

European Bank for Reconstruction and Development

An institution that provides financing and technical assistance primarily to private-sector businesses in Central and Eastern Europe and Central Asia in order to promote transition to open and democratic market economies.

History

In 1989, French President François Mitterrand proposed to the European Parliament the creation of a development bank for Europe. His proposal aimed to address the challenges faced by the numerous countries making the transition to market-based economies at the time. The next year, 40 countries signed the agreement ratifying the establishment of the European Bank for Reconstruction and Development (EBRD), which began operations in 1991.

The early work of the EBRD included aiding in reforms of the banking sector for greater competition, liberalizing prices, increasing privatization by initiating discussions on legislation and policy, and creating a legal framework for property rights. Since then, it has been financing private enterprises that aid in market creation and expansion, which would not otherwise receive funding from capital markets.

Today, the EBRD is the largest financial investor in its region, which stretches from central Europe and the Western Balkans to Central Asia and the southern and eastern Mediterranean. It has a particular focus on countries which still face significant challenges to the transition to a market economy. To address these challenges, the EBRD emphasizes private sector development, particularly in micro-, small-, and medium-sized enterprises.



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Objectives and Practices



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The EBRD is different from other multilateral development banks in that it has a political mandate; it provides financing only in those countries which are committed to democratic ideals and the creation of free market economies. Its goal is to create markets that function well, reward innovation, and increase the living standards of households through rising employment and productivity.

The EBRD works to achieve these objectives by providing financial services in the forms of loans, grants, and guarantees to projects that further its development goals. It complements these activities with advice and guidance to micro-, small-, and medium-sized enterprises. The EBRD works to facilitate transition in several areas:

BUSINESSES

Providing conditional loans and guarantees with incentives for business to improve management and efficiency.

FINANCIAL INSTITUTIONS

Strengthening the financial sector, improving its management, and providing new forms of credit to underserved populations, such as microfinance loans to women.

GOVERNANCE

Supporting economic growth by building up infrastructure in utilities, transportation, and energy supply, as well as improving the management and institutional capacity of responsible authorities.

Where does the EBRD get its funding?

The EBRD finances its lending and operational costs by borrowing on the international capital markets. While members do make contributions (which determine their voting power), these funds are not used for lending; instead, they allow the EBRD to maintain its AAA credit-rating by providing a strong capital base.

Who are the members of the EBRD?

The EBRD is owned by 63 shareholders, including 48 countries from across Europe, the European Union, the European Investment Bank, and 18 countries in Asia and the Americas, including the United States.



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Why are they called “Bretton Woods” institutions?

The name derives from the town of Bretton Woods, New Hampshire, in the United States, where the United Nations Monetary and Financial Conference was held in 1944.

During the conference, member nations agreed to create a family of international financial institutions (IFIs), including the World Bank Group and the International Monetary Fund. Regional multilateral development banks (MDBs) are associated IFIs.