European Bank
for Reconstruction and Development

Report of the Board of Directors
to the Board of Governors

STRATEGIC AND CAPITAL FRAMEWORK
2026-30

Contents

Executive summary

The economic and geopolitical context for the EBRD's third Strategic and Capital Framework (SCF) is particularly challenging, with the value and purpose of multilateralism and its institutions increasingly questioned. In these circumstances the Bank's mandate – focused on the private sector and rooted in the principles of democracy, pluralism and market economics – is as relevant and important as at any time.

Underpinning this mandate is the view that a well-functioning market economy set within an open and transparent political framework is the most effective means for allocating resources and delivering on people's aspirations. The Bank works to deliver systemic change through which the conditions are created in which private enterprise flourishes and private capital is mobilised. This focus is particularly valuable at a time when the world's development goals can only be met through a step change in the flow of private-sector finance.

The central strategic objective for the Bank in the SCF2026-30 period will be the provision of exceptional support to Ukraine, maintaining livelihoods in wartime and realising a prosperous future within Europe in a period of reconstruction. The Bank's 2023 paid-in capital increase will enable this support. Delivering on the capital increase commitments to Ukraine is the Bank's highest medium-term priority and a yardstick by which the Bank will be judged. The Bank will also increase its support to other countries of operations in response to both long-term transition needs and the continuing disruption and displacement resulting from the war in Ukraine. As a result, the Bank will expand its impact and investment significantly.

The Bank will also increase in scope. Without reducing its commitment to existing countries of operations, the Bank will be fully operational during the SCF2026-30 period in new countries in sub-Saharan Africa and in Iraq. This expansion of activity reflects a view that the Bank's distinctive qualities can add value to the international effort to promote development in these countries. The Bank will work closely with others to learn and ensure that – as a system – multilateral development banks (MDBs) working in concert with other development partners will maximise their collective impact.

The EBRD enters the SCF2026-30 period from a position of strength. The decisions on the capital increase and geographic expansion show the confidence of shareholders in the Bank's business approach, the relevance of its mandate and the appreciation for the Bank's delivery in implementing the SCF2021-25. Throughout that period the Bank has demonstrated responsiveness and agility, addressing unanticipated crises in its countries of operations, notably the war on Ukraine, whilst maintaining a stable medium-term strategic direction. This combination of consistency and flexibility will be all the more essential in the future.

The Bank will build on its success as it grows in size and scope over the SCF2026-30 period. Consequently, the Bank will focus even more sharply on achieving systemic impact, with improved impact measurement and monitoring systems playing a vital part in this effort. These systems will provide clearer, more consistent and more comprehensive data to improve the design of both investment and policy activity and to better communicate impact, including through annual *Impact Reports*.

In pursuing systemic transition impact, the Bank will seek to deepen impact against three core strategic themes:

Supporting countries of operations to realise the opportunities from the **transition to green economies**. The Bank will intensify its work in this area with a sharpened focus on achieving impact in six core areas where the Bank has the skills and capacity to deliver with a view to scale the level of the Bank's own and mobilised green investment across the SCF2026-30 period reflecting demand in countries of operations. The Bank will also respond positively to client demand to support climate resilience and pilot approaches to nature finance.

Advancing **stronger economic governance** by systematically using the leverage which the Bank is able to exercise through its investment, especially in the public sector, and policy activity. Deeper impact will be driven by aiming to identify reform priorities for all public-sector clients or sectors with a widened range of policy tools.

Enable individuals and society to realise the potential of all through **strengthened human capital and equality of opportunity for all**. The Bank will achieve deeper impact by understanding its clients' needs as employers, producers and participants in value chains to tailor its activities to enhance access to finance, services and employment for all.

The work on deepening impact through the strategic themes will be amplified through continued development of two strategic enablers, which will increase the Bank's impact through higher levels of finance and the development of new opportunities:

Developing and deploying digital technology to increase opportunities for achieving transition with a particular focus on increasing capital investment, improving regulation and enhancing skills, together with supporting resilience through strengthened cybersecurity.

Boosting the mobilisation of private-sector capital both directly and indirectly through innovation in processes and products, enhanced incentives and higher ambition to establish a floor for private-sector Annual Mobilised Investment (AMI) of €5 billion.

Transition impact in all these areas will be delivered through the combination of the Bank's investment activity through both loans and equity in its core sectors of financial institutions, corporate and sustainable infrastructure, focused and effective policy engagement and disciplined use of donor resources. Across its work, the Bank will address fragility within its transition mandate and its operational framework and will publish its approach at the beginning of the SCF2026-30 period, as well as promoting high standards in procurement to ensure fair competition.

The Bank will continue to provide finance which is additional to that in the market and pursue sound banking in all its operations. This will underpin the Bank's ambition to maintain the real value of its members' equity through self-generated growth. The Bank's analysis, on current assumptions, shows that its capital can support a sustainable level of annual investment of around €18 billion.

It is plausible that the Bank's sustainable investment capacity could rise to €20 billion, for example through higher than anticipated profitability or a significantly improved risk environment. Reaching this level of annual investment will be dependent on the existence of sufficient investment opportunities which meet the Bank's impact, additionality and sound banking requirements, as well as appropriate resources – managed responsibly within a clear medium-term financial framework – and internal policies. In addition, the Bank will continue to implement the recommendations of the independent review of the MDBs Capital Adequacy Frameworks (CAF), including through launching the first Significant Risk Transfer, which could also increase the Bank's capital capacity during the SCF2026-30 period. Notwithstanding these efforts, investment capacity could also be lower if capital accumulation is slower than assumed in the base case.

The SCF2026-30 embodies the spirit of the challenge set out to the MDBs to be "… bigger, better and more effective …". The box below sets out the specific strategic aspirations which will guide the Bank's work across the period.

Box 1: Strategic aspirations 2026-30

In the SCF2026-30 period, the Bank will maximise achievement of its overarching transition impact goal in its countries of operations by building on the strengths demonstrated in the SCF2021-25 period to support the systemic change necessary to deepen progress against the transition qualities. Specifically, based on the strategic directions in this SCF, by 2030, the Bank will have:

- Provided exceptional support to the real economy and livelihoods in Ukraine in wartime and reconstruction reaching a minimum of €3 billion in annual investment in a period of sustained stability.
- Driven transition impact in countries of operations which are less advanced in transition through increased levels of annual investment and policy activity in these countries over the SCF period.
- Achieved significant and distinctive impact in new countries of operations in sub-Saharan Africa and Iraq and its work been positively assessed by the review of the Bank's operations in 2028.
- Bolstered commitment to supporting private-sector enterprise and entrepreneurship by investing at least 75 per cent of cumulative ABI in the private sector.
- Enhanced its capacity to mobilise private finance through further product innovation and culture change to increase impact across all countries of operations, including through establishing a floor for AMI of €5 billion.
- Supported countries of operations' requests to make progress with the climate transition and achieve energy security and resilience through investment and policy activity focused on achieving change in six core economic systems, namely energy, urban, industrial, agrifood, transport and financial intermediation.
- Strengthened available support for any country which chooses to graduate from the use of the Bank's resources under the enhanced Post-Graduation Operational Approach 2021 through replenishment of the Post-Graduation Special Fund.
- Leveraged the ability to work across the private and public sectors to enhance the conditions for private-sector development in countries of operations, including through identifying reform opportunities with all public-sector clients or in each sector in which they operate.
- Increased economic opportunity for people in countries of operations through enhanced human capital development and equality of opportunity for all in countries of operations.
- Used the potential of digital technology to support transition impact through deployment and development of a mature and focused suite of financial, policy and advisory products.

- Maintained the capacity to achieve meaningful impact in its countries of operations through self-generated growth in its capital stock through the ambition of maintaining the real value of the Bank's members' equity.

These aspirations will be implemented through future annual SIPs with continued efforts to manage both existing projects and new commitments to pursue transition impact whilst balancing, at the portfolio level, risks, returns and costs to ensure financial sustainability

1. Context

1. Multilateral institutions both embody and sustain the shared values and objectives of their shareholders. The establishment of the EBRD following the end of the Cold War was driven by the common intent of the international community to reunite the continent of Europe and integrate countries with previously centrally planned economies into the global economy.

2. The context for this third Strategic and Capital Framework for 2026-30 is particularly complex. The Russian invasion of Ukraine has caused a humanitarian catastrophe and the implications will be long lasting. The future costs of rebuilding livelihoods and infrastructure are already very significant and the prospects for lasting and sustainable peace uncertain. A number of countries of operations in the region continue to be adversely affected. Elsewhere, conflict in the Middle East is also having a severe impact on lives and livelihoods. In the first four years of the SCF2021-25 period, the Bank's shareholders have displayed exemplary unity, especially in the support for Ukraine. However, geopolitical tensions remain and the risk of fragmentation has increased significantly.

3. This uncertainty is compounded by the social and economic consequences of wider global challenges. The effects of climate change are increasingly being felt in everyday life, creating financial and human costs. The acceleration of technological progress, notably the growing use of artificial intelligence (AI), has the potential to transform economies and societies, both through boosting productivity and through increasing the flow of information and misinformation. The long-term consequences of continuing demographic change, especially in ageing populations, and the implications of rising levels of migration will be profound.

4. In this challenging environment, countries with robust and sustainable economies will be best placed to navigate uncertainty. Consequently, the Bank's principles and purpose remain enduringly relevant and its role as a steadfast and committed partner to countries of operations more important than ever. This purpose was set within a clear framework recognised in the preamble to the Agreement Establishing the EBRD (AEB), which affirms the commitment of the Bank's shareholders to the "… fundamental principles of multiparty democracy, the rule of law, respect for human rights and market economics". Reflecting this commitment, Article 1 of the AEB states that the EBRD's purpose "… shall be to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in … countries committed to and applying the principles of multiparty democracy, pluralism and market economics".

5. This backdrop shapes the Bank's strategic direction for the next five years. At its heart is the commitment to provide exceptional support in all circumstances to Ukraine, which is the Bank's highest priority across the entire period. Focusing on creating the conditions for a flourishing private sector, the Bank will continue to support all countries of operations in the transition to sustainable market economies which promote prosperity for all and are resilient in the face of shocks. The Bank will build on its existing strengths to deepen its transition impact in core strategic areas. The foundation for delivery in the SCF2026-30 is provided by shareholders' approval of a €4 billion paid-in capital increase at the end of 2023, which both gave a secure financial basis for the Bank's work and set specific goals for the Bank's work in Ukraine and broader strategic guidance. This underpins the ambition for the Bank to extend and deepen its impact in all countries of operations through a significant increase in investment and enhanced focus on systemic change.

2. Outline

6. The Bank's transition mandate is unique. Its goal is to advance the transition to robust and sustainable economies through improving the functioning of markets and economic systems. In turn, these changes provide enhanced incentives for both domestic and foreign private-sector investment, vital for greater prosperity and enhanced sustainability. The importance of private-sector investment is heightened by the recognition that the scale of the current global challenges requires levels of finance far beyond what the public sector alone can provide. The Bank's work, with its focus on achieving systemic change, is key for the mobilisation and effective deployment of private capital. This approach is especially relevant at a time when all multilateral development banks (MDBs) – individually and collectively – are expected to play their full part by evolving their practices and approaches to become "… bigger, better and more effective" to accelerate progress to sustainable development.

7. The Bank's work is guided through a strategic and planning processes consisting of two parts:

- A **Strategic and Capital Framework (SCF)**, approved by the Board of Governors every five years, which sets the Bank's strategic directions. This provides a set of high-level aspirations for the Bank for the period, together with an overall control framework. It is underpinned by a formal judgement on the adequacy of the Bank's capital stock.
- A **Strategy Implementation Plan (SIP)**, which translates the strategic directions of the SCF into annual objectives in the context of rolling three-year projections of operational and financial performance, approved by the Board of Directors. The SIP includes the annual Corporate Scorecard and the budget.

8. This approach ensures that the Bank is able to respond proactively and flexibly to prevailing circumstances whilst maintaining a clear sense of strategic direction. It has proved particularly valuable in recent years as the impact of a succession of global, regional and national shocks have altered the challenges faced by the Bank's countries of operations in unanticipated and profound ways. The Bank has been able to adapt to rise to new challenges at scale and with agility while maintaining clear continuity in its strategic direction. With uncertainty still higher than at the outset of the SCF2021-25 period, flexibility and agility will remain essential in delivering the Bank's strategic objectives.

9. This document sets out the Bank's high-level strategic framework for the period in five substantive sections:

- Section 3 presents the Bank's overall strategic direction for the period.
- Section 4 describes the conceptual and operational framework which guides the Bank's approach to targeting systemic change and its application in practice. It goes on to highlight how impact will be assessed in the SCF period and highlights specific thematic areas for deepening and amplifying transition impact within this framework.
- Section 5 outlines the geographical direction of the Bank's work over the SCF period, including how the Bank's work will reflect that countries of operations are often at different stages in their transition journey.
- Section 6 describes the component parts of the Bank's toolkit which are combined to achieve transition impact.
- Section 7 summarises the institutional foundations for implementation of the SCF2026-30, including confirmation of the adequacy of the Bank's capital stock for the period and the control parameters for the SCF2026-30 period.

The paper concludes with a recommendation from the Board of Directors to approve the draft Governors' Resolution presented in Annex 1.

3. Pursuing transition

3.1. Strategic direction

10. The SCF2026-30 is built on successful delivery under the SCF2021-25. Shareholders' confidence in the Bank's delivery, its business approach and its distinctive place in the international institutional architecture – especially its focus on enabling private-sector development – has been demonstrated through the approval of the 2023 capital increase and the steps taken to undertake a limited and incremental expansion of its operations into countries in sub-Saharan Africa and Iraq. As a result of its enhanced financial strength and widening geographical reach, the Bank's ambition in the SCF2026-30 period is to expand significantly its size, scope and impact.

11. The centrepiece of the Bank's strategic direction is the continuation of the Bank's exceptional support for Ukraine, sustaining the real economy and safeguarding livelihoods in wartime and building a prosperous future in reconstruction. In all its countries of operations the Bank will increase its activity, with a strengthened focus on impact and systemic change. In this context, the Bank will pursue three strategic themes which will deepen impact across a number of different dimensions of transition. Each of these themes reflect areas where the scale of the challenge faced by countries of operations is large, the shared interest of all the Bank's shareholders is strong and the capabilities of the Bank's capacity to add value is substantial. These strategic themes are:

- Accelerating the **green transition** through investment and market creation activities targeting systemic change to support countries of operations in becoming competitive, resilient and energy secure;
- Promoting **human resilience and equality of opportunity for all** to support competitiveness and economic growth by maximising individual and collective productivity and providing the opportunity to all to realise their full potential; and

- Strengthening **economic governance** to promote prosperity and improved living standards by enhancing the efficiency and effectiveness of firms – particularly in the public sector – markets and economic institutions increasing transparency, predictability and ensuring a level playing field for all.

12. The strategic themes are mutually supportive. For example, the green transition is best enabled by well-designed regulation and a supportive business environment, as well as policies which reskill those displaced from carbon-intensive industries. The Bank's approach to these themes will seek to maximise the synergies between them.

13. The Bank will also build on the foundations laid in the current SCF period to maximise its overall transition impact through two strategic enablers:

- Harnessing the potential of the deployment and development of **digital technology** to open wider opportunities for the achievement of transition impact; and
- Increasing transition impact by scaling up the quality and quantity of the Bank's **mobilisation** of private capital, multiplying the Bank's impact at a time when financing needs are larger than the capacity of the official sector to meet them.

14. Through this overall strategic focus, the Bank will deepen its transition impact, improving outcomes for people across all its countries of operations whilst growing in size and operating in more countries than currently with the high-level aspirations for the achievement of the Bank by the end of the SCF2026-30 set out earlier in Box 1 of this document.

4. Achieving transition impact – What?

15. The Bank's transition mandate is rooted in the belief that a well-functioning market economy – set within a political framework of democracy and pluralism – is the most effective means for allocating resources and delivering on people's aspirations. The Bank defines a sustainable market economy in terms of six transition qualities:

- **Competitive**, in order to promote economic efficiency, employment and prosperity.
- **Well governed**, providing a predictable, transparent and responsive institutional environment which ensures a level playing field for all.
- **Green**, ensuring that economic activity today does not compromise the environment in such a way that future needs cannot be met.
- **Inclusive**, enabling the use of the talents and capacities of each, for the benefit of all.
- **Resilient**, to minimise losses and support rapid recovery in the face of economic shocks.
- **Integrated**, to enable trade within countries and across borders sharpening competition and raising efficiency.

16. The six transition qualities interact and reinforce each other, forming a comprehensive and compelling vision of a well-functioning market economy. The framework this provides can encompass new concerns and challenges – such as the growing focus on fragility (see Box 2) – including through enhancements to the ways in which the qualities are assessed operationally. The Bank's ambition is to support its countries of operations to progress against the transition qualities. To do this, the Bank invests in projects with the potential to promote transformational or systemic change beyond the narrow project boundaries.

17. The Bank measures countries of operations' progress to a sustainable market economy through the Assessment of Transition Qualities (ATQs). Annex 2 contains a depiction of ATQs for then existing and prospective countries of operations for the 2024 assessment and demonstrates the diversity of transition progress amongst countries at the start of the SCF2026-30 period.

Box 2: Addressing fragility

The need to build resilience and to address fragility to strengthen long-term economic and social sustainability situations has become increasingly prominent for the international community over recent years. The Bank's mandate to support the transition to a sustainable market economy is well suited to both preventing and addressing fragility in countries of operations. The Bank's work in fragile contexts through the pursuit of the six transition qualities and its framework for achieving impact – especially with respect to resilience – has shown that its operating model is conceptually and practically suited to tackling fragility and its underlying causes.

There is no universally applicable definition of fragility, and institutions identify such situations through criteria and priorities which are relevant to the countries and regions within which they work. For the EBRD, fragility constitutes **a set of vulnerabilities, comprising long-term pressures and sensitivity to shocks combined with low capacity to deal with high exposure to risks and crises**. The Bank assesses that while no country of operations could be regarded as fragile at the economy-wide level, there are several dimensions and areas of fragility, be it at the country or regional level, that can rapidly evolve. These areas of fragility are often made up of many components which are best addressed through the combination of the skills of different institutions and actors over a sustained period of time.

The core components of fragility – economic, institutional, social, environmental and cybersecurity – can be addressed directly through the framework of the transition qualities, which themselves define a robust and sustainable market economy, with the Bank's activities on supporting strengthening of the resilient quality particularly relevant.

Over the SCF2026-30 period, the Bank will recognise fragility more fully in its work through various tools to better assess and understand drivers of fragility in its countries of operation. The operational response will be geared to supporting countries in addressing areas of potential and actual fragility through both strengthening their preparedness for shocks and providing support for crisis response – notably in cases of conflict and natural disaster – in both the short and long term. This approach will be guided by recognition that fragility is a **multi-dimensional** and **context-specific** challenge which needs to be addressed **flexibly** through **adapting** the Bank's tools and approach. In addition, the Bank will integrate **continuous learning** from its recent and future experiences in crisis response to provide more consistent and effective support to countries in such situations. The Bank will also actively seek to learn from the experience of others, especially in new countries of operations where the Bank lacks experience.

In the course of 2025, the Bank intends to publish its approach and expected role in working towards reducing fragility and strengthening resilience in its countries of operations in the SCF2026-30.

4.1. Targeting impact

18. The EBRD supports and assesses its achievement of transition at the country level. Consequently, country strategies form the centrepiece of the Bank's approach. Set for a five-year period, the objectives within country strategies are defined through the combination of three perspectives:

- Consideration of a country's transition gaps and what is required to make progress towards the achievement of the six qualities of a sustainable market economy;
- Realistic assessment of the opportunities for making progress in fulfilling those needs, including the willingness to reform, the scope for investment and the availability of committed partners in both the private and public sectors; and
- The Bank's capacity to take advantage of those opportunities, based on its business model, expertise and complementarity with other development finance institutions.

19. Across all countries of operations, the Bank's work to achieve systemic transition impact is required to be additional to – not a substitute for – the finance available in the market and to pursue sound banking. In doing this, the Bank has developed a distinctive business model which has been shaped by its mandate and its experience over time. The characteristics are:

- A core focus on the **private sector**, including small and medium-sized enterprises (SMEs), through investment together with policy and advisory activities to promote reform across the economy to strengthen the business climate.
- An ability to also invest selectively and engage with the **public sector** to strengthen markets and facilitate private-sector development.
- A **catalytic role in increasing domestic and foreign investment** by developing sustainable markets through applying a **commercial approach** implemented through market pricing and strict adherence to the principle of additionality **complementing, mobilising and crowding in private finance.**
- The disciplined use of **donor resources**, working with multiple partners to blend external finance with its own resources to promote investment and transition impact.
- **Practical policy engagements**, which are especially powerful when directly linked to specific transactions or investment programmes in either the public or private sectors. Policy engagement independent of transactions is also undertaken on a targeted and selective basis.
- Extensive in-depth local market knowledge informed by strong **local and locally employed presence**.

20. These attributes are combined to deliver transition impact in pursuit of country strategy objectives. Section 6 describes further the key components of the Bank's operational model for achieving transition impact within countries in the SCF period.

4.2. Focusing and measuring impact

21. Core to delivering the objective of achieving more and deeper systemic impact are significant improvements in the Bank's processes and procedures for prioritising, designing and measuring the performance of the individual projects. These improvements incorporate lessons from evolving best practice in impact measurement and the Bank's own experience, including the analysis of the Independent Evaluation Department (IEvD). The redesigned system will promote and reward investment and policy activities which have the highest potential for systemic change. The system is underpinned by a structured framework based on robust theories of change for each transition quality with a focus on outcomes both for direct stakeholders and at the market level. The new systems will be fully operational in 2026 and will produce more reliable and consistent data about the Bank's impact performance which will be capable of aggregation within qualities and across countries in line with the commitments made in the 2023 capital increase. The new system will also capture and reward the impact of policy work which crowds in private investment, as well as the role the mobilisation of private finance can play in supporting systemic impact.

22. Further, the system will enable the consistent specification and assessment of results and support the improved design of activities in future as lessons are learned. Greater clarity on impact and outcomes will make it easier to incorporate experience of effective delivery to inform the design of future projects and activities, strengthening learning and helping to improve future impact. In addition, the Bank will increase its conduct of impact assessments at the country, thematic and sector level with a view to understanding the drivers of change to deepen future transition impact, as well as reinforcing its knowledge management systems and architecture.

23. The Bank's first annual *Impact Report* is to be published at the time of the 2025 Annual Meeting in parallel with the consideration of this SCF. Over time, the improved data quality generated by the updated assessment system will allow the data in future *Impact Reports* to present an increasingly complete and compelling picture of the Bank's impact, combined with focused examinations of the Bank's impact in specific areas. Better and more plentiful data will also strengthen the Bank's operational delivery of deeper transition impact through refinements to strategies, enhancements to products and optimisation of resource allocation.

4.3. Deepening impact – strategic themes

24. This section describes the ways in which the Bank will deepen transition impact through the pursuit of three strategic themes. In each area the Bank's experience provides a firm foundation for achieving long-lasting systemic change, and for each theme new strategies will be approved by the Board of Directors in 2025 to guide and underpin operational delivery.

4.3.1. Green transition

25. The world faces an urgent climate and biodiversity crisis. Across the Bank's countries, extreme weather events have become more common, and countries in the south-eastern Mediterranean and Central Asian regions are exposed to severe risks of water stress. All eligible countries of operations are signatories to the Paris Agreement and, as mandated in Governors' Resolution No. 239 approved in 2021, since the end of 2022 all the Bank's operations have been aligned with supporting the achievement of the goals of eligible country of operations signatories to the Agreement. In parallel, global and regional uncertainty has increased the value attached to accessing stable and predictable energy supply. Technological advances now mean that in many countries renewable energy is the most cost-effective source of such supply.

26. The Bank's countries of operations have the opportunity to harness the momentum towards the green transition to strengthen competitiveness, economic resilience and energy security. This requires tackling extensive market failures; addressing severe environmental stresses to strengthen resilience and reduce environmental fragility; and developing new sources of competitiveness through enhanced skills and business models. It is estimated that to realise this opportunity will require annual investment of over €500 billion per year in countries of operations by 2030, five times the current level. This investment can only be generated through systemic change supporting deep-rooted policy reform and an integrated approach to climate mitigation, adaptation and nature.

27. In the SCF2026-30 period the Bank will pursue transition impact through supporting decarbonisation and resilience building and seeking to realise the economic opportunities generated by the green transition. Deeper impact will be achieved through scaling up existing effective delivery mechanisms, sharpening the Bank's focus and deploying investment and policy activities more comprehensively, including to enhance the conditions for

private-sector investment. The Bank's ambition to strengthen impact and build the market conditions for green investment will be advanced through three interrelated elements:

- Scaling financial flows to match country of operations demand through its own green finance investment and that mobilised from the private sector by its activities. The Bank will maintain its current commitment mandated in the Green Economy Transition Approach 2021-25 approved by the Board of Directors in 2020 for at least 50 per cent of Annual Bank Investment to be for green purposes.
- Improving the quality of finance by redoubling the focus on systemic impact through an integrated approach to policy engagement and financing taken forward through detailed plans for achieving impact through six core systems where the Bank has the skills, experience and leverage to deliver transformational change in the areas of energy, urban, industrial, agrifood, transport and financial intermediation. Progress in the reform of each of these systems will be linked to clear specific goals and regular monitoring and reporting. This work will often be supported by donor resources to overcome barriers to green investment, including through the important global vertical funds.
- Enhancing climate adaptation and introducing nature considerations across all the Bank's activity as a complement to the Bank's well-established activity on climate mitigation, recognising the importance of these areas for building resilience and addressing fragility. Specifically, the Bank will mainstream adaptation considerations in a wider range of sectors; incorporate climate resilience in transition planning and Green Cities Action Plans; step up policy engagement to raise awareness of climate risks; and develop innovative financing tools, notably through capital markets. The Bank will also focus on identifying pilot projects in the financial sector to address biodiversity risks and opportunities, as well as working with fellow MDBs to develop best practice in mainstreaming biodiversity considerations.

28. Partnerships – both international and local – are essential. In particular, the Bank works closely with other MDBs as a system to maximise impact. This includes pursuing a common overall agenda based on shared diagnostics and data to support countries of operations in delivering their green transition goals, both in stand-alone programmes or more comprehensively through country-led initiatives, such as country platforms. These processes can only be effective when they are country-led and owned, and the Bank and its partners stand ready to respond quickly, if required. In the SCF2026-30 period it will also include creating new operational and knowledge-sharing partnerships to address more complex challenges and improve the Bank's policy engagement and investment products.

4.3.2. Economic governance

29. Commitment by countries of operations to the principles of multiparty democracy, pluralism and market economy is a threshold condition for the Bank to pursue its transition mandate as stated in Article 1 of the AEB. Sound economic governance is fundamental to promoting the conditions in which competition flourishes, entrepreneurial initiative is appropriately rewarded and institutional fragility reduced. Economy-wide governance standards are lower in the Bank's countries of operations than in most advanced comparator countries, with particular weaknesses in government effectiveness, quality of economic governance institutions and rule of law. In addition, the economic role of the state has risen in recent years, stimulated by the impact of the Covid-19 pandemic and sustained by an increased use of industrial policy interventions in all economies with significant risks of badly designed and distorting policies, especially in countries of operations. It is important that such interventions are well designed to be effective.

30. In the SCF2026-30 period the Bank will build on its experience to address the persistent transition gaps in the area of economic governance, as well as the new challenges arising from shifts in the economic landscape and geopolitics. The approach to promoting sound economic governance will be structured around three core objectives pursued through activities at the economy, sector and firm level:

- Supporting private-sector development and competitiveness through interventions aimed at fostering healthy competition and reducing market distortions. The Bank will identify and address obstacles to investments, including project implementation risks, in key areas such as energy, mining and telecoms through leveraging its role as a significant investor in the private sector.
- Leveraging public-sector investment to achieve systemic reform to mobilise private-sector capital, notably in the energy, infrastructure and telecoms sectors, through sectoral reform. This includes strengthening the governance of state-owned enterprises (SOEs) to enhance efficiency and transparency and to increase the contestability of markets.
- Increasing the capacity to design and deliver systemic reforms which improve the business climate, enabling private-sector development and investment. This includes developing administrative capacity to design reforms to promote competitiveness, to manage and implement projects and undertake public procurement.

31. The Bank will promote systemic change in the quality of economic governance where there is opportunity to exercise influence. Leverage can come from a number of sources: the scale of individual or cumulative Bank investment, new reform momentum from governments stemming either from conviction or necessity or combining the skills and objectives of fellow MDBs and other important partners such as the EU in a concerted coalition for change.

32. The Bank's capacity to invest in both the public and private sectors is a key asset for delivering systemic change in economic governance. In the SCF2026-30 period the Bank will strive to maximise the impact of its public-sector investments and aim to identify reform opportunities with all public-sector clients or in each sector in which they operate. Objectives will reflect the scale of the transition need, increase in ambition over time and be supported by clear indicators to be articulated in a new Economic Governance Strategy.

33. This higher level of ambition will be realised through:

- **New approaches**, notably setting clear and sequenced reform objectives to deliver on the country strategy priorities in countries of operations where the Bank has significant public-sector presence and developing Sector Reform Roadmaps in the context of specific projects.
- **Scaling up the SOE Management Assistance and Reform Transformation (SMART) programme**, which combines governance and sector reforms with capacity and implementation support.
- **Strengthening economic governance at the sub-sovereign level** through leveraging the strength of the Bank's municipal frameworks, such as Green Cities and water sector frameworks, through policy support and capacity building in public procurement, crisis response and mobilising blended finance.
- **Increasing the focus on enhancing economic governance to enable investment directly** through strengthened policy engagement to improve the design of reforms, leverage private-sector transactions to address sector distortions, including those stemming from industrial policy, and tackle obstacles to investment in priority sectors.

4.3.3. Human capital and equality of opportunity for all

34. Sustainable, well-functioning market economies draw on the full potential of all people to maximise overall prosperity and long-term growth. In a context where countries of operations face multiple and overlapping challenges such as demographic shifts, deep changes in labour markets and skill requirements due to technological advance, as well as conflict and fragility, the focus on protecting human capital to build resilience is increasingly important. In particular, evidence shows that women continue to face deep-seated structural obstacles to accessing economic opportunity, making women's economic empowerment an important source of potential economic growth. Overcoming the obstacles faced by women and others is essential to realise this potential.

35. The SCF2021-25 highlighted the potential of the Bank's distinct private sector-focused approach to promote equality of opportunity for all and to deliver systemic impact at the firm, sectoral and national level through investment and policy activity. Through the period the Bank has deepened and widened its impact in these areas under the complementary Equality of Opportunity Strategy and Strategy for the Promotion of Gender Equality. These strategies highlighted the importance of recognising factors which affect equality of opportunity throughout a person's life, beyond characteristics or circumstances at birth. Some of these factors were known at the outset, such as climate change and digitalisation, but unanticipated shocks from conflict, natural disasters and mass migration have heightened the relevance of this approach. This has been exemplified by the fact that the vast majority of projects undertaken in wartime Ukraine have included a human capital component, including reintegrating returning and injured veterans into the workforce. Over the period, the Bank's activity in this area has been substantially scaled up, well above annual targets.

36. Over the SCF2026-30 period, the focus will be on deepening the impact of its operations by strengthening its value proposition to clients. For example, in their functions as employers, the Bank will enable firms to access a wider talent pool, invest in high-quality skills and enhance growth, including specifically through mainstreaming actions which enhance women's economic empowerment. As providers of products and services and as participants in local and global value chains, the Bank will support clients to reach underserved market segments or suppliers. Impact will be deepened across three priority areas:

- Broadening **access to skills, employment and livelihoods** to tackle the challenges and harness the opportunities from the digital and green transition, and to tackle the informal economy.
- Building **inclusive financial systems** to enhance access to finance for all with equitable regulatory and policy frameworks.
- Creating **inclusive infrastructure services and public goods** accessible and safe for all.

37. To achieve more systemic impact at client, sector and market levels, the Bank will make a priority of:

- **High-impact projects** which can create systemic change through improved corporate practices and sectoral reforms with committed clients, generating market-level signalling effects.
- **Harnessing the collective impact of smaller projects** in specific sectors or regions.
- **Long-term engagement with clients on opening opportunity to all** to build capacity over time and effect more lasting changes in behaviour, building on the existing work with clients through financial institutions.
- **Investments addressing the largest transition gaps** and targeting specific industry needs and national policy priorities, such as digital and green skills or inclusive financial systems.

38. Transition impact will be achieved within this framework through investment and targeted policy engagements guided by new and expanded activities in four areas:

- **Adapting the Bank's crisis response to protect human capital, especially in Ukraine.** For example, supporting the reintegration of internally displaced people, returnees and veterans into the labour force, together with ongoing development of the skills needed in both the wartime and post-war economy and the introduction of inclusive standards for an eventual reconstruction, and remaining agile in response to natural disasters and economic paradigm shifts.
- **Maximising synergies between other strategic themes and enablers** by:
  - working for a just green economy transition in energy, transport and industrial sectors and piloting approaches to integrate human capital measures into adaptation projects
  - promoting digital skills and building client capacity for the responsible application of AI and digital technologies
  - strengthening inclusive governance reforms for SOEs, as well as private-sector clients.
- **Scaling up inclusive value chain approaches which take into account the different challenges faced by individuals** across sectors, including through inclusive procurement and supply chain finance.
- **Promoting inclusive financial systems** through engagement with regulators and the private financial sector on inclusive policies and lending practices.

39. It is envisaged that to strengthen delivery and deepen transition impact across the SCF period, several internal enabling factors will be put in place. These include enhanced monitoring and reporting systems to better articulate impact, with a stronger focus on outcome indicators and related processes; standardised key products to facilitate scaling-up in priority areas and reinforced Bank capacity for improving the quality of the Bank's work in this area, including the internal processes – such as the updating and strengthening of the Gender SMART approach – for tracking and designing activities to address the challenges restricting women's economic participation.

4.4. Amplifying impact – strategic enablers

40. The strategic enablers of developing and deploying digital technology and boosting private-sector mobilisation have the scope to multiply the Bank's impact across all qualities. The first widens the scope of the Bank to have impact, creating transition business opportunities which would not otherwise be available. The second increases the volume of investment flowing to countries of operations in the short term and has the potential to widen the pool of investors willing to invest independently in these countries in the long term. The details of the Bank's approach to delivery in the SCF2026-30 period in both areas will be considered by the Board of Directors in 2025.

4.4.1. Deploying and developing digital technology

The use of digital technology is ubiquitous and its potential as a driver of productivity enhancement and economic growth immense. A well-functioning market economy makes the best use of this potential. It is estimated that 70 per cent of new value created in the decade to 2035 will be based on business models enabled by digital platforms. The depth and breadth of the digital economy in the Bank's countries of operations varies by country.

41. The Bank placed strategic emphasis on its digital work in the SCF2021-25 period with the dual objective of both supporting countries of operations in developing and deploying digital capacity and bringing coherence and expertise to its own digital activity. This focus will be maintained and sharpened in the SCF2026-30 period, during which the Bank will continue to work through a framework consisting of three pillars and one underpinning element. The pillars are:

- Putting in place the **foundations** of the digital economy through investment in digital infrastructure and supporting well-designed regulation;
- Promoting the **adaptation** of clients to the evolving digital landscape in order to allow them to increase efficiency and remain competitive; and

- Spurring digital **innovation** through investment in fostering the development of the early-stage finance ecosystem.

Enhancing cybersecurity and strengthening digital safeguards provides the cross-cutting focus for the Bank's work.

42. Overall, the Bank will build on the experience gained in the SCF2021-25 period with a view to providing a range of investment, advisory and policy activities to support clients to strengthen their digital resilience to both seize the opportunities and navigate the risks of the digital economy. This will see deepened impact achieved by focusing on three specific areas:

- **Increased finance for digital transformation**, particularly expanding opportunities for capital expenditure.
- **Targeted policy engagement** to achieve systemic impact in countries where the Bank has the leverage to increase the effectiveness of markets through addressing market failures, removing barriers to digital investment.
- **Building digital skills and awareness** by deploying knowledge products and training and vocational education and training (TVET) to promote the application of technological solutions at the sectoral level amongst clients and Bank staff.

The Bank will also examine a range of digital topics, from artificial intelligence and digital opportunities to addressing existing risks by supporting cyber resilience.

43. In the SCF2026-30 period, the contribution of digital activity to transition will be assessed through the Bank's internal systems for determining transition impact, reflecting the potential for this work to enable and amplify transition impact across all transition qualities. The use of digital technology will also be fully integrated into the delivery of each of the strategic themes. The digital technology sector both needs to decarbonise as a large consumer of energy and has the potential to support decarbonisation in other sectors, for example through technological enhancement of electricity grids and the deployment of "smart" metering. Similarly, narrowing digital divides for communities and individuals is important for maintaining equality of opportunity, while digital transformation can enhance transparency in governments and firms, including SOEs.

44. As the Bank's work matures in the SCF2026-30 following its first comprehensive approach, and the ambition to both focus and increase the Bank's activity in this area crystallises, there will be a need for the Bank to develop its organisational structures to move away from reliance on donor funding for staff positions, create relevant incentives and strengthen the tracking of activity and impact.

4.4.2. Boosting private-sector mobilisation

45. The Bank's impact is magnified and enhanced by its efforts to mobilise other investors, both domestic and foreign. This is a function highlighted at the foundation of the Bank in Article 2.1(ii) of the AEB. There is a global imperative to raise investment flows to achieve sustainable development, and an increase in private-sector investment is essential to match the scale of that challenge. The Bank mobilises and quantifies third-party finance in two ways:

- **Direct mobilisation**, where the flow of private-sector finance is directly attributable to the work of the Bank through verifiable evidence such as payment of a fee or other documentary evidence.
- **Indirect mobilisation**, where the Bank provides part of the total finance for a project but it is not possible to provide verifiable evidence that the provision of third-party finance is clearly attributable to the Bank's participation.

46. In addition, the Bank's wider policy work aims to create the conditions in which third-party investment is increased through improvements to the business climate and the functioning of specific markets, of which capital and financial market development (see Box 3) is a strong example. The Bank will continue to explore options for quantifying the impact of this activity consistently, working with other MDBs, whilst also highlighting the qualitative effect of its policy work in supporting sustainable private-sector financial flows.

Box 3: Mobilisation through the development of financial markets

Broader usage of local currency and deep and liquid capital markets are valuable in supporting economic efficiency, and their development can enhance transition impact across all the transition qualities. In addition to supporting the Bank's direct investment, promoting systemic change in capital and financial markets enables the mobilisation of domestic private-sector resources.

The EBRD will continue to deliver impact and mobilise private-sector resources through this channel in the SCF2026-30 period through its mature and effective approach to supporting both the development of local currency usage and local capital market development through combining expertise from the

Bank's Treasury and its dedicated capital markets policy team, while collaborating closely with other IFIs. A new management-led approach will set the framework for the Bank's work with a view to creating the enabling environment to increase the use of local currency and improve the ability of local financial systems to channel resources to the real economy. Through its work, the Bank will mobilise resources through a range of activities including: assisting in designing regulatory frameworks; supporting the development of local currency financial markets, as well as acting as a *de facto* anchor investor crowding in finance in bond issuances, especially in new sectors or products. More indirectly, by supporting improved monetary frameworks, the Bank enables greater confidence to be built in local currencies. This combines with work to improve domestic banks' financial risk management through the development of money and derivative markets to allow banks to increase their lending activities by increasing deposits and opening new sources of capital, thereby allowing higher levels of financial intermediation and economic activity.

47. Work on both direct and indirect mobilisation has advanced in the SCF2021-25 period, with a particular focus on direct mobilisation. The goal to double the Bank's Annual Mobilised Investment (AMI) – an internal measure of direct mobilisation – to €2 billion by 2025 has been increased twice and successfully met, reflecting the implementation of the Bank's first comprehensive mobilisation approach, which has seen new products, such as non-payment insurance launched, investor outreach and education increased and the internal culture for pursuing mobilisation strengthened.

48. For the SCF2026-30 period, there will be an increased focus on the Bank's total mobilisation achievements as a clearer indication of the overall contribution the Bank's activities make to meeting the financing challenge and the impact the Bank has.

49. At the same time, AMI will continue to play an important role, since the ability to directly mobilise third parties provides essential validation for the Bank's pricing and structuring approach, safeguarding the achievement of sound banking and additionality. Equally importantly, relationships are developed and market knowledge gained through this activity, driving product innovation in the Bank and enabling the education of market investors, leading ultimately to increased investment by them in the Bank's countries of operations.

50. The Bank's ambition is to establish a floor for private-sector AMI of €5 billion in the SCF2026-30 period. In order to reach this level, the Bank will build on its existing toolkit and assess approaches which are new for the Bank to reach different investor classes and put in place appropriate internal incentives. This includes considering additional portfolio-based transactions complementing the Bank's expected first Significant Risk Transfer (SRT) transaction by the end of 2025, as well as the examination of the feasibility of developing a systematic "originate to share" model, including the implications for the Bank's income generation.

5. Achieving transition impact – Where?

51. The Bank endeavours to maximise its transition impact within all its countries of operations, both by developing the conditions in which it is possible to advance transition and taking advantage of transition business opportunities which arise through the combination of the size of the transition challenge and the potential to address them. Although the Bank annually sets an indicative range for its investment at a regional level, the Bank can and does exceed these levels if circumstances allow. Activity is not constrained by planning. Nevertheless, shareholders do have expectations for the geographical direction of the Bank's work in the SCF2026-30 period, which are set out in this section.

5.1. Ukraine

52. Supporting Ukraine has been the Bank's highest priority since the start of the Russian Federation's illegal full-scale invasion in February 2022 and will remain so for the SCF2026-30 period. The Bank will continue to support the real economy through investment in the private sector and the provision of vital infrastructure, notably in the transport and energy sectors, in wartime. In 2024 the Bank deployed over €2 billion – twice as much as annual pre-war levels – protecting lives and livelihoods.

53. The Bank's 2023 capital increase recognised that the Bank's longstanding relationships, demonstrated effectiveness in wartime and private-sector focus are assets which will allow the further exceptional efforts to be made by the Bank in the reconstruction of the country and its expected future integration with the wider European economy. In the event of more stable conditions complemented by reform commitment underpinned by the rule of law and a path to membership of the European Union, the Bank will step up both its investment and policy activities. The initial acceleration is likely to be in the financial sector, with investment in the corporate

sector growing only as domestic and foreign investor confidence in a more stable business environment rises. The Bank is currently working with partners in Ukraine to strengthen project preparation capacity, which will enable investment in the sustainable infrastructure sector to take place as rapidly as possible when conditions allow. The Bank remains committed to the objective set in the 2023 capital increase to invest a minimum of €3 billion annually in any period of reconstruction, as well as advancing the broad policy anticipated at that time.

5.2. Other countries of operation

54. The capital increase also set out expectations of the Bank's work over the medium term in other countries of operation and was intended to allow the Bank to continue to increase its investment outside Ukraine as envisaged through addressing both the implications of the war and pre-existing transition challenges. In doing so, shareholders put emphasis on the importance of addressing the largest and most pressing needs in countries where the Bank's impact can be greatest under supportive circumstances. The table in Annex 3 shows the relative ranking of all countries of operations by level of transition overall. For the purposes of the SCF2026-30 period, all countries with a relative ranking equivalent to or lower than Montenegro (the highest-ranked country in the current highlighted group) are considered less advanced in transition. Further, the Bank's goal will continue to be to increase the levels of its investment and policy activity in all the countries less advanced in transition.

55. The Bank cannot achieve systemic impact in any country without a supportive enabling environment, irrespective of the size of any transition gaps. In particular, its capacity to promote transition depends on the prevailing economic and reform conditions in countries of operations. For example, in the early years of the century the Bank established the Early Transition Country (ETC) initiative as part of a concerted international effort to address the low levels of transition and development in a number of successor states to the Soviet Union. Since then, the level of transition within this group of countries has diverged markedly such that the group no longer presents a common set of transition characteristics and this categorisation of country will no longer be used within the Bank. This divergence reflects in large part the variation in the level of reform commitments and the quality of governance between countries and the dispersion shown in Annex 3.

56. Previous medium-term strategic documents have singled out groups of countries where additional emphasis could be beneficial in promoting an adequate level of Bank attention and activity. This approach has been broadly successful. As a result, members of the countries less advanced in transition provide 15 of the 18 countries where the Bank's annual investment as a share of GDP is highest. In the SCF2026-30 period, the strategic objective of increasing the Bank's activity in all countries less advanced in transition will encompass all of these countries. The operational question of whether incentives are needed for countries within this group and the appropriate metric for assessing delivery will be considered in the context of the review of the Corporate Scorecard for the SCF2026-30 period.

57. For all the Bank's countries of operations, the ultimate measure of successful transition is when a country graduates from access to Bank resources. For countries advanced in transition, the expectation is that as transition advances the opportunities for the Bank to pursue its purpose will reduce. This reflects the general trend that over time both the narrowing of transition gaps and – more importantly – the widening of alternative sources of finance reduces the Bank's ability to be additional to the market. The Bank reaffirms the principle of graduation as defined in *A Policy on Graduation of EBRD Operations (BDS96-166)*, recognising that graduation is a country-led process. This evolution has not proved to be linear. In the context first of the Covid pandemic and subsequently the war on Ukraine, both the Bank's additionality and transition opportunities, for example to address the needs of displaced people, in a number of countries more advanced in transition has increased at least for a time.

58. Nevertheless, in the SCF2026-30 period, in the event of more stable economic and geopolitical conditions, it would be expected that the focus of country strategies in the countries more advanced in transition will narrow to address those selected areas where the potential for the Bank's transition impact remains and the Bank's finance is additional. The AEB requires the Bank's performance in all countries of operations, including those most advanced in transition, to be reviewed annually. This provides an opportunity to review and, if needed, revise country strategy objectives in the light of prevailing circumstances.

59. A revised Post-Graduation Operational Approach through which the trajectory for any graduating country would be smoothed by a time-limited continuation of investment and other activity and provided the possibility of a resumption of Bank activity in the event of a crisis which met pre-defined criteria was approved in 2021. This is designed to help countries advanced in transition to set a path and a plausible pace of graduation in country strategies when circumstances allow. This will be supported by a replenishment of the Post-Graduation Special Fund, whose resources were reallocated to support Ukraine in 2022.

5.3. Limited and incremental expansion

60. The Bank will begin to operate in new countries of operations in sub-Saharan Africa and Iraq in the final months of the SCF2021-25 period and is expected to have begun operations in all eligible countries under this expansion early in the SCF2026-30 period. Following continuing fact finding, the Bank has updated its assessment of potential opportunities for transition impact and also refined its cost calculations. This fact finding has further validated the overall value proposition which underpinned the approval of the limited and incremental expansion in 2023 and found that levels of likely future investment are above previously estimated levels. Nevertheless, the expected relative level of capital consumption in sub-Saharan Africa and Iraq remains consistent with earlier estimates, as the Bank's capital base has grown faster than anticipated and incremental costs are small relative to the Bank's overall budget.

As in all countries of operations, the Bank's work in these countries will be underpinned by country strategies developed in cooperation with the country's authorities and reflecting the country's needs, the enabling environment and the Bank's skills. The Bank will pay particular attention to adding value to the work of the many development partners active in-country. Active collaboration and close coordination will be particularly important, and concrete plans for cooperation at the country level will be a key part of country strategies. The Bank will actively seek to learn from the experience of others, especially in the initial stage of operations. This learning and – over time – the Bank's own experience will inform the Bank's approach to delivering transition impact and supporting systemic change in this new geographical context.

61. Following the lengthy preparatory process, making a successful impact in these new countries is an important strategic objective for the Bank in the SCF2026-30 period. As envisaged in the Report of the Board of Directors to the Board of Governors recommending approval of a limited and incremental expansion, a comprehensive review of the Bank's initial experience will be undertaken in 2028 – five years after approval by the Board of Governors of the amendment to Article 1. This review will assess the effectiveness and impact of the Bank's work; the strength of its collaboration and partnership with other development actors, especially other MDBs; and the efficiency and cost effectiveness of the Bank's expansion. This assessment will draw – amongst other sources – on evaluation findings and the feedback of stakeholders in the public and private sectors. On the basis of the outcome of the review, the Board of Directors may seek further analysis to determine whether and, if so, how to proceed with an incremental expansion into further countries in the region. In any case, the conclusion of this exercise will be reflected in the SCF2031-35.

6. Achieving transition impact – How?

62. The Bank achieves systemic impact across the transition qualities through combining **investment** from both its own resources and that mobilised from third parties, **targeted use of concessional resources** and **policy engagement**, which can both directly support transactions or aim at improving the overall investment environment, benefiting all investors, including the Bank. This approach has evolved over time and has proved effective in achieving shareholders' goals and impact in countries of operations. This section briefly outlines the key components in each area for the SCF2026-30 period.

6.1. Investment

63. Section 4.4.2 described the Bank's approach to mobilising the finance of others. The Bank itself invests using its own resources, providing debt, equity and guarantees. Debt accounts for 83 per cent of the total portfolio, with equity forming a further 11 per cent. Guarantees have grown in importance over the SCF2021-25 period, rising from 3 per cent of the portfolio at the beginning of the period to 6 per cent. This has reflected a continuing increase in activity under the Trade Facilitation Programme, which has proved an important instrument in uncertain times, and the successful deployment of new portfolio risk-sharing products, which have been vital – in particular – to enable lending by partner banks in wartime Ukraine. Box 4 highlights the role which equity plays in both delivering transition impact and the approach the Bank has taken and will continue to take to equity investment.

Box 4: Equity investment 2026-30

The Bank invests equity both directly and through equity funds. Through its direct equity investments, the Bank achieves transition impact in sectors by improving the competitiveness of firms, enabling growth, providing a demonstration effect in sectors through specific capital investment and raising corporate governance standards and practices. By investing through equity funds, the Bank both promotes impact as noted above in investee companies, as well as nurturing the private equity sector, which is underdeveloped in all countries of operation.

Although equity investment has always accounted for a relatively small proportion of the Bank's portfolio, equity returns have been responsible for nearly half of the Bank's total capital accumulation. After a period of relative underperformance following the financial crisis of 2008-09, the Bank introduced a restructured and refocused approach to equity investment, which has yielded positive results, reflected in a strengthening in the scale and quality of the Bank's equity investment.

Reflecting this performance, no fundamental changes are envisaged to the Bank's approach in the SCF2026-30 period. However, in order to grow the absolute size of the equity portfolio and increase impact, the Bank has an aspiration to make larger direct equity investments in future, while continuing its specific focus on early-stage and high-risk equity and venture debt, which has proved particularly valuable in advancing transition through the growth of digital companies. The extent of opportunities to make investments in and through equity funds depends on markets being of sufficient size to provide a critical mass of opportunities for investors and the Bank's additionality.

64. The Bank's investment reflects the combination of deep sectoral skills and a wide range of products with in-depth country knowledge. Strategies across each of the Bank's broad sector groups set out the means through which the central SCF goal of maximising transition impact will be approached. These sectoral toolkits are drawn on within country strategies to address specific transition objectives.

65. The **financial institutions (FI) sector** is the Bank's largest by number of projects and is particularly important in advancing transition impact against the competitive and resilient qualities. In the SCF2026-30 period the Bank will address transition through activity in this sector in three principal ways. First, the Bank will provide needed capital to partner institutions through debt and equity, as well as continuing to increase investment through capital market instruments which crowd in other investors and help build self-sustaining markets in the long term. Second, the Bank will continue to address transition goals and advance the strategic themes by channelling finance through partner banks to reach specific groups or finance specific investment. This approach will be complemented by building on the successful development of portfolio guarantee products which support the same goals. Third, the Bank will work to broaden and diversify the financial sector through supporting non-bank and microfinance institutions, as well as developing deeper and more liquid capital and local currency markets.

Box 5: Supporting small and medium-sized enterprises, 2026-30

The Bank has long recognised the importance of supporting SMEs, which provide a large share of value added, employment and (sometimes) innovation, across all economies. Within a well-functioning market economy, a thriving SME sector promotes greater competition and more efficient resource allocation – as confirmed, for example, in the EBRD's *Transition Report 2024-25*. Further, when operating in the formal sector, SMEs are often advocates for enhanced economic governance, as they are often more affected by deficiencies in the business environment than large firms. SMEs are also enablers for supply chain resilience, economic integration through exports and trade, the green transition, human capital resilience and women's economic empowerment. SMEs can be technological agents of the digital transition.

Uniquely, the Bank combines finance and advisory activities for SMEs and is able to develop the SME ecosystem through intermediaries as well as directly. The Bank's SME toolkit will continue to be innovative and adaptive, generating new products to meet emerging needs and responding quickly to crises. Significant in-country presence of SME bankers and advisory specialists enables impact also through investment climate policy dialogue and enhanced business opportunities in financial and corporate sectors. Donor support is essential to overcome ongoing structural deficiencies in SME access to finance and non-financial services, providing the resources for advisory services, investment grants and first loss support facilities.

For the SCF2026-30 period, the Bank's SME approach will be built on three impact pillars:

- **Wide outreach** combining targeted intermediated financing through partner financial institutions, including fintechs, with business advisory and non-financial services such as collective training and digital platforms, including PFI platforms. The goal is to maximise the number of MSMEs reached with enhanced support targeting specific themes including green, agrifood, youth and women's entrepreneurship, digitalisation and export promotion.
- **Nurturing champions** by selecting high-potential SMEs across the spectrum to be a focus for intensive advisory and financing support through the Star Venture, Blue Ribbon, and Supply Chain Solutions programmes in order to maximise the growth potential of these firms.
- **Supporting the ecosystem** by providing targeting tailored advice to government and SME associations to encourage a business-friendly and supportive environment drawing on a knowledge hub of SME policy environments in countries of operations. The Bank will also support capacity building to reinforce the ecosystem for SME development through, for example, accelerators, incubators and local consultants.

66. Projects in the **corporate sector** achieve transition impact across all the qualities, accounting for around a third of the Bank's transition objectives under all qualities. The Bank will continue to achieve impact across the transition qualities at the firm level and in sectors through demonstration effects and policy engagement. In addition, in targeting transition through the corporate sector, the Bank will also address areas of particular importance for its overall impact. This includes enabling transition through investment in high-quality and cyber-secure digital infrastructure, investing to integrate firms, including small and medium-sized enterprises (see Box 5), within regional and diversified supply chains and supporting resilience in supply chains, particularly through investing in additional warehousing capacity. Although the Bank's countries of operations are home to limited deposits of critical raw materials, the Bank actively seeks opportunities through its work in the mining sector – for example, through the innovative Junior Mining Programme approved in 2024, which seeks to provide equity finance to early-stage mining projects. Achieving impact in these areas will remain a focus and will be developed further in future sector strategies, as appropriate.

67. The **sustainable infrastructure (SI) sector** is the biggest contributor to the Bank's climate finance. The bulk of the Bank's transition objectives under the integrated and well governed qualities are also addressed through projects in this sector. In the SCF2026-30 period, investment in the energy sector will be dedicated to expanding the production of clean energy from renewable sources and investing in the storage and transmission infrastructure needed to realise its full potential. Throughout the SCF period the Bank will continue to monitor developments in the nuclear sector, bearing in mind the role it will play in the energy transition, including consideration of emerging opportunities consistent with its private-sector focus. Investment in the wider infrastructure sector will continue to promote high standards and security whilst supporting transition through targeting climate and nature goals, including through the Bank's flagship Green Cities programme, which exemplifies the Bank's distinctive and effective approach in sub-sovereign investment. The Bank will seek to reinforce resilience in critical infrastructure, including through encouraging better cybersecurity, and promote connectivity within and between countries of operations through investment in the transport sector.

6.2. Policy engagement

68. The importance of well-designed and effective policy engagement for the Bank's ability to achieve systemic transition impact has been increasingly recognised over the past decade and is firmly mainstreamed within the Bank's work. Delivering effective policy engagement will continue be integral to the SCF2026-30 delivery especially, with a greater emphasis on achieving systemic change both generally and especially in supporting each of the SCF's strategic themes. In advance of the start of the SCF period, the Bank will further strengthen the policy prioritisation process to align policy interventions more closely with country strategy objectives whilst retaining the capacity to respond flexibly to emerging opportunities. This will be supported by an improved organisation for policy delivery, including strengthened regional presence. The Bank will also continue to work to improve its measurement of the impact of policy work. This will see policy work captured more systematically and consistently within the Bank's impact measurement systems, marking a significant step in recognising the effectiveness of policy work and providing enhanced incentives to undertake such work.

6.3. Mobilising donor resources

69. The disciplined and selective use of donor resources, avoiding crowding out the private sector, is essential to the Bank's achievement of systemic impact, with around half of the Bank's projects benefiting from donor support. Such resources are used routinely in a variety of different ways to enable investment and enhance transition impact and are vital in any crisis response. These include supporting clients in the preparation, implementation and monitoring of projects. It also includes technical assistance to deliver specific transition objectives such as training clients. Donor resources are deployed directly in projects to provide targeted incentives to overcome the

market failures which deter sustainable investment or financial enhancements such as investment grants or risk coverage to improve bankability. Almost all of the Bank's free standing policy engagement is supported by donor resources. Overall, donor finance allows the Bank to achieve more, and better, transition impact.

70. Donor resources will remain vital in the SCF2026-30 period in enabling the Bank to achieve ambitious levels of transition impact. As highlighted, the level and range of activities envisaged, notably across the Bank's strategic themes, can only be fully implemented with donor support. In this period, the donor landscape will continue to evolve. A growing number of shareholders, including countries of operations, are becoming bilateral donor partners of the Bank, displaying their deep commitment to the Bank. Collectively, shareholders support the Bank's work through net income allocations to the Shareholder Special Find (SSF), which has been an invaluable source of flexible donor finance over the past two decades and will remain important in the SCF2026-30 period. The SSF's strategic focus will be aligned with that of the SCF2026-30 following approval, its regional funding model updated to reflect the Bank's expanding geographic coverage and its rules updated to promote efficiency and clarity in management.

71. The partnership between the Bank and its donors is mutually beneficial, through which donors' goals are met through the pursuit of transition objectives. Through this partnership, the Bank is also able to draw on the expertise and ideas of the wider donor community. In addition, the emergence of new public and private partners, as well as the commencement of operations in new countries, will open new opportunities for the Bank itself. The Bank intends to deepen its partnership with new and existing donors in the pursuit of shared objectives. Innovation will be needed as grant finance continues to decline and donors seek to maximise the multiplier effect of increasingly scarce public funds through blending, including to support the mobilisation of third-party finance. A new donor strategy setting out the Bank's goals and approach in the SCF2026-30 period will be approved by the Board of Directors in 2025.

6.4. Collaboration

72. The EBRD does not act alone, but is one part of an overall international system committed to the achievement of collective goals. It can only achieve its maximum levels of transition impact in the SCF2026-30 by working in effective partnerships, notably with other development finance institutions (DFIs) and especially other MDBs. Through this cooperation and collaboration, impact is enhanced, since it allows the financing of larger projects than is possible as a single institution or for a common reform agenda to be promoted by a number of institutions.

73. In the second half of the SCF2021-25 there has been an increasing focus in the international community on ensuring that MDBs work more closely and coherently as a system to strengthen effectiveness and impact. The Bank has responded actively to this challenge. In particular, the Bank has stepped up cooperation with the World Bank Group, captured in a comprehensive memorandum of understanding signed in 2024, and concrete progress on mutual reliance is expected in the course of 2025 with the International Finance Corporation (IFC) and the European Investment Bank (EIB) – two of the EBRD's closest partners. Through implementation of these agreements, the experience of clients will be enhanced and the efficiency of the institutions increased. The Bank has been a strong promoter of coordination amongst IFIs through country-led platforms, especially in the area of climate finance, and has led efforts to harmonise procurement practices across the MDBs in Ukraine.

74. Action on this agenda will continue throughout the SCF2026-30, reflecting the medium-term programme set out in 2024 within the *Viewpoint Note: MDBs Working as a System for Impact and Scale* and the *G20 Roadmap Towards Better, Bigger and More Effective MDBs*. Progress across the different elements of cooperation will enable the MDBs to improve responsiveness to clients – both private and public – and operate more efficiently and at a greater scale.

75. The Bank will continue to collaborate and coordinate with other stakeholders. This encompasses work with the EU – the Bank's largest donor – particularly in the context of enlargement and overall engagement in the European neighbourhood and coordination with global institutions, notably the IMF, to advance common reform objectives. In addition, cofinancing of projects in countries of operations with other DFIs will remain a core activity for the Bank. Further, throughout the SCF2026-30 period the Bank's work will continue to be enhanced through collaboration and engagement with partners in civil society to strengthen both the development of strategies and implementation of projects. These partners strengthen the Bank's transition impact through supporting the Bank's strategic and operational objectives, as well as increasing transparency through public dialogue and the accountability of public bodies.

7. Enabling transition impact achievement

76. In order to deliver transition impact of a scale and quality consistent with shareholders' ambitions, the Bank needs appropriate levels of budgetary and financial resources, effective and efficient systems and practices, a skilled and motivated workforce, and a culture of learning and continuous improvement. This section first considers the adequacy of the Bank's capital stock over the SCF period to support shareholders' aspirations while maintaining financial sustainability; sets out the capital, resource and transition impact control parameters which constitute the control framework for the SCF period; and highlights important institutional factors which will sustain the Bank's successful delivery.

7.1. Capital adequacy

77. The Agreement Establishing the Bank requires that the Board of Governors "… shall at intervals of not more than five (5) years review the capital stock of the Bank". A thorough analysis of the Bank's capital position over the period to 2030 was presented to the Board of Governors in 2023. That analysis concluded that for the Bank to have sufficient capital resources to achieve shareholders' goals, a paid-in capital increase of €4 billion would be required. The Board of Governors approved such a capital increase through Governors' Resolution 265 on 15 December 2023.

78. Building on this work, the Bank's capital capacity for the SCF period has been reassessed. To do so, projections for the Bank's capital level and asset accumulation over the period have been made based on a range of plausible operational and financial assumptions. The consequent projected portfolio is subjected to stress testing to determine the maximum level of operating assets which can be accumulated by the Bank whilst remaining within its overall risk appetite. This risk appetite broadly corresponds to being able to maintain a triple-A credit rating in a severe stress scenario. This approach reflects the greater flexibility to capital planning to be enabled by the relocation of the Bank's nominal capital limit from the AEB to a policy approved by the Board of Directors as recommended by the Independent Commission on MDBs' Capital Adequacy Frameworks (CAF) through amendment of Article 12.1 of the AEB. The amendment has put the Bank in a position, subject to the approval of the Board of Directors, to invest more in SCF2026-30 period than would have been possible had the relocation not taken place.

79. The updated analysis shows that in a base case the Bank has the capital capacity to increase operating assets by €8 billion (16 per cent) from 2026 to 2030. This corresponds to a potential to support an increase in ABI to around €18 billion by the end of the period. In both cases, these levels are significantly higher than those projected in the context of the 2023 capital increase and reflects the Bank's stronger than expected financial performance and consequent internally generated capital growth in 2023 and 2024.

80. Any estimate of capital capacity is a snapshot taken at a particular moment in time. Over the course of the SCF period, both the Bank's financial performance and the prevailing financial and risk conditions will differ from those assumed in the base case, which could cause the sustainable level of annual investment to be higher or lower than projected. Analysis shows that, if supported by continued strong profitability, positive market interest rates and a lower risk environment – subject to the availability of opportunities of sufficient quality – it is plausible to anticipate that the Bank's capital capacity could stretch even further and support annual investment of up to €20 billion, including enhanced investment in Ukraine, by the end of the SCF period. However, investment capacity could be lower if capital accumulation is slower than in the base case.

81. In all circumstances, the Bank's overarching aspiration is to maximise the quantity and quality of its impact throughout the SCF2026-30 period. In this context, the operational deployment of the Bank's capital capacity will be planned annually through the SIP process based on an assessment of the prospects for investment which meets the Bank transition, sound banking and additionality criteria, as well as the Bank's ability to realise these investment opportunities.

82. In addition, building on the Bank's existing implementation of CAF recommendations will further support the Bank's investment capacity. As highlighted in Section 4.4.2, the Bank will aim to undertake a first SRT through a synthetic securitisation in the course of 2025. This fulfils twin objectives of mobilising a new group of private investors for the benefit of countries of operations and familiarising the Bank with an instrument which can in the future free risk-bearing capacity in the face of capital constraints. While not imminently needed, the Bank could also issue hybrid capital, which can provide a flexible tool for increasing capital capacity, during the SCF period. Box 6 summarises the status of the implementation of other CAF recommendations.

83. The Board of Directors concludes, on the basis of the Bank's analysis of the potential range of investment activity which could be supported by the Bank's projected capital base and the additional flexibility available through

implementation of the CAF recommendations, that, without prejudice to upcoming decisions to modernise the existing nominal leverage limit, the Bank's capital can support the strategic ambitions presented in this SCF.

Box 6: EBRD and CAF

The EBRD engaged closely with the development of the CAF recommendations and has responded positively to them. In addition to the current and future actions identified in the text prior to its recommendation by CAF, the Bank incorporated within its risk-adjusted capital adequacy policy to the fullest extent possible the benefit from both its holding of callable capital and preferred creditor treatment of its finance. In addition, the Bank has contributed to the cross-MDB exercise to increase understanding of the process through which callable capital would be provided by shareholders and completed analysis of the role it could play in supporting risk-bearing capacity. For the future, assigning responsibility for the Bank's nominal capital policy to the Board of Directors provides the opportunity to modernise this measure in a revised overall capital adequacy framework. Further innovation is expected to be pursued through the SCF period, both to mobilise the private sector and actively manage capital, including – as noted in the text – potentially through an "originate to share" approach, the issuance of hybrid capital and transferring risk to the private market. The Bank has continued to develop its set of mobilisation tools and remains the largest user amongst MDBs of unfunded risk participation, which can reduce risk concentrations at the counterparty and country level, thereby releasing capital constraints. The Bank looks forward to working with shareholders with a view to advancing discussions with the credit rating agencies about giving a greater weight to both callable capital and preferred creditor treatment in their rating methodologies.

7.2. Financial sustainability

84. As noted in paragraph 19, the EBRD's objective is to achieve transition impact whilst adhering to the principles of additionality and sound banking. Sound banking is applied to all aspects of the Bank's operations, supported by strong risk management and finance functions. Its rigorous application has contributed to organic growth of the Bank's capital base over time. This growth has been such that the need for shareholders to inject their own capital into the Bank has been limited, with the 2023 capital increase being the first time in the 21st century when new paid-in capital was provided.

85. Sound banking will remain fundamental to the Bank's work in the SCF2026-30 period and will underpin financial sustainability across the period. In order to reinforce the attention focused on long-term financial sustainability, the Bank's goal of maximising long-term transition impact is supported by an ambition of achieving growth in member's equity above the level of euro area inflation over the whole SCF period. Achieving this level would mean that the Bank will – at a minimum – maintain the Bank's capacity for transition impact in real terms.

86. Whilst income generation is by far the most important factor in determining the pace of capital accumulation, the growth of the Bank's administrative expenditure to support that income generation is also important. In addition, as a steward of public resources, the Bank has a particular obligation to manage its resources efficiently and effectively. The Bank has been commended in an external assessment by the Multilateral Organisation Performance Assessment Network (MOPAN) for its efficient delivery over the SCF2021-25 period, which saw an expansion in the Bank's activity and impact achieved within broadly flat real budget growth. This is consistent with the longstanding recognition that efficiency and re-prioritisation are always the first source for funding incremental activity.

87. However, the expected growth in investment and deepening of policy activity in the SCF2026-30 period cannot be supported by efficiency and reprioritisation alone. In that context, in order to confirm the Bank's continuing dedication to proactive cost management demonstrated during the SCF2021-25 period and responding to the commitment made in the 2023 capital increase, the Board of Directors has approved a medium-term cost management framework, underpinned by an operational limit for the ratio of costs to development-related exposure[1]. This will provide an anchor which will ensure that cost growth is controlled and commensurate with the planned expansion in investment activity across the SCF period to ensure financial sustainability and delivery of the Bank's increased ambition. An indicative limit was set for the first time in the SIP2025-27, and a limit for the ratio for the SCF2026-30 period will be set in the SIP2026-28 to guide future annual budget discussions. At the same time, a range of enhanced cost and financial metrics will be closely monitored over the period to inform operational and budgetary decision making and ensure a comprehensive and holistic approach.

1 Defined as the sum of the Bank's operating assets and guarantees which it has extended.

7.3. Control parameters

88. The SCF is not operationally prescriptive and allows the Bank to respond to opportunities and circumstances to deliver its objectives. However, this flexibility exists within a clear framework of accountability. Accordingly, in order to provide assurance to the shareholders that the Bank is pursuing its strategic objectives responsibly, the SCF is implemented through successive SIPs to ensure that the Bank complies with a set of control parameters.

89. Specifically, the parameters set minimum acceptable levels for the Bank's annual levels of targeted transition impact and project performance, maximum permissible levels of capital utilisation and maximum levels for a specific resource measure to apply across the whole SCF period. This section provides details.

7.3.1. Transition parameters

90. Reflecting the centrality of the achievement of transition impact to the Bank's activity, two control parameters are set to ensure that this purpose is always fulfilled adequately, namely:

- The average level of Expected Transition Impact (ETI) should exceed 60 for each year of the SCF period. Expected Transition Impact is an internal assessment which combines the scale of the effect the Bank is seeking with the probability of its achievement at the start of a project's life; and
- The share of projects on track to deliver their expected transition objectives should exceed 70 per cent across the SCF2026-30 period.

91. Maintaining an average annual ETI of 60 ensures that the Bank always – at a minimum – undertakes projects that are ambitious and address important needs in countries of operations. The share of projects on track is used as a control parameter for the SCF2026-30 as a better and more transparent measure of the quality of the Bank's achievement of transition impact. The level set for the parameter will ensure that the Bank is always achieving over two-thirds of its expected impact at all times.

92. These parameters establish the minimum levels the Bank should maintain over the SCF period. Annual goals for transition objectives will be set in the formulation of the Corporate Scorecard in successive SIPs.

7.3.2. Capital parameter

93. In approving any Strategic and Capital Framework, the Board of Governors supports the judgement of the Board of Directors that the Bank's capital stock is expected to be sufficient for the whole of the SCF period. The expectation is that, in deploying its resources to deliver its transition mandate, the Bank will maintain its triple-A credit rating, able to both support its investment activity and withstand shocks without requiring additional capital from shareholders. To achieve this objective, the Bank will maintain **capital utilisation under the Bank's risk-adjusted Capital Adequacy Policy metric below a ceiling of 90 per cent**. Following the amendment of Article 12.1 of the AEB, the Board of Directors will continue to apply the existing nominal leverage limit until such time as the measure is modernised to establish and maintain appropriate limits with respect to capital adequacy metrics, taking into account current capital management practices as part of the Board's responsibility to protect the financial soundness and sustainability of the Bank.

7.3.3. Resource parameter

94. For the SCF2026-30 period the ratio of total costs to debt income will remain the basis for assessing whether total costs remain consistent with shareholders' objectives with respect to the overall financial sustainability of the Bank.

95. The role of the resource control parameter is for the Board of Governors to provide a ceiling for the relationship between the Bank's cost base and its predictable income flow. The introduction of a defined medium-term budgetary framework by the Board of Directors for the SCF2026-30 period as highlighted in Section 7.2 includes an operational anchor for maintaining the Bank's cost discipline. As a result of the analysis provided in establishing the framework, the level of the control parameter can be raised from that set in the SCF2021-25 and the Bank will maintain the **annual ratio of costs to debt income below 80 per cent** for the SCF2026-30 period.

96. The numerator for this ratio will consist of the Bank's administrative costs, which are the Bank's total costs less non-budgeted and specific defined exceptional items[2], and the denominator will be formed of debt income from the Banking portfolio[3] and net interest income from the long-term Treasury portfolio[4].

7.4. Internal facilitators

97. **Staff** are the Bank's most important and essential asset. Over the SCF2021-25 period, the Bank has repeatedly risen to unexpected challenges through the flexibility and commitment of its staff. Demonstrated delivery is the Bank's trademark, which can only be achieved by a dedicated workforce. In the SCF2026-30 period, the Bank will continue to strengthen both its people-planning processes and capabilities to best match the needs of a growing organisation by investing in dedicated training to support delivery of the SCF priorities by building the necessary resources and skills internally, as well as bringing in external talent when required. In the continuing uncertain environment, the policy of the Bank will remain to safeguard, so far as is reasonably practicable, the safety and security of staff. In addition, to enhance transition impact and increase effectiveness, the Bank is assessing the optimum location of a number of critical roles with a view to getting closer to clients and policymakers, reducing complexity and speeding up decision making and disbursements.

98. The Bank has initiated a wide-ranging **Transformation Programme** with the aim of improving its agility, resilience and effectiveness. This transformation is intended to make the Bank data driven and digitally equipped, adding value in countries of operations through an engaged and expert workforce enabled and supported by modern, secure technologies, processes which are fit for purpose and a culture that recognises collaboration, commitment and accountability. The transformation has brought a greater coherence to organisational change and provided central support for team-led initiatives across the entire Bank. It has also led to the recognition that transformation and increasing efficiency are continuous processes which will endure through the SCF2026-30 period.

99. A vital underpinning to this transformation is a major multi-year investment programme, which initially addressed the acknowledged under-investment in the Bank's IT estate. Implementation of this programme provides the platform for innovation designed to simplify and digitalise core business processes and ensure the Bank remains agile and fit for the future. The programme will continue in the SCF2026-30 period, addressing all identified critical security, risk and audit issues; ensuring the Bank's data are an asset and streamlining client and donor interactions, whilst realising cost savings and efficiencies across the Bank.

100. The Bank has made significant progress over the SCF2021-25 period in strengthening its **learning, evaluation and knowledge management** functions. As a result, the Bank is in a good position to realise the opportunities identified over time by both the Bank's Independent Evaluation Department (IEvD) and the 2024 MOPAN assessment. Considerable time has been spent on the design and operationalisation of a new and strengthened self-evaluation system. Similarly, systems for collating and accessing lessons learned from both investment operations and policy engagement are either in place or will be finalised for use in the SCF2026-30 period. These developments are in the early stages of implementation but will support the Bank's goal of achieving more and better impact. Embedding a culture of reflection on performance with a view to strengthening performance is a long-term task which will continue in the SCF2026-30 period, supported by these and future initiatives.

101. Reflecting the commitment to institutional learning – and as signalled in the monitoring arrangements detailed in the 2023 capital increase – a mid-term evaluation of the implementation of this SCF will be undertaken by IEvD in 2028.

102. Finally, realising the ambitions contained in the SCF2026-30 and maximising systemic impact is critically dependent on a number of important **policy enablers**. In particular, an approach to procurement which appropriately addresses the integrity of supply chains, unfair competition, conflicts of interest and anti-competitive practices and the need for countries of operations to access high-quality, value-for-money technology, notably in the green sector, in the short term; recognising that in tackling global "bads", investment is needed at scale in all countries of operations, including those most advanced in transition, as is the capacity to access adequate donor resources both to support heightened policy activity and address crisis situations.

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2 Retirement Plan actuarial adjustments, SEMED external expenses, deferral of loan origination costs and costs of Corporate Recovery enforced assets.

3 Net interest and fee income before the recognition of effective interest rate adjustments, excluding (i) returns on debt portfolio measured at fair value through profit and loss, (ii) cost of funds on the Bank's non-performing loans covered by stage 3 impairment, and (iii) income on non-performing loans returning to performing status.

4 Excluding realised gains or losses on Treasury bond sales.

7.4.1. Corporate Scorecard

Internal incentives are vital for delivery of overall objectives. The EBRD's Corporate Scorecard is the vehicle for setting and measuring the Bank's annual objectives and impact. It forms the annual agreement between the Bank and its shareholders, and the structure will be reviewed in 2025 to align with the strategic directions set in the SCF2026-30. The Corporate Scorecard structure will be revised to include a balanced set of incentives to guide the Bank to deliver on the aspirations set in this SCF. The relevance of evolving practice in other MDBs will also be considered.

Recommendation

The Board of Directors commends the content of the SCF2026-30 to the Board of Governors and reaffirms that the Bank's capital stock is adequate for its delivery. Accordingly, it recommends approval of the Governors' Resolution contained in Annex 1.

Annex 1: Draft Resolution of the Board of Governors: Strategic and Capital Framework 2026-2030

THE BOARD OF GOVERNORS:

Recognising the importance of the Bank's transition mandate and value in advancing all shareholders' objectives.

Acknowledging the Bank's strong track record of delivery under the Strategic and Capital Framework 2021-2025 (SCF) and the continuing importance of the strategic direction established through that SCF.

Recalling that supporting Ukraine is the Bank's highest priority and the shareholder support for that objective through the approval of the 2023 paid-in capital increase and the commitments made by the Bank in that context.

Noting that all the Bank's recipient countries face significant challenges stemming from ongoing global crises and uncertainty, as well as regional and national circumstances.

Confident in the Bank's capacity to continue to strengthen and increase its activity and impact in support of its recipient countries.

Welcoming the acceptance by members of the amendment of the geographical scope of the Bank in Article 1 of the Agreement Establishing the Bank (AEB) to enable a limited and incremental expansion into sub-Saharan Africa and Iraq.

Noting further that Article 5.3 of the AEB specifies that "the Board of Governors shall at intervals of not more than five (5) years review the capital stock of the Bank", and that previous such reviews took place in 1996, 2001, 2006, 2010, 2015 and 2020; and

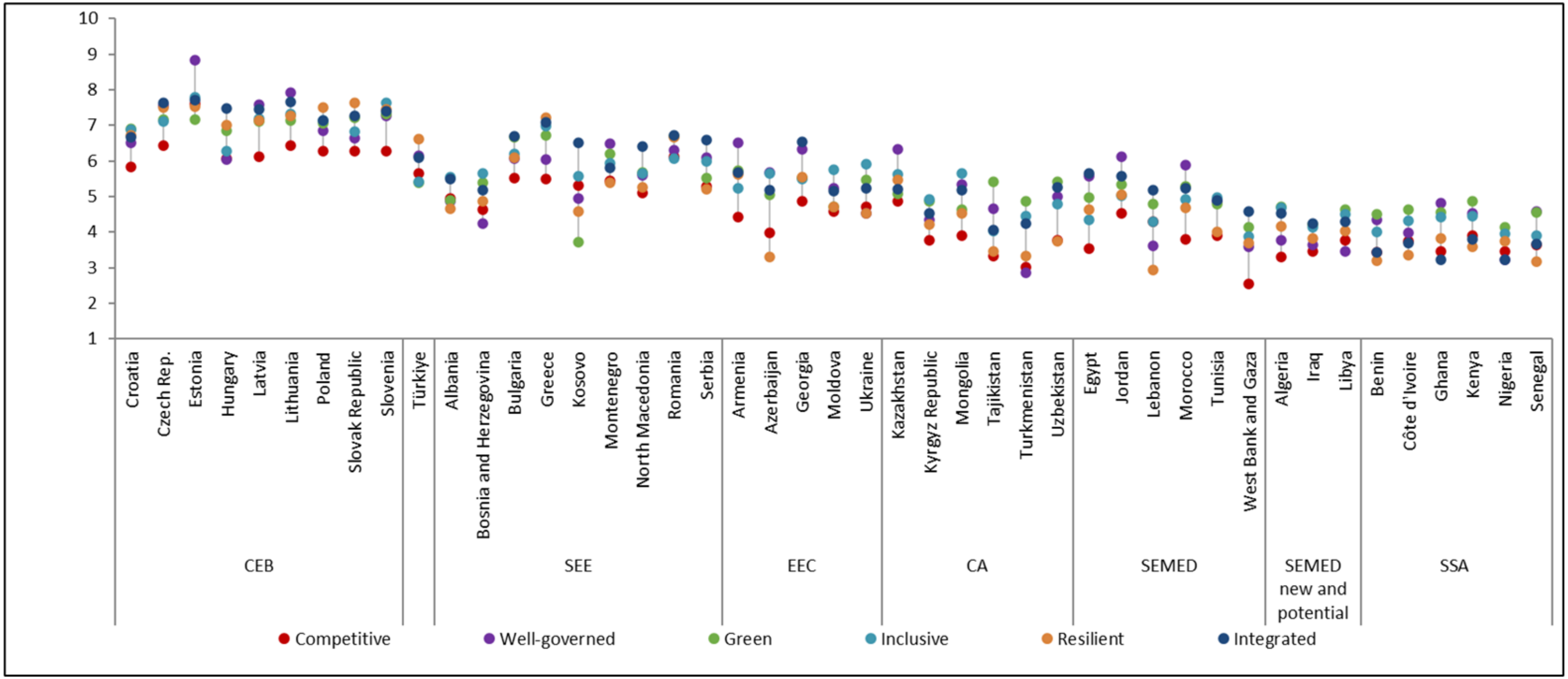
Having considered the report of the Board of Directors to the Board of Governors "Strategic and Capital Framework 2026-2030 (BDS25-20)" (the "Report");

RESOLVES THAT:

The Bank will foster the transition towards open market-oriented economies and promote private and entrepreneurial initiative during the 2026-2030 period, guided by the strategic orientations outlined in the Report and within the set control parameters; and

The Bank's projected capital stock is appropriate for the 2026-2030 period.

Annex 2: Assessment of Transition Qualities by country, 2024



Annex 3: Countries of operations

By average ATQ ranking
Estonia
Lithuania
Czech Republic
Slovenia
Latvia
Poland
Slovak Republic
Hungary
Greece
Croatia
Romania
Bulgaria
Türkiye
Montenegro
Serbia
Georgia
North Macedonia
Armenia
Kazakhstan
Jordan
Ukraine
Albania
Morocco
Bosnia and Herzegovina
Moldova
Mongolia
Kosovo
Azerbaijan
Egypt
Tunisia
Uzbekistan
Kyrgyz Republic
Lebanon
Tajikistan
Turkmenistan

Countries highlighted in current SCF by category
Early Transition Countries
Western Balkans
Southern and eastern Mediterranean