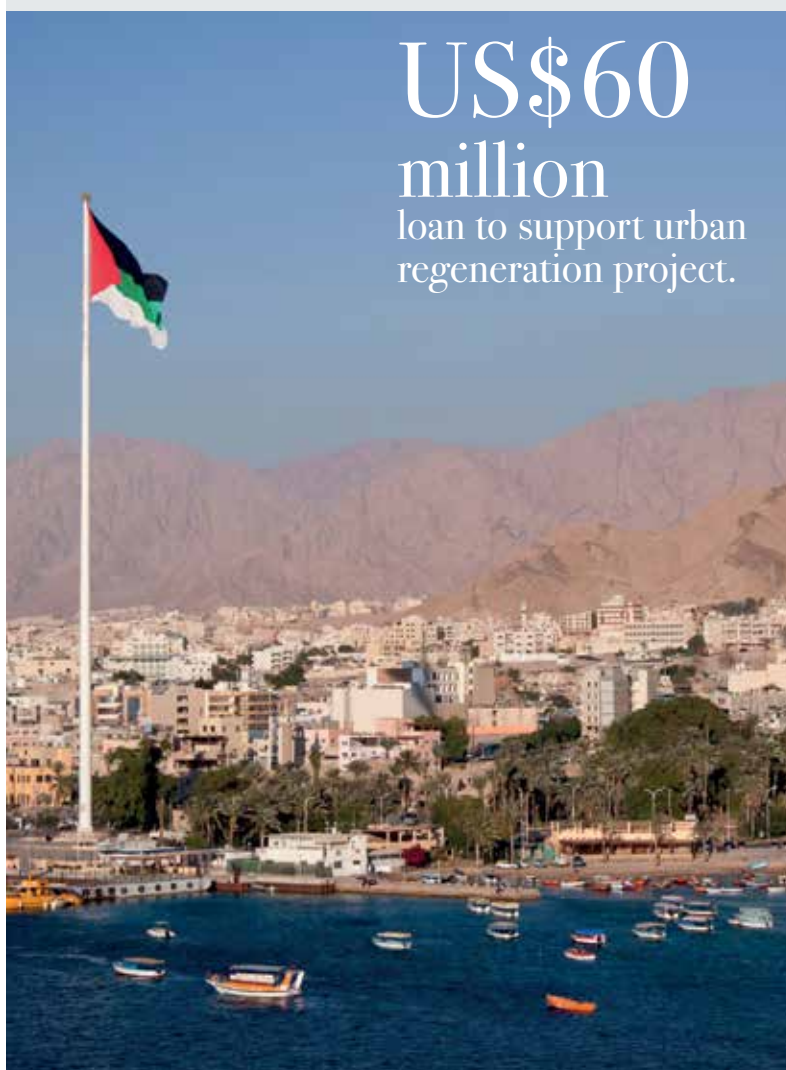
Tourism project brightens job prospects for young Jordanians

Ayla Village is the name of a tourist resort that will form the heart of an urban regeneration project in the Jordanian port city of Aqaba.

The venture seeks to develop the waterfront at Aqaba into a vibrant, sustainable destination that will serve tourists visiting the nearby sites of Petra and Wadi Rum. The EBRD is supporting Ayla Village with a US\$ 60 million (€55 million equivalent) loan.

Donor-funded technical assistance will help establish a training programme to improve the employment prospects of local young people. Working closely with vocational schools and national education authorities, the project will offer work-based learning opportunities in the area. These will create direct progression routes to potential employment and support the improvement of national skills standards so that they reflect employer's needs.

**US\$60
million**
loan to support urban
regeneration project.



45	Good governance
47	Donor partnerships
50	Cooperation with external partners
50	Vienna Initiative and Joint IFI Action Plan
52	Nuclear safety

Policy and partnerships

In 2015 the EBRD intensified efforts to foster policy reform and improve the business climate. The Bank deployed a range of good governance measures in close cooperation with recipient countries, other international organisations and donors. Partnerships with donors were also crucial to the success of EBRD activities in areas ranging from climate finance to infrastructure, small business and nuclear safety.





Good governance

In response to the stalling of reforms that followed the financial crisis, the EBRD increased its policy dialogue efforts aimed at combating corruption and improving the business environment. The Bank engages in intensive policy work with governments and other partners to strengthen the institutions that market economies need to function efficiently and generate sustainable growth.

Investment Climate and Governance Initiative

The EBRD launched the Investment Climate and Governance Initiative (ICGI) in 2014 as part of the Bank's focus on re-energising transition by reaching beyond projects to encourage broader systemic change.

Weak public and corporate governance are serious obstacles to transition in many EBRD countries of operations; surveys of enterprises show clearly the impact of a poor investment climate on starting, operating and expanding businesses and on foreign investment. The less-advanced EBRD countries of investment traditionally rank at the bottom of global league tables on the business environment and corruption.

The ICGI approach combines existing tools and instruments – such as platforms for public-private dialogue, ombudsman functions, procurement reform, judicial capacity-building and corporate governance enhancements – with new instruments addressing business registration and regulation, licensing and customs administration, transparency, and freedom of information. The Bank works with other IFIs, intergovernmental organisations and domestic and international NGOs in this field.

The EBRD develops full ICGI country programmes in countries where there is strong demand for its engagement, demonstrable political will to introduce reforms that improve the investment climate and governance, and a clear role for the EBRD to add value to the reform landscape. During 2015 the Bank implemented ICGI programmes in Albania, Moldova and Ukraine (see page 46), and signed a memorandum of understanding with the government of Serbia for an ICGI programme in that country.

In addition, the Investment Climate and Governance team coordinated focused interventions in a number of other countries. These activities were strongly linked to the Bank's Country Strategy priorities and designed to build on its ongoing policy dialogue and technical cooperation work in the area of investment climate reform. As part of these interventions, the EBRD, with strong donor support, worked to strengthen the impact and effectiveness of Investment Councils (ICs) in Armenia, the Kyrgyz Republic, Moldova and Tajikistan and established new ICs in Albania and Georgia in 2015.

Improving the business climate in Ukraine

The EBRD is a champion of business climate reforms in countries where it invests and took concrete steps to support reformers in Ukraine during 2015.

After signing a memorandum of understanding for an anti-corruption initiative with the government of Ukraine, the OECD and five local business associations in 2014, the Bank assisted in the creation of the Business Ombudsman Council for Ukraine (BOC).

The BOC addresses complaints of unfair treatment of firms by the authorities and promotes reforms to support private business. It became operational in May 2015 and received more than 500 complaints during the first six months of its operations, of which about two-thirds were eligible for further investigation. More than 100 investigations were completed during this period. The BOC also issued four systemic reports analysing access to electricity; problems for businesses affected by the situation in the east of the country; the administration of business taxes; and issues affecting cross-border trade. The BOC is funded through the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (Ukraine MDA).

Strengthening the governance of companies and banks

The EBRD works extensively on strengthening corporate governance in order to improve the business climate in its region. A large number of

investments in 2015 were conditional on clients implementing corporate governance reforms, for which they received support from the Bank. For example, the Ukrainian national energy company Naftogaz agreed to adopt a corporate governance action plan, developed with the EBRD, in order to access Bank financing for the purchase of winter gas. The Bank also helped prepare a new corporate governance code in Romania, adopted by the Bucharest Stock Exchange. It provided advice that led to the approval of a new supervision methodology for the Bank of Slovenia and helped prepare a new banking law now approved by the Slovenian parliament.

Public procurement

Strengthening public procurement procedures is an important aspect of the Bank's work on good governance. The EBRD and the UN Commission on International Trade Law lead a joint programme to enhance public procurement legislation in countries where the Bank invests.

During 2015, the Kyrgyz parliament adopted a new law on public procurement that incorporated advice from this initiative. Under a joint programme with the World Trade Organization, the EBRD helped prepare instruments leading to Moldova and Ukraine being accepted as members of the WTO Agreement on Government Procurement (GPA), which mutually opens government procurement markets among parties to the agreement. The Bank is also a member of the OECD working group for the revision of the

Case study

Credit line supports climate resilience in Tajikistan

A new financing facility from the EBRD seeks to help small businesses and households in Tajikistan counter the effects of climate change, such as soil erosion and water shortages.

The facility provides commercial and concessional funding through local banks and microfinance institutions, as well as offering advice to clients.

The first loan was for the somoni equivalent of US\$ 3 million (€2.76 million equivalent) to Bank Eskhata, a longstanding partner of the EBRD. Half of this loan was extended by the EBRD, and the other half was provided by the PPCR, a funding window of the multilateral Climate Investment Funds.

The funds will be on-lent in local currency to SME clients and households to help them adopt technologies and practices to reduce soil erosion and pressure on water and energy resources, which are key environmental threats in Tajikistan. Advice to borrowers is funded by the EBRD and the UK.



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In 2015
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to contribute
€359 million
in new donor
financing.”

Methodology for Assessing Procurement Systems (MAPS Plus).

To help public sector officials acquire the skills and experience needed to conduct procurement procedures effectively, the EBRD and the University of Rome Tor Vergata jointly established an international master's programme in public procurement management. The Bank provides donor-funded scholarships to students from the EBRD region and last year 33 people graduated from the programme, now in its third intake.

For public sector projects financed by the EBRD, the Bank launched an e-tendering portal allowing suppliers and contractors to engage in online procurement. This will eventually replace paper-based procedures, including invitations to tender and tender documents. In addition, the EBRD and the European Investment Bank (EIB) agreed on co-financing frameworks that establish how the two institutions will conduct procurement associated with jointly financed contracts.

Donor partnerships

Donors continued to work closely with the EBRD to address the transition challenges in its region. In 2015 they signed agreements to contribute €359 million in new donor financing, extending the range and depth of the Bank's investments, balancing risks and rewards, temporarily compensating for market failures and nurturing the development of market-based institutions, skills and behaviour. EBRD products blend commercial financing with grant-funded elements. These instruments enable donors to achieve impact on a greater scale than would otherwise be possible.

Infrastructure, small firms and the sustainable use of resources remained the central focus of donor activity. Initiatives with a robust element of policy dialogue delivered through grant co-financing continued to grow in importance. Good governance and local currency are two examples of this type of initiative. Other areas of focus for donors include promoting private sector competitiveness, economic inclusion and gender equality.

The European Union (EU) is the EBRD's largest single donor, contributing 35 per cent of donor funding received over the last five years in support of Bank activities. In recent years, the EU has increasingly channelled its funding through regional facilities created to blend EU grants with investment financing from financial institutions such as the EBRD. These facilities include the EU Neighbourhood Investment Facility (NIF), the EU Investment Facility for Central Asia (IFCA) and the Western Balkans Investment Framework (WBIF). Bank projects in EU member states have

also benefited from funding provided through the Structural and Cohesion Funds.

In 2015 the EU provided support worth €179.3 million for 30 projects. This was a record year in terms of EU contributions to the EBRD. Last year the Bank and the EU signed a Framework Administrative Agreement that standardises how the two institutions work together and provides the basis for deeper cooperation in future. The EBRD also doubled the number of staff at its EU Representative Office in Brussels.

Donor instruments

Donor funding at the EBRD takes the form of technical cooperation (TC) and non-TC grants.

TC grants focus on specific tasks in support of a particular project or programme, such as project preparation and implementation, training, sector support, building a client's expertise and technical skills, policy dialogue and other forms of assistance. Last year donor funds worth €218 million were used to finance 809 TC assignments.

Donor funds were also used for 54 non-TC grants worth a total of €187 million. The main types of non-TC grant are as follows:

- investment grants that provide an alternative source of funding for projects where there may be constraints on the use of loan financing (for example, in heavily indebted countries facing borrowing limits) or affordability pressures that could lead to low income and/or vulnerable groups being excluded from public services
- performance fees and incentives that encourage financial institutions to extend EBRD loans to sub-borrowers likely to achieve priority objectives set by the Bank and donors
- risk-sharing facilities used to support transactions funded through initiatives such as the EBRD Trade Facilitation Programme as well as lending to micro, small and medium-sized enterprises (MSMEs) and resource-efficiency credit lines
- concessional loans that the EBRD uses to co-finance projects where donors provide part of the overall financing package in the form of subsidised lending.

Types of donor

Bank activities are complemented by donor support from bilateral donors, including the EU, multilateral donor funds and the shareholders of the EBRD.

Bilateral donors are governments and other partners. In 2015 the following donors signed agreements to contribute additional resources to the EBRD: Austria, Armenia, Finland, Germany, Italy, Kazakhstan, Korea, Luxembourg, the Netherlands, Norway, Poland, Romania, Sweden, Switzerland, Taipei China, the United Kingdom, the United States of America, the EU and private sector donors.

Multilateral donor funds are characterised by the involvement of not only a number of donors but also a number of IFIs as recipients and often feature significant involvement from beneficiary countries. These funds can provide TC grants as well as non-TC assistance. In 2015 the EBRD was a recipient of grants from multilateral donor funds such as the EU NIF, the WBIF, the EU IFCA, the Climate Investment Funds, the Global Environment Facility, the Northern Dimension Environmental Partnership and the Eastern Europe Energy Efficiency and Environment Partnership. The EBRD's Nuclear Safety team manages the Nuclear Safety and International Decommissioning Support Funds, which donors set up for specific nuclear safety work in the region (see page 52).

Bank shareholders allocate funds from net income to a number of funds, the largest of which is the EBRD Shareholder Special Fund (SSF), established in 2008. The SSF complements other donor funds by providing TC and non-TC grants.



The impact of microcredit

In 2015 the Bank published a summary of the key findings of a multi-year research programme, partly funded by the EBRD Western Balkans Fund, on the impact of microcredit.

Microcredit is designed to support entrepreneurship and alleviate poverty, but recent research from seven countries shows that giving poor people access to microcredit does not typically lead to a substantial increase in household income. There also appear to be no significant benefits in terms of education, or empowerment of women.

What microcredit does do, however, is allow low-income households to better cope with risk and to enjoy greater flexibility in how they earn and spend money. In short, microcredit is a useful financial tool but not a powerful anti-poverty strategy. For more information see

ebrd.com/publications/impact-of-microcredit

How donors provide support

Donors provide support directly or through a range of funds, including bilateral funds and the aforementioned multilateral donor funds. The Bank manages multi-donor funds, which pool resources from donors for specific purposes that meet strategic objectives on a larger scale than would otherwise be possible. The most active in 2015 were, among others, the Early Transition Countries (ETC) Fund, the Southern and Eastern Mediterranean (SEMED) Multi-Donor Account (MDA) and the Ukraine MDA. Last year also saw the establishment of the Small Business Impact Fund.



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**Donor funds
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all EBRD
recipient
countries.**”

Donor priorities

Donor funds are used in all EBRD recipient countries, with a greater focus on the early transition countries, the SEMED region and the Western Balkans. Projects in these challenging markets often require donor-funded assistance in order to achieve the Bank's aims. Besides directly co-financing EBRD investments, donors provide grants for projects covering areas such as investment preparation and implementation, the improvement of managerial skills, capacity-building, regulatory development, policy dialogue and legal transition.

Strategic areas for which donors allocated resources in 2015 were:

- improving the environment, including through tackling climate change and advancing resource efficiency, and increasing energy security
- diversifying economies by providing finance and advisory support for small firms
- building a stable financial sector by supporting financial institutions and local capital market development
- accelerating transition in infrastructure through projects in the municipal and environmental infrastructure, transport, power and energy, and natural resources sectors
- promoting private sector competitiveness and initiatives mobilising private sector support in areas such as food security
- improving the business environment through regulatory reform
- integrating considerations of gender and social inclusion into EBRD projects.

Reform of donor fund management

In 2015, the Bank set out a five-year vision for its grants activities. This recognises the growing role played by donors in supporting the EBRD's transition objectives and commits the organisation to being a selective and strategic user of grants; a modern development partner to its donors, operating in line with best international practice and with a firm country focus; and an efficient manager of grants activities.

In keeping with this vision, the Bank made improvements to the management of the Shareholder Special Fund to ensure its alignment with strategic EBRD priorities. The Bank also made progress on reforming its IT systems for managing grants and prepared for the launch of a new system in 2016.

For more information on donor partnerships, see dr-ebrd.com

Cooperation with external partners

The EBRD worked with other multilateral development banks (MDBs) to agree on a financing framework to support the 2030 Agenda for Sustainable Development, which includes the 17 UN Sustainable Development Goals (SDGs). Notably, the banks announced their intention to extend more than US\$ 400 billion (€368 billion equivalent) in new financing over the next three years.

With its expertise in the private sector, the EBRD is well positioned to act on the emerging consensus that private finance will be essential to implementation of the SDGs. In this context, the Bank's specialist knowledge was in high demand from regional development banks as they strengthened their private sector activities, as well as from new MDBs.

As in previous years, the EBRD engaged strongly with the G20 forum of the world's leading economies, in close partnership with other MDBs. Core areas of focus in 2015 under the Turkish presidency were infrastructure, SMEs and energy efficiency.

Sustaining efforts to deepen their cooperation, the EBRD and the EU held the first in a series of joint Country Days to consider shared priorities in Bulgaria, Croatia and Romania. Similar events covering other countries are scheduled for 2016. EBRD President Suma Chakrabarti visited Brussels twice in 2015 to meet with EU leaders. (Read about EU donor funding on page 47).



“High levels of non-performing loans are a major obstacle to economic growth.”



Vienna Initiative and Joint IFI Action Plan

A unique private-public coordination platform created to safeguard financial stability in emerging Europe, the European Bank Coordination “Vienna” Initiative, pursued several major priorities during 2015.

The Initiative continued to support dialogue on enhanced regulatory cooperation between non-EU member countries in south-eastern Europe and the institutions of the Banking Union, including the European Banking Authority (EBA) and the European Central Bank. This work culminated in the signing of a memorandum of cooperation between the EBA and supervisory authorities from Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro and Serbia.

The Initiative made strides in creating the conditions for credit recovery. It launched a Regional Non-Performing Loan (NPL) Action Plan that aims to reduce the excessively high levels of NPLs, which are a major obstacle to new credit and economic growth in the region. The plan will initially focus on Albania, Croatia, Hungary, Montenegro and Serbia, in which countries the ratio of NPLs to total loans ranged from 13 to 23 per cent in 2015. Three areas are covered under the plan: transparency of the restructuring environment and reform efforts; capacity-building; and knowledge sharing. Last year work concentrated on diagnostic and preparatory activities in these three areas.

Case study**Turkish electronics company champions gender equality**

A €50 million loan to Vestel, a leading Turkish producer of consumer electronics, will support the company's research and development programme in the white goods sector and promote equal opportunities for the women and men it employs.

Vestel will use the EBRD financing as part of a €100-million investment programme aimed at increasing the share of high-tech components in the white goods it produces. The company will work with universities in its research and development

programme and will involve local suppliers in the production of advanced specialised components, thereby contributing to the spread of new technologies within this sector in Turkey.

As part of the project, Vestel has committed to further improving its labour practices in relation to gender equality, in particular through the implementation of an equal opportunities action plan. Technical assistance funded by the EBRD Shareholder Special Fund will support the development of this plan and other efforts to improve women's participation in managerial and technical roles within the company.



Lastly, the Initiative continued to closely monitor deleveraging and credit trends in emerging Europe.

The Joint IFI Action Plan for Growth in Central and South Eastern Europe was a shared initiative between the EBRD, the European Investment Bank (EIB) and the World Bank. It was launched in 2012 in response to the impact of eurozone problems on the economies of emerging Europe.

The final report of the Action Plan in 2015 showed that the three institutions had far exceeded their financial target of €30 billion, investing a total of €42.7 billion. This was equivalent to 1.5 per cent

of regional GDP and supported more than 770 individual projects.

Around one-third of the financing aimed to reinforce local financial institutions and enable them to lend to SMEs. Another third was invested in transport, energy and communications infrastructure, including the Trans-European Networks in each of these sectors. The Action Plan also financed investments in energy efficiency and renewable energy, promoted the development of local capital markets and improved the productivity, innovation and export strategies of firms in the region.

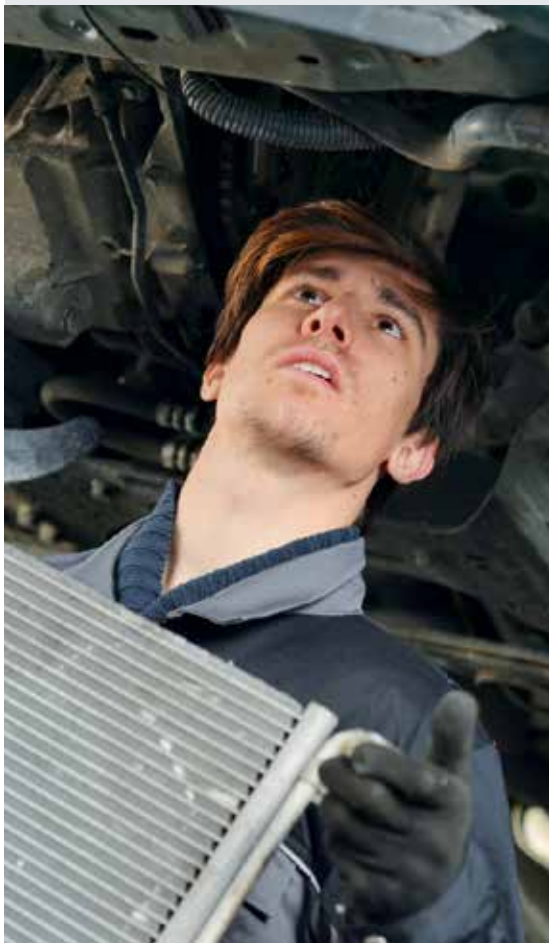
Case study

Kyrgyz company to raise output and improve working conditions

A joint financing mechanism between the EBRD and the Kyrgyz Investment and Credit Bank (KICB) will allow Avtomash Radiator, a maker of radiators for tractors and other heavy motor vehicles, to invest in increased capacity and health and safety improvements at its production plant in the Kyrgyz capital, Bishkek.

Avtomash, which exports mainly to Belarus and Russia, will use the financing to introduce new lighting and ventilation systems. These will benefit the company's 550 employees while also increasing energy efficiency and reducing maintenance costs at the plant.

The US\$ 1 million (€920,000 equivalent) loan is financed on a 50:50 basis by the EBRD and KICB. The financing is being made available under a special Medium-Sized Loan Co-Financing Facility (MCFF), through which the EBRD and its partner banks jointly provide small and medium-sized enterprises with longer-term loans for capital investments.



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The EBRD
manages seven
nuclear safety
donor funds
and associated
programmes.”

Nuclear safety

As a manager of multilateral nuclear safety donor funds, the EBRD plays a leading role in efforts to remediate a number of safety issues surrounding nuclear legacies. It administers funds to make the Chernobyl site safe and secure, supports the decommissioning of first-generation Soviet-designed nuclear power plants in the new EU member states, helps address the environmental legacy of the Soviet nuclear-powered fleet in north-western Russia and carries out other nuclear safety work in the EBRD region.

The EBRD manages seven nuclear safety donor funds and associated programmes. It does this on behalf of more than 40 donors, who have together contributed more than €4 billion for the purpose, including more than €2.5 billion for the completion of projects in Chernobyl. In addition to its role as fund manager, the EBRD has committed €675 million of its own resources to support work at Chernobyl.

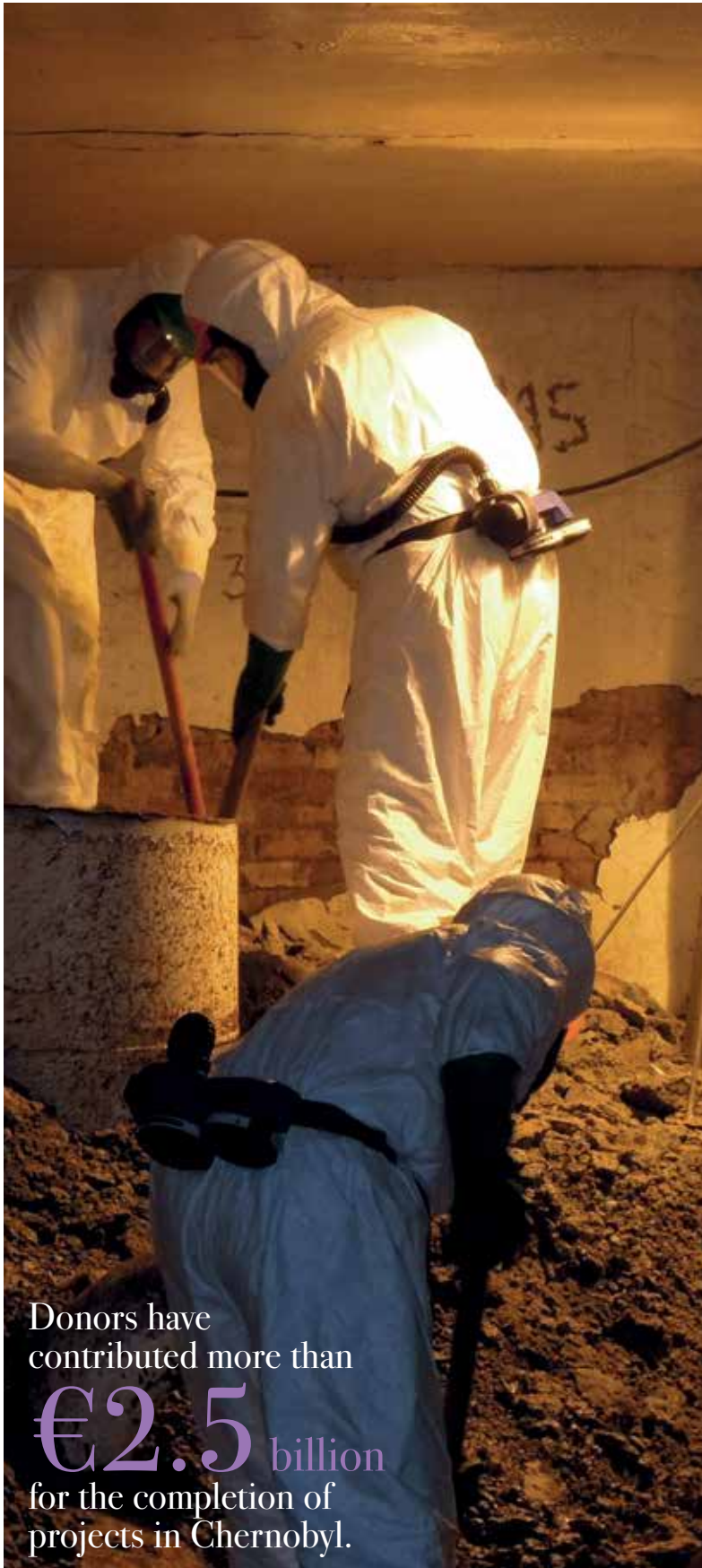
In 2015 construction of the Chernobyl New Safe Confinement (NSC) reached a major milestone when the two halves of the arch-shaped steel structure were joined together. Remaining tasks include the installation of a sophisticated ventilation system which will keep the structure corrosion-free during its lifespan of 100 years; the construction of a building that will serve as the control centre; and fitting the arch with heavy-duty cranes for deconstruction and other auxiliary systems.

Upon completion, scheduled for late 2017, the NSC will cover the destroyed reactor 4 at Chernobyl, the site of the 1986 nuclear accident, and its construction will have cost in the region of €1.5 billion.

Also at Chernobyl, a plant to treat liquid radioactive waste started operations in 2015. The EBRD-managed Nuclear Safety Account funded the facility, which solidifies the waste currently kept in concrete tanks and prepares it for final storage. The treatment plant has cost more than €35 million.

Progress was also made on finalising construction of the Interim Spent Fuel Storage Facility (ISF2), which will treat and store more than 20,000 fuel assemblies from Chernobyl units 1 to 3 for a minimum of 100 years. Completion of the facility is scheduled for 2017. Once all the fuel has been transferred to the ISF2, the current wet storage, which is derelict, can be decommissioned. This will be a major step forward in increasing nuclear safety at the site.

In 2015, the G7 group of countries and the EU confirmed an additional €165 million contribution to the Chernobyl Shelter Fund for completion of the NSC, while other donors pledged close to €50 million. EBRD governors had already said in 2014 that the EBRD would provide an additional €350 million to help close



Donors have
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a funding gap of €615 million. Efforts to raise the remaining shortfall of €50 million continue.

The EBRD manages the Nuclear Window Support Fund of the Northern Dimension Environmental Partnership (NDEP), which receives contributions from nine countries and the EU and finances vital projects removing spent nuclear fuel and other radioactive waste from unsafe facilities in north-western Russia.

Construction of the infrastructure and systems for retrieval and transport of the 22,000 submarine spent-fuel assemblies stored in Andreeva Bay made excellent progress in 2015 and was supported by a €61 million grant. A €53 million grant also from the Fund is dedicated to efforts to dismantle the Lepse service ship and safely dispose of its cargo of spent nuclear fuel and radioactive waste from the USSR's nuclear-powered fleet. In 2015 preparatory work continued on installing special equipment at the Nerpa shipyard on the Kola peninsula where the Lepse is held on the slipway undergoing dismantling. The Lepse and Andreeva Bay pose a significant environmental threat to the marine environment of the northern Atlantic and surrounding countries. Defueling of the Papa-class nuclear submarine in the Zvezdochka shipyard was completed and its highly-enriched fuel safely transported to the Mayak reprocessing plant in the Ural Mountains.

Last year, to help address the legacy of uranium mining in Central Asia, the EBRD set up a new fund to finance a programme to rehabilitate Soviet-era mines. The EU is providing an initial €16 million, with additional funding under consideration, and efforts are underway to secure pledges from other donors. The rehabilitation programme aims to reduce the environmental risk posed by disused and deteriorating sites containing radioactive materials in the Kyrgyz Republic, Tajikistan and Uzbekistan. In 2015 work focused on legal arrangements with these countries in preparation for mine remediation projects.

Also in 2015, the EBRD continued to support programmes that help Bulgaria, Lithuania and the Slovak Republic deal with the decommissioning and wider consequences of the shut-down of their Soviet-era nuclear power plants. Key milestones included construction of a facility to store spent fuel from the closed Ignalina plant in Lithuania as well as a facility for the treatment of solid radioactive waste at the same site. Both facilities, which are required for the safe decommissioning of Ignalina, are undergoing cold (non-nuclear) testing ahead of full operations in 2017. Dedicated donor funds finance these programmes as part of assistance agreed during EU accession negotiations. As well as supporting decommissioning, the funds contribute to energy sector projects to help the countries cope with the loss of generating capacity.

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Organisation and governance

The EBRD relies on dynamic corporate leadership and a diverse, exceptionally talented workforce for the delivery of its mission. The institution is committed to the highest standards of integrity and environmental and social responsibility in its operations and listens closely to the views of civil society organisations. An independent Evaluation Department monitors the effectiveness of EBRD investments and programmes for the benefit of shareholders and the general public.





Corporate leadership

During 2015 the EBRD pursued an ongoing programme of internal modernisation to maximise its capacity for re-energising the transition process, in line with the Bank's Medium-Term Directions (MTDs). The programme aims to modernise the management culture of the organisation, improve its efficiency, develop innovative products and enhance the delivery and measurement of impact.

A new strategy for the EBRD region for the next five years – the Strategic and Capital Framework – was approved by shareholders at the EBRD Annual Meeting and Business Forum in Tbilisi, Georgia. In addition, the Board approved a rolling, three-year Strategic Implementation Plan (SIP) that introduces more flexible planning and budgeting processes and allows the Bank to respond more swiftly to external changes.

Other notable changes last year included the creation of a more structured approach to conducting policy dialogue, which is a major focus of EBRD efforts to build resilient economies with strong institutions.

In particular, the team of country and sector economists, responsible for assessing transition gaps and potential and for helping to write country strategies, moved to the Policy Vice Presidency, renamed Vice Presidency - Policy and Partnerships (VP3). This structure allows the EBRD to better align its policy dialogue activities with country strategies and achieve stronger impact on the ground.

The EBRD announced the appointment of Sergei Guriev as its new Chief Economist, a role he will assume in 2016. Following the move of country and sector economists to VP3, the Office of the Chief Economist focuses on economic research and macroeconomic trends. The new Chief Economist will lead a discussion on the concept of transition and its relationship to the EBRD's mandate.

In addition, the Bank introduced departmental scorecards to capture the objectives and outcomes of teams across the institution and further align operations with strategic priorities. It prepared for the introduction in 2016 of a management scorecard, for which the Senior Leadership Group of staff at the level of managing director and above will share joint responsibility. Lastly, the EBRD continued to achieve strong operational results with only a limited increase in administrative expenses in sterling, the currency in which Bank expenses are predominantly incurred.

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In 2015 a new strategy for the next five years was approved.”

Staffing

The EBRD fulfils its mission of advancing transition through a highly skilled, dedicated and diverse workforce. In 2015 staff¹⁵ totalled 1,914, with employees originating from 61 of the institution's 64 member countries. Of these staff members, 1,402 were based in London Headquarters. There were 512 employees working across 43 Resident Offices (ROs) in 34 of the countries where the Bank invests. In Morocco, the EBRD opened a new RO in Casablanca, its first permanent office in the country.

As part of wider efforts to modernise the institution and deliver more impact, last year the EBRD enhanced its human resource processes in several ways. A new performance review tool helps managers and staff to establish objectives in a more targeted manner and ensure they align more closely with the business goals of the Bank. The system offers a more structured, consistent and transparent assessment of staff performance, and follows international best practice for personnel management within the financial sector.

The EBRD launched its first diversity questionnaire for staff, in line with the Diversity and Inclusion Policy approved in 2014. The anonymous survey supports

efforts to provide equal opportunities and respect for staff regardless of age (taking into account the organisation's mandatory retirement age of 65), disability, nationality or race, religion or belief, gender identity or sexual orientation. The Bank will use the results of the questionnaire to help attract, retain and motivate the best talent.

In 2015 the Board approved the EBRD's first Strategy for the Promotion of Gender Equality. While this focuses on external operations, the document notes that the EBRD will work towards the aspiration of having women in half of all roles in the Corporate Leadership Group (CLG), which consists of managers at the level of director and above. In support of this aspiration, the Bank aims to have a gender balance of 50:50 in its succession plans for the CLG by the end of 2018.

The Bank prepared a new approach to handling staff complaints of inappropriate behaviour, as part of its revision of the Conduct and Disciplinary Rules and Procedures (CDRPs) (see page 57). One clear improvement in the new approach, effective from 1 January 2016, is the establishment of a dedicated HR function that will assess all reports from staff of improper behaviour. Furthermore, the change will enable the Office of the Chief Compliance Officer (OCCO) to focus more on concerns of possible fraud and corruption related to Bank projects and counterparties.

“**The EBRD enhanced its human resource processes as part of wider modernisation efforts.**”

¹⁵ In 2015 staff were defined as employees on regular and fixed-term contracts in roles funded by the EBRD. From 2016 a new methodology will include externally funded and other positions.



The EBRD Alumni Association, which aims to mobilise the 5,000 alumni spread throughout the EBRD's member countries, continued to gain momentum. Events included a gathering of former staff at the EBRD Annual Meeting and Business Forum in Tbilisi, Georgia. The Alumni Association is a valuable resource on which the Bank can draw for potential advice, expertise, contacts and strategic partnerships.

Integrity and accountability

The EBRD is committed to achieving the highest standards of integrity and transparency in the conduct of its business and considers the promotion of these standards to be an essential part of its transition mandate. It works to strengthen key policies and mechanisms in support of these goals.

The mission of OCCO is to protect the integrity and reputation of the EBRD, promote ethical standards of behaviour and strengthen the Bank's accountability and transparency. The Chief Compliance Officer (CCO) reports directly to the President and the Audit Committee of the Board of Directors.

The Integrity Risks Policy and Terms of Reference for OCCO, available online, set out the manner in which OCCO helps the EBRD to protect its integrity and reputation and to manage integrity risks related to clients and personal conduct. Integrity due diligence is integrated into the normal approval of new business and the monitoring of existing operations. OCCO provides advice on significant integrity concerns and in so doing enhances the transition impact of EBRD projects.

OCCO is responsible for investigating allegations of staff misconduct as well as allegations of fraud and corruption in relation to Bank projects and counterparties. Allegations of staff misconduct are investigated under the CDRPs. These were revised in 2015 to reflect, among other changes, the division of responsibility between the CCO as fact-finder and the Managing Director of Human Resources as decision-maker with regard to any disciplinary action. Allegations of misconduct on the part of Board officials on the one hand, and on the part of the President, Vice Presidents, Chief Evaluator and the CCO on the other, are dealt with in accordance with the provisions of the Code of Conduct for EBRD Board Officials or the Code of Conduct for EBRD Personnel, respectively.

Allegations of fraud and corruption in relation to activities and projects financed from the EBRD's ordinary capital resources (including the purchase of goods, works or services for the Bank) or from Special Funds resources, or from cooperation funds

administered by the Bank, are investigated under the EBRD's Enforcement Policy and Procedures (EPPs). The EPPs were revised in 2015 to provide a more robust system with enhanced due process rights for entities and individuals subject to investigation and a two-tier decision-making structure; to increase efficiency by introducing a settlement process and by streamlining the procedures for referring matters to national authorities; and to introduce two new sanctionable practices, namely obstruction and misuse of EBRD resources.

The EPPs also describe the process by which the EBRD applies sanctions imposed by other multilateral development banks pursuant to the Agreement for the Mutual Enforcement of Debarment Decisions. In 2015 the Bank cross-debarred 48 corporations and 20 individuals following debarment decisions issued by the World Bank Group, the Asian Development Bank, the Inter-American Development Bank and the African Development Bank. In addition, a debarment decision was issued pursuant to enforcement proceedings instituted under the EPPs against Gama Power Systems Engineering and Contracting Inc. for a period of one year expiring on 19 July 2016. Details of the individuals, entities and sanctions are posted at ebrd.com/ineligible-entities.html

The annual *Integrity and Anti-Corruption Report*, published by OCCO and available online, describes the EBRD's strategy to promote integrity and prevent fraud and corruption and highlights the most recent measures taken.

Project Complaint Mechanism

OCCO also oversees the effective administration of the Project Complaint Mechanism (PCM), the EBRD's accountability mechanism for assessing and reviewing complaints about Bank-financed projects. It offers individuals and local groups that may be affected by an EBRD project, as well as civil society organisations, a means of raising complaints or grievances with the Bank, independently of banking operations.

The PCM fulfils two functions. Through its Compliance Review (CR) function, it reviews complaints that the EBRD has failed to adhere to applicable policies in a particular project. Through its problem-solving initiative it also affords members of the affected community an opportunity to obtain the Bank's assistance in addressing their grievances with the project sponsor. Affected parties can request one or both of these functions of the PCM.

During 2015, the PCM registered three new complaints and continued working on different stages of the review process for 11 ongoing complaints. The PCM continued to publish monitoring reports about findings of non-compliance relating to the Boskov Most Hydro Power (FYR Macedonia), Ombila HPP (Croatia) and Paravani HPP (Georgia) projects. The PCM reached findings of non-compliance relating to

the EPS Emergency Power Sector Reconstruction Loan, EPS Power II and EPS Kolubara Environmental Improvement (Serbia) projects and monitoring reports will be prepared on these beginning in 2016.

Details of all complaints and all published reports, together with PCM Annual Reports, are available on ebrd.com

Environment and sustainability

2015 was a landmark year for environmental and social sustainability, with the UN General Assembly's adoption of the Sustainable Development Goals (SDGs) that set the framework for international action to 2030 and beyond. The EBRD contributed to the development of the SDGs and is already responding to many of their challenges and targets.

Since its establishment, the EBRD has recognised that promoting sustainability is an essential component of achieving transition. It has a successful track record of helping to introduce environmental and social good practice in countries that previously suffered from environmental degradation and a lack of transparency or stakeholder engagement.

The EBRD takes a comprehensive approach to sustainability that includes:

- setting rigorous environmental and social requirements for Bank-funded projects based on EU standards and international best practice
- providing finance and technical assistance that specifically target environmental issues such as sustainable energy, climate change, environmental infrastructure and nuclear safety
- promoting social inclusion and increasing access to community services such as water and public transport
- supporting projects that promote gender equality
- encouraging public participation, consultation and disclosure with regard to investment projects.

2015 saw progress in all of these areas. The EBRD financed renewable energy projects that will generate over one million megawatt hours of clean electricity each year. The Etlik hospital project near Ankara will introduce best practice standards for building construction and environmental management, while creating over 3,500 new beds and providing a full range of medical services from cardiovascular surgery to psychiatric care. For the Oyu Tolgoi mine in Mongolia, the EBRD's largest-ever syndicated deal, the Bank's environmental and social team worked extensively with the government of Mongolia, local communities and other lenders to minimise environmental and social

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2015 was a landmark year for environmental and social sustainability.”



impacts, protect biodiversity and ensure that local stakeholders have input into the development of the project.

In 2015 the EBRD trained around 300 local environmental and social consultants in eight countries and provided scholarships for 20 students to attend a University of Groningen course on land acquisition, resettlement and social sustainability. These programmes will provide high-quality local capacity to assist with EBRD project-appraisal work and will spread good practice across the Bank's recipient countries.

Donor support plays a vital role in helping the EBRD to maximise sustainability benefits. One example of this is the Eastern Europe Energy Efficiency and Environment Partnership (E5P), a multi-donor fund managed by the Bank. In 2015 the E5P approved €17.5 million in grant funds for the EBRD's Residential



Energy Efficiency Financing Facility for Ukraine and €11.5 million for Bank projects to renovate district heating networks and construct a biogas facility in the country. Last year E5P started operations in Armenia, Georgia and Moldova.

Donor funding also allowed the EBRD to work with a range of companies and civil society organisations to transport donated safety equipment from the UK to Moldova. This included cable avoidance tools, which will be used for the first time in Moldova to detect buried electrical cables. This will reduce unnecessary disruption to power supplies and, more importantly, reduce the risk of electrocution for people carrying out excavation work as part of Bank investments.

More information on all of the EBRD's environmental and social activities can be found in the *Sustainability Report 2015* at sr-ebd.com

Civil society

The EBRD interacts with a wide range of civil society organisations (CSOs) as part of its commitment to democracy and good governance. Open and inclusive dialogue with external stakeholders is essential to accomplishing projects that bring benefits to local communities and take their concerns into account.

In the course of 2015, nearly 500 civil society representatives took part in over 40 thematic meetings organised by the EBRD and more than 3,100 CSO representatives were registered with the Bank, compared with 2,700 in 2014.

The Civil Society Programme, the flagship event of the Bank's engagement with civil society, was held on 14 and 15 May 2015 in Tbilisi, Georgia, alongside the EBRD Annual Meeting and Business Forum. The event attracted 144 CSO representatives from 18 countries, marking a considerable rise in attendance from the usual figure of 50-100 participants at the annual gathering. For further information see ebd.com/who-we-are/civil-society-overview.html

Cooperation

The Civil Society Capacity Building Framework aims to raise awareness, transfer skills, and improve technical knowledge and organisational capacity among community-based civil society groups and organisations so as to facilitate their engagement with specific EBRD investment projects and policy dialogue initiatives.

The Framework uses donor funds to partner with local and international CSOs and consultants in order to provide training for civil society groups and organisations. It focuses on three areas, in line with the EBRD's strategic priorities: sustainable energy and resources, economic inclusion, and the investment climate and governance. Technical assistance projects linked to the Framework were under way in 2015 in Albania, Egypt, the Kyrgyz Republic, Moldova and Ukraine.

Dialogue

EBRD President Suma Chakrabarti is committed to broadening the Bank's engagement with civil society. In the course of his official visits in 2015, he met with CSO representatives in Azerbaijan, Belarus and Turkey. Civil society stakeholders also had the opportunity to meet with other senior managers and members of the Board of Directors in London and in Hungary, Jordan, Mongolia, the Slovak Republic and Ukraine.

The EBRD engaged with international and local CSOs in 2015 on the planning, implementation and monitoring of around 40 investment projects in some 20 countries across a variety of sectors.

Consultations

In 2015 the EBRD consulted with civil society stakeholders in Albania, Jordan and Turkey during reviews of the respective country strategies. The Bank also invited CSOs to comment on the review of its Financial Sector Strategy for 2016-2020 and on the new Strategy for the Promotion of Gender Equality, approved by the Board in 2015.

For an overview of the 2015 dialogue with civil society see ebrd.com/civil-society

Independent evaluation

Evaluating the EBRD's activities

Effective evaluation is seen by the shareholders and management of the EBRD as critical to accomplishing the core purposes of the institution. Evidence-based appraisal of programme and project performance can improve the design and delivery of operations and maximise the Bank's contribution to transition. The Evaluation Department (EvD) operates independently of Bank management to help accomplish this objective, and reports directly to the Board of Directors.

Evaluation at the EBRD involves multiple interconnected roles and responsibilities for EvD, the Board of Directors and management. EvD has primary responsibility for delivering the Bank's overall evaluation programme and for evaluation policy and procedures. The department carries out independent evaluations of Bank operations, programmes and strategies, and monitors and validates self-evaluations prepared by management.

EvD analysis forms the basis for an overall assessment of the institution's operational performance. It is also a means of identifying experience that can be used to improve the effectiveness of future operations. The mandate, scope and key processes of EvD are set out in the Bank's Evaluation Policy. Methods of evaluation reflect international standards for good-practice developed jointly with other multilateral financial institutions under the auspices of the Evaluation Cooperation Group.

Evaluation of individual projects normally takes place one to two years after the full disbursement of funds, once an investment has been completed.

Transition impact and Bank performance

Project design and documentation include expectations or targets for transition impact. These may include the degree to which the EBRD expects a project to promote private sector development,



enhance skills, encourage competition, support market expansion and/or contribute to transition at the policy or institutional level. The Bank's ex-post evaluations seek to assess and rate transition impact using a six-point scale.

On page 62 Chart 5.1 shows historical data for the transition impact ratings of evaluated projects approved between 1992 and 2011, with between 50 to 60 per cent achieving a transition impact rating of "good" to "excellent".

EvD also provides an overall performance rating for transition impact and other important indicators such as the fulfilment of project objectives, financial performance, environmental performance and additionality. This final metric gauges the degree to which Bank investment catalyses or complements, rather than substitutes for, private finance.

“Evaluation is critical to accomplishing the core purposes of the Bank.”



Chart 5.2 on page 62 shows overall ratings of “successful” or “highly successful” for evaluated projects approved between 1992 and 2011, with broad consistency in the institutional success rate of EBRD projects in the range of 50 to 60 per cent.

Both charts display a pattern of slight decline in the years prior to the 1998 Russia crisis and the 2008 financial crisis.

More detailed aggregate results from evaluated projects are available in the EvD Annual Evaluation Review. Key evaluation reports and summaries of project evaluations are available at ebrd.com/evaluation

Studies

During 2015 EvD completed four broad thematic evaluations covering: the Bank’s agribusiness sector

strategy; operations in the Russian rail sector; the sustainable energy financing facilities; and EBRD transactions with state-owned firms.

The department published two documents that drew on external experience to inform Bank strategies and policies: a review of IFI experience with promoting gender equality, and a synthesis of evaluations covering private sector operations in the southern and eastern Mediterranean (SEMED) region. EvD also completed four in-depth operational evaluations, 53 validations of self-assessments and 30 reviews of self-assessments.

Work began and progressed substantially in 2015 on special studies covering the EBRD’s experience with Resident Offices; project-level incentives and subsidies; supply chains; the sustainability of transition impact; and the Small Business Support team. For further information about completed and upcoming evaluations see ebrd.com/evaluation

EvD tools and engagement with management

EvD initiatives in 2015 included:

- ongoing engagement with management in the policy and banking teams to improve coordination and widen the uptake of EvD work
- roll-out of an improved methodology for rating project performance to evaluate results – work that coincides with a wider Bank review of results frameworks
- continued implementation of a streamlined system for following up on EvD recommendations, with semi-annual progress reports to the Board
- increased training for staff
- outreach to the Board, such as: presentations to the Audit Committee on IFI experience with promoting gender equality; the agribusiness sector strategy review; an operational evaluation of the Mid-sized Sustainable Energy Financing Facilities Framework, and a paper presenting findings from validations of projects with supply chain issues
- regular corporate reporting to the Board, for example: the Annual Evaluation Review; semi-annual reports on validation findings and ratings; and follow-up on the implementation of EvD recommendations.

Chart 5.1. Transition impact ratings of evaluated EBRD projects by approval year, 1992-2011¹⁶

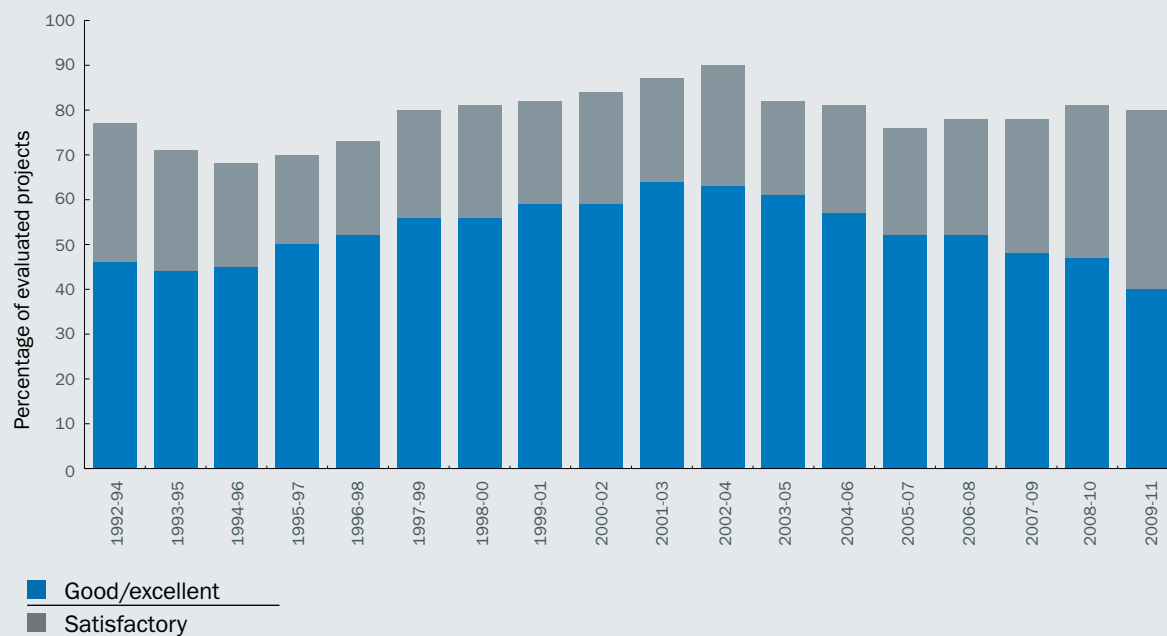
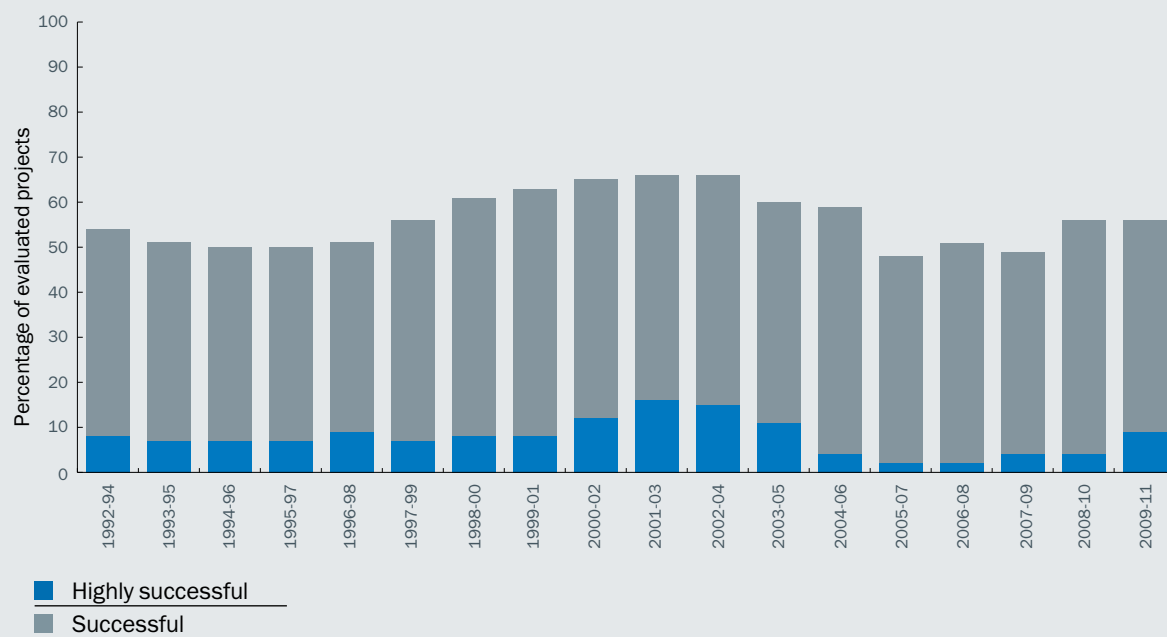


Chart 5.2. Overall performance ratings of evaluated EBRD projects by approval year, 1992-2011¹⁶



¹⁶ Figures are reported on a three-year rolling basis. In 2012 EvD moved from reporting by evaluation year to reporting by approval year. Projects are evaluated a few years after approval. 2011 is the most recent approval year from which a substantial number of operations have subsequently been evaluated.

EBRD Governors and Alternate Governors

31 December 2015

Member	Governor	Alternate Governor
Albania	Shkëlqim Cani	Erion Luci
Armenia	Karen Chshmaritian	Vakhtang Mirumyan
Australia	Scott Morison	Kelly O'Dwyer
Austria	Johann Georg Schelling	Edith Frauwallner
Azerbaijan	Shahin Mustafayev	Samir Sharifov
Belarus	Vladimir I. Semashko	Vladimir Zinovskiy
Belgium	Johan Van Overtfeldt	Marc Monbaliu
Bosnia and Herzegovina	Mirko Šarović	Adil Osmanović
Bulgaria	Vladislav Goranov	Dimitar Kostov
Canada	Bill Morneau	Daniel Jean
Croatia	Boris Lalovac	Igor Rađenović
Cyprus	Harris Georgiades	Christos Patsalides
Czech Republic	Andrej Babiš	Miroslav Singer
Denmark	Troels Lund Poulsen	Michael Dithmer
Egypt	Sahar Nasr	Ashraf Salman
Estonia	Sven Sester	Veiko Tali
European Investment Bank	Pim van Ballekom	László Baranyay
European Union	Jyrki Katainen	Marco Buti
Finland	Alexander Stubb	Matti Anttonen
FYR Macedonia	Zoran Stavreski	Vladimir Pesovski
France	Michel Sapin	Bruno Bézard
Georgia	Nodar Khaduri	Giorgi Kadagidze
Germany	Wolfgang Schäuble	Thomas Steffen
Greece	George Stathakis	Ilias Xanthakos
Hungary	Mihály Varga	László Balogh
Iceland	Bjarni Benediktsson	Guðmundur Árnason
Ireland	Michael Noonan	Derek Moran
Israel	Karnit Flug	Oded Brook
Italy	Pier Carlo Padoan	Filippo Giansante
Japan	Taro Aso	Haruhiko Kuroda
Jordan	Imad Najib Fakhoury	Saleh Al-Kharabsheh
Kazakhstan	Bakhyt T. Sultanov	Marat Kusainov
Korea, Republic of	Kyunghwan Choi	Juyeol Lee

Member	Governor	Alternate Governor
Kosovo	Avdullah Hoti	Vacant
Kyrgyz Republic	Oleg Pankratov	Adylbek A. Kasymaliev
Latvia	Jānis Reirs	Dana Reizniece-Ozola
Liechtenstein	Thomas Zwiefelhofer	Roland Marxer
Lithuania	Rimantas Šadžius	Aloyzas Vitkauskas
Luxembourg	Pierre Gramegna	Arsène Jacoby
Malta	Edward Scicluna	Josef Bonnici
Mexico	Luis V. Caso	Fernando A. Rodriguez
Moldova	Stephane C. Bride	Marin Molosag
Mongolia	Erdenebat Jargaltulga	Zoljargal Naidansuren
Montenegro	Radoje Žigjć	Nikola Vukićević
Morocco	Mohammed Boussaid	Driss E. A. El Idrissi
Netherlands	Jeroen Dijsselbloem	Lilianne Ploumen
New Zealand	Murray McCully	Robert Taylor
Norway	Siv Jensen	Dilek Ayhan
Poland	Marek Belka	Artur Radziwiłł
Portugal	Mário Centeno	Vacant
Romania	Anca D. Dragu	Mugur Isarescu
Russia	Alexey V. Ulyukaev	Sergey Storchak
Serbia	Dušan Vujović	Željko Sertić
Slovak Republic	Peter Kažimír	Jozef Makúch
Slovenia	Dušan Mramor	Irena Sodin
Spain	Luis de Guindos Jurado	Iñigo Fernandez de Mesa Vargas
Sweden	Magdalena Andersson	Karolina Ekholm
Switzerland	Johann N. Schneider-Ammann	Raymund Furrer
Tajikistan	Jamoliddin Nuraliev	Vacant
Tunisia	Yassine Brahimi	Fethi Ben Mimoun
Turkey	Cavit Dağdaş	Ahmed Genç
Turkmenistan	Muratniyaz Berdiyev	Merdan Annadurdiyev
Ukraine	Natalie A. Jaresko	Valeria Gontareva
United Kingdom	George Osborne	Justine Greening
United States	Jacob J. Lew	Vacant
Uzbekistan	Rustam S. Azimov	Shavkat Tulyaganov

Chair of the Board of Governors

2014-15: Governor for Cyprus (Harris Georgiades)

Vice Chairs of the Board of Governors

2014-15: Governor for Georgia (Nodar Khaduri)

Governor for the Kyrgyz Republic (Temir Argembaevich Sariev)

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 EBRD and, as head of staff, is responsible for its organisation and for making staff appointments.

EBRD Directors and Alternate Directors

31 December 2015

Director	Alternate	Constituency
Scott Allen	Luyen Tran	United States of America
Tamsyn Barton	Michel Grilli	European Investment Bank
Anthony Bartzokas	Abel Mateus	Greece, Portugal
Raphaël Bello	Gustave Gauquelin	France
Anna Brandt	Anna Björnermark	Sweden, Iceland, Estonia
Claire Dansereau	Greg Houlahan	Canada, Morocco, Jordan, Tunisia
Evren Dilekli	Dragoş Andrei	Turkey, Romania, Azerbaijan, Kyrgyz Republic
Raffaella Di Maro	Dante Brandi	Italy
Harold Freeman	Vanessa MacDougall	United Kingdom
Ove Jensen	Seán Donlon	Denmark, Ireland, Lithuania, Kosovo
Heinz Kaufmann	Artem Shevaley	Switzerland, Ukraine, Liechtenstein, Turkmenistan, Serbia, Montenegro, Moldova
Yosuke Kawakami	Makoto Honda	Japan
Johannes Koskinen	Ole Hovland	Finland, Norway, Latvia
Klára Król	Antal Nikoletti	Czech Republic, Hungary, Slovak Republic, Croatia, Georgia
Bob McMullan	Soomin Park	Australia, Korea, New Zealand, Egypt
Kalin Mitrev	Zbigniew Hockuba	Bulgaria, Poland, Albania
Denis Morozov	Sergey Verkashanskiy	Russian Federation, Belarus, Tajikistan
Antonio Oporto	Enrique Bal	Spain, Mexico
Horst Reichenbach	Peter Basch	European Union
Johannes Seiringer	Eddy Azoulay	Austria, Israel, Cyprus, Malta, Kazakhstan, Bosnia and Herzegovina
Jean-Louis Six	Miguel Marques	Belgium, Luxembourg, Slovenia
Klaus Stein	Johann Ernst	Germany
Paul Vlaanderen	Ronald Elkhuisen	Netherlands, Mongolia, FYR Macedonia, Armenia

Composition of Board of Directors' Committees

31 December 2015

Audit Committee	Budget and Administrative Affairs Committee
Evren Dilekli (Chair)	Antonio Oporto (Chair)
Ove Jensen (Vice Chair)	Klára Król (Vice Chair)
Harold Freeman	Raphaël Bello
Yosuke Kawakami	Claire Dansereau
Denis Morozov	Johannes Koskinen
Johannes Seiringer	Bob McMullan
Jean-Louis Six	Horst Reichenbach
	Klaus Stein

The **Audit Committee** reviews financial statements and accounting, financial reporting and disclosure policies and practices. It also reviews internal control systems; compliance, internal audit, evaluation and risk management functions; and the independence, qualifications and performance of the external auditors.

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	Board Steering Group
Tamsyn Barton (Chair)	Jean-Louis Six (Chair)
Anna Brandt (Vice Chair)	Denis Morozov (Vice Chair)
Anthony Bartzokas	Tamsyn Barton
Rafaella Di Maro	Anna Brandt
Heinz Kaufmann	Evren Dilekli
Kalin Mitrev	Ove Jensen
Paul Vlaanderen	Klára Król
	Antonio Oporto
	Enzo Quattrociocche
	Colm Lincoln
	Milica Delević

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.

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

Abbreviations and acronyms

ABI	Annual Bank investment (see footnote 1 on page 3)
The Bank, EBRD	The European Bank for Reconstruction and Development
CDRPs	Conduct and Disciplinary Rules and Procedures
CIF	Climate Investment Funds
CSO	Civil society organisation
CTF	Clean Technology Fund
EvD	Evaluation Department
ECB	European Central Bank
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
ETCs	Early transition countries
ESIF	Early Stage Innovation Facility
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FI	Financial institution
FYR Macedonia	Former Yugoslav Republic of Macedonia
GEF	Global Environment Facility
GET	Green Economy Transition
ICT	Information and communication technology
IFCA	Investment Facility for Central Asia
IFI	International financial institution
LC2	Local Currency and Capital Markets Development Initiative
MDB	Multilateral development bank
MEI	Municipal and environmental infrastructure
MSMEs	Micro, small and medium-sized enterprises
NIF	Neighbourhood Investment Facility
OCCO	Office of the Chief Compliance Officer
OCE	Office of the Chief Economist
PCM	Project Complaint Mechanism
PPP	Public-private partnership
SBS	Small Business Support
SEFF	Sustainable energy financing facility
SEI	Sustainable Energy Initiative
SEMED	Southern and eastern Mediterranean region
SGI	Strategic Gender Initiative
SMEs	Small and medium-sized enterprises
SRI	Sustainable Resource Initiative
SSF	EBRD Shareholder Special Fund
TC	Technical cooperation
TFP	Trade Facilitation Programme
VCIP	Venture Capital Investment Programme
WBIF	Western Balkans Investment Framework

Exchange rates

Non-euro currencies have been converted, where appropriate, into euros on the basis of the exchange rates current on 31 December 2015. (Approximate euro exchange rates: £0.74, US\$ 1.09.)

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