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The illustration on the cover of this publication was inspired in part by the theme of recovery and sustainable growth, and also by the roof tiles of St Mark’s Church in Zagreb, Croatia, the location of the Bank’s Annual Meeting in 2010.

ABOUT THE EBRD
The EBRD is an international financial institution that supports projects from central Europe to central Asia. Investing primarily in private sector clients whose needs cannot be fully met by the market, the Bank fosters transition towards open and democratic market economies. In all its operations the EBRD follows the highest standards of corporate governance and sustainable development.

FURTHER INFORMATION
These symbols are used throughout this Report to direct you towards further information either online, within the Report or another EBRD publication:

Information online

Information within the Report or another EBRD publication

www.ebrd.com
Donors and public sector institutions play a critical role in advancing transition in the EBRD region. Their funding helps prepare the way for Bank projects, foster reform and improve the investment climate. The annual Donor Report provides updated information on how donors support the development of the private sector, the provision of basic infrastructure services, transfer of skills and strengthening of regulatory, financial and other institutions in the region.

Total amount of TC and non-TC funds committed to specific projects in 2009
€ million

160.5

Total donor agreements and replenishments in 2009
€ million

181
The year 2009 was a landmark year for the donor cooperation programme. The importance of donor support for the promotion of transition and the recognition by donors of the value of partnership with the EBRD reached new levels.

Thomas Mirow
President
European Bank for Reconstruction and Development

Demand for grant funds to complement the Bank’s investments rose significantly as the EBRD responded to the global financial crisis. During the year the Bank committed €101.5 million in technical cooperation (TC) funds, while non-TC funds amounted to €59 million – in both cases a significant increase over the 2008 figures.

Other major developments included the launch of the Western Balkans Investment Framework and the second phase of the EBRD Sustainable Energy Initiative. Both initiatives recognise that policy-driven finance from the Bank and other international financial institutions (IFIs) requires cooperation with donors and the grant-funded instruments that donors provide. These instruments, in the form of technical assistance and other types of concessional finance, are vital to breaking down barriers to investment and to the achievement of common objectives.

Pledged grant support from the European Union reached €104 million, an almost three-fold increase on 2008. Much of this was channelled through the Neighbourhood Investment Facility (NIF), whose multilateral governance structure and focus on using the EU budget to leverage the resources of IFIs represent a major development in cooperation – one that is now being followed in the Western Balkans Investment Framework.

Financing for climate change mitigation and adaptation rose to the top of the international agenda. The EBRD extended its cooperation with the Global Environment Facility and Climate Investment Funds were also launched, with the Bank active along with other IFIs in preparing project co-financing in the EBRD’s countries of operations. Meanwhile, the EU Swedish presidency set up, with the support of the EBRD, a new energy efficiency and environmental initiative in eastern Europe. Some €90 million has been pledged to that initiative over the next four years for projects to be co-financed by the Bank and four other IFIs.

In response to the financial crisis and the need to tackle climate change, donors are increasingly asking the Bank to work alongside other IFIs and in cooperation with the European Union. This offers greater resources and presents new opportunities, giving the EBRD the potential to leverage investment impact and streamline project preparation. One of the most important partners for the Bank in this respect is the European Investment Bank, which participates in many initiatives and which in 2009 committed €252 million to co-financed projects.

Bilateral contributors continue to underpin the Bank’s donor support base, pledging €77 million in 2009. Their importance lies not only in the finance that they provide, but also in the diversity of objectives and range of operations that they support.

Throughout the year the EBRD Shareholder Special Fund showed how it has become a core funding instrument of the Bank, and recognising this, shareholders agreed in May 2009 to a further allocation of €30 million to enable it to respond to the financial crisis. Importantly, the fund has shown that it truly complements donor funding and in no way crowds out their contributions. Towards the end of the year, consultations with shareholders and donors in the context of preparations for the fourth Capital Resources Review (CRR4 – covering the period 2011-15) emphasised the importance of a sustainable and predictable EBRD Shareholder Special Fund in the years ahead.
Where we operate

Early transition countries
01 Armenia
02 Azerbaijan
03 Georgia
04 Kyrgyz Republic
05 Moldova
06 Mongolia
07 Tajikistan
08 Uzbekistan

Western Balkans and Turkey
09 Albania
10 Bosnia and Herzegovina
11 FYR Macedonia
12 Montenegro
13 Serbia
14 Turkey

Russia, Belarus, Kazakhstan, Turkmenistan and Ukraine
15 Russia
16 Belarus
17 Kazakhstan
18 Turkmenistan
19 Ukraine

EU member states and Croatia
20 Bulgaria
21 Croatia
22 Czech Republic
23 Estonia
24 Hungary
25 Latvia
26 Lithuania
27 Poland
28 Romania
29 Slovak Republic
30 Slovenia

1 From 2008 the EBRD no longer makes new investments in the Czech Republic.
Donor-funded activities

The crucial support that donor funding provides to the EBRD’s transition mandate is firmly established. In 2009 this support focused on the Bank’s response to the global financial crisis and its strategy of energy efficiency and combating climate change. At the same time there was the ongoing mutual goal of improving people’s lives in the countries of operations.
Donor funding plays a vital role in enabling the EBRD to address the transition challenges in its countries of operations. This funding, from bilateral donors, EBRD-hosted multi-donor funds and external multilateral sources, provides technical cooperation (TC) and non-TC finance in support of a range of activities, including project preparation and implementation, institutional reform, enhancement of management skills, regulatory development and policy planning. The Bank itself became an important source of TC and grant funding in 2008 when the EBRD Shareholder Special Fund (SSF – see page 12) was launched to complement existing donor efforts.

Support ranges from agreements with single donors for specific projects to programme-wide agreements involving multiple contributors. By the end of 2009 donors had contributed a cumulative total of €1.5 billion in TC finance to the EBRD, with over 85 per cent of these funds committed to TC projects and most of the remainder already earmarked.

The needs of the Bank’s countries of operations continue to increase as they confront the challenges of the global economic crisis and of economic and social development. Monitoring analysis by the EBRD’s Office of the Chief Economist has demonstrated the critical role played by donor-funded TC and non-TC support in the achievement of the Bank’s transition objectives (see page 15).

**BILATERAL DONORS**

Since 1991, 44 bilateral donors and other co-financing partners have provided over €1.5 billion in both TC and investment co-financing. Bilateral donors in 2009 were: Austria, Belgium, Canada, the Czech Republic, Denmark, the European Union, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, Norway, Poland, Portugal, Singapore, Slovenia, the Slovak Republic, Spain, Sweden, Switzerland, Taipei China, the United Kingdom and the United States.

**EBRD-HOSTED MULTI-DONOR FUNDS**

Multi-donor funds, established under EBRD management to address the Bank’s priority aims, pool resources from contributors for specific purposes. The regional Early Transition Countries (ETC) Fund (see page 42) and the Western Balkans Fund (now the European Western Balkans Joint Fund – see page 45) have been particularly important vehicles for channelling resources from bilateral donors primarily as technical assistance and, to a lesser extent, investment grants.

Other EBRD-hosted funds are the Nuclear Safety and International Decommissioning Support Fund, the Northern Dimension Environmental Partnership (see page 51) and the new Eastern Europe Partnership (E5P).
Donor-funded activities

06
European Bank for Reconstruction and Development
Donor Report 2010

Chart 1: Flow of donor funds to allocated EBRD-financed projects

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Donor and the EBRD sign agreement</td>
</tr>
<tr>
<td>2</td>
<td>Funds are transferred from donor to the EBRD</td>
</tr>
<tr>
<td>3</td>
<td>Projects for donor support are identified</td>
</tr>
<tr>
<td>4</td>
<td>The EBRD allocates non-TC funding (grants) to individual projects, such as the financing of works and equipment</td>
</tr>
<tr>
<td>5</td>
<td>The EBRD allocates TC funding to an individual project (such as an energy audit of a factory) or to a framework facility (such as an SME credit line)</td>
</tr>
</tbody>
</table>

EXTERNAL MULTILATERAL DONOR FUNDS

Multilateral donor funds, and the Bank’s engagement with them, are growing. Their common features include: contributions from several donors; making funds available to international financial institutions (IFIs) operating on a coordinated and co-financing basis; intensive administration; and providing large volumes of grant or concessional finance, often focused on non-TC assistance. Climate change and EU financing have been the main drivers behind the growth of these financing mechanisms.

The Bank is engaged in the following multilateral donor financing initiatives:

- the EU Neighbourhood Investment Facility (NIF – see page 14), which was launched in June 2008 and is supporting 12 EBRD-financed projects, including TC and non-TC elements, with a total of €75 million committed
- the Western Balkans Investment Framework (WBIF – see page 46), which was launched in November 2009 with an estimated annual grant fund availability to the EBRD of €25 million, together with €10 million from the EBRD’s SSF, for technical and non-technical assistance
- Climate Investment Funds (CIFs – see page 19), with approximately €150 million of concessional loan funds anticipated in 2010 for projects in Kazakhstan, Turkey and Ukraine
- the Global Environment Facility (GEF – see page 19), with several programmes under development and potential TC and non-TC grant financing of between €20 million and €30 million in 2010-11.

DEPLOYMENT OF DONOR FUNDS

The Bank deploys donor funds through:

- technical cooperation
- investment grants
- performance fees and incentives
- risk-sharing facilities.

These instruments harness finance for a variety of programmes promoting, for example, small business growth, improved employment opportunities, better access to services such as clean water and sewerage, lower industrial energy usage, trade expansion or more efficient transport systems. Increasingly they are being targeted at priority objectives such as sustainable energy and energy efficiency. Chart 1 shows the basic flow of donor funds to allocated Bank-financed projects.

The magnitude of the leveraging effect can be estimated by comparing TC expenditure with signed investments. From 1991 to 2009 the Bank’s TC commitments directly supporting investments totalled €1.4 billion. Each €1 of TC funds has mobilised €54 of investment financing. The leveraging principle extends beyond mobilisation of investment capital. It also has an impact on human skills development and skills transfer, although this can be more indirect and harder to measure.

Our cooperation in 2009 with the EBRD has delivered substantial benefits, not only in terms of funds to promote European objectives but also in new initiatives such as the WBIF and the NIF. As a result, the EU provided more than half of EBRD total grant financing in the Eastern Partnership countries, Western Balkans and Turkey, amounting to €104 million.

Stefan Fule,
European Commissioner for Enlargement and Neighbourhood Policy

www.ebrd.com
Technical cooperation is provided through a range of programmes (detailed from page 16) and includes project preparation and implementation, advisory services, training and sector support.

Since 1999 donor funding for TC agreements has grown steadily, reaching a cumulative total of €1.5 billion by the end of 2009 (see Chart 2) with funds provided by 23 countries and a number of institutions. The largest contributor remains the European Union. Other significant providers have been Italy (including through the Central European Initiative – see page 48), Japan, Switzerland and the United States.

Since 2000 TC assistance has been focused on the less advanced early transition and Western Balkan countries, where significant transition challenges remain. In 2009 donors contributed €73 million in TC funding specifically for these countries.

**Investment Grants**

Investment grants provide an alternative source of funding for projects for which there may be constraints in the use of loan financing. This type of financing is particularly important in implementing infrastructure and energy projects in poorer countries and regions with limited finances, notably heavily indebted countries subject to borrowing constraints imposed by the International Monetary Fund (IMF). Such grants enable the Bank to target support where it is most needed. In 2009 investment grants worth €59 million supported EBRD projects.

**Performance Fees and Incentives**

Performance fees represent incentive payments made to financial institutions under finance facilities aimed at promoting the extension of sub-loans to particular groups of borrowers or types of activity that are likely to achieve the priority objectives designated by the Bank and donors. The main focus has been on programmes providing finance for small and medium-sized enterprises (SMEs), municipal governments (for environmental infrastructure) and borrowers undertaking energy efficiency improvements as part of the Sustainable Energy Initiative (SEI – see page 17).
RISK-SHARING AND CO-FINANCING FACILITIES

Donor support to risk-sharing facilities underpins the work of the EBRD’s Trade Facilitation Programme (TFP – see page 27), which promotes trade in the Bank’s countries of operations. Donor contributions provide guarantees to international banks and factoring companies. For example, the governments of Austria, Germany (through Kreditanstalt für Wiederaufbau – KfW), the Netherlands, Norway, Switzerland and Taipei China (through the Taiwan International Cooperation and Development Fund – TaiwanICDF) have supported TFP operations in Central Asia and the Western Balkans.

Donor contributions for risk sharing have also been channelled through the Central Asian Risk-Sharing Facility, which provides access to finance for micro and small enterprises (MSEs) in the Kyrgyz Republic, Tajikistan, Turkmenistan and Uzbekistan.

Co-financing, together with risk-sharing, is a key component for many EBRD programmes. In 2009 support has been provided to EBRD investment particularly through the following initiatives:

**EBRD-Italy Local Enterprise Facility (LEF)**

In April 2006 the EBRD-Italy Local Enterprise Facility (LEF) was established to meet the needs of local enterprises that were not sufficiently supported by other financing sources. The EBRD and donor co-financing resources are used by clients to fund acquisitions, expansion and/or modernisation and for working capital through equity, quasi-equity and debt financing. The LEF was initiated with a €20 million commitment from the EBRD and €10 million from the Italian government. It has been replenished on several occasions, most recently in 2009, and now stands at €170 million in co-financing, comprising €150 million from the EBRD and €20 million from the Italian government.

As well as co-financing, the Italian government has provided €6 million for technical assistance activities related to the implementation of the LEF and support to SMEs. Importantly, the LEF includes a dedicated amount for risk-sharing between the EBRD and the donor, which allows the EBRD to make investments in more challenging circumstances.

**US-EBRD SME Financing Facility**

This facility was set up in July 2000 to promote private sector growth and economic development in south-eastern Europe and early and intermediate transition countries. The facility was initially established with US$ 150 million (US$ 50 million from the United States through the US/EBRD Special Fund and US$ 100 million from the EBRD). The Special Fund provides financing to local banks for on-lending to SMEs in parallel with the EBRD’s own investments, technical assistance and training for financial intermediaries. To date, it has supported 23 banks and non-bank financial institutions across the region.
Activities in 2009

Total funding committed for TC projects in 2009 amounted to €101.5 million, up from €82 million in 2008. This was bolstered by the first full year of financing by the SSF.

This support focused mostly on the EBRD’s response to the global financial crisis and on its strategic aims of combating climate change and promoting energy efficiency. Other priority areas included MSE development, municipal infrastructure, transport and the corporate sector. Donor funds also gave strong support to the Bank’s ongoing policy dialogue with the governments in its countries of operations.

During 2009 the Bank signed contribution agreements with donors totalling €181 million for TC and official co-financing activities, an increase of €87 million on 2008. This sum comprised new agreements worth €145 million and replenishments of existing funds totalling €36 million. The largest contribution was again provided by the European Union (€104 million), although an increasing proportion (€10 million) was channelled through multi-donor funds.

There was a marked increase in the Bank’s operations in the ETCs (Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Uzbekistan) and the Western Balkans, which attracted commitments of €29 million and €20 million, respectively. Ukraine remained a major recipient of TC funding, with €14 million committed to projects in crisis-response operations, energy efficiency and municipal infrastructure. Russia benefited from €12 million in technical assistance for projects in finance, business, municipal infrastructure and transport and in support of TurnAround Management/Business Advisory Services (TAM/BAS – see page 29) operations across the Russian regions.

In 2009 the EBRD sought, through donor funding and the SSF, to help client financial institutions in the region most affected by the global financial crisis. Support was extended for SMEs (given their importance in the more vulnerable economies) and for crucial municipal environmental programmes as the crisis eroded local government budgets.

Donor funding is essential to the Bank’s Sustainable Energy Initiative, which has gathered momentum throughout the transition region. The second phase of the initiative, running from 2009-11, has an investment target of €3 billion-€5 billion, augmented by a TC funding target of €100 million and grant or concessional financing of €250 million.

In 2009 the SSF completed its first 18 months of operations (see also page 12), with €77.7 million of its €112.5 million work plan resources for 2008-09 committed to 210 TC projects and 6 non-TC projects. ETCs were the principal recipients with €34.2 million (for 99 projects), while the Western Balkans benefited from €11.7 million (for 30 projects). Other official development assistance (ODA) countries received €8.2 million (for 55 projects). A €4.5 million SSF grant, for example, helped initiate a programme to support companies implementing integrated energy efficiency management systems. The Fund also provided €2.3 million in emergency assistance to the Ukrainian banking sector in 2009, as well as technical assistance to crisis-response projects in Latvia and Russia.

The Slovak Republic-EBRD Technical Cooperation Fund, set up in 2009, demonstrates our continued commitment to work with the EBRD by offering the knowledge and experience of Slovak consultants and experts.

Mario Vircik, Director, International Relations Department, Ministry of Finance of the Slovak Republic
The ETC Fund has continued to drive investment in the region’s poorest countries. In 2009 it approved €13.5 million for new projects with matching finance from the SSF. The SSF has become increasingly important, not only enabling the ETC Fund to support more projects than it could have otherwise done but also providing leverage for donors to increase their pledges to the Fund itself. Projects approved in 2009 spanned all countries and most sectors, particularly local enterprise development and municipal and environmental infrastructure (MEI).

The Western Balkans Fund remained a major regional channel for technical assistance in 2009. Funding for 26 TC assignments amounting to €4.5 million was approved, with a strong focus on municipal and transport projects. The Fund benefited from co-financing from the SSF, which provided €7 million for projects during the year. In November 2009 the WBIF was launched to harmonise cooperation between IFIs and increase their aid and financing effectiveness in the region.

The Northern Dimension Environmental Partnership (NDEP – see also box on page 51) was established in 2002 to address environmental problems, particularly in north-west Russia. Over €277 million in donor funding had been committed to the Partnership by the end of 2009. Two grant agreements were signed during the year – €24 million for the Neva wastewater treatment programme in St Petersburg and €7.3 million for district heating rehabilitation in Kaliningrad. The NDEP also approved two new projects for wastewater treatment improvement in Petrozavodsk and for management of agricultural waste in Leningrad Oblast. The Partnership’s nuclear safety activities concentrated on project procurement and implementation under a €74 million grant agreement signed in 2008.

At the end of the year, building on the experience of the NDEP, the Swedish presidency of the European Union launched, along with the EBRD and other IFIs and donors, a new partnership for energy efficiency and the environment in eastern Europe (E5P). Some €90 million was pledged by donors to a support fund that will be managed by the EBRD.
The EBRD promotes awareness and recognition of the crucial role that donors play in Bank operations through a range of publicity channels, including feature stories, press releases, donor interviews, poster advertising, thematic slideshows and podcasts, and videos on donor-funded projects.

This material is available on the EBRD web site and in blueprint, the Bank’s internal magazine. Details about people and projects supported by the EBRD and the donor community are featured regularly on the Bank’s web site, where information for each donor country is being created to show the full impact of its contribution to EBRD-financed projects.
EBRD Shareholder Special Fund

During 2009 the SSF became a core instrument of TC and non-TC funding in tandem with existing donor-financed support. It has enhanced funding in the priority early transition and Western Balkan countries by matching finance from the regional multi-donor funds to maximise resources and operational impact. It has also provided flexible and timely assistance to banking operations across the transition region in response to the global financial crisis and in support of the Sustainable Energy Initiative.

Moreover, the SSF has introduced valuable funding predictability by removing bottlenecks in the project development process, and provided bridging finance in circumstances where project implementation might have been delayed pending formal donor approval.

At its launch in May 2008 the SSF was allocated €112.5 million for its first work plan (for 2008-09), with at least €45 million for ETCs, €25 million for the Western Balkans and €10 million for the NDEP. An additional €1 million was allocated for nuclear safety initiatives. Two-thirds of the resources were earmarked for TC activities. By the end of 2009, 82 per cent of the original work plan’s financial allocation had been committed, leaving a balance of only €20.8 million. The ETC and Western Balkans regions, together with other ODA countries and Russia, were the principal beneficiaries (see Activities in 2009 on page 9).

In recognition of the success of the SSF, the EBRD Board of Governors in May 2009 approved the continuation of the Fund’s work with an additional €30 million contribution from the Bank’s Strategic Reserve. This increment was earmarked specifically for crisis-response measures, with €15.8 million allocated for support of the financial sector and SMEs, €9.9 million for the ETCs and €4 million for the Western Balkans.

Based on the achievements of the SSF to date and the projected TC and non-TC needs going forward, consideration is being given to ensuring its sustainability. A decision on this will be made in the context of the fourth Capital Resources Review (CRR4).
Improving water services in southern Tajikistan

Why are citizens of water-rich Tajikistan getting a poor-quality water supply and an interrupted service? It is because of underinvestment in the infrastructure. For some years water supply and delivery systems have been poorly maintained and are now unreliable or even inoperable. Water supplied to customers is generally unsafe because of a lack of treatment and leakage of contaminated water into the distribution network. Water wastage is also high, with at least 50 per cent of the urban supply estimated to be lost due to leaks, among other things.

After two successful investments in Khujand’s water sector, the EBRD in 2009 launched the southern Tajikistan water rehabilitation project. The US$ 6.4 million project is addressing water quality and supply reliability in three cities in the south of the country – Dangara, Kulob and Kurgan-Too – all of which suffer from frequent water shortages and microbiological contamination in the supply.

With EBRD financing, Tajikistan’s state unitary enterprise Khijagii Manziliu Kommunali is investing in the rehabilitation of water supply and wastewater management systems in the three cities and in improvements in financial and operational efficiency, including billing by local water utilities. The EBRD Shareholder Special Fund provided over US$ 4 million in grants to fund the project.

A lot more investment will be needed to bring Tajikistan’s water standards up to a higher overall level, but the EBRD investment will make a difference at least for the citizens of Dangara, Kulob and Kurgan-Too.
The European Union is the EBRD’s biggest donor, providing around half of all cooperation funds to the Bank. The European Union is increasingly working with the EBRD to implement some of its policies, such as climate change, energy efficiency, accession and the European Neighbourhood Policy.

Much of this cooperation is channelled through the Neighbourhood Investment Facility (NIF), which covers Armenia, Azerbaijan, Georgia, Moldova and Ukraine (and potentially Belarus). The facility became fully operational in mid-2008, targeting the infrastructure and environment sectors, energy efficiency and private sector development, with €75 million committed for EBRD projects as of the end of 2009.

The NIF can finance interventions such as:

- technical assistance on a stand-alone basis unrelated to a loan – for example, a €12 million multi-country project designed specifically to help local banks cope with the financial crisis by providing consultants to advise on risk management, liquidity management, stress testing, credit underwriting procedures and internal audit
- technical assistance to prepare or implement an investment – for example, a €2 million multi-country corporate sector energy efficiency programme targeting energy audits, energy management training and assessment of best practices, accompanied by a projected EBRD loan of €300 million
- grants designed to complement loans from IFIs – for example, a €5 million grant to finance the modernisation of the Yerevan Metro in Armenia (see case study on page 36).

The NIF encourages IFI cooperation. More than half of EBRD projects supported by the NIF are co-financed with the European Investment Bank (EIB) and (exceptionally) with KfW and the World Bank. This increased cooperation has been embodied in a general agreement signed by all IFIs.

For the European Commission, the NIF has also proved a successful means of implementing its external policy with a significant leveraging effect. As a result of the NIF’s effectiveness, the Commission is contemplating extending the facility model to other regions and other types of operations. In 2010 a new Central Asia Investment Facility and an SME facility should be launched with substantial budgets.

The European Union has meanwhile maintained its traditional funding support through regional and national programmes, such as the Tajik Agricultural Finance Facility (TAFF – which will benefit from a €5.2 million disbursement) and the TAM/BAS Programme (funded by EU support in various countries).

The European Union also provides funding on a regional basis for the Western Balkans, Albania, Bosnia and Herzegovina, Croatia, FYR Macedonia, Serbia (including Kosovo) and Turkey. In 2009 major grant agreements totalling €57 million were signed in support of operations targeting micro, small and medium-sized enterprises (MSMEs) and energy efficiency. In addition, the WBIF was launched (see page 46) as a new way to efficiently pool the resources of donors and IFIs in the region.
In 2009 the Bank discussed with donors their priorities for reporting the outcomes of TC operations. The Bank and donors agreed that the framework should continue to focus on improving the reporting of how TC affects transition, while exploring ways to broaden the assessment framework, taking into account community-wide effects such as poverty, gender issues and the environment.

**TRANSITION IMPACT**

The framework that the EBRD uses to assess the extent to which its investments further the transition process is contained in the 2009 report *Transition Impact Retrospective: Analysis of the Impact of EBRD Operations, 2005 to 2009*.

The report’s key findings highlight the transition objectives pursued by individual projects, the extent to which these objectives were achieved, and the relevance of project-level objectives to the main transition challenges being faced in each country. The findings also demonstrate where the EBRD has had a good or significant impact at the country and sector levels, taking into account the critical mass of project operations, the use of TC to enhance the framework for markets and knowledge transfer, and the overall reform effort.

Work is now being carried out to extend this analysis to incorporate more fully the role of donor-funded TC. At the technical level, the work focuses on linking the information systems of individual TC assignments with the systems that report the transition impact of projects. A progress report on this linkage will be presented at the EBRD’s Annual Donor Meeting in Zagreb in May 2010.

In parallel, a detailed investigation is being carried out on the question of how transition impact has been achieved in the ETCs. This study focuses on the specific benchmarks that are pursued by EBRD-financed projects, and will show how they have performed in practice. Included in the benchmarks are environmental performance standards, measures of access to water and sanitation and energy efficiency standards. A report on the ETC transition benchmarks will also be produced and presented at the 2010 EBRD Annual Donor Meeting.

**EFFECTS ON THE BROADER COMMUNITY AND POVERTY**

A key question for donors has been the impact of their assistance on living standards, particularly in the poorer regions, such as the ETCs. Based on discussion with donors in 2009, the Bank has initiated studies in order to gain a better understanding of how the effects of Bank-financed projects extend into communities beyond the Bank’s clients and how transition objectives fit in with broader development goals and strategies aimed at poverty reduction.

In addition, the studies will identify factors that have the potential to strengthen the broader impact of Bank operations, thereby offering ways in which the methodology to assess transition impact might be enhanced to incorporate broader effects beyond the Bank’s clients. A report based on the studies will be presented at the Annual Meeting in May 2010.
Key sectors and programmes

Donor support underpins specific programmes and facilities targeted to the individual needs of countries, enhancing the impact of the EBRD’s investments. Working together, the EBRD and donors are able to make tangible progress in such areas as sustainable energy, environmental infrastructure, MSME lending, transport, trade finance and crucial advisory services.
Sustainable Energy Initiative

Donor funds mobilise investment capital and expertise in the EBRD’s countries of operations. They provide vital support for the Bank’s transition programmes and facilities, help to improve the business environment and strengthen local management know-how. In 2009 the main focus of this support was on the Bank’s response to the global financial crisis and on its strategic goals of combating climate change and promoting energy efficiency.

SUSTAINABLE ENERGY INITIATIVE

Donor funding has been a major determinant in the performance of the SEI, which was launched in 2006. Following the successful implementation of the first phase of the initiative, the second phase began in 2009 with an investment target of €3 billion-€5 billion over the period to 2011 to tackle the barriers to sustainable energy development and energy efficiency.

SEI-focused TC and grant co-financing have been deployed right across the Bank’s sectors of operations and are increasingly important in strategies to combat climate change and to shift to low carbon economies. The initial funding base for the first SEI phase was provided by bilateral donors, and particularly the European Union, and has since been expanded to include the Global Environment Facility and the Climate Investment Funds (see page 19).

Examples of specific interventions supported by SEI grant funds are set out below.

- In 2009 the EBRD started a programme to support companies implementing integrated energy efficiency management systems (EEMS). The EBRD Shareholder Special Fund is providing €4.5 million for co-financing up to 50 per cent of the costs of EEMS equipment, instrumentation and installation. Between 10 and 15 companies operating in sectors such as food processing, commercial building and heat supply systems in selected countries (including Ukraine and other ODA states) will be beneficiaries of the programme. The aim is to demonstrate the merits of introducing EEMS and to promote the development of new markets for providers of energy efficient technologies. Six projects have to date qualified under the programme, which is expected to be fully committed in 2010.

- The Ukraine Carbon Market Facilitation Programme (UCMFP), funded by the Spanish government, is assessing the country’s greenhouse gas emission levels and reduction potential, examining the feasibility of a pilot Green Investment Scheme transaction and developing the institutional and legal framework for effective participation in carbon markets, including operational procedures and valuation guidance. By partnering an international team of experts with local know-how, the UCMFP can share and implement best international practice adapted specifically to the local context.

- An International Energy Agency initiative is aiming to help governments maximise the potential of energy efficiency across the whole economic and governmental spectrum. The project will promote the development of institutions similar to the Carbon Trust in the United Kingdom or Enova in Norway and, in its first phase, is gathering relevant information for energy efficiency practitioners and government officials. The Swiss government has contributed €115,000 from its EBRD-Swiss Technical Cooperation Fund to cover part of the project costs.

The SEI has proven an effective programme to support resource-efficient growth and transformation in the emerging economies of Europe and Central Asia. Germany continues to support innovative projects in the field of energy efficiency in this strategic partnership with the EBRD.

Yvonne Lindenlaub, Councillor, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety
Slovaks save energy and cut costs

Forty-eight families living in a residential building in Oravska Street in Prešov, Slovak Republic, have seen their energy bills reduced by 66 per cent. This is thanks to financing from the EBRD and the Bohunice International Decommissioning Support Fund (BIDSF). This is an EBRD-managed donor fund established by the European Commission and the governments of Austria, Denmark, France, Ireland, the Netherlands, Spain, Switzerland and the United Kingdom that works with the Slovak government to support nuclear decommissioning and promote energy efficiency in the Slovak Republic.

Back in 2007 the EBRD launched an energy efficiency framework of up to €60 million for the Slovak Republic to encourage businesses and housing associations to make better use of energy resources. BIDSF contributed €15 million to cover project costs. Under the framework, the EBRD provides loans of up to €15 million each to Slovak banks Dexia banka Slovensko, Slovenska sporiteľna, Tatra banka and VUB banka, who then on-lend the money to their clients for energy efficiency projects. Private sector companies and residential borrowers benefit from an integrated package of loans, grants and free technical assistance.

Through the local housing association, flat owners in Oravska Street borrowed over €300,000 from Dexia banka Slovensko. And with assistance from project consultant Enviros they set out to insulate their walls, ceilings, windows, balconies and entrance doors. Funding from BIDSF covered some implementation costs, such as energy audits. The loan is now being repaid with savings achieved from these energy efficiency improvements. Each household is able to save up to €760 a year now that energy bills have reduced.

The energy-intensive Slovak Republic has major potential for energy savings. About 266 projects, mostly in the residential sector, have benefited so far from the EBRD’s energy efficiency framework there.

www.ebrd.com/sei
The SEI benefits from a range of funding sources.

- SEI-dedicated bilateral funds have been established within the EBRD by France, Germany, Japan, Spain and the United Kingdom. Due to their targeted focus, and in some cases their untied basis, they have been the most efficient means of funding for SEI (untied meaning that money can be used without any restriction as to the nationality of the firm or experts contracted in a particular project).
- Other donors have supported the SEI through the deployment of specific allotments of their general TC funds or through ad hoc project approvals.
- The European Union continues to be an important funding source, mainly for sustainable energy financing facilities, which it also supports with non-TC funds.
- The ETC and Western Balkans funds have provided some support for SEI technical assistance, although their target countries have not been a primary focus of SEI activities.
- The SEI continues to benefit from the SSF, which has set aside an allocation to support the initiative.

Climate Investment Funds and the Global Environment Facility

Climate Investment Funds (CIFs) are new global financing instruments designed to promote and sustain the transition towards low-carbon and climate-resilient development with investments channelled through multilateral development banks (MDBs). The World Bank (International Bank for Reconstruction and Development) acts as trustee and as an implementing agency together with other MDBs, including the African Development Bank, Asian Development Bank, EBRD, Inter-American Development Bank and International Finance Corporation (IFC).

Increased cooperation and involvement of MDBs is seen as a key element of the post-Kyoto Protocol financial architecture. Within the scope of the SEI, the EBRD has engaged with donors, the World Bank and the other MDBs in the design and implementation of CIFs. In September 2008 the following donors (all shareholders of the Bank) pledged over US$ 6.2 billion: Australia, Canada, Denmark, France, Germany, Japan, the Netherlands, Norway, Spain, Sweden, Switzerland, the United Kingdom and the United States.

The Global Environment Facility (GEF) has been operating since 1991, working in partnership with countries, international institutions, non-governmental organisations and the private sector to create the conditions for sustainable development in challenging environmental conditions. Over the past 18 years the GEF has invested US$ 8.6 billion directly and leveraged US$ 36.1 billion in co-financing for more than 2,400 projects in 165 countries. Allocations through the GEF are awarded project by project. In 2010-11, between €20 million and €30 million is expected to be received for EBRD projects.
The EBRD continues to promote sustainability in its operations by identifying business opportunities that deliver environmental and social benefits. A number of new TC projects are being implemented or procured with backing from the Bank’s SSF, the European Union, Germany, the United Kingdom and the Western Balkans Fund. These activities are focused on:

- climate change adaptation
- best practice in environmental and social issues
- health and safety
- sustainable forestry and agriculture
- gender equality
- biodiversity.

In June 2009 the EBRD engaged a team of consultants to help integrate adaptation to climate change into its operations and project management. The team is focusing on 12 case studies in key sectors across different geographical regions, from which practical guidelines can be developed. The Bank is also contributing to a pilot programme for climate change in Tajikistan, one of 11 countries selected for CIF support. With funding from the World Bank and Asian Development Bank, this programme is an important opportunity to develop and test new adaptive initiatives.

A TC project to help the Georgian Railway Company assess and manage the environmental and social impact of its operations within the framework of the Tbilisi Railway Bypass project has been successfully implemented. Another project is devising a ballast water management training programme in Russia and Ukraine. The training will assist EBRD clients, other operators and regulatory authorities in the maritime transport sector who are either progressing towards ratification of the International Convention for the Control and Management of Ships Ballast Water and Sediments or need to address marine biosafety issues.

In Russia a consultancy firm has completed an assignment to develop and implement a practical methodology to identify viable carbon finance projects in forest-based industries, such as timber, pulp and paper. Using this methodology, a project at one of the largest Russian enterprises in the forestry sector was identified and the potential emission reductions calculated with a view to securing carbon finance, including possibly through the Multilateral Carbon Credit Fund.
St Petersburg adapts to climate change

With research predicting a possible mean sea level rise of up to 1.9 metres by 2100, low-lying coastal cities are at an ever-increasing risk of flooding. Built on the flood plain of the River Neva at the extreme eastern end of the Gulf of Finland, St Petersburg is one of those cities at risk. In its 307-year history, the city has been flooded more than 300 times.

However, a state-of-the-art flood protection barrier, one of the largest civil construction projects in the world, is due to be completed by the end of 2010.

The barrier is so massive that it is clearly visible from space. At 25 km in length, it cuts across the Gulf of Finland and Kotlin Island. It consists of 11 embankment dams and six sluice gates to allow water to flow through the barrier and prevent stagnation in the bay. It also has two navigation openings for St Petersburg’s busy port traffic.

The total cost of the project is estimated at 87 billion roubles, or about €2 billion. In 2002 the EBRD lent US$ 245 million to Russia to finance construction. The European Union, Japan, the Netherlands, the Northern Dimension Environmental Partnership, Taipei China, the United Kingdom and the United States contributed about €3.5 million in grants to fund project preparation. The European Investment Bank and the Nordic Investment Bank are also financing the scheme.

The EBRD loan is financing critical elements of the barrier: the central control room, flood gates, energy supply and a computer-automated control system. Progress in the last two years has been immense. The barrier is now complete and the testing of the flood gates has gone well. A recent climate change adaptation analysis conducted by external engineering consultants confirmed that the barrier should withstand even the worst-case scenarios for climate change and sea-level rise.

www.ebrd.com/sei
In 2009 the EBRD provided TC funding totalling €29 million to financial intermediaries to help alleviate the impact of the financial crisis and to bridge the skill gaps. Most TC assignments have focused on risk management, particularly in regard to non-performing loans (NPLs).

In addition to crisis-response measures, broader institutional strengthening and comprehensive support for MSMEs and energy efficiency credit lines continued to attract TC assistance. The principal beneficiaries were in the ETC region, Latvia, Russia, Ukraine and the Western Balkans.

In addition, grant funding was available in the form of incentive payments when additional support was needed for EBRD clients and their borrowers. Just over €23 million was disbursed in performance and other fees to banks and incentive payments to sub-borrowers, notably in respect of sustainable energy financing facilities and SME finance facilities.

**Crisis-response activities**

The worsening macroeconomic situation in the EBRD’s countries of operations inevitably had an impact on bank performance, with deteriorating loan portfolios contributing to losses across the sector. The rise in NPLs diminished banks’ capital through increased write-offs and provisions and deterred banks from making new loans, in turn fuelling economic decline as businesses were unable to access finance. Volatility in the local currency in many countries, high and variable interest rates, uncertain economic prospects and the rising number of NPLs were key reasons for a sharp reduction in lending activities by a large number of partner banks.

Throughout 2009 the fundamental objective of the EBRD’s TC assignments was to help restore confidence in the financial sector. The Bank’s dialogue with all stakeholders, including other IFIs and national authorities, resulted in financial support packages to strategic parent banks and local systemically important banks.

During 2009 four large TC framework programmes were established in response to the crisis.

- **Assistance and training in loan work-outs and corporate recovery to Russian banks:** €2.4 million was made available to provide support and training to financial institutions in the area of active loan portfolio management, including loan work-out and corporate recovery procedures.
- **Institution building and targeted crisis response for larger projects:** €4.8 million was made available to assist financial institutions in the EBRD’s countries of operations that have been particularly affected by the global financial crisis and in which the EBRD plans to invest or has invested as part of its crisis response package. Investments are tailored to the needs of each financial institution, mainly in risk management, institutional strengthening and dealing with NPLs and improvement in corporate recovery.
A regional framework for targeted crisis response with a panel of individual consultants: €1.5 million was made available for this framework where a panel of experts provides the necessary transfer of skills for the partner banks and to respond to the economic crisis by addressing specific problems (see case study on Parex Bank on page 24);

A framework for Ukrainian financial institutions for institution building and crisis response for €3.7 million: a separate framework has been established to help financial institutions in Ukraine as one of the hardest hit by the global economic crisis. Similar to the regional frameworks, it supports partner banks in their operations.

In addition to these frameworks, individual TC projects were also provided for partner financial institutions most affected by the financial crisis.

Consultancy assignments included:

- assisting banks in analysing their NPL portfolios, providing training in loan restructuring and making organisational changes to existing procedures for dealing with NPLs
- helping banks with risk management, strengthening their capital base, corporate governance, internal audit and operational efficiency
- tailoring bank-specific support, for example to Parex Bank in Latvia
- trade finance training sessions, seminars and conferences which contributed to constructive information exchange and support to the market stabilisation process (such as fraud prevention, use of cash advances under revolving credit agreements, handling bad debt and structuring in a crisis, correspondent banking and impact of the liquidity crisis).
Helping Latvia’s Parex Bank avert a crisis

In 2009, as the impact of the global financial crisis was unfolding dramatically, emerging Europe was nearing financial meltdown. Governments feared that unless the banking system in central and eastern Europe received help it would not survive. It needed financial support urgently and the IMF, European Commission, EBRD, EIB and World Bank all stepped in. The EBRD alone approved a crisis response package which focused on the financial, enterprise and infrastructure sectors, and increased its planned investment volume for 2009 by 30 per cent to some €7.9 billion.

Latvia’s second largest bank, Parex Bank, was just one of the banks severely affected by the financial crisis. After years of rapid expansion, during which Parex Bank became the largest Latvian bank without a strong foreign parent, the outbreak of the crisis resulted in a serious loss of depositor confidence in Parex. Latvia generally, and Parex in particular, were hard hit by problems with real estate assets.

The failure of a bank as large as Parex would have had a catastrophic effect on the Latvian economy. The EBRD stepped in to acquire 25 per cent of the bank, with a further €22 million subordinated loan. With funding from the EBRD Shareholder Special Fund, the EBRD also engaged an external consultant to review the extent of the bank’s problem loan portfolio, appraise risk management procedures, assist in the establishment of a corporate recovery unit and train staff handling real estate loans. Another consultant reviewed the bank’s viability and consulted with stakeholders in order to make recommendations to restructure Parex and enable it to restart lending.

Although now owned by the Latvian government and the EBRD, Parex is working towards restructuring and a return to the private sector.

www.ebrd.com/fi
The financial crisis presented the EBRD with two important tasks regarding MSEs: to help its partner financial institutions address liquidity problems and repair their assets in the short term, and to foster continued sustainable MSE financing in the long term.

Russia was the largest recipient country of MSE-related technical cooperation. The Russian Small Business Fund (RSBF – see page 50) continued the MSE credit advisory TC project, having adjusted its immediate objectives to address new needs and priorities of project beneficiaries emerging as a result of the financial crisis. Additionally, a new MSME credit advisory services project was started with support from the European Union, specifically targeting the Northern Caucasus region of the country.

The priorities of many EBRD clients have changed due to the crisis, which has necessitated the reshaping of many active consultancy assignments for MSEs. Therefore, particular MSE programmes have been adjusted to place increased emphasis on knowledge transfer and developing partner financial institutions’ skills in such areas as portfolio monitoring, asset and liability management and enhanced credit risk management. This shift in the scope of consultancy assignments was particularly evident under the MSE credit advisory facilities in Azerbaijan, Mongolia, Russia and Ukraine, but also apparent in similar programmes in Armenia, Belarus, Romania and Tajikistan.

In recent years non-bank microfinance institutions (NBMFi}s have become significant providers of finance to the smallest borrowers, including individual entrepreneurs. NBMFi}s have become particularly active in the ETC region and in Western Balkan countries. Many types of foreign-owned, non-governmental organisations had planned to transform themselves into joint-stock companies and deposit-taking institutions to diversify their funding base and increase market outreach. However, the crisis affected the financial position of most NBMFi)s. This, together with changes in regulations and increased capital requirements, put many individual transformation plans on hold. Nevertheless, TC assignments continued or started up in 2009 through microfinance institutions such as MI-BOSPO in Bosnia and Herzegovina and CAPA Finance in Romania.

The EBRD has continued to support new microfinance banks (MFBs) in cooperation with other shareholders, including IFIs and private stakeholders. These banks not only diversify the financial landscape in the EBRD’s countries of operations, offering new lending facilities to local MSEs, but also help set sector standards and promote competition between providers of MSE finance. Setting up an MFB requires substantial TC funding to support the initial years of operation before the institution achieves profitability. For details of the Belarusian Bank for Small Business (BBSB), a specialised microfinance/SME bank, see page 54.

The United States believes that the EBRD’s microfinance programmes play a particularly vital role at a time when the region is facing significant economic challenges as a result of the global financial crisis.

Jeffrey K. Baker, Director, Office of Europe and Eurasia, US Treasury Department

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**SMALL BUSINESS FINANCE**

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Innovative approaches, policy planning with governments and other key local stakeholders, and coordination with IFIs and private international businesses have been key to the success of many small business interventions. This is exemplified by the Tajik Agricultural Finance Facility. This was set up by the EBRD in 2007 to support the restructuring and diversification of agriculture (including the cotton sector) in Tajikistan, and incorporates investment and TC components. The TC programme, which has been funded by the ETC Fund and the United States, provides support, expertise and advice to partner institutions in establishing efficient agricultural lending processes, developing new loan products, training local consultants and partner institution staff, and maintaining efficient reporting systems.

OTHER TC PROJECTS FOR FINANCIAL INSTITUTIONS
Other TC projects (excluding small business financing) in 2009 included:

- institution building assignments worth €4.2 million, which benefited 13 partner institutions and covered risk management, internal auditing, corporate governance, information technology and human resources
- six new projects financed under the EU/EBRD SME Finance Facility – one in Ukraine and two under the Medium-sized Co-financing Facility – despite a marked reduction in most countries in the overall volume of SME financing because of the financial crisis and a sharp rise in SME arrears rates
- training activities focusing on improving local capital markets, including the Zagreb Stock Exchange in Croatia, and treasury risk management operations and currency exchange fund workshops in Georgia and the Kyrgyz Republic.
Established in 1999, the TFP helps to finance businesses engaged in exports and imports as well as domestic trade. Through the programme, the EBRD takes on the political and commercial payment risk of transactions undertaken by issuing banks and factoring companies in the Bank’s countries of operations. In addition, the EBRD grants short-term loan facilities to banks and factoring companies for the purpose of on-lending to their clients. As of December 2009, 119 issuing banks were participating in the programme, together with 716 confirming banks throughout the world. The TFP has to date facilitated more than 8,600 trade deals worth nearly €6 billion.

Donors support the TFP through risk-sharing facilities and by providing funding for training and advisory services; this support helps banks to obtain access via the TFP to international finance, strengthen their trade finance experience, introduce transparent banking practices and enable staff to gain experience working with Western confirming banks. The EBRD has three risk-sharing funds supporting the TFP:

- Balkan Region Special Fund, supported by Austria, Germany, the Netherlands, Norway and Switzerland
- Central Asia Risk-Share Special Fund, backed by Germany and Switzerland
- Financial Intermediary Investment Special Fund (covering Armenia, Azerbaijan, Georgia, Moldova, Russia and Ukraine) to which the Netherlands and Taipei China contribute.

TC consultancy services and training seminars on trade finance practices and banking products have been provided for banks in 17 EBRD countries of operations, helping them to increase their operational skills and improve their services. As of the end of 2009, more than 1,400 bankers from over 200 banks in the 17 countries had benefited from presentations, workshops, seminars, meetings with clients and team discussions.

In 2009 a consultancy project was approved for four Belarusian banks participating in the TFP and now it is being successfully delivered by the relevant consultant. Sponsored by New Norway Cooperation Fund, the project will optimise the trade finance banking practices and procedures in those banks and help promote trade finance know-how locally.

Other consultancy projects in 2009 for banks joining the TFP were established in Serbia – sponsored by the Western Balkans Fund and the SSF – and in FYR Macedonia, also sponsored by the Western Balkans Fund.
Other regional assignments and two trade conferences were also organised and already partially financed by TC funds to support the market stabilisation process. These covered fraud prevention, use of cash advances under revolving credit agreements of the TFP, handling/restructuring bad trade finance debt, and legal proceedings in connection with defaulted trade finance transactions. Workshops covering overall bank-to-bank cooperation in various areas including treasury, financial institutions, custody/fiduciary services and cash management were initiated for banks in selected EBRD countries. By the end of the year, the first two workshops for banks in Serbia and FYR Macedonia had been held.

A TC-funded factoring consultancy project is ongoing in four Ukrainian banks which have struggled to maintain adequate portfolio quality and to preserve capitalisation levels in difficult operating conditions.

A conference on the liquidity crisis, sponsored by Taipei China, was organised at the EBRD headquarters in London in January 2009, attended by about 150 people from various trade finance institutions.

Another trade finance conference, on crisis response, was organised in Istanbul, Turkey, in October 2009, bringing together various banks active under the TFP to consider prevailing financial market conditions and to share information. This conference, attended by around 300 delegates, was sponsored by Taipei China and by commercial banks from Georgia, Germany, Turkey and Ukraine.
The TurnAround Management/Business Advisory Services (TAM/BAS) Programme is one of the Bank’s key transition instruments, helping MSMEs with technical support and management advice. Donors have played a key role in the development of the programme since 1993.

TAM focuses on managerial and structural changes within companies, while BAS supports short-term projects with narrowly defined objectives. In 2009 TAM launched 116 projects and BAS 1,136 projects, mobilising €16 million in donor funding and attracting €7 million from the SSF. An additional €6.9 million in new donor contributions was secured (with a potential funding pipeline of €14.1 million) for activities in 2010.

The biggest single donor is the European Union. TAM/BAS has also received funding from more than 20 bilateral donors: Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Taipei China, the United Kingdom and the United States. Other multilateral contributors have been the Central European Initiative (CEI – see page 48), ETC Fund and Western Balkans Fund.

In line with donor and EBRD priorities, TAM/BAS continued its focus on working with MSMEs in rural areas and diversifying outside capital cities, while incorporating interlinked issues such as energy efficiency, environmental protection, gender equality and fostering young entrepreneurs into all its programmes.

Portugal is a strong supporter of the EBRD's TAM/BAS Programme, particularly in its effort to promote local energy efficiency, renewable energy and environmental initiatives in central and south-eastern Europe.

Fernando Teixeira dos Santos,
Portuguese Minister of State and Finance
A childhood dream becomes reality in Georgia

In Gori in Georgia, a few minutes’ walk from Stalin’s statue, the bustling Dafne grocery supermarket serves a steady stream of customers.

The supermarket was ransacked during the 2008 conflict between Georgia and Russia, but Ana Kureli, the owner of the store, quickly refurbished the premises and set about upgrading it. “This was my childhood dream,” says Ms Kureli, who used to play at being a shopkeeper as a child.

Ms Kureli had already taken steps to strengthen the business after she purchased it in 1997. But to really make a difference to her customer base and take her business to a higher level, she turned to the EBRD’s Business Advisory Services (BAS) Programme to help her implement a store debit card system. This not only increased revenue by creating a customer loyalty programme, but also provided a new financial mechanism for serving the people of Gori. Ms Kureli has also teamed up with a local charity providing free food for the poorest people; beneficiaries can pay for goods by using a special store card and the bills are then settled by the charity.

BAS consultants helped Ms Kureli to develop computerised management processes for trade and cash management. The supermarket has benefited from an immediate upturn in sales and the store is well positioned for further modernisation.

Over 750 micro, small and medium-sized enterprises from Albania to Uzbekistan are benefiting from BAS support, and many of them are run by female entrepreneurs. “Almost all the small retailers in Gori are women. Our businesses are what keep this city afloat,” says Ms Kureli.
Municipal and environmental infrastructure

In 2009 loan financing of €480 million was provided for 27 assignments in the MEI sector across the transition region. Projects covered water and wastewater, district heating, urban transport and solid waste management. Donor funds for grant co-financing and technical cooperation continue to support the Bank’s work in the MEI sector and are even more crucial given the detrimental effects of the financial crisis on municipal funding.

Grant funding remained an important element for MEI, particularly in countries where the IMF insists on a considerable grant component for projects (usually 35 per cent). Affordability considerations can be a constraint in other countries, such as Ukraine, the ETCs or Western Balkans. Indeed, without grant investment co-finance the Bank could not be active in the MEI sector in countries with such restrictions.

In 2009 TC funds in excess of €18 million were committed for 73 MEI assignments. This focused on strengthening institutions, improving standards for business, skills and innovation, and demonstrating new and replicable behaviour and activities to other potential clients.

The major beneficiaries were Ukraine (with over €5 million) and Tajikistan (with almost €3 million) as well as Georgia and Russia. Ukraine has benefited significantly with a grant from the European Union under the NIF for a TC framework providing technical assistance for all MEI projects in the country. To date, the framework has been able to finance procurement, implementation support, contract supervision and corporate development for investments in the city of Lviv, and regulatory improvements for public transport in the city of Odessa. In the case of Lviv, the underlying investment project is critical to preparations for the 2012 European football championship which the city will host (see also case study on page 53).

In Georgia, the Kutaisi Water Phase II and Tsaltubo Water and Wastewater projects are being prepared by the EBRD (each with loans of €1.5 million) in conjunction with bilateral donors. The investments will benefit from TC support from the Austrian Fund for Municipal Infrastructure for project implementation.

Austria strongly supports the EBRD’s activities in municipal and environmental infrastructure. In 2009 we replenished our MEI Fund with €4 million and committed €1.8 million to ongoing assignments in Georgia, Kazakhstan and Ukraine.

Leander Treppel, Ministry of Finance, Austria
The MEI sector makes considerable use of operational staff financed by donors for the identification of new projects and for project preparation and implementation. These support officers work within the EBRD and contribute to the dissemination of project finance experience to within the EBRD, throughout the region and the donor community.

The EBRD and Sweden have agreed to cooperate in MEI projects aimed at developing environmentally, financially and socially sustainable services identified under the ETC Initiative. A Sweden-funded officer based in the Bank’s Tbilisi Resident Office in Georgia has provided support in identifying, preparing and supervising MEI operations in the region since 2005 and this collaboration has resulted in the successful expansion of MEI business in the ETCs.

Additionally, Finland has long provided financing for an officer based in St Petersburg and covering the north-western region of Russia, particularly the area covered by the Northern Dimension Environmental Partnership. Spain has also provided funding for a London-based post to help identify and develop environment-related projects on public and public-private partnership (PPP) bases and to mobilise donor support and local resources to match EBRD project financing. This role is based on the extensive experience of Spain with PPPs and their efficient mobilisation and use of EU grant funding.

In June 2009 the EBRD and Sweden established the Municipal Environment and Climate Programme Fund (with finance of SEK 200 million over three years) to support improved municipal services, EU integration, emission reductions, institutional reforms, sustainability and transition. The Fund will support MEI projects in Belarus, Georgia, Moldova, Ukraine and some countries of the Western Balkans. In 2009 it approved grants benefiting improvements in solid waste management in Rustavi in Georgia; construction of a wastewater treatment plant in Bijeljina in Bosnia and Herzegovina; and the renovation of water and wastewater infrastructure in Zhytomyr in Ukraine.

In December 2009 the Swedish presidency of the European Union also launched the new Energy Efficiency and Environment in Eastern Europe Partnership, which will initially support district heating and energy efficiency projects in Ukraine. This new initiative, in addition to supporting sustainable energy in the municipal sector, will bring much-needed, long-term grant support to the Sustainable Energy Initiative (SEI) more widely. Because of the range of barriers to implementing energy efficiency, the SEI has a particular need for grant-funded instruments in municipal infrastructure as well as other sectors. With initial pledges in excess of €90 million, this provides a further source of capital expenditure grants and technical cooperation for MEI operations.

Another example of donor support is a project in the Kyrgyz Republic to upgrade the city of Bishkek’s municipal water supply infrastructure, for which the EBRD has loaned €5.5 million. Additionally, a supporting grant of up to €5.7 million under the Switzerland-EBRD Improvement of Water Supply for Bishkek City Project Fund will partly be used to procure goods, works and related services, as well as for technical cooperation.

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We continue to work with governments to promote reform in the water and wastewater sector.
In 2009 donor-funded technical assistance for project preparation and implementation and policy planning played an increasingly important role in the power and energy sector, with TC funding amounting to €6.7 million in support of 19 projects.

In the Western Balkans, Italy financed a technical audit and performance review of the thermal power plant in Bitola in FYR Macedonia. In Bosnia and Herzegovina donor funding, including that from Canada and Switzerland, provided technical assistance for a strategic environmental assessment of small hydropower developments in selected river basins.

Important energy projects in Bulgaria and Romania were supported in 2009 by donor-funded technical cooperation from Spain and Luxembourg (for details see page 56).

In Ukraine, the UK Department for International Development (DFID) helped the national transmission company launch tenders for the Rivne-Kiev transmission line project, and a Spanish-funded assignment assisted the same company with preparation of another key transmission project in the south of the country. Funding from the SSF financed a small assignment for an additional ecological assessment (relating to migrant birds) for the proposed 750kV Zaporizhzhia-Kakhovska line project. Also in Ukraine, DFID made funds available for social and environmental evaluation of a hydropower rehabilitation project.

In Russia, Italian funding helped the EBRD initiate an assessment for a comprehensive rehabilitation programme for a power generation company in which the Bank has an equity stake. In Kazakhstan, with assistance from the SSF, the regulatory authority developed an incentive-based electricity tariff mechanism to encourage network efficiency and to promote capital investment in power distribution.
In the ETCs donor-funded TC assignments contributed to various projects in the power sector.

- In Georgia, Austrian funding supported a strategic environmental assessment on small-scale hydropower development in a selected river basin. Also in Georgia, the SSF provided financing to assist the authorities in assessing the regulatory environment in the power transmission sub-sector and in undertaking social and environmental impact assessments of the Georgian section of a proposed power interconnection between Azerbaijan and Turkey.
- In Armenia a Spanish-funded TC assignment assisted the regulatory authority with broadening supplier end-user access to the power network and promoting further sector liberalisation.
- In the Kyrgyz Republic and Tajikistan the authorities initiated a regulatory and market design regime for private sector participation in small and medium-sized hydropower development with assistance from the SSF.
- In Mongolia, which has extensive wind power potential, a Japanese-funded TC assignment helped the national energy regulator set out a schedule for the development and integration of commercial renewable energy projects.
- In Moldova the ETC Fund helped the Moldovan transmission operator and its Romanian counterpart undertake a technical, commercial and socio-environmental feasibility assessment of a proposed power interconnection between Balti (in Moldova) and Suceava (in Romania).
In 2009 the EBRD sought, with donor assistance, to ensure that targeted funds were allocated to investment projects that sustained continuing transport reform and helped implement key infrastructure projects. In total, €8.6 million was provided by donors in TC financing for 14 projects across the sector.

Technical support was targeted mainly at the ETCs, Kazakhstan, Moldova, Russia and the Western Balkans, covering ports, railways, roads and aviation. This enabled partner institutions and companies to benefit from a substantial transfer of know-how, focused not only on project preparation and management but also on corporate governance and institution building. This enabled the beneficiaries – particularly FYR Macedonia (€3 million), the Kyrgyz Republic (€1.8 million) and Moldova (€1.7 million) – to organise their operations on a more efficient and commercial basis.

In 2009 the SSF and Western Balkans Fund provided finance to help the Macedonian Agency for State Roads implement new roads legislation and for an investment programme in regional and local roads.

In the Kyrgyz Republic the Bank is providing a €35 million loan to finance the reconstruction of a 73 km section of the Osh-Isfana road. TC finance from the ETC Fund and co-financed by the SSF will be used to supervise construction works, implement road sector reform and restructuring, and engage a monitoring consultant.

In Moldova the European Union’s NIF provided funds to an EBRD project to help enhance the financial and operational viability of Chisinau Airport.

Russia’s port sector is the largest in the Bank’s countries of operations and requires considerable investment over the coming years to maintain efficiency. In 2009 the Dutch Fund provided financing for a study to review future trade flows and identify where increases in capacity, potentially financed by the Bank, will be needed.

In support of the Georgian Railways bypass project, the Bank secured €8.5 million in funding from the NIF for environmental mitigation measures, for a survey of potentially contaminated land that will be freed up as a result of constructing the bypass, and for urban planning studies.
Upgrading the Yerevan Metro in Armenia

Back in 1971 when the construction of a metro started in Armenia’s capital, Yerevan, and the country was part of the Soviet Union, it was considered that metro systems were suited to cities with over 1 million residents and tram systems to those with under 1 million. Building a metro in Yerevan, then with less than a million people, might be viewed as astute forward thinking. Today, Yerevan Metropolitan Karen Demirchyan – named after the man who convinced the then Soviet Communist Party leadership that Armenia needed the metro – serves over 19 million passengers.

Since opening in 1981, Yerevan Metro has grown from a four-station system extending 7.6 km to 10 stations over 11 km. It has 70 Russian-made carriages, although only 25 carriages are safe to run, with services every five minutes at peak times and every eight minutes off-peak. In past years the metro has been losing passengers to competition from minibuses because of under-investment. This in turn is overcrowding Yerevan’s roads and causing traffic and road safety problems.

Intent on regaining its passenger share and restoring a safe and reliable service, Yerevan Metro approached the EBRD and European Investment Bank (EIB) in 2009 to finance the renovation of the system. An EBRD loan of €5 million is being matched by the EIB. In addition, the European Union’s Neighbourhood Investment Facility has advanced an investment grant of €5 million. The total funding will finance refurbishment of the rolling stock, rehabilitation of worn-out track and power supply components, purchase of a maintenance trolley and replacement of water pumping stations.

This financing comes at a critical time when liquidity from local commercial banks has dried up as a result of the financial crisis. However, Yerevan Metro is not just receiving new finance. Through a separate project funded by the EBRD Shareholder Special Fund, it is looking into ways of improving its operational performance. A second phase of renovation will follow the first investment, hopefully restoring the metro’s fortunes.
The 2008-09 financial crisis further highlighted the importance and urgency of strengthening market-supporting institutions, including legal systems. Through its Legal Transition Programme (LTP), the EBRD aims to improve the investment climate in transition countries by promoting investor-friendly, transparent and predictable legal environments for market development. Donor funding is crucial in enabling the Bank to play its role as a law reformer in eastern Europe and Central Asia. It is typically used to engage international and local experts who, with EBRD specialists, help strengthen legal frameworks and institutions across the Bank’s region of operations.

A principal objective of the LTP in 2009 was improving corporate governance in companies and financial institutions. Among other things, this involved developing a corporate governance code for state-owned and listed companies and banks in Armenia, with funding assistance from the ETC Fund, which is scheduled for completion in 2010. The EBRD also helped the authorities in Russia and Serbia to upgrade their company legislation relating to governance, with funding from Italy and the SSF, respectively. With support from Germany, the Bank also assisted the Commonwealth of Independent States (CIS) Inter-Parliamentary Assembly in the preparation of a draft model company law for CIS countries.

With the contraction of credit markets in the financial crisis came an increased awareness of the significance of good insolvency mechanisms, allowing for the orderly and timely liquidation or reorganisation of insolvent businesses. The EBRD has striven to improve the regulation and supervision of insolvency administrators in Russia and Serbia with funding from Switzerland and the Western Balkans Fund, respectively.

As the prevailing economic climate has made access to credit more difficult, the Bank has been working on legal reforms to create new credit access instruments. This has included a project launched in Russia and funded by the SSF to establish new grain warehouse receipt legislation allowing farmers to secure post-harvest financing. The Bank has also pursued the implementation of the Cape Town Convention aiming to facilitate aircraft financing in Russia, with funding from the SSF.
In the communications sector the EBRD has been active in fostering better telecommunication regulatory regimes in Kazakhstan (with funding from Japan), in Moldova (with support from the ETC Fund and the SSF) and in Montenegro (backed by the Western Balkans Fund). Finnish funding allowed the LTP to launch a regional communications regulatory training project in Armenia, Azerbaijan and Georgia.

During 2009 the Bank progressed its Ulaanbaatar Clean Air Initiative, a project aiming to reduce air pollution levels in the Mongolian capital. The objective is to adopt regulatory measures encouraging users to switch to smokeless coal to reduce the severe winter pollution. This project is funded by the ETC Fund and the SSF.

The EBRD judicial capacity building project in the Kyrgyz Republic, developed in collaboration with the International Development Law Organization, continued throughout 2009. Besides providing training seminars for Kyrgyz judges working on economic matters, the Bank helped issue a guide for the judiciary on commercial law and the commercial law library set up in 2008 in Bishkek was equipped with additional research resources. The Kyrgyz project also laid the foundations for an initial training programme, scheduled to take effect in 2010, to provide newly-appointed judges with a good grounding in aspects of commercial law. Recent phases of this project were funded by the ETC Fund and the SSF.

To assess the impact of TC projects, the Bank conducted a regulatory impact analysis (funded by Italy) of a draft law on corporate and municipal bonds that had been prepared for the Albanian authorities under a previous EBRD assignment. This evaluated the potential issues likely to arise at the technical and practical levels when the law comes into force. The draft law was revised in accordance with the findings of the analysis and finally approved by the Albanian parliament in October 2009.
Donors have recognised and supported the EBRD’s gender initiatives to promote equal opportunities for men and women in its countries of operations as important instruments in the process of transition to sustainable economies. In 2009 the Bank finalised its first Gender Action Plan to integrate gender issues throughout the institution through both investment and technical cooperation activities and an established, dedicated gender team.

In November the Bank agreed a €50 million loan to Turkey’s Garanti Bank for on-lending to small businesses outside Ankara, Istanbul and Izmir. As part of the loan agreement, Garanti Bank committed to increase the number of loans made to female entrepreneurs where possible. The EBRD provided €20 million while the remaining €30 million was lent by the Netherlands Development Finance Company, Taipei China’s International Co-operation and Development Fund (TaiwanICDF) and a group of commercial banks.

Gender equality measures have been applied to several TC projects supporting EBRD investments, including revising partner institutions’ human resource strategies to ensure sound policies on anti-discrimination, maternity leave, hiring and staff development.

A TC project to promote gender equality in Azerbaijan’s financial sector was approved in December 2009. The project, valued at €134,000, aims to help the Azerbaijan Microfinance Association as an EBRD partner institution to increase the number of female loan officers and clients by advising on best practice in human resource policies and gender-focused monitoring and training.

The Bank’s environmental and social advisers began working with a consultant gender specialist on developing tools to be used in environmental and social due diligence to systematically integrate gender issues into the Bank’s projects. These will be used to identify potential gender issues in a particular country and sector that require mitigating measures to avoid or minimise any risks to gender equality. Moreover, the tools will also help the Bank recognise proactive measures that could maximise opportunities or improve gender equality, benefit sharing and women empowerment. Every year the Bank recognises the achievement of leading businesswomen through its Women in Business Awards Scheme.

In December 2009 the EBRD attended the workshop on integrating gender equality into infrastructure projects, organised by the MDB Gender Working Group in Lima, Peru, where IFIs discussed their approach to gender issues in infrastructure in public and private sector projects.
Regional activities

In 2009 the Bank relied heavily on donor support as it sought to respond robustly to the global economic crisis. There was a strong donor response across the entire transition region, but particularly in the ETCs and Western Balkans, augmented by matched funding from the Shareholder Special Fund.
In 2009 the global financial crisis hit all the EBRD’s countries of operations, although with varying degrees of severity. Using all the instruments at its disposal, the Bank has sought to help those countries and areas most in need of its support to ensure that the negative knock-on effects do not reverse their individual transition achievements. With donor funding and support from the SSF, the Bank has:

- helped client financial institutions with a wide range of crisis measures
- intensified assistance for SMEs, given their particular importance in the more vulnerable economies
- supported crucial municipal environmental programmes as the crisis undermined local government budgets.

The role of TC- and non-TC funding in the Bank’s crisis interventions and in its ongoing core business activities has been crucial in all transition countries. TC commitments to countries in which the EBRD invests are shown in Chart 3.

![Chart 3: Commitments by country](chart3.png)

Note: Regional refers to projects spanning more than one country.
Early transition countries

The ETC Initiative was launched by the EBRD in 2004 to help address transition objectives and reduce poverty in the poorest countries of operations, which comprise Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Uzbekistan (see Chart 4 for TC commitments in 2009). Coordinated TC and grant support for these countries from the donor community is mainly channelled through the untied multi-donor ETC Fund. Contributors to the Fund are Canada, Finland, Germany, Ireland, Japan, Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Taipei China and the United Kingdom.

The ETC Initiative is based on a three pillar approach:

- the EBRD takes on more risk, while respecting sound banking principles. This includes expanding and adapting the existing core instruments, increasing the focus on the countries and developing new products
- the EBRD increases its resources (staff and budget) at HQ (through a dedicated team working on projects in the ETCs) and in Resident Offices
- more efficient and better-coordinated support from the donor community in terms of joint technical cooperation and investment grant co-financing is essential to address the huge capacity and absorption constraints in project preparation and implementation, project affordability, and in the improvement of business and regulatory environments.

The ETC Fund was created to address this need and has received generous support since 2004 from donors.

The Fund’s regional priority objectives are to promote private enterprise, strengthen the financial sector, increase access to, and delivery of, affordable basic services, improve the environment and encourage innovation.

With the EBRD, Switzerland has found a reliable partner to implement sound infrastructure projects, improving water supply in remote regions of the ETCs. In 2009, SECO thus provided a critically needed €5.7 million investment grant for the Bishkek Water Supply project.

**Werner Gruber,**
Chair of the ETC Fund Assembly and EBRD Board Director for Switzerland

A total of €67.9 million has been pledged to the ETC Fund since November 2004 for both TC and non-TC purposes. Between January 2005 and September 2009, some 389 transactions were signed with a total value of €1.82 billion. It is estimated that every €1 of TC funding has leveraged approximately €30 of loans and equity investments.

**Chart 4: TC commitments to the ETCs**

<table>
<thead>
<tr>
<th>Country</th>
<th>Value (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>0</td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>1</td>
</tr>
<tr>
<td>Georgia</td>
<td>2</td>
</tr>
<tr>
<td>Kyrgyz Rep.</td>
<td>3</td>
</tr>
<tr>
<td>Moldova</td>
<td>4</td>
</tr>
<tr>
<td>Mongolia</td>
<td>5</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>6</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>0</td>
</tr>
<tr>
<td>Regional ETC</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: Regional ETC refers to projects spanning more than one early transition country.

67.9

www.ebrd.com
How can a small business owner make his or her opinion known and how can dialogue be enabled between the private and public sectors? That is the task that the EBRD set itself when creating consultative councils on the investment climate and private sector development in the early transition countries. Fourteen donor governments of the Bank’s ETC Fund support the initiative. Consultative councils have been established in Armenia, Georgia, the Kyrgyz Republic, Mongolia and Tajikistan, and are the only forum where business owners and government officials meet regularly to find solutions to problems that concern the private sector.

For example, in the Kyrgyz Republic and Tajikistan the countries’ presidents chair the council meetings and recommend ways to their respective governments of how to ease the process of doing business. Since the Kyrgyz council was set up in 2006, the government has made significant improvements, such as easing access to credit by making secured lending more flexible, reducing business registration time and abolishing various post-registration fees. The Tajikistan council, also established in 2006, has brought together the private and public sectors and prompted the introduction of a government programme to improve the business environment.

The consultative councils’ efforts have been rewarded. The Kyrgyz Republic and Tajikistan rank among the 10 top reformers in the World Bank’s Doing Business 2010 survey, which evaluates 183 economies worldwide. The survey compares countries’ regulations for starting a business, dealing with construction permits, employing workers and registering businesses.

www.ebrd.com/etc
In 2009 the ETC Fund approved almost €13.5 million of new projects, with financing for some assignments allocated to the Fund and some to the SSF. The co-financing of projects by the SSF has become increasingly important, not only allowing the ETC Fund to support more projects than it could have otherwise done but also providing leverage for donors in increasing their pledges to the Fund itself. Projects approved in 2009 have spanned all ETCs and most sectors, particularly local enterprise and MEI development.

The ETCs were nevertheless hit hard in 2009 by the global financial crisis. An average output decline of about 6 per cent was experienced across the region, although the figure was much higher in some countries than others. The slow-down in economic growth was mainly due to falls in export demand, commodity and oil prices, and levels of remittances. All of the transition countries saw a rise in non-performing loans. Increasing pressure on local currencies because of lower exports also contributed to a decline in domestic credit availability from banks. However, the generally low level of financial integration with international markets resulted in a very moderate impact on the region’s banking sectors.

**Bilateral donors**

In addition to the ETC Fund, there has been strong support from donors on a bilateral basis, with €8.5 million provided to the ETCs in 2009. The European Commission was the largest bilateral donor, followed by Austria, Japan and Sweden. Assistance was also provided by Belgium, Finland, Germany, Spain, Switzerland, Taipei China and the United States.

**Financial instruments**

The Direct Investment Facility (DIF) and Direct Lending Facility (DLF) have been developed with local banks in the ETCs to provide direct financing to SMEs. The DIF provides equity-type investments in local private enterprises and the DLF provides direct loans to enterprises in those countries where the local banking sector cannot make equivalent provision.

**Projects funded in 2009**

The ETC Fund and bilateral donors provided financing for the development of key infrastructure, energy efficiency and legal reform projects in 2009.

- In Tajikistan the EBRD is working with the government through the state unitary enterprise Khijagii Manziliu Kommunali to address critical investment needs in water and wastewater infrastructure in the cities of Dangara, Kulob and Kurgan-Tube. TC funds will be used to support project implementation and to enhance management skills (see also case study on page 13).
- TC funds are providing finance for an energy efficiency programme in the ETCs aimed at helping energy-intensive companies to identify and resolve energy efficiency issues and to adopt best practice in the management of energy throughout their operations.
- In the Kyrgyz Republic TC funds are supporting a project to raise the technical and professional skills of the country’s judiciary in commercial law (see also page 38). The project aims to provide practical assistance to the Supreme Court and the Judicial Council in setting up a training programme incorporating international best practice for candidate judges and training seminars for newly appointed judges.
Western Balkans and Turkey

Italia supports the EBRD in developing SMEs, including through the €176 million EBRD-Italy Local Enterprise Facility (LEF), which is active in the Western Balkans, Croatia and Turkey. Italia has provided the LEF with €26 million in risk-sharing funds and technical assistance.

Carlo Monticelli, Director for International Financial Relations, Ministry of Economy and Finance, Italy

Chart 5: TC commitments to the Western Balkans and Turkey

WESTERN BALKANS
Transition in the Western Balkans is less advanced than in the neighbouring countries that have become new EU members. To support the region’s further growth, the EBRD has invested about €3 billion since 1991 in more than 280 projects.

Donors continue to play a crucial role. The Western Balkans Fund has been the major instrument for providing funding for technical assistance assignments. In 2009 funding amounting to €4.5 million was approved for 26 TC projects, particularly in the municipal and transport sectors. The Fund benefited from co-financing from the SSF, which provided €7 million for projects during the year and had an important multiplier effect. Greater flexibility in the use of the SSF’s sectoral resources increased the finance available to the Fund’s investment programme.

Overall pledges since the Fund was established in November 2006 amount to €26 million. Total commitments to the Western Balkans region reached €20 million, with strong support from the European Commission and selected bilateral donors including Italy, the Netherlands and Sweden.

A major development in 2009 was the launch in November of the Western Balkans Investment Framework (see page 46). The WBIF was conceived as a means of joint EU-European financial institutions cooperation to optimise the use of donor funding and financing by coordinating IFI interventions in the region. As a lending facility, the WBIF is important for the region because funding resources are scarce while the need for investment in sectors such as energy, transport and infrastructure are immense. For example, the World Bank estimates that over €30 billion is required for critical energy investments in south-eastern Europe in the next five to 10 years. This means that there will be competition for financing and priority will be given to projects that benefit regional integration and to countries that make most progress in their EU accession efforts.

Since the aim of the WBIF reflected that of the EBRD’s own Western Balkans Fund, there was a strong desire to merge the proven and successful multi-donor facility into the new Framework. All 16 existing contributors to the Fund (Austria, Canada, Czech Republic, Denmark, Finland, Hungary, Ireland, Luxembourg, the Netherlands, Norway, Poland, the Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom) strongly supported this move and it was restructured as a donor instrument – the new European Western Balkans Joint Fund – within the WBIF.

Note: Regional Western Balkans refers to projects spanning more than one country in this region.
The transport sector is one of the areas in most urgent need of investment in the Western Balkans.

**Western Balkans Investment Framework**

This WBIF, like the EU Neighbourhood Investment Facility, seeks to maximise the use of donor funding and financing by coordinating IFI interventions. The global financial crisis has given new impetus to such collaboration, with policy-makers calling for stronger IFI cooperation in order to maintain and increase the impact of investments in the real economy and to respond quickly to the financing needs of countries in the Western Balkans.

The transport sector is one of the areas in most urgent need of investment in the Western Balkans. Cooperation with other IFIs through the new Framework will allow the EBRD to do more to foster regional integration and local markets. The development of key trans-European road and rail corridor projects tends to be complex, requiring substantial donor-funded support with preparation and implementation. No less important is the expansion of local and regional port, airport and road links to provide better access to markets. For projects with a strong socio-economic focus, investment grant co-financing by the EU Instrument for Pre-Accession Assistance may be needed alongside TC grants.

The Western Balkans region also faces a number of crucial energy challenges, such as renewing an aged infrastructure unable to meet modern environmental standards, creating a region-wide energy market, developing renewable resources and ensuring energy security. The new Framework will allow IFIs to invest in the region in a coordinated and strategic manner and enable the EBRD to leverage its own funds with those of other institutions.

Municipal and environmental infrastructure projects will benefit as well. As these require grant resources to make them affordable, the EBRD, along with the European Commission and other IFIs, is considering setting up a mechanism to finance long-term improvements in small and medium-sized municipalities within the context of the WBIF.

The value of EBRD-EIB co-financed projects approved by the WBIF in December 2009 exceeds €1.7 billion (and €2.7 billion if contributions from other co-financiers and local governments are included). For these projects, the WBIF has mobilised over €65 million in donor funds.

**Value of EBRD-EIB co-financed projects approved by the WBIF by December 2009**

€ billion

1.7+
Developing Albania’s road infrastructure

Having invested over €88 million in recent years to improve Albania’s strategic roads connecting regional urban centres, the EBRD has now turned to financing the modernisation of the country’s local and regional network. Over half of Albanians live in rural areas, with the majority working in agriculture, but the poor state of the roads has become a barrier to the development of a private agricultural sector.

The existing road network restricts access to markets, hindering agricultural productivity and the integration of rural Albania into the national economy and beyond into the Western Balkans. Developing the local network would create further opportunities for people living in rural areas, in turn stemming urban migration and, more importantly, contributing to the alleviation of extensive rural poverty in the country.

Infrastructure projects are expensive to carry out, especially at a time when the global financial crisis is hurting developed and developing countries alike. However, through the new Western Balkans Investment Framework (WBIF), the EBRD and European Investment Bank are each putting forward €50 million to finance the upgrade of 500 km of Albania’s regional and local road network. Donors to the WBIF are also contributing €4 million to cover project implementation costs, such as road design and construction supervision.

This project is part of a wider programme, financed by various international institutions, which will see Albania renovate over 1,500 km of roads by 2015.
Sustainable Energy

Achieving energy efficiency in the Western Balkans is a key challenge in a region where energy use is up to two-and-a-half times higher than the average for European countries in the Organisation for Economic Co-operation and Development. In 2009 the EBRD launched the Western Balkans Sustainable Energy Direct Financing Facility and the Western Balkans Sustainable Energy Credit Line Facility, worth a total of €110 million, to finance investments by enterprises in energy efficiency and renewable energy projects. The first facility, with €50 million, will provide funding directly to privately owned companies while the second, with €60 million, will provide loans to companies through the banking sector.

Central European Initiative

The CEI is a regional organisation established in 1989 to promote cooperation at the political, economic and cultural levels in central and eastern Europe. It has 18 member countries: Albania, Austria, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, FYR Macedonia, Hungary, Italy, Moldova, Montenegro, Poland, Romania, Serbia, the Slovak Republic, Slovenia and Ukraine.

The main aim has been to support transition countries in the process of integration with the European Union. Since the last EU enlargement rounds in 2004 and 2007, the CEI has shifted its operational focus towards the Western Balkans and European Neighbourhood countries, concentrating on the expansion of institutional capacity and economic development.

The CEI Fund, set up in 1992 by Italy and the EBRD and managed by the Bank, provides grant-type assistance for specific components of TC project feasibility and pre-feasibility studies, sector and environmental engineering, management training, capacity building and pre-loan audits. Core sectors of activity include energy efficiency, the environment, small business development, municipal infrastructure, institutional building, transport and agriculture. Italy has so far been the sole donor to the CEI Fund, having provided over €32 million through the Ministry of Economy and the Ministry of Foreign Affairs.

Since its inception the Fund has provided around €18 million for 89 TC projects. It has also contributed a total of €2.6 million to the CEI’s Know-How Exchange Programme, which supports transfer of best practice and transformation experience from the EU to the non-EU countries within the CEI and to cooperation activity assignments. Close collaboration with the EBRD has allowed the CEI to undertake projects which yield high co-financial leverage – since 1993 the total investments linked to CEI grants amounts to more than €2.6 billion, the EBRD alone having invested more than €1.1 billion.
Both facilities are designed to encourage businesses to pursue sustainable energy projects, providing tailor-made financing and also assistance from technical consultants to help develop projects. The financing also includes incentive payments to reward reductions in greenhouse gas emissions. Grant support for the facilities is provided by the European Commission, the Western Balkans Fund and the SSF.

Individual loans under the Direct Financing Facility can range from a minimum of €1 million to a maximum of €6 million. Loans provided through banks under the Sustainable Energy Credit Line Facility are for a maximum of €2 million.

TURKEY

Donor activities in Turkey are in their infancy given the country’s newly-acquired status as an EBRD country of operations. Initial assistance, funded by Italy, is enabling the Bank to assess the growth potential for energy efficiency-related investment in Turkey.

The European Commission is providing €22.5 million to help improve access to finance for SMEs, encourage small-scale energy efficiency projects and design a TAM/BAS Programme for the corporate sector.
Russia benefited from more than €12 million in technical assistance in 2009 for projects in the financial, business, municipal infrastructure and transport sectors and in support of TAM/BAS operations. The biggest contribution came from the SSF with funding of €3.6 million for TC assignments. Other major contributors were the European Union, Finland, Germany, the Global Environment Facility, Japan, the Netherlands, the Northern Dimension Environmental Partnership, the Russia Small Business Fund (RSBF) and Sweden.

The European Union, through the NIF, provided €2 million for institution building and crisis-response support for Russian banks operating outside the established financial centres of Moscow and St Petersburg. Japan contributed €1.1 million towards TAM/BAS projects, particularly in the Far East regions, and €0.5 million to ensure the continuation of the BAS Programme.

RUSSIAN REGIONAL BANK FRAMEWORK
Donor-supported assignments are seeking to improve the operations of four Russian regional banks (Bank Kedr, Bank Kazansky, Primsotsbank, SBK and NBD Bank) in the areas of risk management, strategic planning and corporate governance. With funding of €2 million from the European Union, these banks are aiming to compete more effectively with Moscow-based institutions and other banks in their respective regions. In 2009, as part of its response to the banking sector crisis, the EBRD established a €2.4 million framework for regional banks for assistance and training in loan work-outs and corporate recovery for Russian regional banks.

RUSSIA SMALL BUSINESS FUND
The RSBF was established in 1994 by the EBRD and eight donor governments to boost the availability of bank credit to small businesses. Operating through branches of 26 partner banks (principally KMB Bank) across Russia, it receives funding from Canada, the European Union, France, Germany, Italy, Japan, Switzerland, the United Kingdom and the United States. The Fund lends capital to local banks that amalgamate it with their own capital for on-lending to local entrepreneurs. It also uses donor funds to train staff in local banks to assess and manage the credit needs of small business clients.

Russia has remained the largest recipient of MSE-related technical cooperation funding. In 2009 a new MSE Credit Advisory Services project was launched with EU support and funding from the RSBF, specifically targeting the Northern Caucasus region of the country.
The NDEP Fund, which is managed by the EBRD, promotes cooperation between the European Commission, partner governments and IFIs, making it easier to raise funds for priority projects to benefit the environment of the Northern Dimension Area.

**Northern Dimension Environmental Partnership**

The NDEP was set up in 2002 by the European Union and donor governments, including Russia, to address some of the most pressing ecological needs facing the Baltic Sea and Barents Sea regions.

The NDEP Fund, which is managed by the EBRD, promotes cooperation between the European Commission, partner governments and IFIs, making it easier to raise funds for priority projects to benefit the environment of the Northern Dimension Area.

Russia has been the main beneficiary of the NDEP and the largest contributor to the environmental aspect of the Fund, although in 2009 Belarus joined the Partnership with a €1 million pledge for the improvement of its municipal wastewater treatment facilities which have a cross-border impact on the Baltic Sea.

Including new contributions from Belarus, Norway and Sweden, over €277 million in donor funding had been committed to the NDEP by the end of 2009. Other contributors include Belgium, Canada, Denmark, the European Union, Finland, France, Germany, the Netherlands and the United Kingdom. In addition, the SSF allocated €10 million to the NDEP’s environmental work plan, €6 million of which has been used for the St Petersburg Neva Programme.

Almost half of the committed funds are earmarked for environmental projects, principally to improve water and wastewater treatment facilities, energy efficiency and management of municipal and agricultural solid waste. These grants are intended to complement IFI loans and to mobilise local and international resources for municipal projects that might not otherwise be financially viable. For project implementation, the NDEP draws on the expertise and resources of the EBRD, European Investment Bank, Nordic Environment Finance Corporation, Nordic Investment Bank and World Bank.

To date, €95 million in NDEP grant funds has been approved for 16 environmental projects in north-west Russia.

Another €149.7 million has been assigned for nuclear safety projects addressing the environmental legacy of the Soviet Northern Fleet. NDEP grants are designed to cover the investment costs of these projects, which are developed in close cooperation with the Russian authorities.
In 2009, €14 million was committed to projects in Ukraine, with an emphasis on crisis-response support, energy efficiency and financing for municipal infrastructure. Donor support came from Austria, Canada, the Czech Republic, the SSF, the European Union, the NIF, the Netherlands, Sweden, Taipei China, the United Kingdom and the World Bank.

Ukraine’s banking sector was a major casualty of the global financial crisis, necessitating rapid restructuring and recapitalisation. At the request of the Ukrainian authorities, the EBRD played a key role in providing diagnostic studies of banks to determine their financial health ahead of remedial action. Because of the urgency of the operation, €2.3 million in technical assistance for the project was provided as a grant from the SSF.

The Energy Efficiency Programme for Ukraine (UKEEP), with donor support from Austria and Sweden, is a €100 million credit facility developed by the EBRD for participating banks to finance energy efficiency and renewable energy projects in the Ukrainian private sector. In 2009 the programme received €3.25 million of donor funding for project implementation.

Donor funding also supported key projects to upgrade the urban transport systems in a number of Ukrainian cities. Austria provided €225,000 for the Lviv roads rehabilitation project. The European Union provided €2.5 million in technical assistance for the same project and for an urban railway project in Lviv. Taipei China provided €186,000 for a project to introduce a modern system of ticketing for the Odessa public transport system.

The Ukraine Carbon Market Facilitation Programme, funded by the government of Spain, is to support the development of an effective carbon market in Ukraine (see page 17 for more details). The programme started in March 2009 and runs until September 2010.

Increased energy efficiency in eastern Europe is vital for addressing the negative effects of climate change. Reduced consumption and import of energy save costs and increase energy security. The E5P contributes to addressing these important issues.

Birger Karlsson, Deputy Director, Department for Eastern Europe and Central Asia, Ministry of Foreign Affairs, Sweden
Improving transport in Lviv ahead of the Euro football

The city centre of Lviv in western Ukraine, boasting 750 years of architectural history, is on the UNESCO World Heritage List. It is already a cultural and educational magnet but in 2012 it will also become a sporting venue when it hosts the European football championship, along with four other Ukrainian cities. And before citizens and visitors alike converge on the city to enjoy the football, much is being done to improve public transport and the road infrastructure.

Lviv’s public transport, as in other cities in Ukraine, suffered from the collapse of the Soviet model of practically free, state-run tram and trolley bus systems and from subsequent under-investment. As a result, 70 per cent of Ukrainians turned to privately owned cars and an unregulated minibus system, which has imposed high environmental and economic costs.

In 2009 the EBRD provided a financing programme worth €38 million to Lviv for the modernisation of road and transportation systems. This is the largest municipal financing package provided by the Bank in western Ukraine. It includes a €12 million loan to Lviv ElectroTrans, the municipal transport company, and a €26 million loan to Lviv Avtodor, a road construction, maintenance and traffic management firm. Austria and Canada, the EU Neighbourhood Investment Facility and the EBRD Shareholder Special Fund have also contributed €2.6 million in grants.

Donor funding and EBRD financing will enable Lviv to purchase new rolling stock and rehabilitate tram tracks and infrastructure along the two most heavily used traffic routes. It will also facilitate the implementation of traffic management systems as well as a new electronic ticketing system. The city is working to complete the improvements by early 2012 – just in time for the football crowds.

Donor Report 2010

Regional activities
Belarus

In 2009 Belarus benefited from €1.1 million in donor funding from the Central European Initiative (CEI), the SSF, Norway and the United States.

In line with the EBRD’s strategy to support new microfinance institutions, the Belarusian Bank for Small Business (BBSB), a specialised microfinance/SME bank, was established with eight international shareholders and started operations in August 2008. The project was made possible with donor support from Austria, the SSF, the European Union, the IFC, Japan, Luxembourg, Norway, the Netherlands and Sweden. The United States provided US$ 1.13 million of new funding in 2009.

Kazakhstan

The EBRD has investments of some €3.8 billion across all sectors in Kazakhstan, making it the biggest single investor after the oil industry. In 2009 Kazakhstan benefited from €4 million in TC funding for projects in the Bank’s key areas of operations, in particular MSMEs, energy efficiency and municipal infrastructure.

With EBRD support, the €75 million Kazakhstan Sustainable Energy Finance Facility was launched in 2008 with TC funding from Germany, Japan, Norway and the United Kingdom to help reduce the high energy use in the economy. In 2009 the United Kingdom’s DFID provided additional support for energy efficiency and climate change measures as part of the programme.

In the MEI sector the Austrian government provided €300,000 for a PPP structuring study for a proposed light railway in Almaty. Singapore contributed €293,000 in support of a feasibility study for the project.

With assistance from the SSF, an incentive-based tariff system for power distribution was developed by the regulatory authority to enhance efficiency and encourage capital investment.

The SSF also provided €1.17 million in technical assistance to projects relating to the formulation of an energy efficiency law and carbon market strategies and business support for the food distribution industry in Kazakhstan.

The TAM/BAS Programme has continued to provide valuable donor-funded assistance to business development. In 2009 the Japan-Europe Cooperation Fund provided €819,000 for the continuation of the BAS Programme.

Chart 6: TC commitments to Belarus, Kazakhstan, Turkmenistan

<table>
<thead>
<tr>
<th>Country</th>
<th>TC Commitments (€ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belarus</td>
<td>1.1</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>4</td>
</tr>
<tr>
<td>Turkmenistan</td>
<td>1.17</td>
</tr>
</tbody>
</table>

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Although the EBRD’s activities in Turkmenistan remain limited because of the lack of progress in reform and a difficult business climate, technical cooperation continued to support the nascent private sector. In 2009 the country benefited from €1.1 million in TC funding. This included €400,000 from Japan for a programme to train credit advisers, €147,000 provided by the United States to help the MSME Bank of Turkmenistan with business development, and €250,000 from Austria for the DIF/DLF bank funding programme in Turkmenistan.

The SSF advanced €295,000 to finance TAM/BAS projects, including a review of the agricultural sector and potential investment opportunities.

Supporting the SME sector is important as it contributes to job creation, hence to poverty alleviation. Japan is pleased to assist by increasing access to finance for SMEs.

Etsuro Honda,
EBRD Director for Japan
In 2009 six countries in this region were beneficiaries of TC funding: Bulgaria, Croatia, Latvia and Romania.

The financial crisis put a particularly severe strain on the Latvian banking sector. Technical assistance was provided to Parex Bank, Latvia's second largest bank, which experienced a liquidity shortage resulting from a run on deposits in late 2008 (see case study on page 24).

In 2009 Spanish funding supported two energy TC assignments in Bulgaria – one examined key social and environmental issues related to commercial country-wide wind power development, and the other sought to investigate opportunities for the sustainable use of locally available brown coal in transport and storage operations. Another TC project funded by Luxembourg helped the Bank evaluate the environmental and social impact of Bulgaria's first commercial-scale biomass power and heat project.

In Romania, Spain provided TC funding for a feasibility assessment by the state-owned power generation company of wind power integration and thermal power rehabilitation projects with the introduction of modern clean coal technology.

Note: Regional EU refers to projects spanning more than one European Union member state.

Picture top right: Funding from Luxembourg helped the Bank evaluate the impact of Bulgaria’s first commercial-scale biomass project.

Parex Bank currently serves the corporate, SME and retail sectors.
Glossary and abbreviations

GLOSSARY
COUNTRY GROUPINGS
Commonwealth of Independent States
Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

Early transition countries
Armenia, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Uzbekistan.

EU candidate countries
Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Uzbekistan. While FYR Macedonia became an EU candidate country at the end of 2005, for the purposes of this report it is included in the Western Balkans.

EU member states
Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovak Republic, Slovenia.

G-7
Canada, France, Germany, Italy, Japan, United Kingdom, United States.

Western Balkans and Turkey
Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro, Serbia and Turkey.

EXCHANGE RATES
Non-euro currencies have been converted, where appropriate, into euros, based on the exchange rate current on 31 December 2009 (approx €1:US$ 1.4).

ABBREVIATIONS
BAS Business Advisory Services
CEI Central European Initiative
CIDA Canadian International Development Agency
CIFs Climate Investment Funds
CR4 the fourth Capital Resources Review
DAC Development Assistance Committee of the OECD
DFID UK Department for International Development
DIF Direct Investment Facility
DLF Direct Lending Facility
EBRD, the Bank European Bank for Reconstruction and Development
EIB European Investment Bank
ETCs Early transition countries
EU European Union
FYR Macedonia Former Yugoslav Republic of Macedonia
IFC International Finance Corporation
IFI International financial institution
IMF International Monetary Fund
KfW Kreditanstalt für Wiederaufbau
MEI municipal and environmental infrastructure
MSEs micro and small enterprises
MSMEs micro, small and medium-sized enterprises
NBMFI Non-bank microfinance institution
NDEP Northern Dimension Environmental Partnership
NIF Neighbourhood Investment Facility
ODA Official Development Assistance (as defined by DAC)
OECD Organisation for Economic Co-operation and Development
RSBF Russia Small Business Fund
SEI Sustainable Energy Initiative
Sida Swedish International Development Cooperation Agency
SMEs small and medium-sized enterprises
SSF the EBRD Shareholder Special Fund
TaiwanICDF Taipei China’s International Cooperation and Development Fund
TAF Tajik Agricultural Financing Facility
TAM TurnAround Management
TC technical cooperation
TFP Trade Facilitation Programme
WBIF Western Balkans Investment Framework
## Annex 1

### DONOR AGREEMENTS AND REPLACEMENTS, 2009

<table>
<thead>
<tr>
<th>Donor</th>
<th>Fund or project</th>
<th>€ '000</th>
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<tbody>
<tr>
<td><strong>Austria</strong></td>
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<td>OsEB EBRD Technical Cooperation Fund</td>
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<td></td>
<td>Early Transition Countries Energy Efficiency Programme</td>
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<td>Fund for Improving the Energy Performance of Buildings in Russian Federal Districts</td>
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<tr>
<td><strong>Belarus</strong></td>
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<td>Georgia Energy Efficiency Programme</td>
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<td></td>
<td>Rustavi Solid Waste Management Project</td>
<td>694</td>
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<td>Technical assistance (Chisinau Airport Modernisation Project II, Moldova)</td>
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<td>EU-EBRD capacity building framework for financial intermediaries (Azerbaijan and Georgia)</td>
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<td>Unenergo and corporate sustainable development (EU-NIF)</td>
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<td>Regional Energy Efficiency Programme for the corporate sector (Armenia, Azerbaijan, Georgia, Moldova and Ukraine)</td>
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<td></td>
<td>Business development in Kosovo through TAM</td>
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<td>NIF Trust Fund to the Technical Assistance Framework</td>
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<td>Municipal window of the Infrastructure Project Facility</td>
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<td>Feasibility study for water and sanitation systems in Chisinau</td>
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<td>Early Transition Countries Fund²</td>
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<td>Northern Dimension Environmental Partnership¹</td>
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<td>The New Norway Cooperation Fund</td>
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<td>The Health and Safety Mining Conference in Kazakhstan</td>
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<td>TAM/BAS community project in the South Gobi Region (Mongolia)</td>
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<td><strong>Spain</strong></td>
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<td><strong>Sweden</strong></td>
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<td>Improvement of Water Supply in Bishkek City Fund</td>
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<tr>
<td><strong>Total</strong></td>
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¹ Northern Dimension Environmental Partnership – Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, the Netherlands, Norway, Russia, Sweden and the United Kingdom.

² Early Transition Countries Fund – Canada, Finland, Germany, Ireland, Japan, Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Taipei China and the United Kingdom.

² European Western Balkans Joint Fund – Austria, Canada, Croatia, Czech Republic, Denmark, Finland, Hungary, Ireland, Luxembourg, the Netherlands, Norway, Poland, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.

EBRD  The EBRD Shareholder Special Fund  30,000

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## TC COMMITMENTS IN 2009, BY DONOR

<table>
<thead>
<tr>
<th>Donor</th>
<th>€</th>
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<tbody>
<tr>
<td>Austria</td>
<td>2,764,738</td>
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<td>Belgium</td>
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<td>Bohunice International Decommissioning Support Fund¹</td>
<td>2,417,895</td>
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<td>BP</td>
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<td>Canada</td>
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<td>Central European Initiative</td>
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<td>Czech Republic</td>
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<td>Denmark</td>
<td>18,531</td>
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<tr>
<td>Early Transition Countries Fund¹</td>
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<td>EBRD Shareholder Special Fund</td>
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<td>France</td>
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<td>Germany</td>
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<td>Greece</td>
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<td>Ireland</td>
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<td>Japan</td>
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<td>Western Balkans Fund²</td>
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<td>World Bank</td>
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<td><strong>Total</strong></td>
<td><strong>101,480,222</strong></td>
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¹ Bohunice International Decommissioning Support Fund – European Union, Austria, Denmark, France, Ireland, the Netherlands, Spain, Switzerland and the United Kingdom.
² Early Transition Countries Fund – Canada, Finland, Germany, Ireland, Japan, Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, Taipei China and the United Kingdom.
³ Northern Dimension Environmental Partnership – Belgium, Canada, Denmark, the European Commission, Finland, France, Germany, the Netherlands, Norway, Russia, Sweden and the United Kingdom.
⁴ Russia Small Business Fund – G-7 plus Switzerland.
⁵ Western Balkans Fund – Austria, Canada, Czech Republic, Denmark, Finland, Hungary, Ireland, Luxembourg, the Netherlands, Norway, Poland, Slovak Republic, Slovenia, Spain, Sweden and the United Kingdom.
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Richard German, Hannah Fenn, Jane Ross, Helen Valvona

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Tangible

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