Report on Operations Under the European Bank for Reconstruction and Development Agreement Act

2000

Canada

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Introduction

The European Bank for Reconstruction and Development (referred to in this document as the EBRD or the Bank) was established in 1991. Its aim is to foster the transition towards open, market-oriented economies in Central and Eastern Europe, as well as in the successor states of the former Soviet Union, and to promote private and entrepreneurial initiative in countries in this region that are committed to the fundamental principles of multi-party democracy, pluralism and a market economy (see Annex 4 for a list of the EBRD's 26 countries of operation).

The EBRD functions as a development bank in much the same way as the World Bank and other regional development banks. The EBRD, however, is distinctive in three areas. First, its overriding focus is on the private sector and support for the transition from central planning to stable market economies. Its Charter stipulates that not less than 60 per cent of its financing commitments should be directed either to private sector enterprises or to state-owned enterprises implementing a program to achieve private ownership and control. Second, the EBRD's mandate gives it a particular focus on the promotion of democratic institutions and human rights in its countries of operation. Finally, the EBRD is explicitly committed under its Articles of Agreement to ensuring the environmental sustainability of all its projects.

The Bank seeks to help its 26 countries of operation to implement structural and sectoral economic reforms, taking into account the particular needs of countries at different stages in the transition process. In particular, its private sector activities focus mainly on enterprise restructuring, including the strengthening of financial institutions, and the development of infrastructure needed to support the private sector. The EBRD has 61 members: 59 countries, the European Union (EU) and the European Investment Bank (see Annex 4 for a list of the members).[1]

Canada is the eighth largest shareholder (tied with Spain), following the other Group of Seven (G-7) countries and Russia. Our formal participation is authorized under the European Bank for Reconstruction and Development Agreement Act, which was promulgated in February 1991. Article 7 of the Act states that:

> The Minister [of Finance] shall cause to be laid before each House of Parliament by March 31 of each year or, if that House is not then sitting, on any of the thirty days next thereafter that it is sitting, a report of operations for the previous calendar year, containing a general summary of all actions taken under the authority of this Act, including their sustainable development aspects within the meaning of Article 2 of the Agreement, and their human rights aspects.

This report responds to this requirement and reviews the activities and operations of the Bank for the year 2000.

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[1] The Federal Republic of Yugoslavia became a member of the Bank in January 2001, raising the number of members to 62 and the number of countries of operation to 27.

Benefits of Membership

As a major trading nation, Canada has a stake in global peace and stability. The successful integration of Central and Eastern Europe and the former Soviet Union into the world economy and global institutions helps to promote peace and stability. The EBRD, by fostering continued economic reform in the region, is contributing to the region's integration into the world economy and to its stability.

EBRD membership provides a number of specific benefits:

- The Minister of Finance is a Governor of the Bank and elects an Executive Director to its 23-member Board of Directors. This representation allows Canada to have high-level influence on decisions taken by the EBRD on investments in the region and on policies to move forward regional development.
- The EBRD provides trade opportunities for the Canadian private sector, allows a diversification of international markets for Canadian business and supports investments by Canadian business in the region.

Role and Mandate of the EBRD

The EBRD:

- fosters the transition of former centrally planned economies of Central and Eastern Europe and the successor states of the former Soviet Union towards market-oriented economies;
- promotes private entrepreneurial initiative (targets at least 60 per cent of its resources to private sector projects with the balance in support of commercially viable state sector projects that promote private sector development);
- operates only in countries committed to applying the principles of multi-party democracy, pluralism and market economics;
- promotes environmentally sound and sustainable development; and
- operates on a self-financing basis.

The EBRD's operations to advance the transition to a market economy are guided by three principles: maximizing transition impact, additionality and sound banking. Financing is provided for projects that expand and improve markets, help build the institutions necessary for underpinning the market economy, and demonstrate and promote market-oriented skills and sound business practices. EBRD financing must also be additional to other sources of financing, and not displace them, further ensuring that the Bank contributes to the transition process. Finally, Bank projects must be sound from a banking perspective, thus demonstrating to private investors that the region offers attractive returns. Adherence to sound banking principles also helps ensure the financial viability of the EBRD and hence its attractiveness as a co-investment partner for the private sector.

In promoting economic transition in its countries of operation, the Bank acts as a catalyst for increased flows of financing to the private sector. The capital requirements of these countries cannot be fully met by official multilateral and bilateral sources of financing, and many foreign private investors remain hesitant to invest in the region, particularly the eastern part. By providing an umbrella under which wider funding for private sector investment can be assembled, the EBRD plays a catalytic role in mobilizing capital. In 2000, for every euro the EBRD invested, it mobilized an additional 1.9 euro from the private sector and multilateral and bilateral agencies.[2]

Indeed, the projects of the Bank serve a dual purpose. They are intended not only to directly support the transition from a command to a market economy in countries of operation, but also to create a demonstration effect to attract foreign and domestic investors. Like the World Bank Group's International Finance Corporation, the Bank is required to operate on a strictly commercial basis and to attract companies to invest in countries through financially viable projects, not through subsidies.

[2] On December 29, 2000, one euro purchased 1.4092 Canadian dollars and one US dollar purchased 1.5002 Canadian dollars.

KEY DEVELOPMENTS IN 2000

Strong growth returned to most of the transition countries in 2000. Real gross domestic product (GDP) grew by just over 5 per cent for the region as a whole, up substantially from 2.1 per cent in 1999. The recovery reflects strong growth in the Commonwealth of Independent States (CIS),[3] which saw real GDP expand 7.4 per cent in 2000 following 3.1-per-cent growth in 1999, largely due to a strong upturn in Russia. In the remaining transition economies of Central Europe and the Baltic States (CEB)[4] and Southeastern Europe[5] output increased 4.0 per cent, up from 1.2 per cent in 1999, as the upturn in western Europe increased exports.

Despite the recovery in the CIS, the level of real GDP at the end of 2000 stood at around 60 per cent of its pre-transition level. The recovery in the CIS during the past two years has been driven largely by external factors rather than domestic policy, raising questions about the sustainability of the recovery. In contrast, by the end of 2000 most countries in CEB attained, or nearly so, pre-transition levels of output. This reflects the faster pace of reform in CEB, as well as the fact that at the start of the transition process these countries were more familiar with market principles and market-supporting institutions. Although rapid initial reform efforts in CEB resulted in output and employment losses that were more significant than in much of the CIS, these losses were relatively quickly recouped as competition flourished. In the CIS output and employment losses, though initially less pronounced, continue to persist as incomplete reform efforts have failed to sufficiently unleash private economic activity. As a result, the first decade of transition has seen a significant divergence in living standards between CEB and the CIS, one that is likely to persist.

The year 2000 saw the greatest progress in reform since 1997, as measured by the EBRD's transition indicators (see table on page 9). Progress was achieved across most countries and dimensions of reform. However, considerable challenges in developing the institutions that are necessary to support a market economy remain throughout much of the region. This is particularly true for the countries in Southeastern Europe and the CIS, where legislative and regulatory changes have often been extensive, but the implementation and enforcement, and hence the effectiveness, of the new laws and regulations remain weak. The continuing weakness of institutions in the CIS and Southeastern Europe means macroeconomic imbalances will remain difficult to manage, with financial sectors vulnerable to bouts of instability.

The following table ranks transition countries according to a number of indicators.

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[3] The CIS includes the following countries: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

[4] CEB includes the Czech Republic, Hungary, Poland, the Slovak Republic, Slovenia and the three Baltic States (Estonia, Latvia and Lithuania).

[5] Southeastern Europe includes Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Romania and the Federal Republic of Yugoslavia, which became a member of the Bank in early 2001. Kosovo is a province of the Federal Republic of Yugoslavia.

Progress in Transition in Central and Eastern Europe, the Baltic States and the CIS

			Enterprises			Market and trade			Financial institutions	
Countries	Population (millions, mid-2000)	Private sector share of GDP in %, mid-2000 (EBRD estimate)	Large-scale privatization	Small-scale privatization	Governance and enterprise restructuring	Price liberal-ization	Trade and foreign exchange system	Compe-tition policy	Banking reform and interest rate liberalization	Securities markets and non-bank financial institutions
Albania	3.3	75	2	4	2	3	4+	2-	2+	2-
Armenia	3.8	60	3	3+	2	3	4	1	2+	2
Azerbaijan	8.1	45	2-	3+	2	3	3+	2	2	2-
Belarus	10.2	20	1	2	1	2-	2-	2	1	2
Bosnia and Herzegovina	4.1	35	2	2+	2-	3	3	1	2+	1
Bulgaria	8.1	70	4-	4-	2+	3	4+	2+	3	2
Croatia	4.5	60	3	4+	3-	3	4+	2+	3+	2+
Czech Republic	10.3	80	4	4+	3+	3	4+	3	3+	3
Estonia	1.4	75	4	4+	3	3	4+	3-	4-	3
FYR Macedonia	2.0	55	3	4	2+	3	4	2	3	2-
Georgia	5.4	60	3+	4	2	3+	4+	2	2+	2-
Hungary	10.0	80	4	4+	3+	3+	4+	3	4	4-
Kazakhstan	14.8	60	3	4	2	3	3+	2	2+	2+
Kyrgyzstan	4.7	60	3	4	2	3	4	2	2+	2
Latvia	2.4	65	3	4+	3-	3	4+	2+	3	2+
Lithuania	3.7	70	3	4+	3-	3	4	3-	3	3
Moldova	4.3	50	3	3+	2	3+	4	2	2+	2
Poland	38.7	70	3+	4+	3	3+	4+	3	3+	4-
Romania	22.3	60	3	4-	2	3	4	2+	3-	2
Russia	145.4	70	3+	4	2	3	2+	2+	2-	2-
Slovak Republic	5.4	75	4	4+	3	3	4+	3	3	2+
Slovenia	2.0	55	3	4+	3-	3+	4+	3-	3+	3-
Tajikistan	6.3	40	2+	3+	2-	3	3+	2-	1	1
Turkmenistan	5.1	25	2-	2	1	2	1	1	1	1
Ukraine	49.5	60	3-	3+	2	3	3	2+	2	2
Uzbekistan	24.9	45	3-	3	2-	2	1	2	2-	2

Source: EBRD, *Transition Report – 2000.*

Note: The classification of transition indicators uses a scale from 1 to 4 where 1 implies little or no progress with reform and 4 implies a market economy. Most advanced industrial economies would qualify for the 4+ rating for almost all the transition indicators.

Highlights of Macroeconomic Performance

- Real GDP growth strengthened to over 5 per cent for the region as a whole, the highest growth rate since the start of transition and the first time in the region's history it has posted two consecutive years of growth. The strong recovery was broadly based across the region.
- Inflation pressures increased throughout much of Central Europe in 2000, while in the CIS inflation moderated in most countries, though it remained at double-digit levels.
- In many CIS countries the currency devaluations of 1998-99 contributed to a sharp increase in external public debt in local currency terms and, in some cases, debt management problems.
- Although current account deficits narrowed in a number of countries in Central Europe, they remain relatively high.

Russia

Macroeconomic performance during 2000 far exceeded expectations. Buoyed by the devaluation of the ruble in 1998 (and its further depreciation in 1999), as well as a sharp increase in average oil export prices over 1999 levels, real GDP grew an estimated 7.7 per cent in 2000, up from 3.5 per cent in 1999. By end 2000 real GDP had surpassed its pre-1998 crisis level, but was still far below its pre-transition level. The federal government's fiscal position improved markedly as revenues increased substantially due to the upturn in the economy, as well as some modest efforts by the government to re-establish control over public finances. Russia's external position, as reflected by its current account balance, also improved significantly through 2000 due largely to higher energy exports.

While the improved external position was a positive development, it also complicated macroeconomic management. As Russian exporters sought to convert their foreign exchange earnings into rubles, the strong demand for the domestic currency led to appreciation pressures on the ruble that threatened to overturn the competitiveness gains resulting from the 1998-99 ruble depreciation. To counteract this, the Russian central bank supplied rubles to satisfy the strong demand for the currency, but this contributed to inflation pressures in the domestic economy. Despite limited stabilization tools, the authorities were able to contain these inflationary pressures. As a result, inflation ended the year down from its 1999 level.

Despite strong economic growth in 2000, the Russian economy remains vulnerable to external and internal shocks. The recovery in non-commodity-related production has thus far been largely driven by the ruble's significant real depreciation in the wake of the Russian financial crisis in 1998, which has led to significant substitution of domestic goods for foreign ones as imports have become much more expensive with the lower value of the ruble. Sustaining competitiveness will require deep structural reforms in the enterprise sector as well as significant new investment to increase efficiency and productivity. Limited progress has been made in this direction over the past year. Despite the government's approval of a comprehensive 10-year economic development program in July 2000, which includes improving the business climate as a priority, the business climate remains uninviting as witnessed by the still substantial capital outflows from Russia. Similarly, little has been done to strengthen Russia's financial system. Financial institutions remain under-capitalized and poorly regulated. Efforts to reform the financial sector – through the creation of a bank restructuring agency (ARCO) and enactment of laws on the insolvency of credit institutions – have been largely undermined by the lack of regulatory enforcement by the central bank.

Central Europe and the Baltic States

Stronger growth in 2000 was largely export-driven as the upturn in western Europe pulled in more exports from Central Europe and the Baltic States, offsetting the possible detrimental effect of high oil prices on these energy-dependent economies. Strong investment demand, spurred by the prospect of EU accession, also buoyed growth in 2000. The strong performance of exports led to some narrowing of current account deficits in a number of countries, which is particularly striking given the high energy content of imports and the significant rise in energy prices. Current account deficits remained high, however, at close to 5 per cent of GDP or more, in the majority of countries in Central Europe. In most countries, these deficits have been financed by foreign direct investment rather than debt-creating capital inflows, alleviating some of the concerns normally associated with persistent high current account deficits. Rising energy prices also contributed to price pressures in much of the region, though inflation remained under control in all countries.

The sound economic performance of many countries of Central Europe and the Baltic States over the last few years has been fostered by significant gains in competitiveness due to successful enterprise restructuring and by the creation of market-supporting institutions (fiscal, legal, financial and social). Poland and Hungary in particular have advanced significantly in the transition process (see table on page 9) and appear well poised for long-term sustained economic growth.

Southeastern Europe

Growth strengthened in all countries in Southeastern Europe with the exception of Albania, which saw growth remain steady at just over 7 per cent. Like Central and Eastern Europe and the Baltic States, many countries in Southeastern Europe also benefited from stronger growth in western Europe in 2000, which pulled in exports from the region. Export-led growth appeared particularly strong in Bulgaria and Romania. In the latter increased exports contributed to a return to growth following three years of recession. In a number of countries, notably Bulgaria, EU accession prospects also spurred strong investment growth, reflecting significant efforts in recent years to move forward with reform. However, the growth of investment demand in much of the rest of the region was dampened by the lingering political instability in the Federal Republic of Yugoslavia throughout much of 2000 and the slow pace of macroeconomic and structural reforms. However, the recent election of a reform-minded government in Croatia and the election of a new President in the Federal Republic of Yugoslavia brightened the region's prospects in 2000.

Despite the progress to date, Southeastern Europe faces significant challenges, principally as a result of its uneven commitment to reform and continuing ethnic tensions. In many countries the privatization process is incomplete, and loss-making enterprises and banks continue to operate and accumulate tax arrears, weakening governance. Progress has been limited to date in establishing the legal and social institutions that underpin effective markets and lay the foundation for private investment. Recent increases in ethnic tensions in FYR Macedonia and Kosovo underscore the importance of political stability to the development of the region.

Accession to the European Union

Expected accession to the European Union (EU) has been an important factor strengthening financial stability and underlying economic reform efforts in Central and Eastern Europe. At its intergovernmental council meeting in December 1997, the EU identified 10 “accession countries” as candidates for early membership, and in March 1998 began initial accession negotiations with 5 of them (the Czech Republic, Estonia, Hungary, Poland and Slovenia).[1] In December 1999, at the Helsinki Summit, the EU decided to initiate accession negotiations with the remaining 5 accession countries (Bulgaria, Latvia, Lithuania, Romania and the Slovak Republic), with progress through the negotiations as quickly as warranted by each country’s own efforts to prepare for accession. In addition, the Summit committed the EU to be ready to decide from the end of 2002 on the accession of candidates that fulfill all necessary criteria.

The EBRD, European Commission and World Bank have signed a memorandum of understanding setting out the basic principles for collaboration in supporting projects that will assist all accession countries in meeting the requirements of the EU. In particular, all 10 accession countries face specific requirements for investment in infrastructure to meet the requirements of the EU’s *acquis communautaire*, or inventory of laws and standards. The EBRD will actively support projects where its mandate and EU accession requirements overlap.

The EU has also held up the prospect of EU membership for the countries of Southeastern Europe through the Stabilisation and Association Process. Under this process the EU will negotiate Stabilisation and Association Agreements with democratic, reform-minded countries in the region. The Agreements offer the prospect of better trade access, increased assistance for education and institution building, co-operation in the areas of justice and home affairs, formal political relations with the EU and, one day, membership in the EU. Thus far the EU has entered into negotiations to establish agreements with FYR Macedonia, Albania and, most recently in 2000, with Croatia. It is hoped that the prospect of EU membership will spur reform efforts in Southeastern Europe as it has done in Central Europe and the Baltic States.

[1] The 10 accession countries are Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic and Slovenia. The EU has negotiated accession partnerships with all 10 countries.

The Non-Russian CIS

The real exchange rate realignments that occurred in 1998-99 throughout much of the non-Russian CIS are a key factor behind the stronger growth experienced by most countries in the region in 2000. For the first time since the start of transition, Ukraine saw real GDP increase (6 per cent) as the depreciation of its currency in 1998-99 resulted in significant import substitution that stimulated domestic production and strengthened exports. This effect has been repeated in numerous countries across the region. The sharp real depreciation of many currencies in the CIS, while good for competitiveness in the short term, has caused the debt burden of many countries to increase dramatically, as much of what they owe is denominated in foreign currency. As a result, the ability of a number of the smaller economies in the region, such as Georgia, Kyrgyzstan, Moldova and Tajikistan, to service their debt is increasingly in question. In contrast to most of the other countries in the non-Russian CIS, Georgia and Uzbekistan saw real GDP growth slow in 2000.

For oil-producing countries such as Kazakhstan and Azerbaijan, high oil prices have helped buoy growth and improve external and fiscal accounts, contributing to a rapid return to relative macroeconomic stability. Similarly, the strength of other commodity prices has helped to buoy growth in the non-Russian CIS as a whole, where commodities represent over 50 per cent of exports in all but three countries. Relative exchange rate stability in 2000, as well as moderating inflation in the non-Russian CIS and stronger growth in Russia, has supported the rebuilding of intra-CIS trade links disrupted by the Russian crisis.

As with Russia, the non-Russian CIS countries face significant challenges in terms of their central-planning legacy, the extent of structural distortions and the limited capacity of state institutions, and they continue to lag considerably behind countries in Central Europe in implementing structural reforms (see table on page 9). Nonetheless, difficult structural reforms have begun in a number of countries, notably Azerbaijan and Georgia, and they have now experienced a few years of growth. In 2000 Georgia and Tajikistan achieved the greatest progress in reform, as the recovery from civil conflicts provided an opportunity to move forward on long-delayed price and trade liberalization, small-scale privatization and competition policy. In contrast, Belarus, Uzbekistan and Turkmenistan have yet to embark on comprehensive liberalization and privatization reform programs.

Transition Report 2000

The *Transition Report* is an annual publication of the EBRD that charts the progress of transition from a command to a market economy in each of the EBRD's 26 countries of operation. Each year the report has a special theme. In 2000 it examines the human dimension of transition by taking a closer look at how employment, skills, poverty and inequality have evolved over the past decade of transition.

A key conclusion of the report is that the countries that have made the most progress on structural reforms have had better outcomes in terms of labour market performance, economic inequality and poverty. In Central Europe and the Baltic States unemployment, poverty and inequality increased early in the reform process. However, the relatively rapid restructuring of enterprises that allowed the development of new firms and activities soon created new labour market opportunities. At the same time, the development of effective social assistance programs facilitated people's transition to the changing structure of the economy and helped reinforce popular commitment to the reform process. Importantly, as the report notes, the development of competition in product and labour markets has created an incentive for firms and people to invest in skills development. Ongoing investments in education and physical capital will be essential to improve living standards in the face of globalization and the rapid adoption of new technologies abroad.

In contrast, in the CIS and Southeastern Europe, the progress has been generally less positive. Enterprise restructuring has proceeded slowly, impeding the emergence of new firms and activities in a significant manner. In addition, the expectation by many CIS governments that the large enterprises that made up the bulk of the former planned economy would continue to provide a large share of social safety nets, despite the fact that these enterprises no longer have the means or the inclination to do so, has resulted in widespread poverty among the unemployed and among workers not paid for months. The resulting growth of an informal economy has weakened the ability of governments to put in place the types of safety nets that are required for restructuring to proceed. The human cost of these reform failures, as the report notes, has been high. Over a third of households in Russia have fallen into poverty, and inequality and corruption have grown. The report also indicates that there has been little new investment in plant, equipment or employees in the CIS. Skills have depreciated and the quality of the workforce has declined. This, the report notes, does not bode well for future improvements in standards of living.

The report concludes that effective policies to alleviate or prevent poverty require improvements in the capacity of the EBRD's countries of operation to create wealth and employment. This will require improvements in the business and investment climate. The report also concludes that an effective social safety net is needed not only on moral grounds, but also for the political viability of the reform process.

2000 Financial Picture

Financial Highlights

- The Bank posted a strong recovery in profitability in 2000 as profit after provisions increased to 152.8 million euro (C$215 million), up from 42.7 million euro in 1999.[1]
- Provision charges totalled 174.3 million euro (C$246 million) in 2000, well below the 2000 budgeted level of 210 million euro, due to better-than-anticipated portfolio performance as well as lower-than-expected disbursements.
- Operating income was 519.2 million euro (C$731.6 million), up from 376.4 million euro in 1999, primarily due to higher interest income and net fee and commission income, as well as strong profits from the sale of share investments.
- The Bank signed new commitments of 2.7 billion euro (C$3.8 billion) in 2000 (including 200 million euro of restructured commitments), a 24-per-cent increase over 1999 and close to the high end of the projected range for 2000. These commitments will provide funding to 95 projects.
- However, disbursements rose by only 3 per cent to 1.5 billion euro (C$2.1 billion), below the 1.9 billion euro projected for 2000, as potential debtors or investees failed to meet disbursement conditions for a variety of reasons.
- New commitments going to Russia more than doubled in 2000, to 579 million euro (C$816 million) from 217 million euro in 1999. Russia's share of annual business volume rose to 22 per cent in 2000 from 10 per cent in 1999, but remained well below its pre-crisis peak of nearly 800 million euro, or some 33 per cent of annual business volume. In early and intermediate transition countries[2] annual business volume rose to 1,060 million euro (C$1,494 million), or 40 per cent (down from 48 per cent in 1999), while in advanced transition countries annual volume rose to 1,034 million euro (C$1,457 million), or 39 per cent of the total.
- The Bank mobilized 1.9 euro (C$2.7) in additional financing for every euro that it invested in 2000, down slightly from 2.2 euro in 1999.
- Equity investments represented 23 per cent of annual business volume in 2000, down from a record 31 per cent in 1999, when the EBRD participated in a number of bank privatizations.
- Administrative expenses, denominated in pounds sterling (the currency in which most of the Bank's expenses accrue) were well within budget at £129.5 million.
- The results for 2000 re-established positive reserves,[3] which reached 65.9 million euro (C$93 million) at the end of 2000, nearly reversing the financial setback of 1998.

[1] Provisions are subtracted from operating income along with other expenses. For private sector projects, which comprise the bulk of the EBRD portfolio, provisioning follows a risk-based approach. Management continually reviews the portfolio to ensure that the current value of loans and investments reflects management's best estimate of the recoverability of Bank assets.

[2] Advanced transition countries include Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, the Slovak Republic and Slovenia. Early and intermediate transition countries include the balance of the EBRD's countries of operation, excluding Russia: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, FYR Macedonia, Georgia, Kazakhstan, Kyrgyzstan, Moldova, Romania, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

[3] Reserves are Bank capital set aside to cover unexpected losses. The Russian financial crisis drove the Bank's reserves into deficit as it provisioned heavily to cover possible investment losses.

The strong recovery in the EBRD's profitability in 2000 is encouraging. It reflects stronger growth in the Bank's countries of operation as well as enhanced project monitoring by the Bank. The economic recovery in the Bank's countries of operation has helped to boost earnings – net interest income, dividends and equity earnings – while strengthened project monitoring has helped ensure potential problems are addressed well before investments become impaired and stop generating income. Importantly, the return to profitability has permitted the Bank to rebuild its reserves (shareholder capital set aside to cover unanticipated events), which were depleted at the time of the Russian crisis, when the Bank provisioned heavily to cover expected losses. The recovery of reserves means the Bank is better placed to weather future shocks. This is important, as shareholders provided a capital increase in 1996 on the understanding that there would be no further need for capital replenishments.

Despite the improved profit performance in 2000, the low level of disbursements is somewhat worrisome. To generate income sufficient to cover operating costs in the future, the Bank's earning asset base must grow. The Bank contributes to the growth of its earning asset base by disbursing funds to sound projects that contribute to transition and generate a stream of earnings. With the maturation of the Bank's portfolio, the earning asset base is under downward pressure as loans are repaid in full and equity positions liquidated. Increasing the earning asset base will require the Bank to disburse sufficient funds to more than offset this decline. However, with the increasing access of the advanced transition countries to private capital and financial markets, and the poor investment climate in many of the CIS countries, disbursing funds to quality projects will be challenging.

In the high-risk environment in which the Bank operates, where most countries of operation remain well below investment grade, managing risk effectively is essential for long-term financial viability. As a result, in 2000 the EBRD undertook a thorough review of its risk management and analysis techniques, culminating in the development of a state-of-the-art risk management model. During the course of 2000 this model was used to review the way the Bank provisions its investments. The review resulted in a strengthening of the Bank's provisioning policy.

During 2000 the EBRD also began a review of its capital resources. The Bank's Articles of Agreement mandate such a review every five years. The last review was undertaken in 1995 and culminated in a decision by Governors to double the Bank's capital at the 1996 annual meeting. The preliminary results of the 2000 review indicate the Bank has sufficient capital to fulfill its mandate in the medium term. Therefore, the focus of the 2000 review is on using the Bank's capital in the most effective and efficient way possible. Governors will discuss the results of the 2000 capital resources review at their Annual General Meeting in London in April 2001.

Administrative Efficiency and Cost-Effectiveness

The EBRD's general administrative expenses in 2000 expressed in pounds sterling were well within budget and comparable to those for 1999, reflecting continuing budgetary discipline, effective cost controls and a proactive cost-recovery program. As a result of the strengthening of the pound sterling against the euro during the year, the Bank's general administrative expenses, when expressed in euro, were 192.1 million euro (C$270 million), or 11 per cent above their 1999 level. The Bank's entry into exchange rate contracts on foreign exchange markets partly mitigated the impact of euro depreciation on administrative expenses in 2000.

In 2000 the Bank was relatively successful in containing costs despite increased resource demands stemming from enhanced portfolio monitoring, and despite the Bank's increasing focus on resource-intensive activities, such as micro, small and medium enterprise finance, and the investment climate. The ongoing transfer of country operations to the region of operation also contributed to one-off cost pressures in 2000. To ensure the future cost effectiveness of Bank operations and to improve the basis for shareholder analysis and decision making on budget matters, the Bank undertook a comprehensive review of budget planning and processes in 2000. The review resulted in the Bank's decision to formulate a corporate scorecard, whose annual performance benchmarks will be agreed with management and serve as a yardstick against which to judge staff performance. The review also resulted in improved cost allocation. These measures enhance the transparency and accountability of the budget process for shareholders and provide for better cost control.

Nonetheless, operating expenses relative to operating income (excluding capital gains) are high, underlining the importance of continued cost control as well as the need for continued productivity enhancements that will enlarge the size of the investment portfolio and the Bank's earning asset base.

Canadian Priorities in 2000

Canada is a strong supporter of the Bank's medium-term operational priorities, which are premised on the central importance of creating and strengthening the institutions – administrative, behavioural and financial – that ensure markets work well. This is the key challenge facing all the countries in transition, but particularly those in the CIS and Southeastern Europe, over the next decade. In this regard, Canada supports the Bank's focus on:

- developing sound financial sectors linked to the needs of enterprises and households;
- providing leadership for the development of micro lending and small and medium-sized enterprises (SMEs);
- developing market-based and commercially oriented infrastructure;

- demonstrating, through selected examples, effective approaches to restructuring viable large enterprises;
- taking an active approach to equity investment to improve corporate governance; and
- engaging governments in policy dialogue to strengthen institutions and improve the investment climate.

In all of these areas the EBRD is committed to working closely and co-operatively with other international financial institutions and donors in the region. Canada encourages this approach. It believes that the way in which the EBRD works with other international financial institutions and donors determines to an important extent its effectiveness in moving forward the transition to a market economy. A co-ordinated approach is particularly important in view of the impact that policies, market-supporting institutions and other aspects of the investment climate have on the EBRD's ability to develop sound projects, and in view of the contribution that other international financial institutions, regional development banks and donors can make to improving the investment climate. Indeed, the added policy leverage that comes with co-ordination can be decisive in determining whether EBRD projects are successful.

Private Sector Development

Canada is a strong proponent of the private sector work of the Bank, recognizing that a strong private sector is key for the successful transition to a market economy. About 78 per cent of the EBRD's new commitments in 2000 were for private sector operations, compared to about 75 per cent in 1999.

The Private Sector Focus of the Bank

The European Bank for Reconstruction and Development Agreement Act requires that the Bank achieve at least a 60/40 ratio (the so-called "portfolio ratio") in its private/public sector activities, both globally and in individual countries.

The global portfolio ratio was first satisfied in 1994. By the end of 2000 nearly 71 per cent of the Bank's cumulative outstanding commitments were for private sector activities. However, progress in reaching the individual country ratios has been mixed. The Bank's articles require it to attain the 60/40 private/public split five years after the approval of the Bank's first operation in that country. This deadline was reached in all but one country in 2000. Nonetheless, at the end of 2000 the private/public sector ratio was attained in only 12 of the Bank's 26 countries of operation.

The shortfall in meeting the ratio has been most evident in early transition economies, where privatization has developed relatively slowly and where the Bank has often been active in developing public infrastructure critical to the development of a strong private sector. Many early and intermediate transition economies still have relatively small and immature private sectors. The Bank continues to pursue strategies in each country to reach at least a 60-per-cent private sector ratio.

Supporting micro, small and medium-sized enterprises – An important part of the EBRD's work with the private sector is its support of micro, small and medium-sized enterprises, which are potentially important engines for job creation and growth, and therefore poverty reduction, in the region. The Bank's strategy for the sector is founded on three pillars: finance, investment climate and the development of support networks for SMEs. The strategy explicitly recognizes that the poor investment climate – and not just limited access to financing – is an important impediment to the development of the sector. The strategy therefore calls on the EBRD to work to identify and promote the removal of the main obstacles to SME growth, as well as to encourage the development of strong business associations. Canada views developing the SME sector as a means for developing a "constituency for reform" in the transition economies that can act as a counterweight to powerful vested interests that benefit from weak state governance.

… through dedicated micro-credit institutions – In 2000 the EBRD continued to expand its support to SMEs via the dedicated micro-credit institutions it has established in conjunction with strategic investors. Most of these institutions were established in the wake of the Russian crisis, which underlined the risk of doing business with local financial institutions in countries where financial regulation and supervision are weak and systemic risks high. By the end of 2000 the EBRD had participated in establishing micro-credit institutions in 13 countries, most notably in Russia. The strong shareholder base of these institutions, along with their commitment to transparency and strong corporate governance, make them models for local financial institutions in the region. During 2000 the Small Business Credit Bank (KMB-Bank) in Russia, in which the EBRD has an equity position,[6] granted over 4,600 micro and small loans worth almost US$60 million with arrears (30 days past due) of just 0.6 per cent of the portfolio. The strong performance of the KMB-Bank led the EBRD to participate in its recapitalization in December 2000. In 2000 alone the EBRD's micro and small enterprise lending programs and institutions reached over 50,000 borrowers, granting US$244.5 million in loans with an average size of US$5,000.

… through credit lines to banks – In 2000 the EBRD continued to extend credit lines to local banks to on-lend to micro, small and medium-sized enterprises. Notably, the EBRD committed an additional 75 million euro to the regional SME Facility set up in 1999 with the EU to encourage local banks and private equity funds in the 10 EU accession countries to expand SME operations. In addition, the EBRD's second credit line for SMEs in Ukraine, worth US$88 million, became operational in 2000. It will deal only with local banks that have a strong reputation and relationship with the EBRD. This follows the completion of the Bank's first SME credit line in Ukraine, which disbursed US$132 million via 10 participating banks. The EBRD also extended credit lines to banks in Bosnia and Herzegovina, Bulgaria, Croatia, Estonia and Poland.

[6] In 1999 the Russian Project Finance Bank, in which the EBRD had an equity position, was reorganized and recapitalized into a specialized micro and small lending institution, the KMB-Bank, through a US$3-million equity infusion from the EBRD.

The Russia Small Business Fund

Established by the EBRD as a pilot project in 1993 following a request by the G-7, the Russia Small Business Fund (RSBF) was financed jointly by the EBRD, the G-7, the EU and Switzerland to promote small and micro enterprise lending in Russia. At its inception the Fund was valued at US$300 million.[1] The Fund operates by lending to local banks that then on-lend to local SMEs. The RSBF also has a technical assistance facility whereby partner Russian commercial banks receive assistance from Western experts. Canada, through the Canadian International Development Agency (CIDA), contributed US$8.1 million (C$12.2 million) to the program, including US$2 million in 1998.

In 2000 the RSBF continued its progress in recovering from the 1998 Russian financial crisis, which constrained many of its participating banks. By the end of the year the Fund had bounced back to pre-crisis lending volumes, which continue to expand. The development of the Russian Small Business Credit Bank (KMB-Bank) by the EBRD and the branch expansion it has undertaken throughout Russia has greatly aided the process of both increasing lending volumes and bringing much-needed competition into the Russian financial sector in the communities served.

In 2000 the RSBF granted a total of 13,840 micro, small and medium-sized enterprise loans worth US$122 million, bringing the cumulative number of loans to almost 45,000 since the program's inception in 1994, with a value of US$502 million. Arrears (more than 30 days)[2] stood at 2.25 per cent at the end of 2000. The RSBF model has been replicated by the EBRD in Moldova, Bosnia and Herzegovina, Kazakhstan, Ukraine and the Baltic States.

[1] In 1995 the G-7 committed US$150 million to the US$300-million RSBF. The G-7 contribution was split between an investment fund, which assumed a "first loss" position, and a technical assistance fund. Canada's contribution was for both funds.

[2] This includes arrears only for banks that are active under the program.

. . . through equity investments – The EBRD also extended its equity support to SMEs through investments in private equity funds.[7] These funds are the most significant source of equity finance for SMEs in the region. By the end of 2000 the EBRD had committed 802 million euro to 48 private equity funds with a total capital of 4.1 billion euro. It made six new investments in 2000. The EBRD also invests in donor-sponsored funds, which provide a combination of equity capital and grant financing to support investments in higher-risk countries. By the end of 2000 the EBRD had committed 355 million euro to 29 funds with a total capital of 728 million euro.

[7] These are supported by private institutions and fund managers.

Private Sector Development in Southeastern Europe

The EBRD continued to expand operations in Southeastern Europe, guided by its South Eastern Europe Action Plan (SEEAP), which seeks to promote investment and assist in the economic recovery of the region. The SEEAP covers the EBRD's countries of operation in the region – Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia and Romania. As of January 2001 it also includes the Federal Republic of Yugoslavia (Montenegro, Serbia and Kosovo).

Under the SEEAP, EBRD investments are to focus on developing commercial approaches to infrastructure (such as telecommunications, airports, and municipal and environmental infrastructure), SMEs and micro enterprises, and the financial sector. This focus reflects the transition challenges facing the region – crumbling infrastructure, a weak industrial asset base, mostly small, fragile banks and pervasive problems of economic governance. In addition, EBRD operations aim to develop regional links. The EBRD's focus is supported by the Stability Pact for South Eastern Europe,[1] which is an umbrella initiative under which multilateral and bilateral assistance to the region is being co-ordinated.

In 2000 the EBRD provided funding totalling 524 million euro to member countries in Southeastern Europe. Indeed, since 1992, the EBRD has been responsible for nearly 20 per cent of the foreign direct investment in the region (this includes investment by partners, as it is reasonable to assume that a significant part of this investment would not have occurred or would have been much more modest had the Bank not been present to mitigate risk). Given the low level of income of the countries in Southeastern Europe, as well as balance of payments problems in some, the EBRD drew on concessional co-financing to support some projects. In 2000 CIDA established a Trust Fund to provide technical co-operation funds and co-financing in support of EBRD projects. Thus far CIDA has provided support to projects in the municipal infrastructure and transportation sectors. Rebuilding infrastructure is an important element for the private sector development of the region.

In 2000 the EBRD also continued to undertake activities in Kosovo. Most notable was its participation, along with the International Finance Corporation,[2] in the licensing of the first bank in Kosovo, the Micro Enterprise Bank, which will service the financial needs of micro, small and medium-sized enterprises. Throughout 2000 the EBRD's activities in Kosovo could not be funded from ordinary capital resources, as the Bank's Articles of Agreement limit such funding to members. Therefore, Bank operations in Kosovo were financed by co-operation funds provided by donor governments or bilateral agencies. With the membership of the Federal Republic of Yugoslavia in the Bank in January 2001, future activities in Kosovo can be financed from the Bank's capital, as can activities in Montenegro and Serbia.

[1] The Stability Pact for South Eastern Europe is an EU, G-8 and international financial institution initiative that includes the EBRD. It was established in 1999 to promote the progressive integration of Southeastern Europe into EU structures by promoting regional co-operation, security and development.

[2] The International Finance Corporation is an international financial institution that promotes private sector investment in developing countries by providing financing to the private sector in these countries. It is part of the World Bank Group.

Activities in the Financial Sector

Financial Sector Policy – The EBRD's financial sector policy guides its approach to the financial sector. The policy takes a country-specific approach to financial sector development, focusing on the need to promote confidence and competition in an independent financial system. The EBRD seeks to strengthen confidence in the sector primarily by helping to improve local institutions' governance and business practices. It also works to try to improve financial supervision and regulation, though its activities here are constrained by its investor role in the sector and potential concerns about conflict of interest. Nonetheless, as a reputable foreign investor in the sector, the EBRD offers important insights on supervisory and regulatory requirements in the sector, which it shares with other international financial institutions operating in the region and with governments. To address competition and independence, EBRD investments attempt to increase the diversity of institutions and services available (particularly to the private sector and SMEs), facilitate foreign direct investment, and strengthen the commercial orientation of state-owned financial institutions, particularly in preparation for privatization.

In 2000 the EBRD committed financing to 32 financial sector operations, bringing total EBRD exposure to the financial sector region-wide to 4.8 billion euro.

Banking Sector Activities – In 2000 the Bank completed its first large-volume transaction in the Russian banking sector since the 1998 crisis with a US$10-million participation in the recapitalization of Russia's fourth largest bank, International Moscow Bank. With majority ownership in the hands of a consortium of Western banks, the International Moscow Bank offers good opportunities for the EBRD to advance its financial sector policy objectives. By the end of 2000 the EBRD had signed loans valued at 2.5 billion euro to the banking sector and taken 831 million euro in equity positions in local banks. In most cases, where the EBRD holds an equity stake in a local financial institution, it is represented on the supervisory board of the institution, where it promotes management accountability, good corporate governance, sound banking practices and appropriate environmental reviews and procedures. Participation in bank privatizations is a key factor behind equity investments in early and intermediate transition countries. In 2000 the Bank participated in the first financial sector privatization in Albania.

Non-Bank Financial Institutions – During 2000 the EBRD also stepped up its activities in the non-bank financial sector, especially in the EU accession countries, predominantly by taking minority equity stakes in insurance companies and asset management/mutual fund companies, and expanding its support for leasing activities. A total of 10 new transactions were signed in the non-bank financial sector during the year, with new commitments of 70 million euro. The EBRD is one of the largest financial investors in this sector, with investments in local asset management and mutual fund companies becoming increasingly important as voluntary pension sectors in the Bank's countries of operation develop. By the end of 2000 the Bank had investments in the non-bank financial sector in nearly all the countries in the region, where necessary institutional and regulatory regimes had been or were in the process of being introduced.

Environment

Support for the environment remained a key priority in 2000, reflecting the Bank's mandate to ensure sustainable long-term development in member countries. The EBRD is directed by its statutes to "promote in the full range of its activities environmentally sound and sustainable development." The Bank fulfills its environmental mandate principally through its projects. In recognition of its wider role, it contributes to international initiatives such as the "Environment for Europe" process, including the Environmental Action Plan for Central and Eastern Europe, the Danube River Basin Strategic Action Plan, and the Helsinki Commission and the Global Environment Facility, for which it became an executing agency in 1999. Within the framework of its mandate, the EBRD supports relevant multilateral and regional agreements on environment and sustainable development, including the Framework Convention on Climate Change and the measures agreed to in the Kyoto Protocol.

The EBRD applies environmental due diligence to all its investment and technical co-operation operations. Project sponsors are required by the Bank to undertake environmental impact assessments, analyses and audits that address potential environmental, health and safety, and socio-economic impacts of a project. Environmental impact assessments and environmental analyses are conducted when potential impacts are significant. Environmental audits are performed when a project relates to an existing operation. In some cases both an audit and assessment/analysis are required.

The EBRD also requires local financial intermediaries, through which it channels funds to micro, small and medium-sized enterprises, to adopt appropriate environmental policies and procedures. To ensure that environmental considerations are being adequately taken into account by local financial institutions, the EBRD hosted two conferences in 2000 for environmental experts from international financial institutions to discuss environmental issues related to intermediary financing. As a result, working groups have been established to develop joint environmental awareness and due diligence training programs for financial intermediaries; improve the nature and efficiency of reporting mechanisms as a tool for better environmental monitoring; and develop effective means of environmental conditionality in the terms of legal agreements between international financial institutions and their local partners, and local partners and their clients.

In 2000, 10 environmental projects were signed with a total EBRD commitment of 228 million euro. The EBRD also conducted 33 environmental analyses, including 3 environmental impact assessments and 24 environmental audits on projects approved by the Board of Directors in 2000.

Countries at more advanced stages of transition, especially those seeking accession to the EU, are now channelling more resources into investments to improve environmental conditions. In addition, increased attention is being given to improving the provision of essential municipal services, such as district heating, water supply and urban transport, as the availability and quality of these services are critical to underpinning economic development.

Municipal and Environmental Infrastructure

Improving the environment is a key objective of EBRD operations in the municipal and environmental infrastructure sector. EBRD investments in this sector focus on upgrading local facilities, such as municipal waste-water treatment plants, and on raising the service levels of municipal and local utility companies. As well as helping the Bank's countries of operations comply with European environmental standards, these investments assist in advancing the transition to a market economy. Reducing costs and increasing the reliability of municipal services stimulates the development of commercial and industrial enterprises. At the same time, improvements in living conditions, through greater access to clean water and sanitation services, improve public health and increase public confidence in the transition process and in ongoing reform efforts.

The EBRD continued to pioneer operations in this area in 2000. Over the last few years it has increasingly relied on municipal as opposed to sovereign guarantees in this sector, providing local governments with important new financial opportunities and responsibilities. In 2000 the Bank pushed the envelope even further by financing its first long-term local currency loan to a municipal water and sewerage company without a financial guarantee from the municipality. As well as having important demonstration effects about the creditworthiness of the municipal company, the absence of a financial guarantee from the municipality leaves the latter with greater financing capacity for investments in non-revenue sectors, such as housing, education and roads. The EBRD's operations policy for municipal and environmental infrastructure emphasizes private sector involvement as well as the development of appropriate regulatory structures and energy efficiency.

By the end of 2000 the EBRD had committed almost 1 billion euro to municipal infrastructure and services projects in about 90 municipalities in 18 countries, thereby improving services for 30 million people.

Energy Sector Investments Improve the Environment

Most of the EBRD's countries of operation suffer from severe economic and environmental problems caused by inefficient and polluting energy systems and inadequate pricing dating back to the communist era. In 2000 the EBRD reviewed and updated its Energy Operations Policy, which sets out how the Bank intends to promote energy efficiency through its operations. One of the revised policy's key objectives is to improve environmental performance, including meeting climate change objectives and supporting renewable forms of energy. In 2000 the Bank committed nearly 17 million euro to projects in the energy sector, bringing cumulative commitments in this sector to 188 million euro. This involvement has benefited the environment in the countries of operation through reductions in the level of atmospheric emissions. An inventory of the Bank's energy projects until 1997 (most recent data available) shows a net annual saving of around 5 million tons of carbon dioxide. The Bank also ensures through conditionality in its loans that all borrowers improve overall environmental management and health and safety practices.

The EBRD and Nuclear Safety

Canada and other G-7 countries have been working closely with the EBRD to improve nuclear safety in countries of Central and Eastern Europe and in the former Soviet Union. To facilitate this work, Canada has contributed to the Nuclear Safety Account (NSA), which the EBRD administers on behalf of the G-7 countries and other contributors. The NSA is used primarily for making essential safety improvements to older-generation, Soviet-built reactors as part of a comprehensive program for their early decommissioning. As of December 31, 2000, pledges to the NSA totalled 289 million euro (C$420.7 million). Canada has contributed C$19.5 million.

On behalf of the G-7, the Bank has agreed to administer the US$768-million Chernobyl Shelter Fund for securing the sarcophagus around the destroyed – by nuclear accident – Unit IV reactor in Ukraine. The G-7 nations, the EU and other countries have pledged US$716 million, of which Canada has pledged a contribution of US$33 million.

In 2000 three International Decommissioning Support Funds were created to assist with the decommissioning of unsafe nuclear reactors in Lithuania (Ignalina Units 1 and 2), the Slovak Republic (Bohunice VI Units 1 and 2) and Bulgaria (Kozluduy Units 1–4). The 500 million euro in grant funds will assist these countries with the early phase of decommissioning as well as in restructuring, upgrading and modernizing the energy production, transmission and distribution sectors, and improving energy efficiency more generally.

In December 2000 the EBRD approved a US$215-million loan to Ukraine's nuclear operator for the completion and safety upgrades to the Khmelnitsky Unit 2 and Rovno Unit 4 (K2R4) nuclear power plants. Canada supported this project at the EBRD Board. Canada considers that this project will contribute to a substantial improvement in nuclear safety and to energy sector reform in Ukraine. EBRD financing is conditional on the permanent closure of the older Chernobyl 3 reactor; Unit 3 was closed on December 15, 2000. In addition, EBRD financing ensures K2R4 will be completed to Western safety standards and is conditional on assurances that nuclear safety standards in Ukraine will be further improved and properly maintained.

Addressing Corruption and Poor Governance

The Bank's medium-term priorities include addressing issues of corruption and governance, as these are significant factors influencing the investment climate in the Bank's countries of operation. Key efforts in this regard include strengthening the policy dialogue with governments by achieving joint agreement on necessary improvements. Important high-level venues for this dialogue are the Foreign Investment Advisory Councils in Russia, Ukraine and Kazakhstan. They bring together government ministers, political leaders from the Bank's countries of operation, representatives of the international business community and high-ranking EBRD officials twice yearly to discuss how to improve the investment climate in the countries.

The transition countries, like most emerging economies, face significant challenges in improving transparency and governance. The Bank reviews on an annual basis, as required by its statutes, each country's progress towards multi-party democracy and pluralism. These principles, effectively implemented, contribute to transparency in government policy making and act as a check on corruption. In 2000, following a review of Turkmenistan, the Bank moved to curtail new public sector lending there until political reforms were forthcoming and the government demonstrated a commitment to economic reform. Until then operations will be limited to private sector projects that can be relatively insulated from government economic policies and that contribute to building a constituency for reform. The Bank has similarly limited operations in Belarus. Canada fully supports this approach.

The EBRD seeks to improve governance and transparency largely through the projects it undertakes. Equity investments have been an important tool in this regard. The Bank's participation on the board of directors of companies in which it invests has been instrumental in improving the transparency of their accounting and business practices and their respect for minority shareholder rights. It is hoped that the success of these companies will demonstrate the importance of applying similar practices more broadly in the region. In addition, all Bank counterparts are examined to ensure they meet the highest standards of business practice. The Bank now routinely seeks the services of forensic accountants and other specialized firms to perform integrity checks on potential investee companies and their management and shareholders.
The EBRD's public procurement rules underline, for those doing business with the EBRD, the standards of ethics and conduct required during the procurement and execution of EBRD-financed projects.

The Bank's work in the area of legal transition also plays an important role in addressing issues of corruption and poor governance. Under the Legal Transition Programme, the Bank continued to work to improve the legal environment in its countries of operation by fostering interest and advancing legal reform in six areas: bankruptcy, company law/corporate governance, concessions, financial market regulation, secured transactions and telecommunications. In addition, the Bank continued to participate in international standard-setting efforts, including the World Bank's Insolvency Initiative, which seeks to develop international principles of bankruptcy, and the Financial Stability Forum's efforts to co-ordinate the development and implementation of international financial standards. The Bank also initiated a project with the Russian Federal Commission for the Securities Market to develop a Corporate Governance Code. To promote transparency, the EBRD publishes an annual survey of the extensiveness and effectiveness of various commercial laws in the region in its legal journal, *Law in Transition*.

Institutional Developments

Enhancing Transparency and Accountability and Strengthening Internal Governance

Public Information Policy – In 2000 the EBRD modernized its Public Information Policy to broaden significantly the scope of information that the Bank makes available to the public. The policy is based on the presumption that information about Bank activities should be made public in the absence of a compelling reason for confidentiality. The following documents are now made available to the public with commercially sensitive information deleted as required: draft sectoral policies (for public comment); final sectoral policies; Board-approved country strategies following consultation with the country concerned; summaries of medium- and long-term operational strategies; executive summaries of environmental impact assessments for public and private sector projects; and reports on public sector projects (on a request basis). The new policy also requires management to report annually to the Board on the implementation of the Public Information Policy. These findings are made available on the Bank's Web site.

Canada welcomes the new policy as a marked improvement over the previous public access and disclosure of information policy. The new policy is consistent with the call by G-7 finance ministers in Fukuoka, Japan, in 2000 for higher standards of transparency and accountability for multilateral development banks. In all international financial institutions in which it is a member, Canada has been at the forefront of efforts to improve transparency and accountability.

NGO Liaison Officer – A non-governmental organization (NGO) Liaison Officer was appointed in 2000 to serve as a point of contact between the Bank and the NGO community. The position is presently part-time and on a consultancy basis. The Bank, at the request of the Board, intends to convert the position into a permanent post within the next six months. The NGO Liaison Officer is located in the Communications Department, which from February 2001 has been headed by a Canadian. It is hoped that over the course of the next year, the role of the Liaison Officer will take on greater importance in all Bank operations.

Chief Compliance Officer – In March 2000, in an effort to further strengthen internal governance, the EBRD appointed its first Chief Compliance Officer, responsible for promoting good governance within the Bank and ensuring that all employees respect the highest standards of business integrity. During the course of the year the Compliance Officer identified a number of areas where attention should be focused to avoid possible breaches of integrity. These include money laundering, confidentiality, insider trading and conflicts of interest. The Compliance Officer has developed a training program for EBRD nominees to boards of directors of enterprises in which the Bank has invested to ensure nominees are fully aware of their responsibilities and possible actions that could breach the Bank's integrity. Further initiatives are being developed. The decision to appoint a compliance officer should help provide guidance to employees on appropriate behaviours and strengthen Bank policies and procedures to prevent breaches of integrity.

Changes in Presidency and Senior Management

Resignation of President Köhler – In 2000, after a little more than a year at the helm of the EBRD, Horst Köhler stepped down as President of the EBRD to assume the position of Managing Director of the International Monetary Fund. During his term at the EBRD, Mr. Köhler introduced a number of operational and organizational changes in response to the Russian financial crisis and the experience of 10 years of transition.

Appointment of President Lemierre – Mr. Jean Lemierre was unanimously elected as the new President at the Annual General Meeting in May 2000. Mr. Lemierre's appointment follows a distinguished career in the French public service, where he held the position of Director of the French Treasury Department, the top position there, and was France's G-7 Deputy. Under Mr. Lemierre's leadership the Bank is assigning greater importance to the development aspects of its mandate, while retaining its project-centred private sector focus. This has meant an increasing focus on how Bank operations, private and public, contribute to improving living conditions and development in the region. Since his election President Lemierre has met with the heads of the World Bank, the International Monetary Fund and other regional development banks to build on their complementarities.

Senior Management Appointments – The Bank appointed a new Vice President of Personnel and Administration in 2000. Mrs. Hanna Gronkiewicz-Waltz, the former President of the National Bank of Poland (Poland's central bank), assumed her responsibilities in January 2001. The new VP will face significant organizational challenges to ensure the EBRD meets the transition challenges of the next decade. The Vice President, Evaluation and Operational and Environmental Support, Joachim Jahnke, was re-appointed for a two-year term. In addition, University of Cambridge professor William Buiter took up the position of Chief Economist in June.

New Members

The Bank expanded its membership to include Mongolia in October 2000 and the Federal Republic of Yugoslavia in January 2001. Although Mongolia, an economy in transition from central planning, is now a member of the EBRD, it is not eligible to be a country of operation. According to the Articles of Agreement establishing the Bank, it can conduct its operations only in countries from Central and Eastern Europe and the former Soviet Union. Mongolia is widely viewed to be part of Asia, not Europe. The Federal Republic of Yugoslavia, by virtue of its geographic position within Europe, is a recipient country for Bank operations.

Managing Canada's Interests

Role of Governors – The highest authority in the Bank is the Board of Governors. Member countries are represented by a Governor and an Alternate Governor. The Honourable Paul Martin, Minister of Finance, is the Canadian Governor and Mr. Gaëtan Lavertu, Deputy Minister of Foreign Affairs, is the Alternate Governor.

Role of the Board of Directors – The Board of Directors is responsible for the general operations of the Bank. The Board is composed of 23 members, of which 4 are non-European members. Canada is the third largest non-European shareholder, after the United States and Japan, and by virtue of its share has the right to elect its own Director. Canada also represents Morocco at the Bank. The Canadian Director is Patrice Muller. The Minister (Economic/Commercial) at the Canadian High Commission in London, Tom MacDonald, is the non-resident Alternate Director and represents Canada in the absence of the Canadian Director.

Role of Canadian Government Departments – Within the Canadian government, responsibility for oversight of the EBRD's activities resides with the International Finance and Economic Analysis Division of the Department of Finance. In consultation with the Department of Foreign Affairs and International Trade and CIDA, the Department of Finance regularly reviews the Bank's policy papers and proposed country strategies and provides advice to the Canadian Director.

Functions of the Canadian Director – In addition to participation in regular Board meetings, for much of 2000 the Canadian Director was also a member of the Financial and Operations Policies Committee, which reviews financial policies, including the Bank's borrowing policy, general policies relating to operations, and procedures and reporting requirements. Since September 2000 the Canadian Director has been a member of the Budget and Administrative Affairs Committee, which considers general budgetary policy, proposals and procedures as well as personnel, administrative and organization matters, including administrative matters relating to Directors and their staff. The Canadian Director is also the Chairman of the Board Steering Group, which provides an important co-ordination and liaison function between the Board and senior Bank management.

Positions Taken in 2000 – To ensure the EBRD remains additional and contributes to the transition process, Canada continued to advocate increased Bank efforts on finding sound projects in countries in the early and intermediate stages of transition respecting the principles of multi-party democracy and making efforts at reform. In our view, only by focusing on quality will the Bank contribute to advancing the transition in these difficult markets. In the advanced transition countries Canada has underlined the need for Bank financing to be additional, as the Bank's Articles of Agreement state that it should not displace financing available from the private sector on reasonable terms. Therefore, we have urged the Bank to be innovative in the advanced transition countries by seeking out niche activities and developing new financial products that can push back the transition frontier in countries where private sector financial and capital markets are increasingly active in the EBRD's traditional sectors and product lines.

Canada's Voting Record

Canada and other shareholders typically raise concerns and questions about specific Bank operations before they get to the Board. As a result, decisions at the Board are generally taken by consensus without a formal vote. Nevertheless, the Canadian Director abstained or voted against the following policies and projects:

- He abstained on the Sovereign Pricing Policy because the criteria permitting derogations from the Bank's uniform pricing policy on sovereign loans were not, in Canada's view, sufficiently stringent with respect to additionality. Further, Canada always expressed a strong preference for maintaining uniform pricing.
- He abstained on a US$150-million loan to LUKOIL, one of the largest Russian oil companies, because of serious doubts about the Bank's additionality, given the profitability of the company in light of high oil prices, as well as concerns about reputation risks to the Bank stemming from the corporation's poor governance and lack of transparency.
- He voted against a EUR100-million loan to the state-owned Polish National Railways because of concerns about the loan's additionality.
- He voted against a US$52.5-million loan to Makstil for the production of steel plate in FYR Macedonia because of concerns that the project will not increase Makstil's knowledge of the international steel market and marketing capacity and thus will likely have little long-term transition impact.
- He abstained on a US$59.5-million loan and a US$5-million equity investment in VIZ Stahl, an electrical steel producer in Russia, because of lingering concerns about the project's potential transition impact.

Canada is a strong proponent of the Bank working in partnership with other international financial institutions to address the complex issue of institutional reform in the transition economies, as well as the need to improve social conditions in the countries of operation. The Canadian Director has also frequently spoken to the Board on the importance of the Bank's charter requirement that member countries be committed to market reform and multi-party democracy.

Canada has been a strong proponent of greater EBRD transparency and shareholder accountability, believing that the Bank should be a model of behaviour for the region. Therefore, Canada pushed hard for the EBRD to increase the transparency of its operations during the review of its public disclosure of information policy. Canada also strongly supported recent measures to strengthen internal governance at the Bank to ensure that all staff function at the highest standards of business integrity as well as efforts to strengthen the budget process. In particular, this included the development of a corporate scorecard, which Canada was instrumental in developing, and against which Bank staff performance will be measured.

In addition, Canada has been at the forefront in recognizing the role that the EBRD has to play in poverty reduction in the region while respecting the project-centred private sector focus of its mandate. The Canadian Director has played a leadership role in this area by encouraging greater emphasis on poverty reduction in the Bank's Country Strategies and better integration of EBRD work into the World Bank's Comprehensive Development Framework, a development strategy "owned" by the country and supported by partnerships among governments, donors, civil society, the private sector and development institutions. Combined, these efforts to improve transparency and accountability, internal governance and the institution's focus on poverty reduction support the call by G-7 finance ministers in June 2000 to strengthen the multilateral development banks.

Canadian Commercial Interests

The EBRD offers a wide variety of opportunities for Canadian businesses. One of the tasks of the Canadian office is to make Canadian business people aware of investment opportunities, explain how the Bank's contracting works and ensure that all contracts are awarded in accordance with the Bank's procurement policies and rules.

To achieve these objectives, the Canadian office provides market information and intelligence to Canadian firms, advises Canadian project sponsors on EBRD financing options, develops commercial co-financing opportunities with the Export Development Corporation and Canadian financial institutions, identifies and sources EBRD procurement opportunities with the Department of Foreign Affairs and International Trade and Industry Canada, and promotes Canadian technical co-operation activities and official co-financing between the EBRD and CIDA.

In 2000 EBRD participation in three Canadian-sponsored transactions was approved by the Bank's Board of Directors, representing EBRD financial commitments of 76.9 million euro. (The aggregate size of the three projects is 311.7 million euro.) A description of each of the Canadian-sponsored projects is given in Annex 2. Also in 2000 Canadian consultants were awarded four EBRD technical co-operation assignments totalling 533,382 euro. These assignments were in the following countries and sectors: Ukraine telecommunications regulatory development; Russia Far-East air navigation modernization; Romania municipal environmental strengthening; and Russia alluvial gold mining sector development. Looking forward, a key challenge for the Canadian Director's Office will be to broaden the base of high-quality Canadian project sponsors with whom the Bank invests, as well as to augment Canadian procurement awarded through competitive tender procedures in the EBRD's public sector operations.

Canadians are also well represented on EBRD staff. At the end of 2000 Canadians accounted for 4.4 per cent of the Bank's professional positions, above Canada's 3.4-per-cent share of the institution's capital. It is noteworthy that a Canadian heads the Baltic Team and another Canadian has been appointed as the new Director of Communications.

Promoting Canada's Interests

Members of the Canadian office made five visits to Canada in 2000 to meet with business people, conduct seminars, speak at conferences and consult with government officials. This included the Canadian Director speaking at the World Petroleum Congress in Calgary to promote the EBRD to the Canadian oil and gas industry; promoting the Bank to the Canadian financial and business community in Montréal; and speaking to the International Finance Club of Montréal about the EBRD and its region of operation. In addition, the Assistant to the Director promoted the EBRD to the Canadian environmental industry at the Vancouver Globe 2000 Conference in March and met with a large number of Canadian firms in Montréal and Toronto to inform them about the EBRD. The Canadian office has also met with at least 160 Canadians including provincial government representatives, consultants, academics, and representatives of law firms and banks.

Canada's commercial interests in the region were also promoted by:

- the Canadian Director meeting with the Canadian business community at the opening of the office of the Caisse de dépôt et placement du Québec in Paris;
- participation of the Canadian Director in the Canada-Russia Intergovernmental Economic Mission and the Central Europe Canadian Trade Mission in Hungary; and
- promotion by the Canadian Director's Assistant of the Canadian office and the EBRD as instruments for advancing Canadian commercial interests, particularly in the municipal environmental infrastructure sector, to a Quebec trade mission in Romania.

In addition, the Canadian Director and Assistant briefed Canadian parliamentarians visiting the caucuses in Azerbaijan and Kazakhstan respectively.

Challenges Ahead

Most of the countries of the region have made progress in economic and political transition since the early 1990s. Throughout this process the EBRD has, both directly and through the demonstration effects of its projects, helped to advance the transition process. The Bank has been important in catalyzing private sector investment in the region and has been a strong force in promoting entrepreneurship, particularly through its support for SMEs.

The last 10 years of transition have provided clear lessons for the future. Countries that have achieved the more rapid and comprehensive reforms – particularly in liberalizing markets and trade, hardening budget constraints and fostering the new private sector by removing obstacles to the entry and exit of enterprises – have laid solid foundations for sustaining progress in reform. In these economies market-supporting institutions have tended to develop. These institutional frameworks – predictable fiscal and regulatory environments, secure property rights, an impartial judiciary and sound financial supervision and regulation – combined with appropriate macroeconomic policies, are laying the foundations for sustained rapid growth and providing increased access to international capital markets.

In contrast, in some other countries in the Bank's region of operation, particularly those further east, progress in putting in place the institutions that underpin a market economy has been limited, and the process of liberalization and privatization is far from complete. As a result, economic growth remains vulnerable to external and internal shocks. In addition, the significant increase in poverty and inequality since the start of transition has eroded support for necessary reforms in many countries. Overcoming resistance to reform will be a challenge; it will require creating new employment opportunities and social fallback options for those displaced by structural change and breaking the hold of powerful vested interests over the reform process.

Good governance will continue to play a critical role in the future success of the region. Good corporate governance is one aspect of this role. However, the state also has a strong role to play in supporting an enabling investment climate by promoting sound institutions, administering tax collection and improving legal and regulatory frameworks. It must ensure that appropriate legislation is not only developed, but is also properly implemented and enforced.

In assisting its member countries over the next decade of transition, the EBRD will face significant challenges in growing and managing its portfolio. In the advanced transition countries, which are increasingly able to obtain private sector financing, the Bank will have to develop new products and activities to remain additional. In the early and intermediate transition economies and Russia, the challenge will be finding quality projects in a high-risk environment characterized by a lack of market-supporting institutions. Over the coming decade the Bank will have to work in close partnership with other international financial institutions to address these complex investment climate issues. Expanded co-operation with international financial institutions will be necessary to develop high transition impact projects with specific social benefits and poverty alleviation features that may strengthen the willingness of governments in the region to move forward with politically difficult but essential reforms, particularly the restructuring or closure of large enterprises.

A clear lesson from the past 10 years is that transition in the region is a complex and difficult process that will take longer than many initially expected. The primary responsibility for shaping a response to the challenges of transition lies with the countries themselves. The international financial institutions, particularly the EBRD, have an important supporting role to play. Canada will continue to strongly support these efforts.

Contacting the Office of the Director for Canada

The Canadian Director's office at the EBRD may be reached at:

Office of the Director for Canada and Morocco
European Bank for Reconstruction and Development
One Exchange Square, Room 8.15
London, EC2A 2JN
United Kingdom

Mr. Patrice Muller, Director	Tel:	44-20-7338-6457
Mr. Tom MacDonald, Alternate Director[1]	Tel:	44-20-7338-6507
Ms. Josée Berthiaume, Director's Assistant[2]	Tel:	44-20-7338-6458
Mr. John Kur, Director's Assistant[3]	Tel:	44-20-7338-6509
Mrs. Alicja Kujawa, Executive Secretary	Tel:	44-20-7338-6507
	Fax:	44-20-7338-6062
	Internet address:	kujawaA@ebrd.com

[1] Resident at the Canadian High Commission in London.

[2] Responsible for policy matters.

[3] Responsible for business development and investor liaison.

For More Information on the EBRD

The Bank releases considerable information on its various activities. Bank publications include information guides (e.g., *Financing With the EBRD*), special reports (e.g., the *Annual Report, Transition Report*), country strategies and assorted fact sheets.

Information can also be obtained on the Bank's Web site:

http://www.ebrd.com/

Requests for information can be addressed to:

Publications Desk
European Bank for Reconstruction and Development
One Exchange Square
London, EC2A 2JN
United Kingdom
(Fax: 44-20-7338-7544)

Annex 1

The Bank's Financial Activities

The Bank's financial activities are divided into ordinary and special operations, depending on the source of funds. Ordinary operations are financed from the ordinary capital resources of the Bank, which comprise subscribed capital, market borrowings and income from loans and investments. Special operations are those financed by "Special Funds" for specially designated purposes that are typically outside the Bank's regular activities. Unlike other regional development banks, however, the EBRD does not operate a concessional or "soft" loan window.

Ordinary Capital Resources

At the end of 2000 the total authorized capital of the Bank was 20 billion euro (C$28 billion). Canada has subscribed to 3.4 per cent – or 680 million euro (C$958 million) – of the Bank's authorized capital. Canadian contributions to the Bank's capital are made in US dollars (at a pre-determined euro/US$ exchange rate).

In 2000 Canada made its third purchase of shares under the first capital increase (which came into effect April 3, 1997, and doubled the initial 10-billion euro capital base). Under the first capital increase, 77.5 per cent of our share is "callable," meaning that the Bank can request these resources in the unlikely event that it requires them to meet its financial obligations to bondholders; the balance, or 22.5 per cent, is "paid-in." Payments will be made in eight equal annual instalments of US$12,145,331.25 (40 per cent in cash and 60 per cent in non-interest-bearing demand notes encashed over five years). Under the initial capital, 30 per cent was paid-in over five years (split evenly between cash and notes encashed over a three-year period) and 70 per cent callable. Canada completed payments for the initial capital in April 1997. The table below details Canadian payments to the Bank in US dollars.

Canada's contributions to the Bank's capital are non-budgetary expenditures because our shares in the Bank are considered an asset. Nonetheless, Canada's contributions to the Bank do increase the Government's borrowing requirements.

Canadian Payments to the EBRD

Year	Notes	Cash	Encashment of notes	Total cash outlay
		(in US dollars)		
1991	11,903,502	11,903,502	11,903,502	23,807,004
1992	11,903,502	11,903,502	3,967,834	15,871,336
1993	11,903,502	11,903,502	7,935,668	19,839,170
1994	11,903,502	11,903,502	11,903,502	23,807,004
1995	11,903,502	11,903,502	11,903,502	23,807,004
1996	–	–	7,935,668	7,935,668
1997	–	–	3,967,334	3,967,334
1998	7,287,198	4,858,132	1,457,439	6,315,572
1999	7,287,198	4,858,132	2,914,878	7,773,010
2000	7,287,198	4,858,132	4,372,317	9,230,449
Total	81,379,104	74,091,906	68,261,644	142,353,551

Market Borrowings

At the end of 2000 cumulative borrowings by the Bank totalled 14.1 billion euro (C$19.9 billion) with an average maturity of 9.5 years at an average cost of funds of LIBOR (London Inter-Bank Offered Rate) minus 31 basis points. Funds have been swapped into floating-rate instruments, primarily in US dollars, euro and Deutsche Marks.

Standard & Poor's has assigned the Bank an AAA long-term and A1+ short-term credit rating. Moody's Investors Service has similarly rated the EBRD long-term bonds AAA.

Special Operations

The EBRD administers a number of bilateral and multilateral concessional funds. Canada has contributed to the following special funds:

The Canada Technical Co-operation Fund – The main purpose of this fund is to provide financing to hire Canadian consultants for EBRD projects. Canada has contributed C$7.66 million since the fund was established in 1992.

Chernobyl Shelter Fund – The main purpose of this fund is to secure the sarcophagus around the destroyed Unit IV nuclear reactor in Ukraine. The total estimated cost of this eight-year project is US$768 million, of which US$391 million has been pledged so far. Canada has pledged a contribution of US$20 million to be paid over six years starting in 1998.

Nuclear Safety Account (NSA) – This facility was established in 1993 to help finance the closure of the Chernobyl nuclear power plant and to improve safety conditions at nuclear power plants in countries of operation until the plants can be closed. The NSA complements other bilateral and multilateral nuclear safety technical assistance and functions in parallel with multilateral efforts to achieve broader energy sector reform in the region. Canada has contributed C$19.5 million to the total fund of 289 million euro (C$407.3 million).

Russia Small Business Fund (RSBF) – The purpose of this fund is to establish a facility for small business finance and micro lending in various regions of Russia. Canada has contributed US$8.1 million towards the US$300-million fund, including a new contribution of US$2 million in 1998 for investments in northern Russia in response to the success of the fund. The RSBF was established in 1993 as a pilot project and became permanent in 1995.

Trust Fund for South Eastern Europe – At the end of 2000 CIDA approved a C$8-million contribution agreement with the EBRD for technical co-operation and co-financing activities in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, FYR Macedonia, Romania and the Federal Republic of Yugoslavia (Kosovo, Montenegro and Serbia) in support of the EBRD's South Eastern Europe Action Plan. C$6 million will be available to the EBRD for technical co-operation and co-financing tied to Canadian consultants and suppliers, with the remainder available to the EBRD for untied co-financing of critical investment projects under the Bank's Balkan Region Special Fund.

TurnAround Management Programme – The TurnAround Management Programme was established in 1992-93 to match up senior industrial advisors from market-driven economies with chief executives of selected firms in the region. The objective is to provide industrial management know-how and develop business skills so that these companies can become competitive and profitable. In 1999 Canada contributed C$550,000 to this program to be used to hire Canadian advisors.

Ukraine MicroFinance Bank – In 2000 CIDA entered into a contribution agreement with the EBRD to provide C$1.25 million over the next two years for the provision of technical assistance related to the development of the Ukraine MicroFinance Bank (MFB). The MFB will develop a branch network throughout Ukraine, with special attention being paid to Slavutych, the community where many employees of the Chernobyl nuclear power plant reside. As a greenfield operation specializing in financial services for the micro and small enterprise sector, the MFB will also serve as a demonstration bank for the Ukrainian commercial banking sector to show the commercial viability of micro and small enterprise lending.

Technical assistance in support of the Ukraine Micro, Small and Medium-Sized Enterprises Line of Credit II – Between 1999 and 2003 CIDA will provide C$3 million for technical assistance services by qualified Canadian organizations to Ukrainian commercial banks receiving loans under the EBRD's Ukraine Micro, Small and Medium-Sized Enterprises Line of Credit II for on-lending to micro, small and medium-sized enterprises. The technical assistance will include risk- and loan-evaluation training.

ANNEX 2

EBRD – CANADIAN-SPONSORED PROJECT ACTIVITY IN 2000

Date of signing	Canadian company	Project country	Project name	Type of financing	Sector	EBRD commitment (millions of euro)	Total project cost (millions of euro)
June 2000	CADIM	Regional (Focus on Poland, Czech Republic and Hungary)	Central Europe Property Partners Fund	Equity	Property development	44.4	144.4
November 2000	Telesystem International Wireless Corporation	Czech Republic	Cesky Mobil	Equity	Tele-communications	27.8	144.4
December 2000	TrizecHahn	Regional (focus on Hungary)	Trigranit II	Equity	Property development	4.7	22.9
Total (euro)						76.9	311.7

ANNEX 3

DOING BUSINESS WITH THE EBRD

General inquiries about working with the EBRD should be directed to the Office of the Director for Canada or to the Bank's **Communications Department** in London (tel: 44-20-7338-6096; fax: 44-20-7448-6690).

Canadian Project Sponsors: Canadian companies interested in potentially sponsoring a project with the EBRD are requested to direct initial inquiries either to Project Inquiries in London (tel: 44-20-7338-6282 or 44-20-7338-6252; fax: 44-20-7338-6102) or to the Bank's resident office in the country of operation. Summaries of EBRD private sector operations can be obtained on the Bank's Web site: http://www.ebrd.com/.

Canadian Suppliers of Goods and Works: The EBRD makes available information on all stages of public sector project development, from the point a project has been identified by the Bank through to its approval. Procurement opportunities and co-financing notices, as well as contract awards information, can be accessed on the Bank's Web site free of charge (see address above).

Canadian Consultants: The EBRD's Web site contains technical co-operation notifications and invitations for expressions of interest for consultancy services pertaining to both public and private sector projects. The EBRD also makes use of the World Bank's electronic Data on Consultants (DACON) registration system. Although it is not required for consultants to register with DACON to be eligible for EBRD assignments, it is nonetheless advisable as a useful marketing tool. Requests for DACON registration packages should be sent directly to:

DACON Information Centre
World Bank
1818 H Street
Washington, DC 20433 USA

Individual Canadians: The EBRD maintains a recruitment section on its Web site which provides information on specific employment competitions at the Bank as they become available. In general, applications for employment for both permanent positions and summer jobs should be sent to:

Franco Furno, Director of Personnel
Personnel Department
European Bank for Reconstruction and Development
One Exchange Square
London, EC2A 2JN
United Kingdom

Annex 4

EBRD Membership – As at December 31, 2000

	Share of the Bank's capital		Share of the Bank's capital
	(%)		(%)
European Members		**Countries of Operation**	
Austria	2.28	Albania	0.10
Belgium	2.28	Armenia	0.05
Cyprus	0.10	Azerbaijan	0.10
Denmark	1.20	Belarus	0.20
Finland	1.25	Bosnia and Herzegovina	0.17
France	8.52	Bulgaria	0.79
Germany	8.52	Croatia	0.36
Greece	0.65	Czech Republic	0.85
Iceland	0.10	Estonia	0.10
Ireland	0.30	FYR Macedonia	0.07
Israel	0.65	Georgia	0.10
Italy	8.52	Hungary	0.79
Liechtenstein	0.02	Kazakhstan	0.23
Luxembourg	0.20	Kyrgyzstan	0.10
Malta	0.01	Latvia	0.10
Netherlands	2.48	Lithuania	0.10
Norway	1.25	Moldova	0.10
Portugal	0.42	Poland	1.28
Spain	3.40	Romania	0.48
Sweden	2.28	Russia	4.00
Switzerland	2.28	Slovak Republic	0.43
Turkey	1.15	Slovenia	0.21
United Kingdom	8.52	Tajikistan	0.10
European Union	3.00	Turkmenistan	0.01
European Investment Bank	3.00	Ukraine	0.80
		Uzbekistan	0.21
Non-European Members			
Australia	0.50		
Canada	**3.40**		
Egypt	0.10		
Japan	8.52		
Korea, Republic of	1.00		
Mexico	0.15		
Mongolia	0.01		
Morocco	0.05		
New Zealand	0.05		
United States	10.00		