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.

02 President’s message
03 2009 in numbers
04 Where we operate
06 2009 key dates
08 1: Sustainable Investment at the EBRD
09 Our mission
10 Our approach to sustainability
13 The importance of technical cooperation and official co-financing
14 2: Environmental and social standards
15 Environmental and social policy
17 Operational highlights in 2009
21 Technical cooperation in support of environmental and social improvements
23 Procurement for bank-financed projects
24 3: Climate change and sustainable energy
25 Our role
28 Our achievements in 2009
34 International cooperation and policy dialogue
35 Climate change adaption
37 Greenhouse gas assessment 2009
40 4: Nuclear safety
41 Nineteen years supporting nuclear safety
42 Closure of Ignalina marks significant improvement in nuclear safety across Europe
43 Safe confinement of Chernobyl unit 4
44 5: Overview by business sector
45 Agribusiness
48 Financial sector and small businesses
49 Supporting micro-enterprises and SMEs
55 Municipal and environmental infrastructure
59 Manufacturing
61 Natural resources
65 Power and energy
69 Property and tourism
70 Telecommunications, informatics and media
71 Transport
74 6: Dialogue and accountability
75 Board oversight
76 Independent evaluation
78 Dialogue with civil society
82 Environmental and Social Advisory Council
83 Independent Recourse Mechanism
85 Integrity and anti-corruption measures
86 7: Internal performance
87 Organisation and staffing
88 Learning and development
89 Health, safety and security
90 Code of conduct
91 Corporate procurement
92 Energy, environmental management and business travel
94 Further information

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 Bank 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
Sustainability underlies all EBRD investments: the Bank applies sound banking principles to all its operations; considers environmental, social and governance issues when approving new projects; and encourages open dialogue and participation with key stakeholders. The annual Sustainability Report focuses on the Bank’s impact on the people and environment in its countries of operations and describes how the Bank operates internally.

Donor funding to support environmental activities connected with EBRD-financed projects
€ million

Global Reporting Initiative
We have reported against the Global Reporting Initiative (GRI) G3 Indicator protocols and its Financial Sector Supplement. We have self-declared a “B” rating according to the GRI application levels below.

Report application levels

We have published the GRI Content Index for this report on our web site:

www.ebrd.com/gri
Supporting sustainable development is a cornerstone of the Bank’s activities both in its projects and its policy.

Environmental and social considerations inform the Bank’s country strategies and operations, particularly in sectors that are key to sustainable development, such as infrastructure, transport, energy, agribusiness and financial markets. The Bank consults widely with civil society organisations at both local and international levels.

The commitment towards sustainable development was strongly underlined when the promotion of energy efficiency was identified as one of the priorities under the EBRD’s crisis response, launched in late 2008. The start of the second phase of the Sustainable Energy Initiative in May 2009 provided a further boost to efforts to enhance energy efficiency and safety in the Bank’s countries of operations.

In total, €1.3 billion was invested in energy efficiency and renewable energy activities across all sectors in 2009 equivalent to about 17 per cent of all EBRD investments for the year and bringing the total invested to around €4 billion since the Sustainable Energy Initiative was launched in 2006. EBRD specialists and consultants carried out 160 environmental or social due diligence and monitoring visits to 163 projects.

It is encouraging that, despite the current economic difficulties, the interest in improving energy efficiency and expanding the use of renewable energy sources is growing as companies and countries realise the benefits. In addition to significant savings, enhanced security and environmental benefits, sustainable development also leads to improved competitiveness, which will be important as the EBRD region enters the post-crisis period.

The crisis has therefore increased awareness that good practices contribute to greater efficiency and cleaner production. The EBRD’s guidance and pragmatic approach helped clients to maintain their commitment when confronted with competing priorities and to develop effective and affordable solutions. This assistance will continue to be important as emphasis shifts to the challenges of the post-crisis and recovery period when a return to growth will also trigger higher demand for energy and commodities. In this context it remains essential to uphold the efforts towards a low carbon economy.

The EBRD’s activities during the crisis were strongly supported by the Bank’s new Environmental and Social Policy, which became effective in November 2008. This policy provided a comprehensive framework to enable the Bank to address the most pressing concerns and expand its activities. It allowed the EBRD to maintain the high quality and efficient internal project approval, even when faced with the challenges of the global crisis and a dramatic increase in the Bank’s annual investments to €7.9 billion.

Thanks to its efforts in recent years the EBRD today is the leading multilateral finance institution for climate change and energy efficiency in the Bank’s countries of operations. This core competency also enjoys strong support from the EBRD’s shareholders, who have defined it as one of the Bank’s strategic priorities for the coming business period 2011-15.

The EBRD’s fourth Capital Resources Review, which sets out the Bank’s business strategy for the next five years, provides a sound foundation to intensify the environmental and social activities of the Bank. The document bolsters the EBRD’s commitment by defining environmental sustainability as one of the Bank’s medium-term priorities. Through its investments, policy dialogue and advisory services the EBRD will continue to translate these words into actions.
2009 in numbers

€7.9 billion financed 311 projects, compared with €5.1 billion and 302 projects signed in 2008.

SUSTAINABLE ENERGY
€1.3 billion invested in energy efficiency and renewable energy activities across all sectors in 2009, equivalent to around 17 per cent of all EBRD investment for the year. Around €4 billion has been invested since the Sustainable Energy Initiative was launched in 2006 (see page 25).

MUNICIPAL INFRASTRUCTURE
€478 million invested in 27 projects, with an additional €41 million provided through technical cooperation funds, to improve water supply, water management, district heating, urban gas distribution and urban public transport (see page 55).

SUPPORT FOR THE FINANCIAL SECTOR
€2.6 billion invested in 93 projects. Of this, some €260 million was invested in 42 microfinance projects. See page 48 for more detail of the environmental and social aspects of our work with financial institutions.

WESTERN BALKANS
€727 million invested in 51 new projects. The Western Balkans are Albania, Bosnia and Herzegovina, FYR Macedonia, Montenegro and Serbia (including Kosovo).

EARLY TRANSITION COUNTRIES
€512 million invested in 83 new projects (excluding oil and gas deals), compared with 101 in 2008 and 105 in 2007 in the eight early transition countries (ETCs), the poorest countries where the Bank operates. The ETCs are Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Uzbekistan.

DONOR FUNDING
€46.6 million of donor funding to support environmental activities connected with EBRD-financed projects and for specific programmes. In addition, donors provide significant support for EBRD’s nuclear safety programmes – see page 40 for the Bank’s work on nuclear safety.

ENVIRONMENTAL DUE DILIGENCE AND MONITORING
160 environmental or social due diligence and monitoring visits were carried out by EBRD specialists and consultants to 163 projects (see page 17).

€ billion
311
1.3
46.6
160
RUSSIA
A 10-year US$ 75 million (€52 million) EBRD loan will finance the construction of a combined heat and power plant in the east Siberian city of Krasnoyarsk, improving energy efficiency and cutting pollution by 14 per cent.

MONGOLIA
The EBRD contributes €500,000 to the first wind-powered renewable energy project in Mongolia.

RUSSIA
The EBRD extends a US$ 300 million (€208.3 million) long-term loan to Lukoil to fund modernisation of its TGK-8 electricity-generating subsidiary in a project that will cut greenhouse gas emissions by 750,000 tonnes a year.

TURKEY
The Bank arranges a US$ 50 million (€35 million) syndicated loan to Garanti Bank for lending to micro and small businesses in Turkey, including female entrepreneurs in rural areas.

ROMANIA
The EBRD agrees to provide a €300 million loan to Romanian oil company Petrom to finance a strategic environmental remediation and investment programme.

BULGARIA
Raiffeisenbank and the EBRD sign a second €10 million credit line to support farmers and rural entrepreneurs in Bulgaria.
The EBRD ceased making new investments in the Czech Republic in 2007, but still manages a portfolio in the country.
2009 key dates

**JANUARY**
The EBRD received approval to develop a sustainable energy financing facility in Turkey utilising US$ 43.25 million (£35 million) of concessional co-finance from the Clean Technology Fund.

**FEBRUARY**
The EBRD, the Government of Ukraine and the Chernobyl Nuclear Power Plant signed a grant agreement under which the Bank will provide €135 million from its own resources to the international efforts to transform the plant into a safe and secure site.

**MARCH**
With funding provided by the Netherlands government, the EBRD publishes its Green Investment Scheme Model Agreement, a contract ‘toolkit’ for carbon finance. Assigned Amount Unit transactions (see page 33).

The Bank’s President meets with representatives of international civil society organisations at our London Headquarters.

<table>
<thead>
<tr>
<th>Amount of concessional co-finance from the Clean Technology Fund for Turkey</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>35</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amount provided by the Bank to transform the Chernobyl Nuclear Power Plant into a safe site</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>135</strong></td>
<td></td>
</tr>
</tbody>
</table>

**JULY**
The Bank launches its new US$ 300 million (£208 million) programme to boost energy savings in Russia with an initial transaction providing a long-term loan of up to US$ 60 million (£42 million) to Promsvyazbank for on-lending to private clients for energy efficiency projects.

**AUGUST**
Multilateral Carbon Credit Fund participants sign their first Emission Reduction Purchase Agreement (ERPA) in Russia, purchasing carbon credits generated by dramatically reducing gas-flaring at Irkutsk Oil’s oilfield in eastern Siberia.

**SEPTEMBER**
The EBRD and IFC publish their joint guidance note on the standards and processes that should be applied to the provision of workers’ accommodation.

<table>
<thead>
<tr>
<th>Amount of funding given by the Bank to boost energy savings in Russia</th>
<th>€ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>208</strong></td>
<td></td>
</tr>
</tbody>
</table>
APRIL
The Bank meets with its Environmental and Social Advisory Council (ESAC) at its Headquarters in London.

MAY
Giving the keynote address at the Bank’s 2009 Annual Meeting, Sir Nicholas Stern praises the EBRD’s role in tackling climate change.

The EBRD Board of Governors approves Phase 2 of the Bank’s Sustainable Energy Initiative, which aims to trigger investments of up to €15 billion over the next three years.

The Bank hosts its 2009 Women in Business Awards.

A round 40 representatives of civil society organisations from 19 countries take part in the Bank’s Civil Society Programme at the 2009 Annual Meeting.

The Board of Directors approves the Bank’s new Project Complaint Mechanism, which will replace the Independent Recourse Mechanism in 2010.

JUNE
The EBRD and the Government of Ukraine agree on a Sustainable Energy Action Plan for the country.

Leading grain-market players, meeting at the initiative of the EBRD, call on the CIS to unlock the region’s huge agricultural potential and boost world food supply by adopting policy measures to promote private investment.

OCTOBER
The European Commission, EU Member States, the EBRD, EIB and other international financial institutions agree the Western Balkans Investment Framework, providing joint grant and lending facilities to finance priority projects including SME support and energy efficiency.

NOVEMBER
The Bank hosts an international workshop on environmental and social responsibility in mining at its Headquarters in London. See page 64.

The EBRD and six other MDBs issue a joint statement outlining a broad package of measures to tackle road safety in developing countries. See page 58.

International donors agree to provide grants of €90 million to promote energy efficiency investments in Ukraine and other eastern European countries under a new EBRD fund set up under the initiative of the Swedish government during its Presidency of the EU.

The EBRD facilitates an agreement between Poland and Spain on a €25 million emissions trading contract, the first transaction of this kind for Poland under the Kyoto Protocol.

DECEMBER
The EBRD and the Russian Government sign an energy efficiency action plan defining ways that they can work together to cut energy waste.

The Bank hosts an international conference in Kazakhstan on health and safety in mining.

Spain increases its contribution to the EBRD/EIB-managed Multilateral Carbon Credit Fund by €18.5 million.

The Bank adopts a new three-year strategy for Belarus – priorities include energy efficiency, sustainable energy and support for the reform and technical upgrade of environmental infrastructure and municipal services.

The Bank meets with other MDBs and the IMF to issue a joint statement on fighting climate change and call for a comprehensive agreement at the Copenhagen Conference.

The Bank meets with its ESAC at its Headquarters in London.

The EBRD hosts the MFI Environment Group meeting.
Sustainable investment at the EBRD

Environmentally sound and sustainable development has been core to the EBRD’s mandate since our formation in 1991: we therefore place a strong emphasis on evaluation, accountability and civil society engagement.
Our mission

We are the largest financial investor in central and eastern Europe and the Commonwealth of Independent States.

The EBRD is an international financial institution (IFI) that supports projects in 29 countries from central Europe to central Asia. Investing primarily in private sector clients whose needs cannot be fully met by the market, the Bank promotes entrepreneurship and fosters transition towards open and democratic market economies.

Inaugurated in 1991, the EBRD is today the largest financial investor in the region and also mobilises significant foreign direct investment into its countries of operations. Using its capital base of €20 billion, the Bank invests mainly in private enterprises, usually together with commercial partners. It provides project financing for the financial sector and the real economy, both new ventures and investments in existing companies. It also works with publicly owned companies to support privatisation, restructuring of state-owned firms and improvement of municipal services.

Owned by 61 countries, the European Union and the European Investment Bank, the EBRD maintains a close political dialogue with governments, authorities and representatives of civil society to promote its goals. In all its operations the EBRD follows the highest standards of corporate governance and sustainable development.

The global financial crisis has had a major impact in the EBRD’s countries of operations and threatens the significant progress made in the last two decades. These countries face limited availability of commercial lending, private equity, public and state funding. The Bank has responded to the financial crisis by sharply increasing its investments in 2009 and working closely with IFIs and partners to find practical, efficient and timely solutions.

Our annual business volume for 2009 was €7.9 billion. This record level of investments – an increase of around 60 per cent compared with 2008 – reflects the Bank’s active response to the financial crisis and robust support to our countries of operations.

Detailed information on the Bank and its operations is provided in our Annual Report 2009.
Our approach to sustainability

Chart 1: Our approach to sustainability

We operate with high levels of transparency and accountability through our approach to information disclosure, stakeholder engagement, independent evaluation and public reports.

We provide high-impact finance and technical cooperation in sectors that are key to our region’s sustainability development, from agribusiness to transport.

Our Environmental and Social Policy and Performance Requirements ensure that robust environmental and social standards are applied to all Bank-financed projects.

On behalf of the donor community and host governments, we carry out vital work in nuclear safety and environmental and social sustainability.

We help our clients to improve their sustainability performance through project structuring, expert advice, technical cooperation, policy dialogue and partnerships.

We include environmental and social issues in country and sector strategies.

We have an innovative and highly successful investment strategy for climate change mitigation and energy efficiency delivered through our Sustainable Energy Initiative.

We apply high environmental and social standards to our internal operations, from our human capital to our energy consumption.

Specialised programmes and initiatives focus on priority areas such as the early transition countries, small businesses and gender equality.

Climate change and energy efficiency are central issues for the EBRD and form a key element in our core competencies and future strategic planning.
Sustainable investment at the EBRD

The EBRD’s founding agreement commits the Bank to promoting environmentally sound and sustainable development in the full range of its activities. This important aspect of the Bank’s core mandate is carried through into our policies, strategies and operations in a number of mutually reinforcing ways (see Chart 1 on page 10).

Environmental and social considerations inform the Bank’s country strategies and sector-specific operational policies. They are important factors in the transition impact and additionality of our investments, particularly in sectors that are key to sustainable development, such as infrastructure, transport, energy, agribusiness and financial markets. The Bank consults widely with civil society organisations at both a local and international level on draft country strategies and policy revisions.

Each of our investment and TC projects is scrutinised to ensure that environmental and social issues are taken into account at the planning, financing and implementation stages. This appraisal and monitoring is a formal part of the project cycle.

The policy framework for these procedures and standards has evolved significantly since our first Environmental Policy was adopted in 1991. Following updates to the Environmental Policy in 1996 and 2003, a major revision was undertaken in 2008 resulting in the EBRD’s current Environmental and Social Policy.

The EBRD’s Public Information Policy, a strong emphasis on civil society engagement, and our Independent Recourse Mechanism (see page 83) sit alongside the Environmental and Social Policy as integral parts of the EBRD’s management system for environmentally and socially responsible investment. The system is further strengthened by applying lessons of experience through the impartial work of the Bank’s Evaluation Department, which reports directly to the Board of Directors.

We participate in international cooperation initiatives and policy dialogue where there is a practical role to play, and maintain a strong focus on the innovation and Bank-wide integration of new sustainability-related products and services that respond to the region’s evolving needs and priorities, such as gender equality (see page 12).

In particular, we have taken a leadership position on climate change and energy efficiency financing in our countries of operations. These crucial issues have been a focal point for the EBRD since 2006, when the Bank launched the Sustainable Energy Initiative (SEI, see page 24). Today, we are one of the region’s largest investors in energy efficiency, sustainable energy and carbon markets. We have invested €4 billion in such projects since 2006, delivering a total reduction in carbon emissions of approximately 25 million tonnes per annum. Climate change and sustainable energy are now an integral part of the Bank’s activities and capabilities, and have played a central role in the EBRD’s strategic planning process ahead of the 2010 Annual Meeting.

2009 was the first full year of operations under our 2008 Environmental and Social Policy. This sets out client Performance Requirements, which are consistent with the internationally recognised Equator Principles.
Promoting gender equality

Over the last two decades economic restructuring and transition followed by more recent economic growth has contributed significantly to improving the overall welfare of both women and men.

However, growth has been uneven and transition has been painful for many. In some parts of the Bank’s region, this has meant that women’s opportunities and access to resources have been more constrained than those of men.

A widening of gender differences can now be observed in regards to economic opportunities, health, education and political power.

More recently, the financial crisis has played a role in slowing down progress towards achieving work-life balance, non-discrimination and equal pay for equal work.

While both men and women have suffered from increased unemployment, the reduction in many social budgets and a decrease in remittances—funds sent by overseas workers to their families at home—have disproportionally affected women.

The promotion of gender equality in our countries of operations is an important priority for the EBRD and we continued to expand our efforts on this topic in 2009, adopting and beginning to implement the Gender Action Plan drawn up by the Bank in 2008.

Our work on gender equality cuts across almost all aspects of the Bank’s operations. We are therefore developing an integrated approach supported by a dedicated gender team (comprising a coordinator and a gender adviser) and a cross-departmental steering group.

The Bank has strengthened gender-related social safeguards and labour due diligence under the Environmental and Social Policy, and has brought new expertise into the Bank in 2009 to assist with this.

We encourage our clients to include female directors on their supervisory boards. We are also increasing the number of women that we appoint as nominee directors to represent the Bank on the boards of companies where we have an equity stake: in 2009, nearly 40 per cent of Bank-appointed nominee directors were female.

As examples elsewhere in this report illustrate, many of our investment and technical cooperation projects now either feature gender equality as an integral component, or focus specifically on gender-related outcomes. This is particularly the case for our work with microfinance institutions and Bank programmes such as TAM/BAS that provide non-financial support to micro, small and medium-sized businesses (see Box 8 on page 53).

We have also initiated several pilot projects in two pilot sectors – municipal and environmental infrastructure (where women’s needs are very important for the design and implementation of projects) and agribusiness (a sector in which a large proportion of the labour force is female).

Progress on gender equality in 2010 will continue to focus on a more systemic and targeted approach to the identification and implementation of projects that tackle gender discrimination, improve welfare and provide women with enhanced economic opportunities. Further pilot programmes will be developed in Georgia, the Kyrgyz Republic and Romania and the lessons learned will be used to refine our approach and develop products and services for mainstream adoption.

We will also provide internal training on the challenges of gender equality and the ways in which the Bank can help to provide solutions. 2010 will see a strong emphasis on developing effective metrics to measure our progress and impact on gender equality.
The importance of technical cooperation and official co-financing

Some 30 governments and international agencies support the EBRD’s Technical Cooperation Funds Programme (TCFP). Donor agencies work closely with us at the project level, supporting environmental and social initiatives consistent with their own geographic and sectoral priorities. Grants provided by donor governments and co-financing from other financial institutions help to prepare the way for EBRD-financed projects and allow clients to benefit from expert advice.

In 2009 donors provided nearly €47 million to support environmental and social activities linked to EBRD-financed projects (see Table 1). This compares with €33 million in 2008. Donor funding is provided in the form of grant co-financing and TC grants that are used to support EBRD-financed initiatives such as the Sustainable Energy Initiative and programmes in the Western Balkans Fund and the ETC Initiative.

Donor funding in 2009 has provided valuable support for projects focusing on energy efficiency and the environmental aspects of industrial production and municipal development. In addition, the EBRD Shareholder Special Fund has made important contributions towards our technical cooperation activities in infrastructure and sustainable energy. Donor support for nuclear safety is managed through a separate programme (see page 40).

Table 1: Technical cooperation funding for environmental and social activities in 2009

<table>
<thead>
<tr>
<th>TC funds (€ million)</th>
<th>Source of funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal and environmental infrastructure</td>
<td>Austria, Canada, Czech Republic, Denmark, EBRD Shareholder Special Fund, ETC Fund, European Union, Finland, France, Germany, Italy, Netherlands, NDEP, Singapore, Spain, Sweden, Switzerland, Taipei China, Western Balkans Fund, World Bank</td>
</tr>
<tr>
<td>Energy efficiency and SEI</td>
<td>Austria, Bohunice International Decommissioning Support Fund, Canada, EBRD Shareholder Special Fund, ETC Fund, European Union, Global Environment Facility, Greece, Italy, Netherlands, Spain, Sweden, Switzerland, United Kingdom, United States of America, Western Balkans Fund</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>Spain, Switzerland, United Kingdom, Western Balkans Fund</td>
</tr>
<tr>
<td>Environmental studies</td>
<td>Austria, EBRD Shareholder Special Fund, ETC Fund, European Union, Germany, Italy, Sweden, Western Balkans Fund</td>
</tr>
<tr>
<td>Social studies</td>
<td>EBRD Shareholder Special Fund, Western Balkans Fund</td>
</tr>
<tr>
<td>Gender</td>
<td>Canada, EBRD Shareholder Special Fund</td>
</tr>
<tr>
<td>Health and safety</td>
<td>ArcelorMittal, EBRD Shareholder Special Fund</td>
</tr>
<tr>
<td>Biodiversity</td>
<td>EBRD Shareholder Special Fund</td>
</tr>
<tr>
<td>Total</td>
<td>46.6</td>
</tr>
</tbody>
</table>

We are spearheading specific efforts to tackle nuclear safety and environmental problems in north-western Russia through our management and hosting of the multilateral Northern Dimension Environmental Partnership.
Environmental and social standards

Despite the financial crisis, consideration of environmental and social aspects in our projects has continued to be important. In 2009 we completed the transition to our new Environmental and Social Policy.
Environmental and social policy

Despite the challenges of responding to the global financial crisis, we completed the transition to our new Environmental and Social Policy in 2009 without delaying new projects or compromising project quality.

The EBRD’s Environmental and Social Policy reaffirms our commitment to ensure that the projects we finance are socially and environmentally sustainable; respect the rights of affected workers and communities; and are designed and operated in compliance with applicable regulatory requirements, EU requirements for environmental and occupational health and safety and good international practice. The framework consists of a policy on the Bank’s responsibilities and 10 Performance Requirements for clients (see Table 2 on page 16), supported by a series of guidance documents and good practice notes.

The current Policy was approved by the Board of Directors in May 2008. A key element of the update was improved codification and explanation of the Bank’s existing practices, together with the introduction of a number of important changes to both procedure and standards. We carried out extensive training for our staff prior to the new Policy coming into force in November 2008 while at the same time increasing the resources of the Bank’s Environment and Sustainability Department, which is responsible for its implementation. Further training for Resident Office staff is envisaged in 2010.

As a result of these preparations, the Bank was able to make the transition to the new Policy in a smooth and effective manner in 2009, despite the unprecedented volume of new business and associated challenges and pressures on both Bank staff and clients.

We took further measures in 2009 to ensure that Bank staff, clients and their consultants have the right capacity to implement the Environmental and Social Policy. Among other things, this has included a new guidance note on worker accommodation (produced jointly with IFC) and training local consultants in Russia on the Bank’s approach to labour standards. In addition to English and Russian, we also translated our Environmental and Social Policy into Albanian, Bosnian, Croatian, Serbian, Turkish and Ukrainian.
Table 2: EBRD performance requirements

<table>
<thead>
<tr>
<th>PR</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR 1</td>
<td>Environmental and Social Appraisal and Management</td>
</tr>
<tr>
<td>PR 2</td>
<td>Labour and Working Conditions</td>
</tr>
<tr>
<td>PR 3</td>
<td>Pollution Prevention and Abatement</td>
</tr>
<tr>
<td>PR 4</td>
<td>Community Health, Safety and Security</td>
</tr>
<tr>
<td>PR 5</td>
<td>Land Acquisition, Involuntary Resettlement and Economic Displacement</td>
</tr>
<tr>
<td>PR 6</td>
<td>Biodiversity Conservation and Sustainable Natural Resource Management</td>
</tr>
<tr>
<td>PR 7</td>
<td>Indigenous Peoples</td>
</tr>
<tr>
<td>PR 8</td>
<td>Cultural Heritage</td>
</tr>
<tr>
<td>PR 9</td>
<td>Financial Intermediaries</td>
</tr>
<tr>
<td>PR 10</td>
<td>Information Disclosure and Stakeholder Engagement</td>
</tr>
</tbody>
</table>

Table 3: EBRD project screening categories

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category A</td>
<td>Projects with potentially significant and diverse adverse future environmental or social impacts, such as greenfield developments or major expansions of activities. These projects require a comprehensive environmental and social impact assessment, which should examine technically and financially feasible alternatives. An audit may also be required to determine the impacts of past and current operations.</td>
</tr>
<tr>
<td>Category B</td>
<td>Projects where the potential adverse environmental or social impacts are typically site specific and/or readily identified and addressed through mitigation measures, risks or issues. These projects may require a variety of due diligence investigations, depending on their nature, size and location. In addition to assessing the future environmental and social impacts of proposed new installations, an audit may be required to determine the impacts of past and current operations.</td>
</tr>
<tr>
<td>Category C</td>
<td>Projects with minimal or no adverse environmental or social impacts.</td>
</tr>
<tr>
<td>Category FI</td>
<td>Projects that involve an EBRD investment in a financial intermediary such as a bank, private equity fund or leasing company. These projects require due diligence to assess (i) the FI’s existing environmental and social policies vis-à-vis PR 9 and its capacity to implement them; and (ii) environmental and social issues associated with the FI’s existing and likely future portfolio.</td>
</tr>
</tbody>
</table>
In 2009, we undertook 160 environmental and/or social due diligence and monitoring visits to 163 projects.

### Operational highlights in 2009

**Number of new projects signed in 2009 assessed as “Category A”**

10

### APPRAISAL OF NEW PROJECTS

All project proposals that we receive undergo environmental and social appraisal in addition to financial and legal analysis and transition impact assessment.

Initially, each proposed project is categorised by our environmental and social specialists according to the level of environmental and social due diligence that is considered necessary. Table 5 on page 19 shows the categorisation of new Bank-financed projects signed in 2009, and Table 4 gives a breakdown of the Bank’s overall portfolio of active projects at the end of the financial year. Data for 2008 are provided for comparison.

Project Summary Documents (PSDs) are disclosed by the EBRD via the web site for each new project before Board consideration, in accordance with our Public Information Policy. The PSD contains a description of the project and its financial details, together with information on the client, environmental and social issues, tender guidelines and contact details.

The Bank signed 10 new projects in 2009 that were assessed as “Category A”, which require comprehensive due diligence, disclosure and consultation requirements. Table 4 on page 18 shows the disclosure of Category A projects in 2009.

### ENVIRONMENTAL AND SOCIAL ACTION PLANS

When we finance a project that involves existing facilities (for example, a modernisation or expansion investment) and these do not meet our Performance Requirements at the time of approval, we agree with the client that they will adopt an Environmental and Social Action Plan (ESAP) to implement the necessary improvements over an agreed time frame. ESAPs are thus often an important tool in achieving the Bank’s transition impact objectives, not only through the direct improvements that take place at a facility, but also through the indirect demonstration effect in that country or business sector.

In 2009, for example, we signed a US$ 15 million (€10.4 million) loan for Pinuskrev, the largest private sector wood processing and furniture group in Belarus. The Bank’s financing will be used to upgrade the company’s processing and manufacturing facilities, including investments in energy efficiency enhancements and environmental improvements. Our due diligence confirmed that the current operations comply with national standards, but identified additional measures needed to meet EU standards in line with the Bank’s Environmental and Social Policy. We worked with Pinuskrev to develop and agree an ESAP including, among other things, implementation of an environmental management system compliant with ISO 14001; an occupational health and safety management system compliant with OHSAS 18001; and management practices for sustainable forest management and wood procurement. The successful restructuring of Pinuskrev will provide a replicable platform for the restructuring of other companies in the state-dominated sector and have a strong demonstration effect in how to manage a modern industrial plant. The Bank’s financing is also conditional on acceptance by Pinuskrev of standards for improved corporate governance, including preparation and audit of IFRS accounts.
Table 4: Summary of Category A disclosure in 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Project name</th>
<th>Sector</th>
<th>Date EIA made available</th>
<th>Board date</th>
<th>Days available (before Board)</th>
<th>Language of EIA in region</th>
<th>Electronic availability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Tirana Outer Ring Road</td>
<td>State</td>
<td>17/02/09</td>
<td>na</td>
<td>169</td>
<td>English, Albanian</td>
<td><a href="http://www.tirana.gov.al/projekte/090219_TORR_final.pdf">www.tirana.gov.al/projekte/090219_TORR_final.pdf</a></td>
</tr>
<tr>
<td>Azerbaijan</td>
<td>Garadagh Expansion</td>
<td>Private</td>
<td>19/11/08</td>
<td>06/05/09</td>
<td>169</td>
<td>English, Azeri</td>
<td><a href="http://www.garadagh.com">www.garadagh.com</a></td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Nikopoli Biomass</td>
<td>Private</td>
<td>15/12/09</td>
<td>na</td>
<td>–</td>
<td>English, Bulgarian</td>
<td><a href="http://newzeven.eu">http://newzeven.eu</a></td>
</tr>
<tr>
<td>Croatia</td>
<td>Istria Regional Waste Management</td>
<td>State</td>
<td>20/07/09</td>
<td>na</td>
<td>–</td>
<td>English, Croatian</td>
<td><a href="http://www.kastijun.hr">www.kastijun.hr</a></td>
</tr>
<tr>
<td>Georgia</td>
<td>Black Sea Energy Transmission System</td>
<td>State</td>
<td>13/05/09</td>
<td>21/10/09</td>
<td>162</td>
<td>English, Georgian – summary also available in Armenian and Azeri</td>
<td><a href="http://www.minenergy.gov.ge">www.minenergy.gov.ge</a></td>
</tr>
<tr>
<td>Georgia</td>
<td>Rustavi Solid Waste Management</td>
<td>State</td>
<td>27/03/09</td>
<td>06/05/09</td>
<td>41</td>
<td>English, Georgian</td>
<td><a href="http://www.rustavi.ge">www.rustavi.ge</a></td>
</tr>
<tr>
<td>Georgia</td>
<td>Adjara Solid Waste</td>
<td>State</td>
<td>22/12/08</td>
<td>na</td>
<td>–</td>
<td>English, Georgian</td>
<td><a href="http://www.derr-adjara.ge/">www.derr-adjara.ge/</a></td>
</tr>
<tr>
<td>Poland</td>
<td>A2 Motorway</td>
<td>Private</td>
<td>14/07/09</td>
<td>na</td>
<td>–</td>
<td>English, Polish</td>
<td><a href="http://www.autostrada-poludnie.com.pl">www.autostrada-poludnie.com.pl</a></td>
</tr>
<tr>
<td>Romania</td>
<td>Petrom Power Plant</td>
<td>Private</td>
<td>20/02/09</td>
<td>21/04/09</td>
<td>60</td>
<td>English, Romanian</td>
<td><a href="http://www.petrom.com/portal/01/petromcom/berd_documents">www.petrom.com/portal/01/petromcom/berd_documents</a></td>
</tr>
<tr>
<td>Russia</td>
<td>Lukoil/TKG-8 Energy Efficiency Loan</td>
<td>Private</td>
<td>04/03/09</td>
<td>08/09/09</td>
<td>189</td>
<td>English, Russian</td>
<td><a href="http://www.tkg-8.ru">www.tkg-8.ru</a></td>
</tr>
<tr>
<td>Russia</td>
<td>Huhtani Oil and Gas Company</td>
<td>Private</td>
<td>19/12/08</td>
<td>10/03/09</td>
<td>182</td>
<td>English, Russian</td>
<td><a href="http://vkutsikoil.ru/ecology_social">http://vkutsikoil.ru/ecology_social</a></td>
</tr>
<tr>
<td>Russia</td>
<td>RustVinyl</td>
<td>Private</td>
<td>15/02/08</td>
<td>na</td>
<td>–</td>
<td>English, Russian</td>
<td><a href="http://www.solvvpvc.com/aboutus/ourplants/russia/0_62163-2-0,00.htm">www.solvvpvc.com/aboutus/ourplants/russia/0_62163-2-0,00.htm</a></td>
</tr>
<tr>
<td>Serbia</td>
<td>K10</td>
<td>State</td>
<td>27/03/09</td>
<td>29/07/09</td>
<td>125</td>
<td>English, Serbian</td>
<td><a href="http://www.putevi-srbije.rs/strategijapdf/finalesiae80srp.pdf">www.putevi-srbije.rs/strategijapdf/finalesiae80srp.pdf</a></td>
</tr>
<tr>
<td>Slovakia</td>
<td>R1 Motorway</td>
<td>Private</td>
<td>18/02/09</td>
<td>14/07/09</td>
<td>147</td>
<td>English, Slovakian</td>
<td><a href="http://www.telecom.gov.sk/index/index.php?id=45691">www.telecom.gov.sk/index/index.php?id=45691</a></td>
</tr>
</tbody>
</table>

1 “na” signifies that no Board date was set for this project in 2009.
2 This project received a “derogation”. Derogations to the timely release of project information may be granted in certain circumstances, for example: capital market transactions (for example, IPO, listed company or bond issue) where security laws, stock exchange regulations or other bodies restrict or prohibit distribution of information as per the project summary document; legitimate sponsor concerns about confidentiality; likelihood of substantial changes in project design at final review. Derogations must be approved by management, as per our Public Information Policy.
Table 5: Signings in 2009 and 2008 by environmental/social screening category

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of operations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009</td>
</tr>
<tr>
<td>Category A</td>
<td>10</td>
</tr>
<tr>
<td>Category B</td>
<td>116</td>
</tr>
<tr>
<td>Category C</td>
<td>20</td>
</tr>
<tr>
<td>Category Fi</td>
<td>93</td>
</tr>
<tr>
<td>Total</td>
<td>239</td>
</tr>
</tbody>
</table>

1 Projects signed in 2008 were either appraised under the Bank’s Environmental Policy 2003 or the Bank’s Environmental and Social Policy 2008 (which came into effect in November 2008). The large rise in Category B projects in 2009 can be attributed to the loss of the C/1 category (under the 2003 Policy) where clients were subject to an audit.

2 The environmental and social screening count is based on brand new projects whereas the EBRD official count is based on original and incremental operations.

**MONITORING OF PROJECT IMPLEMENTATION**

Project monitoring to identify whether clients are meeting their commitments is a critical part of the EBRD’s management systems for sustainable investment, and assists us in identifying problems that we might help address. In addition to monitoring visits by EBRD staff, periodic audits by independent consultants may be required for higher-risk projects.

The foundations for monitoring are provided by the Project Monitoring Plan that is developed for each project during appraisal and self-reporting by clients. All clients are required to report on their environmental and social performance at least annually, and this is tracked by the Bank’s management information systems.

In 2009 the proportion of active projects that were two or more years late in providing the Bank with environmental and social reports was less than 3.6 per cent.

At the beginning of 2009, the Bank’s portfolio included 41 Category A projects. Based on monitoring and supervision during the year, more than 85 per cent of these Category A projects are considered to be satisfactory or better with respect to the Bank’s environmental and social requirements. Corrective action is being taken to address the minority of Category A projects that present compliance or reporting issues.

---

We maintain a high level of client compliance with our environmental and social requirements during the implementation phase of Bank-financed projects.
Key trends and challenges
One aspect of our crisis response is to provide extensions to existing loans or new finance to existing clients. Consideration of past environmental and social performance and compliance with agreed commitments is a key part of the Bank’s due diligence on these transactions, some of which have required a fast-track approach.

The financial crisis has had harsh implications for certain sectors such as the steel industry. This climate has meant that some clients have experienced significant difficulties in fulfilling the Bank’s environmental and social requirements, particularly in relation to meeting the original timetable of agreed action plans for Bank-financed projects. We have monitored such developments carefully in close communication with the companies concerned and have worked with them to find constructive solutions. Where appropriate, we have also liaised with other stakeholders including NGOs.

International cooperation and policy dialogue
We maintain close working relationships with a range of other international organisations on the subject of environmental and social standards. Such institutional coordination and cooperation has been particularly important in 2009 in the context of crisis response and post-crisis recovery, which has resulted in an increase in the number of projects financed jointly by two or more development finance institutions.

The Bank is an active member of the Multilateral Financial Institutions (MFI) Environment Group, and hosted its November 2009 meeting in London. We are also a proactive participant in other MFI working groups dealing with issues such as gender equality, greenhouse gas assessment and stakeholder engagement.

In 2009 we cooperated with the International Labour Organization (ILO) to publish a joint report on the prevention of forced labour exploitation and the promotion of good labour practices in the Russian construction industry.

Other organisations and initiatives with which we continued to engage in 2009 include:

- The Extractive Industries Transparency Initiative (EITI)
- UN Environment Program Finance Initiative (UNEP FI)
- Equator Principles Financial Institutions
- International Union for Conservation of Nature (IUCN)
- OECD DAC Task Team for Strategic Environmental Assessment
- UNECE Espoo Convention and Arhus Convention
- The World Health Organization (WHO).
Technical cooperation in support of environmental and social improvements

Technical cooperation (TC) projects continue to form an important part of our work in promoting high environmental and social improvements in our countries of operations. Funding from donors and the EBRD Shareholder Special Fund enables us and our clients to enhance the positive environmental and social impacts of the Bank’s operations through activities ranging from research and development to capacity building and piloting special initiatives.

Our Environment and Sustainability Department has continued to expand its programme designed to promote sustainability across the Bank’s operations by identifying TC activities that complement investments and new business opportunities that deliver environmental and social benefits.

Table 6 on page 22 lists new TC projects approved during 2009 by the Bank to complement its work on environmental and social improvements. These activities focus on climate change adaptation, best practice in environmental and social issues, health and safety and promoting gender equality.

**Box 1: Addressing workplace retrenchment in Albania**

Retrenchment is often a consequence of the privatisation of formerly publicly owned organisations. While this may be justified in terms of financial efficiency, the adverse socio-economic and psychological impacts both to individuals and communities cannot be underestimated. The potential fall in living standards and loss of status can often lead to disenchantment and antagonism to the reform process and, in extreme cases, to civil unrest. This TC assignment builds the capacity of both the public and private sector to address these issues by developing tools and processes to assess opportunities for employment, re-skilling and support in developing an alternative livelihood.

The effective management of the process of large-scale retrenchment in the privatisation of nationalised companies is pertinent to several of our recent projects in Albania, but is also applicable to other transition economies. There is a perceived lack of capacity on the part of public authorities to deal with this kind of large-scale retrenchment exercise. The objective of this pilot project is to mitigate the adverse impacts of redundancies made as a result of privatisations and/or the indirect consequences of investments of incoming private sector companies. Thus the main focus is on what an incoming private company can do, alongside state and civil society actors, in the event that, as an indirect consequence of their project, redundancies may occur. Tools will be developed that will assist incoming private sector companies, the various governmental agencies and other stakeholders to look at the labour market, identify opportunities, assess current skills, identify the needs for skills training, and implement the mitigation measures identified. In addition there will be a review of statutory provisions on severance pay. The idea is that the tools should also be useful for governments, banking clients and other stakeholders in south-eastern Europe and beyond.

The project will enable the Bank to work with relevant government departments, agencies and other stakeholders to build the government’s capacity to manage collective redundancy in accordance with international best practice, as well as identifying the role to be played by our client, Bankers Petroleum. The outcomes of this project will have a positive demonstration impact for other projects that involve retrenchment in this and other sectors in Albania and other countries of operations.

This TC assignment was approved for funding by the Western Balkans Investment Framework at its meeting in Stockholm in June 2009. Read more on page 62.
## Table 6: Donor-funded projects approved in 2009 to address environmental and social improvements

<table>
<thead>
<tr>
<th>Project</th>
<th>Location</th>
<th>Funding</th>
<th>Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Addressing climate risk and adaptation to climate change in the EBRD’s</td>
<td>United Kingdom</td>
<td>EBRD</td>
<td>Demonstrate how risk and adaptation to climate change can be brought into the mainstream of the EBRD’s operations and develop practical methodological tools to enable these issues to be addressed systematically.</td>
</tr>
<tr>
<td>project cycle management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Georgian Railway Company: Technical assistance for environmental and</td>
<td>Georgia</td>
<td>Germany</td>
<td>Manage the detailed technical requirements of the environmental and social due diligence associated with the Tbilisi Railway Bypass Project.</td>
</tr>
<tr>
<td>social due diligence</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for improved environmental management in maritime transport in</td>
<td>Russia and Ukraine</td>
<td>Shareholder Special Fund</td>
<td>Capacity building, in cooperation with the International Maritime Organization (IMO), to reduce the transfer of harmful organisms and invasive species through improved management of ballast water in the Black Sea and Caspian Sea.</td>
</tr>
<tr>
<td>Russia and Ukraine</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity building on resettlement in transport projects</td>
<td>Regional</td>
<td>Western Balkans Fund</td>
<td>Build the skills of government bodies at national and local/municipal levels in the Western Balkans to supervise the preparation of resettlement action plans (RAPs), according to the Bank’s requirements and monitor their implementation.</td>
</tr>
<tr>
<td>Initiative to address workforce retrenchment in Albania</td>
<td>Albania</td>
<td>Western Balkans Fund</td>
<td>Design and implementation of tools and protocols to support the development of competences and processes aimed at ensuring responsible large-scale workforce retrenchment in Albania (see page 62).</td>
</tr>
<tr>
<td>Environmental and social due diligence for public-private partnership</td>
<td>Regional</td>
<td>Shareholder Special Fund</td>
<td>Preparation of environmental and social due diligence of PPP transport projects across the EBRD’s countries of operations, to ensure compliance with the Bank’s environmental and social Performance Requirements.</td>
</tr>
<tr>
<td>(PPP) transport projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support for urban road and pedestrian safety</td>
<td>Regional</td>
<td>Shareholder Special Fund</td>
<td>Support to enable municipal authorities to achieve international best practice in road safety, traffic management and road signage.</td>
</tr>
<tr>
<td>Gender consultant</td>
<td>EBRD</td>
<td>Shareholder Special Fund</td>
<td>Development of a methodology for identifying gender-related risks within Bank projects and formulation of mitigating measures and/or related gender equality projects.</td>
</tr>
</tbody>
</table>
Procurement for Bank-financed projects

The ability of a project to achieve satisfactory environmental or social outcomes can often be partly dependent on the activities of third-parties such as contractors and suppliers. The Bank’s project procurement department plays a key role in ensuring the environmental and social sustainability standards dependent on third-party activities can be achieved. While the project appraisal and legal documents will themselves set out many of the environmental and social Performance Requirements for the projects, it is through the procurement, contractor management and supervision process that these can be implemented systematically and effectively.

All EBRD clients are responsible for ensuring that any contractors working on project sites comply with the Bank’s environmental and social requirements as set out in the Bank’s PRs and in the project-specific ESAP. Many projects seeking EBRD finance include at least an element of contracting, particularly when they involve new construction. In such cases, the Bank will, as part of its environmental and social due diligence, focus on the client’s tendering, contractor management and supervision processes and give practical guidance on how environmental and social considerations can be incorporated at the relevant stages of the contracting process. Clients will also be expected to report on the contractor’s environmental and social performance under the project as part of their annual reports to the EBRD on environmental and social matters.

In 2009 we updated and revised our Procurement Policies and Rules (PPR). The new PPRs include our commitment to integrate environmental and social sustainability considerations in the public procurement process, as appropriate, to ensure compliance with the Environmental and Social Policy.

This year, we also began to trial our revised Standard Tender Document for the Procurement of Works. The Bank’s clients are responsible for implementing the projects, including all aspects of the procurement process, which is governed by the tender documents for goods, works and/or services to be furnished for the project. The new document, issued in September 2009, is based on a paper developed by the MDBs, and has been particularly designed by the EBRD for use with the FIDIC Conditions of Contract for Building and Engineering Works Designed by the Employer. It includes contract compliance conditions related to occupational health and safety, working conditions, ILO core labour standards and other EBRD PR 2 requirements, as well as for managing sub-contractors. The Bank’s environmental and social due diligence will help identify and determine the appropriate technical and other performance specifications to be included in the Tender Documents and Contracts for Procurement of Goods (and associated services) on a specific project.

Our procurement of goods and services for internal use by the Bank is discussed on page 91.
Climate change and sustainable energy

We address the challenges of climate change and energy efficiency by integrating these issues into all of our operations as a core strategic component and competence of the Bank.
The EBRD's countries of operations include some of the most energy-intensive economies in the world. Despite progress over the last 20 years, the region continues to present unfulfilled opportunities to achieve substantial energy efficiency gains, particularly in the industrial, power and municipal sectors. In addition, dependence on fossil fuel imports also has implications for energy security. The region is a significant contributor to global greenhouse gas (GHG) emissions. Although the region was a major source of carbon emission reductions in the 1990s due to the impact of economic restructuring, it is now on an emissions growth path. More recently, the global economic crisis and uncertainty over international climate change policy has created complex and ongoing implications for all of these issues.

Climate change mitigation, energy efficiency, renewable energy and carbon finance are therefore central issues for the Bank. They are a major part of our current capabilities and activities, and are a core strategic consideration in our medium-term corporate planning. Today, we are one of the largest investors in energy efficiency, sustainable energy and carbon markets in central and eastern Europe and central Asia.

The focal point for these operations is our Sustainable Energy Initiative (SEI), launched in May 2006 and assisted by strong funding support from donor governments and the EBRD Shareholder Special Fund. Since 2006 we have invested €4 billion under the SEI framework through 237 projects in 27 countries with a total project value of €19 billion. The total reduction in carbon emissions achieved by these projects is estimated at 21 million tonnes per year with energy savings equivalent to over 8 million tonnes of oil per year.

Phase 1 of the SEI ended in 2008. Phase 2 of the SEI is now underway and constitutes a significant expansion in resource commitment, activities and outcomes (see Box 2 on page 27). Activities will include projects in industrial, power and municipal infrastructure energy efficiency as well as the renewable energy sector and carbon market development. Areas of new activity will include buildings energy efficiency and climate change adaptation.

For more information, see Sustainable Energy Initiative: Actions and results 2006-08, available on our web site.

www.ebrd.com/pubs
At the strategic level, our approach to sustainable energy and climate change includes integrating these issues into our sector policies and country strategies when they are reviewed and updated. This frames our work in areas such as power and energy, natural resources and infrastructure on projects where sustainable energy and GHG emissions reduction can often be a primary objective. We have a systematic process of pipeline screening to identify value-added energy efficiency and renewable energy solutions. This enables us to build these measures into many other projects where the primary focus may be different, such as corporate finance with industrial or commercial clients.

Our products and services also include credit lines to commercial banks to help micro, small and medium-sized enterprises to implement sustainable energy projects, and important investment and technical cooperation work in the carbon trading and carbon market development arena.

The Bank’s Environmental and Social Policy (see page 15) requires all of our clients to promote the reduction of project-related GHG emissions (see page 37) in a manner appropriate to the nature and scale of their project operations and impacts. When considering new projects that currently produce (or are expected to produce) significant GHG emissions (generally 100 kt CO₂e per year or more), our environmental and social due diligence includes an assessment of the baseline and an estimate of the post-implementation position. This information enables the project’s carbon intensity to be compared with peers in its sector and its contribution to the Bank’s overall GHG impact to be evaluated.

Each year since 2003, we have reported publicly on the aggregated GHG impact that the year’s new project signings are predicted to make once they are fully implemented.
The EBRD has financed energy efficiency projects since its earliest days and established a dedicated energy efficiency team in 1994.

**Box 2: The EBRD’s Sustainable Energy Initiative**

The EBRD has financed energy efficiency projects since its earliest days and established a dedicated energy efficiency team in 1994. These activities were scaled up dramatically in 2006 with the launch of our Sustainable Energy Initiative (SEI) and the creation of a new Energy Efficiency and Climate Change department led directly by a member of our senior management team.

The SEI focuses and drives the Bank’s work on sustainable energy and climate change at both strategic and operational levels. Experts in our Energy Efficiency and Climate Change team work closely with sector specialists and Regional Offices to integrate SEI opportunities into the mainstream of the Bank. We provide investment and technical cooperation in six main priority areas:

- industrial energy efficiency
- energy efficiency and renewable energy credit lines
- cleaner energy in the power sector
- renewable energy
- energy efficiency in municipal infrastructure
- carbon market development.

The first phase of the SEI (2006-08) delivered strong performance. We exceeded our original cumulative investment target by nearly 80 per cent, established a specific track record of climate change mitigation action and results, and significantly expanded our long-standing work on energy efficiency. At the 2009 Annual Meeting, the Bank’s Board of Governors unanimously approved the Phase 2 of the SEI. This sets the following ambitious objectives for the Bank over the period 2009 to 2011:

- an investment target within a range of €3 billion to €5 billion and a total project value range of €9 billion to €15 billion
- a corresponding carbon reduction target range of 25 to 35 million tonnes of CO₂ equivalent per annum.

Phase 2 will significantly expand the scale and reach of our existing SEI activities. Driven by demand and by evolving global priorities, the following additional areas of activity are also being developed during Phase 2:

- energy efficiency of buildings
- stationary use of biomass
- climate change mitigation in natural resources sectors
- transport energy efficiency
- climate change adaptation.

Donor support plays a vital part in our implementation of the SEI and has been a major determinant of 2006-08 results that were markedly above initial objectives. Donor support for SEI Phase 1 led to the mobilisation of €218 million of technical cooperation and investment grants. Grant funds will continue to be important during Phase 2 due to the areas covered and the impact of the economic crisis.

www.ebrd.com/sei
Our achievements in 2009

We made key strategic and operational progress on energy efficiency and climate change in 2009.

On the strategic front, we managed the successful formulation and approval of SEI Phase 2. Energy efficiency and climate change considerations have also been a central part of our ongoing strategic planning process in preparation for the Bank’s 2010 Annual Meeting.

On the operational front, total SEI financing reached €1.3 billion in 2009, which is a 34 per cent increase on 2008 and accounts for nearly 17 per cent of the Bank’s total business volume for the year (see Table 7). The carbon reduction impact of our SEI investments in 2009 is estimated at 4 million tonnes of CO$_2$e, equivalent to the annual carbon emissions of Albania.

Our energy efficiency and climate change operations now cover 27 countries in the EBRD’s region, with a good geographical spread. In 2009 we signed our first SEI project in Turkey, the Rotor Wind Farm (see page 67).

Table 7: SEI projects signed in 2009

<table>
<thead>
<tr>
<th>Category</th>
<th>2009 (SEI Phase 2)</th>
<th>2006-08 (SEI Phase 1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Signed ($ million)</td>
<td>Number of projects</td>
</tr>
<tr>
<td>Industrial Energy Efficiency</td>
<td>317</td>
<td>26</td>
</tr>
<tr>
<td>Sustainable Energy Credit Lines</td>
<td>135</td>
<td>9</td>
</tr>
<tr>
<td>Cleaner Energy Production</td>
<td>577</td>
<td>11</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>125</td>
<td>5</td>
</tr>
<tr>
<td>Municipal Infrastructure Energy Efficiency</td>
<td>163</td>
<td>20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,317</strong></td>
<td><strong>71</strong></td>
</tr>
</tbody>
</table>
Industrial energy efficiency

Our countries of operations include many highly energy-intensive industrial processes such as steel manufacturing, aluminium smelting, cement and glass production. Technological advances and fuel and electricity prices mean there is both the potential and the demand for energy savings.

We signed 26 projects in 2009 that included industrial energy efficiency components, in sectors ranging from agribusiness to transport. For example, our €120 million senior loan to Garadagh (the largest cement producer in Azerbaijan) to replace wet cement production technology with dry technology is expected to reduce energy consumption by about 50 per cent. In the transport sector, we are providing a €100 million loan to Serbia Railways for the replacement of an ageing passenger fleet for use on the country’s main intercity services, with projected annual emissions reductions of 130,000 tCO$_2$e (see page 73).

In many cases, industrial energy efficiency projects begin with energy audits provided to the client by the Bank. We launched a new €3.5 million technical cooperation facility in 2009 – the Regional Energy Efficiency Programme for the Corporate Sector – to provide energy audit support for the manufacturing, agribusiness and natural resource sectors. This programme is funded by the EU Neighbourhood Investment Facility, the Western Balkans Fund, the ETC Fund, EBRD Shareholder Special Fund, the Netherlands, Greece, Germany and Italy.

Box 3: Energy Efficiency Management Systems

The EBRD initiated a new programme in 2009 to support companies implementing integrated Energy Efficiency Management Systems (EEMS). The programme will co-finance up to 50 per cent of the purchase of equipment/instrumentation and the cost of installation related to EEEMS in selected sectors.

The beneficiaries of the programme will be some 10-15 companies in selected countries of operations in sectors such as food processing, commercial building and heat supply systems, where the introduction of EEEMS can maximise the demonstration effect and catalyse the development of new markets for providers of energy-efficient technologies.
Sustainable energy finance facilities

Sustainable energy financing facilities (SEFFs) with local financial institutions are specifically dedicated to small and medium-scale energy efficiency and renewable energy investment projects.

Financing is based on extending credit lines to local banks that participate in the facilities. Each credit line is specifically dedicated for on-lending to industrial and/or residential borrowers for the implementation of energy efficiency and renewable energy investment opportunities. The local banks use the credit lines to provide commercial loans, at their own risk, to borrowers with eligible investment opportunities.

Every credit line is supported by a comprehensive technical assistance package that underpins demand for the facility, helps potential borrowers to prepare loan applications and familiarises local bank officers with sustainable energy investment opportunities and credit appraisal methods. Supported by grant funding from our donors, this assistance is provided free of charge by project implementation teams consisting of both local and international experts.

The project implementation team works together with the local banks to assess the eligibility of loan applications from potential borrowers. The local banks take lending decisions and the resulting loans are provided at commercial rates.

Loan amounts vary depending on the facility and the investment opportunity, but the average is roughly €500,000 for loans to companies while loans to households are typically below €1,500.

We signed nine transactions under the SEFF model in 2009, for a total of €135 million in Bosnia and Herzegovina, Bulgaria, Hungary, Kazakhstan, Russia, Serbia and Ukraine.

Our €43 million to CAEPCo (Northern Lights) – the largest private power company in Kazakhstan – will help the company to achieve annual emissions savings of 1.2 million tonnes of CO₂.
Cleaner energy production

Thermal power stations generate the majority of energy in the region, but ageing infrastructure can mean high running costs and excessive pollution and GHG emissions. The Bank supports cleaner energy production through its investment in the natural resources and power and energy sectors.

We signed 11 cleaner energy projects in 2009, including loans for Turceni and Petrom in Romania, Northern Lights (CAEPCo) in Kazakhstan, and Irkutsk Oil and Gas Company, OGK-5, TGK-13 and TGK-8 in Russia. Further information is provided on pages 61 and 68.

Technical cooperation in support of this work included preparation of a new energy audit framework for the power sector, and workshops on rehabilitation and efficiency improvement of thermal power plants in Kazakhstan and Russia.

Renewable energy

Renewable energy has developed slowly in the transition region, partly due to weak institutional and regulatory frameworks. The Bank is addressing this challenge under the SEI through a combination of investment, technical cooperation and policy dialogue.

We signed three wind power and one biomass renewable energy projects with power and energy sector clients in 2009 (see page 65), with total EBRD financing of over €133 million. In addition, we financed a further 18 renewable energy projects through our SEFF credit lines with local banks, with a total loan value of €18.2 million. These projects – mainly biomass boilers and small-scale hydro and wind power – are equivalent to a total installed capacity of 25 MWe.

Complementary technical assistance projects included an analysis of market barriers to small-scale renewable projects in Bulgaria.

Municipal and environmental infrastructure

Upgrading neglected municipal infrastructure to provide clean water supplies, efficient district heating and reliable transport networks is central to the Bank’s mission.

Twenty SEI projects were signed in 2009, including nine projects in urban and public transport, three district heating projects and five projects in wastewater and water rehabilitation (see page 55). These activities were supported with energy audits and a project-related carbon credit deal involving the Multilateral Carbon Credit Fund (MCCF, see below). Other technical cooperation work included the preparation of a carbon finance methodology for urban transport.
Carbon finance and carbon market development

The EBRD promotes and facilitates the development of the carbon market in its countries of operations through carbon fund management, technical assistance for projects to qualify under the Clean Development Mechanism (CDM) and Joint Implementation (JI) and policy dialogue to enable operational regulations for carbon credit generation and transfers. A key activity is the management of two carbon funds, the €23 million Netherlands Emissions Reduction Cooperation Fund (NERCoF) and the €208.5 million Multilateral Carbon Credit Fund (MCCF).

The MCCF is jointly managed with the European Investment Bank (EIB) and purchases carbon credits for six sovereign and five private participants. Using the MCCF, the EBRD is also active in the development of Green Investment Schemes (GIS), whereby an eligible country of operations sells surplus Assigned Amount Units (AAUs) to a buyer and the proceeds are used to co-finance greenhouse gas emission reduction projects (see box on page 33).

Our carbon finance activities increased in 2009 with the signing of five carbon credit transactions, bringing the aggregated carbon credit portfolio under MCCF and NERCoF to 10.1 million carbon credits. The carbon credits originate from emission reduction projects in the power sector, renewables, oil and gas and industrial energy efficiency and are located in Azerbaijan, Armenia, Georgia, Russia and Ukraine.

The first delivery of carbon credits under the MCCF took place from Ukrexim’s IF Cement project in 2009, and three projects completed formal registration with the UN regulating authority to date: the Sreden Iskar Cascade HPP Portfolio Project in Bulgaria, Jradzor Small Hydroelectric CDM project in Armenia and Ukrexim/IF Cement in Ukraine. Each of these are among the first registered projects in the respective countries.

In 2010 the MCCF expects to sign a number of additional carbon credit transactions. The focus will be on Ukraine and Russia.

In addition, on behalf of Spain, the MCCF facilitated Poland’s first sale of AAUs linked to a GIS, which was signed in November 2009. The €25 million deal has lead to interest in new GIS in Central Europe, Ukraine and Russia. Spain increased its commitment to GIS with an additional €18.5 million for which a new GIS transaction will be sought in 2010.
Box 4: Green Investment Schemes

Article 17 of the Kyoto Protocol allows Annex B countries (which include many of our countries of operations) to trade in AAUs in order to comply with their emission reduction targets. Most countries in central and eastern Europe are anticipated to have a surplus of AAUs by the end of the first Kyoto commitment period (2008-12), due to economic contraction and economic restructuring since the early 1990s which resulted in much lower GHG emissions than the emission caps agreed in the Kyoto Protocol. Countries that are expected to exceed their emission reduction or limitation target are potential buyers of AAUs. However, many buyers and sellers find it unacceptable to spend tax monies on purchasing AAUs without some form of conditionality on the use of the AAU sale proceeds by the seller.

Using the Green Investment Scheme (GIS) concept, we facilitate a solution to this challenge by ensuring that proceeds are used to co-finance GHG emission reduction projects such as improvements to energy efficiency and renewable energy. Through the MCCF we concluded a GIS transaction in Poland, and are exploring similar GIS development opportunities with other countries of operations, such as Bulgaria, Russia and Ukraine.

In the case of Ukraine the Bank provides specific technical assistance, funded by Spain, to develop a suitable GIS. During 2009 emphasis was put on developing tools such as the Green Investment Scheme Manual and Model Agreement, development of which was funded by the Netherlands. The GIS model agreement was well received by market parties such as the International Emissions Trading Association (IETA).

Poland’s first GIS agreed with Spain

We played a key role in the November 2009 agreement between Poland and Spain on a €25 million emissions trading contract, the first transaction of this kind for Poland under the Kyoto Protocol. Ministers from Poland and Spain, along with representatives of the EBRD and EIB were present for the signing of the agreement facilitated by the MCCF. The transaction will allow significant GHG reductions through the associated GIS.

This contract helps Spain to meet its obligations under the Kyoto Protocol and provides grant finance to projects that reduce greenhouse gas emissions in Poland. The GIS enables Poland to invest proceeds from the sale of carbon credits in greenhouse gas mitigation activities. This includes grants to projects including biomass, biogas electricity and heat production and expansion of the electricity transmission network to make better use of renewable energy sources.

The greening programme will be managed by Poland’s National Environmental Fund. The EBRD and EIB will support projects by providing additional co-financing and are expected to leverage up to €75 million. The total investment is expected to exceed €100 million and significantly enhance effective climate change mitigation activities in Poland.
We increased our policy dialogue activities in 2009 with a view to creating a better enabling environment for the SEI and to improving relationships with key stakeholders.

Policy dialogue is an essential element in ensuring that the projects and strategy implemented through the SEI will have a lasting impact in supporting the transition of our countries of operations. As an instrument of change, it can deliver a transformational impact that is bigger than the sum of the impact from individual projects. Policy dialogue can be used to support top-down policy-making, implementing policies to create an environment in which the Bank can generate projects, and in bottom-up evidence-based policy-making, where experience from projects is fed back to governments and the investor community to help remove real barriers. It is also flexible in where it is targeted, and able to address any level of government or sector of the economy with relevant solutions.

We signed a Strategic Energy Action Plan (SEAP) with Bulgaria in March 2009, Ukraine in June 2009, and Russia in December 2009. These connect high priority areas for reducing energy intensity in those countries with EBRD banking operations. For example, under the Ukraine Carbon Market Facilitation Programme, the EBRD and the National Environmental Investment Agency of Ukraine are developing the legal and regulatory basis for GIS contracts.

Furthermore in Russia, we signed a Memorandum of Understanding with Sberbank for cooperation on energy efficiency and carbon finance in Russia. This will support activities under the Russia Sustainable Energy Finance Facility and paves the way for co-financing and carbon finance.

**CLIMATE INVESTMENT FUNDS**

The Climate Investment Funds (CIF) are a pair of new multi-donor financing instruments designed to support low-carbon and climate-resilient development through the framework of the world’s MDBs. We have been actively and fully engaged with donors, the World Bank Group and other MDBs during the design and implementation of the CIFs, and are preparing substantial investment projects for implementation with CIF concessional funding. The first EBRD project benefiting from CIF will be implemented in Turkey during 2010.
Climate change adaptation

As the actual impact of global warming becomes more apparent, adaptation is becoming an important part of the climate change agenda, and some of our countries of operations are likely to be affected by adaptation issues.

Like many other IFIs, the challenge is to find ways to integrate climate change adaptation into the mainstream of our operations and to innovate in the face of its impacts in our region.

We are taking a specific approach to adaptation, including improved knowledge of these issues in our region (particularly in the more vulnerable parts of our region such as south-eastern Europe, the Caucasus and Central Asia) and examining their implications in relation to our transition mandate and private sector focus.

We are examining how climate change risk management could be embedded into project appraisal, including environmental and social due diligence. This may include developing an approach for planning new and retrofitted infrastructure and other fixed assets to take account of climate risk, including a review of codes and design standards. It may also encompass infrastructure and fixed assets in vulnerable areas, such as coastal zones subject to sea level rise or in areas suffering from water scarcity. In 2009 we engaged expert consultants to develop a series of adaptation case studies based on relevant Bank-financed projects. The results will be used to inform a careful assessment of risk management techniques and options that may be appropriate for the Bank to consider.

Some of our existing investment operations already contribute to adaptation responses in areas such as water infrastructure and water management, housing stock, power and energy, transport infrastructure, agriculture and agribusiness. Examples include the St Petersburg Flood Protection Barrier, due for completion in 2010 (see page 36). Phase 2 of the SEI foresees the possibility of developing a more focused and systematic approach to addressing the climate change adaptation in the Bank’s operations.
St Petersburg adapts to climate change

Built on the flood plain of the River Neva at the extreme eastern end of the Gulf of Finland, St Petersburg has been flooded more than 300 times in its 306-year history and has had to endure a notable increase in the frequency of flooding in recent years. However, after nearly 30 years of on-and-off construction, a state-of-the-art flood protection barrier that constitutes one of the largest civil construction projects in the world is due to be completed by the end of 2010.

A giant fortress, at 25 kilometres in length, the barrier cuts across the Gulf of Finland and Kotlin Island in the middle. 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 has two navigation openings for St Petersburg’s busy port traffic. A recent climate change adaptation analysis conducted by external consultants Sinclair Knight Merz (SKM) and Acclimatise, confirmed that the barrier should withstand even the worst-case scenarios for climate change and sea level rise.

The total cost of the project is estimated at 87 billion roubles, equivalent to about €2 billion. In 2002 the EBRD signed a loan agreement of US$ 245 million (€170 million) with Russia, the largest ever EBRD loan at the time, to finance the construction of the flood protection barrier. Donors such as Japan, the Netherlands, Taipei China, the United Kingdom, the United States, the European Commission and the Northern Dimension Environmental Partnership (NDEP) contributed nearly €3.5 million in grants to fund project preparation and implementation consultancies. The EIB and the Nordic Investment Bank are also financing the project.
Greenhouse gas assessment 2009

The EBRD assesses the change in annual greenhouse gas (GHG) emissions that each year’s new investment portfolio signings are predicted to make once the projects are fully implemented. This approach is well aligned with the Bank’s transition mandate and provides a good indicator of the way in which the Bank’s investment strategies are responding to the challenge of climate change in a region characterised historically by high emissions and a poor record in energy efficiency.

Projects that, by virtue of their nature or scale, are screened at the outset as likely to be significant GHG emitters or GHG savers are subject to detailed assessment. While the Bank’s Environmental and Social Policy mandates annual GHG assessment for all projects associated with facilities emitting more than 100 kilotonnes of CO\(_2\) equivalent per annum, a lower threshold (20 kilotonnes of CO\(_2\) e) has historically been used for the portfolio assessment, even though the smaller projects make only a very minor contribution to the aggregate portfolio emissions.

This assessment combines both Sustainable Energy Initiative (SEI) projects, which result in significant GHG savings and other greenfield projects and capacity expansions, which typically lead to net emission increases. In recent years, the combination of the two has resulted in overall carbon neutrality, or better, in EBRD’s annual project portfolio. For more information on how the EBRD is addressing climate change and GHG emissions through the SEI, see page 33.

**2009 results**

A total of 21 projects signed in 2009 are expected to result either in significant CO\(_2\) reductions, or in emissions in excess of 20 kt pa. These projects were subject to more detailed GHG assessments.

- Six are greenfield projects or capacity increases that are expected to lead to new emissions totalling 3.6 Mtpa of CO\(_2\) e.
- Thirteen are SEI projects that are expected to lead to net savings totalling 3.9 Mtpa of CO\(_2\) e.
- Two projects are expected to result in no net change in emissions, but to involve significant efficiency improvements.

Overall, EBRD investments in 2009 will result in a net reduction in emissions of around 0.3 Mtpa of CO\(_2\) e.

**Table 8: GHG impact of Bank-financed projects signed in 2009 which are subject to GHG assessment**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Number of projects</th>
<th>Aggregate change in CO(_2) e Mtpa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brownfield CCGT power plant</td>
<td>1</td>
<td>2.3</td>
</tr>
<tr>
<td>New/expanded cement production facilities</td>
<td>2</td>
<td>1.2</td>
</tr>
<tr>
<td>Power plant modernisation/energy efficiency refurbishment projects</td>
<td>7</td>
<td>-2.8</td>
</tr>
<tr>
<td>Renewable energy generation projects</td>
<td>3</td>
<td>-0.5</td>
</tr>
<tr>
<td>Renewable energy/energy efficiency credit lines (aggregated)</td>
<td>1</td>
<td>-0.5</td>
</tr>
<tr>
<td>Other projects</td>
<td>7</td>
<td>&lt; 0.1</td>
</tr>
<tr>
<td>Total</td>
<td>21</td>
<td>-0.3</td>
</tr>
</tbody>
</table>
Interpreting the assessment

The assessment is dominated by three GHG-emitting projects in the power and cement sectors and seven power sector modernisation/energy efficiency projects resulting in significant savings. Three renewable energy generation projects and seven miscellaneous small projects complete the assessed portfolio, shown in Table 8. As in 2008, the aggregated projected savings from this year’s signed sub-projects in dedicated energy efficiency and renewable energy credit lines have also been included as a separate item.

The largest project, a new 860 MW gas-fired CCGT power station, is not associated with any specific closures of existing plants. However, it is fully aligned with the Bank’s country and sector policies in that it introduces into the under-invested, low efficiency and environmentally challenged Romanian power sector a state-of-the-art, economical and reliable facility with a CO₂ intensity far below that of the existing thermal power plant fleet.

For each project assessed, change in emissions is defined as the difference between a pre-investment baseline and a post-investment operational scenario. It is generally difficult to define these with precision, particularly in a time of rapidly changing global economic health, so the assessments must be regarded as indicative rather than precise. However, the Bank is careful not to overstate the savings or understate increases in emissions and the results therefore represent a conservative, rather than an optimistic, view of the benefits of project implementation.

Where investment improves the energy efficiency of a facility, resulting in a reduction in emissions per unit of output, the facility is likely to become more competitive and increase its output. Depending on the relative scale of these two effects, this may lead to an increase in the total emissions from the facility. Unless an offsetting reduction in emissions through the displacement of production elsewhere is clearly associated with the project, this increase is recorded as such in the annual assessment. This is despite the obvious benefit of improved production efficiency and the strong likelihood that market forces will lead to such displacement somewhere, sooner or later, even if this is not precisely identifiable at the time. Similarly, unless there is a linked plant closure, all new-build investments are regarded as contributing new emissions, even though they are likely to displace old, inefficient production somewhere in the sector in which they operate.
Overall conclusions, 2003-09
Summary results from the EBRD’s GHG emissions assessment have been published since 2003 and are shown in Table 9 below. While some individual year’s assessments have been dominated by one or two large emitting or emissions-saving projects, the 2009 result is similar to those of several previous assessments in which new emissions have been closely matched by emissions savings, leaving only a small net change. Bearing in mind the conservative nature of the assessment methodology, as described above, it is evident from the annual assessments undertaken that the EBRD is able to facilitate significant transition across its region while also achieving a reduction in net CO₂ emissions through investments in energy efficiency. This represents a significant break from the traditional link between economic growth and increased carbon emissions.

Table 9: GHG assessment results 2003-09

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG impact of Bank-financed projects signed in each financial year (MtCO₂e per annum)</td>
<td>-0.3</td>
<td>-8.0</td>
<td>-0.2</td>
<td>-4.5</td>
<td>+5.6</td>
<td>+4.0</td>
<td>+1.6</td>
</tr>
</tbody>
</table>

Integrating GHG assessment into project appraisal
Following the introduction of the Bank’s current Environmental and Social Policy in November 2008, project screening for GHG assessment now takes place at the earliest practical stage of project development – concept review. This enables GHG assessment to be fully integrated into project appraisal and enhances opportunities to incorporate GHG emission reductions into the project.

Cooperation with other MFIs
In July 2008 the EBRD hosted the inaugural meeting of the Multilateral Financial Institutions (MFI) Greenhouse Gas Footprinting Working Group. The Working Group, including representatives from the leading international development banks and export credit agencies, was established to explore the extent to which the multilateral financial institutions (MFIs) could harmonise their approaches to GHG accounting. Subsequent meetings in 2009 have been hosted by the European Investment Bank (EIB) and the International Finance Corporation (IFC). This work has helped to identify both the factors that have led to the variety of approaches adopted among the MFIs and the technical challenges common to all of them in evaluating portfolio GHG footprints. The next meeting is due to be held at EBRD Headquarters in April 2010.
Nuclear safety

In 2009 the EBRD and its partners intensified efforts to decommission Soviet-designed nuclear power plants, provide the safe treatment and storage of nuclear fuel and radioactive waste, and transform the destroyed reactor in Chernobyl into an environmentally safe state.
Over its nineteen years of operations, the EBRD, in collaboration with its donors and partner IFIs, has played a prominent role in the promotion of nuclear safety in central and eastern Europe.

Since the early 1990s, our work has focused on the safe decommissioning of “first-generation” Soviet-designed nuclear power plants which cannot be upgraded to internationally acceptable safety levels.

These activities include support of the Ukrainian government-led decommissioning of units 1-3 of the Chernobyl Nuclear Power Plant (finally shut down in 2000); the construction of a confinement facility for Chernobyl’s unit 4, which was destroyed in the 1986 accident; and projects to mitigate the consequences of the closure of a number of Soviet-designed plants located in central and eastern Europe.

Funding

Our direct involvement in nuclear safety came after leaders at a 1992 G-7 summit in Munich declared their intention to help countries in the region reduce the risk of accidents at Soviet-designed nuclear power stations. The EBRD’s Nuclear Safety Department was established in response to this in 1993.

The Nuclear Safety Account (NSA) was the first multilateral fund established to tackle the nuclear safety challenges associated with the operation of these reactors. The NSA initially dealt with emergency upgrades to old reactors until their early closure, and still supports the decommissioning of the Chernobyl Nuclear Power Plant. Other funds have been modelled on the NSA and now support the decommissioning of reactors by assisting with decommissioning planning and the construction of necessary facilities, as well as energy sector projects such as energy efficiency and alternative power generation.

We now manage six nuclear safety funds on behalf of the European Union (EU) and 29 donor governments: the NSA; the Chernobyl Shelter Fund; the Nuclear Window of the Northern Dimension Environmental Partnership (NDEP); and three international decommissioning support funds.

The EBRD manages three International Decommissioning Support Funds (IDSFs) for Bulgaria, Lithuania and the Slovak Republic, funded by the European Union and more than a dozen European countries. These assist with the safe and secure decommissioning of nuclear plants, as well as contributing to projects in the energy sector to compensate for lost power generation capacity through early closure.

Donors have contributed almost €3 billion to all funds managed by the Bank and in 2009 they committed more than €200 million in new grant allocations. Projects financed by these funds are subject to the same rules and policies applied to loan-funded projects, particularly with regard to environmental policies and standards.

The EBRD, the Government of Ukraine and the Chernobyl Nuclear Power Plant signed a grant agreement under which the Bank will provide €135 million from its own resources to the international efforts to transform the plant into a safe and secure site.
A significant milestone was achieved in December 2009 when the final first-generation reactor in the European Union – Ignalina unit 2, in Lithuania – was closed. It followed the closure of units 1 and 2 of Bohunice V1 in the Slovak Republic; Kozloduy units 1-4 in Bulgaria; and Ignalina unit 1.

Table 10: Location of first-generation reactors that have been closed with EBRD assistance

<table>
<thead>
<tr>
<th>Nuclear power plant</th>
<th>Location</th>
<th>Closure dates</th>
<th>Committed to decommissioning projects (€ million)</th>
<th>Out of total funds (balance committed to energy sector projects, € million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chernobyl, unit 3</td>
<td>Ukraine, near Slavutych</td>
<td>12/2000</td>
<td>190</td>
<td>-</td>
</tr>
<tr>
<td>Kozloduy, units 1 and 2</td>
<td>Bulgaria, Kozloduy</td>
<td>12/2002</td>
<td>290</td>
<td>541</td>
</tr>
<tr>
<td>Kozloduy, units 3 and 4</td>
<td>Lithuania, Visaginas</td>
<td>12/2004</td>
<td>450</td>
<td>683</td>
</tr>
<tr>
<td>Ignalina, unit 1</td>
<td>Lithuania, Visaginas</td>
<td>12/2009</td>
<td>116</td>
<td>328</td>
</tr>
<tr>
<td>Ignalina, unit 2</td>
<td>Lithuania, Visaginas</td>
<td>12/2009</td>
<td>116</td>
<td>328</td>
</tr>
</tbody>
</table>

**CoM-PENSATING FoR LoSS oF GENERATING CAPACITY**

Energy projects in Bulgaria designed to develop access to alternative energy sources and promote more efficient use of energy, supported by the Kozloduy International Decommissioning Support Fund (KIDSF), have led to improved efficiency in energy consumption. In Bulgaria these projects have resulted in the equivalent of about 500 MW of generating capacity, according to an independent assessment.

KIDSF-funded energy savings projects on public buildings such as schools, kindergartens and hospitals have proven so successful that the Bulgarian authorities have decided to replicate these measures for all public buildings in Bulgaria. The KIDSF supports the preparation of this huge programme with a grant of €5 million.

The Ignalina IDSF provided a grant of up to €165 million to co-finance the construction of a new 450 MW combined cycle gas-fired plant, which uses waste heat from a gas turbine generator to power a steam turbine for greater efficiency. The financing plan includes Lithuanian funds, loans from commercial banks and a loan from the EBRD.
In 1997 the implementation of a comprehensive programme to transform the Chernobyl site into an environmentally safe condition was initiated. The core task in this programme is the construction of a safe confinement to enclose Chernobyl’s unit 4 and the provisional structure put in place by Soviet authorities immediately after the accident.

Under the Shelter Implementation Plan agreed by Ukraine, the G-7 and the European Union in 1997, work on the New Safe Confinement (NSC) – a dome that will enclose the temporary shelter and confine all associated radioactive material for at least 100 years – is ongoing.

The detailed design of the NSC, which will respond to complex challenges such as preserving structural integrity under extreme conditions as well as handling highly active parts of the old unit and protecting construction workers from radiation, is expected to be complete by the middle of next year.

To limit workers’ radiation exposure the NSC will be assembled away from unit 4. Site clearance for the NSC assembly area and the NSC foundations is largely complete. This has been prepared well in advance of assembly of the NSC to take into account the time-consuming challenges involved in clearing contaminated soil and equipment buried at the site.

An excellent health, safety and radiation protection record was maintained throughout 2009.

LOOKING AHEAD

The Bank is able to explore potential new nuclear safety projects under a budget line from the EBRD Shareholder Special Fund. It is currently assessing the potential for contributing to the rehabilitation of closed uranium mines in Central Asia through isolation and mitigation of any outstanding environmental threats they pose. We are coordinating these activities closely with other international organisations including the UN and the International Atomic Energy Agency (IAEA).

The EBRD continues its work on the New Safe Confinement of unit 4 of the Chernobyl nuclear reactor. We will also continue our efforts to support the safe decommissioning of closed plants in our region and energy sector transformation through projects designed to demonstrate potential energy efficiency measures and other interventions to compensate for lost generation capacity.

The design of the new safe confinement at Chernobyl should be finished by the middle of next year.
Overview by business sector

Sustainability runs through all our activities: all our projects undergo environmental and social assessment before we invest and we increasingly incorporate gender and energy efficiency aspects into projects in all sectors.
Some 42 per cent of our investment in the agribusiness sector in 2009 was directed towards crisis response programmes in line with the Bank’s strategy. Nevertheless the need to address food supply and security in a sustainable manner remains at the heart of the EBRD’s long-term strategy.

Eastern Europe, Russia, the Caucasus and Central Asia account for 13 per cent of the world’s arable land but only 6 per cent of its grain production and 3 per cent of meat production. The region has significant potential to achieve productivity and efficiency gains along the food chain through improved infrastructure, better government policies, education and investment in financing and technology. Unlocking this potential is directly linked with environmental and social sustainability.

Box 5: Saving energy and increasing profitability in the sugar beet industry in Ukraine

An energy efficiency audit provided by the EBRD to Astarta, a Ukrainian sugar beet producer and processor, was the starting point for helping the company to enhance both energy efficiency and profitability.

In April 2009 we provided Astarta with a US$ 20 million (€14 million) loan to re-finance a portion of its debt and to make further energy efficiency improvements at its sugar plants and farms, following an initial investment in 2008.

The measures taken by Astarta with our assistance are expected to result in specific energy savings of more than 20 per cent and carbon emission reductions in excess of 35,000 tonnes of CO₂ per annum.
Energy efficiency
The need for energy efficiency in food production and processing has become increasingly critical in establishing the environmental and economic sustainability of the sector, particularly in light of energy price fluctuations. We have committed €131 million since 2006 to some 28 energy efficiency investments in the agribusiness sector.

Ten investments – with a total value of €19.6 million – were signed in 2009 under the Sustainable Energy Initiative (SEI, see page 24). Many of these projects develop as result of energy efficiency audits, which we provided to 17 agribusiness companies over the course of the year. To date, the largest energy savings have been delivered through the replacement and upgrade of processing machinery, particularly in malting, sugar and glass packaging.

Building stronger businesses through new production and financing methods
We also help agribusiness companies to enhance profitability by achieving better yields through improved production and management practices. In 2009 for example, we commissioned a consultant to prepare a report for Ukrainian farming client NCH, comparing older, Soviet-era farming practices with more modern approaches to establish the productivity gains that could be made.

Access to finance remains an important challenge for smaller farmers in our countries of operations, and indeed in many other emerging markets. The EBRD’s international perspective enables us to play an effective role in transferring know-how and new approaches to our region from other parts of the world. This year we began cooperating with the IFC to investigate the potential introduction of a successful Brazilian system of using crops in the ground as financing collateral. Following a study tour in 2009, Russian and Ukrainian officials will visit Brazil in 2010 to assess how the system functions in practice.

Box 6: Research and market analysis
In cooperation with the UN Food and Agriculture Organization (FAO), we conducted a number of industry-specific studies in 2009 to identify future opportunities and needs.

This included analyses of the Georgian wine sector and the Armenian fruit and vegetable processing sector, an assessment of sunflower seed support in Kazakhstan and a study on the fishery sector in Russia’s Far East.

The EBRD and FAO also cooperated on several studies focused on the grain sector in the CIS and a systematic analysis of the agribusiness sector in transition countries.
Policy dialogue and tracking industry trends
Our international cooperation in the agribusiness sector includes a successful working relationship with the United Nations Food and Agriculture Organization (UN FAO), with which we have worked since 1998 to develop food strategies in our countries of operations.

Between March 2008 and June 2009, the EBRD and the UN FAO jointly organised meetings in London, Kiev, Moscow and St Petersburg for public institutions and private enterprises to address how the region could contribute more significantly to global food security in the face of the food crisis.

We are also a member of the EASTagri network, an informal information-sharing platform set up by the UN FAO, the EBRD and World Bank. EASTagri meets annually to discuss critical issues affecting the agribusiness sector in the region.

At the policy level, we are involved in initiatives in Russia, Serbia and Ukraine to update grain policy through the introduction of warehouse receipt legislation, allowing farmers to pledge grain in certified warehouses as collateral against credit.

Helping local suppliers and distributors work together
Many small farmers in the region require extra support to ensure their products are not squeezed out of the supply chain by larger suppliers.

We have been working in Croatia during 2009 to encourage better integration between retailers and primary agriculture suppliers. For example, our dialogue with Croatian food and beverage business Agrokor has helped them to develop local supply chains and reduce their reliance on imports. We are undertaking similar initiatives in other countries with businesses such as the Ukrainian cheese producer Shostka, which is jointly owned by the EBRD, and French food group Bel which sources milk from local small farmers.

Looking ahead
We began a review of our agribusiness sector strategy in 2009 and this will be completed in 2010. The strategy review focuses on building on our achievements in energy efficiency financing to develop a more systematic approach to sustainability by reinforcing our existing environmental and social expertise and linking technical cooperation with commercial funding to maximise success. The new strategy will also address ways of capturing the commercial benefits of climate change mitigation and adaptation, product traceability, biodiversity, water and waste management and labour and working conditions. Support for smaller local producers to help them improve their long-term commercial viability will continue to be a core theme.

www.ebrd.com/agribusiness
Financial sector
and small businesses

<table>
<thead>
<tr>
<th>New projects signed</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new projects</td>
<td>93</td>
<td>109</td>
</tr>
<tr>
<td>Total EBRD financing (€ billion)</td>
<td>2.6</td>
<td>1.3</td>
</tr>
<tr>
<td>Share of total EBRD business volume (per cent)</td>
<td>36.47</td>
<td>31.14</td>
</tr>
</tbody>
</table>

Building financial institutions helps develop sustainable, healthy and competitive financial sectors. We seek to achieve these goals through project-focused work with banks, private equity funds and other types of financial institutions using a variety of creative financial instruments.

Our priority in 2009 was to support and stabilise financial institutions and financial systems in the region as they underwent the most severe economic crisis since the beginning of transition. We adapted our products to respond to these challenges, including an increased emphasis on subordinated debt, credit lines for small and medium-sized enterprises (SMEs), and support for microfinance. The Bank played a key role in 2009 in supporting financial sector sustainability in the most literal sense of the word.

In relation to social and environmental sustainability, the Bank’s investments in the financial sector encompass three main themes.

- Investment through financial intermediaries (FIs) forms one of our principal mechanisms for supporting micro, small and medium-sized enterprises (MSMEs) in our countries of operations, with significant social as well as economic benefits.
- Under the framework of our Sustainable Energy Initiative, we help FIs to develop specialised banking products for financing energy efficiency and climate change mitigation. This provides business development and competitive differentiation benefits for the FIs involved; helps to build sustainable banking capabilities in the region’s capital markets; and enables us to extend our reach to large numbers of businesses and municipalities in the region, especially in relation to smaller projects.
- We require all of our FIs to adopt specific environmental and social requirements for their relevant lending and investment operations, and provide training, guidance and management tools to assist them in this respect.

www.ebrd.com/fi
Supporting micro enterprises and SMEs

Measured in terms of number of borrowers, we are among the top three lenders to the microfinance sector worldwide.

The EBRD supports MSMEs through lending to local banks, which then use the proceeds to extend credit to local businesses.

The Bank undertook major efforts in 2009 to keep credit available at a time when vital finance was scarce or often unavailable from commercial banks. We completed 45 such transactions in 2009 valued at approximately €300 million, compared with 60 projects valued at €200 million in 2008.

In response to diminishing financial resources for small businesses in the face of the downturn, we held workshops with microfinance providers in Azerbaijan, Bosnia and Herzegovina, Russia and Serbia where lending had become especially difficult. The purpose of these workshops was to improve communication, keep businesses and institutions informed and share expertise about maintaining support for SMEs in the difficult environment.

We also secured a number of new partners which act as distribution networks for our micro and SME lending operations. These included VTB24, a subsidiary of Russian banking group VTB, which received a US$ 150 million (€104 million), five-year loan to stimulate lending to small businesses in the country. VTB24 will use the funding to make loans of up to US$ 200,000 (€139,000) in cities with a population of less than one million. The EBRD loan will be supported by an EU-funded training programme aimed at increasing lending to small businesses in the northern Caucasus, where VTB24 recently opened branches in two regional capitals, Vladikavkaz and Nalchik.

The effects of the financial crisis on microfinance in the EBRD’s countries of operations have been severe. Unlike previous economic crises, when micro lending remained relatively intact, funding for small businesses diminished amid the current financial downturn. We invested €260 million in 42 microfinance projects in 2009, with nearly half of the transactions taking place in early transition countries.

The global financial crisis is widely expected to lead to consolidation in the microfinance sector. We are therefore working to support the transformation of smaller micro-lending organisations into stronger institutions that will be better placed to compete in this climate. For example, the Belarusian Bank for Small Business completed its first year of operations in 2009 following a US$ 5 million (€3.5 million) start-up loan from the EBRD and seven other shareholders.
Our work to foster better communication between the institutions and businesses involved in national microfinance has also been an important part of our crisis response.

For example, in order to better understand the alternatives available to the microfinance sector in light of the financial crisis, the Bank appointed the Consultative Group to Assist the Poor (CGAP), an independent policy and research centre, to assist with policy dialogue in Bosnia and Herzegovina and Russia in 2009.

In a financial crisis, the role of the state and its support for a sustainable regulatory framework is paramount. We are working with several small lending institutions to identify ways to speed recovery by improving regulation. In 2009, this included the organisation of microfinance workshops for government and practitioners in Serbia and Bosnia and Herzegovina. We also commissioned CGAP to undertake policy and regulatory environment assessments in Azerbaijan, Russia and Turkey as an aid to policy dialogue and to provide guidance on strengthening regulatory frameworks following the crisis.

Other technical cooperation projects carried out in 2009 included workshops on risk management and using local currency, and the Tajik Agricultural Financing Framework, which provides financial education to small farmers. Negotiations are currently under way to finance a three-year extension of this project following its success to date.

The Bank also assists MSMEs through non-financial support provided by our TurnAround Management (TAM) and Business Advisory Services (BAS) programme (see page 53).

Under the framework of the Gender Action Plan (see page 12), we are currently working with the Azerbaijan Microfinance Association to increase the numbers of female loan officers and female clients served by micro lenders in the country.

As part of the Bank’s €50 million loan for on-lending to small businesses in rural and semi-rural areas in Turkey, Garanti Bank has committed to extend loans to female borrowers where possible.
Sustainable Energy Financing Facilities

The financial sector is a key target area for our energy efficiency and climate change work under the SEI (see page 25). The Bank’s Sustainable Energy Financing Facilities (SEFFs) combine credit lines with technical assistance to help local banks support hundreds of smaller sustainable energy projects in the region.

SEFF projects signed in 2009 include:
- the Russian Sustainable Energy Financing Facility (RuSEFF), a €200 million framework for energy efficiency and renewable energy projects
- our €250 million loan to Ukrexim Bank, of which €50 million has been earmarked for sustainable energy investments
- the launch of a €60 million sustainable energy credit line framework in the Western Balkans, together with a €50 million sustainable energy direct financing facility for small renewable projects and industrial energy efficiency projects
- a Trade Facilitation Programme contribution of €12.2 million made through four projects in Russia, Tajikistan and Ukraine.

This work was supported through the execution of market demand studies, marketing, structuring and managing implementation.

Box 7: Bulgaria Energy Efficiency and Renewable Energy Credit Line (BEERECL)
The €155 million BEERECL facility supports investments in small-scale energy efficiency and renewable energy projects that help the country to adapt to the closure of the Kozloduy Nuclear Power Plant (see page 42) by either reducing energy demand or replacing lost capacity with non-fossil fuel energy supplies.

Results to date include:
- participation of eight local banks
- approval of 134 sub-projects, totalling €89.8 million
- projected energy savings of 905 GWh per year
- projected emission reductions of 576 kt CO₂ per year
- renewable energy capacity of 65 MWe added.

Promoting environmental and social risk management in the financial sector

We have been advocates for environmental risk management in our partner FIs since the early 1990s, implementing this through a combination of requirements, guidance, capacity building and policy dialogue.

Following the introduction of the Bank’s Environmental and Social Policy in 2008 (see page 15), our requirements for FIs are now consolidated in Performance Requirement 9. Among other things, PR 9 specifies:
- the environmental and social due diligence and monitoring procedures that FIs must implement
- the environmental and social standards that apply to relevant subprojects financed by FIs
- our expectations on the organisational capacity of FIs and their reporting obligations to the EBRD.

www.ebrd.com/enviro/tools/
www.ebrd.com/about/policies/enviro/sectoral
To assist with implementation, we provide our FIs with an online environmental and social risk management manual (e-manual) designed specifically for banks, private equity funds and other types of financial institutions in our countries of operations. This was updated in 2009 to bring it into line with the Bank’s new Environmental and Social Policy. The current version of the online manual is in English and we plan to translate it into Russian later in 2010.

Other environmental and social risk management guidance for FIs includes a series of 80 sub-sectoral guidelines relating to specific business activities ranging from breweries to textile manufacturing. In 2009 the process began to bring them into line with the Environmental and Social Policy and to take account of developments in best practices. The updating of the sub-sectoral guidelines will be complete by mid-2010.

We continued to provide capacity building and training to FIs in 2009 on environmental and social risk management. Our training programme has been running for over 15 years and outlines our performance requirements and demonstrates the supporting tools available, including the e-manual and sub-sectoral guidelines. The training involves a one-day interactive workshop targeted at FI staff involved in credit risk management, emphasising how they can easily integrate environmental and social risk management procedures into transaction appraisal. The objective is to ensure that our partner FIs are able to support environmentally sustainable development; improve environmental, health and safety, labour and working conditions of clients; avoid supporting enterprises which cause significant environmental harm; and reduce the risk of exposure to environmental and social risks and liabilities.

We trained representatives from 65 FIs (including two private equity funds) in 2009 through workshops held in Armenia, Belarus, Bulgaria, Kazakhstan, Romania, Russia, Turkey and Ukraine. In total 749 people participated in the EBRD training. Overall the feedback from the delegates showed that the training days were considered highly successful and the effectiveness of the tutors was universally high. Each of the FIs trained has agreed to develop or improve on their environmental and social policies and procedures in line with the Environmental and Social Risk Management Plans we developed with them.

In addition to our in-house training programme for FIs, we continued to collaborate with other organisations in 2009 by supporting a number of conferences and joint training events to improve financial institutions’ handling of environmental and social risks. This included events in Armenia, Croatia and Russia and cooperation with organisations such as the World Wide Fund For Nature (WWF), the US Agency for International Development (USAID), the United Nations Development Program (UNDP) and the Croatian Bank for Reconstruction and Development. We also maintained our close involvement with the UNEP Finance Initiative’s Central and Eastern Europe Regional Task Force in 2009.

Recognising the unique institutional characteristics of different IFIs, we worked closely with other bilateral agencies and IFIs such as DEG, FMO and IFC during 2009 to combine our respective environmental exclusion lists and to develop unified FI reporting requirements for situations where co-financing occurs or where two or more financiers are independently providing concurrent financing to the same FIs.
The TAM/BAS Women in Business Programme began in 2004 and focuses on companies owned or run by women, or those with many female workers.

Box 8: TAM/BAS: non-financial support for micro, small and medium-sized businesses
Our TurnAround Management (TAM) and Business Advisory Services (BAS) Programme provides much-needed business development support to entrepreneurs and small businesses in the region. TAM focuses on the managerial and structural design of companies, while BAS helps micro and small enterprises to improve their performance. TAM/BAS emphasises issues that cut across all sectors, such as gender equality, energy efficiency, and rural development. Both programmes are supported by donor governments.

Women in Business Programme
The TAM/BAS Women in Business Programme (see page 54) began in 2004 and focuses on companies owned or run by women, or those with many female workers. To date, around 800 female entrepreneurs and employees have been directly assisted by the TAM/BAS Women in Business Programme, though indirectly the effects of the programme have affected many more. Our activities include skills development; stronger representation of women in business support services; targeting niche industries with strong female traditions; and upgrading female-dominated industry sectors with modern technologies.

Energy efficiency and environmental management
Many TAM/BAS projects focus on cost efficiency, energy-saving opportunities, advice on reducing environmental pollution, improved environmental management and help for MSMEs to comply with environmental regulation. For example, our EU-funded BAS Environmental Programme supports the provision of energy efficiency and environmental management advice to SMEs. By using local experts, it also builds professional capacity and consulting expertise in these areas.

Rural development
Our TAM/BAS Programme assists development in rural regions by working with small businesses to secure their viability and expansion potential. Many rural areas in our countries of operations are over-dependent on low-productivity agriculture and low value-added processing industries and have high unemployment levels. Community projects are an innovative way in which we assist the most remote regions of the early transition countries (ETCs). Supported by experienced rural development specialists, these projects provide solutions by identifying the constraints and opportunities of a community’s production and marketing.

www.ebrd.com/tambas
EBRD’s 2009 Women in Business Awards

Every year leading businesswomen meet at the Bank’s Annual General Meeting, where it recognises their achievements through its Women in Business awards scheme. Nominations from among our clients are gathered from the Bank’s Resident Offices and banking teams. Winners for the different categories can be found below. A panel of leading women in business from the region also meets each year at this time to deliver presentations at the Awards.

Outstanding achievement in entrepreneurship
Mukhabat Teschaeva is General Director and sole owner of Shahboz Shahrom, a synthetic carpet and moquette production company in Uzbekistan. The business emerged in 1998 from an initial micro investment of US$ 1,000 (€649) made six years earlier. In 2008 the EBRD provided a US$ 1.5 million (£1.04 million) loan to finance the company’s expansion.

Outstanding achievement in the financial sector
Nejira Nalic is managing director of the microfinance institution MI-BOSPO in Bosnia and Herzegovina. Originally set up to help displaced women during the Bosnian war, the microfinance institution currently serves more than 31,000 low-income women entrepreneurs and almost doubled its loan portfolio to €38 million between 2006 and 2008.

Outstanding achievements in industry
Marina Sedykh is General Director of Russia’s Irkutsk Oil Company, as well as being one of its founders. Irkutsk, an oil and condensate producer, employs more than 1,000 people and supplies affordable heating oil and gas to the municipalities in the Irkutsk region.

www.ebrd.com/gender
Our investment in municipal and environmental infrastructure projects in 2009 rose by more than 40 per cent on 2008, reflecting our response to the financing needs of the EBRD’s countries of operations, where more traditional commercial bank loans have largely disappeared.

Facilitating energy efficient infrastructure

Energy efficiency is a theme common to virtually all of our projects in the municipal and environmental infrastructure sector, where we have helped water, wastewater, district heating and urban transport clients to achieve significant savings. The energy efficiency components of new projects signed in 2009 amounts to some €163 million.

Examples include the overhaul of district heating systems in western Siberia and Ukraine, replacing inefficient energy sources with biomass from forestry waste, and the upgrading of buses in Plovdiv, Bulgaria, to run on cleaner fuel (see below).

We signed a 13-year loan of 1.3 billion roubles (€29 million) to overhaul the district heating system in the remote municipalities of Khanty-Mansi Autonomous District in Siberia. The project will include the partial replacement of inefficient diesel and oil-fired generators with combined heat and power (CHP) plants using biomass fuel made up of locally produced forestry waste.

In Ukraine, we provided a €12 million loan to the municipal district heating company of Ivano-Frankivsk to part convert its energy supply to biomass. The project is expected to result in additional annual reductions of 5.2 million cubic metres in gas consumption and around 10 kilotonnes of CO₂ per annum – enough energy to provide heating for a 10,000-strong community in Ukraine for an entire year. We mobilised a large grant from Sweden to support the project by helping the city to manage affordability constraints. The success of this cooperation was instrumental in the decision of the Swedish Presidency of the European Union to launch the Eastern Europe Energy Efficiency and Environment Partnership (E5P). The Partnership was inaugurated at a donor conference in Stockholm in November 2009 and will promote energy efficiency in the region (initially focusing on Ukraine), particularly in the district heating sector.

In Bulgaria, the EBRD is working with Hebros Bus, a private bus company based in Plovdiv, to replace old diesel buses with compressed natural gas models. Our €5.9 million loan to Hebros will help the company to reduce its carbon dioxide emissions by 6.2 kilotonnes over the next 10 years.

www.ebrd.com/mei
Wastewater – where infrastructure needs meet environmental priorities

The management of wastewater plays a central role in the EBRD’s commitment to environmental considerations and is a major focus of our work in the municipal and environmental infrastructure sector. As one example of the challenges faced by our countries of operations, in Russia 20 per cent of the population remains unconnected to a central water supply, while 40 per cent is not connected to a central wastewater system.

We signed three loans dedicated to wastewater management in 2009. Two projects were initiated in the Siberian city of Surgut, Russia, to renovate existing sewers in the city and expand the sewerage system to a new district. Together the two projects are valued at around €40 million. In St Petersburg, we commenced the Neva Discharges Closure Programme following extensive preparation. This environmental project aims to ensure that 98 per cent of the city’s municipal wastewater is treated in line with EU recommendations instead of being discharged – largely untreated – into the Gulf of Finland. The project is supported by loans from the EBRD, Nordic Investment Bank and EIB, along with grants from NDEP, Sweden, Finland and the EBRD Shareholder Special Fund.

Beyond Russia, we are active in the development of new wastewater treatment facilities in Croatia, Kazakhstan, Moldova, Romania and Turkey, among others.

Increased activity in the ETCs

Financing municipal and environmental infrastructure plays a major part in our work to improve living standards in the EBRD’s poorest countries of operations. We continued this commitment in 2009 by signing agreements to finance five new projects in the ETCs. These projects aim to deliver important benefits to local communities including access to basic public utilities, clean water and sanitation, service quality and health and safety standards.

One example is a scheme in the southern Tajik cities of Dangara, Kulob and Kurgan-Tube to provide their local populations with access to clean drinking water. The project involves developing and updating existing well field water supplies, introducing distribution system metering and maintenance equipment, replacing distribution networks and updating wastewater collection systems. The local population will benefit from access to clean drinking water at affordable tariffs, and there is even support for low-income households. The project should also serve as a template for national policy dialogue through the development of a new project for eight cities in the north of Tajikistan, which is currently underway.
Supporting small and medium-sized municipalities

In response to the global financial crisis, we have been developing solutions to the loss of access to external finance for small municipalities, notably for critical loans intended to co-finance EU cohesion and structural funds.

One result is the establishment of the Fund for Local Authorities and Governments (FLAG) in Bulgaria. FLAG is backed by the Bulgarian government, the EBRD and a group of commercial banks and will co-finance infrastructure investment in the country. The money will be used to prepare projects for EU approval and apply for EU grants. The first phase of the fund was signed in December 2008 and its resources were doubled in July 2009 to €100 million.

Replication of the scheme in Romania, Russia and Serbia is currently under discussion.
A shared approach to managing road safety

Together with six other MDBs, in November 2009 the EBRD issued a joint statement outlining various measures to reduce the alarming number of road fatalities in developing countries.

The statement is a direct result of the follow-up work from an international conference on road infrastructure safety organised by the Bank in 2008, where the participating MDBs agreed to work together in order to develop a harmonised approach to address this important public health issue.

Globally, the annual number of road fatalities is comparable to the deaths caused by malaria and represents the second most common cause of death among 15 to 29 year-olds. In eastern Europe alone, more than 80,000 people die as a result of traffic accidents each year.

Apart from their devastating impact on society and public health systems, road accidents also have important economic effects. The World Health Organization estimates that they account for a loss of around 1.5 per cent of GDP in central and eastern Europe due to lost earnings and medical costs.

However, recent efforts to raise awareness of the issue have not gone unnoticed. Governments in the Bank’s region are starting to put the topic on the agenda and to increase their efforts to improve road safety. Russia hosted the UN Ministerial Conference on Road Safety in November 2009 and the Moldovan government recently supported the launch of a national ‘Make Roads Safe’ campaign.

In their joint statement, MDBs committed to share organisational practices and knowledge to strengthen the road safety management capacities of their clients, to support the implementation of safety approaches in the design, construction, operation and maintenance of road infrastructure projects, the improvement of safety performance measures and the mobilisation of resources for road safety.

While many of these provisions relate to country level or programmatic lending and are therefore more relevant to the World Bank’s activities, the EBRD will primarily focus on the implementation at the project level. More concretely, this will mean an increasing amount of road safety assessments on projects in the future.

Demonstrating the Bank’s increased engagement on road safety, the Board approved a €260,000 technical cooperation project in 2009 which will aim to improve road and pedestrian safety in urban transport projects.
We invest in the manufacturing sector of transition countries with the aim of supporting diversification away from heavy industry towards the production of goods. As the crisis put many companies under pressure, we stepped up our activities in 2009 and invested €642 million in the sector, almost twice as much as in 2008. Investments were made across the region but especially in Russia.

Many of our manufacturing projects have the potential for significant energy efficiency improvements, which we are able to support through the SEI (see page 25) by means of energy audits, expert advice and project structuring.

For example, our 2009 project signings in this sector include the cement manufacturer Garadagh, based close to Baku in Azerbaijan. The company plans to almost double its clinker and cement production. Our investment will help the client to achieve significant energy savings of at least 50 per cent through the use of dry technology. The replacement of Garadagh’s existing wet technology will also introduce significant environmental improvements. The project is designed to meet the standards of the EU directive on integrated pollution and prevention control and relevant World Bank guidelines.

Other projects respond more directly to the market demand for energy efficient technology. We raised a €150 million corporate loan to the Russian company PK Borets in November 2009 to finance production modernisation and working capital needs. Borets is the world’s largest manufacturer of electrical submersible pumps (ESP) and Russia’s leading oilfield equipment and services company. ESP systems provide an efficient, cost-effective and more environmentally friendly technology to boost well production when there is insufficient reservoir pressure to pump oil at an economically viable rate. Artificial lift, of which ESP is one of the technologies available, has played a crucial role in the redevelopment of existing Russian oilfields, primarily in Western Siberia. This has enabled Russian oil production to rise by 60 per cent since 1997 to reach 10 million barrels per day.

Borets is the first ESP manufacturer to have developed a commercially viable and operationally reliable permanent magnet motor. The project will expand the production of this new energy-efficient engine, which consumes one-third less power than the conventional analogues used in ESP systems.
The financial crisis had implications in 2009 for some manufacturing investments made in previous years. In particular, due to significant changes in the overall investment plans of some of the ArcelorMittal operations in which the EBRD has invested, we identified the need to review the status of the implementation of ESAPs at these plants. A number of NGOs also made presentations to the Bank about aspects of the environmental performance of the ArcelorMittal operations.

Bearing these concerns in mind, during February and March 2009, EBRD bankers, environmental and social experts and external consultants conducted an environmental, health, safety and social monitoring review of five ArcelorMittal operations in which we are involved. These reviews were in addition to our normal monitoring activity. Site visits were conducted in Bosnia and Herzegovina, FYR Macedonia, Kazakhstan, Romania and Ukraine. The main objective was to review the status of implementation of the ESAPs. Our staff also met NGO representatives in Bosnia and Herzegovina and Kazakhstan.

Based on the findings of the site visits, the ESAPs were revised and updated. We are continuing to work with ArcelorMittal to achieve the targets set in these revised plans and to improve the company’s dialogue with stakeholders, especially in Kazakhstan and Ukraine.
Natural resources

EBRD finance is helping to reduce gas-flaring in eastern Siberia.

<table>
<thead>
<tr>
<th>New projects signed</th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new projects</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Total EBRD financing (€ million)</td>
<td>663</td>
<td>231</td>
</tr>
<tr>
<td>Share of total EBRD business volume (per cent)</td>
<td>9.16</td>
<td>5.48</td>
</tr>
</tbody>
</table>

Natural resources – oil, gas, coal and the mining of precious and non-precious metals – is one of the most important business sectors for many transition countries. All our activities in natural resources provide support for the environment, health and safety and energy efficiency.

The region has abundant energy and mineral resources. If these are developed competitively and managed well, they can contribute to regional and international energy security and play a major part in national economic development. We finance projects designed to yield a lasting benefit for the local population and adhere to best international transparency and revenue management standards. We require project sponsors to publicly disclose their material project payments to the host government as a minimum revenue transparency condition. In countries where governments have signed up to the Extractive Industries Transparency Initiative (EITI), we play an active role in supporting its implementation, requiring project sponsors to follow its applicable methodology principles and criteria.

The natural resources sector continued to be a significant part of our business in 2009, which saw EBRD financing of over €660 million committed to projects in countries ranging from Albania to Turkey.

Oil and gas

Improved environmental performance is a prerequisite for the EBRD when financing the development of oil and gas fields.

For example, our €90 million loan to the Irkutsk Oil and Gas Company (in which we already have an equity investment) will help it to implement the development of the Yarakta oil and gas condensate field in the northern part of the Irkutsk region in eastern Siberia. One of the main components of the development plan is a gas cycling project, which will contribute to significantly reducing gas-flaring by re-injection of the associated and natural gas into the reservoir. The proportion of utilisation of associated gas will be as high as 96 per cent for the total volume produced during the entire service life of the field, compared with a pre-investment baseline of 4 per cent. This will achieve a significant reduction in greenhouse gas emissions by utilising nearly 1 million cubic metres of gas per year. As part of the social benefits of this project, the company is also providing gas for use by the local village of Verknemarkovo and is using associated gas to generate electricity which is also provided to this remote village.
The EBRD helps to revamp the largest oil deposit in Albania

Together with IFC, in Albania we are supporting the Canadian company Bankers Petroleum to carry out a US$ 130 million (€90 million) remediation and redevelopment project for the Patos-Marinza oilfield. This is one of the largest on-shore oilfields in Europe and an important source of public revenue and energy security for Albania. The field has been operated by Albpetrol (the Albanian national oil company) and its predecessor entities since the 1930s, but has experienced decades of under-investment and poor maintenance standards. The area is heavily polluted and the field is classified as one of Albania’s environmental “hotspots” by the United Nations Development Program (UNDP).

There are approximately 2,600 existing wells and under the approved development plan, Bankers Petroleum is taking over and re-activating existing wells in the field on a step by step basis, as well as installing centralised storage and treatment facilities. Meanwhile, Albpetrol continues to work in the field. As Bankers Petroleum progressively takes over the field, Albpetrol operations are gradually being phased out. Ultimately, Bankers Petroleum will be the sole operator at Patos-Marinza.

Under the Petroleum Agreement with the Albanian government, Bankers Petroleum is not liable for the legacy pollution at Patos-Marinza and is only responsible for its direct field operation, where it is cleaning up contamination and replacing old equipment with modern facilities in accordance with international standards. However, Bankers Petroleum has indicated its interest in working with the EBRD to support plans that may be developed by all stakeholders to undertake government-led wider environmental remediation of areas affected by Albpetrol’s historical operations in the field. In the meantime, Bankers Petroleum is working closely with local communities on the rehabilitation of contaminated land and repair of roads, often going beyond the boundaries of its own leases to help the local farmers by cleaning their drainage channels and extending the reconstruction or repair of roads for their benefit.

The project will not result in any retrenchment (see Box 1 on page 21). However, job losses from the state company Albpetrol may be inevitable as the latter closes down its operations in the field. While retrenchment from Albpetrol is the responsibility of the government, Bankers Petroleum will give Albpetrol workers priority consideration in their hiring. With Bankers Petroleum’s cooperation, the EBRD is working with relevant Albanian authorities to implement a UK-funded technical cooperation assignment to help support the retrenchment issues associated with the project.
Similar gas-flaring reductions will also be achieved through our US$ 40 million (€28 million) equity investment in Vostok Energy to allow it to develop the western part of the Bortovoye field in the Saratov region of Russia. This project includes a gas treatment plant and construction of a trunk line to tie into the existing gas distribution network.

One of our largest investments in 2009 was a €300 million environmental loan to Romanian oil company Petrom, the largest company in the country. The project consists of establishing a framework that can be used to finance a series of sub-projects as part of an overall strategic environmental investment programme aiming at renovating or enhancing the environmental and health and safety performance of facilities in Petrom’s exploration and production and refining divisions. Specific environmental investments include large scale clean-up of legacy contamination, reduction of product losses through pipeline replacement, health and safety measures including traffic management, energy efficiency and other environmental remediation investments.

Mining
In February 2009 we signed a US$ 30 million (€21 million) equity investment agreement with Energy Resources, an independent Mongolian mining company. The project will support the early production of high quality coking coal from the medium-sized open-pit Ukhaa Hudag (UHG) deposit in southern Mongolia. With the cooperation of the Bank, Energy Resources has demonstrated a strong commitment to develop the project in accordance with best international practices, including high corporate governance and transparency standards and adherence to the EITI. In accordance with the Bank’s Performance Requirements, the client completed an environmental and social impact assessment which included the development of comprehensive environmental and social management plans covering such areas as mine closure and reclamation, water management, community health and safety and monitoring.

Reflecting our commitment to leadership on sustainability in the mining sector and to inform our policy thinking, in November 2009 we hosted an international workshop on environmental and social responsibility in the industry (see Box 9 on page 64). This was followed in December 2009 by a conference on mining health and safety in Kazakhstan, a topic that is high on the Bank’s agenda. The conference – held in Astana and attended by the EBRD’s President – focused on the regulatory and legislative environment in the mining sector in Kazakhstan, with particular reference to underground mining. It brought together relevant Kazakh government officials, mining companies operating in the country and selected experts from western Europe and North America specialising in mining regulation and legislation.
Box 9: Improving environmental and social responsibility in mining

The EBRD hosted a workshop entitled “Environmental and Social Responsibility in Mining” on 24 November 2009 at the Bank’s Headquarters in London.

The workshop brought together nearly 80 external participants from the international mining industry and industry associations, experts from consultancies, law firms, international organisations, academia, think-tanks and the NGO community, as well as EBRD staff.

As part of our overall commitment to responsible mining, the primary purpose of the workshop was to encourage a fruitful discussion on the challenges surrounding the mining sector. The event focused on four broad themes: mining and sustainability, safety and health, meaningful stakeholder engagement, as well as artisanal and small-scale mining. Presentations included not only case studies from the Bank’s region, but also from Africa and Latin America, providing an excellent opportunity for the EBRD to learn from experiences across the world.

The discussions at the workshop informed our policy thinking in the context of a new EBRD Mining Strategy which will be prepared in 2010.

A detailed report on the workshop discussion is available on the EBRD’s web site.

www.ebrd.com/ngo

www.ebrd.com/naturalresources
Power and energy

We are at the forefront in helping countries from central Europe to central Asia to secure sustainable energy supplies, and finance the efficient use of energy that will cut demand and imports, reduce pollution and mitigate the effects of climate change.

Power and energy projects comprise a significant portion of our overall portfolio. Within the EBRD’s countries of operations, power and energy infrastructure is often obsolete or old and in need of refurbishment. This challenge has made the EBRD the most active bank in the power sector from central Europe to central Asia. Our main objectives in the power sector are to:

- improve the investment climate and allow the development of energy systems functioning on market principles
- improve efficiency in conversion, transportation, distribution and consumption of energy as well as the quality of energy services
- improve environmental performance, including supporting actions to address climate change.

We focus on renewable energy sources, state-of-the-art clean generating technology and efficient and reliable transmission and distribution infrastructure. The power and energy industry is one of the most important targets for our efforts under the Sustainable Energy Initiative and consistently represents the largest contributor to the initiative.

In the power and energy sector we signed 14 transactions in 2009, committing €836 million of EBRD funding in nine countries spread across all the regions in which we operate. Power sector investments are large and take many years; our focus has therefore been to ensure that the collapse in the availability of commercial finance does not stop the momentum of sector reform and infrastructure renewal.

Renewable energy

Our increasing emphasis on climate change mitigation, coupled with the shortage of commercial credit caused by the global economic crisis, has led to the EBRD becoming one of the largest investors in renewable energy in the region.

We signed five new renewable energy projects in 2009 for a total investment of approximately €134 million (see Table 11), nearly double our volume for 2008.

![Chart 3: Change in renewable energy investment since 2007](chart3.png)
In addition to investment operations, we continued to undertake important technical cooperation and policy dialogue initiatives related to renewable energy. Special studies in 2009 included:

- strategic environmental assessments of small-sized hydropower development in Bosnia and Herzegovina and Georgia
- the preparation of a pipeline of renewable energy projects in Ukraine
- strategic environmental review of wind-power development in Bulgaria
- strategic planning of small- and medium-sized hydropower development in the Kyrgyz Republic
- preparation of small-scale hydropower projects for private sector participation in Tajikistan
- renewable energy regulatory development in Mongolia
- an environmental and social assessment of the proposed Nikopol biomass project in Bulgaria.

**Cleaner thermal energy**

Many of our countries of operations are burdened with a legacy of an ageing infrastructure built with little consideration for environmental issues. A key part of our role is supporting the replacement of these facilities with modern, efficient and clean technologies, which can bring dramatic environmental improvements and reduce carbon emissions per MWh. In 2009 we signed six new thermal energy projects. Our investment – more than €550 million in total – will support the development or rehabilitation of about 2,400 MW of generation capacity resulting in significant energy efficiency, pollution abatement and climate change benefits.

For example, in Romania, we are supporting Petrom with a €200 million loan to fund the construction of a new 860 MW combined cycle gas turbine (CCGT) power plant adjacent to one of the company’s refineries in Brazi. The plant is designed according to the highest technical standards and will meet the latest EU environmental requirements, including standards for the use of Best Available Techniques (BAT). This is the first CCGT plant of this kind to be installed in Romania and will be the most efficient thermal power plant of this size in the country when commissioned. Up to 20 per cent of the power produced will go to Petrom for its own use, with the remainder of the power going to the national grid.

---

**Table 11: Renewable energy projects signed in 2009**

<table>
<thead>
<tr>
<th>Project name</th>
<th>Country</th>
<th>EBRD financing (€ million)</th>
<th>Technology</th>
<th>Generating capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tychowo Wind Farm</td>
<td>Poland</td>
<td>30.4</td>
<td>Wind</td>
<td>50 MW</td>
</tr>
<tr>
<td>Rotor Wind Farm</td>
<td>Turkey</td>
<td>45.0</td>
<td>Wind</td>
<td>135 MW</td>
</tr>
<tr>
<td>FreEnergy Renewable Energy Investment Company</td>
<td>Estonia</td>
<td>28.9</td>
<td>Wind</td>
<td>42 MW</td>
</tr>
<tr>
<td>Saturn Biomass</td>
<td>Poland</td>
<td>30.0</td>
<td>Biomass</td>
<td>80 MWh</td>
</tr>
<tr>
<td>Saikhun Windfarm Development</td>
<td>Mongolia</td>
<td>0.5</td>
<td>Wind</td>
<td>50 MW</td>
</tr>
</tbody>
</table>

**In Romania, the EBRD helped to finance Petrom’s new CCGT plant which will meet the highest technical and EU environmental standards.**
Boosting green energy in Turkey

Turkey became one of the EBRD’s countries of operations in October 2008 and is the second largest economy in the Bank’s area of operations. In our first project in Turkey, we are supporting the development of the country’s largest wind farm, which will be built by Rotor Elektrik, a member of Zorlu Energy Group.

Zorlu Energy’s proposal was already at an advanced stage of preparation when the company first began to discuss it with the EBRD. Most environmental and technical work had already been completed. In common with many other businesses, however, financing for the project suddenly became uncertain with the onset of the financial crisis. IFIs stepped in with the EBRD providing €45 million, the IFC €55 million and the EIB €30 million to help finance the project.

Turkey relies heavily on gas imports from Russia and the project also helps to strengthen the country’s energy security. Wind power comprises less than 0.5 per cent of total electricity consumed in Turkey and Zorlu Energy is the largest renewable energy enterprise undertaken so far on a project finance basis. Successful completion is therefore likely to have a considerable demonstration effect for similar energy projects, especially as Turkey has committed to increase the share of renewable energy in its energy portfolio. Wind power is expected to play a significant role in this plan and the country aims to generate 10,000 MW through wind farms by 2020.
Similarly, in Russia we are providing a US$ 300 million (€208 million) loan to Lukoil to enable its subsidiary TGK-8 to invest in a highly efficient, state-of-the-art 410 MW CCGT unit at the Krasnodar Combined Heat and Power (CHP) plant in southern Russia. This modernisation programme will improve efficiency as well as environmental management at the existing plant.

Also in Russia, TGK-13, the regional generating company servicing the Krasnoyarsk region and the Republic of Khakassia in Russia, has signed a US$ 75 million (€52 million) loan agreement with us to finance the urgent completion of a new 185 MW coal-fired CHP plant serving approximately three million households and several thousand commercial and industrial customers. The new unit will be fully compliant with EU standards for emissions for existing power plants as defined by the Large Combustion Plant Directive and will ultimately replace older, less efficient and more polluting units in Krasnoyarsk. It will be equipped with a state-of-the-art electrostatic precipitator that will enable it to achieve three times lower levels for particulate emissions than those required by Russian legislation. The plant will also attain EU and Russian standards for NOx and SOx, mainly through the use of low NOx burners and the combustion of low sulphur coal. The plant will set a benchmark for the introduction of modern abatement technology at a CHP plant.

**Transmission and distribution – supporting smart grids**

The role of the transmission and distribution of electricity in improving energy efficiency is increasingly recognised. This is centred on the development of “smart grids” that allow for more sophisticated energy management and provide accurate, real-time measurement of consumption. These grids allow consumers to tailor their consumption, reducing demand or reallocating it to different times of day. They allow grid operators to reduce their losses, whether through theft or inefficiencies and in the future to accommodate increasing amounts of renewable power such as wind. The EBRD has historically supported investments in these grids, and we provided €42 million in 2009 to support the refurbishment of the distribution network in Armenia. Looking ahead we expect growing levels of activity in this sector.
Property and tourism

We play an important role in attracting both foreign and domestic investment to the property markets of central and eastern Europe and the Commonwealth of Independent States (CIS). We finance projects in all major property sub-sectors, including offices, shopping centres, warehousing, residential developments and hotels. Many more projects have been supported by our backing for investment funds and property development companies.

The property and tourism sector was severely hit by the crisis in 2009 as commercial banks were reluctant to finance real estate developments and equity funds struggled to attract institutional investors. We invested €207 million during the year in seven countries.

Our financing for property and tourism involves a number of important sustainability benefits and issues. Tourism can frequently be crucial for local economic development and job creation in many of our countries of operations; conserving and enhancing environmental quality, landscapes and cultural heritage is often vital to long-term competitiveness in the tourism industry.

Energy efficiency is becoming particularly important in the built environment and is now almost a routine feature of our property and tourism projects, where the SEI can provide significant value.

For example, we gave a US$ 40 million (£28 million) loan to Raven Russia Logistics in Russia for the construction of an energy efficient logistics park in Novosibirsk. The project addresses the severe shortage of warehouse space in Novosibirsk, which is dominated by outdated Soviet-style warehouse facilities. It is part of a much larger programme to create an integrated regional warehouse network across 21 regional cities in Russia and the CIS, linked in with Euro-Asian and pan-European transportation corridors. Energy efficiency measures are also an important feature of the Aura Shopping Centre being developed in the city by OOO SibStroyInvest, which we are supporting with US$ 40 million (£28 million) in debt financing. Both projects introduce improved environmental and energy efficiency standards to the Russian regional market and will have an important demonstration effect by acting as a showcase for modern design standards.
Telecommunications, informatics and media

New projects signed

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of new projects</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Total EBRD financing (€ million)</td>
<td>41.8</td>
<td>234.6</td>
</tr>
<tr>
<td>Share of total EBRD business volume (per cent)</td>
<td>0.58</td>
<td>5.58</td>
</tr>
</tbody>
</table>

The countries of central and eastern Europe and the CIS are currently undertaking major development programmes to respond to new market pressures. Over the past decade there has been significant progress in the sector, however an acute shortage of facilities in many of the EBRD’s countries of operations still remain – as evidenced by low network densities, long waiting times for lines and paucity of modern services.

Demand for access and for improved service quality continues to outstrip current supply. The need for value-added services, computer networks, and media and broadcasting services is growing rapidly. The magnitude of the investment necessary to satisfy this demand requires the effective mobilisation of substantial amounts of private capital. Our main aims in the sector are to:

- promote network expansion, thereby increasing access to telephone services, and improve the quality of service
- encourage the emergence of innovative and advanced communication services
- accelerate the privatisation process
- develop appropriate regulatory and legal frameworks
- extend the development of the sector beyond basic telephone services.

Our investments in the telecommunications, informatics and media sector generally do not involve any significant environmental or social issues. A corporate environmental and social audit and a human resource management audit are standard due diligence requirements for a telecommunications and information technology project to examine the environmental and social risk management capacities against relevant Performance Requirements (PRs – see page 16). If any significant shortcomings are identified during the due diligence an Environmental and Social Action Plan (ESAP) is developed and agreed by the client to ensure that the project complies with relevant PRs.
Transport

The EBRD fosters transition of the transport sector by financing economically viable infrastructure and transport projects. Our policy aims to build efficient, reliable and secure transport systems focusing principally on: aviation, ports, railways, road transport, shipping, and logistics.

Well-designed and well-operated transport systems are essential to the sustainable development of our countries of operations, to the region as a whole, and to global trade and travel. Bank-financed projects have supported the development of more sustainable and efficient transport systems as well as assisting social and economic cohesion through shifting transport to more efficient modes, facilitating sustainable mobility of people and goods, increasing energy efficiency of transport as well as reducing air pollution and road accidents. Financing such projects may also involve important environmental and social impacts that need to be assessed and mitigated in a responsible manner, ranging from route selection to construction methods. Energy efficiency, low-carbon solutions and road safety are also becoming important themes in environmental and social assessments.

2009 was a challenging year for the transport sector in our region of operations. The crisis led to a sharp decline in freight volumes and at the same time the dearth of commercial funding made it necessary for the Bank to step in and fill financing gaps. The Bank’s support was vital to keep priority investments on track.

For example, in July 2009 we signed a US$ 500 million (€347 million) loan to OAO Russian Railways (RZD), one of the largest transportation companies in the world, for balance sheet restructuring. Our environmental and social diligence in this case focused on assessing RZD’s corporate management systems as well as its past and current performance against our Performance Requirements.

Elsewhere in our region, we collaborated with the World Bank and EIB to finance the €786 million Serbian section of Corridor X, a major pan-European transport corridor extending from Salzburg in Austria to Thessaloniki in Greece. The 83-kilometre Serbian motorway is the final link in the Corridor X chain. The project has been subject to a comprehensive environmental and social impact assessment and a series of public consultations. Also in Serbia the Bank has made progress on the Belgrade Highway and Bypass project. The resettlement of people affected by the project was partly addressed in 2009 and will be continuing in 2010.
A number of our transport projects deliver significant energy efficiency benefits, which we are proactively pursuing through the SEI. For example, we signed a US$ 80 million (€56 million) long-term loan to Volga-Balt Transport Holding (VBTH) in 2009 to finance part of the acquisition costs of 10 new-build dry cargo sea vessels. The new vessels will be built to comply with all international environmental and health and safety requirements. They are expected to be around 20 per cent more energy efficient than the average performance of the vessels they will replace. We are also providing VBTH with technical cooperation funds to help them introduce a GHG accounting and reporting system. With respect to environmental and social issues, our due diligence confirmed VBTH’s overall compliance with national and EU environmental standards and relevant IMO, maritime pollution (MARPOL) and safety of life at sea (SOLAS) standards of maritime safety and environmental protection. As a result of our investment, VBTH has agreed to certify its environmental management system to ISO 14000 standards, to formalise its emergency response plans and to develop a ship scrapping plan that takes into consideration IMO guidelines for the Safe and Environmentally Sound Recycling of Ships.

**Energy efficiency in transport**

2009 was characterised by significant advancements in support of sustainable energy strategies with major transport users such as Russian Railways and Serbian Railways. Five projects substantially contributed to effectively promoting sustainable energy initiatives in the transport sector. Among these, noticeable achievements were made in a number of key areas, namely:

- introducing GHG accounting and energy efficiency/energy management as part of corporate responsibility, all the more notable as this was in an ETC (Armenia International Airport)
- supporting railway operators in identifying energy efficiency opportunities especially in non-traction operations (that is, railway stations, electric substations, service buildings) in particular with Serbian, Russian and Ukrainian railways
- improving the assessment of the impact of transport projects in terms of energy use and GHG emissions working with project developers via the introduction of international best practice.
Serbian railways

In May 2009 the Bank signed a €100 million facility with Serbian Railway, Zeleznice Srbije (ZS), the proceeds of which will enable it to enhance the efficiency of both passenger and freight services through replacing an ageing passenger fleet with new electric multiple units which will improve service efficiencies and quality, provide significant environment and energy efficiency benefits, and in turn, free up locomotives for the freight business.

In line with the emphasis on efficient use of rolling stock, the project also focuses on energy saving benefits. A sustainable energy assessment of ZS’s operations will explore additional opportunities for energy savings throughout its operations. The key elements of this assignment are to: review the energy/environmental management practices at ZS, providing a preliminary assessment of the energy efficiency and carbon emission reduction “hotspots”;

provide a benchmark analysis of the energy and environmental performance of ZS compared with leading international railway operators; and identify a “road map” leading the company with implement a comprehensive sustainable energy strategy.

It is expected that this in turn will lead to a follow-on assignment where a corporate sustainable energy strategy may be undertaken covering the whole of the railway sector in Serbia, including setting up a unit within the organisation aimed at assessing and tracking energy use, and establishing feasible energy targets.

Since the Bank’s first project with ZS, the company has developed a strong in-house capacity for environmental management and is currently introducing ISO 14001 certification throughout parts of the networks. Environmental due diligence, conducted as part of the Bank’s previous projects with the company, covered a wide range of potential issues including electric power consumption, noise and vibration, rail safety, impact on inhabitants, risk management and waste management and worker health and safety issues, and particular issues associated with driver health and safety. Appropriate mitigation measures have been adopted in an environmental action plan (EAP) prepared by CIP Institute of Transportation and ZS’s Environmental Protection Group. Implementation has been undertaken in line with EBRD’s Environmental Performance Requirements (see page 16) and Good Practices related to Railway Modernisation and incorporated in ZS’s overall restructuring plan. Both projects will result in improved passenger and freight transport safety on the rail network.
Dialogue and accountability

We strive to conduct our business in a transparent and accountable way. Management and the Board of Directors maintain a dialogue with civil society organisations and projects are evaluated after completion to ensure compliance with relevant policies.
The EBRD is owned by 61 countries and two intergovernmental institutions. The powers of the EBRD are vested in the Board of Governors to which each member appoints a governor. With the exception of certain reserved powers, the Board of Governors has delegated the exercise of its powers to the Board of Directors, which is responsible for the EBRD’s strategic direction. The President is elected by the Board of Governors and is the legal representative of the EBRD. Under the direction of the Board of Directors, the President manages the work of the Bank.

The Board of Directors is instrumental in ensuring that the Bank is accountable to its shareholders and external stakeholders in all respects, including environmental and social sustainability. Its roles and responsibilities include approval of all core policies and strategies, and approval of all Bank-financed projects. In addition, the Bank’s independent Evaluation Department (see page 76) reports directly to the Board.

Significant initiatives undertaken by the Bank are approved by the Board after consultation and a detailed review process with management and staff. In 2009, for example, the Board approved such important initiatives as Phase 2 of the Sustainable Energy Initiative, which was endorsed by the Board of Governors; involvement in the Climate Investment Funds; and the establishment of the Western Balkans Investment Framework. The Board, which strongly supported the creation of the EBRD’s Gender Action Plan, endorsed it in 2009 and formally approved it in January 2010 in order to demonstrate the Bank’s commitment to the principles and actions set out in the Plan.

Board directors frequently meet with a wide range of the Bank’s stakeholders, from politicians and government officials to business leaders and civil society. Directors frequently undertake Board Consultation Visits to our countries of operations, during which particular importance is placed on meeting with major national and international civil society organisations that are active in the country concerned. In 2009 Board Directors visited Albania, Belarus, FYR Macedonia, Kazakhstan, the Kyrgyz Republic, Russia, Turkey and Ukraine, and met with civil society organisations in each country (see Table 12).

Table 12: Board Consultation Visits in 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Topics discussed with civil society organisations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Environmental and social issues, organic agriculture and the Bank’s role in promoting renewable energy and efficiency investments (for example wind power) in order to improve energy security</td>
</tr>
<tr>
<td>Belarus</td>
<td>Forthcoming EBRD country strategy for Belarus; political issues, human rights and economic developments</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>Inter-ethnic relations and EU accession, the role of the local financial community in implementing energy efficiency initiatives, as well as SME and local community development</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Social impact of the current economic crises, including the gender aspect; transparency and corruption in the extractive industries</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>Forthcoming EBRD country strategy for the Kyrgyz Republic, as well as environmental and social issues, the economic and political situation, small business development and female entrepreneurship</td>
</tr>
<tr>
<td>Russia</td>
<td>Overall socio-political situation in Russia, including protection of migrant workers’ rights and the implementation of recent legislation to tackle corruption; the national Energy Strategy, energy efficiency issues and the environmental impact assessment requirements in Russia as well as the Bank’s involvement in large public-private partnerships</td>
</tr>
<tr>
<td>Turkey</td>
<td>Socio-economic and political development, human rights and transparency issues, as well as the expected role of the EBRD</td>
</tr>
<tr>
<td>Ukraine</td>
<td>Socio-political and economic situation and the role of the EBRD; gender and corporate social responsibility and the Bank’s projects</td>
</tr>
</tbody>
</table>
Accountability is central to good corporate governance. To ensure that the Bank invests responsibly, the EBRD continually reviews its operations to assess their effectiveness, to learn from past experience and to improve the development of future projects.

Bank-financed projects and policies are evaluated after investment to establish how well they met their objectives and the extent to which they comply with the Bank’s mandate. This work also draws lessons from past experience, which helps us to improve the design of new operations. The Evaluation Department (EvD) not only looks at investment projects, but also donor-funded activities. Each year Special Studies are also carried out on particular sectors and countries.

Our Evaluation Department is fully independent of EBRD management, has its own annual budget and the Chief Evaluator reports directly to the Bank’s Board of Directors. This line of reporting, which was established in 2005, has enhanced the Bank’s accountability and enables an impartial assessment of the Bank’s performance. Many evaluation reports are published on the Bank’s external web site.

Bank-financed projects are assessed against the EBRD’s mandate; sound banking principles; and effectiveness of project implementation. One of these factors is environmental performance (including health and safety, labour and other relevant issues) and the extent of environmental change achieved over the lifetime of the project.

Projects are usually assessed one to two years after final disbursement. Assessments are made against the project objectives, the requirements of the Bank’s Environmental and Social Policy and the relevant country and sector strategies.

Since 1996 EvD has assessed 687 operations. Of these, 55 per cent achieved a rating of “Good” or “Excellent” in terms of their impact on the transition process, and a further 17 per cent were assessed as “Satisfactory”. Also from 1996 to 2009, some 79 per cent of the EBRD’s evaluated projects had an “Excellent-Satisfactory” impact on the transition process while 21 per cent of evaluated projects were given a transition impact rating of “Marginal-Negative”. These results represent a slight decline from previous years.
Projects evaluated in 2009
Of the 60 projects evaluated in 2009, one was not rated for environmental performance. Of the remaining 59 projects, the environmental performance of the client and the EBRD was rated “Good” in 47.5 per cent of cases, “Satisfactory” in 44 per cent and “Marginal” in 8.5 per cent. This represents a slight decline from previous years. With regard to environmental change, the differences observed in 24 per cent of projects were rated “Substantial” or “Outstanding”, “Some” differences were found in 61 per cent, and a total of 17 per cent of projects recorded a “None-Negative” change in 2009, which is in line with previous years; however, there were no “Outstanding” cases. EvD partly attributes the slight decline in results to the global financial crisis; environmental investments are sometimes an early casualty of the crisis.

Special studies in 2009
EvD conducts a number of special studies every year. In 2009 it undertook reviews of the Bank’s Municipal and Environmental Infrastructure Policy (completed and rated as “Successful” overall); the Transport Policy (ongoing); and the Trade Facilitation Programme. EvD also completed a 2008 sector policy review focusing on Energy Efficiency and Climate Change, with an overall rating of “Successful”. These reports are or will be published on the Bank’s external web site.

These figures are subject to change and readers are encouraged to also look to EvD’s Annual Evaluation Overview Report, published each year on the Bank’s external web site for final figures.

www.ebrd.com/evaluation
Dialogue with civil society

Our mission to foster market economies in the context of multi-party democracy and pluralism is strengthened by the active participation of local civil society organisations (CSOs). Civil society stakeholders, including NGOs, community-based organisations, policy think-tanks, academic research institutes, business development organisations and other groups are encouraged to work with the EBRD and provide a valuable contribution to the effective development of our operations and policies and to the implementation of our projects.

The Public Information Policy (PIP) covers our commitment to transparency and accountability. In line with the PIP, registered CSOs are systematically informed about the release of Environmental and Social Impact Assessments for Category A projects and are invited to send comments to the Bank and our clients. The Bank’s environmental and social experts and bankers regularly meet with affected local communities and civil society groups in relation to ongoing EBRD-financed projects. We also consult with civil society in relation to our major policies and strategies for individual countries and sectors.

We also engage with civil society at a more strategic level. This work is coordinated and facilitated by a dedicated Civil Society Engagement Unit and involves a wide range of mechanisms for information exchange and dialogue (see Table 13 on page 80). In addition to a dedicated section of the Bank’s web site and regular NGO newsletters, CSOs have the opportunity to interact regularly with our staff and management through a variety of meetings and events both at the EBRD’s London Headquarters and Resident Offices across the region.

The President of the Bank and our senior management meet with representatives of international CSOs to exchange views on issues of common interest. The 2009 meeting – the first for the new President – took place in March and focused on transparency and accountability of the Bank and its clients, and our approach to public consultations and stakeholder engagement. Other topics of discussion included human rights issues in Central Asia and the implications of the global economic crisis on our activities.
The meeting marked a good start to the new President’s discussions with CSOs, which we continued during the Civil Society Programme at the Bank’s Annual Meeting in London in May 2009. CSOs appreciated our commitment to follow up on the major issues raised during the previous year’s Annual Meeting in Kiev, such as adopting the Gender Action Plan and engaging with stakeholders on health and safety issues in mining and heavy industries.

To mark the 10th anniversary of the Civil Society Programme, special discussion panels will be introduced at the Annual Meeting 2010 in Zagreb. For the first time, two special panels will be open to all participants of the Annual Meeting, including members of official delegations, policy-makers, business guests and journalists. The discussions will focus on the role of civil society in the EU accession process in the Western Balkans, and gender issues. Speakers from policy think-tanks, NGOs, academic institutions, governments and the European Commission will share their perspectives on the opportunities and challenges of the EU approximation process, the role of civil society in shaping government policies and gender issues in the transition region.
Table 13: How we engage with civil society

WEB SITE
To make access to the most relevant information easier and enable meaningful dialogue with civil society stakeholders, the EBRD’s web site includes a dedicated section for CSOs. The site provides notifications about the latest opportunities for consultations with civil society, including invitations to comment on major policies and country and sector strategies. As part of the overall re-design of the EBRD’s web site in 2010, the civil society pages will be revamped to provide civil society stakeholders with more useful and more frequently updated information on Bank activities, policies, strategies and events.

NGO NEWSLETTER
We publish a quarterly newsletter (available in English and Russian) covering the latest developments in the Bank of interest to civil society. Topics covered in 2009 issues of the newsletter included our steps to tackle the impact of the global economic crisis; the development of the Gender Action Plan; our role in promoting renewable and energy efficiency investments; and environmental and social responsibility in mining.

REQUESTS FOR INFORMATION
Additional information about our activities is available to civil society and the general public on request. During 2009 we coordinated with various Bank teams to prepare comprehensive responses to 635 public queries, of which 109 were received from CSOs.

ANNUAL MEETINGS WITH RESIDENT OFFICES
We operate a regular series of meetings between the EBRD’s Resident Offices (ROs) and local NGOs, the research community and other CSOs. In 2009, this ongoing policy dialogue included meetings in Almaty, Sarajevo, Tbilisi and Yerevan. During these meetings, the heads of ROs introduced our activities and projects and discussed the main challenges for the Bank on the local level from the perspective of civil society.

PRESIDENT’S MEETING WITH INTERNATIONAL CSOs
The President of the EBRD and our senior management occasionally hold roundtable meetings with representatives of international CSOs. The first such meeting for the Bank’s new President was held in March 2009 at the EBRD’s Headquarters in London. The meeting provided a unique high-level opportunity to exchange views on transparency and accountability of the EBRD and its clients and on our approach to public consultations and stakeholder engagement.

CIVIL SOCIETY AT THE EBRD’S ANNUAL MEETING
Each spring, we host a Civil Society Programme during the EBRD’s Annual Meeting. Around 40 representatives of civil society organisations from 19 countries took part in the 2009 event. This focused on key policy-related issues such as transition priorities, transparency and accountability, and environmental and social issues in the Bank’s projects in the context of the global economic crisis. Other consultation sessions addressed topics such as sustainable energy, project evaluation, municipal and environmental infrastructure and transport investments. The programme also provided an important opportunity to follow up major issues raised by CSOs during the 2008 Annual Meeting and for CSO representatives to meet with Board Directors, the President, senior management and staff.

BOARD CONSULTATION VISITS
The Bank’s Board Directors frequently undertake Board Consultation Visits to our countries of operations, during which particular importance is placed on meeting with major national and international CSOs active in the country concerned. In 2009, Board Directors visited Albania, Belarus, FYR Macedonia, Kazakhstan, the Kyrgyz Republic, Russia, Turkey and Ukraine. Meetings were held with CSOs in each country (see Table 14 for more details). Board Consultation Visits planned for 2010 include Azerbaijan, Bosnia and Herzegovina, Bulgaria, Moldova, Romania, Russia and Ukraine.

BOARD MEETINGS WITH CSOs
The Board of Directors maintains dialogue throughout the year with CSOs, both at and after the Annual Meeting and during Board Consultation Visits. In March 2010 the Board will meet with CSOs at the EBRD’s Headquarters to discuss the Bank’s fourth Capital Resources Review.

CONSULTATION ON STRATEGIES AND POLICIES
CSOs play an important role in the formulation of the EBRD’s country strategies and policy reviews. In 2009 we held country strategy consultation workshops in Belarus, Russia, Mongolia, Kazakhstan and Georgia. Typical participants included representatives of local environmental and women’s NGOs, microfinance and business development organisations, think-tanks and academics. CSO representatives provided numerous written comments on the draft Project Complaint Mechanism Rules of Procedures in 2009, following consultation meetings around the region in 2008 and in London in January 2009. Relevant civil society groups also provided pertinent comments on a draft property sector strategy.

OTHER EVENTS
Relevant civil society representatives are occasionally invited to present and attend various events in the Bank, including seminars and workshops. In 2009 these included a consultation workshop in Kiev in March on Phase 2 of our Sustainable Energy Initiative; the London launch in November of the Transition Report 2009; and an international workshop on Environmental and Social Responsibility in Mining, held at the Bank’s Headquarters in November. Likewise, EBRD staff members participate wherever possible in conferences organised by CSOs. During 2009, we hosted a Transparency International award ceremony and a Global Accountability Workshop organised by the One World Trust.
### Table 14: Key CSO consultation and dialogue events in 2009

<table>
<thead>
<tr>
<th>Month</th>
<th>Location</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>London</td>
<td>Consultation meeting on the Independent Recourse Mechanism review</td>
</tr>
<tr>
<td>March</td>
<td>London</td>
<td>President and senior management meet with international CSOs</td>
</tr>
<tr>
<td></td>
<td>Kiev</td>
<td>Multi-stakeholder consultation workshop on Sustainable Energy Initiative Phase 2</td>
</tr>
<tr>
<td>April</td>
<td>Minsk, London</td>
<td>Country strategy preliminary consultations (Belarus)</td>
</tr>
<tr>
<td></td>
<td>Moscow</td>
<td>Country strategy consultation (Russia)</td>
</tr>
<tr>
<td></td>
<td>Tbilisi</td>
<td>Gender Action Plan consultations</td>
</tr>
<tr>
<td>May</td>
<td>London</td>
<td>Civil Society Programme at the EBRD Annual Meeting</td>
</tr>
<tr>
<td>June</td>
<td>Minsk</td>
<td>Board Consultation Visit to Belarus</td>
</tr>
<tr>
<td></td>
<td>Kiev, Lviv</td>
<td>Board Consultation Visit to Ukraine</td>
</tr>
<tr>
<td>July</td>
<td>St Petersburg</td>
<td>Country strategy consultation (Russia)</td>
</tr>
<tr>
<td></td>
<td>Almaty</td>
<td>Introductory meetings for the new head of the Regional Office</td>
</tr>
<tr>
<td>September</td>
<td>Almaty</td>
<td>Board Consultation Visit to Kazakhstan</td>
</tr>
<tr>
<td></td>
<td>Bishkek</td>
<td>Board Consultation Visit to Kyrgyz Republic</td>
</tr>
<tr>
<td></td>
<td>Ulaanbaatar</td>
<td>Country strategy consultation (Mongolia)</td>
</tr>
<tr>
<td>October</td>
<td>Moscow</td>
<td>Board Consultation Visit to Russia</td>
</tr>
<tr>
<td></td>
<td>London</td>
<td>Climate Investment Fund consultations</td>
</tr>
<tr>
<td></td>
<td>Ankara, Istanbul</td>
<td>Introductory meetings with Turkish CSOs</td>
</tr>
<tr>
<td></td>
<td>Almaty</td>
<td>Global Accountability Report workshop co-hosted with One World Trust</td>
</tr>
<tr>
<td>November</td>
<td>Minsk, Vitebsk</td>
<td>Country strategy consultation (Belarus)</td>
</tr>
<tr>
<td></td>
<td>Istanbul</td>
<td>Board Consultation Visit to Turkey</td>
</tr>
<tr>
<td></td>
<td>Skopje</td>
<td>Board Consultation Visit to FYR Macedonia</td>
</tr>
<tr>
<td></td>
<td>Tirana</td>
<td>Board Consultation Visit to Albania</td>
</tr>
<tr>
<td></td>
<td>London</td>
<td>Multi-stakeholder workshop on Environmental and Social Responsibility in Mining</td>
</tr>
<tr>
<td></td>
<td>London</td>
<td>CSOs invited to Transition Report 2009 launch presentation</td>
</tr>
<tr>
<td>December</td>
<td>Yerevan</td>
<td>Annual RO meeting with CSOs</td>
</tr>
<tr>
<td></td>
<td>Almaty</td>
<td>Country strategy consultation (Kazakhstan)</td>
</tr>
</tbody>
</table>
Environmental and Social Advisory Council

The Environmental and Social Advisory Council (ESAC) created shortly after the Bank was founded in 1991, is an independent body of experts who advise the EBRD and its President on environmental and social issues such as policy, international standards, technical development, emerging trends and future opportunities.

ESAC members are appointed and are selected based on professional expertise as well as their potential to contribute to the development of the EBRD’s policies and programmes. They represent a wide spectrum of interests including non-governmental organisations, the private sector, academic and research institutions.

ESAC members and EBRD staff maintain regular contacts between the meetings, which are normally held twice a year. Summaries of the meetings are published on our web site.

The Council met in April and December 2009 and discussed issues ranging from the Bank’s response to the environmental and social challenges of the financial crisis, to our work on climate change mitigation and adaptation.

Box 10: ESAC members in 2009

<table>
<thead>
<tr>
<th>Name</th>
<th>Institution/University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urkhan K. Alakbarov</td>
<td>Academy of Sciences, Azerbaijan</td>
</tr>
<tr>
<td>Andrzej Kassenberg</td>
<td>Institute for Sustainable Development, Poland</td>
</tr>
<tr>
<td>Jacqueline McGlade</td>
<td>European Environment Agency, Denmark</td>
</tr>
<tr>
<td>Andjelka Mihajlov</td>
<td>University of Novi Sad, Serbia</td>
</tr>
<tr>
<td>Nicholas A. Robinson</td>
<td>Pace University, United States</td>
</tr>
<tr>
<td>Roustam Sagitov</td>
<td>Baltic Fund for Nature, Russia</td>
</tr>
<tr>
<td>Marko Slokar</td>
<td>Management Board of the Environmental Fund, Slovenia</td>
</tr>
<tr>
<td>Jan-Olaf Willums</td>
<td>InSpire, Norway</td>
</tr>
<tr>
<td>Marta Szigi-Bonifert</td>
<td>Regional Environmental Centre, Hungary</td>
</tr>
<tr>
<td>Lea Kauppi</td>
<td>Affiliation, Finland</td>
</tr>
<tr>
<td>David Wheeler</td>
<td>Dalhousie University, Canada</td>
</tr>
</tbody>
</table>
Independent Recourse Mechanism

During 2009 the EBRD completed its review of the Independent Recourse Mechanism (IRM), which, over the past five years, has been used for the facilitation of problem solving and independent review of complaints concerning Bank-financed projects that have allegedly caused (or are likely to cause) harm. The mechanism provides complainants with two possible recourses: a problem-solving function to resolve problems underlying the complaint, and a compliance review function to confirm whether or not the Bank has complied with its relevant policies in financing the project.

The main purpose of the IRM review – which began in March 2008 – was to evaluate whether, in light of experience, the Mechanism was fulfilling its objectives and to identify whether and how its functions could be enhanced and/or made more effective. The review followed the revision of our Environmental and Social Policy (see page 15), as well as a review of the Public Information Policy (see page 78), which are, in part, the relevant Bank policies for the Bank’s accountability mechanism.

**Box 11: Key changes introduced by the new PCM**

- Appointment of a dedicated PCM Officer responsible for the day-to-day administration of the mechanism.
- Greater accessibility to the Mechanism and easier registration of complaints.
- An expanded universe of eligible complainants. One or more individuals located in the impacted area (or having an economic interest in the area) may submit a complaint requesting either a problem-solving initiative or compliant review. CSOs may now bring a request for a compliance review.
- Compliance reviews are now possible with regard to a failure of the Bank to monitor client commitments pursuant to relevant Bank policies.
- Greater transparency in the process, including more consultation with complainants and an opportunity for Bank management to formally respond to allegations.
The review process included a 60-day public consultation, the results of which were submitted to the Board of Directors. We also held a meeting with CSOs in January 2009 at EBRD Headquarters to listen to their views.

The result of the review identified the importance of the IRM and highlighted several opportunities to improve on the Mechanism's capacity for the reporting and independent handling of complaints. We were also alerted to the fact that the procedures are considered by many not to be user-friendly or well-known (either within or outside the Bank).

Drawing on the results of the review, we overhauled the IRM in 2009. This includes a change of name to Project Complaint Mechanism (PCM) in order to better communicate the nature and purpose of the Mechanism both in English and in the various languages spoken in the Bank’s countries of operations (see Box 11 on page 84 for more information).

The new Project Complaint Mechanism was approved by the EBRD’s Board in May 2009 and will become active on the appointment of a PCM Officer and at least three Experts; this is expected to occur in the first half of 2010. Until that time, the IRM will remain in force and will apply to any complaint raised concerning the potentially adverse effects of a project.

Since July 2004, we have received a total of 13 complaints under the IRM, of which five were found to be eligible. Of these, four were problem-solving complaints (from which one problem-solving initiative ensued) and one was a compliance review complaint.

Three new complaints were received in 2009. None were registerable under the IRM Rules of Procedure, as they either did not relate to a Bank-financed project or were not filed by an eligible complainant. In all three cases, however, we made efforts to refer the complainants to a more appropriate forum or party.

The IRM/PCM comes under the responsibility of the Office of the Chief Compliance Officer (OCCO), which reports to the President of the Bank.

www.ebrd.com/irm
INTEGRITY AND ANTI-CORRUPTION MEASURES
We are committed to ensuring that matters of integrity and professional standards are upheld by all those in (and connected to) the Bank.

Among other initiatives in 2009, we introduced a new training programme on Chinese Walls guidelines (an information barrier to ensure the proper handling and use of confidential information and the proper management of potential conflicts of interest).

The integrity due diligence programme trains all project-facing staff in anti-money-laundering (AML) and combating the financing of terrorism (CFT) procedures, as well as on the Bank’s procedures and guidelines on integrity due diligence, including the treatment of Politically Exposed Persons (PEPs).

The Bank’s new Enforcement Policies and Procedures (EPP) went live in 2009 following the establishment of the Enforcement Committee tasked with determining whether the alleged prohibited practice occurred. Since then, we have dealt with seven complaints received in relation to procurement exercises and seven complaints in relation to the Bank’s private sector operations. Of the total of 14 complaints, all but two were dismissed following preliminary assessment. The remaining two (one involving an allegation of a fraudulent practice and the other, a collusive practice) are currently undergoing further investigation. Depending on the outcome of that investigation, a recommendation may be made to the Enforcement Committee as to whether formal Enforcement Proceedings should ensue. The outcome of these matters will be reported in next year’s Sustainability Report. All debarment decisions are subject to publication on our web site.

www.ebrd.com/about/integrity/epp.pdf
Internal performance

In a challenging year, we turned to our staff both in London and across our network of offices to support business through the complexity and uncertainty of the economic crisis. Our focus was on enhancing technical banking skills and staff performance.
Organisation and staffing

Staffing
EBRD staff as of 31 December 2009 totalled 1,492, with employees coming from 58 of the Bank’s 61 member countries. Of these staff members, 1,140 (or 76 per cent) were based in our London Headquarters. There were 352 employees (compared to 308 in the previous year) working across 35 regional offices in 27 countries of operations. The ratio of male to female professional staff in the EBRD is improving: in 2008 there were 1.51 male employees for every one female employee; in 2009 the ratio was approximately 1.42:1.

Recruitment
As a result of the financial crisis, fewer staff were hired in 2009 than in the previous year: 154 new staff joined the Bank in 2009 (of which 74 per cent were at professional level), down from 175 in the previous year. In particular, recruitment for non-banking and support functions declined as the number of vacancies in these areas remained static. This was mainly because of a decrease in staff turnover to 6.2 per cent from 9.6 per cent in 2008. However, as a result of the response to the crisis, there was actually an increase in banking hires. In 2009 there were 96 hires compared with 79 in 2008. Most notably, there was a 13 per cent increase in the Bank’s Resident Offices. In total, 98 of the 154 new hires were recruited in London and 56 in the Bank’s countries of operations. New recruits came mainly from the private sector (about 73 per cent) but also from other industries, including other international financial institutions.

Compensation and benefits
Salary increases and other performance-related compensation were awarded to staff based on their performance and contribution.

In light of the financial crisis, in 2009 the Bank reviewed the appropriateness of some elements of the compensation and benefits scheme. In particular, the retirement plans were reassessed and slightly adjusted. Changes were also made to benefits for international assignees and local staff in Resident Offices to ensure that they remained appropriate and competitive.

Geographic mobility
Some 65 employees relocated from our London Headquarters to our Resident Offices in 2009; 11 Resident Office employees moved to Headquarters; and eight moved to other Resident Offices.

Annual Report 2009
We continued to invest in staff learning to support business performance and individual growth, targeting primarily three areas: (i) technical skills for bankers, (ii) personal effectiveness skills and (iii) management skills for those in decision-making roles. The latter two areas aim to equip staff members with the skills necessary for situations such as recruiting, coaching staff, managing difficult conversations and negotiating successfully.

In these three areas, more than 120 sessions were delivered, corresponding to almost 2,432 person-training days. Training on language skills, IT skills and health and safety was also provided.

Banking technical skills saw the most activity in 2009, which included a new learning framework comprising a series of 17 general and specialised courses. In addition, a new Banking Academy was launched. This is a structured course for new bankers to learn EBRD-specific banking skills in their first 12 months. Formal testing was also introduced to most training courses to ensure that the minimum standards required by the Bank are achieved.

Individuals and groups now have access to a wide range of learning methods: in-house and external training, e-learning, coaching as well as assistance for individual academic and professional studies (CFA, ACCA, MA and others).

**WORKING ENVIRONMENT**

In line with our commitment to gender equality in the projects we finance, we launched a gender equality initiative for our own staff in 2009.

In addition, the Bank confirmed its commitment to offer a work environment free of harassment, sexual harassment or abuse of authority. We put in place a new policy in 2009 to clarify a number of important issues on conduct and behaviour in the workplace and set out guidelines to resolve conflicts and problems.

**STAFF SURVEY**

In June, the Bank carried out its fourth staff survey. Participation and results were generally better than those registered in the previous survey in 2006. The survey showed that employees feel proud to work at the EBRD and are very positive about the Bank’s mission, responsiveness to the business environment and future direction. A structured follow-up was launched in October to pursue further improvements in the areas of leadership, decision-making, accountability, performance management and career development.
Much of the year was dominated by discussion of the possible implications of swine influenza, but other key programmes were pursued in building on existing Bank systems and procedures for ensuring, as far as possible, the health, safety and security of all personnel.

A new Motor Vehicle Policy for Resident Offices was launched during the year, with a strong focus on the selection of vehicles that meet high safety standards, as well as clarifying the operation and use of such vehicles.

Focus continued on running training courses for staff operating in the field. Two Field Safety First Aid courses were run to train staff working in our countries of operations, with a particular emphasis on personal safety and security, and first aid response. A number of Defensive Driver training courses were run, offering Bank drivers the opportunity to improve their standard driving skills.

A renewed focus was placed on reviewing standards of security for staff on assignment in the Bank’s countries of operations. The security standard was reviewed for all locations and steps taken to ensure that all staff reside in accommodation which meets that standard.

A new approach was introduced in the selection of charter air carriers used for essential business travel, where scheduled flights are unavailable. This is particularly a requirement where regional surveys can be undertaken only by helicopter and small fixed-wing aircraft. An audit programme began during the year to identify and audit suitable air carriers, with a view to producing an approved list of air carriers for staff use. This work will continue in 2010.

**Box 12: Improving emergency preparedness and response in 2009**

- The Bank’s Headquarters security control room was upgraded during the year, in order to provide round-the-clock Bank-wide security control.
- Equipment has been upgraded in order to begin a programme to allow the remote monitoring of the EBRD’s Resident Office network.
- A new enhanced global security incident review system has been developed to track and report on security incidents happening globally that might impact on our operations.
- We developed a new travel reporting system to provide proactive travel information to staff, and to allow better tracking of staff travel plans, so that targeted travel advice can be provided to staff before their journey.
- A new location mapping exercise has provided better local mapping of the Bank’s network of ROs so that a more coordinated response can be made at times of crisis.
- Our Staff Enquiry Line enables relatives of staff caught up in a security incident in London to make enquiries about their relatives. This service is an important part of the EBRD’s crisis management system. We changed the service provider during the year in order to have a more responsive and flexible service.
As part of its ongoing commitment to promoting ethical standards of staff and experts performing missions, in 2009 the EBRD rolled out its new policy on workplace harassment, sexual harassment and abuse of authority.

The Office of the Chief Compliance Officer (OCCO), which advises on the application of the Bank’s Code of Conduct for EBRD Personnel and Experts, dealt with 10 reports of suspected misconduct under its Procedures for Reporting and Investigating Suspected Misconduct (PRISM) in 2009. Of these, eight were dismissed following preliminary assessment, one was dismissed following further investigation and one was ultimately referred for further consideration under the Bank’s Disciplinary Procedures. All employees sign the Code of Conduct annually.

During 2009, we provided integrity training to 387 staff members under our “Integrity Matters!” programme, which explores the duty of staff to act with and encourage integrity within the Bank and its clients according to its Code of Conduct. We also provided training on the role of Nominee Directors to 40 EBRD employees who, during the course of the year, were appointed to sit on the boards of Bank’s investee companies.

We initiated a review of our Procedures for Reporting and Investigating Suspected Misconduct (PRISM) and Disciplinary Procedures in 2009; this will begin in earnest in 2010. The Bank’s Whistleblowing Policy will be updated in line with any update to its PRISM and Disciplinary Procedures.

www.ebrd.com/about/strategy/general/code2.pdf
Corporate procurement

We purchase a wide range of good and services for internal use, from IT equipment and office consumables to outsourced catering, cleaning and printing services. In line with our Environmental and Social Policy, we take sustainability issues into account in this procurement and seek to work with suppliers and contractors who follow high environmental and social standards.

To strengthen our implementation of these values, in 2009 we revised our Corporate Procurement Policy and Procedures to include the following corporate principles for environmentally and socially sustainable procurement that:
- lessen the burden on the environment in their production, use and final disposal
- support the 4 “R” strategies, that is, re-think the requirements to reduce environmental impact; reduce material consumption; recycle materials/waste; and reduce energy consumption
- promote the sustainable use of resources
- are certified to internationally recognised principles of environmentally and/or socially sustainable management, where available
- promote the application of good labour standards and working conditions among vendors.

These principles are implemented in day-to-day corporate procurement activities by incorporating, as appropriate, environmental and social considerations, standards and requirements in our corporate procurement cycle from planning to evaluation of offers. We believe that systematic consideration of factors such as price, fitness for purpose, environmental and social sustainability, energy and resource efficiency, labour standards and working conditions, will help us ensure that we obtain goods, works and services that are of the best value for the Bank. Some examples of where the principles have been incorporated are given below.
- The Bank’s Headquarters’ energy is now sourced from “green energy” providers (hydro, wind and other renewable sources) where possible.
- Substantial energy efficiency gains are being made by the procurement and installation of variable speed drives and the replacement of the chilling units for the Headquarters’ air conditioning and heating system.
- The Bank is in the process of procuring replacements for its refrigeration equipment with a new environmentally friendly system that is free of CFCs and HCFCs and meets all environmental requirements with respect to low ozone depleting properties and low global warming properties.
- The contractor engaged to provide ergonomic chairs soon to be delivered for personnel in Headquarters is required to ensure all packaging is removed from site and recycled in accordance with current legislation (ISO 14001). In addition, the contractor is obligated to subcontract a firm that specialises in the re-use and recycling of the chairs being replaced.

Procurement related to Bank-financed projects is discussed on page 23.
Energy, environmental management and business travel

We work to minimise the environmental impact of our London Headquarters. In addition to the Bank’s Energy and Environmental Management Working Group, we also participate in the Broadgate Environmental Working Group.

Since 2006 we have derived all of our electricity needs from renewable suppliers. We signed a one-year contract for hydroelectricity in 2008. This was replaced in October 2009 with a two-year “green energy” contract from a reputable supplier. Measures completed in 2009 include the introduction of a new lift system to reduce energy consumption and wear and tear, and we are currently preparing to install more energy efficient “variable speed drives” in air conditioning units.

Business travel
Our largest use of energy and associated emissions of CO\textsubscript{2}, after lighting, heating and cooling our buildings, is through business travel, the vast majority of which is essential air travel. Using trains rather than aircraft is becoming an increasingly viable option in parts of Europe, reflected in a year-on-year rise of 14 per cent in total miles travelled by rail in 2009. Air travel fell by 11.5 per cent in the same period, which partly reflects the increased use of video conferencing: there are five dedicated facilities in Headquarters which can connect to more than 30 of our Resident Offices. Table 15 on page 93 shows the change in air and rail travel and CO\textsubscript{2} emissions since 2005.

Paper usage
We use white paper manufactured in the UK by an ISO 14001- and ISO 9001-certified company and produced under the Programme for the Endorsement of Forest Certification schemes (PEFC). The PEFC is an independent, non-profit, non-governmental organisation founded in 1999 that promotes sustainable forest management through independent third-party certification. Our use of paper has fallen by 20 per cent on 2006 levels due to a reduction in hard copy distribution and increasing use of electronic filing systems and scanning facilities.

Waste management
We are in the process of reviewing our waste management procedures in order to improve the collection, recycling and disposal of general and recycled waste. The review is considering the following:

- reduction of the amount of general waste going to landfill by 100 per cent by changing to “Waste to Energy” waste streams and enhanced recycling initiatives
- creation of recycling hubs throughout the bank to segregate recyclable from non-recyclable material
- a further reduction of weekly collections (reduced from eight to three during 2009) to two by March 2010
- identification of other opportunities for recycling within the Bank.

The benefits of the measures above would include: increasing the sustainability of our operations; managing the Banks environmental footprint more effectively and committing to reducing our CO\textsubscript{2} footprint; and demonstrating our commitment to the “Reduce, Reuse, Recycle” principle.
Other Impacts
Cleaning and catering at the Bank’s Headquarters are both outsourced to contractors that are committed to high environmental and health and safety standards. All refrigerants used at our Headquarters comply with EU regulations and we employ licensed contractors to retrieve and re-use refrigerant gas and dispose of redundant refrigerators.

Table 15: Key energy and environment performance indicators, 2005-09

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters energy and water consumption¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electricity (gigawatt hours)</td>
<td>17.4</td>
<td>19.7</td>
<td>17.8</td>
<td>17.7</td>
<td>19.5</td>
</tr>
<tr>
<td>Gas (gigawatt hours)</td>
<td>4.1</td>
<td>4.1</td>
<td>3.7</td>
<td>2.8</td>
<td>3.3</td>
</tr>
<tr>
<td>Water (thousand cubic metres)</td>
<td>57.9</td>
<td>78.6</td>
<td>62.7</td>
<td>66.4</td>
<td>84.5</td>
</tr>
<tr>
<td>CO₂ emissions (kilotonnes)²</td>
<td>2.5</td>
<td>2.6</td>
<td>2.7</td>
<td>2.6</td>
<td>2.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transportation</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Air travel (million kilometres)</td>
<td>22.3</td>
<td>25.2</td>
<td>25.3</td>
<td>25.8</td>
<td>23.7</td>
</tr>
<tr>
<td>Rail travel (thousand kilometres)</td>
<td>379</td>
<td>331</td>
<td>268</td>
<td>407</td>
<td>294</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Paper usage</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tonnes</td>
<td>66</td>
<td>74</td>
<td>78</td>
<td>83</td>
<td>78</td>
</tr>
<tr>
<td>Sheets (million)</td>
<td>13.5</td>
<td>14.8</td>
<td>16.2</td>
<td>17.0</td>
<td>16.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Materials recycled</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper (tonnes)</td>
<td>132</td>
<td>101</td>
<td>56</td>
<td>38</td>
<td>28</td>
</tr>
<tr>
<td>Card and cardboard (tonnes)³</td>
<td>21</td>
<td>14</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Printer and toner cartridges (units)</td>
<td>808</td>
<td>750</td>
<td>908</td>
<td>380</td>
<td>900</td>
</tr>
<tr>
<td>Glass (tonnes)</td>
<td>28</td>
<td>29</td>
<td>39</td>
<td>26</td>
<td>56</td>
</tr>
<tr>
<td>Batteries (kilogrammes)⁴</td>
<td>180</td>
<td>45</td>
<td>na</td>
<td>na</td>
<td>na</td>
</tr>
</tbody>
</table>

¹ Part of the EBRD’s London Headquarters is sub-let and the data shown here therefore include consumption by tenants.
² These figures were compiled using the 2008 DEFRA Electricity Grid Rolling Average conversion factor of 0.53702 kg CO₂ per kWh and natural gas gross conversion factor of 0.185 kg CO₂ per kWh.
³ The vast majority of passenger-kilometres undertaken by EBRD staff are incurred in international flights. CO₂ emission calculations for 2009 are based on an emission factor of 0.11 kilogrammes CO₂/passenger kilometre, which is the factor used in previous years for flights longer than 499 kilometres (see Table 9 in our Sustainability Report 2007). This factor is also consistent with the latest factors recommended for estimating CO₂ emissions from international flights recommended by Defra 2009 (Guidelines to Defra /DECC GHG Conversion Factors for Company Reporting Guidelines, v 2.0).
⁴ Cardboard recycling began in January 2008.
⁵ The EBRD’s battery recycling scheme, operational since September 2008, allows staff to contribute their own waste batteries.
EXCHANGE RATES
Non-euro currencies have been converted, where appropriate, into euro on the basis of the exchange rates current on 31 December 2009. Approximate euro exchange rates were: £0.89, US$ 1.44, ¥ 133.0874.

CALCULATION OF EBRD COMMITMENTS
Repeat transactions with the same client for seasonal/short-term facilities, such as commodity financing, are not included in the calculation of EBRD commitments for the year.

Note: Annex 1: Organisation and Procedures and Annex 2: Global Reporting Index which were presented in last year’s printed Report will be presented on the EBRD’s web site in the same location as the 2009 Report when it is published. This is to enable better explanation of both annexes and to allow more detail than would be possible here.
# ABBREVIATIONS AND ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bank, EBRD</td>
<td>The European Bank for Reconstruction and Development</td>
</tr>
<tr>
<td>BAS</td>
<td>Business Advisory Services</td>
</tr>
<tr>
<td>CFC</td>
<td>Chlorofluorocarbon</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>CO₂</td>
<td>Carbon dioxide</td>
</tr>
<tr>
<td>CO₂e</td>
<td>Carbon dioxide equivalent</td>
</tr>
<tr>
<td>CSF</td>
<td>Chernobyl Shelter Fund</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil society organisation</td>
</tr>
<tr>
<td>DEG</td>
<td>German Development bank</td>
</tr>
<tr>
<td>DFI</td>
<td>Development finance institutions</td>
</tr>
<tr>
<td>EIB</td>
<td>European Investment Bank</td>
</tr>
<tr>
<td>ESAP</td>
<td>Environmental and Social Action Plan</td>
</tr>
<tr>
<td>ETC</td>
<td>Early transition countries</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FAO</td>
<td>UN Food and Agriculture Organization</td>
</tr>
<tr>
<td>FI</td>
<td>Financial intermediary</td>
</tr>
<tr>
<td>FMO</td>
<td>Finance for Development (The Netherlands)</td>
</tr>
<tr>
<td>FYR Macedonia</td>
<td>Former Yugoslav Republic of Macedonia</td>
</tr>
<tr>
<td>GEF</td>
<td>Global Environmental Facility</td>
</tr>
<tr>
<td>GHG</td>
<td>Greenhouse gas</td>
</tr>
<tr>
<td>GWh</td>
<td>Gigawatt hour</td>
</tr>
<tr>
<td>HCFC</td>
<td>Hydrochlorofluorocarbons</td>
</tr>
<tr>
<td>IAEA</td>
<td>International Atomic Energy Agency</td>
</tr>
<tr>
<td>IFC</td>
<td>International Finance Corporation</td>
</tr>
<tr>
<td>IFI</td>
<td>International financial institution</td>
</tr>
<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labor Organization</td>
</tr>
<tr>
<td>IPO</td>
<td>Initial public offering</td>
</tr>
<tr>
<td>ISO</td>
<td>International Organisation for Standardization</td>
</tr>
<tr>
<td>Kt CO₂e</td>
<td>Kilotonnes of carbon dioxide equivalent</td>
</tr>
<tr>
<td>MDB</td>
<td>Multilateral development bank</td>
</tr>
<tr>
<td>MEI</td>
<td>Municipal and environmental infrastructure</td>
</tr>
<tr>
<td>MSEs</td>
<td>Micro and small enterprises</td>
</tr>
<tr>
<td>MSMEs</td>
<td>Micro, small and medium-sized enterprises</td>
</tr>
<tr>
<td>MWe</td>
<td>Megawatt electrical</td>
</tr>
<tr>
<td>NDEP</td>
<td>Northern Dimension Environmental Partnership</td>
</tr>
<tr>
<td>NEFCO</td>
<td>Nordic Environment Finance Corporation</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-governmental organisation</td>
</tr>
<tr>
<td>NSA</td>
<td>Nuclear Safety Account</td>
</tr>
<tr>
<td>OHSAS</td>
<td>Occupational health and safety advisory services</td>
</tr>
<tr>
<td>PR</td>
<td>Performance Requirement</td>
</tr>
<tr>
<td>RAP</td>
<td>Resettlement Action Plan</td>
</tr>
<tr>
<td>SEFF</td>
<td>Sustainable Energy Financing Facility</td>
</tr>
<tr>
<td>SEI</td>
<td>Sustainable Energy Initiative</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and medium-sized enterprises</td>
</tr>
<tr>
<td>TAFF</td>
<td>Tajik Agricultural Financing Facility</td>
</tr>
<tr>
<td>TAM</td>
<td>TurnAround Management Programme</td>
</tr>
<tr>
<td>TC</td>
<td>Technical cooperation</td>
</tr>
<tr>
<td>TFP</td>
<td>Trade Facilitation Programme</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Program</td>
</tr>
<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
</tr>
</tbody>
</table>