European Bank for Reconstruction and Development (EBRD): extending the geographic scope of operations to the Southern and Eastern Mediterranean

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This report responds to decision 602/2012/EU of the European Parliament and of the Council which introduces a new requirement for the EU Governor of the EBRD to report annually to the European Parliament on measures to ensure transparency of operations of the EBRD and on cooperation between the European Investment Bank (EIB) and the EBRD outside the Union, in particular in the Southern and Eastern Mediterranean.

General information on the EBRD: the EBRD was established in 1990 following the collapse of communist regimes in Europe and the Soviet Union. Its mandate is to "foster transition towards open market-oriented economies and to promote private and entrepreneurial initiative" across Central and Eastern Europe, Central Asia and, most recently, the Southern and Eastern Mediterranean region. The Bank currently operates in 34 countries across these regions and supports projects that cannot be fully financed by the market, primarily in the private sector.

Governance: as at end 2012, the EU Chair's share in the EBRD authorised capital amounted to 3.04% (EUR 900 million out of a total capital of EUR 30 billion), of which just over 20% is paid-in (EUR 188 million for the EU) with the rest being callable capital (EUR 712 million for the EU, which represents a contingent liability for the EU budget).

All 66 shareholders are represented on the EBRD Board of Governors. The EU representative is appointed by the Commission and is presently Mr Olli Rehn, Vice-President for Economic and Monetary Affairs. In expressing the official views and positions of the EU Chair, the EU Director takes into account the views of all Commission Services concerned, the European External Action Service, and other relevant EU bodies, as well as the majority view of Board Directors representing EU Member States.

Financial results: the Bank continued to experience good financial health in 2012 with a strong capital position, high levels of liquidity, and continued strong support from its shareholders.

The EBRD delivered an **Annual Business Volume** (ABV) of EUR 8.9 billion through 393 individual projects and 72 outstanding balances under the 2012 Trade Facilitation Programme. This includes **6 commitments for EUR 181 million funded in the Southern and Eastern Mediterranean (SEMED) region**.

Net profits of EUR 1 billion were recorded in 2012 (EUR 173 million in 2011) mainly due to the change in unrealised equity fair values, which, given the volatility of equity markets, is likely to vary significantly going forward. This meant that EBRD reserves increased from EUR 7 billion in 2011 to **EUR 7.8 billion at end 2012**.

The Bank raised EUR 6.3 billion of long-term funding in 2012 under its annual borrowing programme, with an average maturity of 4.1 years. The bonds were issued in 12 currencies, with US dollar issuance accounting for 60% of the total.

EBRD activities in 2012: the Commission report focused in particular on the EBRD actions in the SEMED region. Progress in democratic reform in some parts of the EBRD region was strong, while elsewhere reforms stagnated. Reform progress was most pronounced in countries starting out on the democratic path, such as Egypt and Tunisia, although there was a degree of turbulence and the transition process is likely to remain uneven for all countries in the SEMED region.

Kosovo also became a member of the EBRD in 2012.

In 2012, EBRD prepared new 3-year Country Strategies for Albania, Armenia, Estonia, Lithuania, Romania, Russia, the Slovak Republic, Tajikistan and Turkey.

Lastly, following a request for support and collaboration from the Greek authorities in August 2012, the EBRD set up a Task Force to explore how it could support growth in **Greece** and the region through cross-border infrastructure investments, trade integration and regional business development involving Greek subsidiaries present throughout South Eastern Europe.