Special Study:
The EBRD Shareholder Special Fund

1. The rationale for this evaluation

In April 2008, the Board approved (BDS08-035) the allocation of €115 million of the net income generated by the Bank in the previous year, in order to establish the "EBRD Shareholder Special Fund" (in the following referred to as "SSF" or "the Fund"). The purpose of the SSF is to facilitate the Bank's operations by financing technical cooperation (TC) measures and non-TC support, and supplementing the grant funds provided from donor organisations.

It is considered best practice to evaluate open-ended operation vehicles such as programmes and funds at regular intervals during their lifetime. In this respect, section 6 of the Board document[1] expects "*that the first evaluation will take place within two years of the establishment of the Fund. Thereafter an evaluation cycle of in principle three years could be maintained*". Consequently, EvD's Work Programme 2010 includes a Special Study on the Fund.

This "initial review" is to focus on the following main aspects: first, an evaluation of the functioning and appropriateness of procedures set up for the Fund's implementation; second, an assessment of the Fund's role in the EBRD's general TC work and third, of the features of its current project portfolio. Based on the standard OECD-DAC evaluation criteria[2], this initial evaluation is to express an opinion on whether the Fund has been successfully established and is meeting prior expectations.

Unlike other Special Studies, the one in question does not include specific case study assessments.[3] This is mainly due to the short lifetime of the Fund to date. Given that only 15 out of 356 projects have been completed at the time of this evaluation[4] no representative sample could have been selected to allow reasonable conclusions on the overall performance of Fund operations. For the future, EvD proposes to carry out a fully fledged mid-term review of the SSF in 2013.

In view of the preparation and approval of the Fund's third annual Work Plan – expected for autumn this year – this evaluation was timed in such a way that it would allow for the consideration of lessons learned and recommendations for the next stage. A number of Bank staff has been interviewed for the report and EvD would like to take this opportunity to thank them for their cooperation and support.

2. The Fund's origin, governance and rules

2.1 The SSF rationale

The decision to create a new technical cooperation account within the Bank is the result of a longer debate on how to distribute the substantial net income generated by the EBRD during the business year 2007. In earlier years, the Bank had stored its far less expansive profits as "reserves" but on this occasion the profit exceeded €1 billion, which raised the rather ethical question as to whether an institution of the Bank's nature and mandate should be able (or allowed) to generate such high profit levels. As the then President put it in his opening statement at the Bank's Annual Meeting

[1] BDS08-035(f), page 9.
[2] These include: relevance, efficiency, effectiveness, impact and sustainability; OCDE/GD(91)208: Principles of Evaluation of Development Assistance, OECD, Paris 1991 http://www.oecd.org/dataoecd/21/41/35343400.pdf
[3] Note should be taken that a few individual SSF projects are covered by the 2009 PCRA and other EvD reports, including the "Institution Building Plan – Komercijalna Banka" (Serbia) and "Tajik Agricultural Finance Facility", the "South Tajik Water project" as well as "Astarta" in Ukraine.
[4] Which is summer 2010; the data presented stems typically from 30 June 2010.

(AGM) in 2008[5] *"the Bank is profoundly entrepreneurial. […] Yet it is a public-sector institution, motivated by public service – but one that makes profits. The paradox of the EBRD is most evident in the profits."*

The establishment of an "own" source of grant financing appeared attractive to the Bank's management as it would firstly allow it to support its activities in cases where there was no donor interest, thus increasing the availability of grant funds and at the same time also ensuring its predictability.[6] Equally important, the SSF was expected *"to respond more vigorously to the transition challenges"*[7] in the Bank's key operational regions, which will be further discussed in Section 4.4.

2.2 SSF – Original financial endowment

The original allocation for the SSF[8] was €115 million as per the following table:

Table 2.2: Breakdown of the original amount allocated for the SSF[9]

Purpose	€ million
Supporting measures for Banking operations	112.50
Contingency[10]	0.25
Fund management	1.25
Sub-total	114.00
Activities for nuclear safety (up to five TC projects)	1.00
TOTAL	**115.00**

This evaluation is going to focus on the main body of the Fund, which is the €112.5 million set aside for the support of banking operations.

2.2.1 Regional and sector-related allocation of the Fund

The Fund was to provide support by financing TC projects, or non-TC measures, such as incentive payments or investment grants as laid down in the "Rules of the Shareholder Special Fund" Section 2.01, attached to this report in Appendix 2. The Bank's Board of Directors (BoD) has reportedly seen prolonged discussions on the indicative allocation of the Fund's resources in terms of regions and sectors. These pertained essentially to the following aspects or categories:

1) **Regional** categories referred mainly to the distinction between 'ODA'[11] and 'non-ODA' recipient countries, but also to the Bank's Early Transition Countries (ETC) and the Western Balkans.

2) **Sector** categories saw a split between Infrastructure, Sustainable Energy (SEI) and Enterprise & Others, again including sub-categories, such as the Northern Dimension Environmental Partnership (NDEP), the Municipal Infrastructure Energy Efficiency

[5] See: Proceedings of the 17th Annual Meeting of the Board of Governors, Kiev, 18-19 May 2008.
[6] In addition, the untied nature of such a Fund might have added to its attractiveness in the eyes of management.
[7] As it is stated in the Background of the Board paper establishing the Fund BDS08-035(Final).
[8] The Bank's total net income of 2007 was distributed as follows: (1) €830 million was added to the Bank's surplus; (2) €135 million was dedicated to the Chernobyl Nuclear Power Plant; and (3) €115 million adopted for the establishment of the EBRD Special Shareholder Fund (Resolution Nr. 112 of the Board of Governors).
[9] As per BDS08-035 (Final)
[10] Ditto, page 11 of that document specifies that: *"The contingency would be retained to cover the potential cost of resolving disputes arising from activities supported by the Fund."*
[11] See explanations in Box 2.2-3 overleaf.

programme, and TurnAround Management (Programme) (TAM)/Business Advisory Services (BAS).

3) The final categorisation was made in the Infrastructure and SEI sectors, with regard to whether **TC** or **non-TC** projects were funded.

The results of the discussions are presented below. Based on the Banking Department's initial estimations of its future TC needs from the Fund, the indicative allocation also reflects the fact that the EBRD's shareholders' representatives often act simultaneously as donor representatives (see, for example, the Official Development Assistance (ODA) description in the section below).

Table 2.2.1: Indicative allocation of the SSF resources for supporting Banking operations

July 2008	**ODA**			**Non-ODA**		
	ETC	WestBal	UA*	Russia[12]	**Amount**	*Percentage*
Infrastructure	**15.5**	**11.5**	**4.5**	**13.5**	**45.0**	*40%*
TC	11.0	6.0	3.5	3.5	20.5	
Non-TC	4.5	5.5	1.0	10.0	21.0	
Sustainable Energy (SEI)	**14.5**	**9.5**	**11.5**	**4.0**	**39.5**	*35%*
TC	11.0	4.5	5.0	4.0	24.5	
Non-TC	3.5	5.0	6.5	0.0	15.0	
Enterprises	**15.5**	**4.0**	**6.0**	**2.5**	**28.0**	*25%*
Amount (€ million)	**45.5**	**25.0**	**22.0**	**20.0**	**112.5**	*100 %*
Percentage	*40%*	*22%*	*20%*	*18%*	*100%*	

* Ukraine and other ODA countries

The above table is the result of the discussions at the time and proved to be challenging for the Fund's management later on. A number of changes for improving the flexibility of the Fund were sought as a consequence, as is described in greater detail in Table 2.3.3.

2.2.2 The ODA/Non-ODA distinction

As one can see from the above, the distinction between ODA and non-ODA recipient countries features quite prominently in the shareholders' considerations. The term "ODA" refers to the beneficiary countries of "Official Development Assistance" as listed by the OECD-DAC. Before the Fund's formal establishment, the Bank was asked by some of its shareholders to enquire about the potential ODA eligibility of the SSF. Apart from the general preference to provide SSF resources to the poorer regions it appears as if the ODA-recognition would have been important to some shareholders/donors as such. [13]

Notwithstanding, the responsible unit in OECD-DAC has in the meantime made clear that it would not be possible to apportion ODA-credits in respect of the EBRD's own income among the bilateral shareholders as if it were new ODA of their own due to the following reasons:[14]

[12] While the category "Non-ODA" at the time equalled "Russia", it was in the next WP enlarged by EU member states.

[13] So as to justify the allocation of net income to the SSF by being able to "offset" it. The same is true for the contributions made by the EBRD from its net income to the Chernobyl Sarcophagus Fund.

[14] Information based on meetings with OCU and available correspondence, including. a letter and email dated 9 April 2008 from the then EBRD Business Group Director of Cooperation Initiatives and Programmes to the Chair of the DAC WP-STAT, an OECD background note "DCD/DAC/STAT/RD(2009)2/RD2", dated 21 April 2009 and the email response of the WP-STAT chair dated 29 April 2009 and finally the written approval of the DAC WP-STAT decision taken on the meeting on 9-10 June 2010.

(1) the allocation of the EBRD earnings would not constitute a new budgetary effort of its shareholders
(2) intra-multilateral flows would not give rise to ODA scoring by donors
(3) the financial transactions in question would not constitute a [real] flow.

Moreover, the responsible OECD-DAC Working Party on Statistics (WP-STAT) emphasised that the main source of the EBRD income would be interest paid by borrowing countries, and *"thus, the resources made available to these two funds ultimately come from recipients, not donors"*. WP-STAT has repeatedly been invited to meet with OCU and the EBRD shareholders in order to discuss the issue,[15] however could not make itself available. Eventually, the negative conclusion on the ODA eligibility was approved in the most recent formal meeting of the WP-STAT in June 2010.

With regard to the general ODA classification of the EBRD's countries of operation, Box 2.2.2 below provides detailed information:

Box 2.2.2: <u>The ODA status of the EBRD countries of operations</u>

In respect of the Bank's countries of operation, the ODA list "effective for reporting on 2009 and 2010 flows" includes:

Upper Middle Income:	Belarus, Croatia, Kazakhstan, Montenegro, Serbia and Turkey
Lower Middle Income:	Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, FYROM, Georgia, Kosovo, Moldova, Mongolia, Turkmenistan and Ukraine
Other Low Income:	Kyrgyz Republic, Tajikistan and Uzbekistan

Source: http://www.oecd.org/document/45/0,3343,en_2649_34447_2093101_1_1_1_1,00.html

2.3 Management of the Fund's activities

2.3.1 Governance structure of the Fund

The Fund is strategically supervised by the highest possible level, the Bank's Board of Governors (BoG). This body is not only responsible for adopting the fundamental decisions on the Fund's establishment and replenishment, but also on important amendments with regard to the specific purposes for which the resources of the Fund may be used (Sections 2.01 and 4.03 in the Rules of the SSF respectively). With regard to allocating the Fund's resources, the rules and regulations stipulate that an Annual "Work Plan" (WP) is proposed by the EBRD President to the BoD for approval. The Fund's indicative allocation – shown above – is not easily transferable to other categories.[16] Any changes in this regard have to be proposed and approved in the same manner.

For the purpose of consulting with donor organisations on their preparedness and priorities to fund projects either bilaterally, or by co-financing measures to the Bank's multi-lateral funds, including the SSF, an annual "Grant Planning Meeting" is organised by management. The BoD and additional donor representatives are invited to these meetings and also receive a regular update through a "project pipeline" that is available on the Bank's databases, namely, *Boldnet* and *TClink*.

Finally, quarterly sessions on the implementation of the Fund are held with the Bank's Budget and Administrative Affairs Committee (BAAC) in order to:[17]

- discuss pipeline projects potentially involving major non-TC Bank funds
- discuss specific questions relating to investment grants where appropriate
- update the Board on the status of the implementation of the WP.

[15] For example, on the occasion of the Bank's Annual Grant Planning Meeting in February 2010.
[16] Rules of the SSF, "Section 2.02 Planning for the allocation of Fund resources" (see Appendix 2).
[17] CS/FO08-03, pages 26 and 27.

2.3.2 Project approval procedures[18]

In accordance with the Bank's established procedures, any proposal for the financing of TC shall be submitted to the Technical Cooperation Committee (TC Com) for its approval. This is usually done by completing the TCR Project Profile, consisting of a project description including comments from other departments such as OCE, and ESD, terms of references, budget, minutes and other related documents. The Fund's projects are no exception to this rule. Additionally, further procedures have to be followed in the case of commitments financed through the Fund, as illustrated below (and in Appendix 3):

Box 2.3.2: Additional approval procedures to be followed for SSF-project commitments

For projects **of a value less than €300,000** for example, the Official Co-financing Unit (OCU) is required to obtain approval from the EBRD Vice President for Risk Management, Human Resources & Nuclear Safety (VP)[19]. In practice, the preparation of the approval by the Director of Cooperation Initiatives and Programmes led, de facto, to the establishment of a "four-eye-principle". A *"project template"* was designed for this purpose, and approval would normally be granted within five working days.[20]

For projects **of a value greater than €300,000**[21] the team is required to complete a *"project fiche"*. The *project fiche* is circulated via the Bank's Documentation Office together with a memorandum to the Board for approval on a no-objection basis. The deadline for a response from the Board members is usually 10 working days, after which OCU will confirm approval to the team. If issues are raised during this period OCU liaises closely with the team to reach resolution.

Board approval was to be sought for any **non-TC measure** financed from the SSF, as part of the usual investment project cycle[22] and upon its discussion in the BAAC. By providing investment grants the Bank entered uncharted waters and a number of discussions arose on whether this would not open a "soft-lending window" possibly conflicting with the core principles of the EBRD. With a view to ensuring the financial discipline of Bankers, the Office of the Chief Economist (OCE) elaborated specific "Staff Guidelines for the Use of Non-TC grants from the SSF".[23] The non-TC instrument is further described in Section 3.24 and Appendix 4 to this report.

2.3.3 Amendments over the Fund's lifetime

Three months after the initial implementation of the Fund, management suggested an amendment to its indicative allocation[24] (see Table 2.3.3 and Appendix 5). At the same time, some fine-tuning was made to the procedure ruling the approval process for non-TC projects. In 2009 then, the Fund was replenished with an amount of €30 million.[25] Activities to be financed from the replenishment were ruled by a new Work Plan (WP2). While the principal objective of the Fund remained unchanged *"the provision of robust support to the Bank's operational response to the crisis was defined as an overarching priority for the present and potential resources of the Fund in the period ahead"*.[26]

For that purpose, new sub-categories ("crisis response") and new target regions (EU) were added to the SSF scope of activities. Again, no less than 80 per cent of the Fund's activities were meant for

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[18] See again the "Rules of the SSF", Section 2.03 Modes of approval for use of resources of the Fund (Appendix 2).
[19] From 1 September 2010, this task is transferred to the new position of Vice President, Operational Policies.
[20] As reported by OCU and confirmed by Banking staff who praised the swift processing in general.
[21] At times, management may choose to submit proposed projects for Board approval even if their value is less than €300,000, in order to ensure transparency, or if it deems the project of particular interest for the shareholders.
[22] In addition, OCU was charged with signing off the submission of projects involving investment grants or incentive payments prior to them being passed to the Bank's Operational Committee.
[23] See SGS08-073, dated 7 April 2008.
[24] CS/BU/08-11, section on "impact, monitoring and lessons learned".
[25] By the BoG's Resolution No. 122, adopted on 19 May 2009. See Section 4.5 for details on the replenishment.
[26] BDS09-047 (Rev 1), 20 March 2009, page 2. Note should be taken that EvD is currently working on a Special Study with regard to the Bank's Crisis Response.

the support of ODA countries and it was foreseen that the entire amount would be used for TC (unless the Board of Directors considers that exceptional circumstances exist for doing otherwise). At this time, the previously experienced need for flexibility was considered and WP2 foresaw only a rough indicative allocation of resources. Nonetheless, the need for amendments arose a few months later.

In total, six amendments have been proposed and approved in respect of the Fund so far, with the latest one occurring in February 2010. This is illustrated in Table 2.3.3 below. Details of "numerical" changes that targeted the reallocation of resources among the different categories are illustrated in Appendix 5.

Table 2.3.3: Formal amendments to the SSF over time

Date	Board paper	Contents
October 2008	BDS08-191	Proposal for a more flexible approach to allocation of funding with the Western Balkans Fund (WEBF) and the Early Transition Country (ETCF).
" – "	BDS08-200	Fine-tuning of the approval process for incentive payments, investment grants and lending guarantees or investment operations under SSF.
March 2009	BDS09-047 BDS09-047 (Rev 1)	Replenishment of the Fund's resources (by €30 million) and set-up of WP2 with the addition of crisis response measures and EU Member States.
October 2009	BDS09-212	Reallocation of resources for the benefit of TAM/BAS, expansion of the crisis response definition to accommodate MEI- and "Energy Efficiency"-activities.
February 2010	BDS10-029	Lifting the boundaries between TC and Non-TC in WP1 (while respecting the overall regional allocation). WP2: further expansion of the interpretation of crisis response measures to include "the real economy".
April 2010	BDS10-111	An additional allocation of €150 million to replenish the Fund for use during CRR4; extension of WP1+2; new WP3 to be developed for Jan-Dec 2011.

2.4 Reporting structure

As it does for grant-funded activities in general, the OCU is providing the BoD and donors with regular progress and completion reports on each TC assignment that is financed out of the Fund, by using the standard reporting format. In addition, there are SSF-specific information features in place, for example a summary of all submitted progress or completion reports, the project pipelines and, most importantly, the quarterly BAAC reports.[27]

Reporting pertains mainly to activities in support of Banking operations for which the total amount of €112.5 is reserved. In addition some information on activities in the field of nuclear safety is provided. There are, however, no stringent requirements for information on the use of the Fund's management fee, which is instead presented in the Bank's Institutional Performance Reports. Box 2.4 overleaf completes the picture in this respect:

[27] At the time of this evaluation, eight quarterly reports had been submitted by management to the BoD.

Box 2.4: The use of the management fee for administering the Fund

As was shown in Table 2.2-1, the Bank takes a management fee at the level of approximately one per cent[28] of the total Fund amount. While this reportedly does not cover the real costs of administration, it is in line with the fees taken from other special funds administered by the EBRD.[29] The resulting total amount of €1.55 million (€1.25 million originating from the establishment of the SSF and €0.3 million from its replenishment) is generally treated as deferred income. It was expected that any directly required *personnel resources* for the SSF would be initially covered by fixed-term positions and charged against the Fund's management fee.[30] Recruitment or appointment of staff positions need the joint approval of the Bank's Vice President Finance and the Vice President Risk Management, HR and Nuclear Safety. Over the Fund's lifetime, nine staff positions were reported to have been financed out of the Fund's management fee[31] in the following departments:

OCU	CSU	OCE	Controller	BG. Infrastructure	BG. EE and Clim. Change
2	3	1	1	1	1

Staff resources have now been "internalised" in the context of the Bank's Supplementary Budget 2010. Other costs such as audit fees and bank charges continue to be charged against the SSF management fee. In total, it is estimated that up to 31 May 2010 some €0.5 million has been charged directly to the management fee, rather than to the Bank administrative expenditure budget.

2.4.1 Quantitative reporting (on the SSF utilisation)

There are a number of observations in respect of the quarterly reports. First, the documents lack disbursement figures for funded operations even though these have been requested in the Rules of the Fund.[32] This might have to do with the infancy of the SSF, which has not yet seen substantial disbursements in the majority of projects. Second**, the borders between fund allocations and real project commitments/contracts appear blurred in reports**. In the 4th quarterly report for instance, management concludes that the overall Fund utilisation (in terms of allocations) amounts to 72 per cent.[33] Taking formal project commitments as the basis however would lead to 45 per cent. And narrowing it further down to the "contracted" amounts as accounted for by CSU at this time, we see a factual utilisation of 22 per cent instead.

Box 2.4.1: Describing the "utilisation" of the Fund

Planning stage

Indicative allocation: the strategic placement of SSF resource along sector categories and regions, for example €25 million for the Western Balkan region.

Current allocation and budget earmarks: for specific programmes/projects within the given sectors and regions, for example earmarking €7 million for the Western Balkans Investment Framework (WBIF).

Approval of individual projects: in accordance with the SSF governance procedures (see Box 2.3.2).

Project commitments: TC and non-TC projects approved and consequently committed under an "EBSF" label, for example €925,000 for the assignment EBSF-2008-12-87 "Assistance with the Implementation of the EBRD Western Balkans Sustainable Energy Direct Financing Facility".

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[28] The President's recommendation in the Board paper establishing the Fund (BDS08-035 "Final", page 2) stipulates €1.25 million as the management fee, which equals 1.1 per cent of the total original SSF resources (€115 million). The later replenishment (€30 million) set a straight one per cent for this purpose (see BDS09-047 (Rev1)), in total €1.55 million.

[29] For example, the EU/EBRD SME Facility (compare to PE09-451T).

[30] "Allocation of EBRD Net Income to Other Purposes – outstanding issues", CS/FO08-03 pages 20ff.

[31] Information as per the Bank Quarterly Institutional Performance Report from 31 March 2010 (BDS10-084), page 63 and the "TC internalisation: Potential Parameters" CS/BU/10-11, dated 23 April 2010, page 6. In addition to these permanent staff positions, the following fixed-term contracts have been funded from the Fund's TC allocations: "Nuclear Safety" (1), Legal Transition Team (3) and Gender Action Plan (1).

[32] As stipulated in section 3.04 a).

[33] CS/BU/09-18, dated 13 July 2009, page 3

Implementation stage

Contracting: Depending on the committed amounts, projects undergo the selection process prescribed by the Bank's procurement rules for hiring consultancy services and result in a contract (with sometimes deviating amounts).

Project disbursements: the outflow of contracted amounts for Consultancy services or investment co-financing activities in accordance with the conditions stipulated in the contract.

Third, the – indicative and subsequently adjusted – allocation of the Fund's resources appears to complicate its reporting activities. The need to report per sector and per region, for TC and non-TC, by separating the co-financing activities with multi-lateral funds, and across those categories to have to refer back to the indicative and current allocations makes it rather complicated for authors and readers to keep a clear overview. Fourth, WP2 was added after the Fund's replenishment with the consequence that these resources are again reported upon separately and in addition to those related to WP1. Finally, and due to the practice of presenting cumulative figures, it is not easy to recognise quarterly developments and trends in the use of SSF, as will be illustrated in Section 3.

2.4.2 Qualitative reporting on (impacts and achievements)

The management's practice of attaching a list of projects funded under the SSF to each quarterly report is, in principle, commendable, however it could soon become too comprehensive for this purpose. It is also a good idea to occasionally describe individual commitments in greater detail within the text.[34] EvD commends that the first quarterly report presented "Lessons Learned", however later reports seem to have dispensed with this section.

The first quarterly report described that the SSF would have doubled the TC commitments approved under the ETCF during the latest ETC Donor Assembly. While this is a reasonable proxy for concluding on a positive effect of the Fund's utilisation (at least at that particular point in time), more recent reports do not provide verifiable indicators for such achievements. The ubiquitous statement: "*Many of the Fund's […] interventions to date allowed the Bank to undertake operations in support of banking projects that could not otherwise have been realised*"[35] is not evidenced by figures or estimations on the share of such additional cases, that is proof of the counter factual.[36]

A lack of impact-related reporting is a typical feature of the EBRD-TC monitoring process and has been highlighted in various evaluation reports.[37] Therefore, it is not surprising to see this phenomenon here again especially, as is acknowledged, since the infancy of the SSF makes it difficult to render in-depth transition impact assessments at this point in time. However, this issue will occur with greater urgency in the future. **The explicit focus of the Fund on transition-related objectives requires the definition of success indicators or proxies for the SSF's (vigorous) transition impact, which in turn requires the collection of baseline data beforehand.** Both aspects are, however, missing in the quarterly reports.

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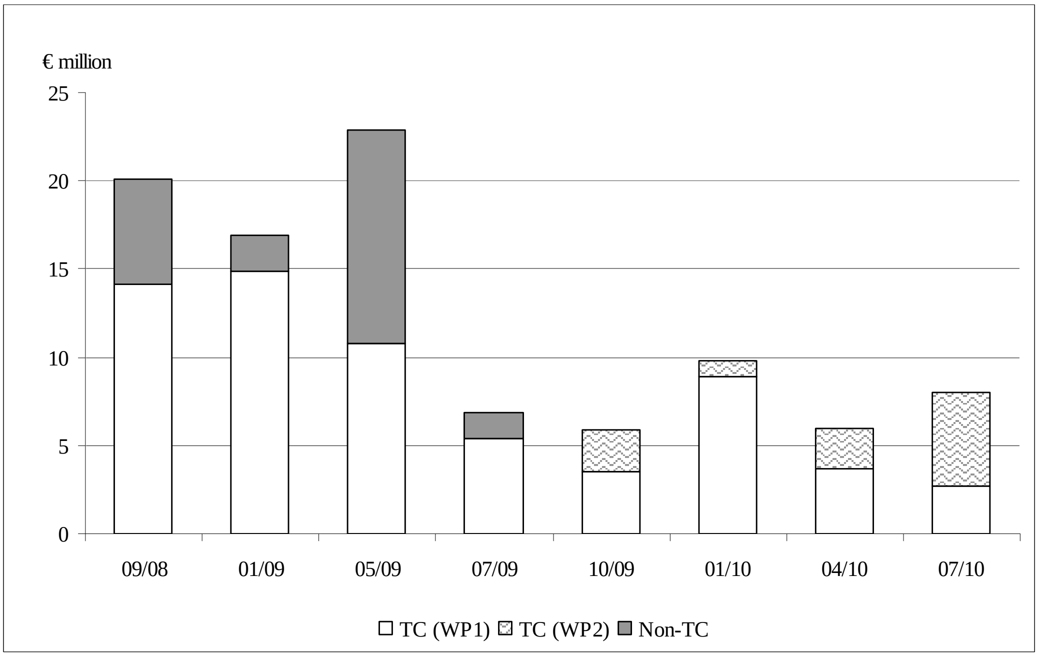
[34] As was, for example, done in the third quarterly report that provided an update on the "Assistance with Financial Sector Reform and Bank Resolution in Ukraine" project. See CS/BU/09-11, page (1 May 2009), page 8.
[35] See CS/BU/09-01 (dated 20 January 2009), page 5.
[36] During the interviews with EvD, a number of donors stated that they would have actually expressed their interest in funding a number of projects that were then taken up by the SSF. See also Section 4.2.
[37] See, for example, the annual Project Completion Report Assessments and other TC specific studies from EvD.

3. Use of the Fund in its two-year lifetime

3.1 Development of SSF allocations and commitments

As Chart 3.1 below illustrates, the Fund started in June 2008 with a high level of allocations, some €20 million was allocated on average at the end of each of the first three quarters. The fourth quarter – reached by July 2009 – sees a significant drop in the Fund's allocations and since that time they have remained at a level of €5 to €10 million.[38] The non-TC elements, that is investment grants, are illustrated in grey and show a peak in the third quarter of the SSF lifetime, which is due to two projects allocated for water rehabilitation and public transport in Tajikistan (see Section 3.2.3).

Chart 3.1: SSF – allocations (WP1 and WP2) as per quarterly reports[39]



Source: OCU Quarterly Reports (QR)

The **sharp decrease in SSF allocations and commitments since summer 2009 is likely to have been caused[40] by the parallel growth of multi-donor funds** in similar activity areas, with the Neighbourhood Investment Facility (NIF) deserving particular mention. According to the Bank's Donor Report 2010, grant support from the EU saw an almost three-fold increase in 2009 (on 2008) and most of it was channelled through the NIF. About the same time, the Global Environment Fund (GEF) and the launch of Climate Investment Funds at the Bank all catered increasingly for TC needs in the areas of transport, energy and environment.

The very nature of the Fund suggests that it mirrors the actual TC needs in Banking teams on one side, and the donors' appetite for funding on the other. It is, hence, neither likely nor even desirable for the SSF to show steady commitments over time. The additionality or complementarity of the Fund is discussed in greater detail in Sections 3.3 and 4.2.

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[38] In parallel, its actual project commitments also dropped, from an average level of €14 to €6 million quarterly.

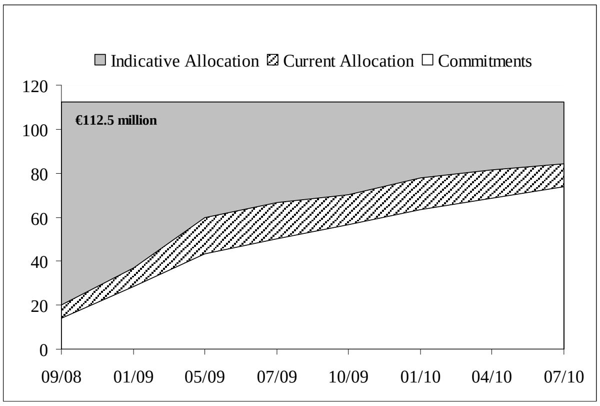
[39] EvD tried to reconcile the figures provided in all eight OCU reports but arrived in respect of WP1 at slightly different total numbers for the Fund allocations: instead of €84.2 million, EvD counts €85.6 million up to 30 June 2010.

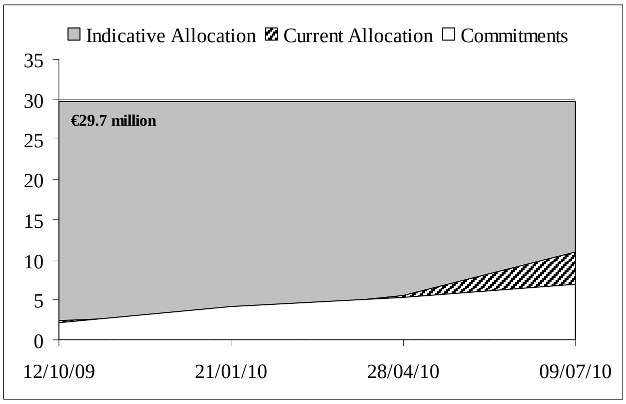
[40] Another view is that the powerful beginning was rather exceptional and caused by a backlog of projects in want of a donor that had accumulated over time. This was then siphoned off during the early days (months) of the Fund.

3.2 Specifics of the Fund's Work Plans (WP)

At the end of June 2010, some €81 million has been committed in 356 individual assignments out of the Fund's resources. Consequently, €61 million remains to be committed, even though a large portion of that is already allocated.[41] More specifically, €38 million remains uncommitted from the Fund's WP1 and some €22 million from the WP2. The two graphs below provide the cumulative picture for each WP of the Fund. The grey-shaded area marks the total available resources, while the reported allocations are diagonally striped, and the actual project commitments are shown in white:

Chart 3.2: SSF cumulative "Utilisation" –WP1 **SSF cumulative "Utilisation" –WP2**





Source: OCU Quarterly Reports and EBRD Data Warehouse

3.2.1 WP1 – planned and actual "regional" categories

The analysis of the Fund's utilisation is limited to (TC and Non-TC) commitments under WP1 as the WP2 commitments are not yet mature enough to allow for firm conclusions. Moreover, the two TC assignments for "nuclear safety" are excluded here as they are separate from the "core funds". Out of the core funds, €112.5 million, the amount of €73.5 million has been committed for WP1 activities so far.

As the main regional benchmark, it was stipulated that 82 per cent of the Fund's activities were to target ODA recipient countries, with the remaining 18 per cent foreseen for "Non-ODA". As Table 3.2.1 illustrates below, the benchmark is most likely to be met. Nevertheless, **many of the "regional" commitments are not specific with regard to their target region, with such unspecified commitments accounting for some eight per cent of the total.**

Table 3.2.1: Regional categorisation of SSF commitments (WP1)

	Current (million)	**Planned** (million)	**Current** (per cent)	**Planned** (per cent)
ODA (Western Balkans, ETC, Other)	€55.6	€92.5	76%	82%
Non-ODA (Russia)	€11.7	€20	16%	18%
"Regional" (unspecified)	€6.2	€0	8%	0%
Total	**€73.5**	**€112.5**	**100%**	**100%**

Source: EBRD Data Warehouse

In addition, the more detailed segmentation of the Fund's regional commitments (ETC, Western Balkans) appears to be in compliance with plans. It should be noted that the different categories are

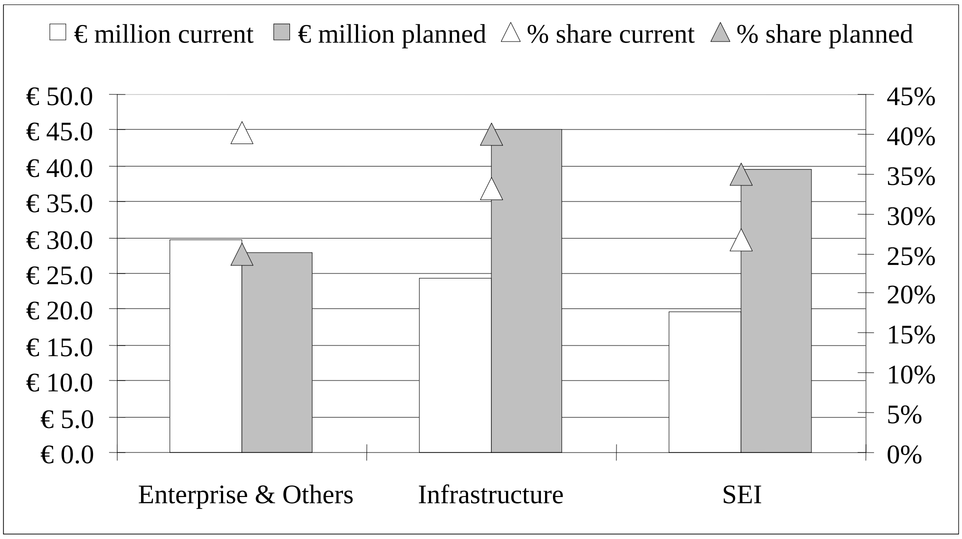
[41] Figures include the nuclear safety segment (two TC assignments) but not the Millikart equity investment (€500,000) and neither of the investment grants approved for the Western Balkans Energy Efficiency Direct Lending Facility, as those are not (yet) reflected in commitments. From the total commitment amount given, it is estimated that some €15 million has been disbursed so far for both WPs.

exploited to varying degrees. The "ETC" and "Other ODA" sub-categories are in the lead, with both on track to utilise some 70 per cent of their allocations. Conversely, the "Western Balkans" and "Non-ODA" sub-categories have not quite exhausted their indicative allocations (with 36 and 59 per cent respectively). This is shown in greater detail in Appendix 6.

So far, and within the remit of WP1, some €11.7 million was committed to the category **Non-ODA**, which essentially means the Russian Federation. Out of this amount, €6 million alone was already allocated early in the Fund's lifetime as an investment grant for the Russia Neva Discharges Closure project.[42] The dominant sector categories of other SSF commitments in Russia are energy efficiency, MEI, TAM programme and legal transition.

3.2.2 WP1 – planned and actual "sector" categories

Chart 3.2.2: Planned and current sector allocations of the Fund's WP1



Source: EBRD Data Warehouse, "planned" figures refer to the first indicative allocation (BDS08-035(Final))

Unlike the regional categories, the sector allocations have been amended a few times over the lifetime of the Fund[43] in order to keep pace with real development. As is shown by Graph 3.2.2 **the "Enterprise and Other" category has slightly exceeded its indicative allocation** of €28 million with its current total amount of €29.6 (columns). More significantly, the 25 per cent originally set as its share has, in reality, grown to 40 per cent (triangles). The lion's share is consumed in support of the Bank's TAM/BAS programmes, accounting for some €11.4 million out of the €29.6 million committed in this category. Other main sub-segments within the "Enterprise and Other" category include financial sector operations (€6.8 million) and support for legal transition (€4 million). Please see Appendix 6 for details.

Conversely, the categories Infrastructure and Sustainable Energy Initiative (SEI) have lagged behind initial expectations. This is mainly due to the substantial role played here by other funds, including the NIF, GEF and Climate Change funds. In addition, signing and implementing projects in MEI and energy is rather time intensive. A closer look reveals that these two categories are not only behind in terms of commitments but even more so with disbursements. While the "Enterprise & Other" category sees 31 per cent of its commitments being disbursed at this point in time, SEI-

[42] This allocation was approved in June 2008 (BDS08-107), changed in its operational scope by two addenda (BDS08-107(a1) and (a2) and resulted recently in one project commitment, the Murmansk Oblast Water Improvement Project CS/BU/10-20 (Rev 1), dated 14 July 2010.
[43] Please compare to Table 2.3.3 on page 6 as well as Appendix 5.

related disbursements total 8.5 per cent and Infrastructure only 5.5 per cent of respectively committed amounts.

3.2.3 WP1 – specifics on the usage of non-TC

Interestingly, and contrary to initial scepticism, the allocation for non-TC projects has not been fully exploited so far. Out of the total amount of €34.1 million,[44] some €21.6 million has been allocated or committed to date. As envisaged, commitments were made solely in the categories SEI and Infrastructure and are limited to WP1 of the Fund. Appendix 4 provides a list of individual projects as well as a compliance check with the specifically set guidelines for using non-TC funds. It shows that projects mostly qualified due to environmental considerations (such as the NDEP) or because of affordability constraints in basic service provision (for example, Murmansk Water), while it is less clear if and when the diagnosed externalities or market obstacles would be overcome.

The project objectives related to transition were mostly adequately documented, however EvD found hardly any facts in respect of the required "focus" and "economy" principles. For example, in the documentation available, no evidence (for example a cost–benefit analysis) was provided that would support the appropriateness of the grant amount. It was noted in this regard that the ratio of the grant element varied widely, without explanations given. Overall, measures such as the Millikart equity investment and the South Tajik Water Rehabilitation project[45] appeared to be especially convincing cases for receiving such a non-TC support from the Fund (see Appendix 4 for details).

3.2.4 WP2 – specifics of commitments

As for the second WP of the Fund, roughly €7 million has so far been committed. The dominance of the "Enterprise & Others" sector continues, with the overwhelming majority of resources being committed here (€6 million). Within this category, the newly established "financial crisis response" scheme deserves a special mention, accounting for almost €3 million. This is followed by "institution building for Banks", again partly addressing the repercussions of the crisis (around €1 million). One of the more substantial projects committed for this purpose is the "UMLP Crisis Response and Development of Lending Capacity in Ukrainian Banks".[46]

A number of commitments to the TAM/BAS programme have been dedicated to "crisis response measures" and are thus counted above. In addition, €1 million was committed for the extension of the regular TAM/BAS programme in Georgia and Tajikistan. More generally, the ETC region again attracts the lion's share: almost half of the committed amounts under WP2 target this category. The newly established category of EU countries that were especially hard hit by the crisis accounts for €1.3 million. Details are to be found in Appendix 6.

3.3 The Fund and its role in the wider grant context at the EBRD

3.3.1 Overall development of the Bank's administered donor funds

It can be seen below that **the SSF was indeed an important quantitative supplement to the overall grant resources managed by the Bank** (see the left-hand graph on Chart 3.3.1). The establishment of the Fund coincided exactly with the impact of the financial crisis on the Bank's countries of operation, which followed a peak of annual commitments in 2007. Thus it helped to not only maintain but also to slightly increase the level of grant resources at the EBRD throughout 2008 and 2009.

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[44] As per the 3rd Fund revision (BDS10-029), compare to Appendix 5.

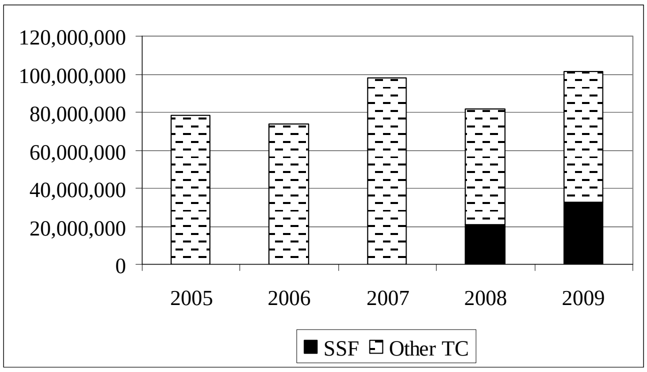
[45] The borrowing caps imposed under IMF support for Tajikistan (and Kyrgyzstan) factually preclude state-sector operations by the EBRD unless it provides "concessional" funds for example in conjunction with another lender and in the form of "blended" rates. The SSF non-TC element is thus an especially important instrument here.

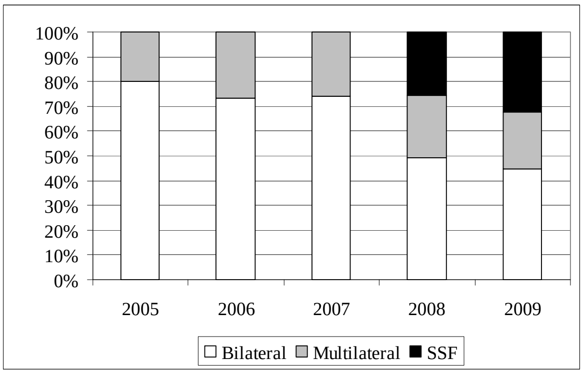
[46] Please compare to Board document BDS10-113 dated 30 April 2010.

The right-hand graph additionally suggests that **the Fund has significantly increased the share of multi-lateral funds**[47] at the Bank from about 20 per cent in 2005 to over 50 per cent in 2009. The increase of the share of multilateral grants corresponds to the decreasing role of bilateral funds (dropping from 80 per cent to 45 per cent). The question here is whether this is a mere "substitution", that is instead of providing bilateral resources as previously, donors might now contribute to multi-lateral funds. Or does the development indicate a "replacement" of bilateral donor funds through the SSF? Indeed, a "crowding out effect" was feared during the initial discussions on the Fund's establishment and would contradict its very objective of *additionality*.

Chart 3.3.1:

Committed € amounts grant funding at the <u>EBRD</u> **Shares of grant-funded commitments**





Source: OCU Annual Donor Reports

A closer look at the donors' annual agreements and replenishments towards the EBRD in the last five years does not, however, suggest a crowding out. In contrary, Appendix 7 illustrates the overall amount to almost double from €94 in 2008 to €181 million in 2009.[48]

3.3.2 Strategic cooperation of the SSF with other multilateral donor funds at the EBRD

Another related aspect is the Fund's co-financing activity, with the ETCF and the Funds for the Western Balkans (WBF)[49] being of particular significance. The ETCF, for example, saw an indicative allocation of €10 million which was almost fully exploited by actual commitments.[50] The co-financing activities demonstrated – in the view of management – *"that [the Fund] has not only been truly additional but it has multiplied the two funds' financing capacities"*.[51] Chart 3.3.2 below provides details on the development of both the ETCF- and the WBF-related project commitments as well as the commitments made in their favour by the SSF.

As can be seen below, the real picture appears mixed. The left-hand graph suggests that the "pure" **ETCF commitments have dropped since 2007 and only grew overall due to increasing co-financing activities by the SSF**. It might be the case that commitments would have dropped even further without the support of the Fund, but there is definitely no "multiplying effect" of funds here.

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[47] Including the ETCF and WBF, the NDEP, the Russia Small Business Fund, the Global Environmental Facility, the Kozloduj International Decommissioning Support Fund and others.

[48] Or indeed interpreting it the other way around, the SSF was of less usage in 2009 because of the increased donor resources.

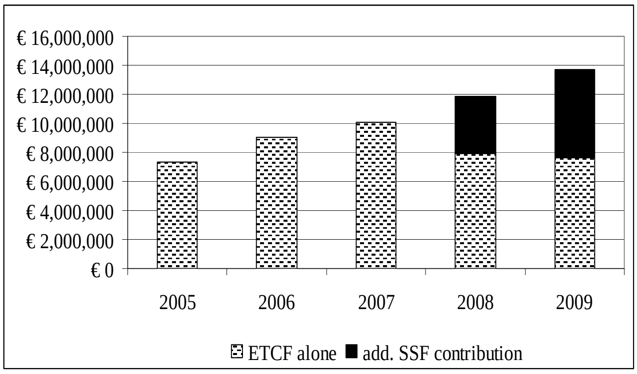
[49] Comprising the previous Western Balkans Multi-Donor Fund (WEBF) as well as the current Western Balkans Investment Framework (WBIF). The WBIF was inaugurated in December 2009 and was joined by the EC, the EIB, CEB and the EBRD with a view to pooling and coordinating different sources of finance and leverage loans with grants for priority projects in the countries of the Western Balkans. The initial focus lies on infrastructure sectors, including social infrastructure, and is expected to be expanded in future to include support to SMEs, energy efficiency and others.

[50] An additional €5 million was allocated for co-financing activities with the ETCF, following the re-allocations from WP1 (BDS09-212). Compare to the 7th Quarterly Report on SSF implementation (CS/BU/10-12), dated 28 April 2010.

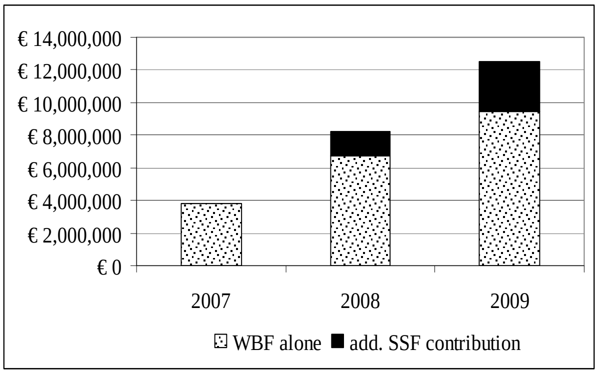
[51] BDS09-047 (Rev1), SSF: Proposal for Continuation and Work Plan for Period of July 2009-June 2010, dated 20/03/09.

Chart 3.3.2:

Co-financing activities ETCF-SSF



Co-financing activities WBF-SSF



Source: EBRD Data Warehouse

Conversely to the ETCF, the right-hand chart indicates a positive and steady trend for WBF-related commitments for both funding sources. This is surprising as the WBF co-financing activities took quite some time to pick up pace and have hardly exploited the allocated amount yet (see Appendix 6). A final rating of the Fund's *additionality* is given in Section 4.2.1.

3.3.3 Comparison of individual SSF-TC commitments with those funded by other sources

The comparison aims to enquire whether the SSF-TC commitments (non-TC grants have been excluded) show a typical pattern distinguishing them from other TC-funded assignments. EvD has reviewed some 800 projects committed between 2008 and 2010 and compared them with the Fund's TC population (358 projects) along the lines of size, beneficiary country, TC type, and banking team. The exercise confirmed some weaknesses with regard to TC-related statistics available at the Bank. Even though there is one central database (Data Warehouse), there are a number of TC-related systems serving different purposes[52] and resulting in scattered information sources.

There is (as yet) neither a consistent approach to entering and verifying "the link of a TC project to an underlying investment"[53] nor any information available on its transition impact. It proved, for example, to be impossible to reconcile information on project pipelines with the entries in TCR, the TC Com agenda and final commitments in the system. That was initially planned to trace the early history of a project that is eventually funded by the SSF as opposed to another grant-source.

Taking these constraints into consideration, the preliminary findings of the comparative exercise should be interpreted with some caution. Referring to the details given in Appendix 8 it appears as if the SSF TC portfolio would **differ** from other TC work in respect of:

- the **average size, which is slightly smaller** in the case **of an SSF assignment, at** €191,000 (SSF) instead of €217,000 (Other TC)

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[52] For example, TCR for a project request, TCS/CSS for administering commitments and contracts, TClink for file storage, CAR for progress and completion reporting, and so on.

[53] The topic "link to investment" deserves further attention. The relevant banking team is in charge of entering this information into the system with the result that different OLs obviously apply different interpretations of such a link. EvD found many instances in which the information listed was false and/or contradictory. OCU confirmed that it is a weak spot in its data collection, which would also be the reason why there is no firm information available on the overall ratio of TCs in direct support of investments in the Bank. Given the significance of such information in the context of the Bank's mandate and approach, management and OCE might want to acquire new and consistent instruments to handle such data.

- a (direct) **link to an underlying investment is less frequent in TC projects funded by the SSF** (32 per cent of committed projects) than in those funded by other sources (43 per cent)
- the **TAM/BAS team is accountable for the lion's share of commitments within the SSF** (19.5 per cent of committed amounts and 31 per cent of projects), while "Other TC" funds were mostly consumed by the MEI team (21 per cent of committed amounts)
- the **SSF allows for more "sector work"** (22 per cent of committed amounts), for example by funding market studies and LTT-related activities, while other TC work targets such activities with eight per cent of committed amounts.

The smaller project size, as well as the less frequent link to an underlying investment, is probably directly related to the fact that the TAM/BAS programme is one of the major consumers of SSF assistance. It would in this respect be interesting to interpret the Fund's core aim of *"supporting bank operations"* in more depth. Does it mean that advisory and sector-related work should not reach such high levels?

The SSF portfolio showed (very) **similar patterns** to other TC from 2008-2010 with regard to:

- the **regional distribution** (except the share of ETC and EU countries) and showing the same four out of five top beneficiary countries (Kazakhstan, Ukraine, Tajikistan and Russia)
- the **Business Group distribution** of TC commitments. Notwithstanding the above-mentioned larger role of TAM/BAS in the SSF, nine out of 10 Business Groups are the same main beneficiaries in TC, regardless of the source.

The Fund's restrictions laid down by its indicative allocations are reflected in much lower commitment amounts for "Non-ODA" countries, 11 per cent in the SSF against 21 per cent in "Other TC" as well as EU recipients (two per cent of SSF against nine per cent of Other TC). Both figures, however, have to be interpreted against the backdrop of much higher projects in the Fund that are classified as *"regional"* without further specification (13 per cent of the "SSF" and seven per cent of "Other TC").[54]

In summary, it can be concluded that the Fund has a few specific features but overall is quite similar to other TC commitments during this period. This is not a big surprise given that the reference period was the same (thus seeing the same needs formulated in the project pipeline) and the fact that most of the representatives of the Bank's shareholders act simultaneously as donor representatives. It is thus consequent and logical that decisions are guided by the same, or at least similar, interests as the ones made for bilateral or other multilateral funds.

As described above, it required quite some efforts from management and shareholders to first define the indicative allocation, and second to steer and monitor the Fund's implementation accordingly. Whether the results justify these efforts is another question and should be subject to review (see Section 5.2).

[54] Thirteen per cent of the SSF TC is committed as "regional". This phenomenon had already been described in Section 3.2.1, where this share (combining TC and non-TC commitments) was at the level of eight per cent.

4. Overall assessment

Overall, the establishment of the Fund is rated[55] ***Successful***. It is universally praised by the Bank's shareholders who own it and the operational staff using it. The approved projects (TC and non-TC) appear to have been in full compliance with the established regulations[56] "Relevance" of the Fund is rated as *Good* at this point in time. The achievement of SSF objectives or "Effectiveness" is rated as *Good*, as the Fund has added significantly to the existing grant funds administered by the EBRD, thus increasing their availability and predictability during difficult economic times. A *Satisfactory* rating is applied for the "Efficiency" of the Fund's administration, taking into account the time-consuming monitoring efforts in view of the indicative allocation (and its amendments since), approval procedures for individual projects and the frequent reporting duties. In respect of *transition impact*, no rating has been assigned at this time due to the infancy of the majority of the Fund's operations. *Sustainability* of the Fund itself (not its activities funded hitherto) is rated *Good* for the proven ongoing commitment of the Bank, as outlined in Section 4.5.

4.1 Relevance

The "Relevance" dimension is generally applied with respect to whether the objectives of a programme are consistent with the overall goals of an organisation and, if so, to which extent these are still valid. **In theory, the relevance of the Fund is unquestionable** as its core aim is to support Banking operations and thus, to facilitate transition impact. Another question is whether the SSF is **relevant in practice** as well, that is, is it needed despite the current and future donor funds available at the Bank? This question overlaps with that of the Fund's *additionality*, which has been discussed in Sections 3.3.1 and 3.3.2 and will be concluded in Section 4.2.1 below.

Another aspect has to do with the fact that projects could be highly relevant for fulfilling the Bank's mandate but are, for different reasons, not feasible or attractive for potential donors. An example for the first would be the funding of urgent measures that cannot comply with the timely provisions of usual grant application schemes. The latter refers to surveys and studies undertaken by the Bank's OCE that do not serve any recipient in the operating countries in particular, but support the general, equally important, day-to-day work of the EBRD.

Overall, the Fund's "Relevance" is rated ***Good***.

4.2 Effectiveness

4.2.1 Objective: The Fund complements donor financing (additionality)[57]

The "Rules of the SSF" mandate that the use of its resources should complement the funding of existing donors. In order to ensure this, management has established the procedure of quarterly TC pipelines that present donors with an indicative list of TC and non-TC projects. Donors might then express their interest in funding a particular project, and should be able to participate even in cases where SSF resources are already earmarked for a project. Thus, the Fund should generally be regarded as a "provider of last resort" in cases where no other bilateral or multilateral donor commitment could be secured.

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[55] In line with other Special Studies following the OECD-DAC rating, the rating scale for the different parameters is: *Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory*, while the overall performance is concluded in accordance with the general EvD four-rating scale: *Highly Successful, Successful, Partly Successful* and *Unsuccessful*.

[56] Note should be taken that the compliance of the TC population is first guaranteed by TC Com and second by the available documentation of its approval by the Fund management/or BoD. As far as the non-TC measures are concerned, the compliance check in Appendix 4 shows that some of the required features appear more challenging than others, but overall convey a positive message.

[57] See BDS08-05 (Final) page 5.

In practice, however, some of the interview partners reported about cases where, despite an interest on the part of the bilateral donor, a project was eventually funded by the SSF. It was said that donor representatives have sometimes to allow for more time to get the confirmation from their authorities, while decisions on funding would then be urged by management. Banking in turn has confirmed that they prefer at times to use the SSF with its untied funds, as tied funds could complicate the selection of a consultant.[58] Still, EvD got the impression that these are individual cases on a limited scale. One could even see a little bit of "competition" among donors as a welcome element, with a potential to increase efficiency, although this should naturally be observed duly by OCU.

As reported above, the Fund has also entered a "strategic cooperation" with the ETCF and the WBF for co-financing activities, seeing mixed results as far as the quantitative development is concerned (see Chart 3.3.2). Still, all interviewed donor representatives expressed their satisfaction with this cooperation. Instead of being deterred by the fact that the Bank is able to provide its own grant resources, it was indeed seen as an important indicator of the EBRD's commitment to the TC concept in general and the utility of an individual project in particular. One of the donors interviewed expressed his authorities' regret about the general limit of SSF contributions, which is set at a level of 50 per cent of the total requested amount per individual project.

Overall, the "Additionality" objective is ***Achieved***. Management however is advised to monitor this aspect more vigorously, with particular regard to the Fund's co-financing activities with other multi-lateral funds.

4.2.2 Objective: the Fund increases the predictability of grant resources

In the context of designing the Fund's role in the Bank's forthcoming CRR4 period, the SSF was presented as having *"introduced a strong element of funding predictability"*.[59] This generally positive notion has been confirmed by those teams in the Bank that worked the most with TC grants, namely FI, MEI and Power & Energy. The TAM/BAS team, however, stated that in their view, predictability of funding would not be among the main advantages of the Fund. As grateful as they were for having benefited the most from SSF support in terms of committed amounts, they still encountered the same difficulties as with alternative funding in terms of late allocations.[60]

The Fund was also presented as a *"bridge funding mechanism"* in circumstances where donors could not provide their formal approvals to projects within the timeframe of operational needs. This tool was applied in seven individual cases, securing interim financing of some €2.2 million for project commitments.

In summary, the *Predictability Objective* of the Fund is rated as ***Achieved.***

As both objectives were *Achieved*, the overall rating of the Fund's "Effectiveness" is concluded to be ***Good***.

4.3 Efficiency

4.3.1 Administrative procedures

Not surprisingly, the specific procedures for administering the Fund that were elaborated in Section 2.3 translate into additional administrative costs that are felt more painfully by the Fund's management than by its shareholders. For example, the neat allocation of regional and sector-related activities set up for the Fund called for an immense extra effort from OCU. With hindsight, **the setting up of the neat and multi-dimensional indicative allocation proved to be a potential "straitjacket" for the Fund and had to be amended repeatedly in line with the real**

[58] Similar findings are presented in EvD's Special Study on FAO Framework Agreement currently under elaboration.

[59] See CS/FO/09-28, "EBRD Shareholder Special Fund in the context of CRR4", dated 1 December 2009.

[60] Which was reported to be due to the fact, that the Shareholders have asked for the presentation of a TAM/BAS strategy (the current one ends in 2010) first, before making an indicative allocation for this programme in the next WP.

developments. In light of the recent decision taken by the OECD-DAC on the non-accountability of the SSF activities as ODA, it appears advisable to further simplify the allocation process as recommended in Section 5.3.

As reported, the threshold for Board-approval of TC projects is at a relatively low level (>€300,000). EvD understood from the available documentation that the threshold for TC projects requiring Board approval was originally proposed to be €750,000 but was lowered to €500,000 and later decreased again to its present amount.[61] Considering that within large TC framework programmes individual call-off assignments of the same or even larger size are not even individually presented to TC Com,[62] the threshold amount reflects the initial caution that was felt to be necessary when establishing the SSF. So far, some 88 projects (equal to 36 per cent of all Fund approvals) underwent the full Board procedure required for a non-objection approval, thus creating considerable administrative efforts.

For the Fund's co-financing activities with bilateral and multilateral donor activities (amounting to approximately 31 per cent of its commitments) there were procedural and administrative difficulties noted in 2009, which were an obstacle to operating efficiency. Those were explained by management at meetings with the Bank's BAAC and Audit Committee and led to a pragmatic solution on reflecting the co-financing concept on an aggregate level of commitments rather than on the individual one.[63]

4.3.2 Reporting

The Fund's reporting duties start with the provision of the TC pipelines, which are updated and circulated on a quarterly basis. This system was reported to have suffered from "teething" problems but appears to be working smoothly at present. Those interviewed from Banking Teams stressed their interest in receiving feedback from OCU on donor reactions and also suggested that a direct connection between the OL and an interested donor could be beneficial. In order to ease the burden of administering the pipeline for OCU, it might also be advisable to store the TC pipeline electronically on the Bank's intranet and to allow direct access to selected donor-staff.

Considering the slowdown of the initial heated activity phase of the Fund as well as the time gap between allocations, commitments, contracting and disbursement, it appears advisable to reduce the "quantitative" reporting duties in future. Instead of a quarterly report on the Fund's implementation, it would appear sufficient to switch to a bi-annual modus. Management could additionally provide an updated list of all SSF project commitments in the same way suggested for the project pipeline (that is, making it available on the intranet for a restricted number of users).

At the same time, the reports would gain a desirable increase in clarity and substance by plainly defining the Fund's utilisation to date, including first a sharp distinction between allocations, commitments, contracted amounts and disbursements, second, by not limiting the utilisation to cumulative figures and third, by going into more detail with regard to key aspects of the Fund. It would for instance be interesting to enquire a bit more about the reasons for which the SSF is complimentary to other donor funds for example due to a faster processing speed, or its untied nature, or indeed no-interest of donors to engage in the topic?

Overall, the Fund's administrative procedures are well designed and established while their **"**Efficiency" is rated as ***Satisfactory***.

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[61] See the Memorandum on "Allocation of EBRD Net Income to Other Purposes – outstanding issues" (CS/FO/08-03), dated 18 January 2008.

[62] Reference is made here to the EU/EBRD SME Facility, where the *average* size of call-offs under the approved umbrella amounted to €578,000 without requiring individual approval (see PE09-451T).

[63] See CS/BU/09-12, dated May 2009.

4.4 Transition impact

It is not clear whether the aim of the *"Fund respond[ing] more vigorously to the transition challenges in its key regions"* reflects the general fact that the Fund allows for more TC in support of Banking operations, thus also quasi-automatically increasing TI. In the discussions held, EvD gained rather the impression that shareholders expect the individual SSF commitments to have a higher transition-related significance. This is certainly true for the non-TC projects, as related guidelines pertain to special (and rather ambitious) TI requirements for projects to be eligible.

Within the Board document establishing the Fund[64] the monitoring of non-TC funds was described as follows: *"[…] in addition to the transition impact assessment, economists and banking teams will carefully review the application of the guidelines on the use of non-TC grants in each individual case. Over time, the intention is to develop a case history and best practice approaches in each sector."* Notwithstanding, the message from the brief analysis in Appendix 4 is not very encouraging and suggests the necessity of a more rigorous monitoring.[65] Moreover, the quarterly reports hitherto do not reveal any essential information on the Fund's impact, neither for the TC/nor the non-TC measures.

Due to the current IT systems that do not feature transition impact-related information for TC commitments, it was not possible to include this aspect in the comparison of the SSF with the overall TC population that was conducted in Section 3.2.2. However, interviews with OCE revealed that there are some encouraging efforts currently being made to systematically address this aspect in future. This would then, obviously, serve not only the Fund but also general TC work undertaken at the Bank.

In summary, the (Transition) "Impact" of the Fund per se or its individual commitments is ***Not Rated*** at present.

4.5 Sustainability

Sustainability is regarded from the angle of the Fund as a "funding source" but does not refer to the impact of TC and non-TC assignments that were financed from it.[66] A first and strong sign of the Bank's commitment was the replenishment of the SSF approved in 2009[67] even though the EBRD had not been able to generate a profit for the previous business year. Management requested funds from the "Strategic Reserve" instead. As the *Strategic Reserve* had been nourished from the net income the Bank yielded in 2007, the replenishment effectively turned out to be a reallocation of the formerly allocated funds from the same source. The legal aspects of this procedure had been investigated prior to the decision in a special Board document.[68]

The same mechanism was applied more recently and with a view of preparing for the Bank's next capital resources period "CRR4".[69] In this document, management proposed a continuous financial endowment of the Fund at the level of €50 million per year. This is "generously" in line with the quarterly average amount of the SSF allocations so far (which were presented in Section 3 to amount to some €10-11 million). The Board of Governors followed the proposal as presented during the Bank's 2010 AGM and adopted it consequently *"noting that the impact of the Bank's*

[64] BDS08-035 (Final), page 9, 10.
[65] Reference is again made to Appendix 4, which shows for example that the projects under the DLF framework are not subject to individual TI monitoring.
[66] Similar to Transition Impact, this dimension would need to be included in the next and full evaluation of the SSF, planned for 2012/13.
[67] The Board approved the management's proposal for the replenishment of the Fund in March (BDS09-047) and the Bank's Governors followed in May by adopting Resolution No. 122.
[68] Replenishment of the EBRD Shareholder Special Fund – Legal Aspects (CS/BU/09-03) dated 10 February 2010.
[69] EBSF – Proposal for Work Plans following the CRR4 (BDS10-111), dated 28 April 2010, page 2.

operational activity [..] was achieved with the aid of technical assistance and […] that it would be desirable to maintain this momentum[….].”[70]

Given the additional fact that staff resources in relation to the SSF have now been "internalised" into the Bank's budget (please compare with Box 2.4.1) the "Sustainability" of the Fund is rated ***Good***.

5. Conclusions and recommendations

5.1 The Fund would deserve better monitoring of its contribution to transition impact

The Fund was indeed successfully established and has already ventured to make some improvements of its procedures with particular regard to an enhanced flexibility of its original allocations. The SSF's key purpose is to support projects in need of grant financing where no other donor funds can be obtained. From this necessity it takes it legitimacy and this determines at the same time to a large extent its "strategy".

From the indicative allocation at the time of its establishment, the SSF has benefited from a number of adjustments to keep pace with the real development and shows nowadays a number of special features in comparison to other TC (see Section 3.3.3). It is however, not clear how the foreseen *"vigorous response to transition challenges"* is secured in practice. In the future it would be recommendable to monitor the SSF's with its TC and non-TC part in terms of its role towards the Bank's TI in a more rigorous way.

Recommendation 1: Similar to other TC work in the Bank, ***the Fund could benefit from a more rigorous monitoring of its transition impact.*** OCU and OCE should be supported by IT in their efforts to collect and process related data. This is particularly necessary with regard to the Fund's non-TC projects that are currently only partly captured by the given monitoring systems.

5.2 Review the benefits of allocating the Fund's resources as done in the past

The experience so far has shown that it is difficult to forecast the exact amount per region and sector category that will be in need of funding. As a result of the real development, allocated amounts of the Fund's categories were repeatedly amended and even so, some of the sub-sections still show remaining resources that are increasingly difficult to utilise. In addition, the recent confirmation of the OECD-DAC decision suggests that there is no utility from an accurate allocation of ODA and non-ODA portions of the Fund.[71]

Recommendation 2: ***Pool the remaining resources from the Fund's WP1 and WP2 together with newly allocated amounts*** for the year 2011 and beyond, without further restrictions in respect of sector categories, or the distinction between ODA and non-ODA recipients.[72]

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[70] BoG Resolution 127, adopted 14 May 2010.

[71] This is not to say that the distinction between TC and non-TC and a (rough) regional indication along such lines as, for example, ETC or Western Balkans could not be useful. However, it would make more sense to use these indications for monitoring purposes than as funding caps. It might also be desirable to exclude certain categories from funding altogether (such as EU member states), rather than limiting them per defined amounts or per Work Plan.

[72] EvD is aware that this recommendation is contrary to the respective Board of Governors Resolutions (112, 122, and 127). Implementing the suggested measures would therefore either need to be within the constraints of these Resolutions or require a new one.

5.3 Streamline approval of and reporting on the SSF activities

Independent of the recommendations 5.1–5.3 and with a view to increasing the efficiency of the Fund's administrative handling, it might be beneficial to enquire about the following options:

Recommendation 3: ***Increase of threshold amounts for TC projects requiring Board approval***. An increase of the threshold to >€500,000 would save a substantial amount of administrative effort. Applied to the past figures as presented in Section 4.3.1, the number of projects requiring Board approval would be going down to approximately 20 per cent (49 instead of 88 as current).[73]

Recommendation 4: ***Decrease the quantity and increase the quality of reporting.*** Enlarge the cycle of reporting on the Fund's implementation by adopting a bi-annual sequence instead of the current quarterly one. At the same time, management should seek to include all relevant aspects in its reporting in order to give a complete picture of the Fund's utilisation (in different respects) and include the use of the management fee and activities related to nuclear safety.

Recommendation 5: ***Simplify the current handling of project pipeline and SSF project list.*** An electronic handling of the project pipeline on the Bank's intranet with access provided to donors/shareholders for them to express their interest could replace the present system of sending and re-sending. By the same manner, an updated list of all SSF projects could be provided instead of being appended to each quarterly report.

[73] Recommendation 3 and 4 would not contravene the BoG's Resolutions but require the proposal to and approval of the Board of Directors.

List of contacts

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Aya, Junko	Senior Manager, OCU
Bayer, Kurt	Director of the Austria and Kazakhstan Office at the EBRD
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Grbovic, Isidora	Administrative Officer, OCU
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Kohlweg, Maria	Adviser Tto the Austrian Director at the EBRD
Lankes, Hans-Peter	Director of the the EBRD President's Office
Lefèbvre, Francois	Alternate Director of France at the EBRD
Lelakis, Vasily	Director of the EC Office at the EBRD
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Ray, Simon	Director of the UK at the EBRD
Reichenbach, Horst	Vice President for Risk, Nuclear Safety and Human Resources at the EBRD
Six, Jean-Louis	Director of Luxembourg and Belgium at the EBRD
Stepanek, Pavel	Director of the Slovak Republic and Chairperson of the Bank's BAAC
Taci, Anita	Senior Economist, OCE
Takeshi, Kohira	Adviser to the Japanese Director at the EBRD
Wall Bake, Jan-Willem Van De	Director of the Netherlands at the EBRD

Rules and Regulations of the SSF

As stipulated in the Board document on the establishment of the Shareholder Special Fund BDS08-035 (Final)

PREAMBLE
WHEREAS:

(A) The European Bank for Reconstruction and Development (the "Bank") is empowered by Article 18 of the Agreement Establishing the Bank (the "Agreement") to accept the administration of Special Funds, which may be used in any manner and on terms and conditions consistent with the purpose and functions of the Bank, with the other applicable provisions of the Agreement, and with the agreement or agreements relating to such funds.

(B) Pursuant to and in accordance with Article 36.1 of the Agreement, the Board of Governors may from time to time determine to allocate portion of the net income of the Bank for other purposes, that is, purposes other than an allocation to surplus or distribution to members.

(C) From time to time, the Board of Directors may consider recommending to the Board of Governors the adoption of resolutions pursuant to which the Board of Governors allocates net income of the Bank for specific purposes in support of the Bank's operations and activities.

NOW THEREFORE, in order to enable the Bank to receive and accept such net income allocations and administer them for the aforesaid specific purposes, the Board of Directors has resolved to establish a Special Fund in accordance with Article 18 of the Agreement and to adopt these rules.

ARTICLE I – ESTABLISHMENT AND RESOURCES OF THE FUND

Section 1.01 Establishment of the Fund

(a) Subject to the condition of effectiveness referred to in Section 4.01, and in accordance with Article 18 of the Agreement, a Special Fund named the "EBRD Shareholder Special Fund" shall be and is hereby established. References herein to the "Rules" shall be to these rules, as amended from time to time in accordance with Section 4.03. References herein to the "Fund" shall be to the fund established in accordance with these Rules.

(b) The Fund and the resources thereof from time to time shall be governed by and such resources shall be received, administered, used and disposed of in accordance with:

(i) these Rules

(ii) subject always to the Rules, any guidelines (the "Regulations") as may be approved by the Board of Directors from time to time.

(c) Subject always to the Rules and the Regulations, the President may from time to time adopt implementing procedures, as he may consider necessary or desirable for the appropriate and efficient administration of the Fund and the administration, use and disposal of its resources.

Section 1.02 Resources of the Fund

The resources of the Fund shall include:

(a) net income of the Bank allocated to the Fund by a resolution of the Board of Governors (a "Net Income Allocation Resolution")

(b) funds received as return on, or reflow from, the use of the resources of the Fund in accordance with Article II

(c) income derived from investment of the resources of the Fund made in accordance with Section 3.02 below.

ARTICLE II – USE OF THE RESOURCES OF THE FUND

Section 2.01 Purposes for which the resources of the Fund may be used

(a) Except as provided in Section 3.02, the resources of the Fund may be used for the following purposes:

(i) to finance the following types of technical assistance:

(1) project preparation in anticipation of a proposed Bank lending, guarantee or investment operation, whether financed from the Bank's ordinary capital resources or special funds resources, to be rendered prior to or following the signing of the investment documentation by the Bank

(2) project implementation in support of a Bank lending, guarantee or investment operation, whether financed from the Bank's ordinary capital resources or special funds resources, to be rendered after the investment documentation has been signed by the Bank

(3) other types of technical assistance unrelated to any Bank lending, guarantee or investment operation, in support of activities that foster the transition towards open market economies and promote private and entrepreneurial initiative in the Bank's countries of operations

(ii) to finance incentive payments in support of any Bank lending, guarantee or investment operation, whether financed from the Bank's ordinary capital resources or special funds resources (other than those of the Fund)

(iii) to finance investment grants, whether non-repayable, repayable upon a contingency or repayable in part or in full, for goods or works contracts, provided that such grants are extended in anticipation or support of a Bank lending, guarantee or investment operation primarily for the benefit of a sovereign or sub-sovereign client, whether financed from the Bank's ordinary capital resources or special funds resources

(iv) to finance lending, guarantee or investment operations, whether or not in association with a related lending, guarantee or investment operation funded from ordinary capital resources

(v) for nuclear safety purposes

(vi) to fund a reserve against any actual or contingent loss or liability (as applicable) incurred as a result of the activities of the Fund

(b) The use of the resources of the Fund shall be subject to the relevant provisions of the Agreement, in particular Articles 1, 2, 8, 10, 11, 12.4, 13 and 18 of the Agreement. In particular, the Bank shall place no restriction on the procurement of goods, works or services from any country from the proceeds of any application of the resources of the Fund. Subject as aforesaid, the procurement policies and rules of the Bank applicable from time to time shall apply to the procurement of all goods, works and services undertaken utilising the resources of the Fund.

(c) The Regulations may provide for further specificity regarding the use of the resources of the Fund.

Section 2.02 Planning for the allocation of Fund resources

(a) The resources of the Fund shall be applied to the various categories of expenditure or reserve referred to in a Net Income Allocation Resolution or as may be approved by the Board of Governors pursuant to any subsequent resolution adopted by the same majority as is applicable to decisions of allocation of net income to other purposes pursuant to Article 36.1 of the Agreement. The Board of Directors may provide for further specificity regarding a Net Income Allocation Resolution.

(b) The President shall submit for approval by the Board of Directors, a work plan (the "Work Plan") a period of at least 12 months and identifying the priority areas for the proposed use of the Fund's resources during such period.

(c) Each Work Plan shall provide information on: (i) the countries or regions where spending is proposed; (ii) the main focal sectors; and (iii) the various use categories proposed.

(d) The Board of Directors may, on the recommendation of the President, approve a reallocation of resources as between the focal sectors identified in the Work Plan, provided that any such reallocation shall not be in breach of any specificity of allocation made in a Net Income Allocation Resolution.

(e) Up to 10% of the resources in the Fund may be designated as "unallocated" for the purposes of the Work Plan.

(f) On a quarterly basis, the Board of Directors shall be provided with a pipeline report containing information about the total needs for the next quarter in respect of technical assistance, investment grants and other activities that can be financed from the resources of the Fund in accordance with Section 2.01; such document shall be shared with donors' representatives in accordance with the Bank's normal practices and subject to applicable confidentiality requirements.

Section 2.03 Modes of approval for use of resources of the Fund

(a) Any proposal for the financing of technical assistance referred to in Section 2.01(a)(i) shall be submitted to the Technical Cooperation Committee for its approval in accordance with the Bank's established procedures, except where the amount of financing for such a proposal exceeds €300,000 it shall be submitted to the Board for its approval on a non-objection basis.

(b) Any proposal for the financing of incentive payments referred to in Section 2.01(ii) or investment grants referred to in Section 2.01(iii) or lending, guarantee or investment operations referred to in Section 2.01(iv) shall be submitted to the Board for its approval in accordance with the Bank's established procedures as applicable to ordinary operations as set out in Article 13(vi) of the Agreement.

(c) Any proposal in respect of nuclear safety and/or to fund a reserve as referred to in Sections 2.01(v) and (vi) respectively shall be submitted to the Board for its approval.

(d) The Regulations may provide for further specificity regarding the modes of approval for the use of the resources of the Fund.

ARTICLE III – ADMINISTRATION OF RESOURCES OF THE FUND

Section 3.01 Separation of resources

(a) The resources of the Fund shall at all times and in all respects be held, used, committed, invested or otherwise disposed of entirely separate from:

(i) the ordinary capital resources of the Bank
(ii) any other special funds resources of the Bank
(iii) any co-operation funds administered by the Bank.

(b) Under no circumstances shall the ordinary capital resources of the Bank be charged with, or used to discharge, losses or liabilities arising out of any operations or other activities for which the resources of the Fund were originally used or committed.

Section 3.02 Investment of the Fund resources pending utilisation

The Bank may invest any resources of the Fund that are not immediately required for use under Article II. Except as otherwise authorised by the Board of Directors, such investment shall be made in accordance with the guidelines approved by the Board of Directors for investment of the ordinary capital resources of the Bank.

Section 3.03 Charging of administrative expenses

The Fund shall bear all administrative expenses appertaining directly to operations and activities financed from the resources of the Fund, and such reasonable share of the other administrative expenses of the Bank as the Board of Directors shall from time to time determine.

Section 3.04 Reports

(a) The Board of Directors shall be provided with a quarterly report on the current status of the approved, committed and disbursed uses of the resources of the Fund.

(b) The Board of Directors shall be provided with regular progress and completion reports on each technical assistance item financed with the resources of the Fund, using the same reporting format through TCNet as is used for donor-funded technical cooperation projects.

Section 3.05 Accounts and audit

(a) The Bank shall maintain accounts of the Fund in accordance with generally accepted accounting principles and the Bank's accounting policies, and shall prepare and submit to the Board of Directors financial statements of the Fund on a quarterly basis. The accounts of the Fund shall be prepared and presented in euros.

(b) The accounts of the Fund shall be subject to the same audit requirements by internal and external auditors of the Bank as are applied to the accounts of the Bank's ordinary capital resources.

(c) The Board of Directors shall submit to the Board of Governors, for approval at the Annual Meeting of Governors, the audited financial statements of the Fund for the previous financial year.

(d) The Bank shall include in its Annual Report a separate section in respect of the Fund, containing appropriate information on the resources of the Fund, and on operations and activities financed with the resources of the Fund.

ARTICLE IV – MISCELLANEOUS

Section 4.01 Condition of effectiveness

The Fund shall become effective if and when the Board of Governors adopts a Net Income Allocation Resolution, provided that the first such resolution is adopted by 30 June 2008 or such later date as the Board of Directors may agree.

Section 4.02 Termination

The Board of Directors may decide to terminate the Fund and the Fund shall automatically terminate upon the termination of the Bank of its operations pursuant to Article 41 of the Agreement. Upon termination of the Fund, all activities in respect of it shall cease forthwith, except those incident to the orderly realisation, conservation and preservation of its assets and the settlement of its obligations. Following termination of the Fund any net resources remaining in the Fund having taken account of all actual or contingent losses or liabilities of the Fund, shall be distributed among those persons being members of the Bank on the date of the termination of the Fund in proportion to the number of paid-in shares held by each such member on that date.

Section 4.03 Amendments

The Board of Directors may amend these Rules from time to time, provided however that Section 2.01 and this Section 4.03 may only be amended if the Board of Directors has been authorised to do so by a resolution of the Board of Governors adopted by the same majority as is applicable to decisions of allocating net income to other purposes pursuant to Article 36.1 of the Agreement.

Additional procedures for TC projects funded from the SSF

General TC Procedure	*Specific SSF Procedure*
(1) Identification of TC Needs by Operation Leader – OL in different departments	
	(2) OCU is preparing **quarterly TC pipelines** and circulates them to Donors for expressing their interest/no interest in funding While Donors respond, TCs could already be submitted to TC Com for approval.
(3) Elaboration of Project Profile and storage in the Bank's TCS	
(4) Submission to TC Review Committee (TC Com) for approval	
(5) Donor approval via Official Co-financing Unit (OCU)	If no Donor expressed interest within the deadline, the approved project is allocated for the SSF, thus subject to a second approval: **For TCs ≤ €300,000** *Endorsement* by the Director for Procurement and Consultancy Services and *Approval* by the Bank's VP Risk Mgmt, HR & Nuclear Safety[1] (upon endorsement as above) **For TC > €300,000** *Sign off* by the Director for Procurement and Consultancy Services for the project fiche to be submitted to the Bank's Board of Directors for approval by non-objection (within 10 WDs)
(6) Assignment of Commitment Number by OCU	EBSF-xxxx-xx-xx
(7) Consultant selection with CSU and contract award	
(8) Project implementation and Progress Reporting by OL	In addition, quarterly reports on the implementation of the Fund's specific Work Plans to BAAC and the Board
(9) Closure of Project and Project Completion Report elaborated by OL	
(10) Reporting to Donor by OL via OCU	

[1] Currently Horst Reichenbach; position of VP to be changed as of 1 September 2010.

Overview on the Fund's non-TC operations

The first non-technical cooperation (non-TC) grant was approved in July 2008.[1] During related discussions in the BAAC, a few procedural questions were raised with regard to the dual nature of any such project proposal, involving an investment side and a grant side. It was consequently agreed to submit two separate recommendations to the Board: one to approve the project itself, and another one to approve the grant element that was to be financed from the Fund. Moreover, management was from that time on asked to present to BAAC on a quarterly basis, projects in the pipeline potentially involving major non-TC operations.[2]

Over the lifetime of the Fund, management reports the allocation/commitment of approximately 10 non-TC operations with an overall amount of some €20 million, thus not fully utilising the indicative allocations of Work Plan1 (WP1), which had been slightly revised from its initial amount to €34.1 million during the third Fund revision. Note should be taken that this instrument was only foreseen in WP1 and limited to the sector categories of Infrastructure and SEI. The formal compliance check overleaf is done against the backdrop of the new guidelines for Banking staff[3] elaborated by the Office of the Chief Economist (OCE) in April 2008. In summary, these stipulate the following principles:

1. Grants should be targeted **at important transition objectives** (that would otherwise not be achieved) by maintaining the following three principles:
   - *Subsidiarity* – use of investment grants should be focused on transition objectives that cannot be achieved with market-conforming instruments alone
   - *Leverage* – the grant should be used to support a process of reform or behaviour change on the part of the client that promotes agreed transition objectives
   - *Sustainability* – the grant should address impediments to projects that are expected to become financially sustainable (without such support) over time.
2. Second, **investment grants should be subject to disciplines** aimed at minimising the potential for waste and distortions, that is, they should pass a "synthetic" market test, including the principles of:
   - *Consistency* – the grant should encourage resource allocation consistent with longer term market forces
   - *Focus* – the grant should be targeted specifically at the underlying problem
   - *Economy* – the grant should be sufficient but not larger than necessary to achieve its objectives, established for example through cost-benefit analysis.

The Bank's general provisions on additionality was assumed to generally follow from the principle of economy, while it was also stipulated that such grants should not be provided on a stand-alone basis, as "*without the discipline of an accompanying ordinary operation, the transition objectives of a stand-alone special operation will be very difficult to achieve*".

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[1] Within the framework of the "St. Petersburg Vodokanal Neva Discharge Closure" project an amount of €6 million from the SSF resources was foreseen to support the Northern Dimension Environmental Partnership (NDEP).
[2] See SGS08-166, dd. 18 July 2008 and "Approval Process for Incentive Payments, Investment Grants and Lending, Guarantee or Investment operations pursuant to section 2.03 (b) of the Special Shareholder Funds" (BDS08-200) dd. 23.10.2008.
[3] Laid down in the "Staff Guidelines for the Use of Non-TC Grants from the Shareholder Special Fund" (SGS08-073), dd. April 2008.

Check-up of the Fund's non-TC operations for their compliance with the OCE Guidelines

				1. Transition objectives			*2. Financial discipline*			
No	**Name of operation [type]**	**Amount**	**% grant***	*Subsidi-arity*	*Leverage*	*Sustaina-bility*	*Consis-tency*	*Focus*	*Economy*	**TI rating**
1	Neva Discharges Closure [investment grant]	€6,000,000	34%	√	√	√	⊗	√	⊗	Satisf.
2	Murmansk Oblast Water Improvement [investment grant]	€2,000,000	9%	√	√	√	⊗	√	⊗	N/A**
3	WeBSEDFF [incentive payments]	€1,500,000	3%	√	√	√	√	⊗	⊗	N/A**
4	Millikart equity investment [equity investment]	$700,000	N/A	√	√	√	√	⊗	⊗	Good
5	Energy Efficiency Management Systems Programme in ETC and other ODA countries [investment grants]	€4,500,000	N/A	√	√	⊗	√	⊗	⊗	Good
	- DLF-Northern Ray Elite Holding (Armenia)	€130,000	14%	⊗	√	⊗	√	⊗	⊗	N/A***
	- Chisinau Airport Modernisation Project II (Moldova)	€445,000	50%	⊗	√	⊗	√	⊗	⊗	Good
	- DLF- Iucan Comert Office Centre (Moldova)	€145,550	44%	⊗	√	⊗	√	⊗	⊗	N/A***
	- MCFF-Bank Republic – BCFS (Georgia)	€47,300	50%	⊗	√	⊗	√	⊗	⊗	N/A
	- DLF-Orion 2 (Kyrgyz Republic)	€186,000	50%	⊗	√	⊗	√	⊗	⊗	N/A***
	- Astarta II (Ukraine)	€325,477	42%	⊗	√	⊗	√	⊗	⊗	Good
6	South Tajik Water Rehabilitation Project	$4,200,000	209%	√	√	⊗	√	√	⊗	Excell.

√ Evidence found in documentation typically including: Board approval documents (Project Fiche), TIMS, Monitoring reports and so on as available.

⊗ No evidence found in documentation.

* In relation to the total investment or the total eligible costs.

** According to OCE, these operations are not yet in the (TIM) system.

*** According to OCE, DLFs are monitored only under a general framework (OpID 35096), whether they are non-TC recipients or not.

Indicative and revised allocations of the SSF resources for supporting Banking Operations

Work Plan 1

Table A: Indicative allocation of SSF resources (July 2008)

	ODA			Non-ODA		
	ETC	WestBal	UA*	Russia	**Amount**	*Percentage*
Infrastructure	15.5	11.5	4.5	13.5	**45**	*40%*
Sustainable Energy	14.5	9.5	11.5	4	**39.5**	*35%*
Enterprises	15.5	4	6	2.5	**28**	*25%*
Amount (€ million)	**45.5**	**25**	**22**	**20**	**112.5**	*100 %*
Percentage	*40%*	*22%*	*20%*	*18%*	*100%*	

* Ukraine and other ODA countries

Table B: 1st revised allocation of SSF resources (October 2008)

	ODA			Non-ODA		
	ETC	WestBal	UA*	Russia	**Amount**	*Percentage*
Infrastructure	12	11.5	4.5	13.5	**41.5**	*34%*
Sustainable Energy	11	5	11.5	4	**31.5**	*26%*
Enterprises	12.5	1.5	6	2.5	**22.5**	*18%*
Multi-Donor Funds	10	7	0	0	**17**	*22%*
Amount (€ million)	**45.5**	**25**	**22**	**20**	**112.5**	*100%*
Percentage	*40%*	*22%*	*20%*	*18%*	*100%*	

Changes marked in yellow
* Ukraine and other ODA countries

Table C: 2nd revised allocation of SSF resources (October 2009)

	ODA			Non-ODA		
	ETC	WestBal	UA*	Russia	**Amount**	*Percentage*
Infrastructure	7	11.25	4.25	13.5	**41.5**	*32%*
Sustainable Energy	6.5	5	11.5	4	**31.5**	*34%*
Enterprises	17	1.75	6.25	2.5	**22.5**	*34%*
Multi-Donor Funds	15	7	0	0	**17**	*20%*
Amount (€ million)	**45.5**	**25**	**22**	**20**	**112.5**	*100%*
Percentage	*40%*	*22%*	*20%*	*18%*	*100%*	

Changes marked in yellow
* Ukraine and other ODA countries

Work Plan 1

Table D: 3rd revised allocation of SSF resources (January 2010)

	ODA			Non-ODA		
	ETC	WestBal	UA*	Russia	**Amount**	*Percentage*
TC	37.5	14.9	16	10	**78.4**	*70%*
Non-TC	8	10.1	6	10	**34.1**	*30%*
Amount (€ million)	**45.5**	**25**	**22**	**20**	**112.5**	*100%*
Percentage	*40%*	*22%*	*20%*	*18%*	*100%*	

Changes marked in yellow

* Ukraine and other ODA countries

Work Plan 2

Table E: Indicative allocation of the SSF replenishment (March 2009)

	ODA			Non-ODA			
	ETC	WestBal	UA*	Russia	EU	**Amount**	*Percentage*
Crisis response (FI/SME TC)			9.9	2	3.9	**15.8**	53%
ETC/ Belarus/ Turkmenistan	7.9		2			**9.9**	33%
Western Balkans		4				**4**	13%
Amount (€ million)	**23.8**			**5.9**		**29.7**	*100%*
Percentage	*27%*	*13%*	*40%*	*13%*	*7%*	*100%*	

* Ukraine and other ODA countries

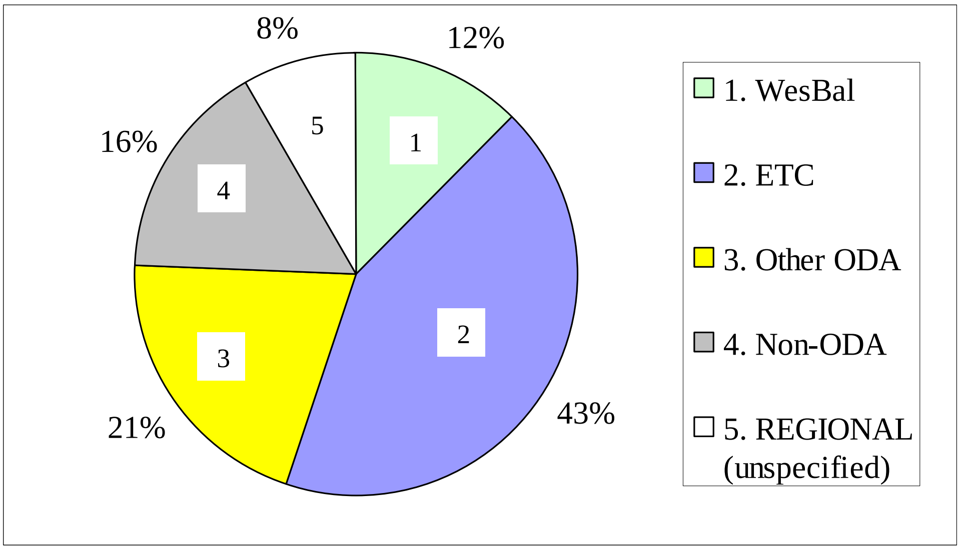
Table F: 1st revised allocation of the SSF replenishment (January 2010)

	ODA			Non-ODA		
	ETC	WestBal	UA*	Russia	EU	**Amount**
Sub-categories lifted	7.9	4	11.9	2	3.9	
Amount (€ million)	**23.8**			**5.9**		**29.7**
Percentage	*27%*	*13%*	*40%*	*13%*	*7%*	*100%*

* Ukraine and other ODA countries

SSF TC/NON-TC COMMITMENTS UNDER WP1

GRAPH 1 Percentage share per region



Source: Data Warehouse, figures as of 30 June 2010

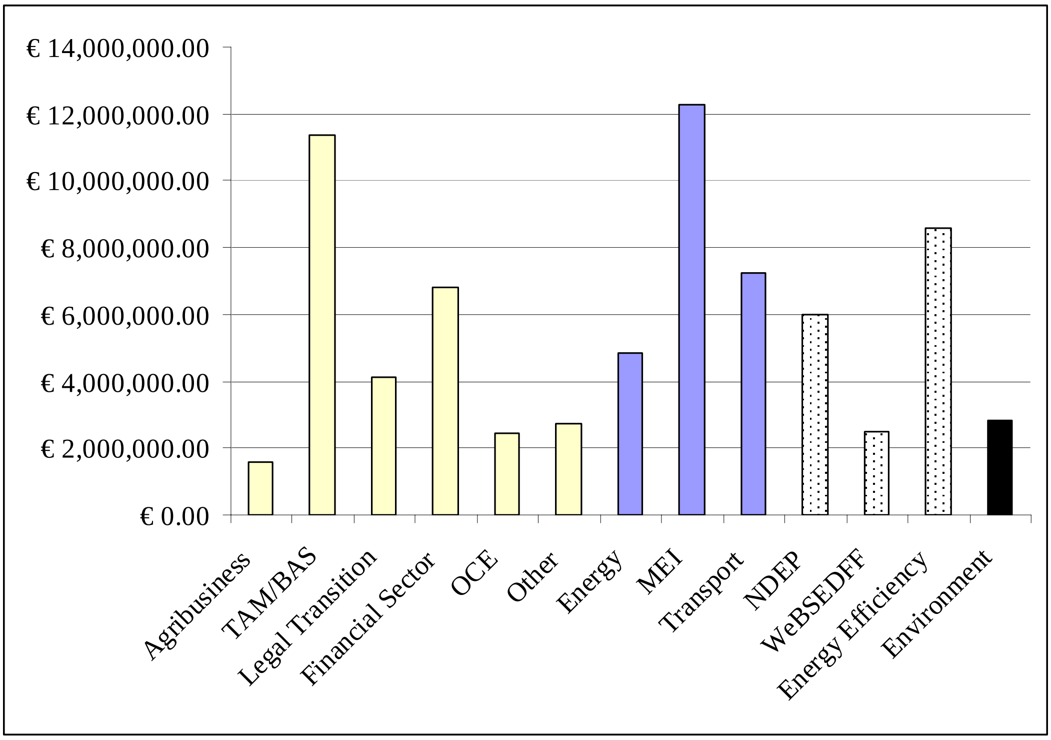
TABLE 2 Exploitation of allocation amounts (in € million)

	Current	Planned	Exploitation
1. Western Balkans	9.1	25.0	36.4%
2. ETC	31.3	45.5	68.8%
3. Other ODA	15.1	22.0	68.6%
4. Non-ODA	11.7	20.0	58.5%
5. Regional (unspecified)	6.2	0	-

Source: EBRD Data Warehouse, figures as of 30 June 2010

SSF TC/NON-TC COMMITMENTS UNDER WP1

GRAPH AND TABLE 3 Amounts committed per sub-sector (€)



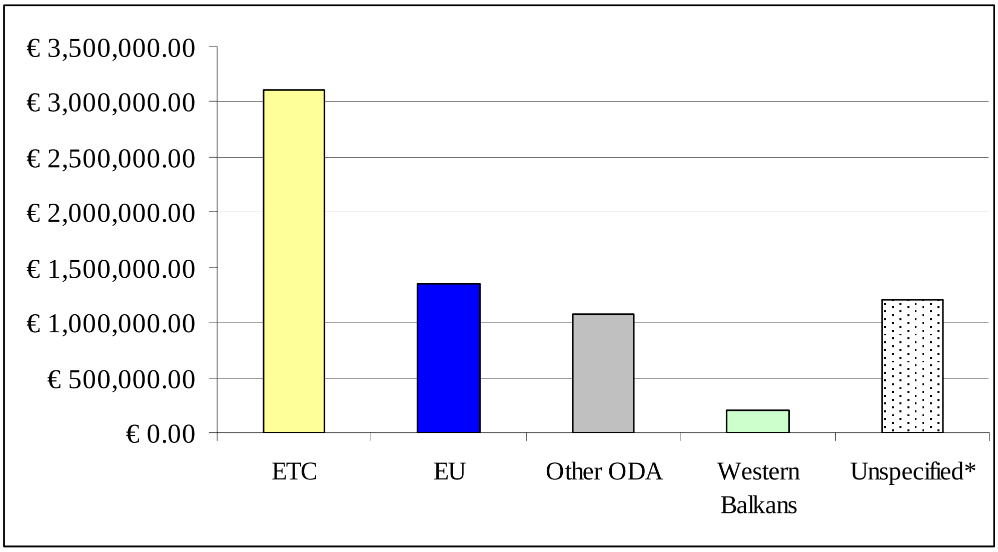
Source: Data Warehouse, figures as of 30 June 2010

Category	Sub-segment	Grand total
Enterprise and other	Agribusiness	€ 1,587,183.05
“-“	TAM/BAS	€ 11,358,933.10
“-“	Legal Transition	€ 4,140,199.75
“-“	Financial sector	€ 6,808,967.50
“-“	OCE*	€ 2,465,539.78
“-“	Other	€ 2,751,762.70
Infrastructure	Energy**	€ 4,837,884.50
“-“	MEI	€ 12,281,855.73
“-“	Transport	€ 7,249,479.00
SEI	NDEP	€ 6,000,000.00
“-“	WeBSEDFF***	€ 2,500,000.00
“-“	Energy efficiency**	€ 8,578,840.36
All categories****	Environment	€ 2,822,055.83

* OCE uses the Fund for carrying out research studies, such as impact assessments, Life in Transition Survey, and so on.
** Energy is included within Infrastructure and comprises mainly activities by the ‘BG Power and Energy’ Team whilst Energy Efficiency counts under the SEI category and pertains to assignments implemented by the ‘BG Energy Efficiency and Climate Change’ Team
*** The Western Balkans Sustainable Energy Direct Lending Facility comprises TC support and investment co-financing with allocated amounts for the latter amounting to some €2 million
**** Environment features all of the Fund’s sector categories as assignments could for instance comprise legal advice (Enterprise and other), infrastructural consultancies or SEI-related activities

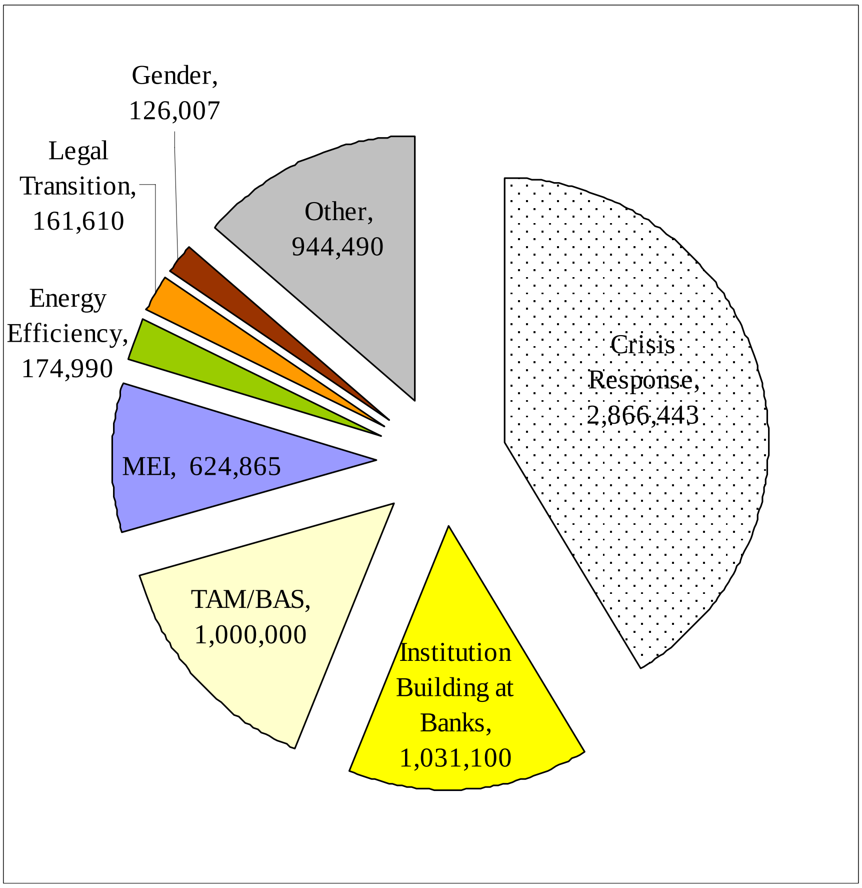
SSF (TC) COMMITMENTS UNDER WP2

GRAPH 4 Amounts per region (€)



* Regional commitments without specifications on target countries occurred mainly for crisis response measures by the Bank's TFP programme

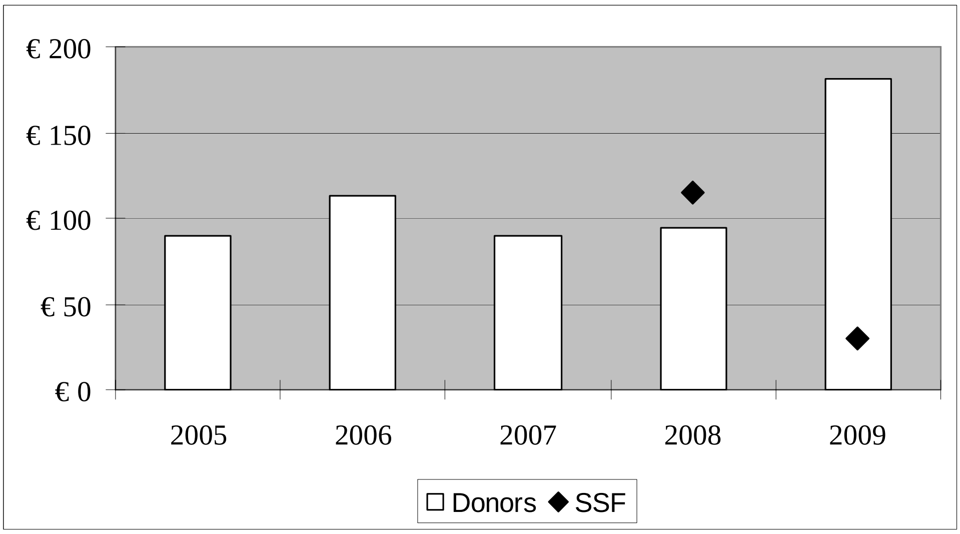
GRAPH 5 Amounts per sector programme (€)



Source: Data Warehouse, figures as of 30 June 2010

Annual Donor agreements/replenishments to the EBRD

(numbers provided in millions)

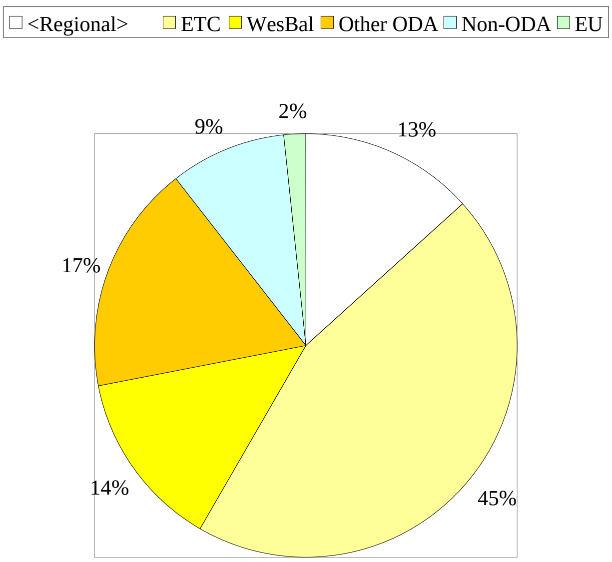


Source: OCU Annual Donor Reports

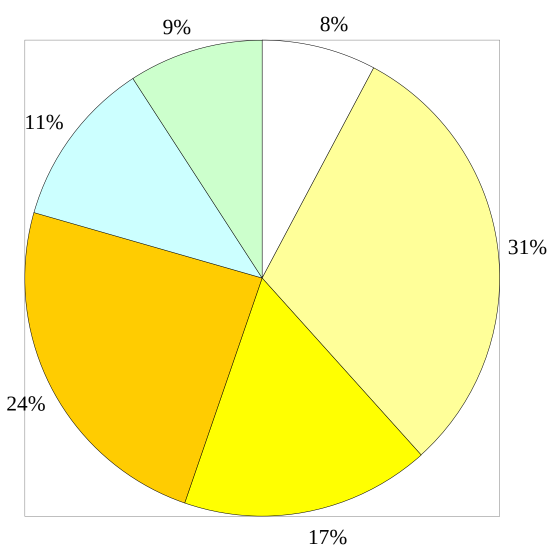
Comparison of SSF-TC commitments with those funded by other Donors[1]

A) REGIONAL DISTRIBUTION

Shareholder Special Fund TC (2008-2010)



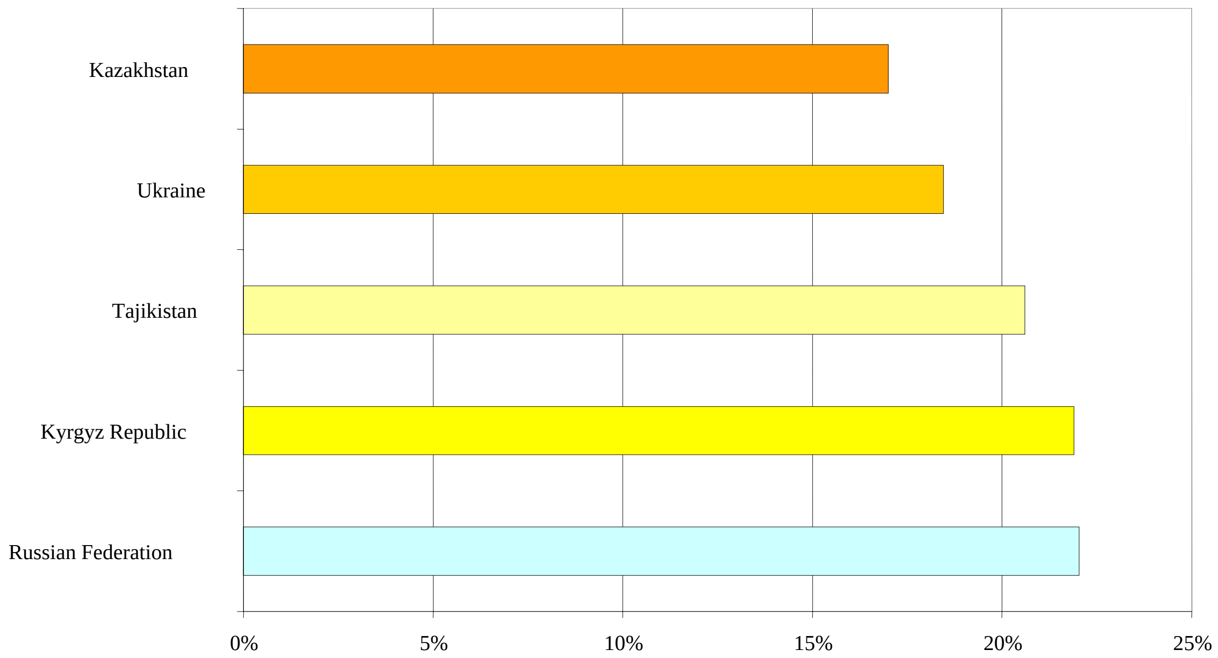
Other TC (2008-2010)



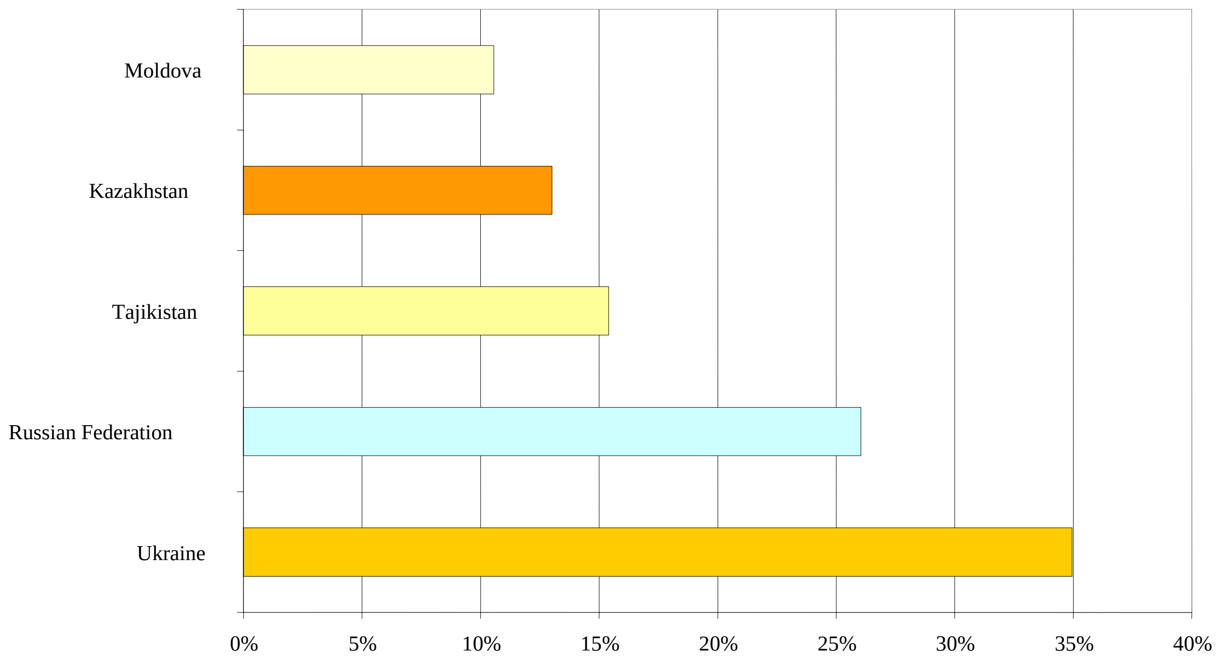
[1] All comparisons based on EBRD TC commitments between January 2008 and June 2010 (SSF – 358 individual assignments; Other TC – 818 assignments). If not specified otherwise, percentage figures refer to committed € amounts.

B) THE FIVE BIGGEST RECIPIENT COUNTRIES

As per % share of the SSF TC Portfolio (2008-2010)

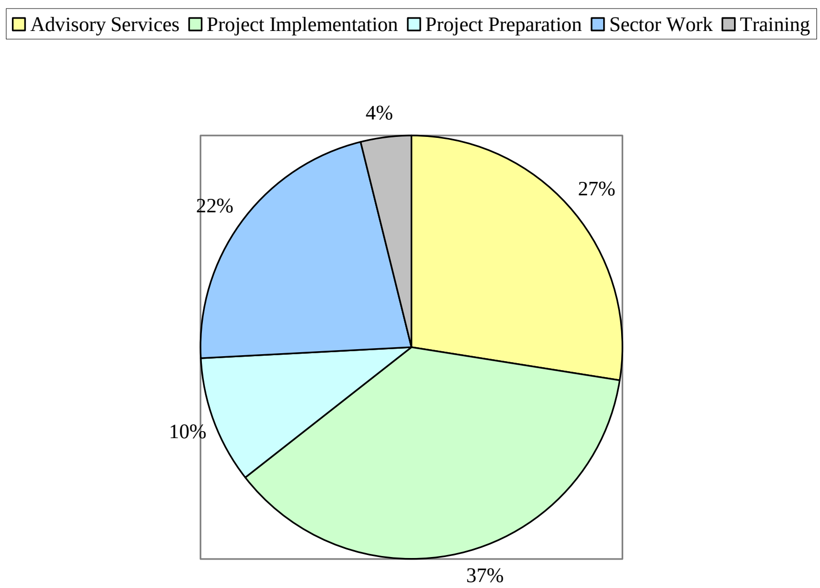


As per % share of 'Other TC' Portfolio (2008-2010)

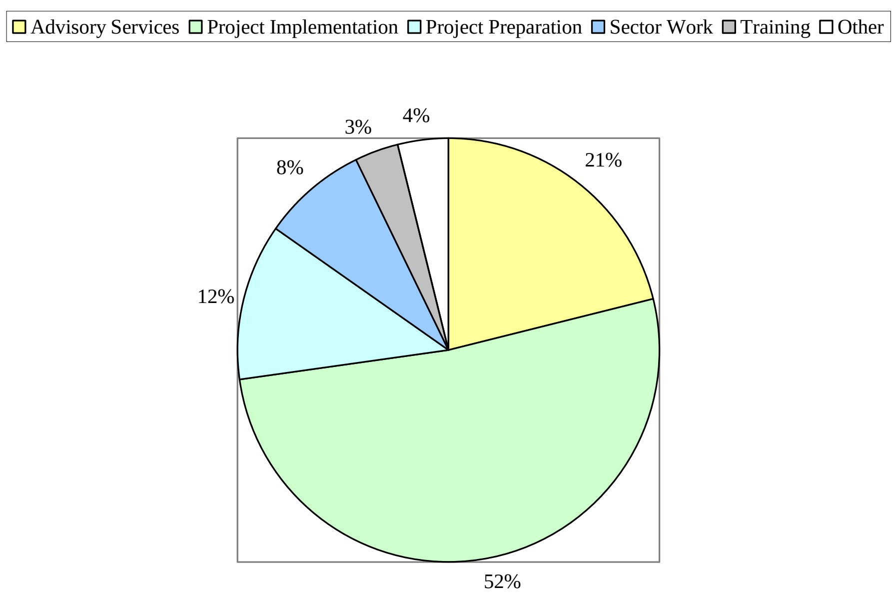


C) TC TYPE

Share of TC Type within the SSF Portfolio (2008-2010)

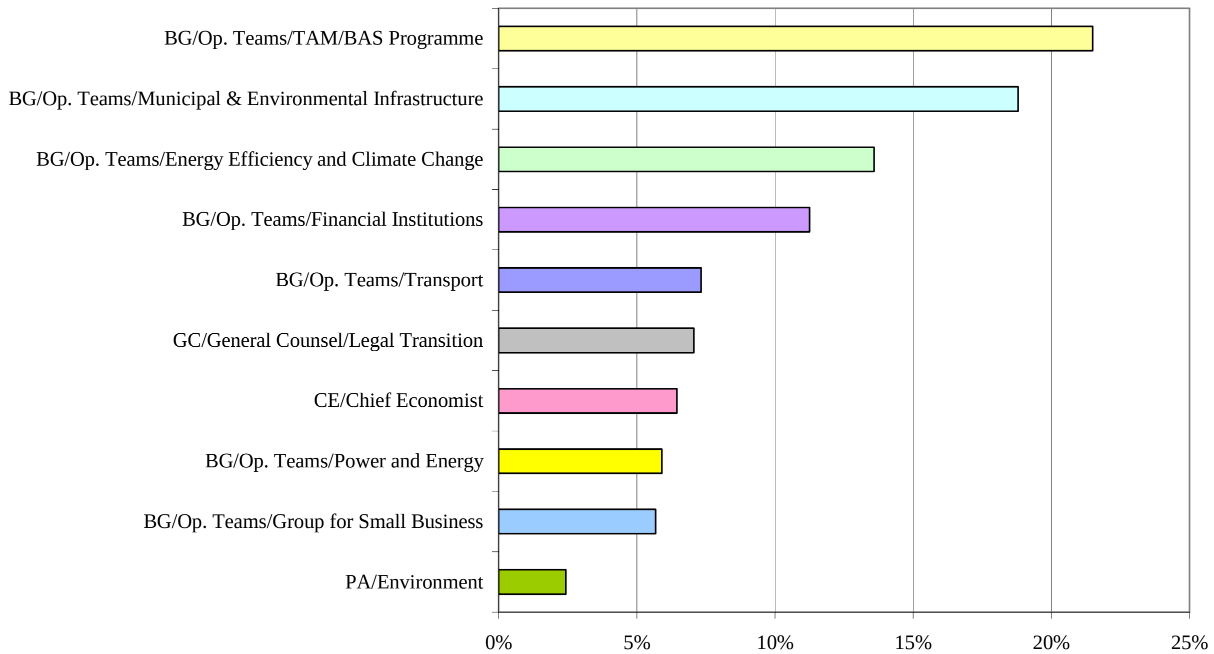


Share of TC Type within the 'Other TC ' Portfolio (2008-2010)



D) Ten EBRD Teams with the largest TC Commitment € amount

As per percentage share of SSF TC Portfolio



As per percentage share of the 'Other TC' Portfolio' (2008-2010)