To improve the lives of people in the countries where it invests, the EBRD promotes sustainable growth and the development of the private sector. In order to achieve this the Bank makes use of integrated investment, technical cooperation and policy dialogue in key areas of the economy, including the financial, SME and corporate sectors and infrastructure, power and natural resources.
The EBRD recognises that strong financial institutions play an essential part in the economic development of the countries where it invests. It therefore provides the funding that businesses need in order to grow, and financial services that help individuals build a secure future. By combining project work with policy dialogue, the EBRD and its donors foster systemic change aimed at making financial institutions more stable and competitive.

In 2013, the financial sector in the EBRD region continued to face multiple challenges stemming from sluggish economic growth in many countries, increased regulatory scrutiny of asset quality and capital buffers, and long-running eurozone stresses. These pressures resulted in limited credit growth and highlighted the need to build sustainable local sources of finance.

In response to these developments the EBRD signed new business in the financial sector worth €2.39 billion in 2013 covering 29 countries (compared with €2.85 billion covering 26 countries in 2012).

The Bank made commitments to 157 financial sector projects and, demonstrating the EBRD’s support for the Joint IFI Action Plan for Growth in Central and South Eastern Europe, 39 per cent of these projects targeted this region.
In addition, the Bank maintained its strong focus on the financial sector in the early transition countries (ETCs) where 50 projects were signed for over €167 million. The Trade Facilitation Programme (TFP) also made a significant contribution to this region.

The EBRD continued to develop new financial sector projects in the SEMED region despite the difficult business environment. Key transactions included the EBRD’s participation in the first Eurobond issue by a Moroccan bank, the Banque Marocaine du Commerce Extérieur. Another notable project was an SME credit line with the National Bank of Egypt. The EBRD also organised a number of workshops to promote the TFP and SME programmes as well as local capital market development.

Policy dialogue

Major focus areas for policy dialogue were the Local Currency and Capital Markets Development Initiative (LC2), deeper financial inclusion and efforts to strengthen the safety net of the banking system in Albania and Kosovo. New initiatives included a conference on mobile banking that led to intensive discussions with regulators about mobile banking in the region. On financial inclusion, the EBRD completed an innovative project in the ETC region that enabled client banks to engage with remittance recipients and encourage them to open bank accounts (see case study on page 9).

Under LC2, a wide-ranging policy dialogue programme aimed to improve the functioning of financial markets in many countries where the Bank invests. In cooperation with the International Swaps and Derivatives Association (ISDA), the EBRD undertook policy discussions on the financial reporting of derivative transactions in Russia. In Poland, in light of significant changes to the private pensions industry, the Bank involved the regulator in working groups on reforming the long-term local currency debt market. Policy dialogue also continued apace in Romania aimed at promoting corporate bond issuance, including covered bonds.

Banking

As major European banking groups continued to deleverage, their local subsidiary banks faced critical decisions about how to build and grow sustainable bases of local funding. In addition, weakened loan demand and the increase in non-performing loans (NPLs) in a number of countries restricted balance sheet growth and sector development. The Bank helped to fill financing gaps by providing stable sources of funding in both foreign and local currencies, with a particular focus on local capital market development. It also sought to reignite lending to the real economy by increasing its trade finance, micro, small and medium-sized enterprise (MSME) and energy efficiency lending activities.

“The Bank helped to fill financing gaps by providing stable sources of funding in both foreign and local currencies.”
**Trade finance**

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

In 2013, demand for the TFP continued to grow steadily and the EBRD financed 2,033 trade transactions worth a total of over €1.2 billion, working with 78 banks across 21 countries. New banks from the SEMED and SEE regions joined the programme and the EBRD concluded its first TFP transactions in Jordan and Morocco. The programme also expanded through increased demand for factoring facilities.

The Bank continued to perform strongly in priority areas: the ETCs accounted for 47 per cent of the number of TFP transactions (and 27 per cent of the volume) while intra-regional trade represented 25 per cent of deals. The number of funded cash advances rose, especially in the ETCs, due to growing imports of fast-moving consumer goods. These mostly involve short-term cash advances and predominantly support local SME traders and distributors.

Although trade activity continued to recover slowly in many countries in which the Bank invests, a reduced appetite for risk continues among foreign commercial banks in trade finance operations. Therefore demand for the TFP is expected to remain high among small and medium-sized banks in the region, and among banks in the ETCs.

**Sustainable energy financing**

Sustainable Energy Financing Facilities (SEFFs) – dedicated credit lines to local financial institutions for investments in sustainable energy projects – remained a core component of the EBRD’s Sustainable Energy Initiative (SEI).

Growth in energy efficiency lending through the SEFF model continued in 2013. The Bank provided new loans worth a total of €454 million to 38 financial institutions across 16 countries, including Azerbaijan and Kosovo for the first time. There are currently 23 SEFFs operating in 18 countries. Last year the programme widened its outreach, particularly in the Western Balkans, by extending financing through banks to the public sector. Between the launch of the SEFFs in 2006 and the end of 2013, the EBRD had disbursed loans worth €1.9 billion to partner institutions, which on-lent €1.6 billion to sub-borrowers, thereby supporting over 55,000 sustainable energy projects.

**MSME financing**

In the countries where it invests, the EBRD has long supported MSMEs by improving their access to funding and financial services. Small businesses are an important source of jobs and growth in transition countries, fostering entrepreneurship and innovation. Encouraging financial institutions to lend to this sector, and in particular to under-served borrowers such as farmers and female entrepreneurs, is part of the Bank’s effort to create sustainable sources of finance for the real economy.

One project with Garanti Bank in Turkey is piloting a methodology for financing SME clients that clusters them according to their industry or region.

In 2013, the Bank continued to facilitate credit flow to MSMEs by concluding 81 MSME credit lines and bonds for over €810 million to partner institutions such as banks, leasing companies and specialised microfinance institutions across 26 of the countries in the EBRD region. In addition, a number of energy efficiency credit lines and subordinated debt projects supported finance to SMEs. Importantly, the Bank provided loans through local currency instruments in order to reduce the foreign exchange risks for both partner institutions and their MSME clients.

The EBRD actively supports MSMEs through over 200 partner institutions in 28 countries. As of mid-2013, these partner institutions had portfolios of two million MSME loans totalling €1.2 billion.

**Equity**

There was less demand for equity transactions in 2013 owing to the depressed financial environment. The Bank committed to two new investments in the financial sector, taking its first equity stake in a microfinance institution by investing in IMON International in Tajikistan and acquiring a stake in an insurance company in Slovenia. It also provided additional capital to six existing financial sector investments.

With regard to exits, the Bank secured nine full and three partial divestments from a range of institutions in its portfolio. The EBRD has investments of €1.9 billion in 72 financial institutions across 25 of the countries in which it invests.

**Other financial services**

In response to rising NPLs in the region, the Bank worked with firms specialising in NPL resolution to minimise this obstacle to credit growth. The Bank supported two such projects in 2013: one in Turkey and one involving a regional NPL finance programme and the EBRD concluded its first TFP transactions to credit growth. The Bank supported two such projects in 2013: one in Turkey and one involving a regional NPL finance programme working in Russia and Ukraine.

To help financial institutions diversify their funding base and to develop local capital markets, the EBRD invested in a number of bond issues. In 2013, the Bank participated in 12 bond issues, some of which encouraged important developments in the capital markets. An example was the groundbreaking Kyrgyz Investment and Credit Bank bond issue in Kyrgyz som, in which the EBRD acted as a catalyst by backing policy dialogue with transaction support and investment. More broadly, a significant number of issuances were made in local currency by institutions in the Bank’s region as they sought to attract domestic institutional investors and better match their assets and liabilities.

The EBRD strongly encourages local currency lending. Using funding raised directly by the Bank, it provided 24 local currency loans in Georgian lari, Kazakh tenge, Polish zloty, Romanian lei and Russian roubles for a range of financing purposes. In addition, the EBRD extended 26 loans to financial institutions via the Currency Exchange Fund, in which it invests.

The Bank also continued to respond to the currency mismatch issues faced by some financial institutions by extending its cross-currency swap product to Romanian and Serbian financial institutions.
Technical cooperation

Thanks to support from donors, technical cooperation (TC) remained an integral part of the EBRD’s business model for financial institutions. Technical assistance supported EBRD investments and enhanced policy dialogue in priority areas such as sustainable energy, LC2 and MSME lending. In 2013, there were 99 TC assignments issued in the financial institution sector with a total value of €26 million. Donors funded €31 million in incentive payments to participating institutions and their clients in the areas of energy efficiency and SME competitiveness.

Existing and new SEFFs received 78 per cent of TC funding in the financial institution sector in 2013. A TC framework designed to identify and support local currency reforms led to five assignments. Donor support for MSME lending activities continued primarily in the ETCs, Turkey and the Western Balkans, while donor engagement in the SEMED region maintained its momentum via the successful TFP programme and assignments related to project preparation.

Donor support for policy dialogue and regulatory reform allowed the Bank to explore mobile banking in 2013, resulting in a project to develop a regulatory framework in Tajikistan for mobile money. The EBRD also increased cooperation with the EU and IFIs to achieve even more effective and complementary use of donor resources in the financial sector.

INDUSTRY, COMMERCE AND AGRIBUSINESS

Through investments in industry, commerce and agribusiness (ICA), the EBRD supports diversification of the real economy, innovative and sustainable development and inclusive growth in countries where the Bank invests. It uses loans, equity investments, participation in equity funds, policy dialogue and donor-funded technical assistance to promote a private corporate sector that is strong, competitive and a source of job creation.

In 2013 the EBRD invested €2.6 billion through 137 projects in ICA. The sector accounted for 31 per cent of annual Bank investment and more than 35 per cent of the number of operations (including 40 per cent of ETC transactions, and 72 per cent of equity transactions).

As part of efforts to reinvigorate the transition process, the Bank worked on developing a knowledge economy initiative to deliver a more cohesive and cross-sectoral approach to ICA investments. The new focus will bring together research and development investments in traditional industries, support for access to finance for small innovative companies and greater investment in information and communication technology (ICT) sub-sectors, such as IT services. Policy dialogue aimed at improving the innovation systems and business environment in countries where the Bank invests will support the initiative, which is being implemented in 2014.

ICA SEMED

In 2012 the EBRD established ICA SEMED to coordinate industry, commerce and agribusiness operations in the new southern and eastern Mediterranean (SEMED) region. In 2013, this focused approach allowed the Bank to sign 13 projects for a total commitment of €209 million in the SEMED ICA sector.

Significant projects included the EBRD’s first agribusiness investment in Egypt - a local currency loan to the Juhayna Group, a leading integrated dairy and fruit juice producer. In addition, the Bank supported urban regeneration by investing in the Abdali Retail and Entertainment Centre in Jordan, a project that includes US$ 33 million (€24 million equivalent) for investments in sustainable resources. (see case study on page 27).

The EBRD continued to support the development of private equity in SEMED, investing in three private equity funds with coverage wholly or partially in the region (Capital North Africa Venture Fund II, Mediterrania Capital II, and Earlybird Digital East Fund).

Other SEMED projects included four in manufacturing (a white goods manufacturer and a plastic pipes manufacturer, both in Egypt; a multinational car parts supplier with a subsidiary in Morocco; and a leading pharmaceutical group based in Jordan) and one in ICT (support for the expansion of a Tunisian software developer).

The EBRD sees significant growth opportunities in the ICA sector in SEMED for 2014 and will start the year with a strong pipeline.

ICA RUSSIA

The EBRD’s strategy for Russia emphasises diversification of the economy and investment in the regions. Although 2013 was a challenging year for EBRD business in the country, with slowing growth, clients being more cautious about capital investment, and liquidity

In 2013 the Bank committed €209 million to 13 projects in the SEMED ICA sector.

in the domestic banking market, the EBRD invested more than €606 million in 24 projects across the Russian corporate sector.

Almost 50 per cent of these projects were equity or quasi-equity investments, reflecting the Bank’s goal of helping to improve corporate governance standards in Russia. The EBRD also managed a significant portfolio of existing investments in the country. Several larger projects involved foreign sponsors but the majority of investments were below €20 million and conducted with local counterparties.

In the agribusiness sector, the Bank worked with three existing clients already active in the country (John Deere, Louis Dreyfus Commodities and Globus). In manufacturing, the EBRD worked with equipment makers and suppliers as part of its efforts to modernise Russia’s outdated automotive industry.

Transactions also covered pharmaceutical distribution and manufacturing of wood products. The Bank invested in Russia’s knowledge economy by financing an IT service provider’s acquisition strategy aimed at meeting the increasing data storage and transfer needs of business and society. The EBRD also continued work to deepen and strengthen the private equity markets by investing in equity funds and supporting the venture capital ecosystem.
Agribusiness

The Bank’s work in the agribusiness sector aims to unlock the enormous agricultural potential in the EBRD region, raise standards within the food industry and help companies operating at different stages of the food production chain to become major national, regional and international players.

In 2013, the EBRD once again delivered significant annual Bank investment in the sector, including investments in support of Bank activities in the SEMED region, the Sustainable Energy Initiative and other policy dialogue initiatives. The Bank committed a total of €871 million (compared with €874 million in 2012) through 54 transactions in the sector in 2013, while mobilising an additional €110 million in commercial syndication, resulting in total commitments of close to €1 billion.

In order to fulfil its objectives in the agribusiness sector, the EBRD blends policy dialogue and investment activity, drawing on expertise from across the Bank. The agribusiness technical cooperation portfolio includes work on: (i) the Private Sector for Food Security Initiative (see page 36), which remains at the centre of the Bank’s policy dialogue in the sector; (ii) agribusiness resource efficiency – linked to both the Sustainable Resources Initiative and the Private Sector for Food Security Initiative; (iii) quality standards and animal welfare; (iv) capacity-building for agribusinesses; and (v) retail.

The Bank made a strong start in the agribusiness sector in the SEMED region, with four projects exceeding an aggregate commitment of €60 million, including investments in the dairy and fruit juice sectors. One example was a loan to Moroccan fruit juice producer Citruma, the EBRD’s first agribusiness deal with a locally-owned company in the region. The Bank’s agribusiness activities remained strong in other countries where it works, as the investment in the MK Group demonstrates (see case study above).

CASE STUDY

**ENHANCING THE AGRICULTURAL VALUE CHAIN**

**Serbia**

By making a €50 million equity investment in MK Group, which is part of the Agri Europe holding company, the EBRD is helping one of the leading agribusiness companies in the region to expand its farming and meat processing operations in Serbia.

More specifically, the project will enable MK Group to finance an irrigation system, silo construction and the acquisition of additional agricultural land. By facilitating third party access to storage facilities, the project also supports small farmers and addresses key infrastructure bottlenecks in Serbia.

With regard to technical cooperation, MK Group is engaged in policy dialogue activities with the EBRD, the Serbian government and the Food and Agriculture Organization (FAO) to establish a crop receipt law that can facilitate pre-harvest financing. Moreover, Carnex – another company in the Agri Europe group – is involved in a joint EBRD-FAO Geographical Indication initiative in Serbia, to enhance the global recognition and competitiveness of local meat products.

“In order to fulfil its objectives in the agribusiness sector, the EBRD blends policy dialogue and investment activity, drawing on expertise from across the Bank.”
Equity funds

The EBRD has the largest private equity fund investment programme dedicated to central and eastern Europe (CEE) and Central Asia, with investments in a total of 147 funds since 1993. Through its investments and other activities in support of the private equity industry, the Bank helps growing companies in the region access new sources of financing. By mid-2013 over 1,300 investee companies had benefited from our funds.

In 2013, the EBRD committed €334 million to 10 private equity funds. Enhancing its position as a reliable partner in SEMED, the EBRD invested in two private equity funds dedicated to the region and a third that includes Jordan as a target country. The Bank invested in two Russia and CIS-focused private equity funds raised by long-standing partners Almaz Capital and CapMan Russia. It also invested in a fund focused on Russia and the Commonwealth of Independent States (CIS) with Da Vinci Capital, known to the Bank through its investment in the Moscow Exchange.

To support access to finance for innovative technology companies, the Bank invested in local venture capital players Almaz Capital and a leading German venture capital house, Earlybird. Complementing these two funds was the Bank’s investment in the 3TS TCEE Fund III, which will focus on the telecommunications, media and technology sectors in central and south-eastern Europe.

CASE STUDY
EXTENDING THE OUTREACH OF VENTURE CAPITAL AND PRIVATE EQUITY
Estonia, Latvia and Lithuania

An equity fund aimed at turning Baltic companies into leaders in their region and beyond, and at making them attractive to international investors, benefited last year from an EBRD commitment of up to €20 million.

The BaltCap Private Equity Fund II has a target size of €100 million and focuses on equity and equity-related investments in small and medium-sized enterprises and small mid-cap companies, such as Air Maintenance Estonia, in these countries.

Boosting the provision and use of venture capital and private equity is one of the EBRD’s main priorities in the Baltic states, especially at a time when other sources of long-term finance remain scarce. Small companies, in particular, need equity financing. Extending this outreach is part of the EBRD’s new integrated approach for the further development of the venture capital and private equity ecosystem in the three countries.

Under this approach, the Bank will combine project investments with policy dialogue and technical assistance to help innovative companies with far-reaching potential obtain the financing they need to grow.

The Bank has developed two integrated approaches1 aimed at building a sustainable and sophisticated private equity and venture capital industry in the region: the Integrated Approach to Supporting a Sustainable Polish Private Equity Industry (the Polish IA) approved in 2012; and the Integrated Approach for the Further Development of the Venture Capital and Private Equity Ecosystem in the Baltic States (the Baltics IA) approved in 2013.

The Polish IA aims to address the reliance on IFI financing that characterises the private equity industry in CEE. This is due to the lack of a domestic investor base and the withdrawal of many international investors since the financial crisis. The EBRD’s approach also aims to ensure the long-term sustainability of the industry. During 2013, the Bank supported events that promoted private equity investment in the region; worked with the Polish Venture Capital Association to provide independent performance benchmarks for investors; and engaged with institutional investors, both domestic and international, to facilitate their potential investments in CEE private equity.

Despite the difficult fundraising environment, the four operations presented under the Polish IA to date have successfully attracted international investors, including some new to private equity funds in the region. The fourth private equity fund, 21 Concordia, was signed in 2013.

The Baltics IA helps to develop a sustainable and regionally-integrated venture capital/private equity sector in the Baltic

1 Integrated approaches represent a coordinated approach to the EBRD’s operations whereby transition challenges are addressed through a combination of investment projects, associated policy dialogue and technical assistance to enhance the Bank’s potential impact at the sector level.
states so that equity and quasi-equity financing are available at all stages of a company’s lifecycle. The approach addresses several key challenges, including a lack of data on the private equity industry in the Baltic countries; regulatory and legislative hurdles; and insufficiently-developed regional and global networks. It also works to build capacity and support the commercialisation of ideas.

The Baltics IA uses a combination of policy dialogue and sector engagements alongside Bank-led investments such as the 2013 commitment to the BaltCap Private Equity Fund (see case study opposite).

**Information and communication technologies**

Given significant changes in the information and communication technologies (ICT) sector during 2013, the Bank took stock of its ICT activities and worked on updating its strategy for the sector. The ICT Sector Strategy, posted for public consultation, is expected to be approved in early 2014. The EBRD continued to invest in the telecommunications sector and ICT infrastructure, but also invested in subsystems such as production (IT systems, software) and services (IT services, internet firms). The Bank’s investments in the sector were above 2012 levels, with €307 million invested through nine projects across the region (compared with €213 million for nine projects in 2012).

The Bank continued to implement the Venture Capital Investment Programme (VCIP), increasing its own expertise and contributing to the development of the venture capital ecosystem in the region through networking and event sponsorship. One additional investment under this programme was closed, in Turkey. Certain terms of the programme were amended in 2013 and are expected to result in increased investment activity during 2014.

The Bank signed two projects to help improve the Russian ICT services sector: an equity investment in MAYKOR, an equipment and IT maintenance company with 84 regional offices; and a loan of US$ 20 million (€15 million equivalent) to DataLine, a leading datacentre operator in Moscow. The Bank signed its first ICT operation in the new SEMED region, providing a loan to Vermeg, a Tunisian software developer, to support the development of its product range and the expansion of its business.

In Turkey the Bank signed two operations: a deal with consumer internet company Evim.net, concluded under the VCIP; and a loan to TurkNet, an independent provider of broadband internet and fixed telephony services, to help finance the company’s growth and strengthen its service delivery, including in the regions.

In order to better understand the knowledge economy in countries where the EBRD invests, it commissioned two studies, funded by the EBRD Shareholder Special Fund, mapping innovation opportunities and gaps in Morocco and Tunisia. In Tunisia, sectors such as e-payments, software security, applied electronics and pharmaceuticals stood out as potential knowledge drivers, while in Morocco payment processing, software security and applied electronics showed the most promise. The Bank also continued its work on legal and regulatory reform in the telecommunications sector.

**Manufacturing and services**

To support economic diversification, the EBRD invests in a broad spectrum of industries, including (in 2013) chemicals, automotive supply, non-ferrous metal processing, capital goods, construction materials, forestry products and pharmaceuticals. The Bank addresses transition gaps by backing innovative projects that make efficient use of energy, other resources and skills to boost productivity.

The EBRD is increasing its focus on the development of the knowledge economy in countries where it invests, and industry provides significant scope for innovation in the EBRD region. Examples include the Bank’s investments in the Italian company Danieli in Croatia and Russia and with TürkTraktör in Turkey. The Bank also works to attract foreign direct investment to the EBRD region, improve corporate governance and provide local currency financing to limit client exposure to foreign exchange risk.

For the fourth year in a row, in 2013 the EBRD invested close to €900 million in the manufacturing and services sector, signing 51 debt or equity projects despite a reduced average deal size owing to the more cautious business environment. Transactions ranged in size from €500,000 to €110 million. The Bank is committed to reaching out to small and medium-sized enterprises (SMEs); over half of the transactions in the manufacturing and services sector in 2013 were for less than €10 million.

Equity capital is another essential tool for advancing transition. An example was the Bank’s €72 million investment in Polish chemicals company Grupa Azoty which reduced the level of state ownership.

In the SEMED region, the EBRD invested in four manufacturing and services projects in 2013, investing in both foreign and domestic companies.

**Property and tourism**

The EBRD invests in property and tourism to support sustainable development in countries where it invests, and focuses on energy efficiency and regeneration.

Despite uncertain market conditions, in 2013 the EBRD remained active in the property and tourism sector, investing a total of €240 million (compared to €148 million in 2012) in 13 projects in Bulgaria, Croatia, Georgia, Jordan, Poland, Romania, Russia, Serbia and Ukraine. Of this amount, €177 million was debt and the remainder equity. The Bank also closely monitored existing operations to ensure that the ongoing constraints in the market do not adversely impact its portfolio.

As the property sector continued to struggle in some parts of the EBRD region, the Bank completed two significant restructurings. It merged investments in three Europolis real estate funds into one fund and extended the fund life to 2016. In addition, it restructured the syndicated debt on a retail portfolio in south-eastern Europe.

The property and tourism team also explored urban regeneration opportunities in 2013. For its first project in the sector in SEMED, the EBRD invested in a new shopping and entertainment centre in Amman that will help spur economic activity in the Jordanian capital (see case study on page 27).

The Bank also invests in property and tourism to support the regional knowledge economy. An example of this work is the investment in the Odessa IT Centre in Ukraine, which will
CASE STUDY

BOOSTING PUBLIC TRANSPORT
Hungary
The Hungarian capital is justifiably proud of its metro network, which dates back to 1896 and is the oldest in continental Europe. But public transport in Budapest still relies on separate paper tickets for each mode of transit, making commuting a sometimes complicated process and one that is out of step with the city’s growing population of professionals. That is why the EBRD has invested €54.5 million in an electronic ticketing system for Budapest which commuters can use across all modes of municipal public transport.

The loan to transport authority BKK will help develop a contactless travel card valid for use on the city’s metro, bus, tram and trolleybus networks. By making it quicker and easier for passengers to get through fare collection points and switch between different modes of transport, BKK hopes to make public transport more attractive and reverse the trend of rising car use in the city. This would boost Budapest’s transport revenues while also cutting the capital’s carbon emissions.

CASE STUDY

SUPPORTING WOMEN IN BUSINESS
Bosnia and Herzegovina
Herbal products company Faveda is owned by women and is one of the three largest firms of its kind in Bosnia and Herzegovina, producing more than 2.5 tonnes of dried herbs a year. The EBRD’s Small Business Support team helped Faveda change its marketing, target younger consumers and increase sales.

With donor funding from Luxembourg, SBS connected Faveda with a local consultant, who helped the company redesign its packaging and logo, produce promotional items, improve its retail space and create a new web site enabling customers to make online purchases.

These developments helped open up Faveda’s products to a much wider range of customers. For instance, the company moved into new markets in Turkey and expanded its exports to Kosovo. In 2013, turnover increased by 25 per cent, exports by 10 per cent and Faveda was in negotiations to supply a large retailer in Denmark.
provide local IT companies with purpose-built infrastructure. The Norwegian government funded technical assistance for the project, including an energy efficiency audit, as well as the technical design review and an assessment of energy performance and compliance with international energy benchmarks.

In the Western Balkans, the Bank invested in an affordable retail development in the Serbian capital, Belgrade, that will use the best available technologies, including thermal protection and an advanced system of building management.

In Georgia, the EBRD helped a local company finance the construction of a new mid-range hotel that will be the country’s first under the Hilton Garden Inn brand. The project responds to the improved business environment and rising tourist numbers and will set new energy efficiency standards in the region.

**Small Business Support**

The Small Business Support (SBS) team helps small and medium-sized enterprises access the know-how that can transform businesses. From strategy to marketing, quality management, export promotion or energy efficiency, in 2013 SBS continued to draw on the expertise of thousands of local consultants and international advisers to help small businesses reach their growth and employment potential.

SBS also works to build a strong, competitive market for business advice in each country, through training courses, workshops, seminars and other activities. All SBS projects operate on a cost-sharing basis and are possible thanks to the continued support and engagement of a wide range of donors, including the European Union (EU) and over 20 bilateral donors and other organisations. In 2013, SBS raised €40 million in donor funding in new financial commitments. The EU remained the largest donor, with important contributions also coming from Austria, Czech Republic, Finland, Germany, Japan, Korea, Luxembourg, the Netherlands, Norway, Switzerland, Sweden, Taipei China and the United States.

SBS carried out more than 1,430 projects in 2013 connecting SMEs to local consultants for specific business advice, and over 330 projects providing medium-sized enterprises with the industry expertise of international advisers. The impact of these projects is clear: over 2011-13, 71 per cent of enterprises showed increased turnover in the year following their projects and 59 per cent showed a positive change in employment, resulting in the creation of 25,428 new jobs. Increasing access to finance also remains a key goal of the programme. Over 2011-13, 67 clients secured finance from the EBRD and 594 from local banks, including EBRD partner banks.

In 2013, the team focused on the development of a more comprehensive approach to supporting female entrepreneurs through programmes for women in business. These augment advisory projects with training in core business skills, mentoring, longer-term coaching and links to EBRD partner banks and other financial intermediaries, helping to overcome knowledge differentials and barriers to accessing finance. New programmes for women in business were launched in the Samsun province of Turkey in 2013, funded by the EU, and in Egypt, funded by the Middle East and North Africa Transition Fund and undertaken in cooperation with the Social Fund for Development.

A second key initiative was the export promotion programme for Central Asia, funded by the United States SME Special Fund, which continued into its second year, having helped more than 70 businesses to expand their export potential. The popularity of this type of advice led SBS to develop a bespoke training course for local consultants to better serve the development needs of SMEs in relation to export markets.

Furthermore, SBS developed a new set of training courses to enhance the skills and knowledge of local consultants. These ranged from introductory courses to help consultants learn core skills, to more sophisticated considerations of marketing strategies, business diagnostics and project management. The first such training took place in the final quarter of 2013 and will be rolled out across all 25 countries in which SBS operates. In the medium term SBS will seek to engage local consulting institutes and associations to deliver the courses and ensure a sustainable source of professional development for consultants.

Moreover, as part of continuous efforts towards sustainability, SBS has been working with national government partners in Croatia and Kazakhstan to build capacity and transfer methodology.

**TRANSPORT**

The EBRD recognises that transport is a key enabler of economic growth and transition by providing businesses with access to suppliers and markets, as well as promoting economic diversification and regional integration. A vital component of economic inclusion, transport also connects individuals with labour markets and with essential services such as health and education. But transport consumes resources and contributes to climate change. The Bank is therefore dedicated to developing sustainable transport systems that balance economic, environmental and social needs while embodying market principles.

In October 2013, the EBRD’s Board of Directors approved a new Transport Sector Strategy, which sets out how the Bank will invest in transport in the coming years. The Strategy focuses on promoting private sector involvement in sustainable solutions to the transport needs of the region.

For the last five years, EBRD investment in the transport sector has consistently exceeded €1 billion annually. The Bank signed 24 transactions in 2013 for a total EBRD investment of €1.1 billion. Throughout the year, the Bank addressed constraints on commercial activity and competitiveness and supported the private sector as a provider of transport infrastructure and services. Non-sovereign projects accounted for almost 60 per cent of the number and volume of Bank projects in the aviation, maritime, rail, road and intermodal sectors. Commitments covered a wide range of countries and modes of transport. They ranged from a relatively small investment in the construction of the first modern logistics complex in Georgia to large infrastructure projects supporting regional integration in Azerbaijan, Serbia and the Slovak Republic.

Flagship projects that were expected to have demonstration effects in the region included a €100 million loan for a road rehabilitation and safety project in Serbia, a Zl 155 million (€37 million equivalent) equity investment via partial privatisation in a Polish freight operator and a US$ 79.5 million (€58 million equivalent) participation in the inaugural Turkish infrastructure bond.
Rail
Throughout 2013 the EBRD focused on investments in railway infrastructure and operators, rolling stock renewal and railcar production facilities. Building on a well-established relationship with the Polish national railways, the Bank participated in the partial privatisation of PKP Cargo, the principal rail freight operator in Poland, through an initial public offering (IPO) on the Warsaw Stock Exchange. This is the first example of a privatisation by IPO in the rail sector in central Europe and its success may propel other public rail operators in the region to privatise their freight businesses.

The Bank also continued to support the introduction of energy efficient technologies in the rail sector. It extended a US$ 40 million (€30 million equivalent) loan to the Kazakh national rail company to help finance improvements to infrastructure and reduce operating costs; and a €40 million loan to HŽ Infrastructure in Croatia to finance the purchase of track maintenance machinery and support a reform programme.

A market-based approach to the provision of transport lies at the core of the EBRD’s transport business model. The Bank committed approximately €190 million to help private freight transportation groups purchase new rolling stock. Projects included the Bank’s largest transaction in the rail sector in 2013: a US$ 150 million (€109 million equivalent) investment in preferred shares of Brunswick Rail, the largest private freight railcar leasing company in Russia. The Bank also financed a private freight railcar leasing company in Kazakhstan.

Road
In 2013, the EBRD’s largest transaction in the transport sector was a landmark €200 million participation in a €1.2 billion infrastructure bond. The issue aimed to optimise the long-term financing of recently-built sections of the R1 Motorway in the Slovak Republic, as well as supporting the sustainability of public-private partnerships (PPPs). This was the first infrastructure project bond in the EBRD region and one of the first issued post-economic crisis in Europe. The Bank hopes that the success of the bond issuance will encourage other transport entities in its region to diversify their sources of funding by accessing the capital markets.

The Bank’s activity in the road sector focused on the rehabilitation of key road corridors and regional roads to progress regional integration and raise road safety standards. Examples included a €100 million loan to upgrade part of the Serbian national road network and a US$ 120 million (€87 million equivalent) loan to support the ongoing programme of regional road reconstruction in Azerbaijan. Both projects include measures to tackle road safety and encourage competition and efficiency in the road maintenance market through the introduction of performance-based maintenance contracts.

The EBRD also continued to support key transport corridors. In Kazakhstan, it financed the reconstruction of a section of the south west corridor road, which is part of an international transport corridor linking western Europe and western China. In Bosnia and Herzegovina, the EBRD helped finance the construction of sub-sections of the Corridor Vc and the Banja Luka to Doboj motorway that will link to Pan-European Corridor X. Other road transactions signed in 2013 included the construction of bypass roads in the cities of Fier and Vlorë in Albania and regional road reconstruction projects in Albania, Moldova and Montenegro. The Bank’s contributions attracted co-financing from other IFIs and donors to support road sector financing reform and the implementation of road safety programmes.

Maritime
The Bank worked with maritime and intermodal operators – those covering multiple modes of transport such as shipping, rail and road – to strengthen infrastructure and facilitate increased trade. Key projects signed during the year included two maritime projects in Turkey: a landmark US$ 79.5 million (€58 million equivalent) investment in a US$ 450 million (€326 million equivalent) Eurobond launched by Mersin International Port to help fund a capital investment programme; and a US$ 92 million (€67 million equivalent) loan to finance the completion of the deep sea container terminal at Asya Port. Through these projects, the Bank contributes to the much-needed capacity expansion of the port sector in Turkey and the development of transhipment hubs for more efficient transport chains.

Logistics
The need for integrated services covering the transport, storage and management of freight has grown substantially in the EBRD region in recent years. This trend is closely tied to the growth of containerisation, which has created demand for streamlined freight movements and lower transportation costs. Key logistics projects in 2013 included financing the construction of a modern intermodal logistics terminal in Tbilisi, Georgia, which will be a strategically important platform between Asia and Europe, and the provision of financing to a local logistics provider in Turkey.

Aviation
In the aviation sector, the Bank supported the upgrade and renewal of the air navigation system of the Macedonian Air Navigation Service Provider under the Local Single Sky Implementation (LSSIP) programme. The project aims to ensure compliance with EU performance standards, improve safety, boost capacity and strengthen the institution. The Bank also invested in runway resurfacing and safety equipment for Khujand International Airport in Tajikistan.

Municipal and environmental infrastructure
The EBRD’s operations in the municipal and environmental infrastructure (MEI) sector give millions of people access to safe drinking water, sanitary waste disposal services, green public transport, well-maintained urban roads and energy-efficient district heating. The Bank works with local governments, private operators and donors to bring these very tangible improvements to people’s daily lives.

The Bank financed 36 projects in the MEI sector during 2013 (33 transactions in 2012), representing a total EBRD commitment of €556 million (€554 million in 2012) – a record figure for the Bank in this sector. The investments in water and sanitation services, waste disposal and district heating in 2013 are expected to benefit in excess of five million people in the
EBRD region, while 4.2 million passengers per day are expected to use urban transport systems benefiting from Bank support over the year. MEI investments in 2013 should also reduce annual carbon emissions by 548,000 tonnes of CO₂ equivalent. Overall, the sustainable energy components of MEI projects accounted for €363 million in 2013, a record 65 per cent of total MEI commitments.

The Bank’s MEI investments leveraged considerable volumes of loan and grant co-financing from the EU and other sources. This included €614 million of grant funding from the EU Cohesion Fund, which Bulgarian and Romanian municipalities were able to access thanks to EBRD-supported projects in water and public transport. Donor backing also allowed the EBRD to establish an innovative MEI financing instrument in the Western Balkans. The integrated use of technical cooperation and policy dialogue remained a key part of the Bank’s work in the MEI sector.

The EBRD region faces a legacy of under-investment in municipal infrastructure, which is coming under increasing pressure as a result of growing urbanisation. At the same time, public budgets are constrained due to the ongoing effects of the economic crisis. In order to help fill the MEI funding gap and bring commercial expertise into the sector, the Bank works extensively with private companies. Five MEI projects were concluded with the involvement of the private sector during 2013.

Since entering the MEI sector in 1994, the EBRD has signed over 300 transactions and committed close to €5 billion of its own resources to urban projects that make people’s lives better thanks to more efficient, reliable, financially sustainable and environmentally friendly services.

Water and wastewater

The Bank signed 14 projects in the water and wastewater sector in 2013. It invested a total of €163 million in improving the quality and efficiency of drinking water, sewage and effluent treatment services for under-served populations in Armenia, Bosnia and Herzegovina, Croatia, Kazakhstan, Kyrgyz Republic, Moldova, Romania and Russia. More than half of this amount was invested in Romania as part of efforts to modernise services in cities across the country, in line with EU standards. This work also enabled regional water companies in Romania to access grant funding from the EU Cohesion Fund worth €565 million (€560 million in 2012).

Solid waste

By helping cities to collect refuse and dispose of it in a way that is sanitary and has a limited environmental impact, the Bank makes a considerable difference to the welfare of citizens in countries where it invests. In 2013 the EBRD signed three operations in the solid waste sector – two in Tajikistan and one in the Kyrgyz Republic – for a total investment of €22 million including the large grants provided by donors to support the affordability of these projects. The frequency of garbage collection will increase and the projects will help to ensure waste is disposed of in well-managed sites that do not pose a threat to public health or the local environment.

CASE STUDY

CREATING EQUAL OPPORTUNITIES FOR EMPLOYMENT

Jordan

A plan to revitalise the centre of Amman and give its citizens a focal point for leisure and retail activities will also provide unemployed young people with much-needed training and work placement opportunities. In 2013 the EBRD extended a US$ 80 million (€58 million equivalent) loan to help finance the construction of the Abdali Retail and Entertainment Centre, which will act as a focus for the Abdali Urban Regeneration Project in the Jordanian capital.

Innovative design will see the facility use natural cooling and lighting and maximise water and energy efficiency. As a result, it will consume 25 per cent less energy than comparable retail buildings in Jordan, setting an example for the country’s construction sector. The centre is expected to employ some 2,000 people during its building phase and a similar number once it is open.

As part of the project, the owners of the centre will offer young men and women work placements and training schemes in retail, facilities management and related services. Jordan has one of the region’s highest rates of young people not engaged in education, employment or training (23 per cent) while women make up only 17.6 per cent of the national workforce.
Urban transport
Investments in urban transport represented 45 per cent of MEI investments in 2013 with €253 million committed (2012: €191 million) across nine projects. The Bank’s activities in this sector focused heavily on reducing greenhouse gas emissions by supporting clean modes of transport such as electric trams or buses running on compressed natural gas. The EBRD also invested in modern mass transit systems such as fast ferries or electronic ticketing services that encourage people to switch to public transport instead of using cars.

Energy efficiency
As part of the MEI contribution to sustainable energy, the Bank invests in district heating projects that reduce the amount of heat wasted in derelict networks, outdated facilities and energy-inefficient buildings. It committed €83 million to eight projects in 2013 (2012: €113 million). Much of this work related to the EBRD-managed Eastern Europe Energy Efficiency and Environment Partnership (ESP), which a number of international donors established to help combat a legacy of energy waste in Ukraine and other countries of the EU Neighbourhood.

Less-advanced economies
MEI projects have a significant impact on communities in those countries facing bigger transition challenges, namely the ETCs and the Western Balkans. The EBRD achieves this impact by investing in projects that improve water services, rubbish collection, public transport or energy efficiency. In 2013 the EBRD invested €168 million in 11 projects that benefit those challenged communities. Many of these projects took gender considerations into account – for example by involving women in users’ committees in Tajik water projects.

One notable innovation was the creation, in partnership with German development bank KfW and three donors (Austria, Germany and Switzerland), of the Municipal Infrastructure Development Facility (MIDF) in the Western Balkans. The EBRD committed up to €40 million to this groundbreaking fund, which will establish a lending market for small and medium-sized municipalities that struggle to obtain affordable funding. The MIDF, which is expected to have a total size of €100 million, will support infrastructure projects in Albania, Bosnia and Herzegovina, FYR Macedonia, Kosovo, Montenegro and Serbia.

POWER AND ENERGY
The EBRD is the leading investor in energy efficiency and renewable energy in countries where it invests. The Bank supports innovative power generation, transmission and distribution projects that address the EBRD region’s legacy of inefficient energy use and unlock its enormous potential in wind, hydro- and other forms of renewable power. Through investments, policy dialogue and technical assistance, the Bank supports the growth of a modern and sustainable energy sector in which private enterprise plays a key role.

In 2013 the challenges facing the energy sector came into sharp relief. Both inside and outside the EBRD region, issues of affordability became particularly acute, putting pressure on investments. At the same time the Intergovernmental Panel on Climate Change began releasing the conclusions of its Fifth Assessment Report, which emphasised the urgency and scale of the challenge facing the energy sector as it moves towards a more sustainable model.

In this context, the EBRD invested over €1.2 billion in 24 projects in the power sector across 12 different countries, a 14 per cent increase in volume compared with 2012. A key area of focus was networks and cross-border links; the Bank recognises that the power sector of the future will need increasing integration across markets and regions in order to accommodate the widespread adoption of renewable energy. Greater integration will also facilitate the growing participation of electricity consumers in markets.

2013 was also the first full year of EBRD investment in the southern and eastern Mediterranean (SEMED) region. The Bank signed its first energy project in Morocco, a €60 million loan to the Office National de l’Electricité et de l’Eau Potable to fund rural electrification and bring power to communities that are currently not connected to the grid (see case study on page 9). The project also includes a pilot programme to help prepare for the deployment of smart metering and decentralised renewable energy generation.

Reflecting the importance of moving towards integrated electricity markets and developing the regional electricity market in south-eastern Europe, the EBRD provided a €60 million loan to the Lastva-Pljevlja transmission line in Montenegro. This forms part of the first high-voltage interconnection between the Western Balkans and Italy. Together with the EBRD’s continued support for the Coordinated Auction Office, which facilitates the sale and purchase of cross-border transmission capacity in south-eastern Europe, this project will both promote the integration of the Western Balkans’ currently fragmented power markets and stimulate the development of renewable energy in the region.

The EBRD’s support for cross-border energy trade recognises the benefits that larger markets bring in terms of efficiency and diversity of supply. Such trade also brings opportunities to develop more renewable energy resources, which are often found in remote locations. In 2013 the Bank provided €25.2 million in financing to the Georgian national transmission company for a vital new connection between its current region of hydropower potential in the north-west and the main consumption centres in central and eastern Georgia. The EBRD also made its first loan in the power distribution sector in Russia, providing 4.4 billion roubles (€97 million equivalent) to support the modernisation of electricity networks in Russia’s Far East region.

The power sector continued to be the largest contributor to the EBRD’s Sustainable Energy Initiative with over 64 per cent, or €790 million, of the Bank’s power sector investments coming under this strategic initiative. These included investments in wind, biomass and solar energy generation, efficient transmission systems and the optimisation of electricity distribution networks. Another key area of work in this sector is helping the countries where the EBRD invests to make the transition from their existing stock of polluting and ageing infrastructure to modern, cleaner technologies.

An example of this work is the loan of 7 billion roubles (€155 million equivalent) to a subsidiary of Russia’s Inter RAO.
Natural resources

This will finance the replacement of old coal-fired power units with a new high-efficiency 446 MW combined cycle gas turbine (CCGT) power unit at the Verkhnetagilskaya thermal power plant in the Urals region of Russia. The new unit will employ the highest technological standards in the world, meeting EU standards for the adoption of the best available techniques. It will thus set an important benchmark in terms of efficiency and environmental standards in the region, going far beyond the existing national practices.

The EBRD typically combines investments with policy dialogue and technical cooperation projects, using its experience as a commercially-oriented investor to inform the structuring of regulatory frameworks. This work is particularly relevant in the area of renewable energy, which depends heavily on the appropriate institutional structure.

In recent years the Bank has supported large technical cooperation projects to develop renewable energy in Kazakhstan and Ukraine, both large countries with a high dependence on fossil fuels but with great potential for renewable energy. The renewables sector in Ukraine is rapidly reaching critical mass. In 2013, the EBRD helped Ukraine maintain this momentum by committing €54 million to finance a range of solar, biomass and wind generation projects. These investments will help Ukraine to reduce the country’s dependence on imported fossil fuel and improve its energy security.

The EBRD also supported the power sector in Ukraine through a €300 million loan to the Ukrainian nuclear safety upgrade programme, an estimated €1.4 billion project that will upgrade the safety of 13 nuclear units commissioned between 1980 and 1995. This will address deficiencies identified by the International Atomic Energy Agency and bring the country’s operating nuclear reactors in line with international standards.

Finally, 2013 ended for the EBRD with the adoption of a new Energy Sector Strategy, following more than a year of reflection and intensive consultation with stakeholders. (For more on the Strategy, see Chapter 1: “Overview”.)

NATURAL RESOURCES

Responsible development of the natural resources sector can make a vital contribution to sustainable economic growth for many countries in the EBRD region. If managed properly, natural resources can be a key source of jobs, government revenue and a wide array of other benefits. The Bank recognises that climate change, energy security and affordability are challenges that require a long-term, strategic response from the natural resources industry.

The EBRD’s task in the oil, gas, and mining sectors is to help countries realise the benefits of natural resources in a

CASE STUDY

IMPROVING ENERGY SECURITY

Poland

The EBRD provided a 12-year loan of PLN 300 million (equivalent to €75 million) to Gaz-System SA, Poland’s gas transmission system operator, to create the first liquefied gas terminal in Poland and in the whole of the EBRD’s region of operations.

The terminal, due for completion in 2014, will be able to re-gasify enough liquefied gas to supply nearly one-third of the country’s consumption.

Other financiers in the project included the European Investment Bank, the EU and Gaz-System itself. Approximately two-thirds of the capacity has been secured on a long-term basis, while the remainder is being offered to interested users in accordance with third party access rules.

The Polish economy is one of the most energy intensive in central and eastern Europe with coal and lignite-fired power plants accounting for over 80 per cent of the primary fuel mix in the country. This project will not only improve Poland’s energy mix but also improve energy security across central and eastern Europe.
responsible and transparent way. The Bank provides financing and advice for private sector clients and promotes the best international standards and practices in the fields of energy efficiency, the environment and health and safety protection. Its projects also adhere to the best international standards for corporate governance and responsible social development. In addition, the EBRD helps governments adopt fair and reliable regulations, strengthen their capacity to develop these industries across the value chain and manage the transition to a low-carbon economy.

As well as supporting private investment in the natural resources sector, the EBRD works to ensure that local communities enjoy concrete benefits from its projects. The Bank does this by helping to develop small businesses; by investing in local infrastructure; and by requiring transparency and disclosure in line with the Extractive Industries Transparency Initiative.

The overall decrease in commodity prices in 2013 put pressure on small and medium-sized companies, which have limited access to traditional forms of financing. The EBRD responded by stepping up investments aimed at supporting smaller private companies and by assisting them in applying the best international standards to their operations, as well as improving the energy efficiency of their activities.

In 2013, the EBRD signed 14 transactions in the natural resources sector for an overall volume of €569 million in debt and equity investments in countries including Bulgaria, Egypt, Hungary, Mongolia, Morocco, Romania, Russia, Tunisia, Turkey, Turkmenistan and Ukraine. In the SEMED region, the Bank signed three transactions to improve energy efficiency, environmental management and gender inclusion in the sector.

**NUCLEAR SAFETY**

The EBRD plays a leading role in efforts to improve nuclear safety. It oversees work to make the Chernobyl site safe and secure, supports the decommissioning of outdated nuclear power plants, helps address the environmental legacy of the Soviet nuclear-powered fleet in north-western Russia and carries out other nuclear safety work in the EBRD region.

The Bank manages six nuclear safety donor funds and their associated programmes. It does this on behalf of more than 40 donors, who have together contributed more than €4 billion for the purpose.

2013 saw rapid progress in the construction of the Chernobyl New Safe Confinement (NSC) structure (see photo), work on energy sector projects financed by decommissioning support funds and the signing of a €300 million loan for safety upgrades to Ukrainian nuclear power plants.

The NSC is a structure intended to cover the destroyed reactor unit four at Chernobyl, the site of the world’s worst nuclear accident. Workers began assembling the new structure at a safe distance from the unit in 2012 and then carried out a sequence of lifting operations. The second lift took place in March 2013 and the third in October. Since then, the first half of the arch-shaped steel structure, which is financed by the Chernobyl Shelter Fund, has reached its full height of more than 100 metres.

In 2013, workers at Chernobyl erected a large protective wall on the western side of the old shelter, which was hastily built after the 1986 accident. It will protect against radiation during work on a building to house the confinement’s control room and auxiliary facilities.

Workers also dismantled the red and white ventilation shaft located between units three and four to allow engineers to slide the NSC into place over unit four. The removal involved separating the shaft into seven segments, each weighing up to 50 tonnes, and took place in December before the onset of winter conditions made work on the site impossible.

Also at Chernobyl, construction of a plant to treat liquid radioactive waste reached completion. The EBRD-managed Nuclear Safety Account funds the facility, which will solidify the waste currently kept in concrete tanks and prepare it for final storage. Final tests on the facility are under way and the start of operations is expected early in 2014. Construction has cost more than €35 million.

The EBRD carries out decommissioning support programmes to help Bulgaria, Lithuania and the Slovak Republic deal with the consequences of the shut-down of Soviet-designed nuclear power plants. Dedicated donor funds finance these programmes as part of assistance agreed during European Union accession negotiations. As well as supporting decommissioning, the funds contribute to energy sector projects to help the countries cope
CASE STUDY
FINANCING NUCLEAR SAFETY
Northern Dimension initiative

The service ship Lepse contains spent nuclear fuel and radioactive waste from the USSR’s fleet of nuclear-powered icebreakers and poses a significant environmental threat to the Baltic states, Nordic countries and north-western Russia.

The EBRD plays a key role in efforts to dismantle the ship and safely dispose of the nuclear and radioactive materials aboard the Lepse by managing the Nuclear Window Support Fund of the Northern Dimension Environmental Partnership (NDEP). This fund, which receives contributions from numerous European countries and the European Union, finances vital nuclear safety projects in the Northern Dimension Area.

A €53 million grant from the fund is dedicated to work to make the Lepse safe.

In September 2012, vessels towed the Lepse from its previous mooring point near the city of Murmansk to the Nerpa shipyard, also on the Kola Peninsula, where workers experienced in dismantling nuclear submarines will take the ship apart.

In 2013, the project reached another major milestone when experts submitted plans for the vessel’s dismantling and the removal of nuclear and radioactive material from the ship to the Russian regulatory authorities for approval. Taking the ship apart will require the installation of special equipment at the shipyard.

Preliminary work on dismantling the Lepse began in 2013. In 2014 workers are expected to place the vessel on a slipway ahead of further dismantling operations. The whole project is expected to be completed by the end of 2017.

with the loss of generating capacity. These range from the construction of a 450 MW gas-fired plant in Lithuania (completed in 2012) to electricity grid upgrades and energy efficiency improvements. Last year saw progress in work on refurbishing schools, kindergartens and hospitals in Bulgaria and the Slovak Republic and the last projects are expected to reach completion in 2014.

In March 2013, the Bank signed a loan agreement with Energoatom, the Ukrainian nuclear operating company, to help finance urgently-required safety upgrades. Energoatom operates 15 nuclear power units in Ukraine and is implementing a safety upgrade programme for 13 of these units, estimated to cost €1.4 billion. The EBRD and the European Commission each provided €300 million for this programme.

In addition to the EBRD’s management of six nuclear safety donor funds, the Bank’s shareholders have contributed €325 million of EBRD capital towards the completion of projects in Chernobyl.

The safety upgrades of two other units were previously financed by EC and EBRD loans.