

THE EBRD & DONORS

2021 Report



European Bank
for Reconstruction and Development



INTRO -DUCTION

The EBRD produces a comprehensive report each year, which details its work with donor partners including an analysis of the role of donor funds in EBRD operations, how those funds have been used and the results they have achieved. This document is a brief overview of that report, highlighting key figures such as fund inflows and use of funds, results achieved, and reforms undertaken.

Throughout, the EBRD continued to deliver impact and provide support to its clients, based on its transition mandate and with a focus on private sector development and green finance. The Bank has also channelled important Covid recovery efforts to its clients, often with support of accompanying donor finance.

In 2021, the EBRD marked the **30th anniversary of its creation**, celebrating and reflecting upon 30 years of operation. The Bank also achieved strong operational results, with its **annual investment volume reaching €10.4bn** (the second highest figure). Donors have supported the Bank since the very start, with the very first donor contribution extended in 1991.

2021 also represented another successful year in working with the Bank's large donor community. **A total of €684m in grants and concessional finance were raised**, a clear demonstration of the strong support and continued engagement of its donors. Greece became a significant Country of Operation (CoO), channelling €500m in concessional loans from its EU Rapid Recovery Facility contribution through the EBRD. Moreover, **nearly half of the Bank's investments were supported by donor funds** whereas the use of available donor funds represented a return to the 2019 level after a dip in 2020.

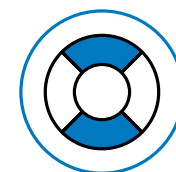
The year 2021 was also the first year of implementation of the EBRD's Strategic and Capital Framework (SCF) 2021-2025 and its new Donor Strategy – Preserving and Accelerating Transition – Working with Donors 2021-2025 (BDS 2020c1r1) that accompanied the SCF. The SCF 2021-2025 underlines the commitment of the Bank to preserving and accelerating transition, with crosscutting priority themes such as support for the transition to a green, low-carbon economy, promotion of equality of opportunity and acceleration of digital transition. The **Donor Strategy for 2021-2025** sets out the objectives to foster strong partnerships with donors in promoting sustainable and inclusive market economies. Based on the SCF and the accompanying Donor Strategy, the Bank has continued its commitment to its mandate and to strengthening partnerships with its donors and the donor community.

Additionally, 2021 was characterised by continued hybrid working. Despite the circumstances, the EBRD managed to engage actively with its donors and promote strong partnerships through a range of channels of communication and coordination. The Bank, using virtual or hybrid channels, successfully held the Bank's Annual Donor Meeting, several bilateral annual strategic meetings and assemblies for the Bank's multi-donor accounts, such as the Small Business Impact Fund, the Early Transition Countries Fund, the Ukraine Multi-Donor Account, the West Bank & Gaza and the Southern and Eastern Mediterranean Multi-Donor Account.

THE EBRD AND DONORS IN 2021 – HIGHLIGHTS

- Some **24 donors** provided contributions of **€684m plus €500m** in the form of concessional loans from Greece, whereas shareholders approved an allocation from net income of **€80m**.
- The EBRD's active donor portfolio is valued at around €3.4bn, held within **248 Co-operation, Special and Trust Funds**.
- **Nearly half of all EBRD investments** in its active portfolio **benefit from donor funds**.
- Donor funds were primarily used to **support less advanced regions**, with the Southern and Eastern Mediterranean (SEMED) region, Eastern Europe and the Caucasus (EEC) and the Western Balkans representing 78% of funds used.
- **Green** is by far **the most notable** Transition Quality (TQ), **accounting for 45% of donor funds used**.
- Most donor inflows came in the form of **concessional loans**, accompanied by a **notable inflow of support** in the form of grants and incentives.

HOW AND WHY WE WORK WITH DONORS



Technical assistance

To help design or implement an investment project and build client capacity.



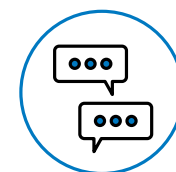
Co-financing

To improve affordability, reduce risks and provide incentives to private sector to invest.



Policy dialogue

To provide expertise to improve the legal, regulatory environment and investment climate and/or to deliver capacity building to intermediaries.



Advisory Services

To engage and provide expert advice targeting an improvement of operations, project preparation or project implementation.

MAJOR ACHIEVEMENTS IN 2021

GREEN FINANCE

The Bank's green finance was one of the hallmarks of its achievements in 2021. The EBRD established a target of achieving a green finance ratio of more than 50% by 2025, and **in 2021, the Bank's green finance reached its record level**, which accounted for 51% of its annual investment. Moreover, the Bank has committed to fully aligning its activities with the goals of the Paris Agreement by the beginning of 2023.

At COP26, the 2021 UN Climate Change Conference in Glasgow, the EBRD **launched the High-Impact Partnership on Climate Action** (HIPCA). This serves as the Bank's first multi-donor partnership to accelerate the fight against climate change and environmental degradation and is a good example of strong donor support for the Bank's work on the green transition. To date, HIPCA has received over €180m in concessional finance and grants from donor partners.

COVID RECOVERY EFFORTS

Despite the challenges of working during the pandemic, the Bank continued its Covid recovery efforts, delivering a range of projects via the 2020/2021 Resilience Framework to support economic recovery from the significant effects of the crisis. These projects predominantly took the form of emergency liquidity/working capital for existing clients, supporting the preservation of jobs – including through increased digitalization of business and public services – and functioning markets. Wherever possible, recovery efforts were channelled with the support of donors and with the Bank's commitment to building a resilient and sustainable future.

GENDER, INCLUSION AND DIGITAL TRANSITION

In 2021, the EBRD approved two strategies for promoting gender equality and the equality of opportunity, in line with the Bank's SCF priorities. The Bank aims to scale up gender and economic inclusion projects, aspiring to incorporate gender equality components into at least 40% of its annual investments and increasing the share of inclusion projects to 25% of its annual investments by the end of 2025. The EBRD has discussed with donors and subsequently developed a framework for a gender and economic inclusion multi-donor fund, which will enable donors to support the scale of the Bank's work in this area. There has been positive early engagement with a broad range of donors, and the aim is to launch the fund in 2022.

Similarly, the Bank adopted an approach to accelerating digital transition, highlighting the role of technology in supporting transition. Continued, close collaboration with the Bank's donor partners will be critical in fulfilling these objectives.

DONOR STRATEGY 2021-2025

The Strategy objectives are:

- 1: An innovative partner operating in line with emerging best practice**
- 2: An effective mobiliser of donor funding and private sector finance**
- 3: A provider of high-quality services to its donors**
- 4: An impactful delivery partner offering high-quality knowledge and skilled staff**
- 5: An efficient operator running a sustainable fit-for-purpose operating model**

2021 saw the **launch of the Bank's new Donor Strategy**. During the year, the Bank made progress on a number of fronts against its objectives, as outlined in the Strategy Monitoring Framework, including for example: a reform of the Shareholder Special Fund (SSF), consolidating donor engagement and fund management responsibilities within a single team; developing tools to support the assessment of concessionality in line with agreed principles; issuing new guidelines on the allocation of donor fees, and launching training to support results reporting.



RESULTS ACHIEVED TOGETHER

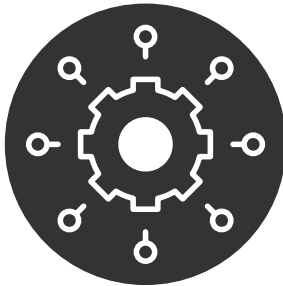
The results presented are organised around the Bank's six transition qualities:



GREEN



INCLUSIVE



INTEGRATED



RESILIENT



COMPETITIVE



WELL-GOVERNED



Donor funding plays an important role in delivering on the Bank's transition qualities. As mentioned in last year's report, general findings of the multi-year analysis of completed projects, as conveyed in the Bank's 2020 Annual Report on Transition Performance, suggest that combining investments with TC can have a positive effect on transition impact, helping the Bank deliver its mandate and mission. This analysis will need to be updated in due course in light of subsequent events: principally the pandemic and the war on Ukraine, which may affect the relationship between donor funds and transition impact. Likewise, future reports will seek to group results along the three crosscutting strategic themes of the Bank's new Strategic and Capital Framework for 2021 to 2025:

- 1: Supporting the transition to a green, low-carbon economy.**
- 2: Promoting equality of opportunity through access to skills and employment, finance and entrepreneurship and support for women, young people and other under-served communities.**
- 3: Accelerating the digital transition, unleashing the power of technology to bring about change for the better.**

This report contains results attributable to each of these themes primarily from projects that were in progress prior to the new SCF, which in some cases were initiated as part of the Bank's Covid-19 response measures.



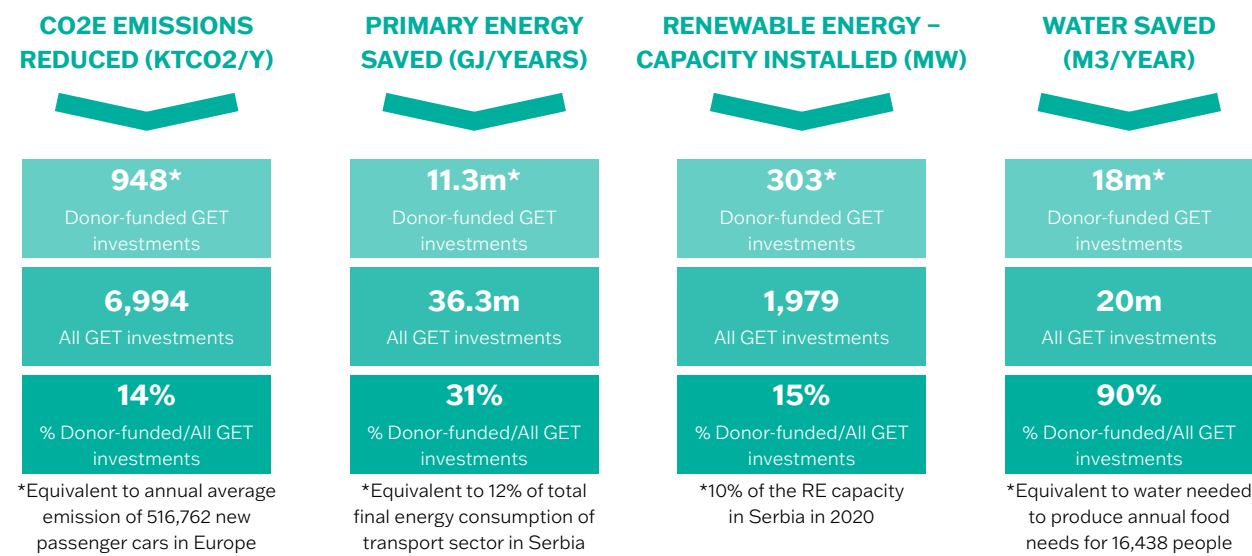


GREEN

Donor funding from bilateral and multilateral sources – and in particular the global climate funds – alongside the SSF have been mobilised to support a broad range of climate finance investments through partner banks, direct financing of businesses, public entities and households, as well as engagement in policy dialogue, in line with the Bank’s newly adopted GET 2.1 strategy and the SCF.

- Donor funding and the SSF supported over €2bn of EBRD green investments, contributing to an expected reduction of more than 948 kilotonnes of carbon emissions and the expected saving of more than 11.3m gigajoules (GJ) annually.
- As Covid-19 continued to affect countries and economies, donor guarantees enabled the EBRD to loan €46m to companies recovering from the economic impacts of the pandemic to support investment in green technologies.
- EBRD Green Cities welcomed nine new cities, bringing the network to 53 cities in total. In Semey, Kazakhstan, donor funds helped to modernise its waste management, with investments expected to reduce emissions by 34%, increase waste recycling and recovery rates and improve environmental, health and safety standards. The Bank also committed €2bn in new funding to the programme making it the largest in the bank.

Chart 1.1: Total GET results on course to be delivered from EBRD investments in 2021 and the proportion of which supported by donor funds and the SSF



SUCCESS STORY

Trolleybuses increase access and reduce emissions in Kremenchuk, Ukraine

With support by the EBRD and donors, the Kremenchuk Trolleybus project in Ukraine renewed and improved the public transportation system in the city (Kremenchuk), resulting in reduced emissions, increased safety and efficiency and enhanced access for remote areas in the city.

The project included an EBRD loan of €8m, €2m donor grant, €100,000 technical assistance and €500,000 local contribution. The loan and grant proceeds were used towards the purchase and delivery of 48 new low-floor trolleybuses, of which 8 were funded by the grant to expand access of public transport services to a remote district of the city which previously had poor access to regular municipal public transportation.

The loan contribution financed the renovation of public transport infrastructure in the same remote region and the technical assistance supported the development of a corporate development programme focusing on operational and financial improvements and introduction of the Public Service Contract.

The project resulted in the renewal of 80% of the City’s trolleybus fleet, contributing towards reduced emissions and a 30% decrease in the annual electricity consumption. The project also had a social impact as it improved accessibility of the City’s public transport for disabled people, increased mobility in the City and improved access to affordable and environmentally friendly public transportation for citizens in the remote district (consisting of one third of the City’s population).



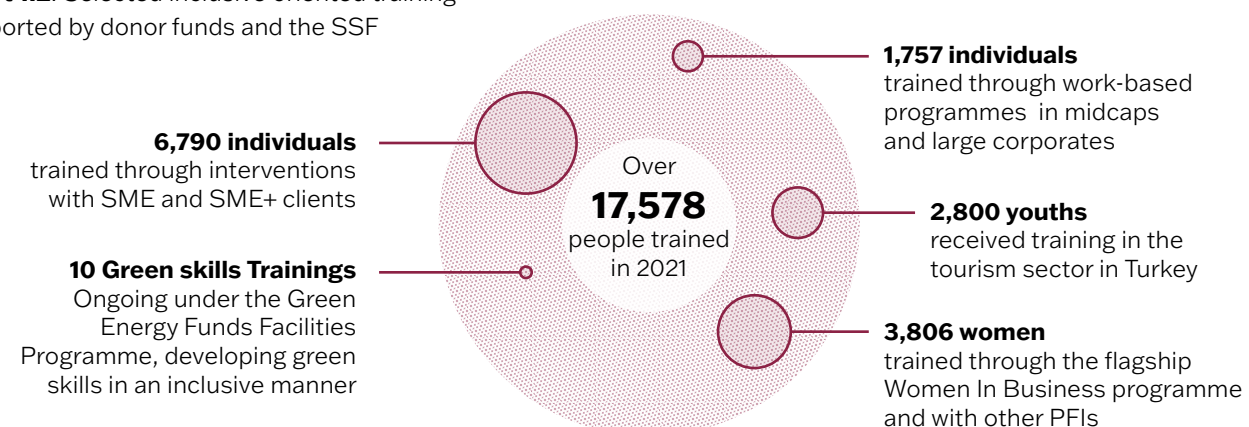


INCLUSIVE

An inclusive economy ensures that anyone – regardless of their gender, place of birth, socio-economic background or other circumstances – have access to economic opportunities. In 2021, the EBRD and donors continued to provide vital support to enhance the economic opportunities of women, youth, people in less-developed regions and other groups such as people with disabilities, elderly and migrants and refugees. Supporting inclusive growth is particularly important to respond to and recover from the Covid-19 pandemic, especially as the disadvantaged groups were disproportionately affected.

- The total investment volume towards the inclusive transition impact amounted to over €2.6bn in 2021 (compared to €2.1bn in 2020) and 35% of all EBRD investments were Gender SMART (where gender was at least a substantial component of the overall investment), surpassing the target of 18% for 2021. Of these, €4.84m of donor funds were used to support new inclusion projects.
- In 2021, the WiB Programme was launched in West Bank and Gaza and is now active in 24 economies.
- The Bank also kicked-off the first WiB initiative with a private donor in Turkey, supporting disadvantaged, micro women-led businesses in the Istanbul area.
- As well as continuing to deliver traditional WiB activities online, the programme also leveraged new digital opportunities. In SEMED, an online platform, MicroMentor, was launched, that connects entrepreneurs with volunteer mentors.

Chart 1.2: Selected inclusive oriented training supported by donor funds and the SSF



SUCCESS STORY

Female entrepreneurs supported with green finance to make their businesses greener and homes more energy efficient

As of 2021, the EBRD has supported **more than 400 women** in eight countries to make their businesses greener and their homes more energy efficient through intermediated green finance accompanied by bespoke technical assistance. Our network of PFIs across EBRD regions on-lends dedicated lines of credit to eligible corporates and SMEs in the private sector and to private households for investments into high-performing green technologies. The EBRD takes a gender-responsive approach by building our PFI's capacity to serve the female segment as untapped market potential and raising the awareness of female entrepreneurs and homeowners of the environmental benefits and cost savings of green technologies, creating a competitive market advantage.

- Across Armenia, Egypt, Georgia, Moldova, Mongolia, Morocco, Serbia and Tajikistan, an average of **almost 30% of female clients was achieved as of 2021 with the support of the GCF**, including countries where gender gaps remain particularly large such as Egypt.
- With tailored gender mainstreaming activities, Tajik PFIs were able to increase the share of female green loan clients from **28% in 2018 to 40% as of 2021**, being a prime example of how gender and climate action go hand in hand.
- In Kazakhstan, the results are even more impressive: as of 2021, the share of **female sub-borrowers stands at 66%**, confirming how women can be agents of change and early-adopters of green tech.





INTEGRATED

Integration consists of two elements: a trade dimension focused on cross-border exchanges, which have experienced particular challenges during Covid-19, and an internal one focused on the development of in-country and cross-border infrastructure. Donor and SSF funds have been critical for supporting results under this transition quality in 2021.

Chart 1.3 Expected Benefits from EBRD infrastructure investments signed in 2021 and supported by donor funds



2,812,200

Population benefitting from improved district heating



2,135,000

Population benefitting from improved solid waste management service



1,107,132

Population benefitting from improved wastewater access



140,759

Population benefitting from improved access to drinking water

Trade Finance Programme (TFP)

The donor-funded Trade Finance Programme (TFP) helps firms to trade more, and more effectively. This was particularly important in 2021 due to the continuing global disruption of the pandemic, which had a disastrous impact on regional and global trade. In consequence, the Bank expanded its TFP by almost 40% above pre-pandemic level to help struggling companies maintain a minimum level of imports and exports. More specifically, in 2021 the TFP supported 1,883 transactions with a turnover of €3.2bn, involving 90 issuing banks in 29 countries, which helped to sustain trade flows during the pandemic. Furthermore, over 1,700 bankers were trained on trade finance related topics. Nine new issuing banks from Egypt, Jordan, Turkey and West Bank & Gaza joined the programme in 2021, where the ETC region accounted for 35% of transactions.

SUCCESS STORY

PPP Policy and Legal Framework Development in Armenia

Armenia was one of the few EBRD countries of operation without a clear PPP policy and legal/regulatory framework. This had a significant impact on the state of physical infrastructure in the country, which the Bank identified as a key transition challenge. An SSF-funded TC to address this finished in 2021, resulting in:

- 1) A detailed and comprehensive gap analysis of the legal framework for PPPs was produced outlining the key discrepancies between Armenia's PPP regime and international standards and best practice.
- 2) The country's first PPP policy paper was developed. This contributed to the development of the resulting modern PPP policy and legal/regulatory framework and effectively committed the country to develop a coherent, systematic approach to PPPs, creating the basis for implementing PPPs in Armenia.
- 3) The government approved the PPP Policy Statement and The National Assembly adopted the Law on Public-Private Partnership (PPP Law), which came into force in 2020. Support was also provided on the development of a number of guidelines, methodologies and enabling tools necessary for the new law.

By improving the PPP legal and regulatory frameworks, Armenia is now able to utilise the benefits of PPPs to build resilient infrastructure, promote inclusive and sustainable industrialisation and increase market resilience. It has also helped promote competitiveness and efficiency by supporting private sector investment through well-structured PPPs, including by EBRD.





RESILIENT

Donors and SSF support the Bank's vital work in assisting markets and companies to develop capabilities to resist shocks and, to develop a balance and sustainability in financial and economic structures. Importantly, this entails financial system stability and also includes areas such as food security and energy sector resilience. Covid-19 has highlighted the particular importance of economic resilience.

- Capital market development is critical for building resilient and sustainable economies and donor and SSF funding play a vital facilitating role. For example, the first SME IPO was issued in Egypt following SSF-funded support to restructure the Egyptian Stock Exchange's SME segment. Another first IPO in Azerbaijan of 'Zayam Technology Park' OJSC was stimulated through a donor-funded capacity building project covering the security issuance process and company information disclosure.
- In Morocco, a digital portal for the Capital markets e-learning Programme was launched to improve financial literacy.
- ESG guidelines were developed for listed companies on the Bucharest, North Macedonian, and Warsaw stock exchanges – a first of their kind in their respective regions.
- As part of EBRD's USD 50m investment in the first green bond issued by Georgian Railway (GR), the state-owned national railway company of Georgia, the SSF supported the completion of a digital maturity assessment of the company. The assessment outlines recommendations for the development of a long-term digitisation strategy for GR with a particular focus on e-services. This represents the first step towards the digital transformation of GR to enhance profitability and operational efficiency. The next steps for developing and implementing the digitalisation strategy are currently being prepared.

Local Currency Programme

The Bank's local currency investments help ensure that borrowers are insulated from adverse foreign currency fluctuations. They also contribute to the development of local capital markets, supporting improved access to finance that in turn creates more resilient economies. Donor funds played a pivotal role in the Bank's ability to undertake this work in 2021: 57 out of 103 local currency investments included in the Bank's ABI were supported with donor funds.

SUCCESS STORY

Providing support in crisis: The resilience of a furniture and interior design company in Lebanon

Lebanese designer Elie Bassil set up Estudio, a furniture manufacturer and interior design company specialising in wood and steel work, and functional contemporary furniture and kitchens. Estudio has shown a great deal of resilience amid adverse conditions – namely the coronavirus pandemic, a deteriorating economy, and an explosion at the port of Beirut, all in the space of one year.

Donor support enabled EBRD to match Estudio with a local consultant who helped the company analyse its business gaps and review its vision, objectives and strategy for its new brand E-CYCLE, which produces items from recyclable materials or waste collected in Estudio's own factory. The company also received assistance in creating an online platform for E-CYCLE, enabling it to sell its eco-friendly recycled items over the internet and has gained over 1,000 followers on social media.

Estudio General Manager, Nicole Mouawad said that this expansion has helped the company to improve its efficiency and waste management, and to cater to the growing appetite for green or upcycled products in the local market during a time in which the country has imposed pandemic-related import restrictions.



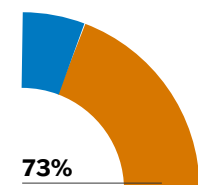


COMPETITIVE

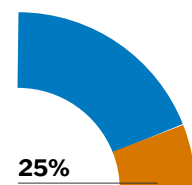
Donor funding alongside SSF support has played a key role in helping the Bank promote competitive firms and markets using a range of instruments. The Covid-19 crisis has had a major impact on economic activity around the globe and the challenges have carried over into 2021. Despite this, the Bank has continued to deliver results and support clients.

- As part of the Bank's Resilience Framework, it has supported SMEs through a range of working capital credit lines and liquidity support, working through partner banks or directly with SMEs. Grant support has been predominantly focused on technical assistance.
- In 2021, the Bank raised €90.7m in donor funds. The Bank also reached over 42,000 SMEs and people through trainings, platforms, conferences and visibility activities through the year.

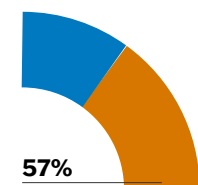
Chart 1.4: Key results reported from ASB evaluations 2018-2021



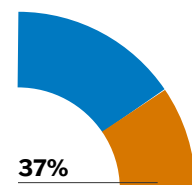
of supported enterprises increased turnover



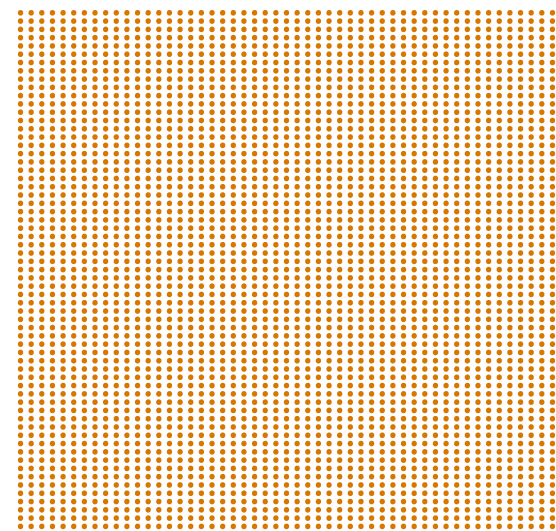
of assisted enterprises grew their exports with total of €1,079m in additional exports



of supported enterprises increased employment (net jobs created: 64,087)



of advisory clients independently used a consultant again within 12 months after a supported project



Over 3,000 SMEs and local consultants received training in 2021 to build capacity, including in the area of export, energy efficiency and crisis response

SUCCESS STORY

Investing in digitalisation for happier customers and employees

Having started out in 1929 as a small family locksmith workshop, Sunce Marinković now supports green buildings and homes in Serbia with energy-efficient windows and doors, which it installs. Vladimir, now owner of the company, realised he needed to boost the competitiveness and productivity of the company when he noticed the increase in labour costs.

With support from the EBRD and its donors, Sunce Marinkovic hired a consultant who worked closely with the firm to help them digitalise their internal workflow. The support helped the company establish a new system, allowing them to receive real-time feedback from field workers and tracking products and delivery. The system is expected to result in shorter delivery times and more satisfied clients and improve employee satisfaction, as it will eliminate the repetition of tasks due to inefficient communication.





WELL GOVERNED

In 2021, donors and SSF continued to play a crucial role in supporting policy, legal and regulatory reform, and capacity building, which are crucial components of the Bank's business model to support corporate-level governance as well as economic governance at the national and subnational levels. These areas collectively contribute to improving CoO's business climate and, crucially, to help mitigate the impact of Covid-19. Notably, this includes continued vital support for the public-private dialogue activities of 11 Investment Councils.

- The SCF cross-cutting theme of digitalisation was prominent under the Well-Governed transition quality with enabling legislation being adopted in the Kyrgyz Republic for implementation of digital platforms developed for E-registration of legal entities' and 'E-notary' and the Economic Council Secretariat in Moldova developing a mobile application to facilitate public private dialogue on response to Covid-19 and investment constraints.
- 2021 saw the launch of businessguide.ebrd.com, which established local language tailored business legal advice platforms in Georgia, Moldova and Ukraine to help businesses become more digital and in navigating the Covid-19 business environment. Since its launch the platforms have had over 90,000 users.
- Notable improvements in corporate governance standards were made in North Macedonia, Serbia, Ukraine, Uzbekistan, and West Bank & Gaza.

Chart 1.5: Selected Well-Governed results

11 new RAR assignments 6 ongoing assignments

were completed in 2021 out of 24 approved since RAR's inception. A number of assignments covered SCF priorities: Digital, Green, Inclusive, Economic Governance.

USD 20.8 and 11.6m

the size of record amounts saved on a single business complaint with the involvement of the Business Ombudsman Institutions in the Kyrgyz Republic and Ukraine, respectively.

LTP held 17 training and 89 knowledge sharing events

with over 8,000 attendees in over 20 CoO on legal matters covering corporate governance, dispute resolution, and climate change, among other topics.

SUCCESS STORY

Development of a remote identification system (RIS) for the banking sector in Uzbekistan

Most banking services in Uzbekistan still require a customer to visit a bank branch; bring with them hard copy originals of identification documents and often endure long queues to receive basic services. However, with the SSF-funded support in developing a digital solution for RIS in the banking sector, some of the major banks have already started to use remote identification of their customers through a specialized online application – MyID, which is available on both desktop and mobile. This system allows passing remote identification checks and accessing banking services in a matter of seconds without the need to provide copies or photos of identity documents.

The MyID application enables user registration, account management, face geometry authentication and familiarisation with information resources that can be authenticated using RIS or process user personal data, security settings and so on.

By the end of 2021, over **315,000 users** were registered, and **200,000 authorization requests** were being processed monthly.

The project leveraged digital transition in the banking sector to improve service efficiency and enable financial inclusion for SMEs, women entrepreneurs and other groups in rural areas with limited access to banking branches. Furthermore, the visibility and traceability of payment flows will help reduce the shadow economy and corruption.





KEY FIGURES 2021

Inflows of donor funds in 2021

The EBRD has been partnering with donors since the beginning. This partnership has evolved over time in both volume and direction. In general, donors have supported the Bank's strategic and geographic priorities and facilitated the launch of many innovative programmes and flagship initiatives. Donor funds also have proved critical in tackling unexpected situations such as the response to and recovery from the Covid-19 pandemic and will certainly have a hugely important role to play in the EBRD response to the war on Ukraine.

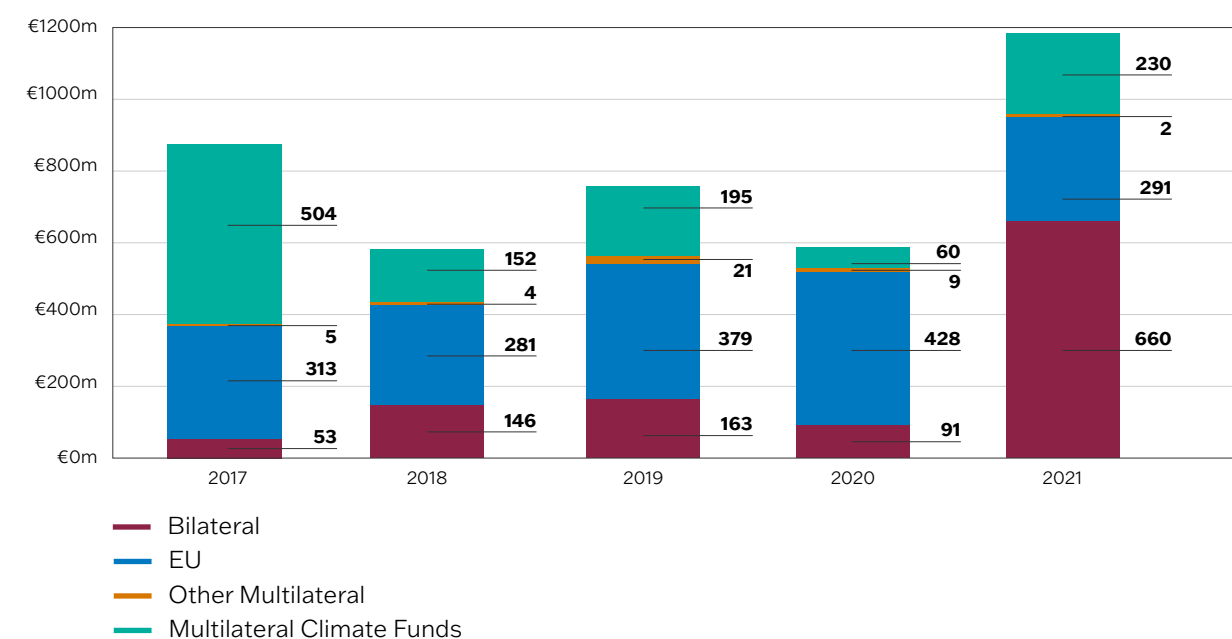
Currently, the Bank manages relations with a broad and varied donor community, primarily governments and multilateral organisations of some 50 donors. In aggregate terms since 1991, contributions from donors stand at around €9.5bn (€10.7bn when including all net income allocations). The graphs and charts in chapters 1-3 set out the breadth and width of the Bank's donor partnerships covering its major donors, the multi-donor funds established with donor support, and the various roles the Bank plays in using and managing donor funds.

248 MANAGED FUNDS WITH A PORTFOLIO VALUE OF OVER €3.4BN

- The EBRD manages regional and thematic multi-donor funds, where resources are pooled to foster efficiency and create greater impact. The most active funds include:
 - EBRD Early Transition Countries Fund which is renamed the Sustainable Infrastructure Fund
 - EBRD Small Business Impact Fund
 - EBRD Southern and Eastern Mediterranean Multi-Donor Account
 - EBRD Ukraine Stabilisation and Sustainable Growth Multi-Donor Account
- Multi-donor Trust Fund for the West Bank and Gaza
- High-Impact Partnership on Climate Action
- The EBRD also acts as a fund manager for multi-donor facilities on behalf of contributors and other International Financial Institutions (IFIs):
 - Eastern Europe Energy Efficiency and Environmental Partnership (E5P) Fund
 - European Western Balkans Joint Fund (under the WBIF)

Donor contributions secured for EBRD operations in 2021

Inflows of Donor Funds by Source, 2017-2021 (€m)

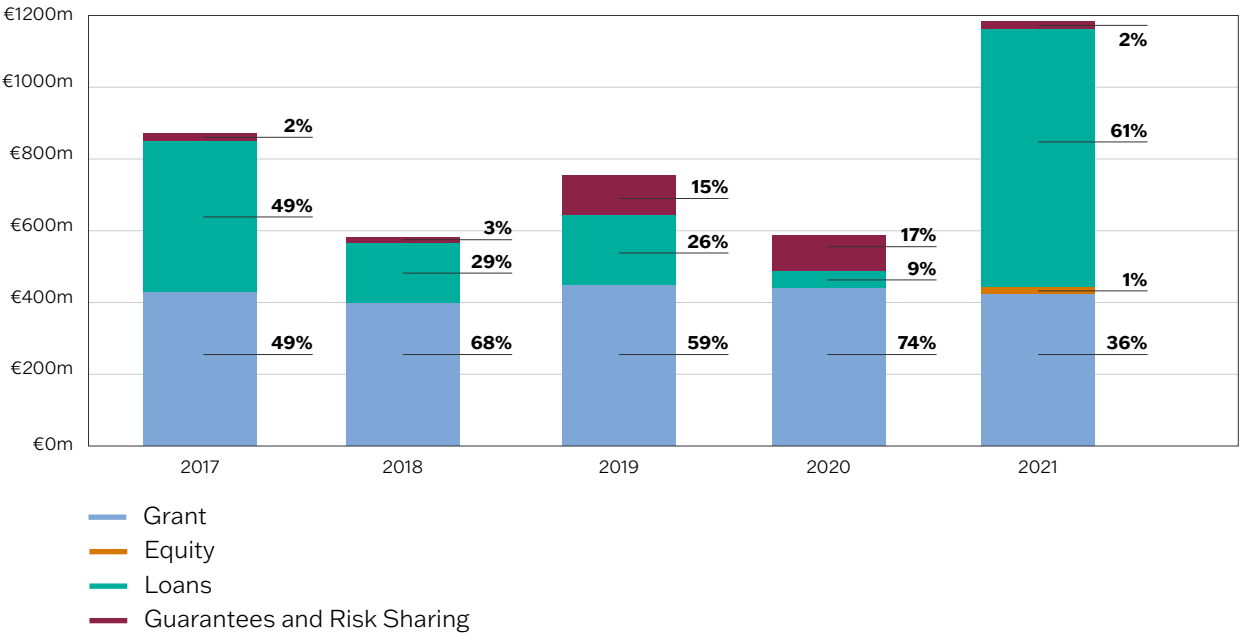


EU Includes €50m and €100m of EFSD guarantees in 2019 and 2020, respectively.

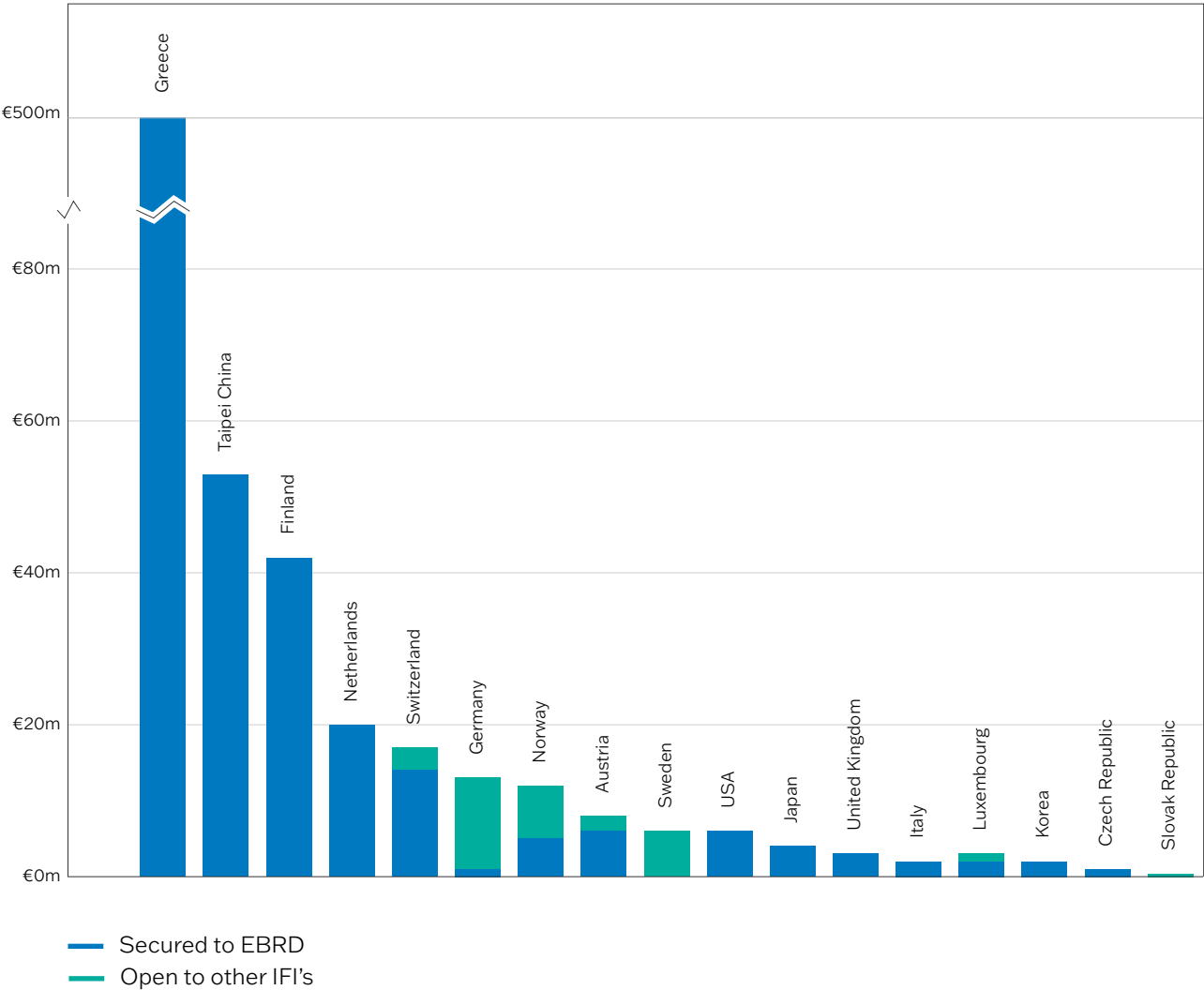
Donor contributions secured for EBRD operations in 2021

Inflows of donor support in 2021 reached €684m. To this is added an exceptional mobilisation of €500m in concessional loans from Greece from the EU Rapid Recovery Facility to be deployed in the country. In total, the Bank thus mobilised €1.18bn, which was a 100% increase compared to 2020, or 16% (when the Greece RRF is excluded). The large single Greece contribution mainly drove the overall increase in 2021 in concessional loans as an instrument. As these one-off large inflows often have a narrowly defined dedicated use, they can fluctuate significantly from one year to the next and can 'skew' the overall picture of inflows.

Inflows of Donor Funds by Type, 2017-2021

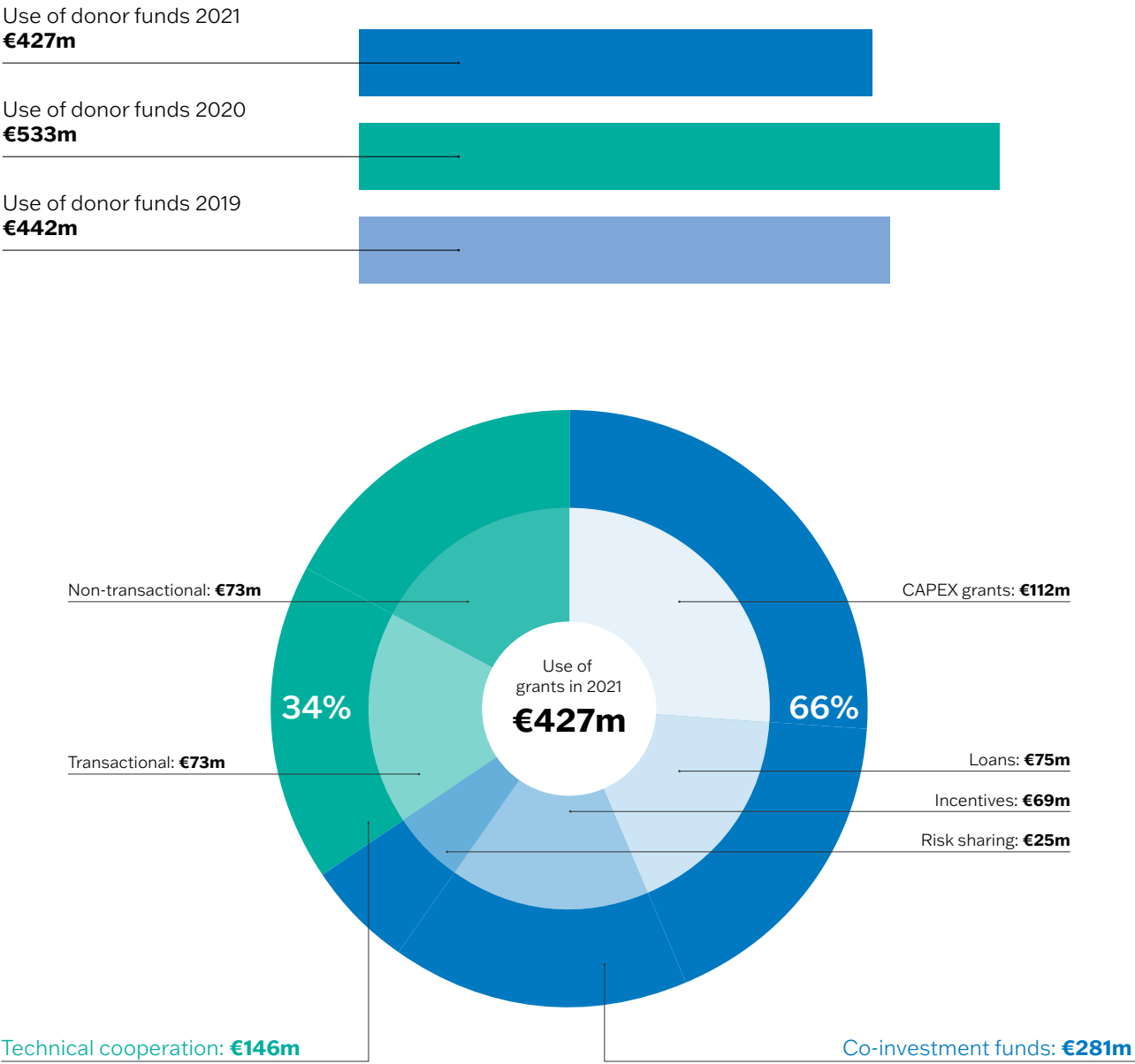


Bilateral Donors in 2021

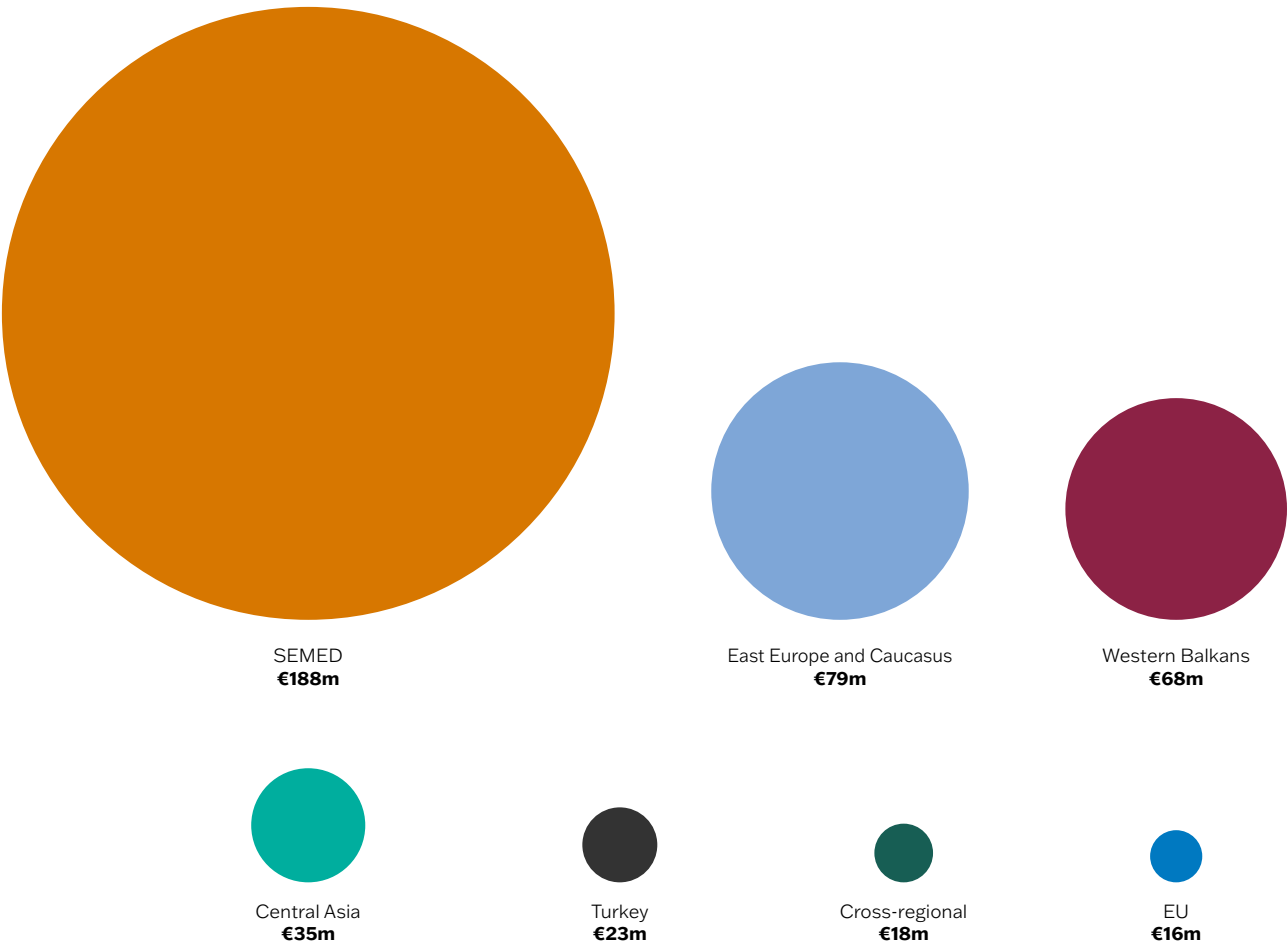


Use of donor funds in 2021

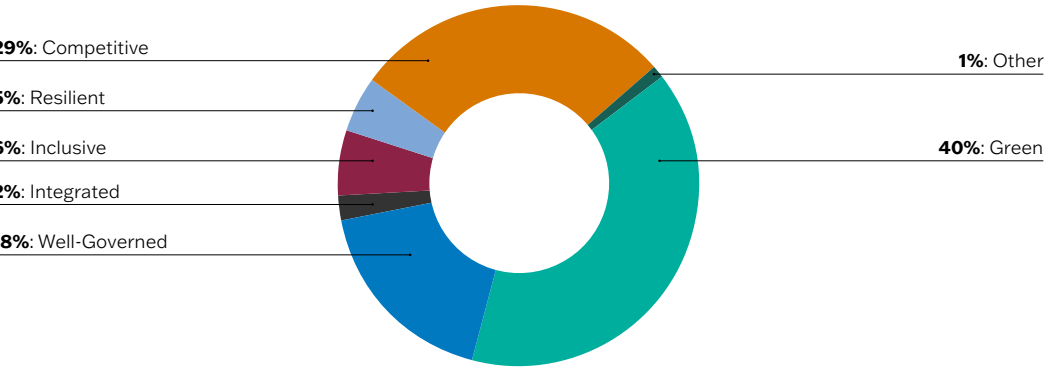
The use of donor funds at €427m in 2021 was 20% lower than in 2020, representing a return to the 2019 level of €442m. As in previous years, SEMED and the EEC regions were the biggest users of funds last year.



Use of donor funds in 2021 by region

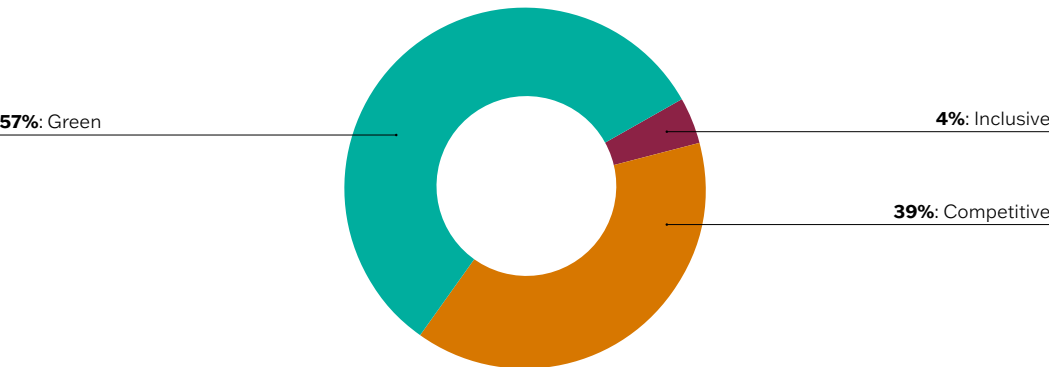


TCs use in 2021 per TQ

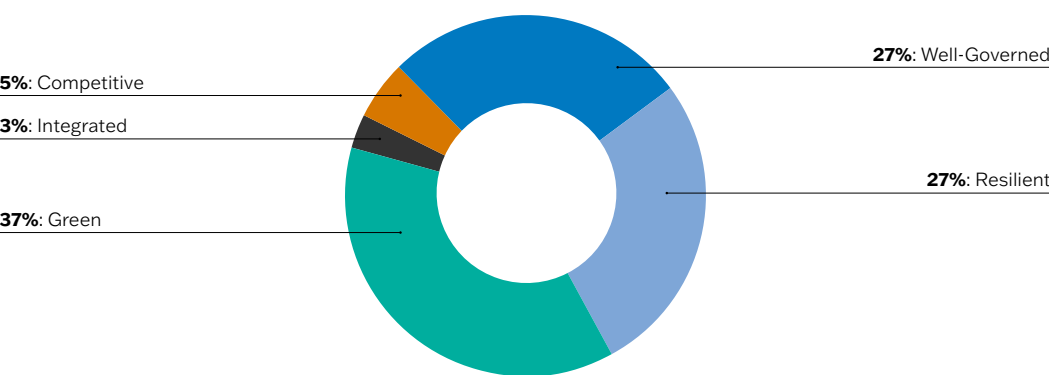


Co-investment funds use in private and public sector operations by TQ in 2021

Private Sector

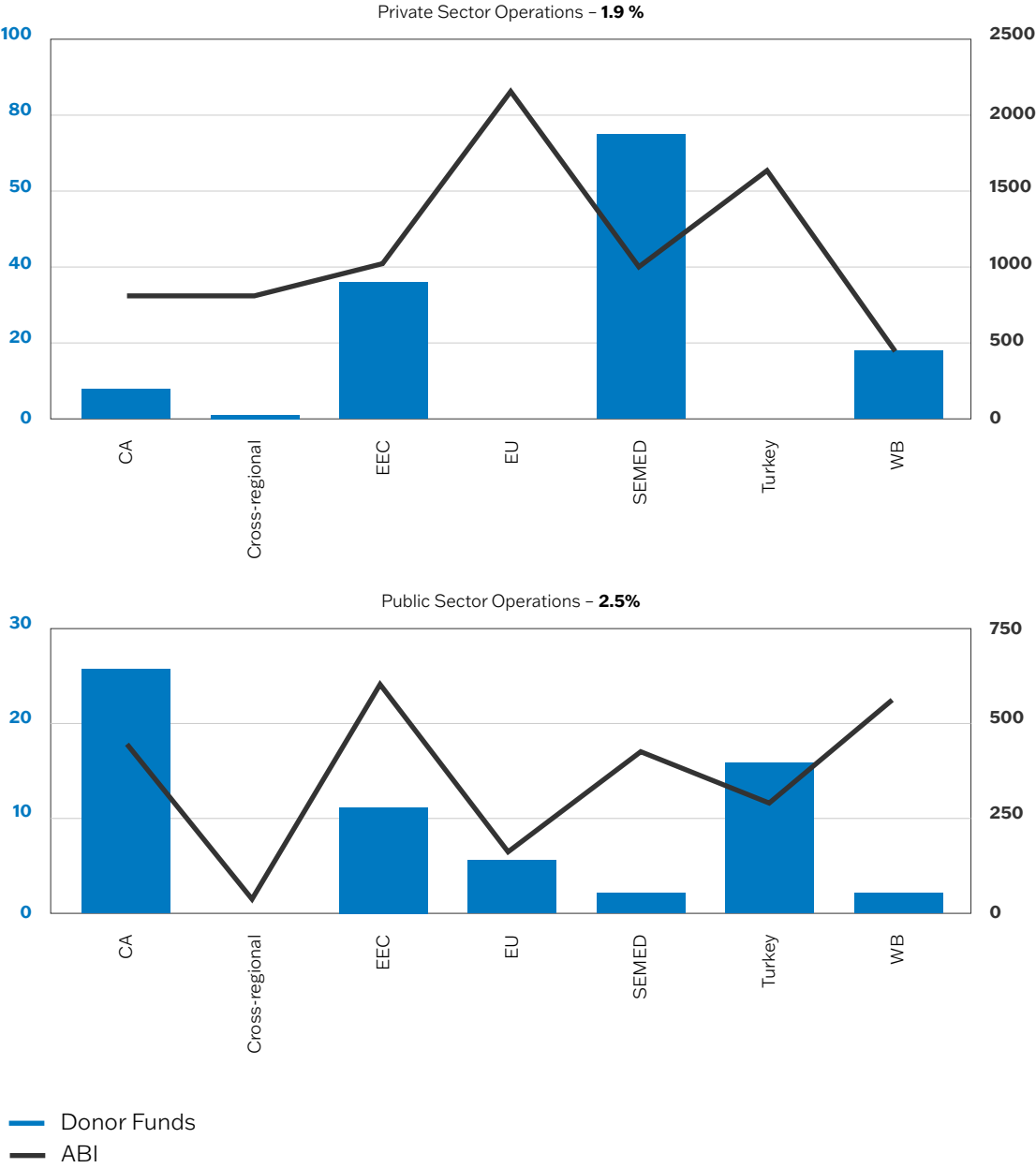


Public Sector



Ratio of Donor Funds to ABI by volume per portfolio class and region, 2021

Nearly half (49%) of projects in the Bank’s investment operations in its active portfolio (by number of investments) benefited from donor funds in 2021, compared to 41% in 2020. From an average of 3 to 4% in the last five years, the ratio of donor funds to ABI dropped to 1.9% in 2021, still above 2020’s level at 1.6%. The ratio is higher for public sector operations but narrowing gap with private sector operations.





IMPROVING OUR BUSINESS IN 2021

2021 marked the first year of implementation of the EBRD's Donor Strategy, which is aligned with the SCF timeframe. The Strategy sets out a number of reform aims and plans to further improve how the Bank engages with donors and uses donor resources. The EBRD has pursued reforms to its donor engagement over a number of years. It actively continued its reform agenda also in 2021, with some of the work picking up as the immediate response to the pandemic in 2020 moved to recovery and rebuilding mode in 2021, supporting the Bank's clients and CoO.

ROLES, RESPONSIBILITIES AND SYSTEMS

Gradually, several reform work streams have been initiated. First, with the 2021 reform of the Vice Presidency Policy & Partnerships (VP3), DCF is now managing all partnerships with donors and is the focal point for the Bank's donor agenda. The on-going donor compliance work stream continues to improve processes, controls and responsibilities to ensure projects' compliance with donor requirements. A key deliverable for 2022 will be an accessible database of all donor agreements. The on-going donor reporting work stream continues to increase quality, timeliness, standardisation and consistency of donor reporting. Finally, the New Donor Manual to implement VP3 reform and the new donor partnership model will be completed this year.

SYSTEM SOLUTIONS

In addition to on-going work streams, the Bank's Donor Funds Programme aims at re-designing the EBRD's end-to-end process for managing donor funds and aligning efforts with other Bank reform initiatives. More importantly, the programme seeks to prioritise initiatives and projects to be funded by the Multi-Year Investment Plan, the Bank's progressive 5-year investment in its people, processes and technology.

POLICY AND STRATEGY WORK

The revised Client Contributions Policy and Guidelines took effect on 1st January 2021. The new policy introduced a simplified set of arrangements with clearer focus on securing contributions where efficient, feasible and merited, targeting clients that directly benefit from TC projects. In 2021, there was a total of €1.93m of agreed client contributions from 29 projects. Numerous activities have been undertaken during the first year of implementation such as training sessions, regular policy updates, checklists, and business cases.

TRAINING AND OUTREACH

Monthly Donor Network (DN) sessions were held on a range of topics covering donors and development financing. Virtual training opportunities were expanded to Resident Offices (ROs) and EBRD new joiners bank wide. DN has roughly 220 members, and 674 participants attended sessions.

Grant Equivalent Calculator

As the volumes of concessional finance managed by DFIs are growing, there is an increasing emphasis on improving the data and transparency around the use of such resources, including better demonstrating their development impact and potential to mobilise private capital. To that end, the EBRD has developed a Grant Equivalent Calculator (GEC) that determines and records the level of concessionality in its blended finance transactions. The tool is currently being piloted across EBRD and its use will contribute to the development of a comprehensive database of the Bank's blended finance projects. Measuring and recording levels of concessionality in blended finance projects will create an important evidence base to more effectively structure and size future transactions.

CASE STUDY

EBRD supported a leading tomato paste producer in Eastern Europe with a financing package to build a tomato processing plant and greenhouses, as well as to acquire modern agricultural, irrigation and processing equipment. The investment was co-financed by a USD 5m sustainability-linked concessional loan to support the introduction of climate mitigation and resilience techniques and enhance corporate climate governance practices in line with EU standards.

The donor loan had the same interest rate as the EBRD loan at signing and was then subject to discounts following the achievement of pre-defined sustainability milestones. The GEC calculates the grant equivalent of the USD 5m concessional loan based on a discounted cash flow analysis using the EBRD interest rate as the estimated commercial price of the loan. In this case, the grant equivalent of the loan was USD 330,000 and the grant intensity 0.5% (USD 333,000 grant equivalent/USD 67m overall project finance).



WAY FORWARD – SIGNIFICANCE OF DONOR SUPPORT

As this report is being written in March/April 2022, the recent events in Ukraine and the Bank's initial response highlight the vital importance of strong donor partnerships based on mutual interest and trust. It is imperative that the Bank can access donor support, whether through the mobilisation of new funds or re-purposing of existing funds, to be able to offer a strong and adequate response to the war on Ukraine. The EBRD is the largest Multilateral Development Bank (MDB) with a combined private sector mandate and policy reform focus, operating in the region, and has a significant portfolio in Ukraine and neighbouring countries. The continuing tragic events call for urgent support to the functioning of the Ukrainian economy, especially ensuring continued access to basic needs such as energy and food and a response to Europe's largest refugee crisis since World War II. The Board-approved package entitled **'War on Ukraine – EBRD Resilience Package'**, with an initial size of €2bn, relies on strong collaboration and support from donors for its successful implementation.

Notwithstanding the situation, this report keeps the selected results in 2021 for Ukraine as they are not 'lost'; they bring confidence in the determination and resilience of the Bank's Ukrainian partners and their ability to adjust with the situation and rebuild the nation when that time comes.

An example of a swift EBRD response to support SME clients during the crisis in Ukraine is described as follows.

SUPPORTING UKRAINIAN FOOTWEAR DESIGNERS IN CRISIS

Kachorovska and Melly (KachoGroup), Marsala, SINOB and Ikos are four leading Ukrainian footwear companies. The economic consequences of war meant that the SMEs have lost nearly 95% of their market – mostly Ukrainian – while struggling to maintain their employees. They had to seek alternative sales channels, and the opportunity to take part in an international shoe fair seemed like the best strategy for survival: increasing visibility with international customers and expanding into foreign markets.

The SME F&D team of the EBRD was quick to respond; in just three days, the team scrambled to facilitate the participation of the shoe brands in one of the world's most important international footwear fairs: MICAM in Milan, taking place from the 13th to the 15th of March.

MICAM, a benchmark in the industry, gave the four companies a stand, which enabled the brands to display more than 70 samples of their products, shoes and bags. As a result, the companies made connections with 52 potential business partners, including marketplaces, and brands represented by over 17 countries, from the USA to the UAE and Africa.

The internal shoe fair was a first for these companies, marking their official leap into international wholesale and diversifying their market base. Despite the tragic circumstances, these gifted entrepreneurs were able to demonstrate their creativity, resourcefulness and resilience.

The projects were supported by the USA through the EBRD's Small Business Impact Fund (Italy, Japan, Korea, Luxembourg, Norway, Sweden, Switzerland, TaiwanBusiness – EBRD Technical Cooperation Fund).

COMMUNICATIONS AND VISIBILITY

The dedicated Donor Visibility team, based at EBRD headquarters and in the field, oversees the work to produce innovative material, engage with beneficiaries and donors in storytelling, spread success stories and distribute communications products through all available channels. This includes: press releases, videos/photography and similar multimedia content; feature stories on [ebrd.com](https://www.ebrd.com); awards ceremonies and launch events; plaques for large infrastructure projects; social media, with more than 260,000 combined followers on EBRD channels on platforms such as Twitter, Facebook, LinkedIn and Instagram.

The Donor Visibility team works strategically with teams across the Bank to identify and follow the most impactful success stories. The team also cooperates closely with donors through press networks and social media, to find new and innovative ways of promoting partnerships, with a focus on storytelling and impact on people's everyday lives.

Together, the team and donors can agree on joint media campaigns and sharing EBRD-produced communications material for distribution through donor networks. Increasingly, EBRD staff is encouraged to share material and engage in dialogue over social media. Donor visibility material from 2021 included the production of innovative video material, stories and social media campaigns.

DONOR VISIBILITY HIGHLIGHTS FROM 2021:

- Over **55 donor-related feature stories** published on [ebrd.com](https://www.ebrd.com).
- Over **10 donor-related videos** produced, both in local languages and in English.
- Amongst the most viewed donor videos were:
 - Water improvements in Cholpon Ata (supported by the EU), with over **175,000 full video views**. Our promotion of water improvements in the Kyrgyz Republic has reached over one million people locally.
 - Tunisian olives (supported by the EU), with almost **200,000 full video views**.
 - Serbian biogas (supported by the EU), with almost **75,000 full video views**.
- Published an average of three donor posts per day across all social media platforms.
- Tagging and engaging in dialogue with donors across five social media platforms with a total number of **293,000 effective followers** (an increase of 35,408 from 2020).
- Donor support is mentioned in **nearly half** of all EBRD press releases.
- Translated around 60 press releases into languages including Albanian, Arabic, French, Greek, Kazakh, Lithuanian, Macedonian, Russian, Serbian, Tajik, Turkish and Ukrainian, reaching local and international media through over **5,000 journalists globally**.

2021 marked the 30th anniversary of the establishment of the EBRD.

The Bank takes this opportunity to extend its sincere appreciation for the long and fruitful cooperation with its donor community, which has helped the Bank support the development of sustainable and inclusive market economics for now more than three decades.

The Bank reaffirms its commitment to building a resilient and sustainable future in its countries of operation and to strengthening partnerships with its donors and the donor community.

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