

# **The EBRD's approach to economic development and the role of new development partners**

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## How the EBRD differs from other development banks

1. Objective: focus on improving *structure* of the economy; rather than on final *outcomes* (growth, poverty reduction).
2. Means: commercially viable private sector + municipal projects (80/20 percent; €8bn business volume in 2009)

Logic: finance private sector projects that are likely to expand competitive markets and improve private and public institutions.



# What the EBRD has in common with other development banks

- We also care about final outcomes – of course!
  - Environmental objectives (part of our mandate)
  - Climate change mitigation
  - Poverty alleviation and social objectives
- However, we take a particular route to achieving them
  - Through a better economic structure (broadly defined) + environmental+social impact of projects



## An inherent difficulty with the EBRD's approach to development

- Focus on private projects is natural when better economic structure requires strengthening the private sector
- But it is less obvious when it involves improving government institutions and policies: private sector projects do not constitute direct levers in this area



# Leveraging EBRD's development impact beyond projects

1. Partnering with other organisations:
  - Example: collaborations with IMF, European Commission, World Bank during crisis response and with respect to post-crisis reforms.
2. The integrated approach: combining EBRD projects with policy dialogue and technical cooperation

Example: thermal power sector in Russia

➤ Critical role of partners that can support TC



# The EBRD's partnerships with donors

## Sources:

Bilateral donors  
and EU

EBRD-hosted  
multilateral  
funds

Externally  
hosted multi-  
lateral funds

EBRD  
Shareholder  
Special Fund

EBRD grants (EUR 150 million in 2009)

## Key sectors and programmes:

Regional activities:  
ETC initiative, Western  
Balkans Fund

Financial institutions  
(SME lending)

Sustainable energy

Trade facilitation ...

(many others)



## Types of uses:

Technical  
cooperation

Investment  
grants

Risk sharing &  
co-financing

Incentive fees



## Support of EBRD grant funds by new (non-DAC) development partners

- New donors contributing bilaterally and to multilateral regional funds (Western Balkans fund, ETC initiative): *Czech Republic, Hungary, Poland, Slovak Republic, Slovenia, Korea, Taipei China.*
- *Russia and Belarus* contribute to Northern Dimension Environmental Partnership to address environmental problems in Baltic and Barents Sea
- ~15 percent of total grants channelled through EBRD
- Would welcome greater Russian role (e.g. ETC initiative; EBRD operations both inside and outside Russia)



## Conclusion

- EBRD's approach to development finance is different: commercially viable projects with systemic impact
- However, TC and other grant financed components sometimes critical to enhance that impact
- Complementarities with projects means that small commitments can make a big difference
- New partners – including Russia and Turkey – are invited to consider EBRD grant funds as a development mechanism in regions such as the Western Balkan's and Central Asia

