



DONOR PARTNERSHIPS

The EBRD relies on the support of donor governments and partners in order to fulfil its transition mandate. Donors provide funds through various channels to facilitate Bank investments and other activities, including efforts to foster reform and improve the business climate. They are particularly active in those parts of the EBRD region that face the biggest obstacles to recovery and growth, as well as in the climate finance, infrastructure and small business sectors.

DONOR FUNDING IN 2014

Donors continued to work closely with the EBRD to address the transition challenges in its region. In 2014 they contributed €340.6 million in donor financing, helping to extend the range and depth of the Bank's investments, balancing risks and rewards, temporarily compensating for market failures and supporting the development of market-based institutions, skills and behaviour.

Infrastructure, small firms and the sustainable use of resources remained the central focus of donor activity, while a new trend saw the growth of initiatives with a strong element of policy dialogue delivered through grant co-financing. Local currency and food security are two examples of this type of initiative. Other areas of focus for donors include promoting the development of a stable financial sector, accelerating transition in infrastructure, improving the business climate and supporting gender equality and social inclusion.

The European Union (EU) is the EBRD's largest single donor, contributing 33 per cent of donor funding received over the last five years in support of Bank activities. In 2014 the EU provided support worth €105 million, representing one-third of the donor funding made available to the EBRD in that year. Bank projects in EU member states have also benefited from funding provided through the Structural and Cohesion Funds. In recent years the EU has increasingly channelled its funding through a number of regional facilities created to blend EU grants with investment financing from financial institutions such as the EBRD. These facilities include the EU Neighbourhood Investment Facility (NIF), the EU Investment Facility for Central Asia (IFCA) and the Western Balkans Investment Framework (WBIF). The WBIF also benefits from bilateral contributions worth over €3.3 million from donor governments.

DONOR INSTRUMENTS

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

TC grants focus on specific tasks in support of a particular project or programme such as project preparation and implementation, training, sector support, building a client's expertise and technical skills, policy dialogue and providing other forms of assistance. Last year donors made available €138.6 million of TC grants that supported over 650 TC assignments.

There are four main types of non-TC grant:

- investment grants that provide an alternative source of funding for projects where there may be constraints on the use of loan financing (for example, in heavily indebted countries facing borrowing limits) or affordability pressures that could lead to low income and/or vulnerable groups being excluded from public services
- performance fees and incentives that encourage financial institutions to extend EBRD loans to sub-borrowers likely to achieve priority objectives set by the Bank and donors

- risk-sharing facilities used to support transactions funded through initiatives such as the EBRD Trade Facilitation Programme as well as lending to micro, small and medium-sized enterprises (MSMEs) and resource-efficiency credit lines
- concessional loans used by the Bank to co-finance projects where donors provide part of the overall financing package in the form of subsidised lending.

TYPES OF DONOR

Donor support for Bank activities comes from bilateral donors, multilateral donor funds, the EBRD's shareholders and the EU.

Bilateral donors are governments, international financial institutions (IFIs) and other partners. In 2014 bilateral donors contributed €113 million to support the Bank's activities. The following bilateral donors made funds available to the EBRD in 2014: Austria, Denmark, Finland, France, Germany, Italy, Japan, Korea, Luxembourg, the Netherlands, the Slovak Republic, Sweden, Switzerland, Taipei China, the United Kingdom, the United States of America, the European Union and the European Investment Bank (EIB).

Multilateral donor funds are characterised by the involvement of not only a number of donors but also a number of IFIs as recipients and often feature significant involvement from beneficiary countries. These funds can provide TC grants as well as non-TC assistance.

In 2014 the EBRD was a recipient of grants from multilateral donor funds such as the EU NIF, the WBIF, the EU IFCA, the Climate Investment Funds, the Global Environment Facility, the Northern Dimension Environmental Partnership and the Eastern Europe Energy Efficiency and Environment Partnership.

The EBRD's Nuclear Safety team manages the Nuclear Safety and International Decommissioning Support Funds, which donors set up for specific nuclear safety work in the region (see page 31).

Bank shareholders control the EBRD Shareholder Special Fund (SSF), which they established in 2008. The SSF complements other donor funds by providing TC and non-TC grants and offers an element of funding predictability in circumstances where delays in the approval process or gaps in funding occur.

DONOR FUNDS

Donors provide support directly or through a range of funds, including bilateral funds and the aforementioned multilateral donor funds.

The Bank manages multi-donor funds, which pool resources from donors for specific purposes. The most active in 2014 were, among others, the Early Transition Countries (ETC) Fund, the Southern and Eastern Mediterranean (SEMED) Multi-Donor Account and the EBRD Water Fund. New multi-donor funds were also established, such as the Ukraine Stabilisation and Sustainable Growth Multi-Donor Account and the Postgraduation Special Fund. In addition, work has been ongoing to develop a multi-donor fund, due to be adopted in 2015, to support the Bank's Small Business Initiative.



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DONOR PRIORITIES

Donors operate in all countries in which the EBRD works, with a greater focus on the Western Balkans, the Early Transition Countries and the SEMED region.

EBRD projects in these challenging markets often require donor-funded assistance in order to achieve the Bank's aims. Besides directly co-financing Bank investments, donors provide TC grants for projects covering areas such as investment preparation and implementation, the improvement of managerial skills, capacity-building, regulatory development, policy dialogue and legal transition.

Strategic areas for which donors allocated resources in 2014 were:

- tackling climate change and boosting resource efficiency and energy security
- diversifying economies by providing small business finance and advisory support
- building a stable financial sector by supporting financial institutions and local capital market development
- accelerating transition in infrastructure through projects in the municipal and environmental infrastructure, transport, power and energy, and natural resources sectors
- promoting agribusiness projects and food security
- improving the business environment through regulatory reform
- incorporating considerations of gender and social inclusion into Bank projects.

REFORM OF DONOR FUND MANAGEMENT

In 2012 and 2013, the Bank conducted the Grant Co-Financing Strategic Review to help ensure the optimal use of donor resources. Since then, it has adopted a new framework for measuring TC results and worked on reforming the management of its grant resources.

In 2014 the Bank carried out further reform work to:

- standardise reporting and monitoring of results, building on the development of the TC Results Framework in 2013
- implement a revised policy for securing client contributions to the overall cost of technical assistance
- put forward proposals for a more streamlined and efficient funding architecture, closely aligned with the strategic initiatives of the Bank
- prepare for the launch of the Donor Funds information technology (IT) project, which will transform the IT infrastructure used to manage donor funds.

For more information on donor partnerships, please read the *Donor Report* at dr-ebrd.com ●

CASE STUDY RAISING ANIMAL WELFARE STANDARDS IN UKRAINE

A US\$ 30 million (€25 million equivalent) loan to Ukrainian pig farming company Nyva Pereyaslavschny (Nyva) will finance the expansion of its pig-breeding operations, meat-processing facilities and grain storage, along with new land purchases and the acquisition of state-of-the-art agricultural machinery.

As well as promoting the use of modern farming practices in Ukraine, the investment will support Nyva's adoption of EU animal welfare standards across all of its pig-breeding facilities, far exceeding the requirements of Ukrainian law. This will enable Nyva to become a national benchmark for animal welfare and environmental standards.

An associated technical cooperation project, conducted jointly with the Food and Agriculture Organization (FAO) of the United Nations and funded by Japan, aims to reduce the possibility of an outbreak of African swine fever, which has affected Russia and the Caucasus region in recent years and threatens to spread to Ukraine. The project will improve government response mechanisms, raise awareness among smallholders and vets and conduct a simulation exercise to verify skills within the private and public sectors.

