



# Financial Sector Strategy 2021 – 2025

Approved by the Board of Directors on 15 December 2021



**European Bank**  
for Reconstruction and Development

The EBRD's ongoing **engagement in the financial sector is critical**. CoOs continue to experience **significant headwinds** exacerbated by the COVID-19 crisis, which makes the large-scale redirection of capital needed to achieve **transition to net-zero even more of a challenge**. As the ability of banks to support the economic recovery is reduced, the **gap in access to finance** increases, particularly for **female and young entrepreneurs** and **MSMEs**. The **trade finance gap** remains wide in most of the EBRD region.

To address these challenges, the **2021–2025 strategy** focuses on:

**1. Developing financial sector partnerships to drive the transition to green, low-carbon economies. Scaling up green financing is a central objective**, aiming to support the sector's **resilience, governance** and **inclusiveness**, to achieve impact at two levels:

- For **sub-borrowers**: helping increase efficiency, through a broader, evolving product range to enhance green financing, especially for underserved segments.
- For **partner banks**: scaling up institution building to drive change at the systemic level. FIs in the EBRD region will need to improve their climate risk management, governance and disclosures, and **align their operations with the objectives of the Paris Agreement**.

**2. Boosting inclusive economic development to drive equality of opportunity through the financial sector**. By **promoting a level playing field**, investments will help **support the economic inclusion of SMEs, micro-enterprises, women and youth and regional integration**.

**3. Strengthening the financial sector's readiness to respond to challenges by 'future-proofing' it**. It is essential for the Bank to continue to provide **capital**, support **privatisations** and encourage **capital market development**, all while adding a strong **digitalisation** push, both with existing clients and with new fintech market participants.

**Donor support will be instrumental** to deliver this strategy, most notably the growth in green financing.

The Bank's **additionality** will come from a mix of: (i) tenor; (ii) financing structure; (iii) currency; (iii) higher financial standards; (iv) more risk and/or finance; (v) mitigation of climate risk; (vi) reducing financing gaps; and (vii) mitigation of non-financial risks through policy dialogue.

Results will be evaluated through a **rigorous framework** in keeping with EBRD practices; the 2021-25 strategy benefits from, and implements, the lessons learned over the previous strategies, including the recommendations of its Evaluation Department.

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# 1. Sector Context and Transition Challenges

## Global trend



**Long and uneven: two-speed COVID-19 recovery**

**Lower for longer: monetary policies remain accommodating**

**Greening the financial sector: climate-related risks take centre stage**

**Financial inclusion: core business comes first post-COVID, widening financing gaps**

**Future of banking: digitalisation and fintech gaining pace**

**Supply chains undergoing restructuring following the COVID-19 disruption**



## Impact on EBRD's Region



**Limited fiscal space and weaker financial intermediation drag on recovery prospects**

**Higher liquidity across markets squeezes FIs' earnings and profitability**

**Managing climate risks and opportunities remains challenging for FIs in less developed markets**

**Reduced risk appetite widens financing gaps for MSMEs, women and youth entrepreneurs**

**Incumbents are in a race to digitise, while the Fintech landscape remains nascent**

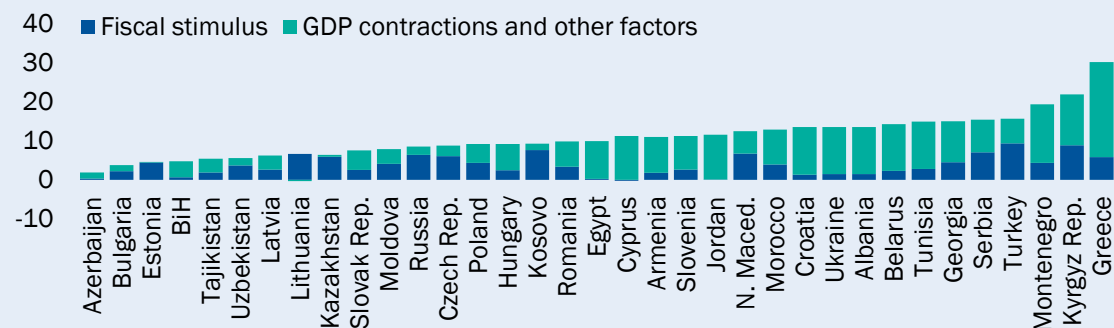
**Deteriorating access to trade finance affects EBRD markets disproportionately**

# 1.1. Limited fiscal space and weaker financial intermediation drag on recovery prospects

## Flight to quality – uneven recovery expected, especially in less developed markets

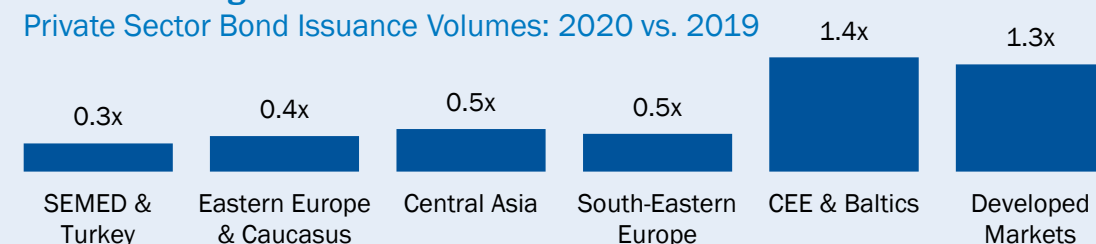
- The COVID-19 pandemic weighs on the outlook for economic activity and financial stability globally. **The speed of economic recovery will vary significantly** and the inherent strength of economies will play a decisive role in recovery pathways.
- Developed economies are generally more resilient to external shocks. In contrast, **developing economies have less capacity to stimulate recovery**, often exacerbated by tightening balance of payments and inadequate international support.
- This leads to a material risk of uneven recovery, both in pace and duration, between developed and developing economies. **This threatens to reverse economic convergence and widen the gaps in economic development.**
- An uneven economic recovery poses material risks for FIs in the EBRD region. Adding to pre-existing vulnerabilities, an **increase in impaired assets and a depletion of capital** will generally shrink FIs’ resilience and their ability to support recovery. Investor appetite is likely to remain subdued for longer, reducing their access to long-term funding, particularly from capital markets.
- State-owned banks, which have **grown in importance across the EBRD region since the mid-2000s and often assumed a leading role in the COVID 19 support schemes**, can help soften the crisis. However, firms that borrow from the state financial sector tend to be less innovative and show weaker productivity growth.

**Fiscal space has significantly deteriorated**  
Change in Government Debt (% of GDP): 2020 vs. 2019



Source: EBRD Regional Economic Prospects (October 2020)

**Flight to quality in bond issuance affected capital market funding conditions in the EBRD region in 2020**



Source: Bloomberg

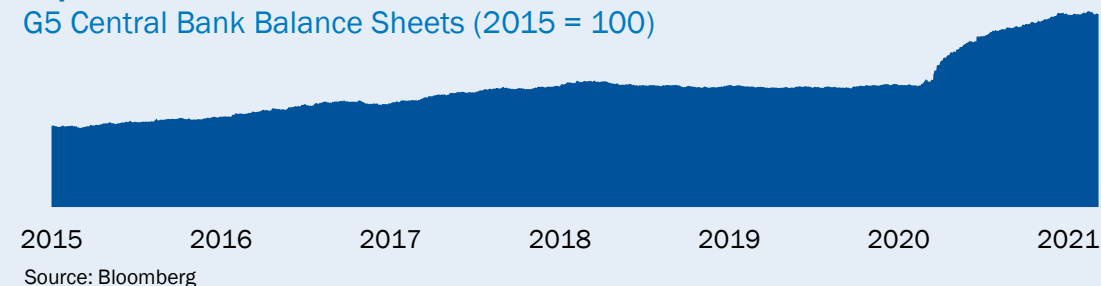
## 1.2. Higher liquidity across markets squeezes FI earnings and profitability

### Low-margin environment and increased cost of risk may test resilience of some banks in the EBRD region

- In the EBRD region, the financial sector has generally stood up well and proved to be part of the solution to the immediate crisis. **Timely and unprecedented monetary and fiscal policies have been instrumental in maintaining the flow of credit.**
- **These bold policy responses may have unintended consequences.** Many regulators relaxed capital buffer requirements and postponed stress tests and reforms. This encouraged banks to soften loan repayment conditions in order to alleviate risk of economic fallout, but results in **lack of clarity on asset quality.**
- Despite entering the crisis with strong capital and liquidity positions, **banks in EBRD CoOs will see their resilience tested in the coming years.** A combination of weaker borrowers' ability to repay and strong pressure on interest rates, reducing operating income, challenge FIs' resilience; it is compounded by growing Big Tech and fintech.
- These negative trends lead to depressed earnings, capital erosion, and reduced investor appetite. **Ultimately, weaker financials may threaten the ability of FIs to effectively perform financial intermediation in the economy.**
- Similar to the challenge of the “dual-track” economic recovery post-COVID-19, **micro-level effects will pose a particular threat to sub-scale banks and to sub-investment grade non-bank FIs whose business models rely on wholesale funding.**

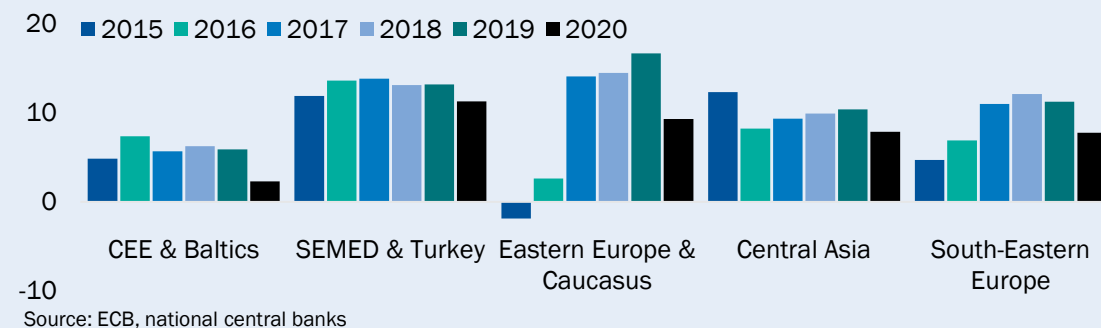
#### G5 Central Bank balance sheets expanded significantly, following unprecedented market interventions...

G5 Central Bank Balance Sheets (2015 = 100)



#### ... affecting profitability in markets most closely linked to the low interest rate environment (i.e. CEE & Baltics)

Banking Sector Average Return on Equity (%)



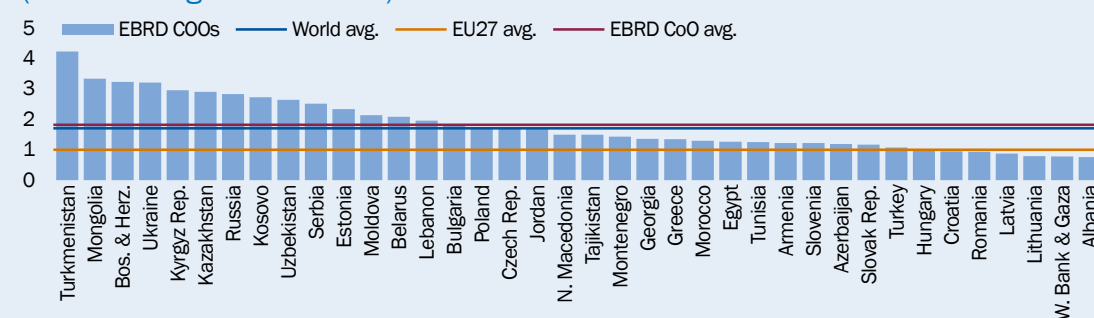
# 1.3. Managing climate risks and opportunities remains challenging for FIs in less developed markets



**“In the process of responding to environmental and climate challenges, there are both opportunities and vulnerabilities for financial institutions and the financial system as a whole.” NGFS**

- **The transition to net-zero by 2050 will require large-scale redirection of capital flows.** On average, EBRD economies are 80% more carbon-intensive than the EU.
- **FIs in the EBRD region are under increasing pressure from investors, regulators, customers and staff to align their operations to the goals of the Paris agreement and address environmental risks.**
  - **Investors and lenders are increasingly focusing on the climate impact of their portfolios**, both as an opportunity due to the investments linked to the transition, as well as a risk due to the direct and systemic threats of climate change.
  - **Regulators** already emphasise climate-related **risk and environmental risk management, governance and disclosures** as **a driver of financial stability**. In the EBRD region, 18 regulators have joined the Network for Greening the Financial System (NGFS).
- Opportunities for FIs include **scaling up climate-focused lending** to rebalance their asset bases, as well as **deploying best governance, risk and disclosure practices**.
- In less developed markets, **many FIs lack the skills, tools and resources to address this challenge**. This may ultimately impact their resilience and competitiveness.
- In the immediate aftermath of the COVID-19 pandemic, there is a **risk that the climate crisis will be a lower priority than health and general economic concerns**
- **Research\*** shows that **credit constraints hamper greener investments by MSMEs**, particularly larger investments. This **substantially slows the greening of our CoOs**.

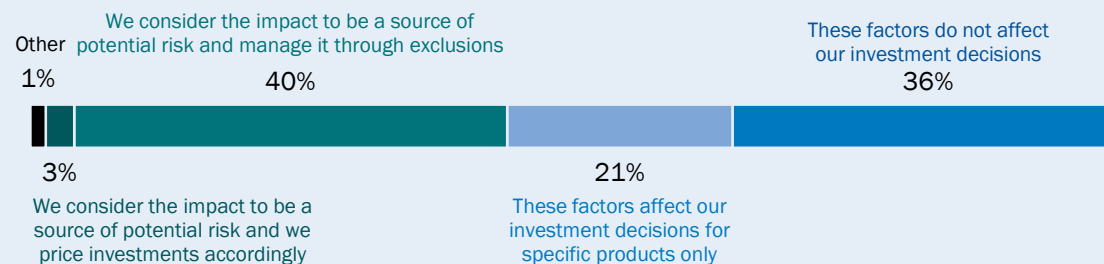
**Carbon intensity index of EBRD CoOs based on CO<sub>2</sub>/GDP PPP**  
(EU27 average in 2018 = 1)



Source: IEA (2020), EBRD analysis

## Do you consider the impact of your operations on climate change?

Result of a survey of 134 EBRD partner FIs



\* Source: BEEPS VI, conducted 2018–2020

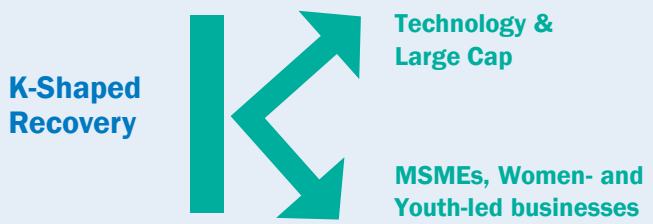




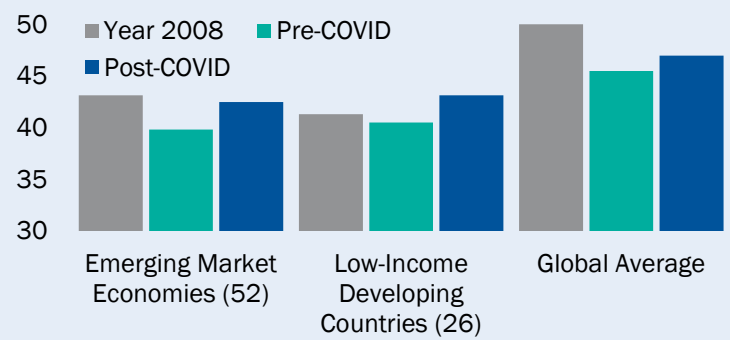
# 1.4. Reduced risk appetite widens financing gaps for MSMEs, women and youth entrepreneurs

## Risk of a K-Shaped Recovery

The COVID-19 recovery path may bifurcate in two directions: large firms and public-sector institutions with direct access to government and central bank stimulus packages will make some areas of the economy recover fast, but leave others out.



## Gini Co-Efficient (%), average among country groups



Source: IMF World Economic Outlook (October 2020) & NBER working paper

### Financial inclusion gaps persist in many EBRD regions.

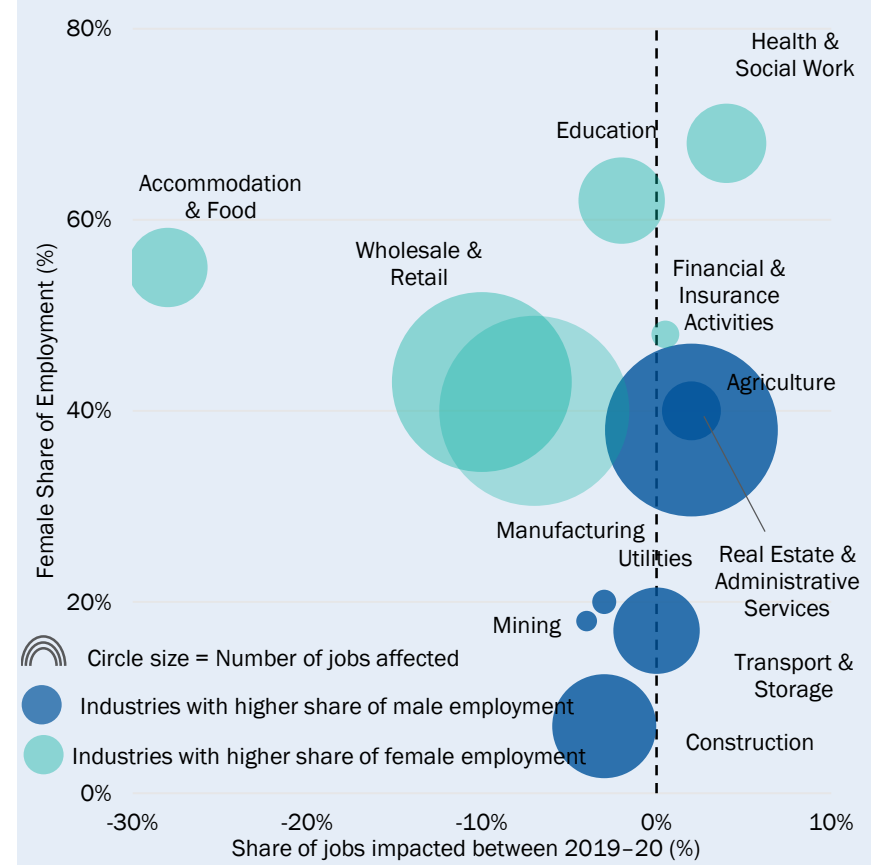
Exclusion factors include insufficient collateral, limited management skills and network, business experience, limited credit history and perception of 'riskiness' by FIs. Opportunities for excluded groups remain at risk due to challenging labour markets. MSMEs in general, female- and youth-led businesses, or those located outside of major cities are the most exposed segments of entrepreneurs.

Weaker resilience and lesser ability to absorb shocks make these segments inherently vulnerable. **In the EBRD region, loans to excluded segments may become constrained as lenders focus on 'core' customers and sectors in the recovery**, or apply more stringent underwriting criteria. This could slow down or reverse earlier progress in financial inclusion. This risk is particularly high in less developed markets and for customers served by weaker FIs.

'Building back better' is key to preventing financial inclusion reversals, with a focus on protecting vulnerable countries, regions and people. **Greater financial inclusion is associated with reductions in inequality within countries, which in turn is associated with increased financial sector resilience.**

## The pandemic affects female employment disproportionately

COVID-19 impact on global employment

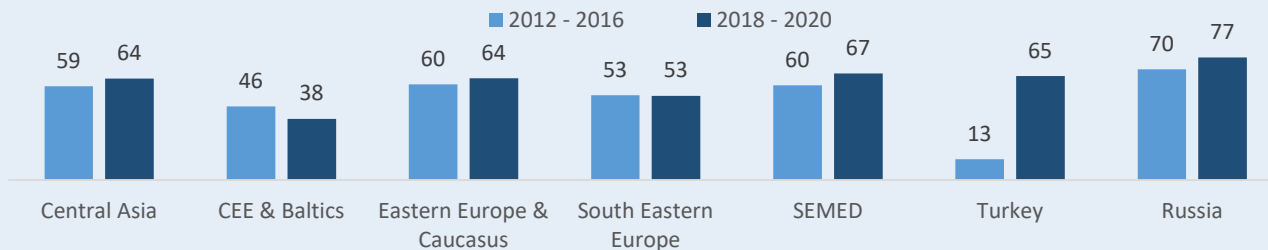


Source: McKinsey (2020) 'COVID-19 and gender equality', based on ILO data

# 1.4. Reduced risk appetite widens for financing MSMEs, women and youth entrepreneurs (continued)

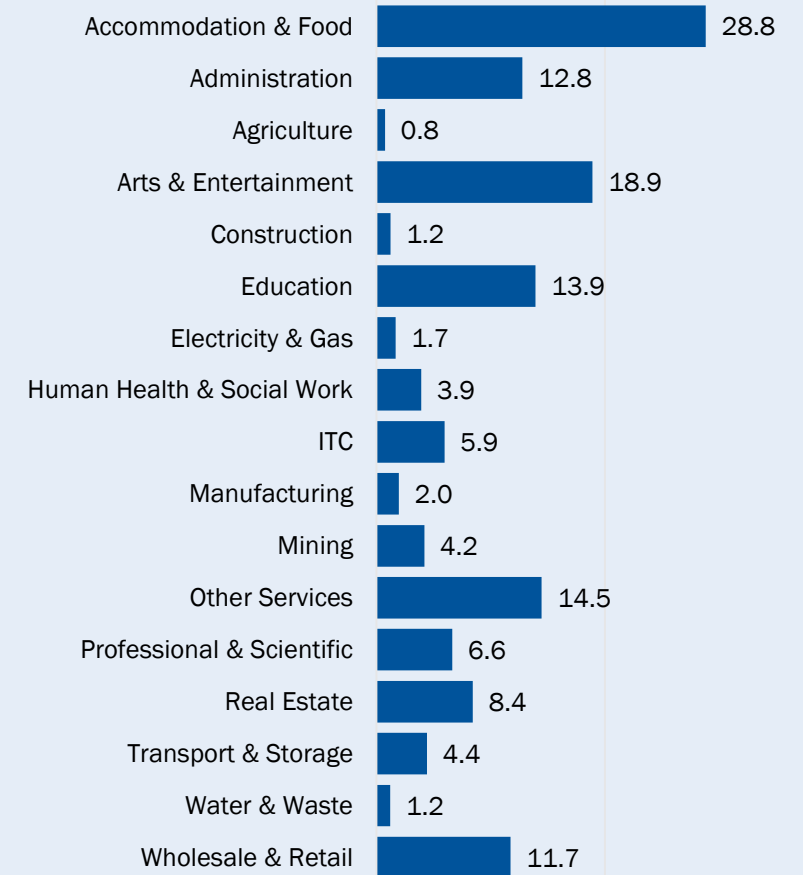
- Access to finance for SMEs remains a key concern. Factors of credit availability include **size, age, location, being audited, having outstanding loans** and **expectations about future performance**. Furthermore, availability is limited by factors like high real interest rates, complex application procedures or high collateral requirements.
- While important progress has been made, **research suggests that EBRD’s presence continues to be needed** as MSMEs experienced tightening financial conditions in most markets even before the pandemic (see chart below).
- **COVID-19 has disproportionately affected industries** which employ women and young people e.g. hospitality (right hand chart): supporting access to finance for such groups remains vital.
- **Research shows that EBRD advisory projects (and associated loans) typically help an MSME to hire an additional 4.3 employees in the year after EBRD’s involvement. This number increases to 7.3 additional employees three years after the project** (from an average of 52 employees before the project).

**SME Access to finance is increasingly challenging in most economies**  
Share of SMEs<sup>1</sup> that report credit constraints



Source: BEEPS VI (2018-2020); BEEPS V (2012-2016). Note: 1. SMEs defined as firms with < 100 employees. Credit constraint is defined as “need loan but either rejected or discouraged from applying (%)”

**Share of global SME jobs at risk by sector due to illiquidity caused by COVID-19 (%)**



## 1.5. Incumbents race to digitise, while fintech remains nascent



- **Technological and legal advances are driving a global increase in financial services digitalisation, a trend that the pandemic has accelerated.**
- The impact of Big Tech is being felt in several EBRD countries. While a domestic Fintech sector is still nascent in most of the EBRD region, the global nature of technology lowers barriers to entry.
- Post-crisis, **competition will intensify**; incumbents, despite profitability pressures, will have to focus on digitalisation to drive down costs and improve their customer value proposition. **EBRD’s BEEPS III survey conducted in 2021 shows that incumbent banks view Fintech both as a threat and an opportunity.**

- Consuming financial services digitally becomes the norm; players with poor digital offers are at risk of becoming marginalised.
- **Nascent fintechs have potential to capture unmet demand**, including solutions to the green economy transition, bridging trade finance gaps and strengthening financial inclusion.
- Nearer term, **digital evolution of financial services may bring disruption and instability**, reducing employment in the sector and weakening incumbents, especially those slower to adapt.
- Digitalisation can also risk exacerbating existing

inequalities due to availability or affordability constraints, or when the digital skills needed to navigate them are not widespread.

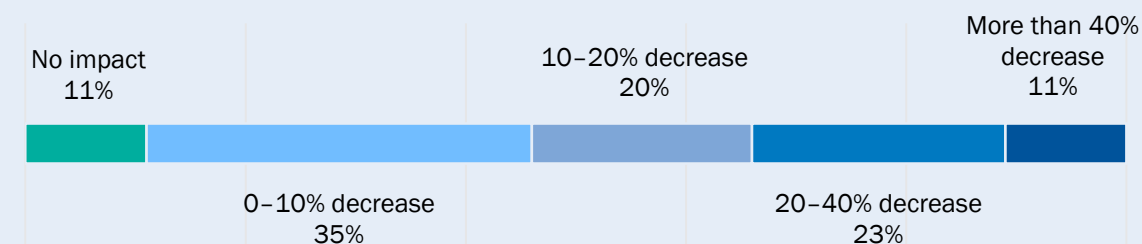
- **Digitalisation risks bear particularly on those EBRD markets** whose small size makes less attractive: they see a **widening digital gap**.
- Equally, **the disruptive innovation brought upon by technological advances** is an opportunity for the market to adopt **customer-centric platform** based business models and **deliver more personalised and seamless service** than ever before.

## 1.6. Deteriorating access to trade finance affects EBRD markets disproportionately

### Trade finance has been significantly impacted: stronger IFI support will be needed for longer

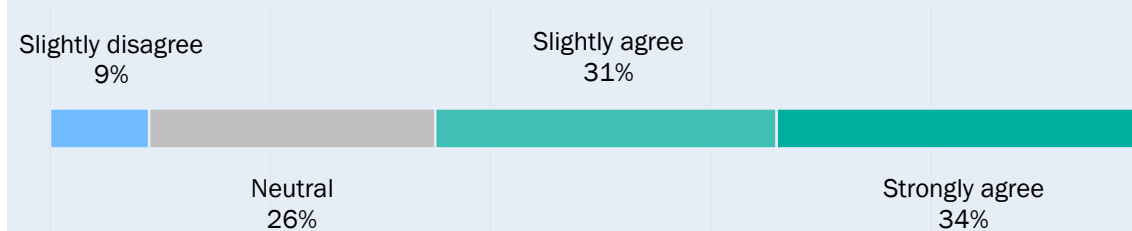
- **Global trade is heavily dependent on trade finance.** COVID-19 has resulted in significant market disruption due to border closures, restrictions on the movement of goods and a spike in risk considerations
- **Insufficient supply of trade finance threatens to compromise otherwise viable trade transactions and restrict global growth.** The Asian Development Bank estimated the gap at USD 1.5 trillion, which impedes delivery of growth and jobs
- **The trade finance gap has strongly affected the EBRD region,** with banks contending with significant operational continuity challenges, and completing fewer letters of credit and invoice discounting transactions than usual
- Correspondent banking relationships in the EBRD regions decreased by an average of 24% over 2012–2018.
- **The process of reopening supply chains and resumption of trade will be uneven across regions, individual economies, and sectors.** In EBRD regions most countries will continue experiencing significant to severe shortage of commercial trade finance lines in the first half of the decade.
- **Risk appetite reduction of commercial banks towards less developed markets is likely to be sustained for a longer period,** limiting the availability of commercial trade finance credit lines.

#### 89% of respondents think the COVID crisis decreased trade flows



Source: 2020 ICC Global Survey on Trade Finance. The Survey had 346 respondents from banks in 85 countries

#### Do you agree that international financial institutions help to close market gaps in trade finance?



Source: 2020 ICC Global Survey on Trade Finance. The Survey had 346 respondents from banks in 85 countries

## 1.7. Key transition challenges

### Resilient

- **Recovery will be long and uneven:** all COOs are still going through a COVID-19 induced major macroeconomic turbulence.
- **NPL:** high NPLs are still a major policy issue in some countries (Greece, Ukraine, Tunisia), only exacerbated by the crisis.
- **FI capitalisation:** while capital and liquidity buffers are higher than in previous crises, they may be consumed by a surge of credit. Need for larger MREL issuances is expected
- **Digitalisation of existing players:** digital transformation will accelerate in the financial sector. New technologies and increasing digitalisation will bring benefits but also new risks and challenges to the sector's resilience.
- **Capital markets:** in most of the EBRD region, local capital markets do not offer a viable alternative channel for long term financing. The post-crisis environment will be challenging, especially outside CEB and for smaller FIs, to access equity and debt through capital markets.

### Competitive

- **Margin compression:** accommodative monetary policies will compress FI margins and intensify competition, with an ultimate benefit for customers, but at the same time further reduce FIs' operating profitability, making it more challenging to attract additional capital. Virtually unlimited, cheap central bank liquidity also reduces banks' appetite to develop sustainable funding sources such as bonds.
- **New players/fintechs:** the expansion of fintech activity and "challenger banks" boosts competition, and ultimately enhances customer value proposition, but negative outcomes such as unemployment, impaired profitability and ultimately resilience challenges could materialise in the transition phase.
- **Government influence/SOBs:** In some markets (Ukraine, Tunisia, and parts of Central Asia) state-owned financial institutions hold large market shares and although some operate on a commercial basis, their influence may distort the level playing field and reduce competitiveness. However, they can be essential conduits of outreach to underserved areas.

### Inclusive

- **Underserved segments:** in parts of the EBRD region, penetration of banking services remains shallow and a substantial share of the economy operates in the informal sector. Barriers to access to finance are particularly acute for segments who have suffered disproportionately from the COVID 19 crisis: female and young entrepreneurs as well as economically depressed regions.
- **Sizeable gender and youth SME gaps in access to finance** remain in all regions except for CEB raising the need to build back better with particular focus on more equitable growth. Technology has the potential to enable underserved groups to overcome disadvantages in access to entrepreneurship and finance across the EBRD region, but also risks exacerbating inequalities.

\*For further details on transition qualities please visit: [ebrd.com/our-values/transition.html](https://ebrd.com/our-values/transition.html).

Note: Depending on subsector and project context, a specific challenge or intervention may be attributable to different qualities.

## 1.7. Key transition challenges (continued)

### Green

- **Green and low-carbon transition financing:** FIs need to play a central role in achieving ‘net zero’ GHG emissions through redirection of capital towards low-carbon and climate resilient solutions, and support green COVID-19 recovery, but many barriers for scaling up of such financing remain, for both FIs and sub-borrowers.
- **Management of climate risks and disclosures:** the EBRD region is exposed to significant transition and physical climate risks. FIs across all countries will need to start systematically analysing the climate risks affecting their business, execute risk mitigation strategies and provide more transparency to the market on such risks. Aligning with objectives of the Paris Agreement will be the key medium/long-term challenge for the financial sector. The absence of appropriate methodologies and capabilities may constrain access to finance for greening critical segments of the economy.

### Integrated

- **Trade finance:** the impact of COVID-19 on international trade has been severe. Trade is expected to recover gradually, but the availability of commercial trade finance credit lines is expected to lag behind the resumption of trade. Trade finance gaps threaten to increase and impede the full potential of trade to deliver growth, jobs, and the pace of economic integration.
- **Cross-border cooperation, market harmonisation and consolidation:** a lack of integrated capital markets is an impediment for investors and issuers. Regional cooperation is needed to reach the critical mass required to create sustainable and sizeable markets. Consolidation of the CMI along the value chain, or regionally, would increase transaction efficiency, as well as investor access and interest.

### Well-governed

- **Regulatory and legal framework and standards:** the alignment of the legal regimes with international standards and best practices in many of the EBRD countries of operations remains a work in progress. Strengthening the legal and regulatory frameworks, is key to enable the development of effectively functioning financial markets.
- **Corporate governance:** Poor corporate governance remains a material impediment to the competitiveness of FIs and private sector investments in the EBRD region. In the context of corporate governance, enhancement of climate corporate governance is becoming a priority.
- **Investment climate:** the quality of the investment climate is a decisive factor for investors. In recent years a number of EBRD markets suffered from a deterioration of their investment climate.

\*For further details on transition qualities please visit: [ebrd.com/our-values/transition.html](https://ebrd.com/our-values/transition.html).

Note: Depending on subsector and project context, a specific challenge or intervention may be attributable to different qualities.



## 2. Strategic Directions for the Financial Sector Strategy, 2021–2025

## 2.1. Three strategic objectives to address the transition challenges

### Transition Challenges

### Strategic Objectives 2021–2025

#### Global trend



Long and uneven: two-speed COVID-19 recovery

Lower for longer: monetary policies remain accommodating

Greening the financial sector: climate-related risks take centre stage

Financial inclusion: core business comes first post-COVID, widening financing gaps

Future of banking: digitalisation and fintech gaining pace

Supply chains undergoing restructuring following the COVID-19 disruption

#### Impact on EBRD's Region



Limited fiscal space and weaker financial intermediation drag on recovery prospects

Higher liquidity across markets squeezes FIs' earnings and profitability to different degrees

Managing climate risks and opportunities remains challenging for FIs in less developed markets

Reduced risk appetite widens financing gaps for MSMEs, women and youth entrepreneurs

Incumbents are in a race to digitise, while the Fintech landscape remains nascent

Deteriorating access to trade finance affects EBRD markets disproportionately

1. Develop and expand financial sector partnerships to drive the transition to green, low-carbon economies

Section 2.2

2. Boost inclusive economic development through the financial sector and drive equality of opportunity through intermediated finance channels

Section 2.3

3. Strengthen the financial sector's resilience and ability to respond effectively to present and future challenges by 'future-proofing' the sector

Section 2.4



## 2.1.1. Strategic objectives map out to core Financial Institutions activities

### Regional context: assessment of opportunities for EBRD engagement (investments, policy and technical cooperation)

| Strategic objectives   | Main EBRD activities*  | Central Europe | South-Eastern Europe | Western Balkans | Eastern Europe | Turkey | Caucasus | Central Asia & Mongolia | SEMED |
|--|--|----------------|----------------------|-----------------|----------------|--------|----------|-------------------------|-------|
| <b>1. Develop and expand financial sector partnerships to drive the transition to green, low-carbon economies</b>  | Align FI financing with Paris Agreement  |                |                      |                 |                |        |          |                         |       |
|  | Green finance to underserved segments  |                |                      |                 |                |        |          |                         |       |
|  | Green trade finance  |                |                      |                 |                |        |          |                         |       |
|  | Capital markets development, including green bonds and green covered bonds   |                |                      |                 |                |        |          |                         |       |
|  | Policy dialogue and capacity-building on climate and environmental corporate governance, for PFIs' green portfolios and their participation in capital markets, etc. |                |                      |                 |                |        |          |                         |       |
| <b>2. Boost inclusive economic development through the financial sector and drive equality of opportunity through intermediated finance channels</b>       | Expansion of debt and/or equity investments to underserved segments  |                |                      |                 |                |        |          |                         |       |
|  | Innovation and adoption of new products to underserved segments (incl. credit guarantee schemes, portfolio risk-sharing, responsible mortgage financing)             |                |                      |                 |                |        |          |                         |       |
|  | New technologies, digitalisation and enhanced data/reporting, as enabler of financial inclusion  |                |                      |                 |                |        |          |                         |       |
|  | Capital support of PFIs  |                |                      |                 |                |        |          |                         |       |
|  | Promote regulation, institutions or ecosystem for underserved entrepreneurs through policy dialogue  |                |                      |                 |                |        |          |                         |       |
| <b>3. Strengthen the financial sector's resilience and ability to respond effectively to present and future challenges by 'future-proofing' the sector</b> | Digitalisation of financial services of incumbent PFIs   |                |                      |                 |                |        |          |                         |       |
|  | (Pre-) Privatisation support of SOBs   |                |                      |                 |                |        |          |                         |       |
|  | Debt/equity investments, capacity-building and policy engagement to facilitate evolution of neo-banks and fintechs, capital support of PFIs                          |                |                      |                 |                |        |          |                         |       |
|  | Support recovery of active international trade, including digital solutions for trade finance  |                |                      |                 |                |        |          |                         |       |
|  | Strengthen Deposit Insurers including through debt, capacity-building and policy dialogue  |                |                      |                 |                |        |          |                         |       |
|  | Development of capital markets and expand the variety of funding instruments   |                |                      |                 |                |        |          |                         |       |
|  | Support the resolution of NPLs   |                |                      |                 |                |        |          |                         |       |

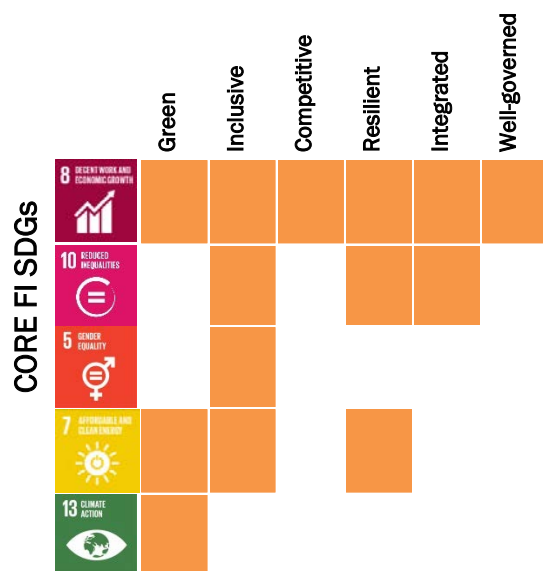
Opportunities for EBRD engagement across the EBRD region (investment, policy and TC):  Limited  Medium  High

\*For full list of activities please refer to the respective sections 2.2, 2.3 and 2.4 and the annexes. Distinct pattern in strategic priorities emerge at regional level depending on the economies' readiness, implementation capacity, and local market dynamics. The above examples of potential investments and policy dialogue areas are illustrative. Analysis of transition gaps and prioritization of the Bank's activities at the regional/country level are performed by EBRD Country Diagnostics and Country Strategies, respectively.

## 2.1.2. The strategy focuses on five core Sustainable Development Goals



EBRD through its work with partner financial intermediaries actively contributes to **5** out of **17** **Sustainable Development Goals** (SDGs) directly as shown below. Furthermore, EBRD's work contributes indirectly to SDG's 12 (Responsible consumption and production), 14 (Life below water) and 15 (Life on land) by improving environmental and climate governance of financial intermediaries.



When EBRD Transition Qualities are mapped against the SDGs, the largest impact made by FI projects is expected through the **Green**, **Resilient** and **Inclusive** Transition Qualities.

**Green**      **Resilient**      **Inclusive**

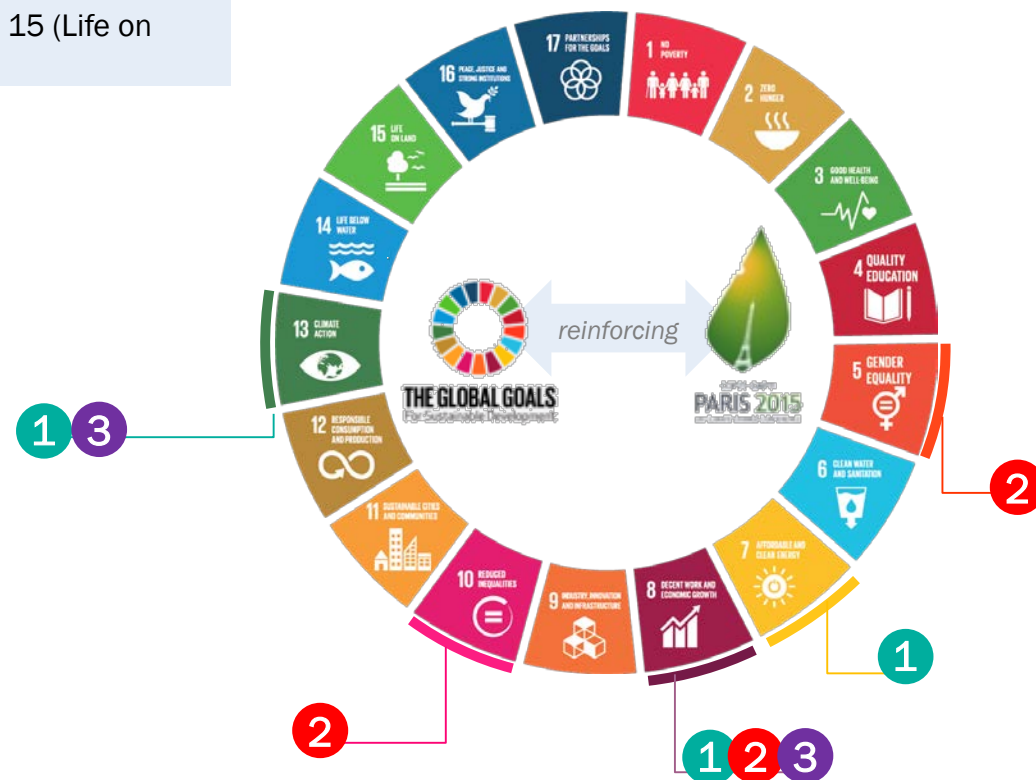
### FI STRATEGIC OBJECTIVES

- 1 Transform the financial sector to lead the transition to green, low-carbon economies
- 2 Drive equality of opportunity through intermediated finance channels
- 3 Future-proof the financial sector

International private sector investment flows in support of the SDGs **fell by one-third in the pandemic's wake**, reversing gains since the SDGs' creation in 2015, according to UNCTAD.

EBRD's support to building resilient financial sectors that channel financing for the transition to green, low-carbon economies and the promotion of equality of opportunity also reflects the Bank's contribution to the **Addis Ababa Action Agenda on Financing for Development**, which promotes the alignment of all financing flows and policies with the economic, social and environmental priorities of the SDGs. EBRD is also a signatory of the Sustainable Blue Economy Finance Principles and the Statement on "Nature, People and Planet".

### Core SDGs for Financial Institutions



## 2.1.3. EBRD continues to see progress in fair taxation, AML and CTF as a core objective across all strategic activities in the financial sector

**Examination of anti-money laundering and counter-terrorist financing policies is built into EBRD's due diligence procedures.  
EBRD does not provide financing where the project is non-compliant or insufficiently transparent.**

### Anti-money laundering and counter-terrorism financing

- Anti-money laundering and counter-terrorism financing is **built into** EBRD **due diligence processes**.
- A due diligence plan is formed at an early stage of EBRD considering an investment.
- **AML/CTF checklist** is used as a tool to conduct an assessment and record the findings in a consistent manner.
- Independent examination may be commissioned.
- **Mitigation measures** may be identified **to strengthen AML/CTF procedures of the EBRD's clients**.
- **Regular updates** of the clients' AML/CTF procedures and practices take place.

### Fair taxation

- EBRD is **cognisant of developments** in international tax policy, including the adoption of international standards on automatic exchange of information for tax purposes and base erosion and profit shifting.
- EBRD has in place a **domiciliation toolkit** to assess that any third jurisdictions which may be used are not a vehicle to facilitate tax evasion or other harmful tax practices.
- EBRD shall **not provide financing** where the project considered involves a counterparty or a controlling entity established in a jurisdiction, other than a country of operations, subject to a FATF call on its members and other jurisdictions to apply countermeasures.

**EBRD expects AML, CTF and fair taxation standards to continue to improve in the wake of a number of developments and agreements, among other as a result of the package of legislative proposals to strengthen the EU's anti-money laundering and countering of financial terrorism rules and setting up the new EU AML Authority, the OECD driven global agreement on minimal taxation, the revisions of the FATF Recommendations etc.**

## 2.1.4. Lessons learned inform the design of the 2021-25 strategy

The new strategy is informed by lessons learned from more than over 730 operations signed (over EUR 17 billion invested) during the previous strategy period (2016–2020)

### 2016–2020 project level experience

- **Strong partnership with trusted PFIs** based on consistent and **agile** approach, ease of communication and responsiveness are **key to delivery of transition impact**
- Access to **grants and technical cooperation resources is critical** to implement green economy, equality of opportunity and digital transition. Closing financing gaps and overturning exclusion culture takes a sustained effort over many years.
- In light of anticipated regulatory requirements as well as international investors demands, **the greening of the financial sector takes centre stage**. The **lack of regulatory guidance, standardisation and tools** are quoted by PFIs as key impediments in aligning with the Paris Agreement.



### Key findings of thematic FI evaluations\*

- **Incorporate a strategic review of credit lines**, including where appropriate consideration of resources and organisation changes, assessment of outcomes of blended finance facilities on a sample of sub-borrowers, engaging with partner FIs through multi-year agreements and consider resource implications of all of the above recommendations.
- Envisage a strategy that will **phase out the first-loss risk cover component** at the outset of the next programme phase of Women in Business
- **Introduce results framework** at the outset of programmes
- Use **programmes as a platform to engage in policy dialogue** for greater access to finance

### Implications for 2021–2025 strategy

- **The strategy incorporates** the considerations of the **review of credit lines**. **Close client engagement, agility and streamlined internal approvals** are key. FI will continue to **manage relationships in a unified manner** across products, in the most efficient manner.
- Expansion of operations **in favour of borrowers who have restricted access** to financial services requires a considerable cultural change.
- **Grants are instrumental** to delivering key strategic initiatives, especially in less advanced markets.
- **Improving access of PFIs to emerging global best practices** to be adopted as **the approach to greening of the financial sector** and an essential part of leading **clients on the pathway to Paris Alignment**. Utilise **Green Technology Selector** to mainstream green finance.

\* Refer to Annex I9 for detailed key recommendations of thematic financial sector evaluations

## 2.2. Priority 1 – Transform the financial sector to lead the transition to green, low-carbon economies



### Strategic objective

### Strategic activities

### TI qualities

**1. Develop and expand financial sector partnerships to drive the transition to green, low-carbon economies**

- |                     |   |
|---------------------|---|
| New activities      | <p><b>Green partnership and alignment of the sector to objectives of Paris Agreement</b></p> <ul style="list-style-type: none"> <li>Align FI debt and equity financing with the objectives of the Paris Agreement from 2023</li> <li>Introduce and scale up institution-building partnership model to drive systemic change in the financial sector through focus on climate and environmental corporate governance</li> <li>Support PFIs in strengthening their ability to build green finance portfolios and participate in green capital markets as well as offer Green mortgages</li> <li>Support expansion of issuance of Green bonds and Green covered bonds by banks from more advanced markets, and supporting banks in less advanced markets. Promote adoption of best practice including global standards such as the ICMA Green Bond Principles, the CBI Climate Bonds Standard and Certification Scheme, and the forthcoming EU Green Bond Standard, and supporting clients where appropriate in preparing to align issuances with these standards</li> <li>Support shift to more transparency in the market through promoting climate and environment related disclosures</li> <li>Strengthen engagement of PFIs in climate-related international initiatives and networks to introduce best practice approaches to the EBRD region</li> </ul> |
|                     | <p><b>Inclusive green financing</b></p> <ul style="list-style-type: none"> <li>Promote gender-sensitive green financing and support regions negatively impacted by low-carbon transition</li> <li>Expand existing/develop new products and approaches to enhance green financing for segments underserved by green financing</li> </ul>   |
|                     | <p><b>New financial beneficiary of intermediated finance</b></p> <ul style="list-style-type: none"> <li>Deploy green intermediated municipal lending to further the EBRD Green Cities Initiative</li> </ul>   |
| Existing activities | <ul style="list-style-type: none"> <li>Scale up green financing supporting sub-borrowers to increase their efficiency, competitiveness and resilience, including with carefully selected SOBs to reach their large customer bases especially in rural regions</li> <li>Accelerate the evolution of Green trade finance, including through new products</li> <li>Implement the recently adopted EBRD fossil fuel financing approach in the FI sector</li> </ul>  |

**Green**

**Resilient**

**Well-Governed**

**Inclusive**

**Case studies  
6 and 8**

## 2.2.1. Anticipated engagements for Priority 1

### Anticipated intensity of engagements

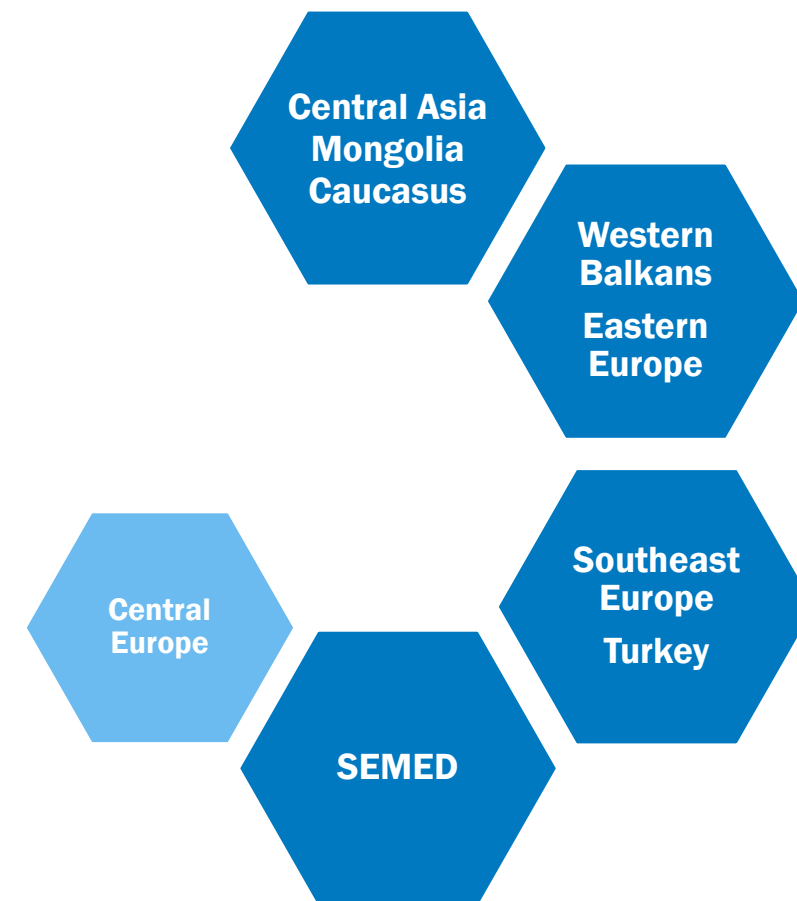


### Objective

Scaling up green financing is central to the 2021-25 Financial Sector strategy, aiming to support resilience, governance and inclusiveness.

- At sub-borrower level: helping final beneficiaries increase their efficiency, broadening and expanding the product range to enhance green financing for underserved segments
- At partner bank level: introducing and scaling up institution building model to drive a sustainable system change

### Anticipated intensity of engagements by region



## 2.2.2. Joint work is underway to develop a Paris alignment methodology

The IFC and EBRD are now leading the development of a joint methodology to align intermediated finance with the objectives of the Paris Climate Agreement, taking into account the specific complexity and local context of financial institutions

### Financial sector context

- The objective of achieving a net zero carbon world by 2050 **requires a paradigm shift**
- **Simply divesting** from non-green assets to de-risk portfolios **carries a great risk of destabilising financial systems and the real economy.**
- Increasingly **stringent disclosure requirements** and **regulatory alignment are expected** to drive a gradual greening of local financial systems.
- The velocity of this process will **depend on local context** and early endorsement from financial sector shareholders.
- Most **financial sector clients in the EBRD region are expected to be at an early disadvantage or left behind** market and regulatory **expectations.**



### MDB context

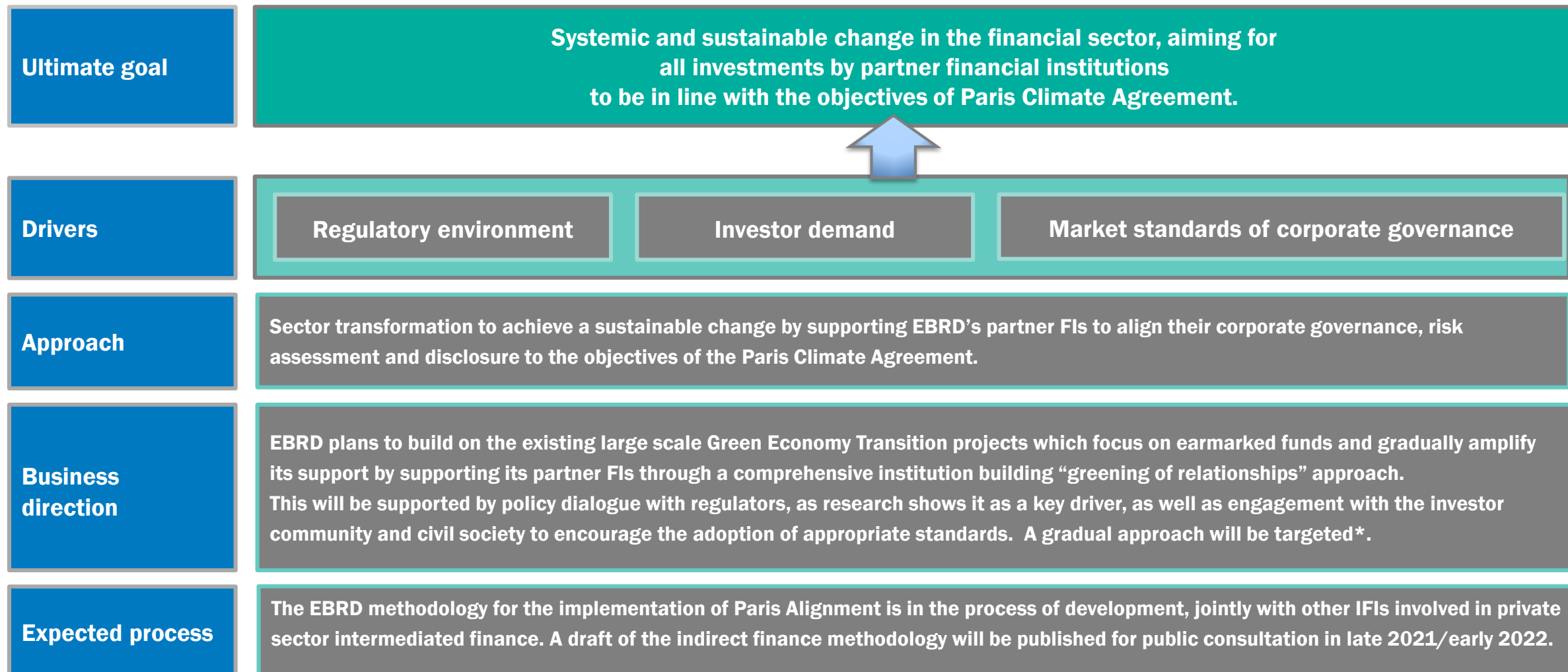
- At the One Planet Summit in 2017, the multilateral development banks (MDBs) committed to align their financial flows to support the objectives of the Paris Agreement, and to jointly develop alignment approaches.
- The **MDBs agreed to pilot a direct finance methodology and to then determine the applicability of that approach for intermediated finance.** This differentiated approach was presented at COP25 in Madrid in December 2019.
- A **joint MDB methodology for Paris Alignment for intermediated finance will be presented at COP26** in Glasgow in November 2021. Following COP26, the EBRD approach may be subject to public consultation.

### EBRD context

A momentous change in the Bank's own process and engagement with its PFIs is required:

- **Build-up of a Paris Alignment screening process** for intermediated finance projects **starting in 2022, with alignment from 2023.**
- **Evolve from a “use of proceeds” model to a comprehensive institutional capacity-building model** to scale up green financing, reduce climate risks and accelerate the low-carbon transition.
- **Support financial sector stability** by encouraging the **integration of climate risk management and disclosure** into the operations of FI clients.
- **Engage in strategic partnerships** to help FI clients tap into opportunities created by the green economy transition, shifting portfolio compositions towards a growing share of green assets.

## 2.2.3. Paris Alignment – initial outline of intermediated finance approach



\* A gradual approach is deemed necessary, due to the complexity of the indirect finance area, the varying levels of readiness among partner financial institution for such comprehensive transformation, and the vast universe of EBRD partner FIs.



## 2.2.4. A client survey confirms the critical role EBRD needs to play to build capacity and catalyse the sector's transformation

### Financial Institutions across the EBRD region are not at a high level of preparedness

### Conclusions/implications

- **90% consider the impact** of their financing on climate change relevant to their operations
- but only **43% see such impact as potential source of risk.**
- **93%** of those who do see this as potential source of risks **use exclusions** as a mitigant.

Emerging practice of managing climate risks through exclusions may leave segments of the real economy financially unsupported in their low-carbon transition

- **28%** already subject to, or **expect regulatory disclosure requirements** in the next 2 years
- Over **40% not planning to disclose** climate risk information
- Nearly **40% not planning to strengthen** climate risk management within the next 2 years.

Some FIs acknowledge the importance of strengthening climate risk management and disclosures but many plan to take action only when required by regulators

- **50% mention regulatory requirements as the key driver** of climate risk management.
- Key obstacles: **lack of regulatory guidance, standardisation and tools.**
- FIs supervised by a NGFS member are **twice as likely** to plan climate disclosures within 2 years.

Regulators play a key role in triggering the work on climate risk management by FIs, but lack of standardisation and tools may hinder the process

- Only **36% identified risk function as leading or co-leading** implementation of climate risk management
- **30% did not specify** any department as leading on climate risk.
- Responses indicate **lack of clarity** on what capacity and resources may be required, regardless whether supervised by an NGFS member

Few financial institutions have a clear view of how to operationalise climate risk management and disclosure, which could lead them to choose sub-optimal solutions

- Most relevant support that respondents expect from the EBRD is **technical assistance** support, in particular focusing on organisational and methodological training, awareness and capacity-building.

Financial institutions need support to better understand climate risk and have a strong preference for building the required capacity within their organisation

## 2.2.4. A client survey confirms the critical role EBRD needs to play to build capacity and catalyse the sector's transformation (continued)



### Critical role for the EBRD

- **Building up capacity of FI sector** to improve its climate risks and opportunities management across their portfolio
- Engaging with regulators on **promoting transparency and disclosures**
- **Improving access of FI sector to the emerging global best practice** by strengthening linkages with international initiatives
- **Targeted institutional capacity-building support** to create internalised sustainable operational model

### What clients expect from EBRD



## 2.3. Priority 2 – Drive equality of opportunity through intermediated finance



### Strategic objective

### Strategic activities

### TI qualities

**2. Boost inclusive economic development through the financial sector and drive equality of opportunity via intermediated finance channels**

New activities

#### Innovation and climate finance in support of inclusion

- Facilitate innovation and expansion of banking products to close gaps in access to finance by under-banked customers such as female entrepreneurs including credit guarantee schemes, portfolio risk-sharing
- Products in support of green and inclusive lending. Addressing migration trends via responsible mortgage financing

#### Inclusion and new technologies

- Support PFIs' adoption of new technologies and digitalisation of operations as a key enabler for financial inclusion as well as enhanced reporting and data collection metrics, including where such cooperation leads to increased digitalisation of SMEs and contributes to levelling of the playing field
- Support fintechs and non-bank financial institutions that explicitly target SMEs and under-served customers including those who have previously been excluded from the financial system

Existing activities

#### Increase access to financing for underserved customers

- Expand FI debt and/or equity and/or capital markets operations as well as develop new products targeting customers with restricted or no access to financial services: MSMEs, female and/or young entrepreneurs, entrepreneurs in remote regions and other underserved segments, including with carefully selected SOBs when required to broaden outreach
- Promote diversity within PFIs as an important part of institutional learning, structures, policies and procedures, including through implementation of equal opportunity action plans, gender diagnostics, national and international certification, membership in the relevant associations

#### Develop inclusive ecosystems

- Promote institutions, regulation and support policy dialogue in order to support inclusive financial ecosystems for under-served entrepreneurs including female entrepreneurs, young entrepreneurs or to reduce regional disparities

#### Promote a level playing field between CoO partner FIs and their Western European peers

- Reducing the gaps in access to long-term finance
- Developing local currency markets and stimulating local currency borrowing by PFIs, including through improved institutional, legal and regulatory environments.

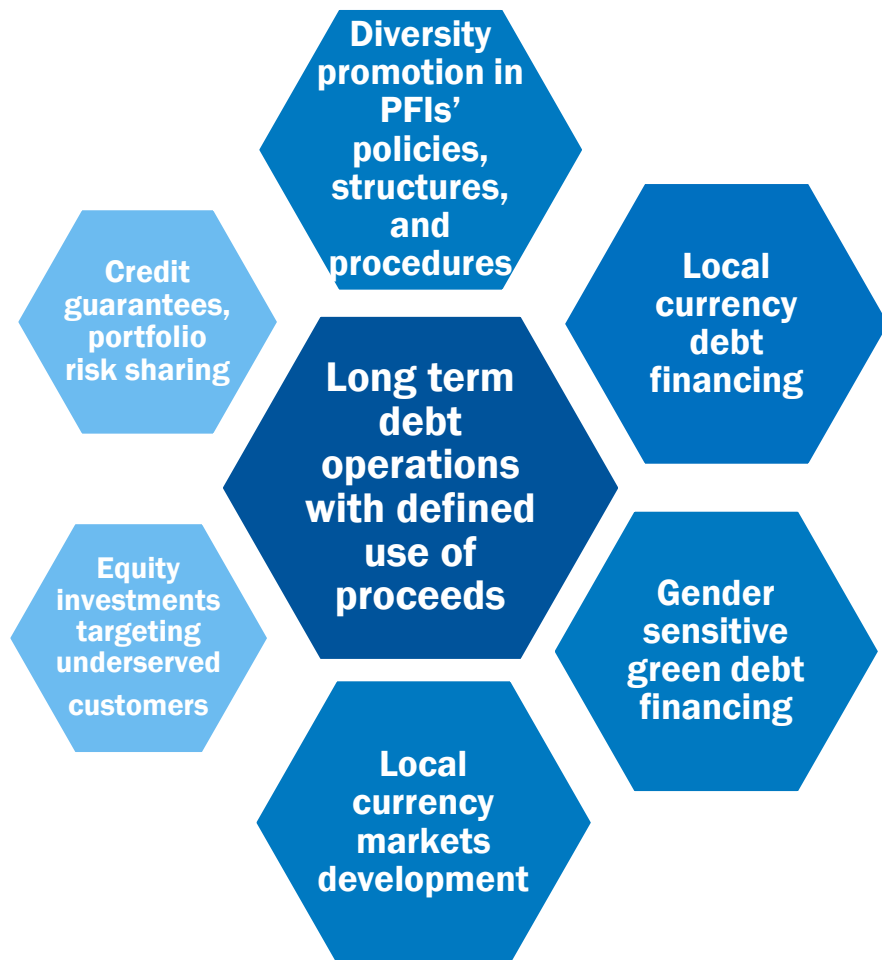
Inclusive

Competitive

Resilient

## 2.3.1. Priority 2 – anticipated engagements

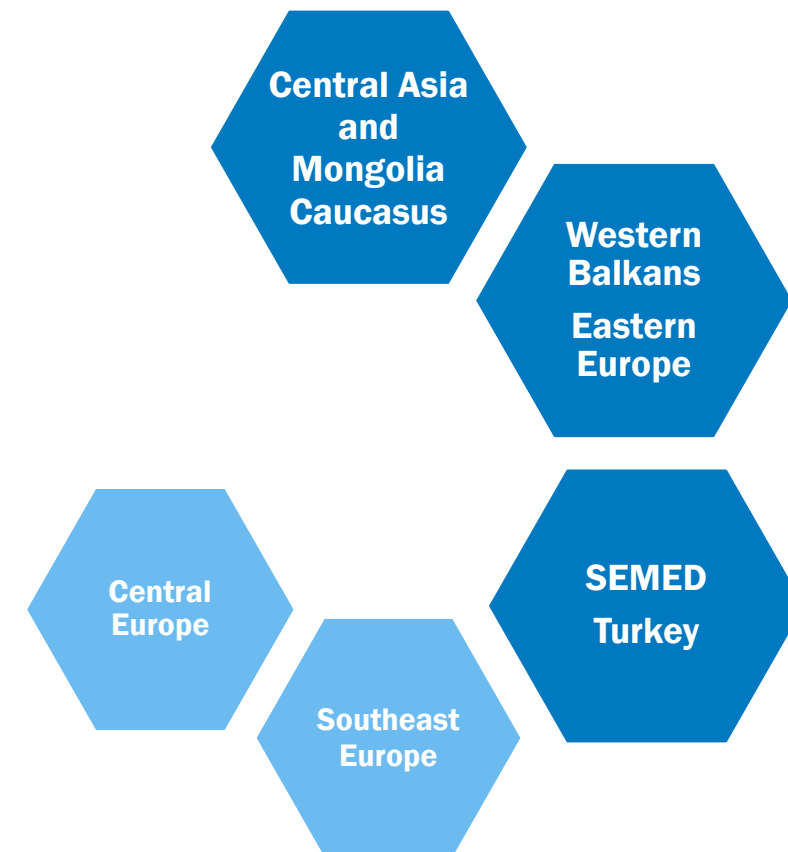
### Anticipated intensity of engagements



### Objective

By promoting a level playing field, investments will help support the economic inclusion of SMEs, women and youth and regional integration. This will also strengthen the competitiveness and resilience of the financial sector.

### Anticipated intensity of engagements by region



### Engage financial intermediaries as a part of an ecosystem to drive equality of opportunity

#### Use of proceeds approach

- Extend term **debt financing with defined use of process to PFIs to on-lend to SME sub-borrowers owned and/or managed by marginalized, vulnerable, or under-represented segments** (e.g. women and youth) to enable them to access finance to set up, run and expand their businesses
- **Enable PFIs to develop self-sufficiency in lending to under-served segments** by leveraging concessional elements such as First Loss Risk Cover (FLRC)



#### Inclusive financial institutions

- **Establish the business case for gender mainstreaming** within PFIs, facilitating senior-level buy-in and commitment to diversity
- **Designing and implementing best practice-aligned inclusive workplace standards** through bespoke Equal Opportunity Action Plans
- Coordinating **membership of industry networks for peer learning** and **capacity building** on gender balance responsibility in financial services
- Where possible **utilise PFIs' infrastructure to collect and leverage disaggregated SME data** to inform optimal and evidence-based **design of financial services and products for under-served segments**



#### Policy dialogue

- Drive **multi-stakeholder collaboration by establishing inter-agency platforms** to devise national inclusion strategies
- Help to shape **a conducive legal and regulatory environment** for under-represented business owners and managers
- Support **a reform of financial regulation and disaggregated SME data collection** to inform financial policy, products and services
- Ensure **sensitivity to local country context** by leveraging expertise on the ground
- **Partner with MDBs and international organizations** to synergize policy advocacy and reform initiatives

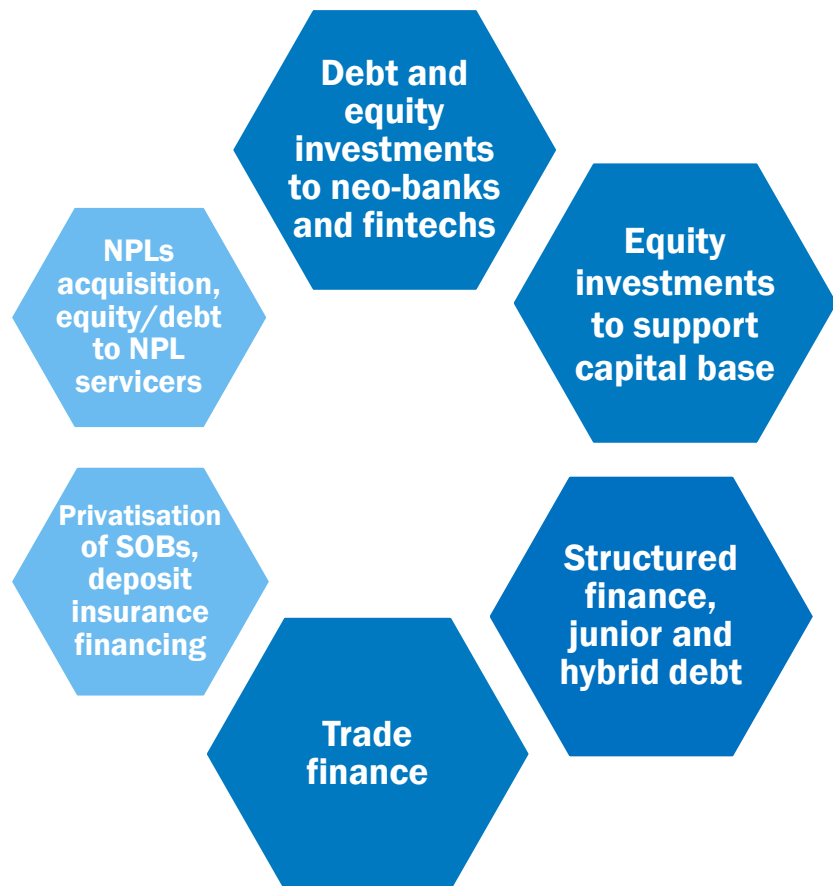
## 2.4. Priority 3 – ‘Future-proof’ the financial sector



| Strategic objective  | Strategic activities  | TI qualities         |
|--|---|----------------------|
| <b>3. Strengthen the financial sector’s resilience and ability to respond effectively to present and future challenges by “future-proofing” the sector</b> | <b>Support new business models</b> <ul style="list-style-type: none"> <li>Selectively invest in equity and lend to neo-banks and non-bank fintechs to stimulate market evolution and improve its competitiveness</li> <li>Support digitalisation of financial services by incumbent PFIs to support their resilience and effectiveness</li> </ul>   | <b>Resilient</b>     |
|  | <b>Inclusion support through new technologies</b> <ul style="list-style-type: none"> <li>In aid of cross-cutting avenues to support PFIs’ technological upgrading and fintech business models likely to benefit SMEs, female and young entrepreneurs and other under-served subgroups including efforts to increase in digitalisation of SMEs themselves</li> </ul>   | <b>Competitive</b>   |
|  | <b>Embedding gender diversity</b> <ul style="list-style-type: none"> <li>Improve PFIs’ corporate governance and business standards including gender diversity at the top</li> </ul>   | <b>Well-Governed</b> |
|  | <b>Trade finance digitalisation</b> <ul style="list-style-type: none"> <li>Explore and promote relevant digital solutions for trade finance in EBRD regions</li> </ul>  | <b>Inclusive</b>     |
|  | <b>Capital support and strengthening loss absorption capacity</b> <ul style="list-style-type: none"> <li>Improve the level of PFI resilience by strengthening their capital bases and loss absorption capacity</li> <li>Support the resolution of NPLs through the acquisition of loan portfolios and lending to/investing in NPL servicers</li> <li>Facilitate the evolution of non-bank financial institutions by providing long-term debt and equity funding, technical assistance and engagement in policy dialogue and strengthen deposit insurance and credit guarantee funds</li> <li>Strengthen resilience and improve competitiveness through privatisation of SOBs</li> </ul> | <b>Integrated</b>    |
|  | <b>Capital markets support</b> <ul style="list-style-type: none"> <li>Foster the development of capital markets in CoOs and expand the variety of funding instruments, including structured finance, junior and hybrid debt</li> </ul>  |                      |
|  | <b>Trade finance support</b> <ul style="list-style-type: none"> <li>Respond to the disproportionate impact of COVID-19 on trade in EBRD markets and support the recovery of active international trade in Expand the trade finance toolkit of PFIs through capacity-building and new products (e.g. factoring)</li> </ul>   |                      |

## 2.4.1. Priority 3 – anticipated engagements

### Anticipated type and number of engagements

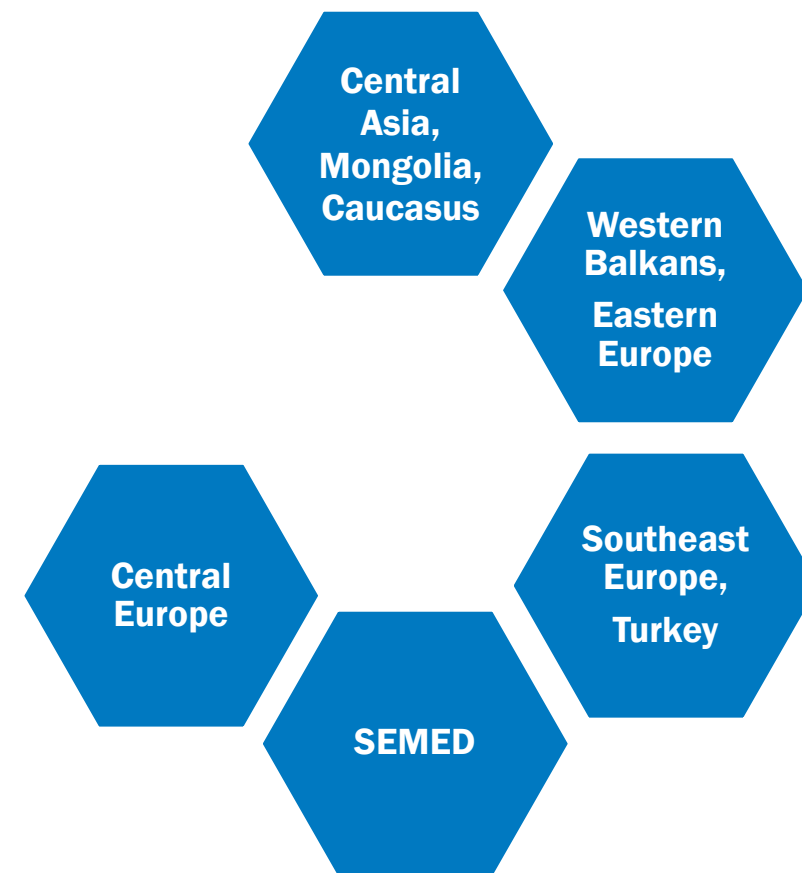


### Objective

**The Bank will continue to provide capital support, privatisations and capital market transactions as a core pillar or future proofing the financial sector.**

**It will add a strong digitalisation push, both with existing clients when relevant and with new fintech market participants.**

### Anticipated intensity of engagements by region



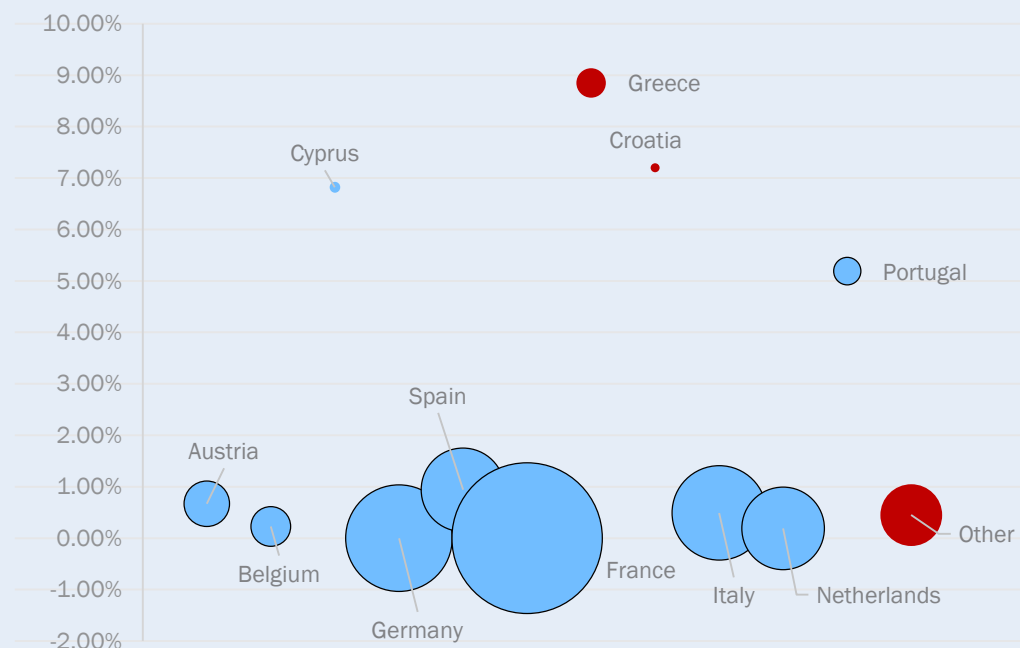
## 2.4.2. Bail-in-able instruments such as MREL are expected to continue to be a core product of EBRD investments over the strategy period

**EBRD Investments in MREL instruments are targeted, aiming to establish functioning markets and attract investors...**

**... and in keeping with EBRD's mission**

- **The market for bail-in-able instruments in the Eurozone is very large (more than EUR 2 trillion),** however more than 98% is outside EBRD's region.
- In the EBRD's EU region, the current **gap (unmet need) is still large at ca. €25bn**, but EBRD can help address if it **focuses on a catalytic role**, building local and international investor trust to establish a market.
  - **€15 billion in the EBRD Eurozone countries** (of which Greece is >90%).
  - **€10-12 billion in** Poland, Hungary, Croatia, Romania and Bulgaria.
  - Further needs are likely to arise in the Western Balkans, where regulatory requirements are just being put in place
- **Bail-in-able investments are an enabler of the green agenda** in the region, as they bring longer term funding to banks.

**Size of the MREL Market (bubble size) and MREL Shortfall (%) of Total Risk Exposure Amount**



Source: Single Resolution Board, MREL Dashboard (4Q 2020)

- Across the entire EBRD region, bail-in-able instruments have been **a core, profitable EBRD product with high impact and additionality** since the creation of the Bank. This is expected to continue.
- Bail-in-able instruments are **managed under a specific risk limit** (senior preferred, senior non-preferred and Basel III Tier 2) and represent 7% of FI's portfolio as of March 2021.



## 2.4.3. Equity investments to underpin resilience

**Equity investments will remain critical to strengthen the resilience of financial sector in the post-pandemic recovery period. Investments are expected over the medium term as the crisis' impact on the real economy will stretch over time. Capital support will enable to strengthen the financial sector as well as optimise operations. Payments, non-bank financial institutions and fintech will play a critical role alongside traditional business models going forward.**

|   | EU   | Western Balkans,<br>Eastern Europe | Central Asia, Turkey,<br>Caucasus, Mongolia           | SEMED   | Non-bank FIs, Payments   |
|---|--|------------------------------------|---|---|--|
| <b>Capital-raising</b>                        | Limited opportunities due to strong capital levels at banks      | Opportunities                      | Opportunities with listed banks                       | Opportunities accelerated by COVID impact, or to support growth | Opportunity with supporting growth / solvency capital                    |
| <b>M&amp;A and consolidation</b>              | Opportunities but require strategic partnerships                 | Opportunities                      | Some opportunities but require strategic partnerships | Some opportunities but require strategic partnerships           | Opportunities but require strategic partnerships and/or tier 1/2 support |
| <b>Divestment, carve-outs and outsourcing</b> | Opportunities mostly in NBFIs, payments, NPLs                    | Some opportunities                 | Limited opportunities                                 | Opportunities mostly in NBFIs, bank exits largely completed     | Opportunities with larger exits, secondary market sales                  |
| <b>Digitalisation and fintech</b>             | Opportunities but subscale or fragmented requiring consolidation | Some opportunities                 | Opportunities, but early stage                        | Opportunities, but mostly subscale, early stage                 | Opportunities, but subscale or fragmented requiring consolidation        |
| <b>Privatisation</b>                          | Limited opportunities  | Opportunities                      | Opportunities   | Opportunities, large privatisation pipeline                     | Some opportunities in limited countries                                  |

**Note**  
"Opportunities" in the summary above are measured by opportunities for EBRD's engagement, taking into account the requisite additionality considerations.

## 2.4.4. Key pillars to generate new equity investments

### Three key pillars to support business development and delivery

#### EBRD equity brand

- Actively build and strengthen **visibility and credibility with Co-investors and advisors**
- Adopt dedicated approach to **developing relationships** with the relevant counterparties
- (re)Define and clearly articulate **EBRD's value add** beyond long-term capital, in light of substantial 'dry powder' currently with investors

#### Risk appetite and engagement principles

- Review EBRD **exit requirements** – alignment of interest
- **Engagement with local shareholders** – governance, Put viability.
- Consider value add of **smaller deals**
- Evaluate ability to act as facilitator in **privatisations and consolidations**
- Explore scope for investments in **international businesses looking to enter EBRD CoOs**

#### Comprehensive operational approach

- Build out **coordinated relationship management and sourcing strategy** with specialised bankers driving the equity relationships, integrated with the FI teams
- Ensure systematic **engagement with key strategic and financial investors** in the region to discuss EBRD value add in equity deals
- Maintain **on the ground presence** through the ROs and increase awareness of equity opportunities

### ...informed by

#### Lessons learned from implementation of 2016–2020 strategy

- It is important to be **selective about strength and commitment of the equity partners**
- Exercise care when equity is used as a **signalling instrument**
- Engage in **partnership with IFIs** where value can be enhanced
- **Privatisation** can offer high impact but requires substantial resources
- **Clear articulation** of EBRD **value-add** required early in the process

## 2.5. Grants and concessional finance will remain key enablers to achieve the ambitions under many strategic initiatives

Working with donors will continue to play a key role in **building capacity and developing skills of PFIs, changing behaviour and creating well-functioning markets**. This in turn provides **strong leverage on every donor € spent and formidable outreach** within the entire economy

### Donor funding will be even more critical for:

- Technical Cooperation to support and guide the **transformation of the financial sector**, especially on climate risk and disclosures, with appropriate **cost-sharing** and emphasis on **‘first mover’ and demonstration effects**.
- **Risk-sharing and Co-financing** to support the transition towards **green, low-carbon economies** and **equal opportunities** for all, in line with DFI Enhanced Blended Concessional Finance Principles for Private Sector Projects, in particular the principles of **minimum concessionality** and **reinforcing markets**.
- Emphasis on **less advanced regions** (EEC, SEMED and Central Asia) as per the EBRD Strategic Capital Framework.
- Growing relevance of **guarantees** (funded or unfunded) and **concessional loans** but traditional grant-based instruments will remain vital.

### Potential sources of grant funds:

EBRD will seek **strategic partnerships with its broad and diverse donor community**, based on shared interest and development goals. These include:

- the **European Union**.
- **Bilateral donors**: Bilateral donors, including increasingly CoOs’ own donor funds.
- **Multi-Donor funds**, e.g. Ukraine Multi-Donor Account, Women Entrepreneurs Finance Initiative, Small Business Impact Fund, Western Balkans Investment Framework, SEMED Multi-Donor Fund
- **The Bank’s Shareholder Special Fund** is an important source of grant funding enabling the Bank to complement external donor finance with its net income towards furthering the new strategy
- **Climate funds**, such as the Green Climate Fund, etc.



### 3. Positioning EBRD vis-à-vis other IFIs and partners

# 3.1. Examples of cooperation and joint investments with IFIs and partners during the previous strategy

## IFIs/partners\* Geography

|   | EU | Western Balkans | Eastern Europe | Gen. Asia, Mongolia, Russia | Caucasus | SEMED | Turkey |
|---|----|-----------------|----------------|-----------------------------|----------|-------|--------|
| <b>ADB</b>                                |    |                 |                | €P                          |          |       |        |
| <b>AfDB</b>                               |    |                 |                |                             |          | €P    |        |
| <b>AIIB</b>                               |    |                 |                |                             |          |       | €      |
| <b>World Bank</b>                         | €P | €P              | €P             | €P                          | €P       | €P    | €P     |
| <b>IFC</b>                                | €  | €               | €              | €P                          | P        | €     | €P     |
| <b>EIB/EIF</b>                            | €  | €               | €              |                             |          | €     |        |
| <b>IMF</b>                                |    | €P              | €P             | €P                          | €P       | P     | P      |
| <b>Other (AFD, BSTDB, IIB, EFSE, KfW)</b> | €  | €               |                |                             | €        | €P    | €      |
| <b>IsDB</b>                               |    |                 |                | €                           |          | €     | €      |
| <b>EBRD</b>                               | €P | €P              | €P             | €P                          | €P       | €P    | €P     |

€ Area of significant investment      P Area of significant policy dialogue  
**Focus:**  mostly on private sector       mostly on public sector       on both private and public sectors

\*IFI activity mapping is based on publicly available information

## Examples of cooperation and joint investments during the previous strategy:

|  |   |
|--|---|
| <b>EU</b>                              | <ul style="list-style-type: none"> <li><b>EBRD and World Bank (2016)</b> extended €300m each to the Bulgarian Deposit Insurance Fund, closely coordinating policy dialogue efforts with the authorities in support of the Fund's reform and strengthened public confidence in the banking sector</li> <li><b>EBRD, EIB and EIF (2017)</b> subscribed €350m, €50m and €40m, respectively, to the €500m covered bond issued by Piraeus Bank, signalling the return of Greek banks to the international debt capital market since the beginning of the financial crisis</li> <li><b>EC, ECB, IFC, EBA and EBRD (2019)</b> mitigated the negative impact of Ordinance 114 in Romania through a coordinated multi-stakeholder dialogue with the authorities</li> </ul> |
| <b>Western Balkans, Eastern Europe</b> | <ul style="list-style-type: none"> <li><b>EBRD and WB</b> extensively coordinated their policy dialogue and technical cooperation activities in Ukraine ranging from SOB reform and deposit insurance capacity-building, to NPL resolution framework development (Kiev approach) and strengthening banking regulation and supervision</li> <li><b>EBRD and IMF</b> coordinated the clean-up and re-ignition of the Moldovan banking system following the \$1bn fraud events</li> <li><b>IFC, WB and EBRD</b> coordinated their engagements in the Western Balkans promoting NPL resolution under the umbrella of the Vienna Initiative</li> </ul>   |
| <b>Central Asia, Caucasus</b>          | <ul style="list-style-type: none"> <li><b>IFC, ADB</b> joint policy dialogue and pre-privatisation support in Uzbekistan with selected SOBs</li> <li><b>EBRD, ADB and IMF</b> joint policy dialogue and coordination on the newly adopted amendments to the banking sector legislation in Mongolia</li> </ul>   |
| <b>Turkey</b>                          | <ul style="list-style-type: none"> <li><b>EBRD, IFC</b> and other investors participated in \$435m DPR transaction with Denizbank (2021). EBRD participated with \$100m to support the bank's on-lending to women-led businesses as well as to companies for financing their investments in green technologies. The deal marked Denizbank's return to its DPR programme</li> <li><b>EIB, IFC, IMF, WB</b> together supported NPL resolution efforts. EBRD also worked with <b>IsDB</b> on Shariah-compliant instruments (e.g. sukuk)</li> </ul>   |
| <b>SEMED</b>                           | <ul style="list-style-type: none"> <li><b>EBRD, EIB, KfW and AFD</b> co-financed MorSEFF, an €80m programme for on-lending to businesses for energy efficiency and small-scale renewable energy projects in Morocco</li> <li>EBRD supported the Lebanese Microfinance Association through a study of the pressures of the financial/currency crisis on microfinance providers, in close coordination with the <b>WB's Consultative Group to Assist the Poor</b></li> </ul>  |

## 3.2 Future areas of IFI cooperation and coordination

- **Co-financing with IFIs/DFIs**, e.g. through enhanced cooperation with EIB as part on the back of the new Framework Cooperation Agreement.
- **Coordination on policy dialogue** in specific countries to ensure consistency, coherence and increase synergies and leverage:
  - WBG, ADB, IMF on financial sector reform
  - IFC and ECB on Paris Alignment for intermediated finance (dissemination of climate risk and disclosure best practices)
  - IMF on AML
  - International Chamber of Commerce (ICC) on green technologies
  - Factors Chain International (FCI) on factoring legal reform
- **Enhanced cooperation with the 15-member Association of European Development Finance Institutions (EDFI)** to create efficiencies and strengthening the impact and sustainability of joint engagements on the back of the Memorandum of Understanding.
- **Joint collaboration on specific initiatives**
  - WB, IFC, EIB in the Vienna Initiative/NPL Initiative
  - Twenty eight IFIs regard the harmonisation of indicators (Harmonised Indicators for Private Sector Operations, HIPS0)
  - Working Group for DFI on Enhanced Blended Concessional Finance Principles for Private Sector Projects
  - OECD Blended Finance and Private Sector Mobilisation
  - IFIs on Paris Alignment
- **Build on the strategic partnership with the EU:** leverage new instruments under
  - European Fund for Sustainable Development plus (EFSD+)
  - InvestEU
  - Instrument for Pre-Accession (IPA)
  - Recovery and Resilience Facility (RRF)
  - Team Europe Initiatives active contribution.
  - Technical Support Instrument

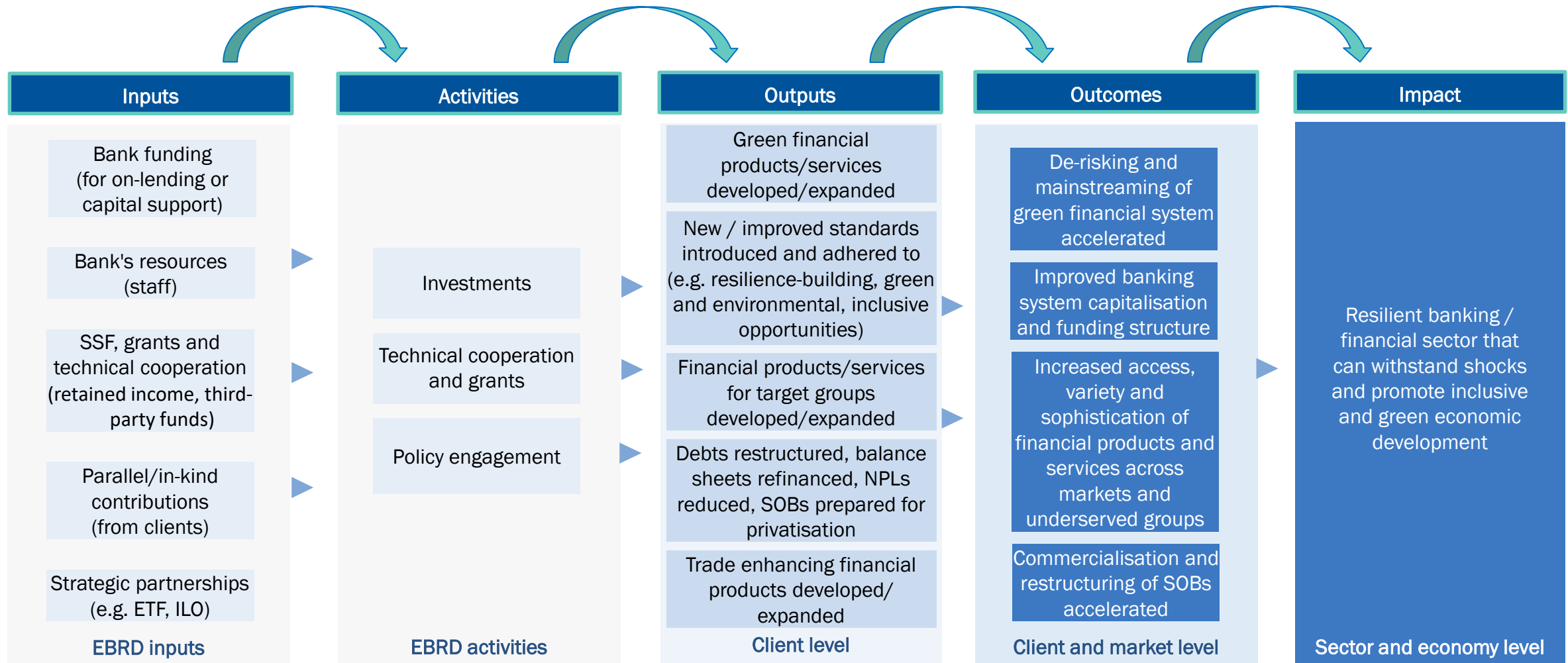


\*IFI activity mapping is based on publicly available information.

## 4. Measuring results



# 4.1. Approach to results monitoring



**Assumptions:**

- ✓ Market stability: macro and fiscal environments that are conducive for financial sector development
- ✓ Client is fully engaged and buys into business case
- ✓ Legal or regulatory changes are enforced accordingly
- ✓ Government readiness



## 4.2 Performance Monitoring Framework



| Specific Strategic Objectives  | Tracking indicators  |  | Context indicators   |
|--|--|--|--|
|  | Outputs  | Outcomes (for relevant countries tracked in Country Strategies*)   | Impact   |
| <b>1. Develop and expand financial sector partnerships to drive the transition to green, low-carbon economies</b>                                    | <ul style="list-style-type: none"> <li>• GET delivery as % of ABI</li> <li>• Number and volume of PFI sub-loans disbursed under GET-eligible facilities</li> <li>• Paris Alignment approach tested through pilot, then operationalized</li> <li>• Policy advice delivered aimed at building the capacity of the financial sector to respond to the challenges and opportunities resulting from climate change</li> </ul>   | <ul style="list-style-type: none"> <li>• Total CO<sub>2</sub> emissions reduced (tonnes/yr)</li> <li>• Number/ share of PFIs that increase lending for green projects beyond EBRD support</li> <li>• New financial instruments introduced or existing ones tailored to scale up green finance</li> <li>• Number of PFIs setting on Paris Alignment path with EBRD assistance</li> <li>• Number of PFIs improving climate and environmental transparency and disclosure with EBRD assistance</li> <li>• Number of PFIs improving climate and environmental risk management with EBRD assistance</li> <li>• Number of PFIs improving practices: innovative green business model</li> <li>• Improved institutional frameworks and capacity for green financing (e.g. Paris Alignment)</li> </ul>  | <ul style="list-style-type: none"> <li>• Carbon emissions (transport, electricity and heat production)<br/>Source: IEA</li> <li>• Risk management and corporate governance<br/>Source: EBRD assessment</li> </ul>  |
| <b>2. Boost inclusive economic development through the financial sector and drive equality of opportunity through intermediated finance channels</b> | <ul style="list-style-type: none"> <li>• Number/volume of PFI sub-loans disbursed to MSMEs</li> <li>• Number/volume of PFI sub-loans disbursed to women-led or women-owned enterprises</li> <li>• Number/volume of PFI sub-loans disbursed to youth-led or youth-owned enterprises</li> <li>• Number/volume of PFI sub-loans disbursed in target regions</li> <li>• Policy advice delivered aimed at improving access to finance for ‘under-banked’ customer categories</li> <li>• Number and volume of ‘Gender Tag’ operations</li> <li>• Number of knowledge management activities delivered to PFIs</li> <li>• Number of PFI staff trained (e.g. under financial inclusion Programmes)</li> </ul> | <ul style="list-style-type: none"> <li>• Number of PFIs / share of PFIs of EBRD’s PFI pool that increase lending for MSMEs beyond the volume of EBRD funding</li> <li>• Number of PFIs / share of PFIs of EBRD PFI pool that increase lending for women-led or women-owned enterprises beyond the volume of EBRD funding</li> <li>• Number of PFIs / share of PFIs of EBRD’s PFI pool that increase lending for youth-led or youth-owned enterprises beyond the volume of EBRD funding</li> <li>• Number of PFIs / share of PFIs of EBRD PFI pool that increase lending in target regions beyond the volume of EBRD’s funding</li> <li>• Number of legal and/or institutional reforms to improve financial inclusion and/or access to finance</li> <li>• Number of PFIs improving practices (e.g. equality of opportunity practices)</li> <li>• Evidence of PFI improving equality opportunity practices (qualitative)</li> <li>• Number of PFI staff enhancing skills (e.g. from financial inclusion programmes)</li> </ul> | <ul style="list-style-type: none"> <li>• Share of SMEs that report access to finance as constraint<br/>Source: World Bank-EBRD Enterprise Surveys (BEEPs)</li> <li>• Borrowing from a financial institution (gender gap)<br/>Source: Global Financial Inclusion (Findex) Database</li> </ul> |

\*Aggregate indicators will be selected and monitored at the country level for relevant country strategies within the country context where data is available. Please note: Outcomes at the sub-borrower level may also be monitored and evaluated for specific programmes through special studies.

## 4.2 Performance Monitoring Framework (continued)



| Specific Strategic Objectives  | Tracking indicators   |   | Context indicators   |
|--|---|---|--|
|  | Outputs   | Outcomes (for relevant countries tracked in Country Strategies*)  | Impact   |
| <b>3. Strengthen the financial sector's resilience and ability to respond effectively to present and future challenges by 'future-proofing' the sector</b> | <ul style="list-style-type: none"> <li>• Number of equity investments in bank and non-bank PFIs</li> <li>• Volume of resolution-eligible debt financing extended to PFIs</li> <li>• Number and volume of local currency loans disbursed by the PFI</li> <li>• Number of PFIs issuing capital market debt or equity</li> </ul> | <ul style="list-style-type: none"> <li>• Net reduction of NPLs of PFIs</li> <li>• Improved legal and regulatory frameworks for a stronger financial sector</li> <li>• Net change in Capital Adequacy Ratio of PFIs / Net change in PD score of PFIs</li> <li>• Number of PFIs funding themselves by issuance of hybrid capital or subordinated debt</li> <li>• Volume of total capital market transactions facilitated/ mobilised (e.g. bonds, equity) in EBRD operations beyond EBRD's own investment</li> </ul> | <ul style="list-style-type: none"> <li>• NPLs / total gross loans<br/>Source: IMF FSI, Central Banks</li> <li>• Capital Adequacy Ratio<br/>Source: IMF FSI, Fitch</li> </ul> |
|  | <ul style="list-style-type: none"> <li>• Number of advisory recommendations agreed supporting digitalization of financial services of incumbent FIs</li> </ul>  | <ul style="list-style-type: none"> <li>• Number of EBRD clients introducing new or updated technology/ products/ service (or existing ones tailored to include faster adoption of digitalisation)</li> <li>• Number of fintechs in EBRD regions</li> </ul>  | <ul style="list-style-type: none"> <li>• Total trade volume/GDP<br/>Source: World Bank WDI</li> </ul>  |
|  | <ul style="list-style-type: none"> <li>• Number and volume of TFP transactions by PFIs</li> <li>• Number and volume of factoring operations</li> </ul>  | <ul style="list-style-type: none"> <li>• Number of clients entering or expanding activities in an international market for trade finance</li> <li>• Number of new Issuing Banks with enhanced capacity to provide trade finance by joining the TFP</li> </ul>   | <ul style="list-style-type: none"> <li>• Asset share of private banks (per cent of GDP)<br/>Source: World Bank GFDD, EBRD FI Risk Reports</li> </ul>                         |
|  | <ul style="list-style-type: none"> <li>• Number of SOBs prepared for privatisation</li> </ul>   | <ul style="list-style-type: none"> <li>• Number of PFIs implementing full/ partial reduction of state ownership with EBRD assistance</li> </ul>   |  |

\*Aggregate indicators will be monitored at the country level for relevant country strategies within the country context where data is available. Please note: Outcomes at the sub-borrower level may also be monitored and evaluated for specific programmes through special studies.

|        |        |        |
|--------|--------|--------|
|        | 578.34 | 120.12 |
|        | 332.73 | 685.39 |
| 388.27 | 384.34 | 485.37 |
| 485.37 | 485.37 | 807.96 |
| 579.54 | 579.54 | 813.86 |
| 910.26 |        | 278.38 |
| 488.05 |        | 883.36 |
| 120.73 | 718.76 | 656.29 |
| 717.80 |        | 180.19 |
| 609.1  | 776.09 | 944.47 |
| 138.73 | 619.50 | 738.51 |
| 678.21 |        | 883.47 |
| 558.78 |        | 455.87 |
| 386.83 | 873.83 |        |
| 609.91 | 946.12 | 873.83 |
| 536.94 |        |        |
| 440.30 | 322.00 | 494.92 |
| 807.96 |        | 337.89 |
| 857.53 |        | 691.82 |
| 307.55 | 456.43 |        |
| 132.36 |        | 373.86 |
| 248.05 |        |        |
| 880.29 | 685.39 | 715.11 |
| 454.88 |        |        |
| 713.83 | 496.83 | 985.36 |
| 224.98 | 278.38 |        |



50%

collabor. Nunc tempor et mauris ac sodales. Sed nec eros lacus. Curabitur non consequat dui, atque massa. Nulla in ligula consetetur perit. Aliquam non ex tempus, faucibus erat vel, venenatis dolor.

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Duis a odio sed mauris agestas ornare at a est. Sed phasid, nisl a ultricies Dolor. quam enim acedent nulla, nec condimentum

| Year | Fund  | Benchmark |
|------|-------|-----------|
| 2008 | 33.29 | 28.92     |
| 2009 | 37.04 | 28.76     |
| 2010 | 17.25 | 17.28     |
| 2011 | 1.11  | 1.08      |
| 2012 | 16.53 | 16.44     |
| 2013 | 33.63 | 33.61     |
| 2014 | 12.64 | 12.58     |
| 2015 | 0.48  | 0.40      |
| 2016 | 12.77 | 12.68     |
| 2017 | 21.13 | 21.19     |



| Day | Open   | High   | Low    | Close  |
|-----|--------|--------|--------|--------|
| Sun | 115.30 | 125.00 | 110.00 | 118.00 |
| Mon | 120.00 | 130.00 | 115.00 | 125.00 |
| Tue | 130.00 | 140.00 | 120.00 | 135.00 |
| Wed | 140.00 | 150.00 | 130.00 | 145.00 |
| Thu | 150.00 | 160.00 | 140.00 | 155.00 |
| Fri | 160.00 | 170.00 | 150.00 | 165.00 |
| Sat | 170.00 | 180.00 | 160.00 | 175.00 |

PUBLIC



Annexes

- A** Abbreviations
- B** Cross-sectoral linkages
- C** Link to EBRD country strategies
- D** Environmental and Social Policy
- E** Resilience gaps in the financial sector
- F** Policy dialogue engagements in FI
- G** Development of capital markets in the EBRD's countries of operations
- H** Context impact indicators
- I** Review and evaluation of Strategy 2016-20 results
- J** Case Studies

# Annex A

## Abbreviations



European Bank  
for Reconstruction and Development

|                 |   |              |  |
|-----------------|---|--------------|--|
| <b>ABI</b>      | Annual Bank Investment  | <b>GET</b>   | Green Economy Transition                                   |
| <b>AML</b>      | Anti-Money Laundering   | <b>IFI</b>   | International Financial Institution                        |
| <b>ASB</b>      | Advice for Small Businesses                                   | <b>KYC</b>   | Know Your Customer   |
| <b>ATQ</b>      | Assessment of Transition Qualities                            | <b>LCY</b>   | Local Currency   |
| <b>CEE</b>      | Central and Eastern Europe                                    | <b>MDB</b>   | Multilateral Development Bank                              |
| <b>CEB</b>      | Central Europe and Baltics                                    | <b>MREL</b>  | Minimum Requirement for own funds and Eligible Liabilities |
| <b>CA</b>       | Central Asia  | <b>MSME</b>  | Micro, Small, and Medium-sized Enterprise                  |
| <b>CMD</b>      | Capital Markets Development Initiative                        | <b>NGFS</b>  | Network for Greening the Financial System                  |
| <b>CMI</b>      | Capital Markets Infrastructure                                | <b>NPL</b>   | Non-performing Loan  |
| <b>CoO</b>      | Country of Operations   | <b>SCF</b>   | Strategic and Capital Framework 2020-2024                  |
| <b>COVID-19</b> | Novel coronavirus   | <b>SEE</b>   | South-eastern Europe                                       |
| <b>CSEE</b>     | Central and South-eastern Europe                              | <b>SEMED</b> | Southern and Eastern Mediterranean                         |
| <b>CTF</b>      | Counter-terrorism financing                                   | <b>PFI</b>   | Partner Financial Institution                              |
| <b>DCFTA</b>    | Deep and Comprehensive Free Trade Agreement                   | <b>PTI</b>   | Portfolio Transition Impact                                |
| <b>DPR</b>      | Diversified Payment Rights                                    | <b>PR</b>    | Performance Requirement                                    |
| <b>EBRD</b>     | European Bank for Reconstruction and Development              | <b>RAROC</b> | Risk-adjusted Return on Capital                            |
| <b>ECB</b>      | European Central Bank   | <b>RE</b>    | Renewable Energy   |
| <b>EE</b>       | Energy Efficiency   | <b>RSF</b>   | Risk-Sharing Framework                                     |
| <b>EEC</b>      | Eastern Europe and Caucasus                                   | <b>RWA</b>   | Risk-Weighted Assets                                       |
| <b>ETC</b>      | Early Transition Countries                                    | <b>SBI</b>   | Small Business Initiative                                  |
| <b>ETI</b>      | Expected Transition Impact                                    | <b>SDGs</b>  | Sustainable Development Goals                              |
| <b>EU</b>       | European Union  | <b>SGI</b>   | Strategic Gender Initiative                                |
| <b>EUR</b>      | Euro  | <b>SOB</b>   | State-owned Bank   |
| <b>ESP</b>      | Environmental and Social Policy                               | <b>SP</b>    | Solidarity Package   |
| <b>ETI</b>      | Expected Transition Impact                                    | <b>SSF</b>   | Shareholder Special Fund                                   |
| <b>FDI</b>      | Foreign Direct Investment                                     | <b>TC</b>    | Technical Cooperation                                      |
| <b>FI</b>       | Financial Institution / Financial Institutions Business Group | <b>TI</b>    | Transition Impact  |
| <b>FIF</b>      | Financial Intermediaries Framework                            | <b>TFP</b>   | Trade Facilitation Programme                               |
| <b>FX</b>       | Foreign Currency  | <b>USD</b>   | US Dollar  |
| <b>G4G</b>      | Guarantee for Growth  | <b>WB</b>    | Western Balkans  |
| <b>GCF</b>      | Green Climate Fund  | <b>WBG</b>   | World Bank Group   |
| <b>GDP</b>      | Gross Domestic Product  | <b>WiB</b>   | Women in Business  |
| <b>GEFF</b>     | Green Economy Financing Facility                              | <b>YIB</b>   | Youth in Business  |

**For a coherent sector approach, the FI strategy aims to leverage internal partnerships with the Bank's departments to address context and transition challenges while contributing to broader EBRD initiatives and strategic goals. This involves promoting cooperation on investments, policy engagement and technical assistance to leverage skills and expertise across teams**

| Teams   | Areas of cooperation  |
|---|---|
| <b>Capital Markets Development</b>                                    | <b>LCY use and development of local capital markets:</b> investment in capital market instruments, building a domestic institutional investor base and capital market infrastructure and promoting LCY lending. Joint <b>policy dialogue</b> and TC projects: regulatory reform support Pan-Baltic Covered Bond legislation, regulatory alignment TC in Albania and Ukraine. Financial sector effectiveness through diversification of funding sources and integration into global financial markets.   |
| <b>Green Economy and Climate Action</b>                               | <b>Mainstreaming of GET</b> across FI operations, through involvement across the project cycle including in particular origination and marketing of new projects, due diligence to assess green lending potential, project implementation and monitoring and reporting. Strengthening engagement with multilateral climate funds. Joint policy dialogue on financial sector and strengthening linkages of the region to relevant international initiatives (e.g. Chapter Zero).   |
| <b>SME Finance and Development</b>                                    | Support MSMEs' <b>access to finance and entrepreneurship</b> , including under the <b>Small Business Initiative (SBI)</b> and <b>Risk-Sharing Frameworks (RSF)</b> . Development of new products (e.g. SME Local Currency Programme, Youth in Business, Skills in Business).  |
| <b>Office of the General Counsel, including Legal Transition Team</b> | <b>Improve legal and operating environment:</b> corporate governance of FIs (in general as well as climate governance as a subset), access to finance, fintech, insolvency, debt restructuring and NPL resolution. Co-operation on <b>investment projects</b> and development of <b>new financial products</b> , as well as advice on mandate related questions. Cooperation on piloting and follow up standardisation of climate corporate governance activities across FI operations as well as strengthening linkages of the region to relevant international initiatives (e.g. Chapter Zero). |
| <b>Economics, Policy and Governance</b>                               | Transition impact, policy dialogue in the financial sector, notably under the Vienna Initiative/NPL resolution and inclusion (gender and youth). <b>Joint development of new funded and unfunded instruments</b> (e.g. development of the Guarantee for Growth).  |
| <b>Treasury, Client Services Group</b>                                | Execution of <b>capital market investments</b> , as well <b>LCY disbursements</b> and <b>hedging options</b> . Further Treasury provides market insights, loan pricing advice and runs dedicated trainings (e.g. on market risk) for banks in the EBRD region (PFIs & prospective clients).   |
| <b>Sustainable Infrastructure Group</b>                               | Deploy <b>green intermediated municipal lending</b> to contribute to the EBRD <b>Green Cities</b> initiative.   |
| <b>Other Banking teams</b>  | <b>Joint Banking projects</b> with Property and Tourism; Telecommunications, Media and Technology; Agribusiness; Power and Energy; and other sector teams on cross cutting themes such as fintech, collateralised NPLs portfolio transactions and trading platforms (e.g. Hellenic Energy Exchange).  |

## FI strategic priorities are tailored to local specificities as per these illustrative country strategies:

### Egypt

- Promote MSMEs' access to finance
- Foster financial inclusion (Women in Business, Youth in Business)
- Support regulatory reform (incl. bankruptcy and insolvency framework)
- Scale up climate action (e.g. through GEF lines)

### Kazakhstan

- Promote privatisation and provide assistance with pre-privatisation
- Deepen financial intermediation through LCY financing, including bonds
- Support to authorities and banks to resolve existing NPL overhang
- TC to banks to strengthen their internal capacity and business practices

### Serbia

- Improve access to finance for MSMEs through intermediated financing
- GET programs for multi-purpose buildings
- Foster financial inclusion (Women and Business, Youth in Business)
- Promote co-financing and unfunded risk-sharing products with local banks as alternatives to direct financing

### Turkey

- Strengthened resilience of banks including sound risk management practices
- Increase digitalisation and efficiency in financial service provision
- Enhance access to finance for inclusion target groups, including women
- Accelerate GET by providing intermediated financing for RE & EE projects

### Poland

- Focus on GET (e.g. MSME facilities & residential energy efficiency projects)
- Strengthen banks' capital bases, including via subordinated debt
- Policy engagement, such as on BRRD-compliant capital market instruments supporting availability of long-term funding in the banking sector
- Increase variety and sophistication of financial products and services, including sustainable finance instruments (e.g. green bonds)

### Ukraine

- Support SOB reform, with focus on governance, capacity-building, commercialisation and pre-privatisation investments
- SME credit lines and risk-sharing facilities including in local currency
- Promote energy efficiency improvements and implementation of resources efficiency measures through green economy financing facilities
- Improve integration by expansion and scale-up of Trade Facilitation Programme

**The Financial Sector Strategy interfaces, among other, with the Environmental and Social Policy (ESP) of the Bank. The latest ESP was approved by the Board of Directors in 2019. The following provisions are applicable to the activities of the EBRD in the financial sector**

EBRD projects are required to comply with the Bank's **Environmental and Social Policy (ESP)** and associated **Performance Requirements (PRs)**. The EBRD works closely with financial institutions to adopt responsible investment strategies, including sound environmental and social risk and human resource management in line with good international practice. All partner financial institutions (PFIs) are required to comply with EBRD's **Performance Requirements 2 (Labour and Working Conditions), 4 (Occupational Health and Safety)** to their own operation and **9 (Financial Intermediaries)** to their lending activities.

The EBRD recognises the responsibility of clients and their business activities to respect **human rights, the environment and society**. Under PR9, PFIs are expected to manage the environmental and social matters related to their lending or investment activity. PFIs have delegated responsibility for environmental and social risk

assessment, management and monitoring. They are responsible for screening all sub-projects against the **EBRD's E&S Exclusion, Referral and Category A List** and **ensuring the compliance of the sub-loans/projects with applicable national environmental, social, health and safety laws**. EBRD carries out an environmental and social due diligence on each PFI before entering into a contractual partnership. The PFIs' environmental and social management system (ESMS), including environmental and social risk screening and monitoring procedures and processes, relevant staffing and capacity are reviewed. In the case any gaps are identified vis-à-vis EBRD's ESP, an **Environmental and Social Management Plan** is agreed with the PFI and included in the loan agreement. Specific environmental and social covenants are always included in loan and investment agreements as well. EBRD will ensure the **application and monitoring of the EBRD ESP** throughout the implementation period of the project through annual

monitoring. PFIs will provide annual reports on social and environmental matters. **Gender equality** issues are included under the requirements stemming from PR2. PFIs need to observe the principle of non-discrimination in their Human Resources Policy, commit to equal pay for equal work, and have procedures in place to prevent Gender-Based Violence and Harassment.

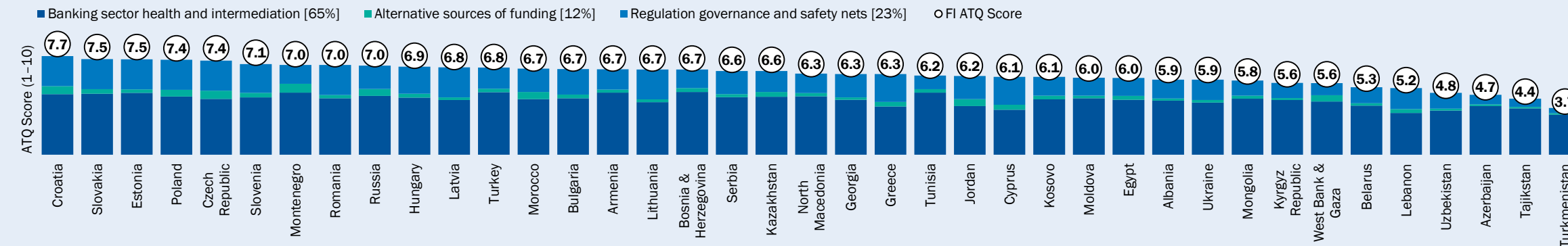
EBRD further supports the **systemic advancement of environmental and social standards**, risk management and reporting in the financial industry through its work with stock exchanges, capital market associations, government agencies as well as on the product development side (green bonds, sustainability-linked financial instruments, etc.). The Environmental and Social Policy can be found [here](#).



# Resilience gaps in the financial sector

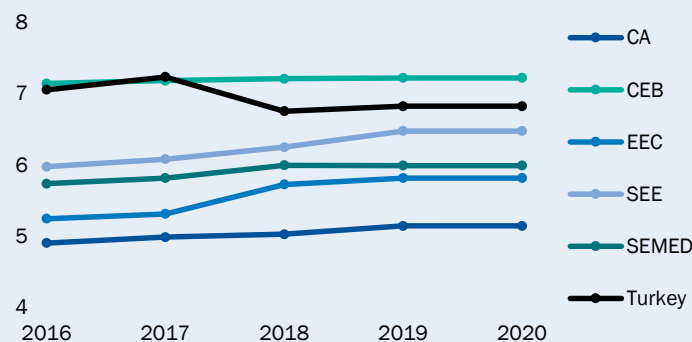


## Resilient ATQ – Financial Sector Stability Pillar



- EBRD countries of operation cover a wide spectrum of **financial sectors with divergent levels of financial stability/resilience**.
- Most EBRD regions evidence steady improvement in financial stability, as measured by EBRD's assessment of transition qualities for financial stability. However, EBRD CoOs vary widely in terms of banking sector structure, regulation, banking sector penetration, and integration into global markets, among others.
- Despite steady improvement in most regions, variation within regions can be significant.

## Financial Stability – Change in Resilient ATQ Score by Region<sup>1</sup>



Source: EBRD calculations.

Note: scores for each year are based on data from the preceding year.

- COVID-19's impact is still to be seen in many economies. The **magnitude of its effects** on each country is determined by a number of factors: severity of the COVID outbreak, demographic structure, economic geography, the structure of the labour markets, and the magnitude of the pledged fiscal response.
- Initial EBRD research suggests that many economies in the EBRD region may be better positioned to exit social distancing – and, in turn, to achieve economic recovery – than emerging-market and advanced-economy peers.



**The Financial Sector Strategy prioritises ambitious policy engagements in support the strategic orientations of the Strategy...**

Transformation programmes **for pre-privatisation** in SOBs

Institutional **capacity-building of deposit insurance schemes** against best practices

Regulatory **reform of banking and non-banking sector** (MFIs, IFRS, fintech etc.)

**NPL resolution**

Corporate **governance of banks and central bank supervision**

**Capital market development** (covered bonds, green bonds)

Financial sector **strategy preparation and implementation**

**Climate risk and climate governance**

**Trade finance**

Shaping a **conducive legal and regulatory environment for women's entrepreneurship**

**... in partnership with:**

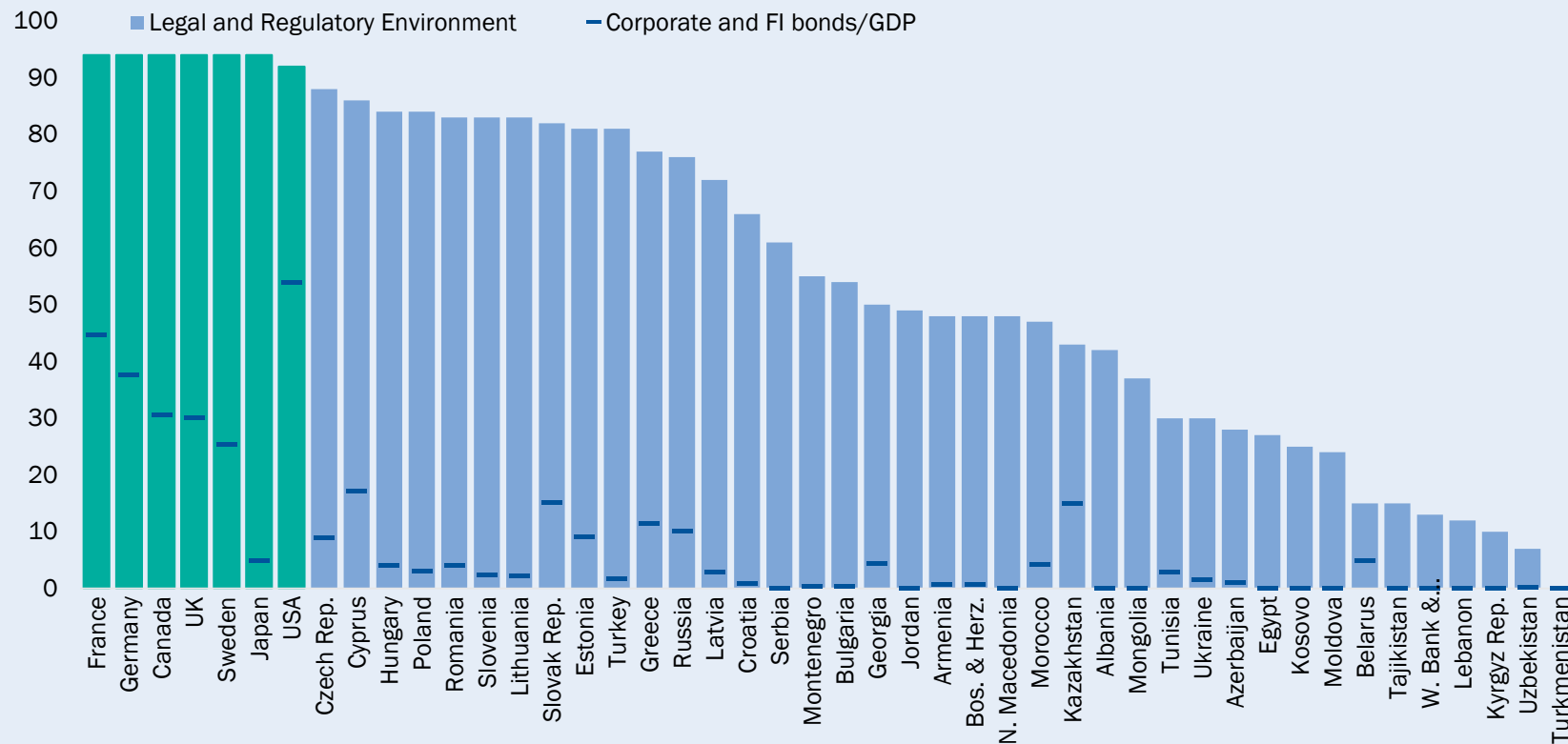
**Internal:** EPG, CMD, LTT, GECA

**External:** World Bank Group, ADB, AfDB, IMF, USAID, EU, Vienna Initiative, EBA, ECB, WTO, ICC, FCI, USAID, WBG, AFI, WWB, FAW and Data2X

# Capital markets in the EBRD region remain underdeveloped



## FDMI score on Legal and Regulatory Environment and Corporate (incl. FI) bonds to GDP



EBRD has developed with external consultants a draft index of capital markets development, which contains several components: (1) The liquidity index takes into account indicators of depth, liquidity & diversification of markets in each jurisdiction – including government debt; (2) The Legal and regulatory index includes comparable measures of legal environment for financial transactions, accounting and reporting standards and alignment with international best practices (such as IOSCO). Source: EBRD estimates (2021).

- EBRD's regions are at **varying stages** of capital markets development especially in the area of corporate and FI sector bonds
- **Central Asia and the Eastern Europe & Caucasus regions exhibit the most significant gaps in their legal & regulatory frameworks**, which is reflected in very low levels of market depth and diversification
- The highest-ranked regions (Central Europe, the Baltic states and Turkey) still face **significant gaps when compared to advanced benchmark countries, especially with regards to the depth, liquidity and diversification of corporate (non-sovereign) fixed income markets**

# Annex H

## Context impact indicators

| Context impact indicator no. | 1  | 2  | 3  | 4  | 5  | 6   | 7  | 8   |
|------------------------------|--|--|--|--|--|---|--|---|
|                              | <b>Carbon emissions, (tonnes): transport, electricity and heat production</b><br>Source: IEA | <b>Risk management and corporate governance (EBRD score)</b><br>Source: EBRD assessment; ATQ score | <b>Share of SMEs that report access to finance as constraint, (per cent)</b><br>Source: World Bank-EBRD Enterprise Surveys (BEEPs) | <b>Borrowing from a financial institution (gender gap ratio)</b><br>Source: Global Financial Inclusion (Findex) Database | <b>NPLs/total gross loans (per cent)</b><br>Source: IMF Financial Soundness Indicators, IHS Market, National Authorities | <b>Capital Adequacy Ratio</b><br>Source: IMF Financial Soundness Indicators, IHS Market, National Authorities | <b>Total trade volume (per cent of GDP)</b><br>Source: World Bank, WDI | <b>Asset share of private banks (per cent of GDP)</b><br>Source: WB GFDD/EBRD FI Risk Reports |
| <b>Economies</b>             |  |  |  |  |  |   |  |   |
| Albania                      | 2.2  | 7.0  | 21.2   | 0.1  | 8.4  | 0.2   | 75.5   | 100.0   |
| Armenia                      | 3.3  | 6.0  | 31.6   | 0.1  | 5.5  | 0.2   | 81.4   | 100.0   |
| Azerbaijan                   | 20.2   | 2.0  | 10.9   | 0.3  | 8.3  | 0.2   | 86.3   | 68.3  |
| Belarus                      | 42.0   | 3.0  | 15.6   | 0.1  | 4.6  | 0.2   | 128.5  | 45.0**  |
| Bosnia and Herzegovina       | 18.2   | 7.0  | 10.6   | 0.1  | 7.4  | 0.2   | 92.3   | 97.4  |
| Bulgaria                     | 32.5   | 8.0  | 10.7   | 0.1  | 6.6  | 0.2   | 128.9  | 97.0  |
| Croatia                      | 8.9  | 10.0   | 6.1  | 0.3  | 7.0  | 0.2   | 97.0   | 57.8  |
| Czech Republic*              | 72.1   | 7.0  | n/a  | 0.2  | 17.1   | 0.2   | 142.4  | 97.6  |
| Egypt                        | 148.0  | 7.0  | 18.3   | 0.4  | 0.4  | 0.3   | 148.5  | 57.7  |
| Estonia                      | 13.9   | 10.0   | 8.6  | 0.3  | 4.6  | 0.2   | 102.8  | 100.0   |
| Georgia                      | 4.8  | 9.0  | 22.4   | 0.3  | 1.9  | 0.2   | 65.9   | 100.0   |
| Greece                       | 46.4   | 7.0  | 35.9   | 0.1  | 36.4   | 0.2   | 166.5  | 67.7  |
| Hungary                      | 24.9   | 8.0  | 0.9  | 0.4  | 1.5  | 0.2   | 92.1   | 93.5  |
| Jordan                       | 18.0   | 8.0  | 17.4   | 0.2  | 5.7  | 0.2   | 58.8   | 50.0**  |
| Kazakhstan                   | 127.2  | 6.0  | 12.3   | 0.1  | 8.6  | 0.2   | 77.0   | 89.4  |
| Kosovo                       | 7.3  | 7.0  | 47.1   | 0.2  | 1.9  | 0.2   | 104.6  | 84.0**  |
| Kyrgyz Republic              | 3.1  | 4.0  | 16.7   | 0.1  | 7.7  | 0.2   | 122.3  | 100.0   |
| Latvia                       | 5.2  | 10.0   | 11   | 0.2  | 5.0  | 0.2   | 70.4   | 100.0   |

Note: The EBRD invests in economies across three continents. The term “countries of operation” is used as a reference to the economies EBRD invests. This does not imply any position on the legal status of any territory. Countries for which no data are available are marked accordingly with “n/a”. Countries for which no data was available but EBRD uses the indicator to calculate the internal Assessment of Transition Qualities (ATQ) scores are marked with (\*\*) and the field indicates the value of the regional minima

\*From 2021 the EBRD is resuming investments in the Czech Republic in response to a request by its government for help with recovery from the pandemic. The Bank’s re-engagement will be temporary, will not exceed a period of up to five years and will focus on the private sector

## Context impact indicators (continued)



| Context impact indicator no. | 1   | 2   | 3   | 4   | 5   | 6  | 7   | 8  |
|------------------------------|---|---|---|---|---|--|---|--|
|                              | Carbon emissions, (tonnes): transport, electricity and heat production<br>Source: IEA | Risk management and corporate governance (EBRD score)<br>Source: EBRD assessment; ATQ score | Share of SMEs that report access to finance as constraint, (per cent)<br>Source: World Bank-EBRD Enterprise Surveys (BEEPs) | Borrowing from a financial institution (gender gap ratio)<br>Source: Global Financial Inclusion (Findex) Database | NPLs/total gross loans (per cent)<br>Source: IMF Financial Soundness Indicators, IHS Market, National Authorities | Capital Adequacy Ratio<br>Source: IMF Financial Soundness Indicators, IHS Market, National Authorities | Total trade volume (per cent of GDP)<br>Source: World Bank, WDI | Asset share of private banks (per cent of GDP)<br>Source: WB GFDD/EBRD FI Risk Reports |
| Economies                    |   |   |   |   |   |  |   |  |
| Lebanon                      | 23.5  | 5.0   | 47.8  | 0.4   | 15.2  | 0.1  | 141.8   | 100.0  |
| Lithuania                    | 7.1   | 10.0  | 10.9  | 0.1   | 1.2   | 0.2  | 86.7  | 100.0  |
| Moldova                      | 5.4   | 6.0   | 29.4  | 0.3   | 8.5   | 0.3  | 106.5   | 45.0**   |
| Mongolia                     | 15.7  | 4.0   | 36.8  | 0.0   | 10.9  | 0.2  | 105.4   | 34.0**   |
| Montenegro                   | 2.3   | 6.0   | 10.5  | 0.2   | 5.1   | 0.2  | 82.5  | 84.0   |
| Morocco                      | 40.7  | 7.0   | 28.4  | 0.6   | 8.3   | 0.1  | 121.9   | 86.2   |
| North Macedonia              | 5.7   | 7.0   | 14.0  | 0.1   | 3.8   | 0.2  | 102.1   | 97.9   |
| Poland                       | 213.5   | 10.0  | 18.0  | 0.2   | 4.1   | 0.2  | 84.4  | 60.0   |
| Romania                      | 44.8  | 10.0  | 23.6  | 0.0   | 9.3   | 0.1  | 48.5  | 92.0   |
| Russia ***                   | 1060.2  | 10.0  | 15.2  | 0.2   | 9.3   | 0.1  | 49.1  | 30   |
| Serbia                       | 36.5  | 9.0   | 5.5   | 0.2   | 4.1   | 0.2  | 104.3   | 84.9   |
| Slovakia                     | 13.8  | 10.0  | 2.5   | 0.3   | 2.9   | 0.2  | 185.9   | 99.0   |
| Slovenia                     | 10.5  | 8.0   | 4.0   | 0.2   | 3.4   | 0.2  | 153.4   | 57.8   |
| Tajikistan                   | 2.7   | 3.0   | 6.1   | 0.2   | 27.0  | 0.2*   | 54.8  | 34.0   |
| Tunisia                      | 16.6  | 5.0   | 47.4  | 0.6   | 13.4  | 0.1  | 99.1  | 69.5   |
| Turkey                       | 227.6   | 7.0   | 26.5  | 0.3   | 5.0   | 0.2  | 52.6  | 68.0   |
| Turkmenistan                 | 32.5  | 1.0   | n/a   | 0.0   | 1.5**   | 0.2**  | 58.0  | 34.0**   |
| Ukraine                      | 112.8   | 6.0   | 46.3  | 0.1   | 48.4  | 0.2  | 104.0   | 45.0   |
| Uzbekistan                   | 52.4  | 4.0   | 5.8   | 0.7   | 1.5   | 0.2  | 43.4  | 17.0   |
| West Bank and Gaza           | n/a   | 5.0   | 26.1  | 0.6   | 4.1   | 0.2  | 76.6  | 100.0  |

Note: The EBRD invests in economies across three continents. The term “countries of operation” is used as a reference to the economies EBRD invests. This does not imply any position on the legal status of any territory. Countries for which no data are available are marked accordingly with “n/a”. Countries for which no data was available but EBRD uses the indicator to calculate the internal Assessment of Transition Qualities (ATQ) scores are marked with (\*\*\*) and the field indicates the value of the regional minima

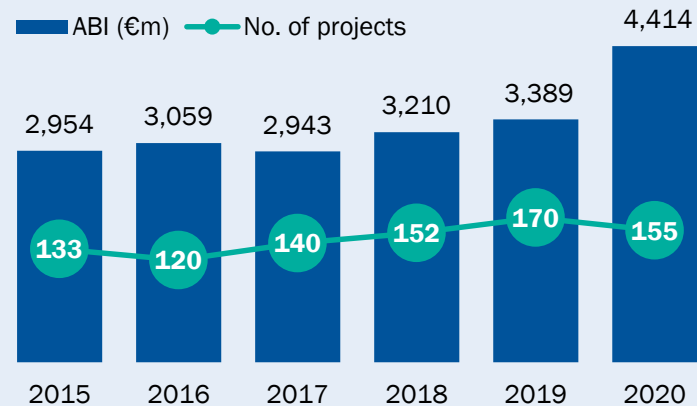
\*\*\*The EBRD remains present in Russia to support existing projects and our clients. The Bank’s operational approach, following guidance from a majority of Directors, is currently not to undertake any new business in the country



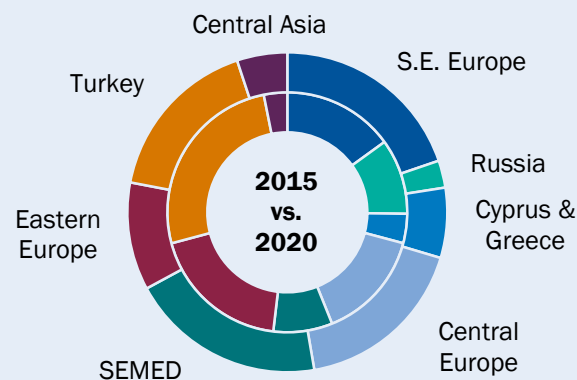
Annex I  
2016-2020 Strategy Assessment

- I1** Overall 2016–2020 FI performance
- I2** Strong delivery against baseline
- I3** Notable policy and investment projects
- I4** Capital mainly deployed outside of advanced transition countries
- I5** Mainstreaming green financing across FI products
- I6** Agile trade finance crucial to supporting clients during the crisis
- I7** Grants and concessional finance instrumental to delivery
- I8** Donor support instrumental to strategic initiatives
- I9** Recommendations of the EBRD Evaluation Department
- I10** Connection between 2016 and 2020 strategies

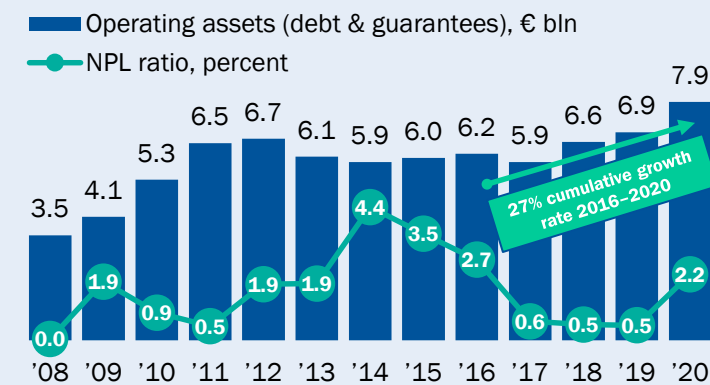
### Strong growth in ABI and number of projects



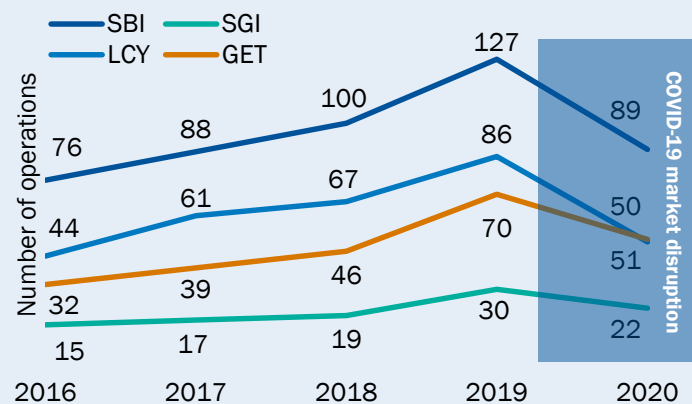
### Portfolio remains well diversified



### Strong operating assets growth with good asset quality



### Steady progress supporting Strategic Initiatives



### Five years of growth

- **Record new business delivery in 2020**, 49% growth over 2015
- The **most recently added countries of operations benefited** from a sizeable increase in EBRD investment
- **Good portfolio diversification maintained**
- **Solid risk underwriting approach** evidenced by a low level of non-performing assets.
- Steady **increase** in number of **investments under EBRD's strategic initiatives**. In 2020, the urgency of crisis support at the onset of the pandemic influenced demand for financing, including under EBRD's strategic initiatives



# Strong delivery against the baseline



| Strategic themes   | Performance measurements  | Operational highlights  |
|--|---|---|
| <b>1. Supporting resilient and efficient banks</b>                 | NPL transactions<br>Baseline: 6<br>Delivery: 12                     | <b>New clients/geographies</b><br>€6.6bn LT debt to banks across 35 economies (incl. €1.2bn crisis finance)   |
|  | Debt to banks (€bn)<br>Baseline: 6.5<br>Delivery: 7.8               | <b>NPL Resolution</b><br>Ramp-up NPL business, including portfolio purchases and finance to servicers   |
|  | Bank equity transactions<br>Baseline: 36<br>Delivery: 15            | <b>Equity Investments</b><br>8 new bank equity investments; 7 capital increases in a challenging environment  |
|  |   | <b>Policy Dialogue</b><br>TC support for bank privatisations/corporate governance (focus on EEC & CA)   |
| <b>2. Improving financial sector effectiveness and integration</b> | LCY debt (€bn)<br>Baseline: 1.7<br>Delivery: 2.7                    | <b>Local Currency</b><br>€2.7bn in LCY debt, a 60% increase compared to 2011-2015   |
|  | Capital market transactions<br>Baseline: 38.0<br>Delivery: 83.0     | <b>Capital Markets</b><br>83 capital market deals (€ 2.6bn ABI), including covered bonds and green bonds  |
|  | Debt to non-banks (€bn)<br>Baseline: 1.0<br>Delivery: 1.7           | <b>New Products</b><br>Portfolio risk-sharing (2018); Guarantee for Growth (G4G, 2020)  |
|  | Non-bank equity transactions<br>Baseline: 23.0<br>Delivery: 9.0     | <b>Covered Bond TC Support</b><br>TC support for covered bond legislation and issuance in CESEE and the Baltics   |
| <b>3. Enhancing financial intermediation</b>                       | Average TFP annual turnover (€bn)<br>Baseline: 1.0<br>Delivery: 2.2 | <b>SBI, SGI &amp; GET</b><br>Over 250 PFIs across 36 countries supported by SBI, SGI and GET  |
|  | GET debt financing (€bn)<br>Baseline: 2.0<br>Delivery: 3.3          | <b>MSMEs</b><br>€4.5bn intermediated finance provided to MSMEs, including €340m to 45 PFIs under Women in Business, which itself has supported c.70,000 sub-loans |
|  | SGI debt financing (€bn)<br>Baseline: 0.3<br>Delivery: 0.6          | <b>GET</b><br>€3.3bn cumulative GET financing through more than 180 operations  |
|  | SBI debt financing (€bn)<br>Baseline: 3.3<br>Delivery: 4.5          | <b>Youth in Business</b><br>Youth in Business programme launched in Egypt (2019); roll-out in other countries underway  |
|  |   | <b>TFP</b><br>9,111 TFP transactions for €11bn since 2016. Record year in 2020: trade deals worth €3.3bn; Green TFP represented 11% of 2020 transactions          |

■ Baseline (2011–2015\*) ■ Delivery (2016–2020)

\*Baseline was established based on results 2011–H1 2015

# Notable policy and investment projects (overview)



**Supporting pre-privatisation of state-owned banks**  
UZBEKISTAN, 2020



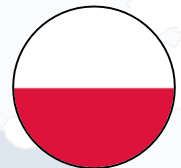
**Introducing portfolio risk-sharing**  
BOSNIA & HERZEGOVINA, 2019



**Fostering banking sector reform**  
UKRAINE, 2019



**Supporting women entrepreneurs with access to finance**  
CENTRAL ASIA, 2019



**Debating EBRD green covered bond investments**  
POLAND, 2019



**Investing in world's largest Green Bond Fund dedicated to Emerging Markets**  
REGIONAL, 2018



**Strengthening the Deposit Insurance Fund**  
MONTENEGRO, 2020



**Exporting efficient water equipment**  
from GREECE to EGYPT, 2018



**Launching new products for youth and skilled labour**  
EGYPT, 2019



**Providing crisis response in crucial times**  
TURKEY, 2020



## Pre-privatisation | UZBEKISTAN, 2020

EBRD launched pre-privatisation support for 2–3 state-owned banks (SOBs) starting with diagnostics co-financed by donors. The project is coordinated with other IFIs on financial sector reform. To enable the development of capital markets and the launch local currency lending in the country, EBRD had previously signed a Memorandum of Understanding with the Uzbek Authorities in 2018, containing a number of priority measures for capital markets/ local currency as well as for the banking sector.



## Banking sector reform | UKRAINE, 2019

EBRD has provided extensive and continuous financial sector reform support to the authorities in cooperation with other leading IFIs. Notably, EBRD contributed to **SOB corporate governance reform**, which resulted in the appointment of new **majority-independent supervisory boards of the three largest SOBs**. The Bank also launched pre-privatisation of Oschadbank, supporting **its transformation and commercialisation**. EBRD facilitated the implementation of Ukraine's financial sector reform through **assistance and advice to two financial regulators** (NBU and NSSMC), and encouraged **NPL resolution efforts** via the introduction of out-of-court restructuring and asset resolution in addition to the support of the Law on Financial Restructuring, a framework for state owned bank restructuring. It also supported the **Deposit Guarantee Fund** through operational transformation, capacity-building, and restructuring of the fund's unsustainable debt. This work was generously funded by a number of donors.



## Debut EBRD green covered bond investment | POLAND, 2019

EBRD invested €11.7m (in Polish Zloty) in **Green Covered Bonds** issued by Poland's PKO Bank Hipoteczny. It enabled PKO BH to **finance residential buildings that reduce greenhouse gas emissions, finance green mortgages and diversify its investor base**. The bank's Green Bond Framework was certified by Climate Bonds Initiative (CBI) and was aligned with the CBI low carbon buildings criteria, whilst alignment with the Green Bonds Principles was certified by Sustainalytics. The project **promotes capital market development** in Poland, being the first issuance of this kind, setting best standards and raising awareness. A second investment was made later in 2019.



## Deposit insurance | MONTENEGRO, 2020

EBRD provided a €50m loan to the **deposit insurer** (DPFM), optimising its funding structure and replenishing its funding base, which was depleted after two bank failures. This helped to **boost the resilience of the financial sector** by enabling DPFM to achieve its 10% target coverage ratio and prepare for the COVID-19 crisis. Moreover, EBRD reviewed the new **Deposit Protection Law**, adopted end-2019. Finally, the Bank launched an **institutional capacity-building programme** in 2021.



## Innovative financial inclusion products | EGYPT, 2019

EBRD launched the Youth in Business programme with a loan of €26.7m (in USD) to the National Bank of Egypt, aimed at **promoting youth entrepreneurship**. A €17.8m (in USD) Skills in Business pilot facility was launched with the same partner bank, with the aim of **addressing the skills mismatch affecting youth unemployment and businesses** in order to **improve young people's employability and ensure supply of skilled workers for businesses**. The SSF is providing grant funding.

# Notable policy and investment projects (part 2)



## Risk-sharing | BOSNIA & HERZEGOVINA, 2019

EBRD introduced **portfolio risk-sharing** in a first project with UniCredit Bank in Bosnia & Herzegovina for a total amount of €10m to **increase access to finance for MSMEs through innovative financing structures**. Portfolio risk-sharing provides PFIs with a financial guarantee to partially cover the risk of an eligible portfolio of SME loans. The **guarantee releases risk-taking capacity of PFIs** which is then utilised to **increase on-lending to SMEs**. A first loss risk cover was provided by donors.



## Women in Business | CENTRAL ASIA, 2019

The Central Asia Women in Business (WiB) Programme to **promote female entrepreneurship** covers the Kyrgyz Republic, Mongolia, Tajikistan and Uzbekistan. The \$200m programme, supported by the Women Entrepreneurs Finance Initiative and the Small Business Impact Fund, allowed on-lending to more than **4,200 female entrepreneurs**, accompanied by capacity-building for PFIs, as well as ASB's business advisory and skills development services. Assisting women-led SMEs in **accessing finance, know-how and advice** contributes to inclusion. Experience from Turkey shows that participating banks increased their share of lending to women, especially to first-time borrowers.



## Investing in the world's largest Green Bond Fund dedicated to Emerging Markets | REGIONAL, 2018

The EBRD committed \$68.5m (€56m) to 'Amundi Planet – Emerging Green One', a **green bond fund** dedicated to emerging markets. The **IFC and the EIB also participated** in the fund, which invests in bonds issued by financial institutions and that **support climate and environmental projects**. In connection with the EBRD's participation, the fund allocates a multiple of at least three times the Bank's investment to the EBRD's countries of operations as part of the fund's regional diversification policy.



## Export of efficient water equipment | from GREECE to EGYPT, 2018

The TFP supported the **export of a seawater treatment plant** from Greece to Egypt. The export was financed through a €250,000 advance payment guarantee issued by Alpha Bank Greece in favour of the National Bank of Egypt, supported by an EBRD TFP guarantee. The installation of the new seawater treatment plant resulted in **estimated water savings of 1,560,000m<sup>3</sup>** (equivalent to 150 Olympic-size swimming pools!).



## Crisis Response | TURKEY, 2020

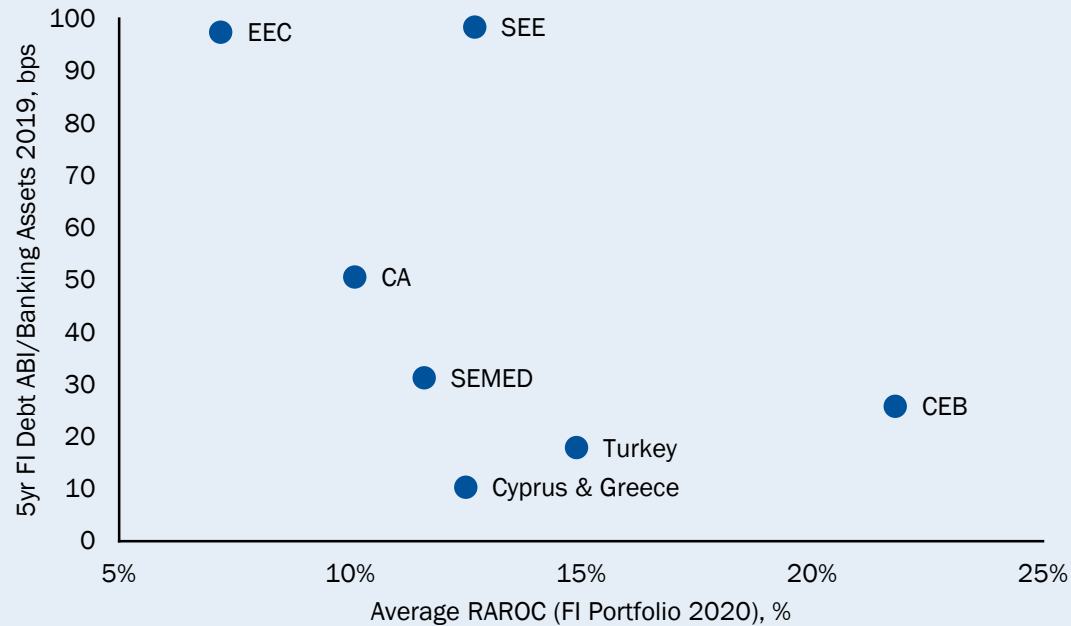
Under the Bank's Solidarity Package, annual business investment in the Turkish FI sector reached an unprecedented €893m. Eight PFIs used EBRD financing of €396m to extend a **financial lifeline to Turkish businesses and municipalities affected by the pandemic**. Four PFIs obtained **trade finance** limits from the EBRD for the first time, and four other banks benefitted from increases in their existing trade finance limits. These enabled companies to **pursue foreign trade amid the uncertainty** caused by COVID.

# Capital is mainly deployed in less advanced transition countries

FI activity has an amplified impact in CA, SEE and EEC where banking systems are smaller in size, whilst RAROC is higher in more advanced countries

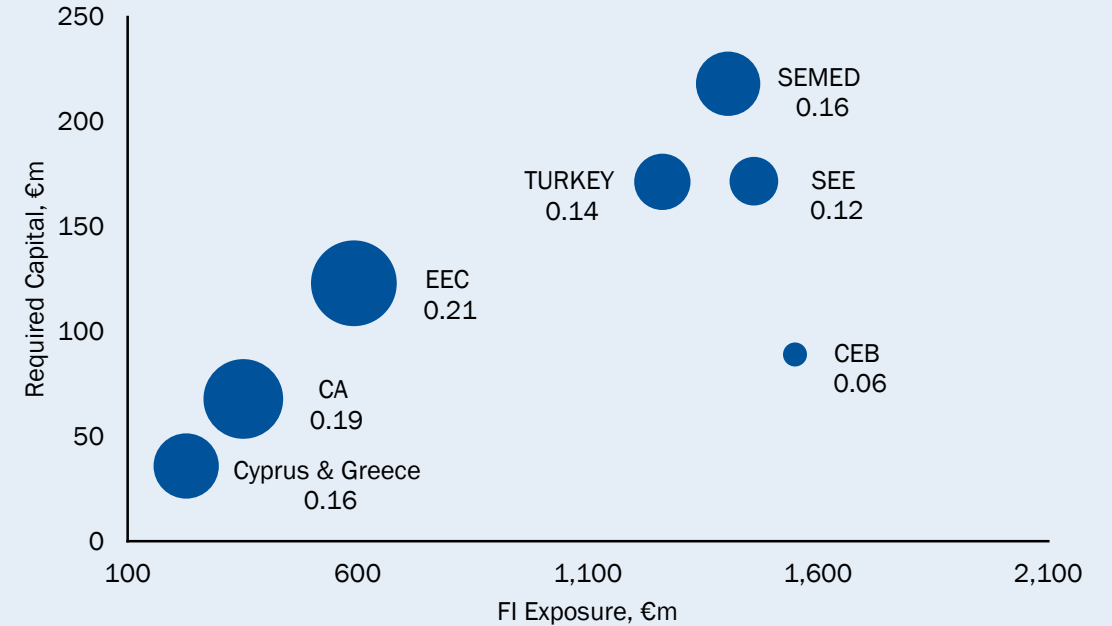
The amount of capital consumed in Central Europe is significantly lower than in the other regions where credit risks are relatively higher

FI Debt<sup>1</sup> profitability and ABI relative to banking system size



1. Debt ABI excludes TFP and equity projects. ABI is the average of 2016-2020 compared to the latest available banking assets (2019); profitability is that of the region's FI 2020 portfolio

Exposure<sup>2</sup> and capital consumption



2. Bubble size represents the amount of required capital per 1 EUR of exposure. Exposure is taken as "exposure at default", a risk measure based on operating assets of non-sovereign senior and subordinated debt together with a proportion of undrawn commitments.

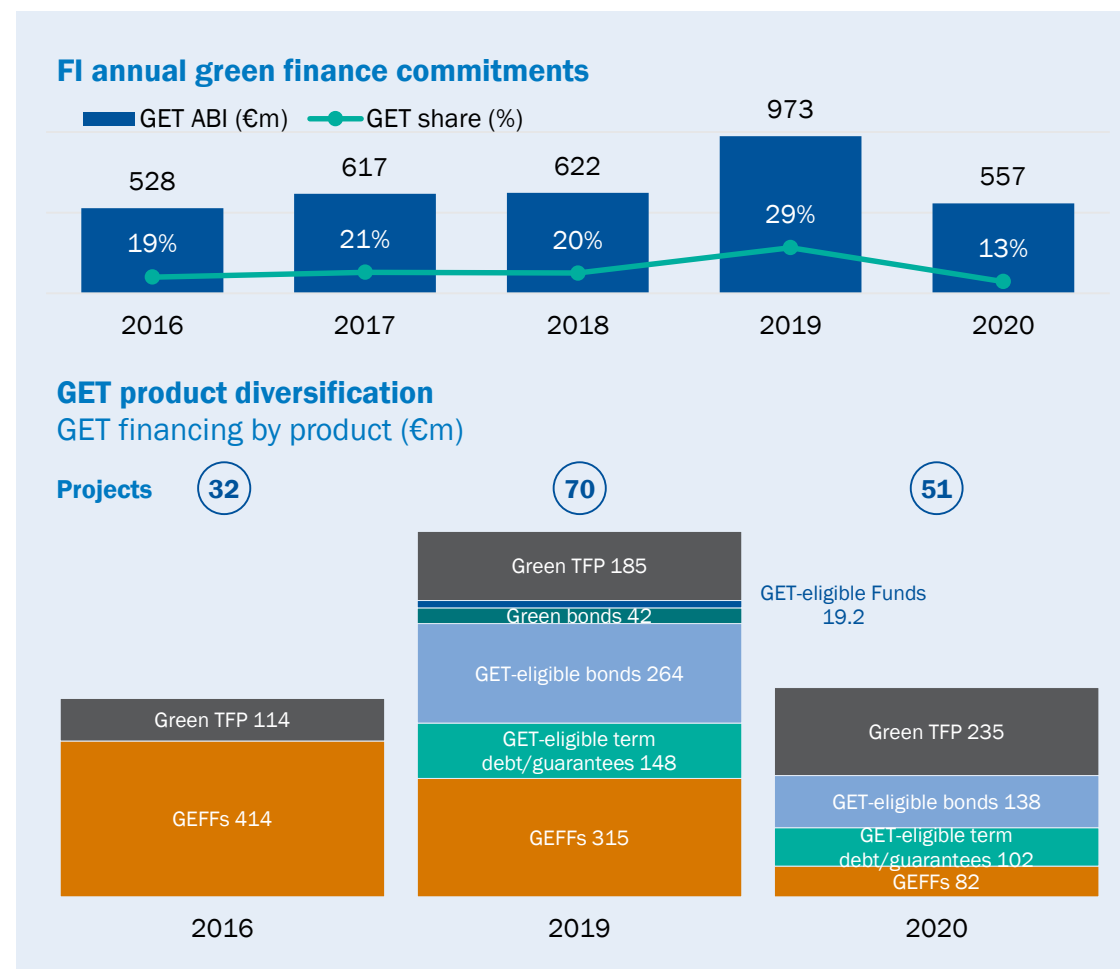
# Mainstreaming green financing across FI products



## Successful trend up to 2019, temporarily impacted by the 2020 pandemic

- **€3.3bn in GET financing through 166 FIs between 2016 and 2020.**
- Activity **expanded to 10 additional countries.**
- **EBRD financed over 98,000 green projects**, for increased efficiency, resilience and competitiveness by supporting climate change mitigation, adaptation, resource efficiency, and other investments, **avoiding over 2.6 million tons of CO<sub>2</sub> per annum.**
- Excluding 2020, **the number of GET operations more than doubled**, and the overall volume grew by 84%. The **COVID-19 crisis** significantly hit the demand for longer term investment, reducing green investment plans, as the **priority temporarily shifted** to short-term finance. This impacted the overall green finance investment volume despite continued growth in green TFP. 2020 also underlined the importance of diversifying GET delivery channels and of mainstreaming activities in the ten countries under GEFF with GCF support.
- Key initiatives included:
  - the **mainstreaming by 2019 of green objectives across a broad range of FI products**, leveraging other transition objectives such as competitiveness and capital market development;
  - the **introduction and partial automation of standardised assessment processes** through the Green Technology Selector;
  - **scaling up of Capacity-building and e-learning for FIs.**
- The **support of donors was critical** for GET delivery and software tool development.

\* Due to the pandemic impact, GET volumes contracted in 2020.



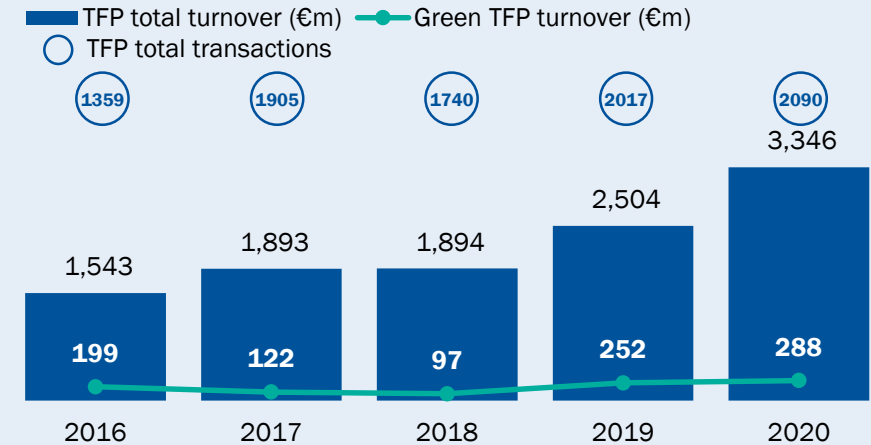
# Agile trade finance proved crucial to supporting clients during the crisis



- **TFP's annual turnover more than doubled** over 2016–2020.
- A steady flow of business in the 'traditional' countries of operation was boosted by a manifold increase of turnover in the **new regions**, particularly Cyprus, Greece and several SEMED countries.
  - **Greece & Cyprus:** TFP provided systemic banks in both countries with the trade finance limits they needed to restart their trade finance business.
  - **SEMED:** trade finance turnover grew steadily, most notably in Egypt, Morocco and Lebanon. EBRD remains the only IFI and one of the few banks globally which continues to support trade in Lebanon. In 2020 the TFP began supporting partner banks in West Bank & Gaza.
  - **Turkey:** several crises over 2018–2020 exacerbated tensions on commercial trade finance. Consequently several new banks joined the TFP and demand is expected to remain high.
  - **Uzbekistan:** re-engagement with the local financial sector has instigated demand for trade finance.
- The onset of **COVID-19 crisis led to a significant increase in demand for trade finance support by EBRD. Due to the disruption of supply chains**, financing periods for the trade cycle became longer. Importers have to keep higher stocks and foreign exporters request payments by documentary credits. **Many foreign commercial banks reduced direct trade finance facilities for their trade finance partner banks and consequently requested risk cover** under the EBRD Trade Finance Programme in order to enable the flow of business in the much deteriorated operating environment.

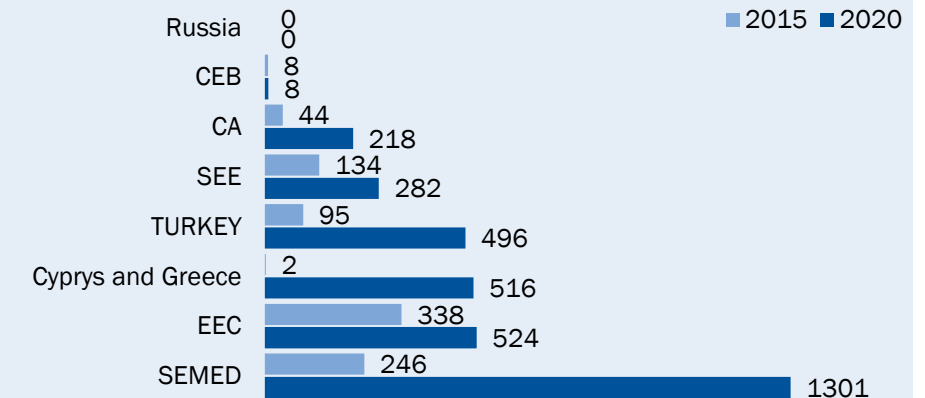
EBRD received *Global Finance's Outstanding Crisis Leadership 2020* award in the "Finance and Business" category for its crisis response in the area of trade finance

## Strong growth of turnover (incl. green) and transactions

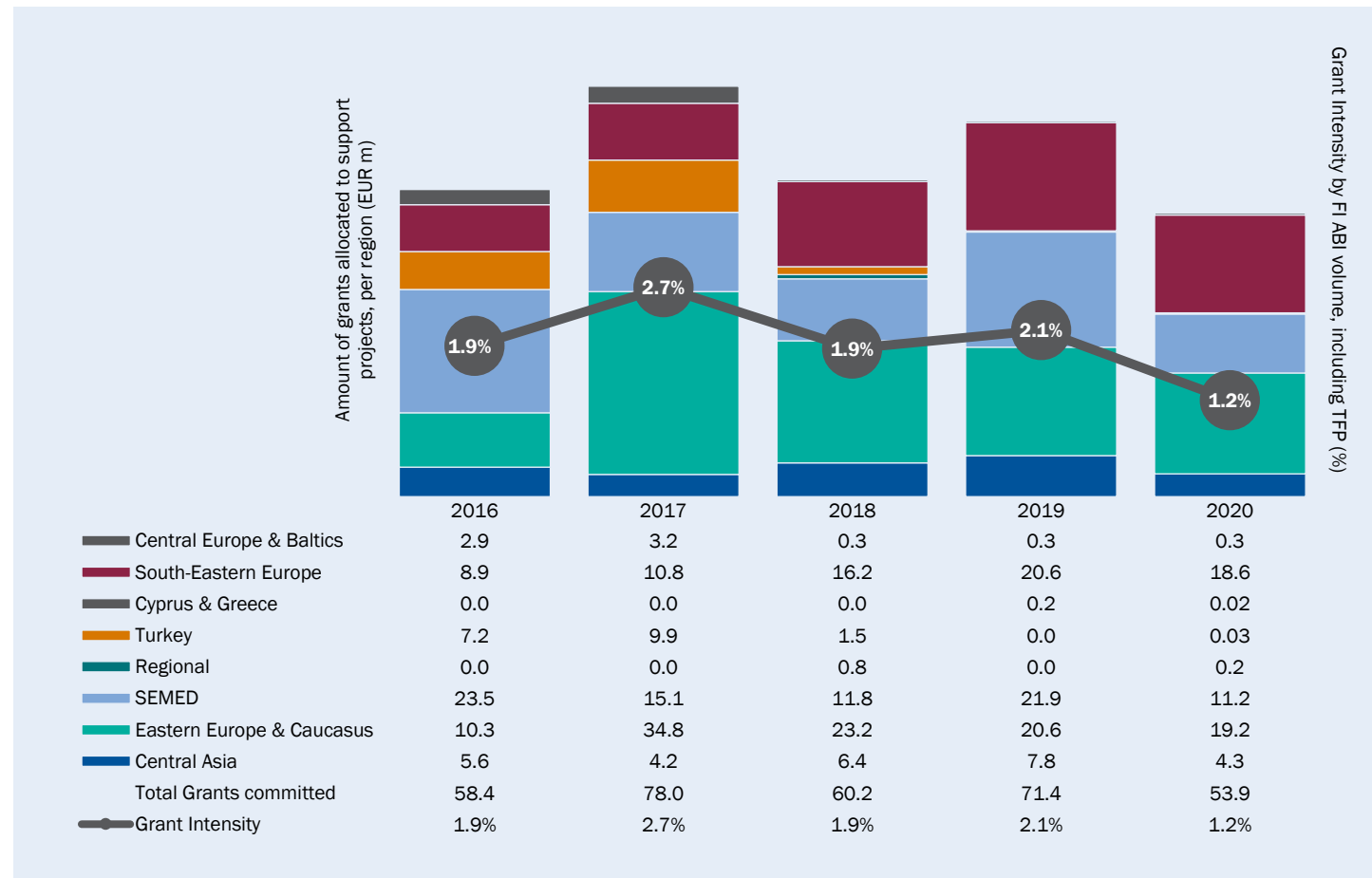


## Supporting trade across the regions

Turnover by region, €m



## Grants continue to be instrumental in delivering business and policy reform, including key strategic initiatives (SBI, SGI, GET) and allocated primarily in less advanced markets (CA, EEC and SEMED)



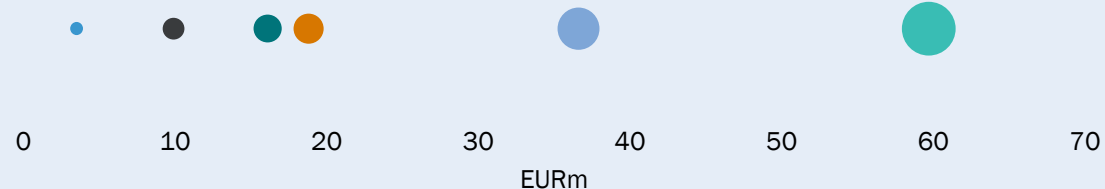
- The **European Union** remains the **largest donor**, providing about **55%** of TC and **70%** of co-investment grants (excluded concessional loans) mobilised in FI operations
- Both the average **yearly share of ABI** and **number of projects supported by a grant component has remained steady** since 2016 (around 25% and 50% respectively) while **average grant intensity** (the ratio of total grants committed to the overall FI ABI) **has remained low**
- **Two-thirds of grants are co-investment grants** (financial incentives, guarantees, concessional loans), on par with 2016 figures
- Co-investment grants support predominantly **EBRD's green blended finance programmes** (SME Competitiveness/DCFTA and GEFF) **and Women in Business programmes**



## The European Union has been a key partner to pursue three strategic initiatives under the last Strategy – GET, SBI and SGI

Cumulative volume of grants and concessional finance by donor, in support of GET (2018–2020)

● EU ● GCF ● SREP ● SSF ● Taiwan ICDF ● Other donors



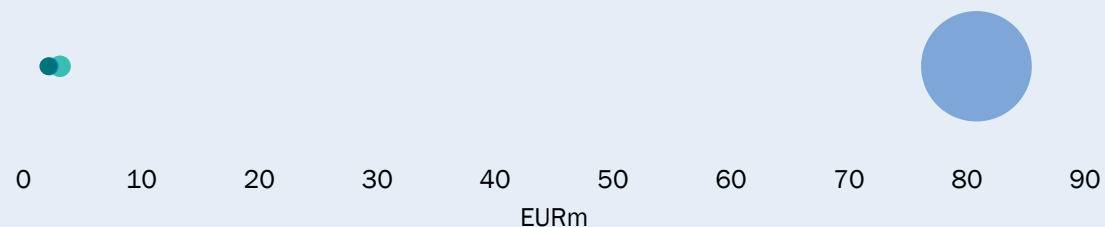
Cumulative volume of grants by donor, in support of SGI (2018–2020)

● EU ● Govt. of Kazakhstan ● SIDA ● SSF ● SBIF ● We-Fi



Cumulative volume of grants by donor, in support of SBI (2018–2020)

● EU ● SSF ● SBF ● Other Donors



- The **European Union** and **Green Climate Fund** and **Taiwan ICDF** have been the largest donors under the **Green Economy Transition** for the last three years
- With regards to the **Small Business Initiative**, the **EU** has been by far the most important donor to support FI operations
- By contrast, **gender-focused FI operations** have received a **diversity of donor support of similar magnitude** from EU, SSF, SIDA, SBIF, We-Fi, as well as the Government of Kazakhstan and others

## Recommendations of Evaluation Department

### Lessons learned

#### Strategic review of credit lines

The Bank's next Financial Sector Strategy, due by 2021, should incorporate a strategic review of credit lines, including where appropriate consideration of resources

The strategy incorporates several aspects resulting from the four key recommendations outlined in the Special Study on “Credit Lines – Lending through financial intermediaries”, namely:

#### Recommendation 1:

- Senior term debt with **a strictly defined use of proceeds**, with and without blended finance, is frequently extended in parallel to one partner FI. The blended finance facilities are employed in cases where **a complex set of operational objectives related to skills and new standards are to be achieved**. Consequently, the strategy anticipates to **selectively deploy blended finance term debt products mostly under the transition to green and low-carbon economy pillar, as well as under the equality of opportunity pillar**. In both cases the Theory of Change necessitates significant impetus and cultural change, in addition to which, partner FIs will likely face increased direct and indirect costs in the short- to medium-term.
- A consideration was given to whether the operational delivery could be enhanced by alterations of the organisational structure and handling term debt transactions with and without blended finance separately. Based on an interview with a senior staff of an IFI where such separate process has been in place for about four years, management **found that the arrangements for blended finance investments reflect the respective internal governance frameworks, but in fact do not differ in substance**. **Firstly**, the EBRD's existing model benefits from the examining the case for blended finance approach on the framework level. This **saves resources** and enables **a more informed decisions and a consistent approach**, as a result of which **lessons learned are consistently embedded**. **Secondly, the composition of the project teams at EBRD follows the same principle** where a core team of investment managers is supported by specialists who are accountable for consistency of all blended finance operations.

## Recommendations of Evaluation Department

## Lessons learned

### Strategic review of credit lines

The Bank's next Financial Sector Strategy, due by 2021, should incorporate a strategic review of credit lines, including where appropriate consideration of resources  
(Continuation)

### Recommendation 2:

- Anticipating continued use of the blended finance model to deliver the impact particularly the transition to green and low-carbon economy as well as under the equality of opportunity pillars of the 2021-2025 strategy, **the outcomes at the sub-borrower level** will also be monitored and evaluated for specific programmes **through special studies**. Management recognises that partner FIs record data required for their credit decisions or for regulatory reporting only. Management is **seeking technology solutions** to **enable gathering a sample of data directly from the final beneficiaries ex-post** and then consider such sample data vis-à-vis the intended impact of EBRD's operations.

### Recommendation 3:

- **The strategy anticipates a form of multi-year arrangement** for the implementation of the transition to green and low-carbon economy, specifically in relation to the development of **green partnerships**. The institutional development plans will span across a significant time-period and therefore many operations with the partner FI in question. Please refer to the next page for additional details of how lessons learned from the Partnership for Growth are being incorporated into the new Guarantee for Growth product.

### Recommendation 4:

- Resource implications are being considered, particularly in light of the significant number of transactions expected under the transition to green and low-carbon economy as well as the equality of opportunity pillars. For example a significant volume of funding (both donor and/or from EBRD's own retained income) will be required to deliver the large scale institution building programme under the green partnership referred to in Section 2.2 Please also refer to Recommendation 1 above regarding the separation of blended finance operations.

| Recommendations of Evaluation Department   | Lessons learned  |
|--|--|
| <p><b>Women in Business, Turkey</b><br/>Use Turkey Women in Business (TurWiB) as a platform to engage in policy dialogue for greater access to finance for women, by collaborating with other IFIs and by expanding partnership with current partners like ISKUR</p> | <p>The second phase of TurWiB programme included a large collaborative effort. In particular, <b>policy engagement with the credit guarantee fund (KGF) led to the alignment of the national definition</b> of women-led SMEs with the EBRD's approach and collection of the gender-disaggregated data. The co-operation between KGF and EBRD is important to leverage limited donor funding with existing guarantee structures of KGF. <b>A steering committee comprised of EU, KGF and the Ministry of Treasury and Finance is in place.</b></p>   |
| <p><b>Women in Business, Turkey</b><br/>Introduce a Results Framework at the outset of the next programme and ensuring monitoring and data collection focused on Turkey Women in Business programmes two layers structure</p>  | <p>A results framework in the form of an <b>integrated results matrix</b> to design and assess the expected impact at the approval level of the project <b>is in place</b> for the TurWiB programme.</p>   |
| <p><b>Partnership for Growth model</b><br/>The Bank should consider more widely applying its Partnership for Growth model</p>  | <p>The <b>positive lessons learned from the Partnership for Growth</b> model have been carried forward into the Guarantee for Growth (G4G), a new mechanism of EBRD's support of local banks with an unfunded guarantee linked to the partner bank's local currency sovereign bond portfolio, which in turn frees up risk-taking capacity to increase lending to the real economy. A policy dialogue and technical cooperation programme with the Bank of Albania are critical components of the project focusing on aligning the local prudential framework with that of banks in the European Union.</p> |

### Recommendations of Evaluation Department

### Lessons learned

|   |  |
|---|--|
| <p><b>Trade Facilitation Programme</b></p> <ul style="list-style-type: none"> <li>• Prepare a Business Case for TFP for discussion with the Board, including products and markets, needs of clients, and TC requirements. Present to the Board a TFP results framework that is based on a Theory of Change</li> </ul> | <p>The Programme will be renewed later in 2021. This will include a re-invigorated business case for trade facilitation, a new results framework, based on a newly developed theory of change, as well as new approaches to sustainability in trade finance, digitisation, technical cooperation, bank and business training and new product development. The renewal will ensure that the crucial role of <b>agile trade finance</b> in developing EBRD's regions is <b>permanently embedded in the Programme</b>.</p>  |
| <ul style="list-style-type: none"> <li>• Transfer responsibility for mobilisation of the TFP portfolio to Loan Syndications</li> </ul>  | <p><b>Building risk capacity for trade facilitation is a key aim of the Programme.</b> A closer level of cooperation with the Loan Syndication team is already being developed. Additional resources will be devoted to increasing the share of external funding used in the Programme.</p>  |
| <ul style="list-style-type: none"> <li>• Present to the Board a review of governance for pricing of trade finance products</li> </ul>   | <p>Pricing issues and governance for the Programme will be subject to review by an <b>Independent Expert</b>, who will assist EBRD in developing its existing pricing methodology, including governance matters to enhance the <b>financial sustainability</b> of the Programme.</p>   |
| <p><b>Blended finance facilities</b></p> <p>In the case of blended finance facilities, the Bank should review a sample of sub-borrowers to report on outcomes at that level</p>   | <p>The Bank is in the process <b>of examining data related to 14,000 sub-borrowers under the Turkey Women in Business</b> programme (TurWiB). <b>Early indications</b> of the study point to two important findings: (i) the blended finance model resulted in an increase of the share of female owned/operated businesses in client bank portfolios from 8% to 10%, which is <b>a notable in the context of the sizeable client base of the participating banks</b>; and (ii) the programme <b>achieved an important inclusion target, as a large proportion of the new women-led/operated businesses were first-time borrowers</b>. Furthermore, early evidence suggests that the first loss risk component was important point in adjusting credit risk appetite positively towards female owned/operated enterprises in select partner banks.</p> |

| Recommendations of Evaluation Department  | Lessons learned   |
|---|---|
| <p><b>First loss risk component, Women in Business</b></p> <p>Envisage a strategy that will phase out the first-loss risk component (FLRC) at the outset of the next programme phase of Women in Business</p> | <p>The Financial Sector strategy 2021 acknowledges that in many countries in SEMED, Central Asia, Caucasus and some parts of EEC, significant gaps challenges remain in MSMEs' access to finance, and that such challenges are even larger for women and youth owned/operated MSMEs as well a MSMEs outside of urban areas. Expansion of FI operations in favour of borrowers who have restricted access to financial services is <b>required to promote the need for cultural change in these societies. The use of a FLRC component will continue to follow the 'Staff Guidelines for the Use of Concessional Finance Products in EBRD Operations'</b> which is in line with the 'Enhanced Blended Concessional Finance Principles for DFI Private Sector Operations' that the EBRD signed up to.</p> |
| <p><b>Policy dialogue efforts, LCM and NBE</b></p> <p>These studies recommended IFI coordination to enhance the value and potential for impact particularly for national level actions</p>                    | <p>FI teams are cognisant of the key role of policy dialogue and this forms a central plank in the current strategy, for example in relation to achieving GET impact and driving the inclusion agenda. <b>FI as a whole is committed to linking operational activity with relevant policy dialogue</b> as seen in the development of new products such as G4G.</p>  |
| <p><b>Resourcing and focus of Equity and LCM operations, Equity and LCM</b></p> <p>Ensure appropriate levels of resourcing and focus are applied to Equity and Local Capital Markets operations</p>           | <p>Equity bankers are now part of a formal <b>'Equity Network'</b> and report on a matrix basis to the Equity team. This ensures that equity transactions are properly resourced and considered by specialist bankers, sector team management and equity experts. In respect of <b>Local Capital Markets</b>, these transactions now fall under <b>one sector team</b> within the FI group and thus <b>receive expert treatment</b> through origination, approval and implementation stages.</p>  |

# Continuing from the 2016-20 strategy, integrating the lessons learned from the pandemic and continued evaluations of the EBRD engagements

## 2016-2020 strategy

### 1. Supporting resilient and efficient banks

Development of a sound banking sector through improvement of business standards, restructuring and consolidation, and increased competition

### 2. Improving financial sector effectiveness and integration

Strengthen the financial sector by achieving better diversification and integration into global financial markets

### 3. Enhancing financial intermediation

Foster financial intermediation in CoOs to reach under-served market segments and strengthen competition and market effectiveness in the financial sector

## ► Trends and challenges

Drag on recovery process through weak intermediation

Suppressed sector earnings and profitability

Climate risk management is challenging

Reduced risk appetite by FIs for SMEs, women and youth

Incumbents in race to digitise, fintech is nascent

Deteriorating access to trade finance in CoOs

## ► 2021–2025 strategy priorities

**1. Develop and expand financial sector partnerships to drive the transition to green, low-carbon economies**

**2. Boost inclusive economic development through the financial sector and drive equality of opportunity**

**3. Strengthen the financial sector's resilience and ability to respond effectively to present and future challenges by 'future-proofing' the sector**



Annex J  
Case studies



- 1** The Guarantee for Growth
- 2** Covered bond reform and investments
- 3** Transformation of Moldova’s banking sector
- 4** Erste Bank Serbia LCY bond issuance
- 5** Viva Wallet – first equity investment in payments/fintech
- 6** Scaling up climate finance in partnership with Green Climate Fund
- 7** Financial inclusion – Turkey Women in Business
- 8** Addressing gaps in trade finance

# The Guarantee for Growth



## New Guarantee Product mobilises private sector lending in Albania

- FI developed a **new, innovative Guarantee Product**, the **Guarantee for Growth (G4G)**, which aims to **unlock lending to the real economy** in the EBRD region
- The G4G is an **unfunded guarantee** and targets local subsidiaries of international banking groups. The guarantee **covers the risk of non-payment of local currency government bonds issued by sovereigns from the EBRD region**, which are held by local banks as part of their liquidity portfolios
- International banking groups typically have to set aside risk-weighted assets (RWA) to cover the credit risk of such exposures upon consolidation. With the EBRD guarantee, such **risks are mitigated so as to enable additional on-lending on the ground** at a multiple of the guarantee amount

## Pilot Project with Raiffeisen Bank Albania

- In 2020, EBRD signed the first G4G project with Raiffeisen Bank in Albania (RBAL) for a total guarantee amount of €100m in local currency equivalent
- The EBRD guarantee freed up RWA capacity for RBAL as the share of sovereign exposure guaranteed by the Bank received a 0% risk-weighting when consolidated at the parent level, Raiffeisen Bank International
- RBAL will **use its increased risk-taking capacity to boost lending to the real economy**, primarily **MSMEs**, whereas at least €10m in **local currency equivalent will be allocated to green projects** in Albania, supporting the country's sustainable and inclusive growth

## Dedicated TC fosters regulatory alignment

- In parallel, the EBRD launched a dedicated **technical cooperation** programme funded by donors with the Bank of Albania, the country's central bank, focused on **aligning the local prudential framework with that of banks in the European Union**



Client



## Future G4G Projects

- In the toolbox of FI products, the G4G is expected to be another key component to unlock lending in areas of strategic importance for the Bank, such as SME finance, as well as green and inclusive growth
- Especially in markets where funded instruments compete with ample central bank liquidity and a high share of customer deposits, the G4G offers an effective tool to support local economies via partner banks, while providing a solution to manage sovereign risk in banks' liquidity portfolios.

# Covered bond reform and investments

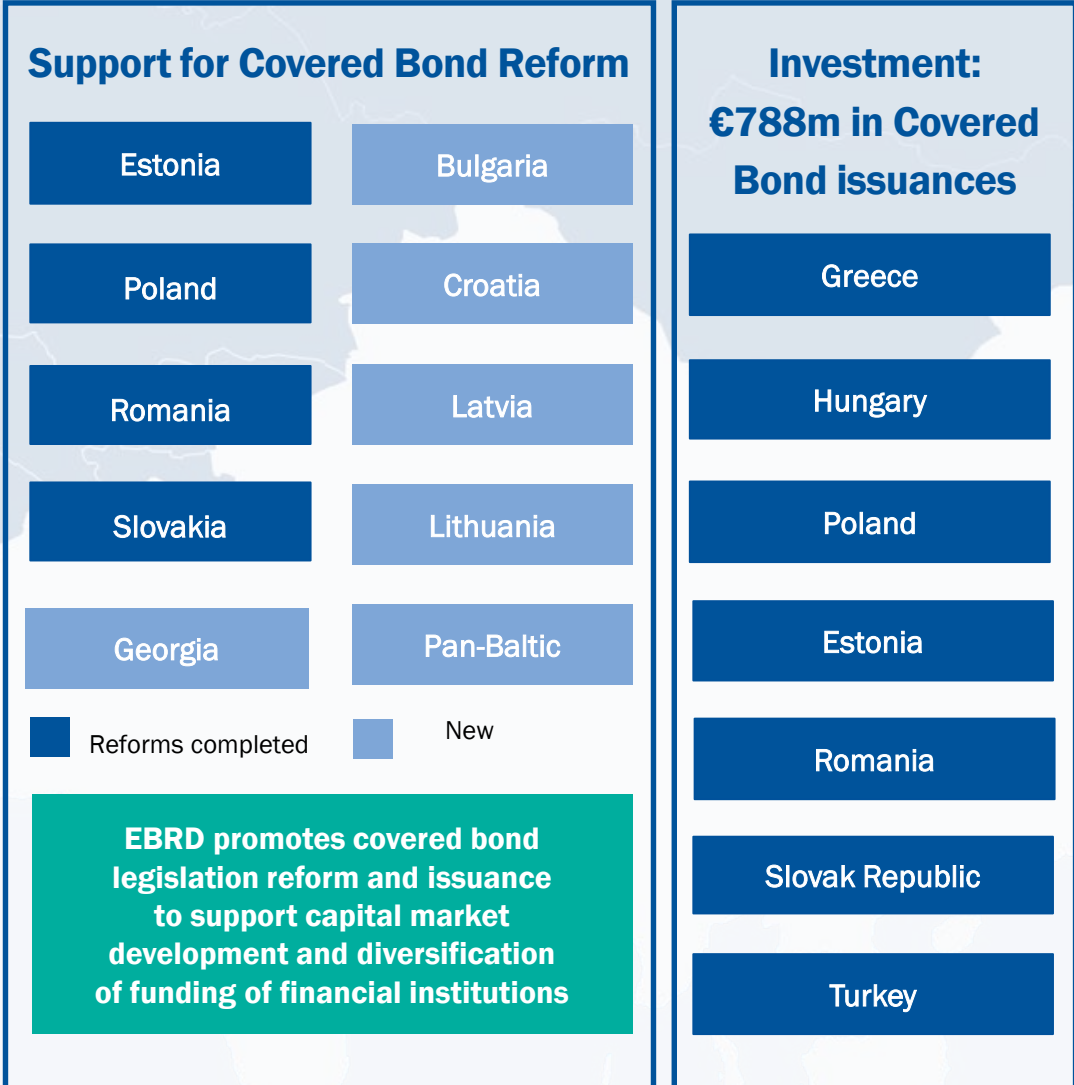


## Context

- While covered bonds are frequently used in mature markets, their **use in the EBRD regions is still relatively new**, including both in the EU Member States and non-EU Member states. In December 2015, the outstanding volume of covered bonds reached €2.5 trillion globally, of which €2.1 trillion was issued by EU-based institutions.
- In comparison the size of the covered bond markets in CEE and SEE is small, with only three countries in CEE having any meaningful number of bonds outstanding (CEE represents <1% of the total covered bond market); often there is no legal framework for covered bonds or existing legal frameworks might be inconsistent with the best practice and international market standards or not applicable.

## EBRD Engagement & Impact

- The EBRD’s work on **covered bond legal and regulatory reforms** aims to Align the applicable frameworks with widely accepted standards, render them more transparent, efficient and understandable to investors including foreign investors and to rating agencies; and Remove barriers hindering the use of covered bonds for finance.
- EBRD **together with the European Commission’s funding from the Structural Reform Support Service, supported legislative reform on covered bond frameworks** in the Baltic states with the introduction of a pan-Baltic covered bond framework, contributing towards **well-functioning and deeper capital markets in the region, opening up long-term funding options for banks** and increasing the **level of lending to the real economy**.
- The EBRD also **provided input into the EU Covered Bond Directive** (adopted in March 2019). EBRD **raised awareness among potential investors and policy-makers** through hosting the ECBC international covered bonds conference for the first time in an emerging covered bond jurisdiction.
- **€788m** has been **invested in Covered Bond issuances across the CEB region to date**, including the **first-ever covered bond in Romania and the first green covered bond out of Poland**.



# Transformation of Moldova's banking sector

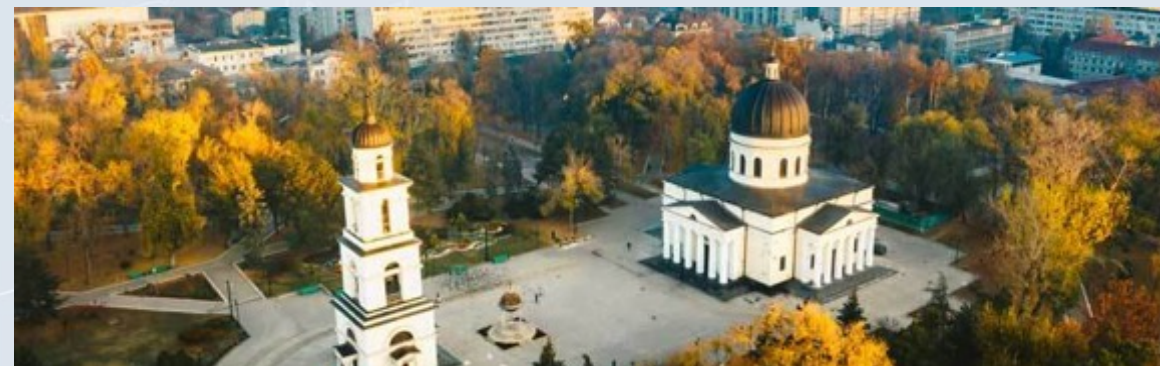


## Context

- In late 2014, an estimated **\$1bn went missing from the Moldovan banking system**, mostly due to the influence of non-transparent shareholders in several major private sector banks. Given the situation, the government asked for IMF support, which put **financial sector governance** at the centre of its programme
- Foreign strategic investment was seen as the only practical solution to the governance issue, with **EBRD stepping up to the challenge**
- **Improving governance and strengthening resilience by leading the restructuring of the banking sector** is a priority for the EBRD.

## EBRD Engagement & Impact

- As a longstanding shareholder in Romania's Banca Transilvania (BT), in 2018 the EBRD facilitated BT's entry into the Moldovan market. BT purchased a 39.2% stake in Victoriabank (VB) becoming a shareholder alongside the EBRD. This was the **first foreign investment in the Moldovan banking sector in over a decade**.
- Another major transaction was the **acquisition of a 41% stake** in Moldova Agroindbank (MAIB) in 2019, **the largest commercial bank in Moldova**, by EBRD together with a consortium of private sector investors (Horizon and Invalda) from the Government.
- Subsequently, MAIB and VB obtained **loans** worth €26.5m and €5m, respectively, and EU grant-based funding under the EU4Business-EBRD credit line, which helps local companies do business with EU countries.



## Results

- **EBRD promoted banking sector transformation** and helped the Government remove non-transparent shareholders by assisting BT become a shareholder in VB, and supporting a consortium of private equity investors in MAIB
- New and **properly functioning supervisory boards** were established at VB and MAIB in 2019 and the **banks exited from central bank supervision**, paving the way for business opportunities for EBRD in senior lending and TFP
- EBRD also assisted **BT in establishing firm operating control of VB** and in liaising with the local regulator
- As well as **modernising the bank's operations**, the new shareholders at MAIB introduced **good standards of corporate governance**, thereby helping bring **more transparency to the Moldovan banking sector**



## EBRD participated in a LCY Bond issuance by Erste Bank Serbia to support local MSMEs

### Context

- In Serbia, MSMEs' access to finance remains restricted, constraining the country's ability to grow and become more productive.
- EBRD's Financial Intermediary Framework (FIF) seeks to foster MSME competitiveness by increasing availability of financing and contribute to the competitiveness of financial institutions by enabling innovation in strategy, products, processes and marketing related to MSME lending.

### Client

- Erste Bank Serbia (EBS) is a dynamic mid-sized bank. It is part of Erste Group, the second-largest Austrian bank.

### EBRD value-added/ impact

- Thanks to the EBRD's policy dialogue, EBS issued a €30m bond (in RSD) on the local market. EBRD invested **15.5% of the total**.
- The issuance was listed on the Belgrade Stock Exchange and had a two-year tenor.
- The bond subscription under the Financial Intermediaries Framework was aimed to **provide medium-term, local currency funding to EBS**.
- The project contributes to:
  - 1. Improving access of local MSMEs to longer-term LCY financing**, given that LCY funding is primarily short-term
  - 2. Supporting the diversification of EBS funding sources** and improving the maturity mismatch
  - 3. Developing the Serbian corporate bond market** which is still at an early stage of development
  - 4. Reduced transaction fees** thanks to a study of transactions costs which led to a slicing of fees

### LCY Bond Issuance under FIF

Total size of issuance

**€30m (in RSD)**

EBRD participation of 15.5% of total issuance

Overall MSME portfolio to increase by at least  
**1.4x times the amount of EBRD's loan**

Targeted new MSME borrowers

**20% of EBRD loan**

Regional outreach

**52% of EBRD loan outside the capital city**

## EBRD co-invested €25million into Viva Wallet, a fully integrated payments company and neo-Bank in Greece

### Context

- The payment sector in Europe reflects that **traditional payment infrastructures are in decline**, providing opportunities for new players. **Integrated payments represent a disruptive force** for the traditional sector

### The client

- Greek company **Viva Wallet is a challenger** to the local commercial banks and payment companies **present in 23 countries**. It **operates across the entire payment value chain**, unlike other players that are active only in one of the sub-segments – Acquiring, Issuing, and Processing. Viva also has **full banking license in Greece**.
- Viva facilitates acceptance of cashless payments for M/SMEs and promotes digitalisation by providing merchants more choice in modern payments as well as faster and more reliable services.
- Viva is **building a pan-European platform to serve the payments needs of M/SME merchants** across Europe with a differentiated localized offering.

### EBRD value-added/impact

- The Bank's **€25m investment is part of an €75m growth financing**
- The project will notably support:
  - **Launch of a new and innovative payments product** allowing acceptance of cashless payments by M/SME merchants, directly on mobile phones ('Tap-on-Phone')
  - **Entrepreneurship** with M/SME merchants and start-ups being 90% of its merchant base benefiting from competitive pricing on the back of Viva's enhanced technological products and end to end presence in the value chain
  - **Further expansion in European markets** including Romania, Poland, Bulgaria, Croatia and Hungary and promotes **knowledge-sharing and transfer of technology to other CoOs**



This transaction is the first Payments and Fintech sector deal co-led by FI, Equity and TMT

Other investors included leading payments and fintech investors Tencent and Breyer Capital  
Existing investors include Hedosophia and Diorama Investments

# Scaling up climate finance in partnership with Green Climate Fund

## EBRD and Green Climate Fund partner for scaling up Green Economy Financing Facilities across the region

- The GCF GEFF Programme was established in 2018 to deliver the equivalent of **\$1.3bn of climate finance in 10 eligible countries**, reaching out to 17,000 private sector sub-borrowers, via a network of over 30 FIs.
- The Programme **promotes gender responsive** on-lending to private sector sub-borrowers for investments in climate change mitigation and adaptation projects.
- By end of 2020, the Programme was joined by **18 FIs across 8 countries**, and supported by additional 8 bilateral and multilateral donors.

## Case Study: EBRD and GCF boost climate financing for Mongolian enterprises

- XacLeasing is the **second-largest leasing company in Mongolia**, providing a full suite of financial leasing services, including commercial, healthcare, agricultural and manufacturing equipment leases.
- **Senior loan** of \$4m, of which \$3m provided by the **EBRD in local currency** and \$1m provided by the **Green Climate** Fund for financing of sub-lease investments in climate change mitigation and adaptation technologies by local clients.

## EBRD Value-Added

- As the first GCF GEFF transaction in Mongolia, the **investment accelerates the uptake of modern climate technologies** in the country.
- Technical assistance will facilitate transfer of know-how on climate friendly investments and **introduce the Green Technology Selector platform** to a new market.
- In the context of COVID-19, the project supports provision of credit to MSMEs, supporting the economic recovery in Mongolia, while delivering the green mandate of the Bank.



## GCF GEFF Programme in Numbers

Targeted size of Programme  
**\$1.3bn**

Estimated CO<sub>2</sub>e annual reduction target  
**1.8m tonnes**

Sub-projects targeted under Programme  
**17,000**

First loan signed under Programme  
**2018 in Armenia**

PFI loan officers to be trained on climate investments  
**340**

Additional Donors to date  
Austria, EBRD SSF, EU, Japan, Korea, Luxembourg, Turkey Donor Fund & Climate Investment Funds

## Women in Business Programme | Turkey

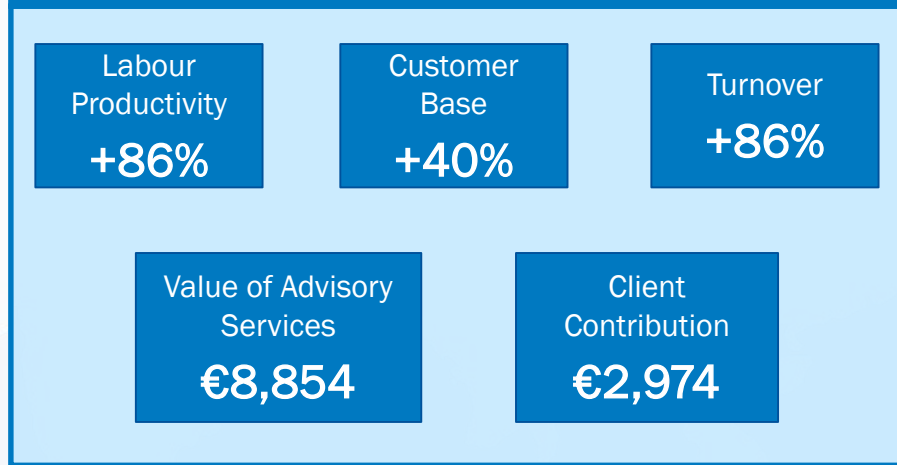
- Since the Programme’s initial launch in 2014, **five partner FIs disbursed nearly 19,000 sub-loans to women-led MSMEs**, totalling €302m equivalent across Turkey
- EBRD pursues an **integrated approach to improving women’s access to finance** and entrepreneurship, using strong local partner banks as conduits (incl. Finansbank, Garanti BBVA, İş Bankası, TEB, and Vakıfbank in Turkey)
- In addition, 340 women-led MSMEs were **supported** with advisory services, over 650 women were trained in key entrepreneurial skills and over 6,700 women were reached through the Programme’s outreach activities
- OCE research using data from the Turkish central bank’s credit registry shows that **banks participating** in the programme **increased their share of lending to women, especially to first-time borrowers** (women that were previously financially excluded)

## Success Stories: Mersan Kasa

- Provided advisory services to help Mersan Kasa, a women-led truck body producer in Mersin, analyse and re-structure its production processes
- Mersan Kasa was established in 1992 by Mr. Ercüment Mis to design and manufacture truck carriage bodies. Ms. Berrin Mis took over the business in 2001 and became a **rare example in Turkey’s Mersin Industrial Zone** where business is generally male-dominated
- Automotive supply industry that the company operates in, is highly competitive and customer satisfaction depends on the quality of the products and the delivery time
- To meet their needs, the company connected with a local consultant who analysed the current production processes and identified issues. Using a 5S methodology, the consultant organised the workspace and eliminated unnecessary tools and parts; arranged the work, workers, equipment, parts, and instructions; identified problematic areas and ensured a safer workspace; and created a consistent approach for carrying out tasks and procedures and ensured sustainability



## Mersan Kasa: Results of Advisory Services





### Green TFP

In 2020: 225 transactions; €288m

### Intra-regional trade

In 2020: 662 transactions; €1.1bn

### Medical goods

In 2020: 89 transactions; €59m; 13 countries

#### Case study: Green TFP | Ukraine

- TFP supported the import of wind power turbines from Denmark into Ukraine for the construction of a new wind farm. The import was financed by a short-term trade-related loan from a local bank, State Export-Import Bank of Ukraine, supported by four short-term TFP cash advances with different maturities to mirror the payment terms under the import contract for a total of €25m.
- The Danish supplier received timely payment for delivery and installation of the turbines, and the Ukrainian buyer received the equipment and the needed financing.
- By investing in renewable energy generation technology, the importer is helping Ukraine boost its energy supply security by reducing reliance on fossil fuels.

#### Case study: Intra-regional trade | Greece to Serbia

- TFP supported the export of services for the reconstruction/redevelopment of the Nicola Tesla Belgrade Airport by a Greek company, Terna, which won the respective tender, totalling approximately €262m.
- Following Terna's successful bid, a number of guarantees were issued by UniCredit, Italy (based on counter-guarantees received from Eurobank and guaranteed by TFP) in favour of the Serbian beneficiary, including an advanced payment guarantee and a construction bond for a total amount of €17m secured under the TFP.
- Operator of the airport is Vinci, a private sector group, partly financed by EBRD.

#### Case study: Emergency response | Lebanon

- TFP supported the import of medical supplies, devices and laboratory equipment for distribution throughout the hospitals in Beirut from a global healthcare distributor of medical devices in Belgium.
- The import was financed through a letter of credit for \$600,000 issued by SGBL in favour of KBC Bank, Belgium. EBRD remains the only IFI supporting trade in Lebanon.