

# **Mainstreaming the BOVA initiative through IFIs**

BOVA Open Network Meeting

Henry Fletcher, 4-5 April 2019, UN-Habitat Nairobi

# Overview

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**European Bank for Reconstruction and Development (EBRD)**

**Operating structure**

**Deployment of technical cooperation funds**

**Mainstreaming the BOVA initiative through IFIs**

**Open discussion**

# European Bank for Reconstruction and Development (EBRD)

## High-level figures

### Established in 1991

The EBRD is owned by 67 countries from five continents, as well as the European Union and the European Investment Bank. These shareholders have each made a capital contribution, which forms the Bank's core funding.

### Capital base of €30 billion

The EBRD has a triple-A rating from all three main rating agencies (S&P, Moody's and Fitch)

### Top metrics

#### Net cumulative bank investment

**€130.6 billion** (since 1991)

**€9.54 billion** (in 2018)

#### Number of projects

**5,325** (since 1991)

**395** (in 2018)

#### Cumulative disbursements

**€99.5 billion**

#### Private sector share of cumulative investment

**79%**

*Total project value" is the total amount of finance provided to a project, including both EBRD and non-EBRD finance, and is reported in the year in which the project first signs. EBRD financing may be committed over more than one year with "annual Bank investment" (ABI) reflecting EBRD finance by year of commitment. The amount of finance to be provided by non-EBRD parties is reported in the year the project first signs.*

# European Bank for Reconstruction and Development (EBRD)

Transition to open and sustainable market economies

## EBRD's Transition Qualities

### Mission

#### Why the Bank exists

To develop open and sustainable market economies in countries committed to and applying democratic principles

### Vision

#### What the Bank seeks to achieve

Sustainable entrepreneurial economies with opportunities for all

### Operating principles

- Sound banking
- Transition impact
- Additionality

### Green Economy Transition

Increasing focus on Green investment

**Competitive**

**Inclusive**

**Well-governed**

**Green**

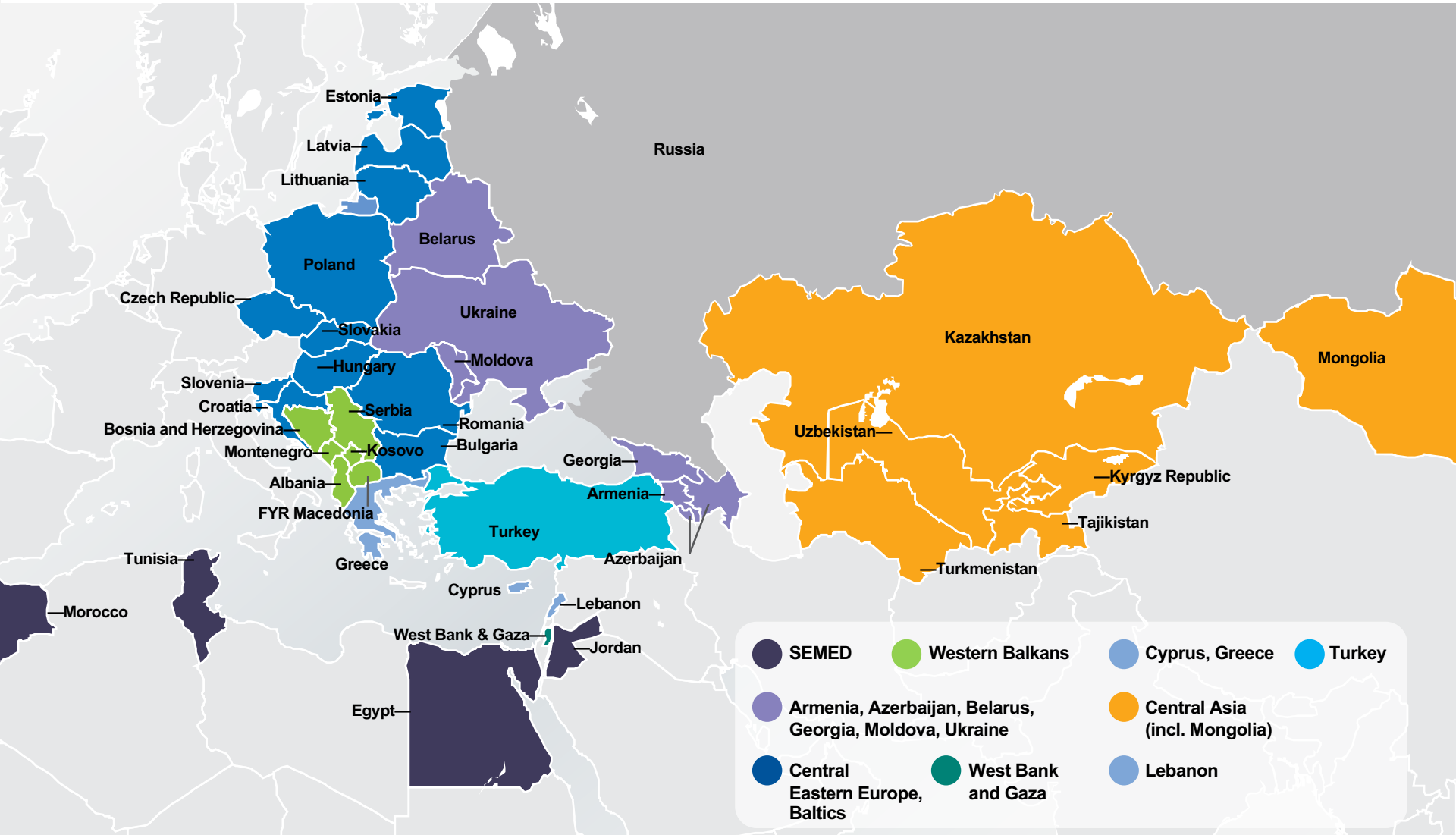
**Resilient**

**Integrated**

*Alignment to SDGs ongoing, New Urban Agenda to follow*

# European Bank for Reconstruction and Development (EBRD)

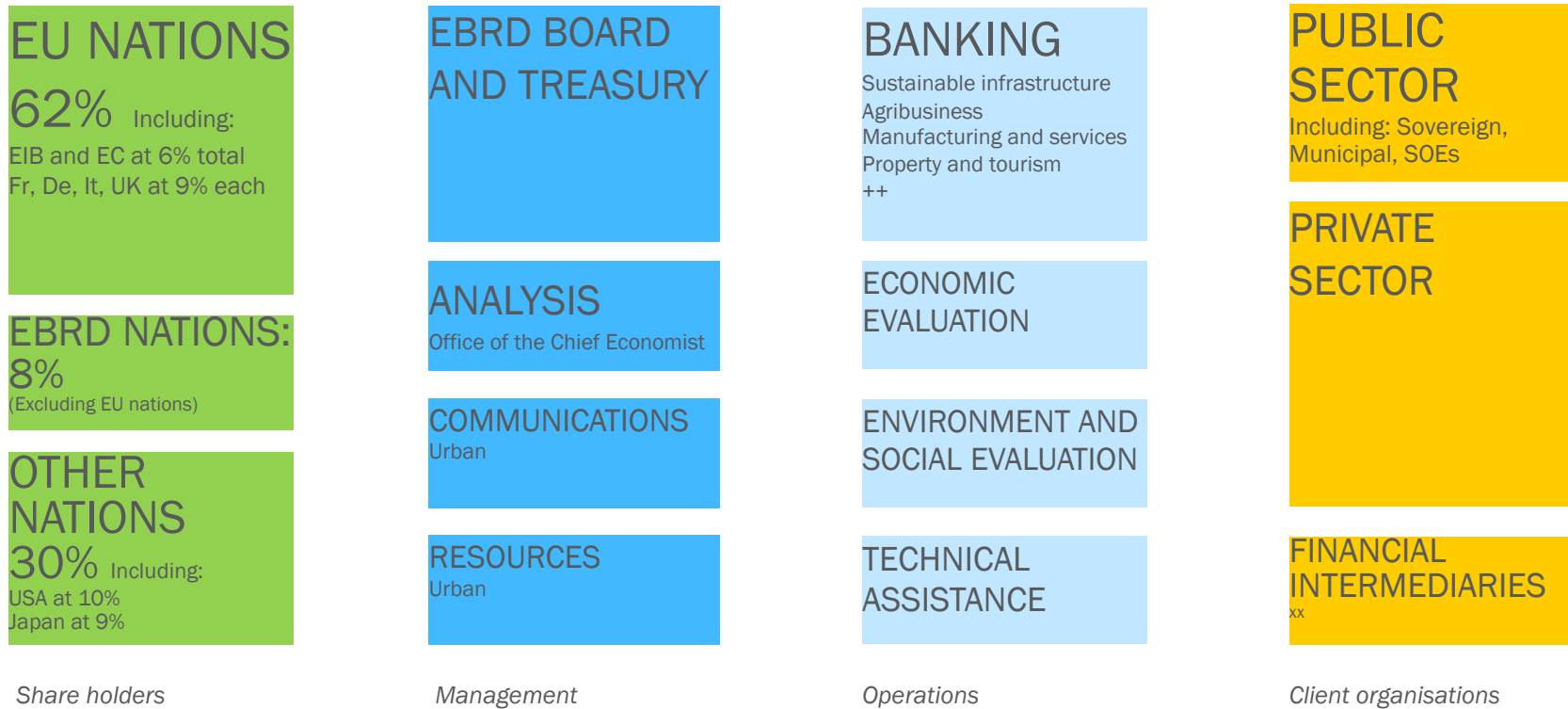
## Where the Bank invests



# Organisational model

## From shareholders to clients

As for all International Financial Institutions (IFIs), EBRD has a structure that is intended to link banking operations to shareholder oversight.

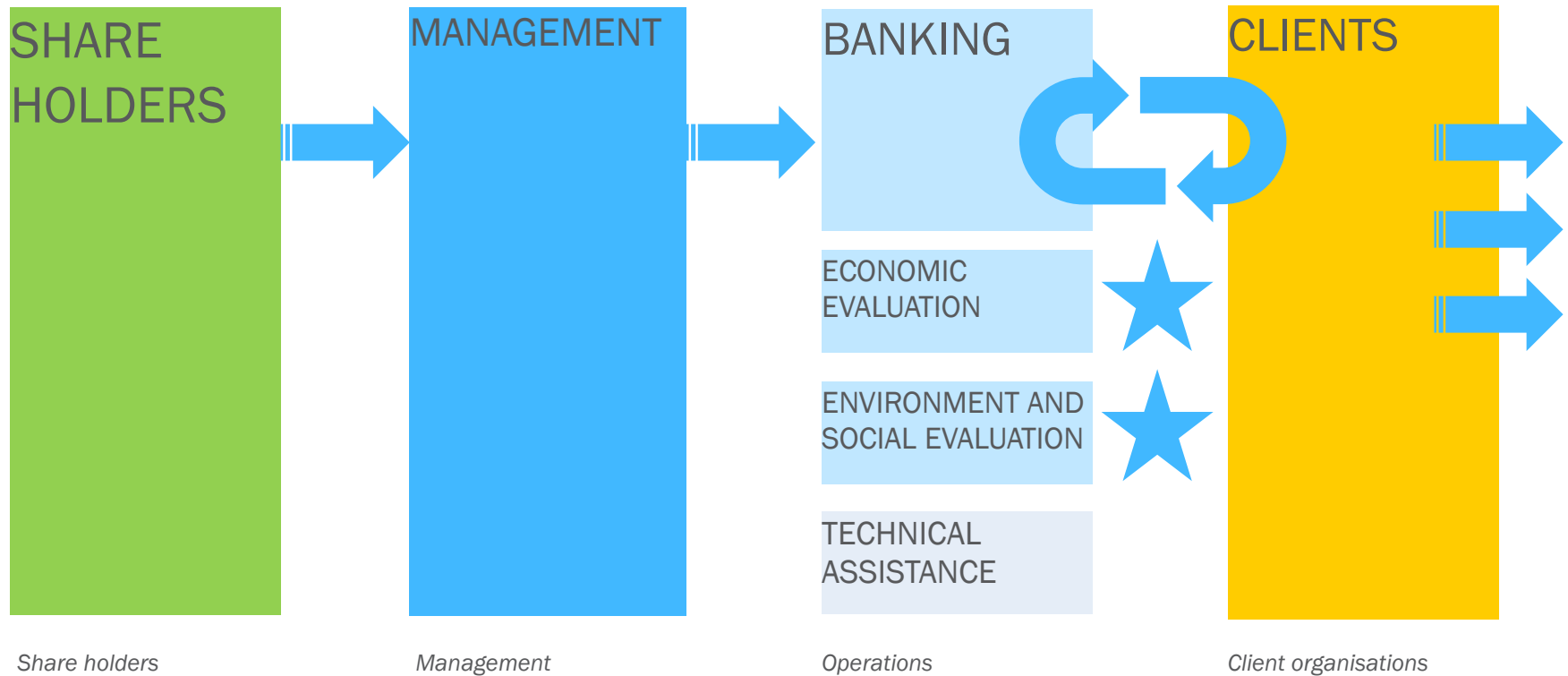


# Financial flows

Recycled capital, multiplier effect

Banking operations are evaluated for:

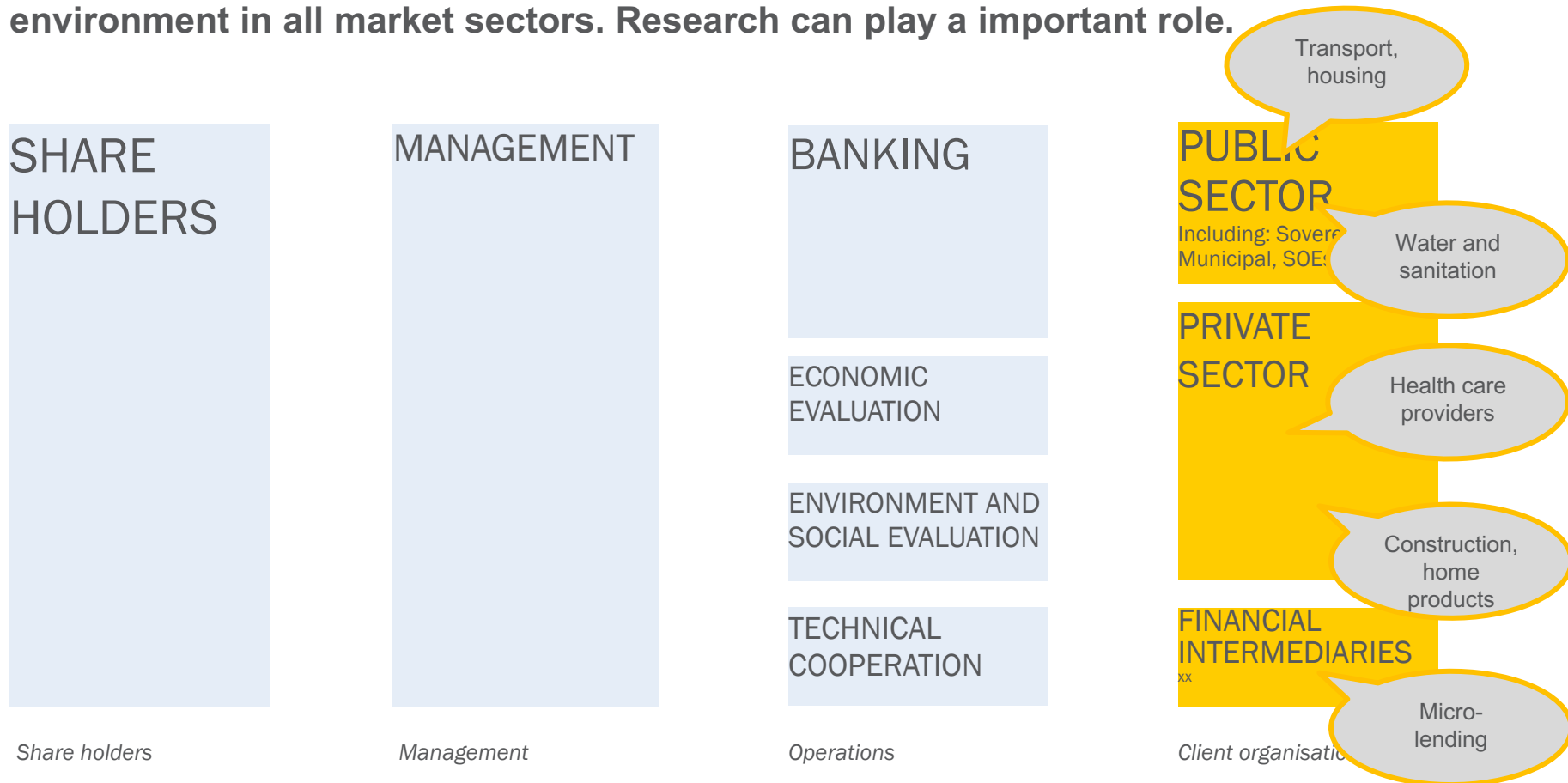
- a) Economic impact and
- b) Environmental and Social impact



# Health and the built environment

## Multiple market actors

There is potential for 'bankable' initiatives relating to health and the built environment in all market sectors. Research can play an important role.

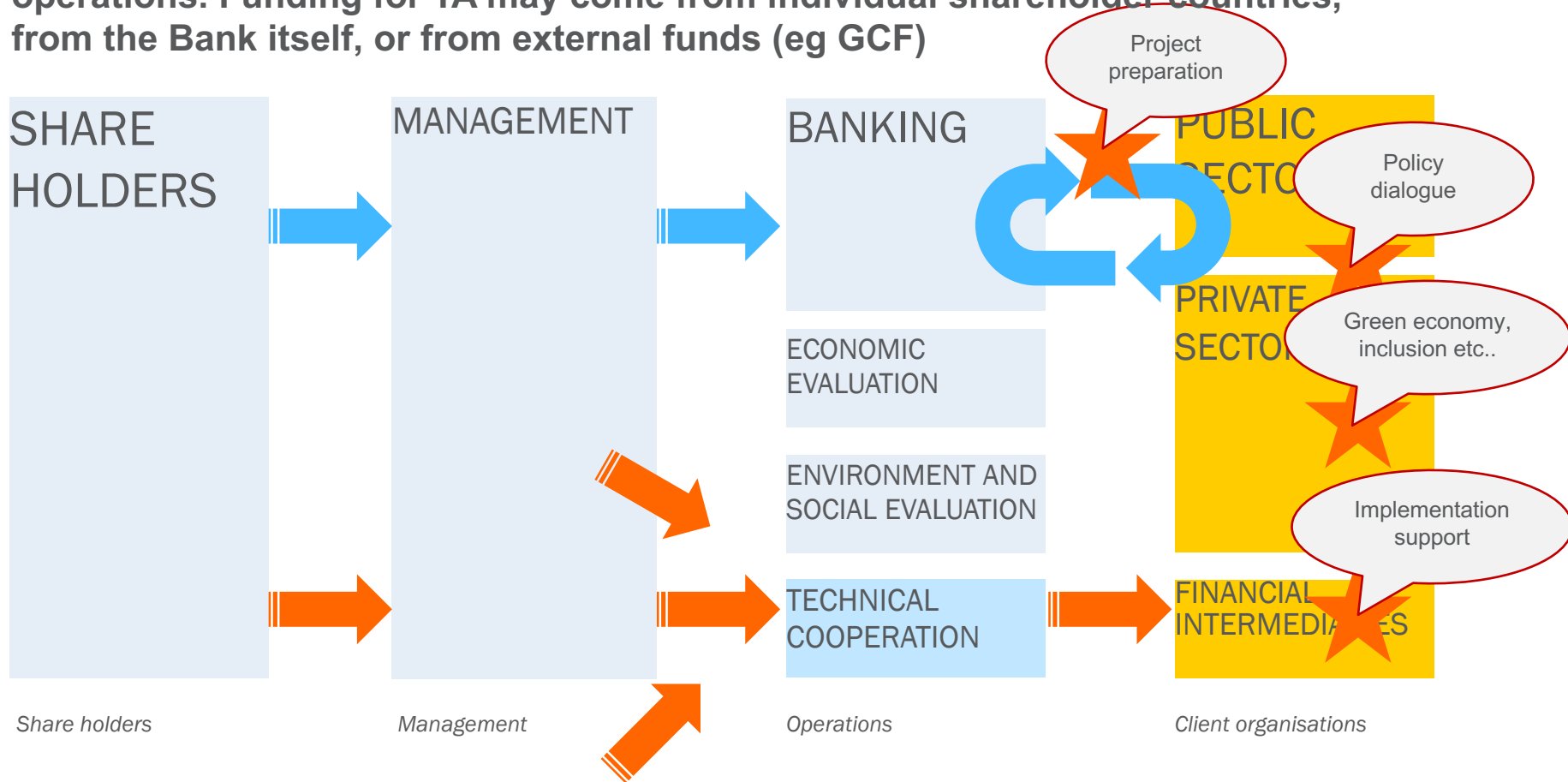




# Technical Assistance projects (TA)

TA initiatives add value to, or even enable, banking operations

Technical Assistance (TA) projects are distinct from, but integrated with, banking operations. Funding for TA may come from individual shareholder countries, from the Bank itself, or from external funds (eg GCF)



# Other International Financial Institutions

## An imperfect summary

Each of the IFIs have a different operational structure, reflecting the time and reason for their establishment.

### **World Bank Group (est 1944)**

- World Bank has primary focus on sovereign lending
- IFC works with private sector
- Major lender in sub-Saharan Africa (\$57bn over 3 years '17-'20)
- Ability to drive policy agenda
- Advisory work can be separate from banking operations

### **European Investment Bank (est 1958)**

- Wholly owned by EU
- Primary focus is on EU countries but lends significant quantities to other countries including those in sub-Saharan Africa (10% of lending, equal to apprx €6bn)

### **African Development Bank (est 1964)**

- Lending levels apprx \$3bn per year
- Infrastructure focus

### **East African Development Bank (1967)**

### **West African Development Bank (1973)**

### **Islamic Development Bank (est 1973)**

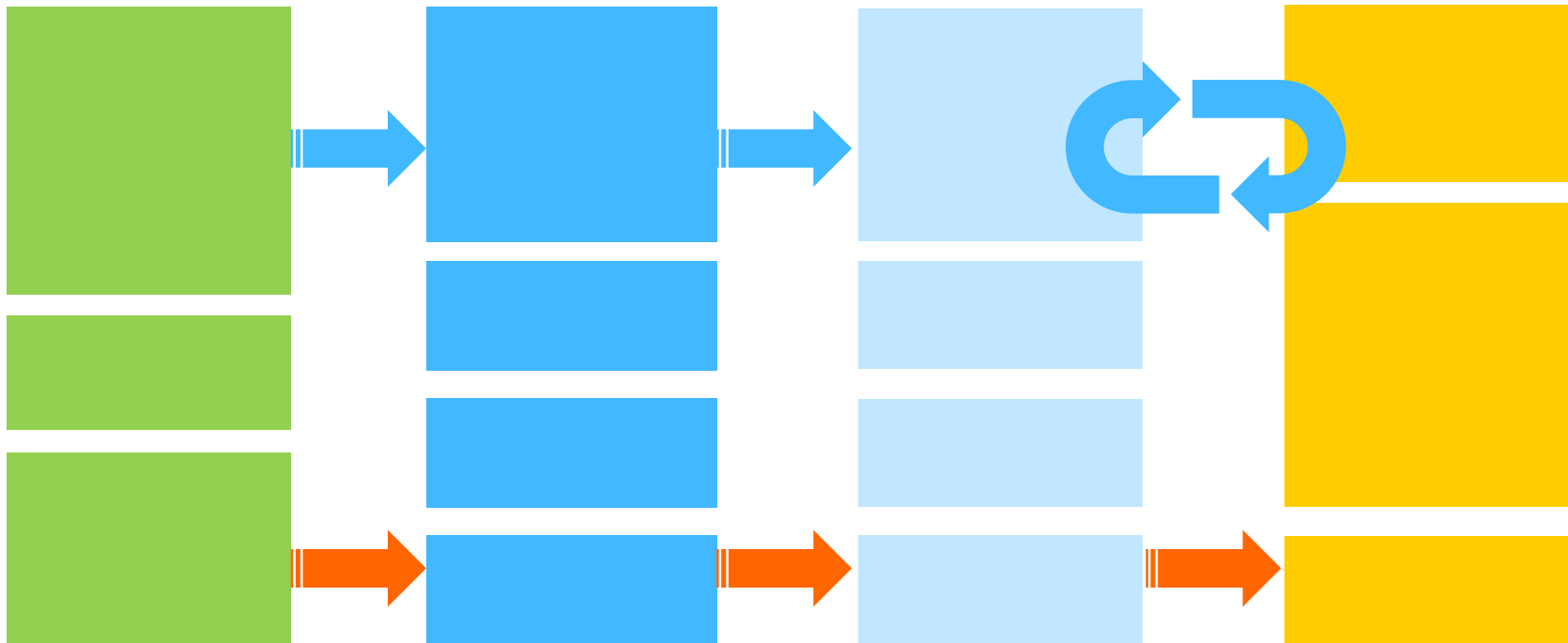
- Saudi Arabia holds apprx 25%
- Algeria, Iran, Egypt, Turkey together with 5 others nations

### **New Development Bank (est 2014)**

- BRICS countries
- Targeting \$40bn of loans by 2022

# Bottom line

Understanding the flows of finance, on the one hand, and technical assistance grants on the other, is a critical part of pursuing an initiative that will draw on the IFI system. Any proposition will need to be clear about which part of the system it is targeting and how.



# Potential for progressing the BOVA agenda

## Working through the 'IFI ecosystem'

**IFIs may be a good vehicle for driving the BOVA agenda or progressing primed research initiatives. Are funds sought for research, product development (primarily private sector), or public investments?**

### **Target IFI leadership, donors, programme leaders**

- Potential to move fast if circumstances align
- Will require clear 'theory of change' (typically around causality and scaling up)
- Research could support establishment of more appropriate evaluation metrics for investments

### **Target global philanthropy or specialist funds (eg GCF)**

- May be more agile
- May be more focussed on a single theme

### **Develop initiatives with private sector partners**

- Capacity already in place
- May have existing relationship with funders for technical support; if not, this can be developed
- Financial sustainability mind-set is built in

### **Engage public sector organisations**

- Empowered to shape policy
- Enforcement may be weak
- Technical capacity will vary – can be supported

**There is a strong case for engaging multiple sectors at the same time**

# Thank you

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Henry Fletcher

M: + 44 7 741 320 549

E: [fletcheh@ebrd.com](mailto:fletcheh@ebrd.com)