



# EBRD

## Property & Tourism Sector Strategy 2020 – 2024



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# Abbreviation Glossary



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<b>ADB</b>	Asian Development Bank	<b>ICT</b>	Information & Communication Technologies
<b>AfDB</b>	African Development Bank	<b>IFC</b>	International Finance Corporation
<b>AIM</b>	Alternative Investment Market	<b>IFI</b>	International Financial Institutions
<b>ATC</b>	Advanced Transition Countries	<b>ITFW</b>	International Tourism Framework
<b>BREEAM</b>	Building Research Establishment Environmental Assessment Methodology	<b>LC2</b>	Local Currency and Capital Market Development
<b>BSTDB</b>	Black Sea Trade and Development Bank	<b>LCM</b>	Local Capital Market
<b>CAGR</b>	Compound Annual Growth Rate	<b>LEED</b>	Leadership in Energy and Environmental Design
<b>CEB</b>	Central Europe and the Baltics	<b>LSE</b>	London Stock Exchange
<b>COO</b>	Country of Operations	<b>LTT</b>	Legal Transition Team
<b>CGAP</b>	Corporate Governance Action Plan	<b>MoU</b>	Memorandum of Understanding
<b>CHIF</b>	Cultural Heritage Investment Framework	<b>OCE</b>	Office of the Chief Economist
<b>CREATE</b>	City Regeneration and Environment	<b>PR</b>	Performance Requirements
<b>E2C2</b>	Energy Efficiency and Climate Change	<b>RE</b>	Real Estate
<b>EC</b>	European Commission	<b>REIT</b>	Real Estate Investment Trust
<b>EIB</b>	European Investment Bank	<b>SDG</b>	Sustainable Development Goal
<b>EvD</b>	Evaluation Department	<b>SEE</b>	South-eastern Europe
<b>FDI</b>	Foreign Direct Investment	<b>SEMED</b>	Southern and Eastern Mediterranean
<b>GDP</b>	Gross Domestic Product	<b>SIG</b>	Sustainable Infrastructure Group
<b>G&amp;EI</b>	Gender and Economic Inclusion	<b>SME</b>	Small and Medium Enterprises
<b>GRESB</b>	GRESB is an industry-driven organization committed to assessing the ESG performance of RE assets globally	<b>TC</b>	Technical Cooperation
<b>GRI</b>	Global Reporting Initiative	<b>WGBC</b>	World Green Building Council
<b>IADB</b>	Inter-American Development Bank		

- A vibrant **Property & Tourism Sector** is crucial for functioning economies and for supporting economic growth. The sector also contributes to the promotion of social inclusion, cultural preservation and mutual understanding. Due to the high and prolonged environmental impacts of real-estate and cities, best practices and forward looking co-operative approaches are paramount.
- The **Property & Tourism Strategy** covers all the Bank's countries of operations and is in accordance with other strategies of the Bank including country and sector strategies, thematic strategies and approaches as well as the Bank's Policies.
- The **overall objective** of the Strategy is to support the growth and development of sustainable and well-functioning real estate and hospitality sectors in the EBRD countries of operations. Greener buildings, urban regeneration and inclusive tourism are at the heart of the Strategy.
- The **key drivers** influencing Property & Tourism activities are:
  - *Environmental challenges*, notably **climate change mitigation** and the need for greener buildings
  - *Social and economic pressures in light of globalisation*, notably the need for **creating decent work opportunities** through supporting sustainable and inclusive tourism
  - *Demographic change and urbanisation*, notably the lack of appropriate real estate in cities and the need for **private sector led urban regeneration, in co-operation with the public sector**
- The key drivers give rise to the following interrelated **strategic directions** of the 2020-2024 Property and Tourism Sector Strategy:
  - Focusing on managing and **developing green and sustainable buildings**
  - Investing in development of **inclusive and competitive hospitality and tourism sector**
  - Promoting **urban regeneration initiatives** for more **competitive, and greener cities**
  - Supporting the diversification of funding sources for real estate development and ownership through the **Capital Markets, facilitating the sector's resilience**
- During the 2020-2024 period, the Bank will target investments in **commercial, logistics and residential** real estate assets, as well as in **hospitality and hotel assets**, in line with the strategic directions set out in the strategy. The Bank will also target investments in underused **brownfield sites, clustered asset portfolios** and **crucial hub sites** in cities.
- The Property & Tourism Sector Strategy promotes sustainable economies which are low-carbon, climate resilient and can provide decent work opportunities for their people. This is in line with the **UN Sustainable Development Goals** and the **Paris Agreement** and also reflects the role greener buildings and cities can play in addressing climate change challenges. It also shows the significance of the hospitality sector in driving economic growth and generating sustainable and inclusive employment opportunities.



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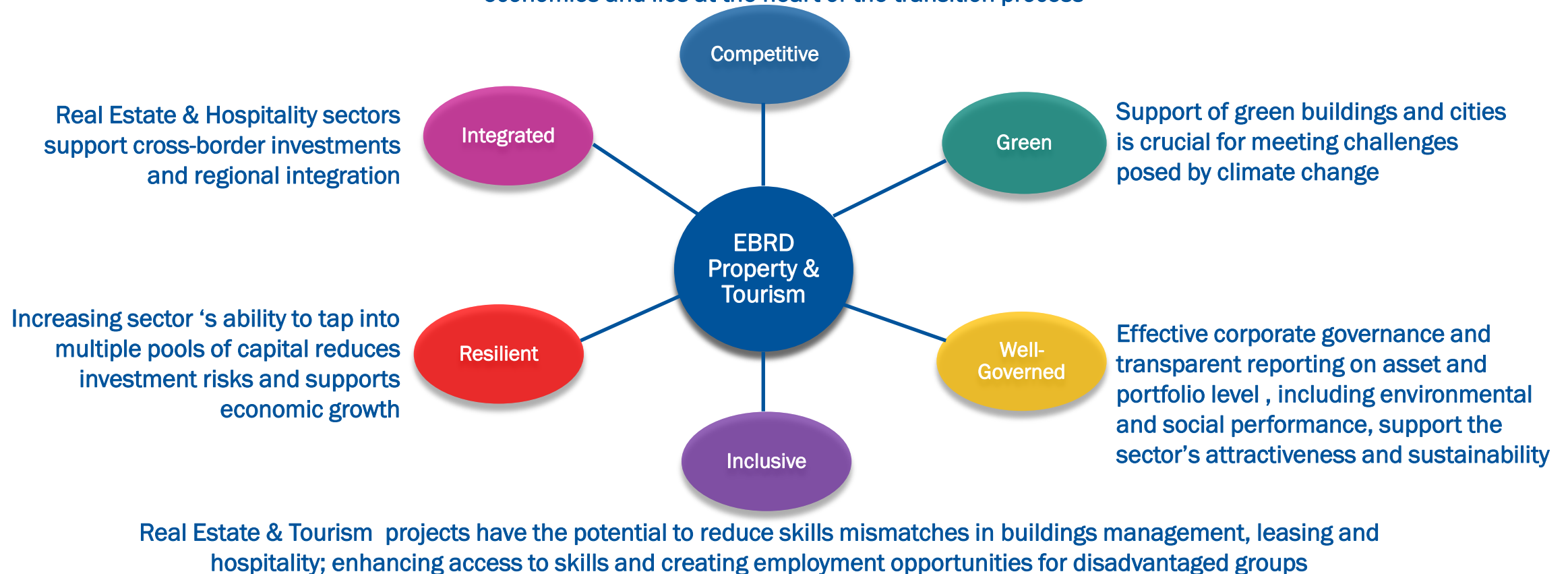
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# How does the Bank's P&T Sector Activity Contribute To Delivering Transition in EBRDs COOs?

EBRD's Property & Tourism investments support the development of well-functioning market economies in EBRD's countries of operation by focusing on the six key transition areas:

Supply of high quality real estate<sup>(1)</sup> supports the development of competitive economies and lies at the heart of the transition process



(1) For the Bank's target project areas in the real-estate and hospitality sector please see slide 11.





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# **Section 1: Implementation of 2010-2017 Strategy – Achievements and Lessons Learned**



# Implementation and Review of the 2010-2017 Strategy

## Key Achievements of the Implementation Period



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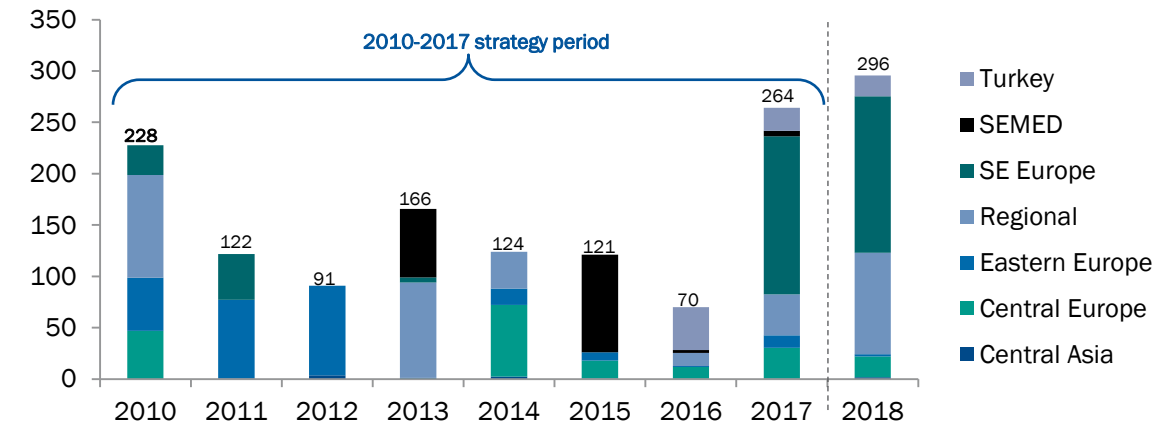
### Key achievements of the previous strategy (2010-2017)

- More diversified portfolio, in terms of subsectors as well as geographic regions
- New partnerships (both formal and informal) with international institutions such as the UN World Tourism Organization, World Business Council and the Smithsonian Institution
- Shift towards more strategic, comprehensive and innovative approaches to investment (e.g. Marinas, CREATE Fund), including two new tourism development frameworks (ITFW and CHIF)

### 2018 key figures <sup>(2)</sup>:

- Annual investment amounted to €296 million, with a total of 14 projects, o/w three are equity and five are in ETC countries

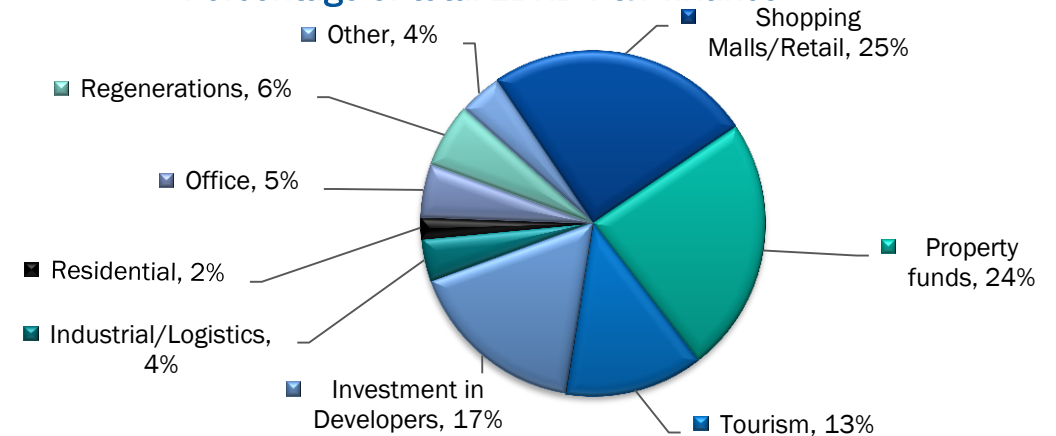
### Breakdown of annual EBRD P&T investment by region, € million <sup>(1),(2)</sup>



### Key figures 2010-2017 strategy period

31%	€1.185 bn	65	€18.2m
GET as % of financing <sup>(3)</sup>	Overall investment volume	Number of total projects	Average single project volume
20	37%	68	49%
Number of TCs implemented	Percentage of equity investments	Average ETI score <sup>(4)</sup>	Percentage of small projects (<€10m)

### Sub-sector shares, 2010-2017, Percentage of total EBRD P&T finance<sup>(1)</sup>



(1) Source: "Property Sector Strategy Evaluation" for 2010-2017, <https://www.ebrd.com/what-we-do/evaluation-latest-reports.html>. (2) Figures based on annual performance in 2018, not covered by EVD strategy assessment and last strategy period (2010-2017); (3) GET Financing record only available for 2016 & 2017; (4) ETI – represents the Bank's assessment of the potential contribution of a project to the transition process and the probability of the project actually delivering that potential (the Bank average is 67).

# Implementation and Review of the 2010-2017 Strategy

## Examples of Landmark Projects



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### **Globalworth – Regional- Project Gauss, 2017 and Real Estate Investment Bond II, 2018**

€75m equity investment for a company listed on LSE/AIM to support the firm's planned capital increase in the region and to fund the growth of its operations in Romania and Poland following the planned acquisition of a majority stake in an existing property company. The company committed to elevate its corporate governance through implementation of the GRI reporting standards and committed to achieve sustainability certifications and/or improvements for assets which will be added to its portfolio.

The Bank participated in a senior unsecured Eurobond issue launched by the same company and listed on Bucharest Stock Exchange and Irish Stock Exchange.

### **Hines Poland Sustainable Income Fund – Poland, 2016**

€50m equity investment to Hines Poland Sustainable Income Fund which seeks long-term capital appreciation through investments in institutional quality sustainable income producing real estate assets in Poland with a focus on office and warehouse segments. It is the first green property fund in Poland and Central and Eastern Europe with a formalized mandate to implement sustainability improvements across its real estate portfolio.



### **CTPark Bucharest West – Bucharest, 2017**

€46m senior loan for development of two new warehouses in Bucharest, which will incorporate best available technologies, potentially to be reflected in certification under an internationally recognised scheme. Since building certification of logistics assets is not yet very common in Romania, this project is expected to demonstrate advanced building sustainability standards.



### **KICB Garden Inn – Kyrgyzstan, 2017**

\$1.2 m senior loan under Risk Sharing Framework with KICB as partner bank. As part of the project KICB was asked to apply higher requirements for sub-borrower's corporate governance.



### **Sunce Koncern / BlueSun - Croatia, 2018**

€39m senior loan to refinance hospitality company. The project supports training and job opportunities for young people and improvement of backward linkages with local suppliers.



### **Project White – Turkey, 2018**

\$30m equity investment in REIT listed on Borsa Istanbul Stock Exchange to purchase secondary treasury shares. The financing will be used to finance the development projects from the company pipeline and to reduce leverage. The project supports promoting youth inclusion and the development of sustainable buildings, as company is committed to achieve at minimum LEED Silver certification for largest residential project in its development portfolio.



### **Ayla Oasis Re-generation – Jordan, 2015**

€60m senior loan. The project supported the regeneration and rebranding of the Ayla Oasis near Aqaba, creating a prime tourist destination on the Red Sea. The project supports skills transfers, including the establishment of sector skills councils for the tourism and hospitality sector in Jordan.



# Implementation and Review of the 2010-2017 Strategy

## Key Objectives and Lessons Learned



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### Main findings from EvD strategy evaluation<sup>(1)</sup>

- Some of the initially set strategic priorities in response to the financial crisis were overtaken by the changing post-crisis environment and the Bank's new strategic directions
- Ad-hoc priorities were established and pursued by the P&T team instead, in line with Bank's overarching transition goals and market trends
- P&T's geographic and operational diversification limits the sector's ability to be a key priority in EBRD's stand-alone country strategies
- Bank's current concept of policy dialogue was only finalised during last strategy period – P&T team has increased policy dialogue in recent years and focused mostly on REIT legislation, hospitality standards improvement & tourism strategy development

### Strategic objectives of P&T strategy 2010-2017

- Financing existing clients experiencing liquidity challenges after Global Financial Crisis
- Focusing on geographical diversification of operations into countries where transition gaps remained largest
- Climate change mitigation through promoting energy efficient building
- Developing sustainable markets through institution building and innovation

### Ad-hoc priorities & project-level experience of previous strategy period

- Supporting projects contributing to broader urban regeneration programmes
- Emphasis on local capital market development, also in ATCs
- Stronger focus on projects promoting inclusion, particularly in retail and hospitality areas
- Increased interest in tourism sub-sector financing
- Supporting energy efficiency in building, reinforced by requirements for building certification and expanded to include sustainable use of resources

### Lessons learned for 2020-2024 strategy<sup>(2)</sup>

- Stronger focus on market analysis and clear outline of P&T's strategic approach on how to promote the six transition qualities through specific real-estate sub-sectors, thereby providing an opportunity for key aspects to be included in the relevant country strategies
- Real-Estate sector is highly cyclical and the Bank's pipeline has to take into account the current stage of the real-estate cycle in the region in order to be able to deploy capital while focusing on resilient projects in the target markets
- Target efforts in the different Bank regions based on the most acute transition gaps and in-line with the local market needs and capacities
- Taking into account the geographical diversification of P&T projects, the 2020-2024 strategy will focus on financing landmark investments with maximum impact in the Bank's COOs rather than aspiring to achieve broader market impact
- Sharpened policy dialogue in key focus areas and enhanced engagement in TC, also in cooperation with the Infrastructure, E2C2 and G&EI Teams

(1) Source: "Property Sector Strategy Evaluation" for 2010-2017 (2018) <https://www.ebrd.com/what-we-do/evaluation-latest-reports.html>

(2) Please see Annex VI for more information on the evaluation of the 2010-2017 Strategy and the Lessons Learned



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A close-up photograph of a hand wearing a white work glove with grey palms and fingers, resting on a red brick wall. The wall is made of several courses of bricks with visible mortar joints. The background is slightly blurred, showing more of the wall and a hint of a window or opening in the distance.

## **Section 2: Sector Challenges and Regional Transition Challenges in Real Estate and Hospitality**

# Sector Challenges and Regional Transition Challenges



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## Sector Trends and Challenges in Real Estate and Hospitality

Climate change: Buildings have to become greener in substance and better managed for resource efficiency

Globalisation and trade: Tourism is growing but has to become more inclusive

Demographic change and urbanisation: Strategic planning will be key for greener and more liveable cities

## Target Project Areas

Commercial  
Logistics  
Residential

Specialized assets<sup>(\*)</sup>

Hotels

Hospitality

Specialized assets<sup>(\*)</sup>

Underused brownfield sites

Clustered asset portfolios

Crucial hub sites in cities

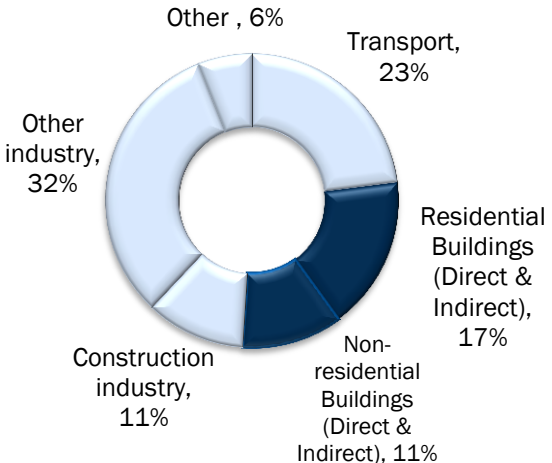
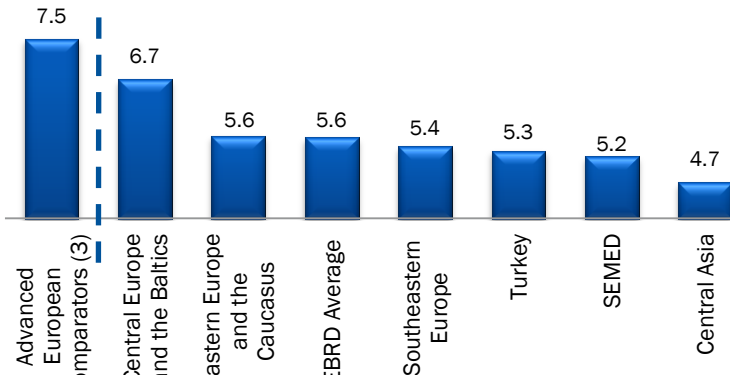
Cross cutting facilitator – Development of capital markets across RE sectors and property asset classes

(\*) Such as student housing, marinas , long-term / elderly care facilities etc.



# Sector Challenges and Regional Transition Challenges

## Climate Change and the Need for Greener Buildings

Global share of final GHG emissions by sector, 2017 <sup>(1)</sup>	Sector challenge : Buildings sector as one of the biggest contributors to climate change	Transition Challenges for COOs : Reducing energy use and GHG emissions in buildings
 <p>Other industry, 32%</p> <p>Transport, 23%</p> <p>Residential Buildings (Direct &amp; Indirect), 17%</p> <p>Non-residential Buildings (Direct &amp; Indirect), 11%</p> <p>Construction industry, 11%</p> <p>Other, 6%</p>	<ul style="list-style-type: none"> <li>➤ Buildings <b>contribute significantly to energy use and CO2 emissions</b> <ul style="list-style-type: none"> <li>❑ Directly due to high resource consumption</li> <li>❑ Indirectly depending on their location, connectivity and the materials used as well as the waste produced</li> </ul> </li> <li>➤ Associated emissions of buildings <b>need to be reduced by 80-90%</b> by 2050 globally, requiring a minimum 5% annual rate of energy retrofits to meet 1.5 °C warming trajectory</li> <li>➤ <b>Sea level rise and changing weather conditions</b> due to climate change worldwide have the capacity to <b>disrupt living and working environments of people</b>, making <b>climate resilient buildings</b> imperative</li> <li>➤ <b>Highly waste intensive construction sector</b> puts additional stress on environment and scarce resources</li> </ul>	<ul style="list-style-type: none"> <li>➤ Compared to advanced economies, EBRD COOs, especially ETCs, still lag behind significantly with regards to the Green transition quality</li> <li>➤ <b>Zero-energy buildings</b> are becoming more common, but are still <b>very costly</b>, especially in EBRD’s COOs (both newly built and refurbished ones)</li> <li>➤ Ambitious <b>EU legislation</b> (e.g. Revised Energy Performance of Buildings Directive, 2018 and Clean Planet for All Strategy, 2018) sets new <b>requirements for EU COOs regarding the decarbonisation of national building stocks</b>: <ul style="list-style-type: none"> <li>❑ Many governments in COOs have difficulties with timely implementation of such requirements</li> <li>❑ Industry in COOs not prepared for increased demand for nearly zero-efficient buildings &amp; resource efficient materials.</li> </ul> </li> <li>➤ <b>Climate resilience components are absent in most of existing building stock</b> as well as in planned new building developments in EBRD’s COOs, making some EBRD regions <b>highly vulnerable</b> to effects of <b>global warming</b></li> </ul>
<p>Assessment of transition quality green, regional averages, 2018<sup>(2)</sup></p>  <p>Advanced European Comparators (3) 7.5</p> <p>Central Europe and the Baltics 6.7</p> <p>Eastern Europe and the Caucasus 5.6</p> <p>EBRD Average 5.6</p> <p>Southeastern Europe 5.4</p> <p>Turkey 5.3</p> <p>SEMED 5.2</p> <p>Central Asia 4.7</p>	<p><b>Urgent need for financial support and technical know-how to pursue greener ,climate resilient buildings and operations in EBRD COOs</b></p>	

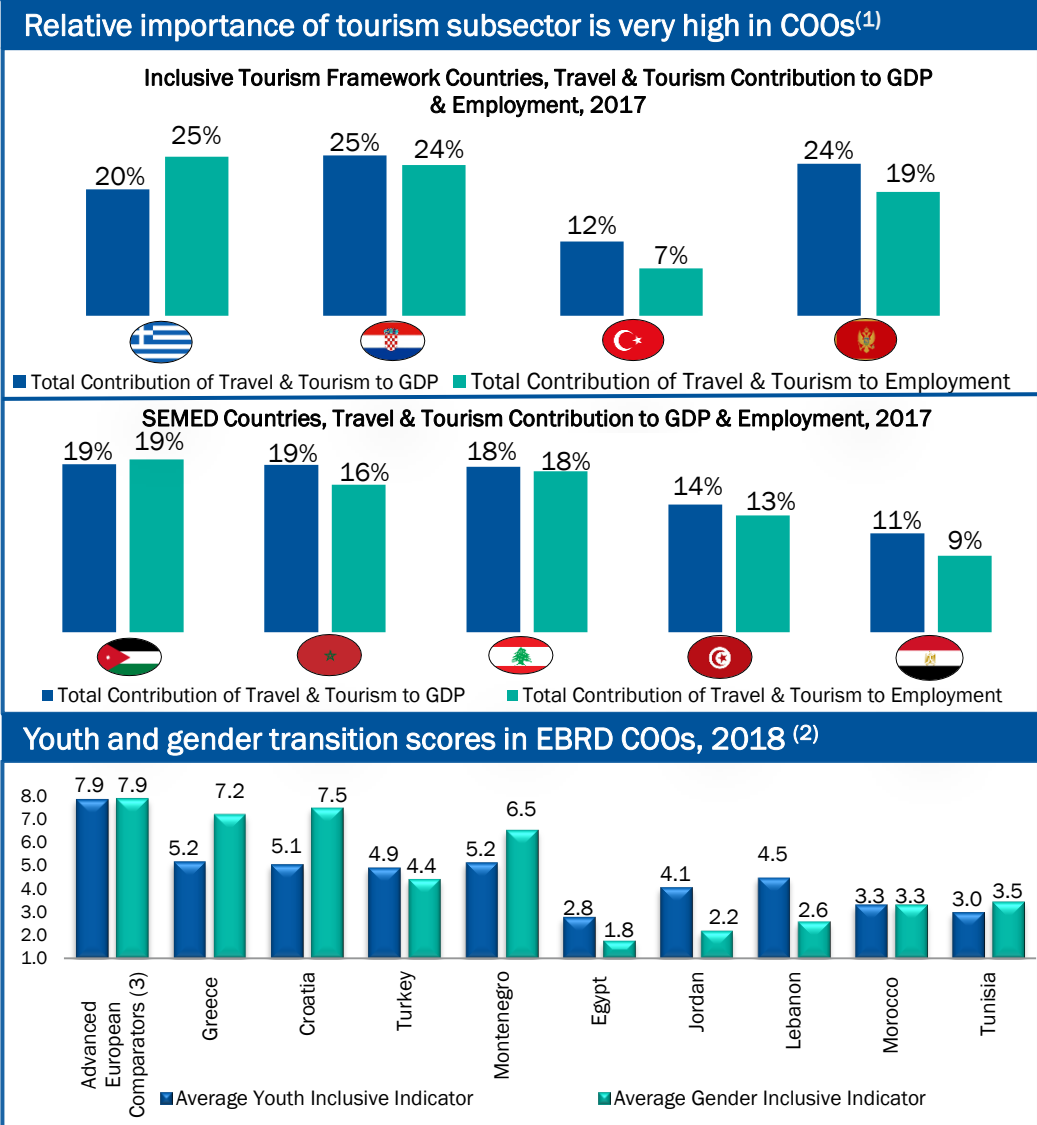
(1) Source: International Energy Agency and the United Nations Environment Programme (2018): 2018 Global Status Report: towards a zero-emission, efficient and resilient buildings and construction sector.

(2) Source: EBRD Assessment of Transition Qualities – Scores range from 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy.

(3) Advanced European Comparators: France, Germany, Sweden and United Kingdom.

# Sector Challenges and Regional Transition Challenges

## Sustainable and Inclusive Tourism as a Driver for Greater Impact



**Sector challenge – Unsustainable tourism on the rise**

- International **tourist arrivals** have **more than tripled** in the past three decades due to rising global incomes, newly emerging middle classes across several countries and due to a higher travel affordability<sup>(4)</sup>
- **Potentials of Tourism:**
  - ❑ Fastest growing and most resilient economic sector in many countries globally
  - ❑ Creation of jobs for local population, especially for youth, women and people with disabilities
  - ❑ Connectivity, as sector has large & diversified supply chain
- But **Tourism sector bears risks** of over-concentration, high volatility due to geopolitical & security risks, poor management of natural resources, high waste impact and weak linkages to the local communities

**Transition challenges for COOs – Using tourism as engine for wider development**

- Many of the local economies of the Bank's **COOs heavily depend on tourism:**
  - ❑ Croatia ranks 27<sup>th</sup>, Montenegro 30<sup>th</sup>, Greece 38<sup>th</sup>, Jordan 39<sup>th</sup>, Morocco 40<sup>th</sup>, Lebanon 41<sup>st</sup> out of 185 countries in the WTTC's rating showing the relative size of Travel & Tourism's total contribution to GDP
- **Particular challenges** for the Bank's COOs in tourism sector:
  - ❑ **High volatility of sector** due to geopolitical challenges in some COOs
  - ❑ **Lack of backward linkages** to the local communities and local supply chains, which remain limited
  - ❑ **Adequate vocational skills are missing** among youth population and available jobs are mostly **seasonal** in nature
  - ❑ **Lack of financial resources and skills** for developing strategic approach for preservation of cultural heritage and reduction of environmental impact

**Need for supporting inclusive and sustainable tourism through financial investments and policy dialogue, thereby facilitating wider and more diversified development of local economies**

(1) Source: World Travel & Tourism Council (2018). Country Reports 2018; (2) Source: EBRD Youth and Gender specific ATQs (2018). Scores range from 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy; (3) Advanced European Comparators: France, Germany, Sweden and United Kingdom; (4) Source: UNWTO Tourism Barometer and Statistical Annex (2019).

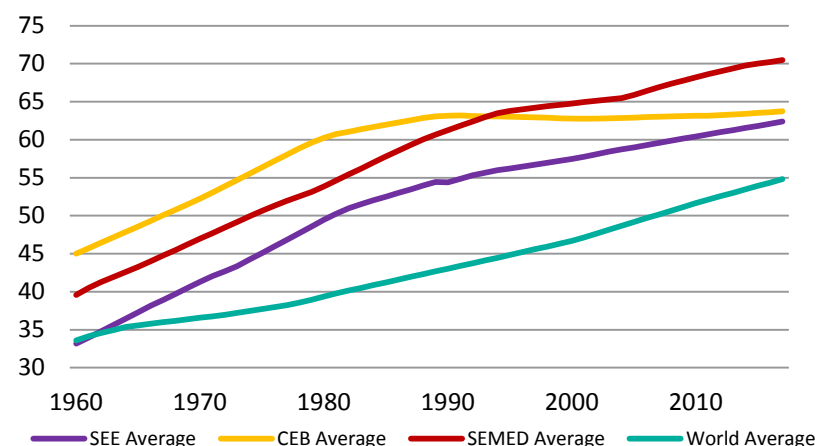
# Sector Challenges and Regional Transition Challenges

## Mixed Outcomes from Urbanisation in a Transition Context



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Urban population percentage (of total) in EBRD regions<sup>(1)</sup>



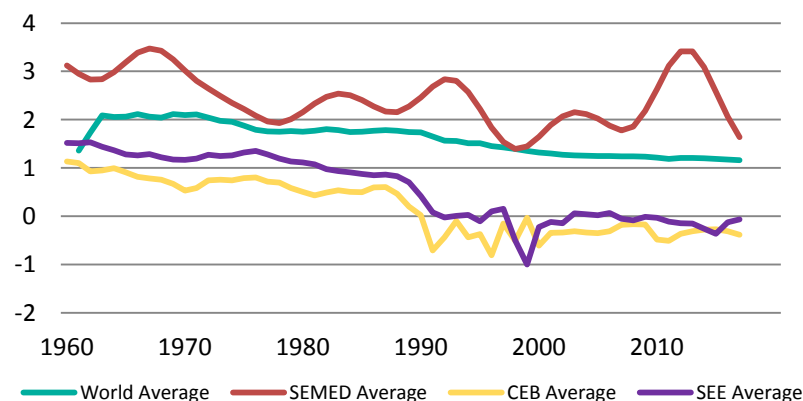
Broader challenges of urbanisation

- In 1950, only 30% of world's population lived in urban areas, whereas today, 55% of the world's population lives in cities, a proportion that is expected to increase to 68% by 2050
- Cities consume around **2/3 of world's energy and account for approximately 75% of global greenhouse gas emission**
  - ➔ Building and Transport sector make up the largest contributors
- Urban sprawl locks-in emissions associated with transportation and other utilities (which are effectively oversized)
- At the same time, cities are paramount for the global economic activity, as more than **80% of global GDP is created in cities**
- Continued expansion of urbanised land area in all regions due to **intra-country and cross-country migration**

Particular transition challenge for COOs

- **Urbanisation rates and urbanisation conditions** as well as resulting needs **differ significantly between EBRD regions**:
  - ➔ Flat rate of urbanisation in CEB and negative demographics in CEB/ SEE countries masks an ongoing concentration of population in a small number of prominent cities and population decline in others
  - ➔ In SEMED, continued increase in urban population is not matched by commensurate growth in economic output. Cities are not always delivering on their promise of economic opportunity
- In many EBRD COOs, there is a **continued trend towards sprawl (decreasing net density)** rather than compact cities, e.g. due to old and deserted real estate stock in centres, which has implications for cost of delivering public services, access to employment and increased emissions
- **Lack of appropriate RE** in accessible, well-served, locations can **constrain economic development** as many cities in the COOs are shifting away from manufacturing towards knowledge-based industries
- Depending on geographical location, **climate change** poses a range of challenges for EBRD cities, some of which are particularly exposed to **urban climate vulnerability**

Population growth (annual % ) in EBRD regions<sup>(1)</sup>



**Need for enhanced ability to resolve financial and capacity constraints through identifying the right plans and technologies for urban regeneration in each EBRD region as well as by ensuring seamless implementation**

(1) Source: World Bank Open Data (2019).

SEE countries include: Albania, Bosnia and Herzegovina, Bulgaria, Cyprus, Greece, Montenegro, North Macedonia, Romania, Kosovo\* and Serbia\*

(\*) Data included only for available periods. CEB countries include: Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia; SEMED countries include: Egypt, Jordan, Lebanon, Morocco, Tunisia.



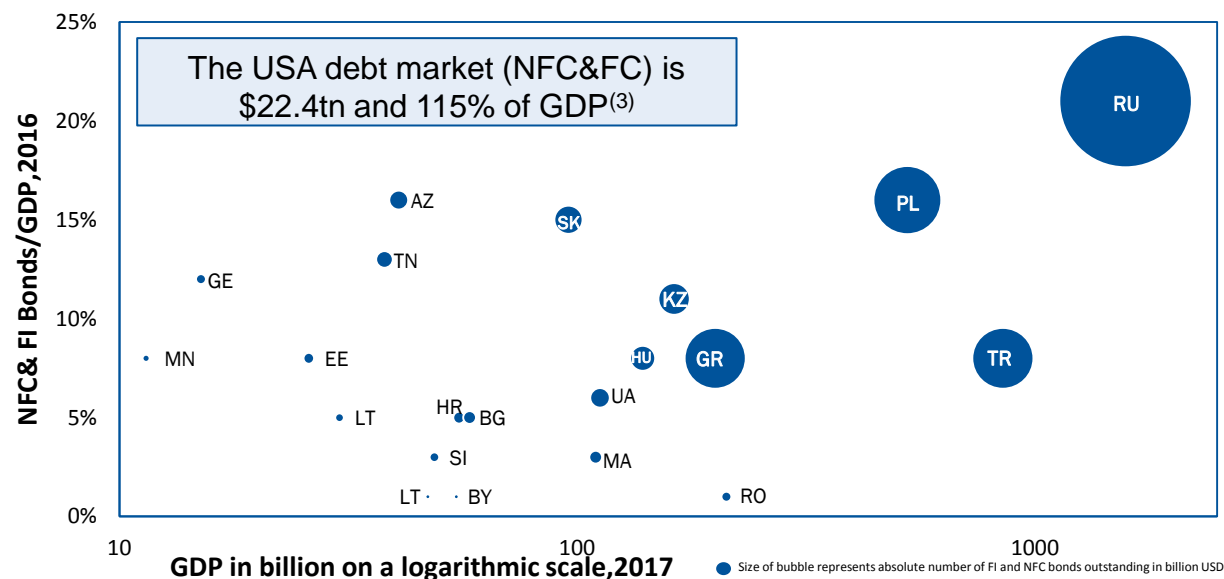
# Sector Challenges and Regional Transition Challenges

## Public Markets as a Capital Provider for Addressing Funding Gaps

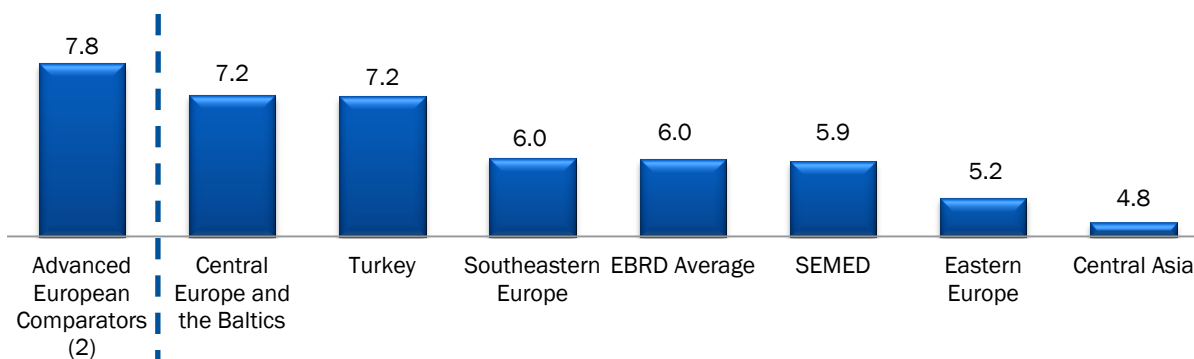


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### Underdeveloped debt markets in EBRD COOs



### Financial resilience in EBRD COOs, regional averages, 2018<sup>(1)</sup>



### More diversified financial instruments are needed to overcome RE sector challenges in EBRD COOs:

- Large financial investments are needed to develop more sustainable built environment as well as to improve quality of existing stock across the Bank's COOs.
- The range of financial instruments in EBRD's COOs is still relatively limited and important financial vehicles in the RE sector (investment funds, REITs) are uncommon in most COOs.
- Capital markets are weakly developed, often illiquid and not fully diversified throughout the EBRD regions.
- **Resulting challenges for RE developers/investors in COOs:**
  - ❑ Local banks have relatively tight sector specific prudential limits and their lending is often pro-cyclical
  - ❑ Inability to diversify the capital structure
  - ❑ Lack of access to long term financing
  - ❑ Limited range of investors entering the markets

**Acute need for promoting and supporting the development of financial instruments through increased capital flow into (listed) RE vehicles, (listed) debt instruments and policy dialogue to support further development**

(1) Source: EBRD Assessment of Transition Qualities indicators relating to financial stability which is a sub group of the resilience TI – Scores range from 1 to 10, where 10 represents a synthetic frontier corresponding to the standards of a sustainable market economy.

(2) Advanced European Comparators: France, Germany, Sweden and United Kingdom.

(3) BIS 3Q'18 data.

# Sector Challenges and Regional Transition Challenges

## Transition Challenges



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Green	<p><b>Decarbonisation of buildings sector:</b> In line with the SDG on climate action (13), there is an urgent need to decarbonise buildings sector, both at portfolio and individual project levels, to meet Paris Agreement objectives.</p> <p><b>Enhancing operational performance:</b> Strong need to minimise the usage of water, energy as well as production of waste through introduction of resource efficiency (circular economy) and focused facility management services, including active engagement with occupants (e.g. green leases), thereby promoting SDG 12.</p> <p><b>Enhancing climate resilience in buildings and cities:</b> In face of climate change, buildings and cities in EBRD regions will face ever growing pressures in terms of heat stress, water stress and more extreme weather events. A low carbon and climate resilient real estate sector is essential and is in line with the Paris Agreement objectives. The use of innovative smart solutions in this sector should therefore be encouraged.</p>
Competitive	<p><b>Market institutions in hospitality sector:</b> Tourism projects bear the threat of creating only weak linkages to the local economies. This can be addressed by identifying local procurement potential, landmark products and finding improvements for tourism branding. Further, local tourism value chains and backward linkages (by including food and agricultural products) need to be included in projects and engagement in activities promoting local products is necessary. The Bank can contribute to SDGs 8 &amp; 12.</p> <p><b>Competitiveness of real estate assets:</b> Many of EBRD's COOs face challenges regarding the competitiveness of their real estate assets, especially with regards to meeting international environmental and reporting standards. This can be addressed by upgrading and certifying existing buildings as well as newly developed ones and by supporting the sophisticated use of inputs and new technologies.</p>
Inclusive	<p><b>Economic inclusion of young people:</b> Need for support of market-relevant training programmes equipping the youth with qualifications they need to transition into work or entrepreneurship. Promotion of strong institutions to ensure alignment of skills-related goals and outcomes between employers, training providers and policy makers.</p> <p><b>Promotion of gender equality:</b> In many of the Bank's COOs gender gaps in access to employment and services remain large. The P&amp;T sector offers opportunities to reduce gender gaps in employment by providing access to economic opportunities to women, particularly in the tourism sector. It also provides opportunities to improve women's access to services in the context of urban regeneration through the design of liveable and gender responsive urban regeneration projects. The sector can thereby effectively contribute towards achieving SDG 5 and SDG 11.</p> <p><b>Community engagement:</b> Need to involve communities in the project process early on, in order to minimise adverse effects and promote backward linkages.</p>
Well-Governed	<p><b>Enhancing certification &amp; reporting standards:</b> Promotion of international energy efficiency certification standards and high sustainability reporting standards on an asset-by-asset as well as on portfolio level to set demonstration effect for energy efficient buildings in our COOs.</p> <p><b>Policy dialogue with local authorities and stakeholders:</b> Engagement in intensive and highly needed policy dialogue in the areas of cultural heritage preservation, REIT legislation and regarding the implementation of EU-legislation concerning green buildings.</p>
Integrated	<p><b>Facilitating integration into the global economy:</b> In a more globalised world, integration with regional and global neighbours is becoming more important, including for example cross-border investments in industrial real-estate (especially logistics) or R&amp;D centres (through offices), and expansion of local players.</p>
Resilient	<p><b>Access to finance:</b> To build up a resilient and liquid LCM it is important to expand the financial product range and encourage companies to access capital market financing. In many COOs, LCMs are underdeveloped and companies lack access to capital market financing. Therefore, the Bank will support capital market development by providing alternative sources for funding real-estate transactions that go beyond senior bank lending as well as by supporting the development of REIT regimes across the EBRD region.</p> <p><b>Balance sheet restructuring:</b> The bank can provide financing to support balance sheets restructuring in case long-term money is unavailable in the market.</p>





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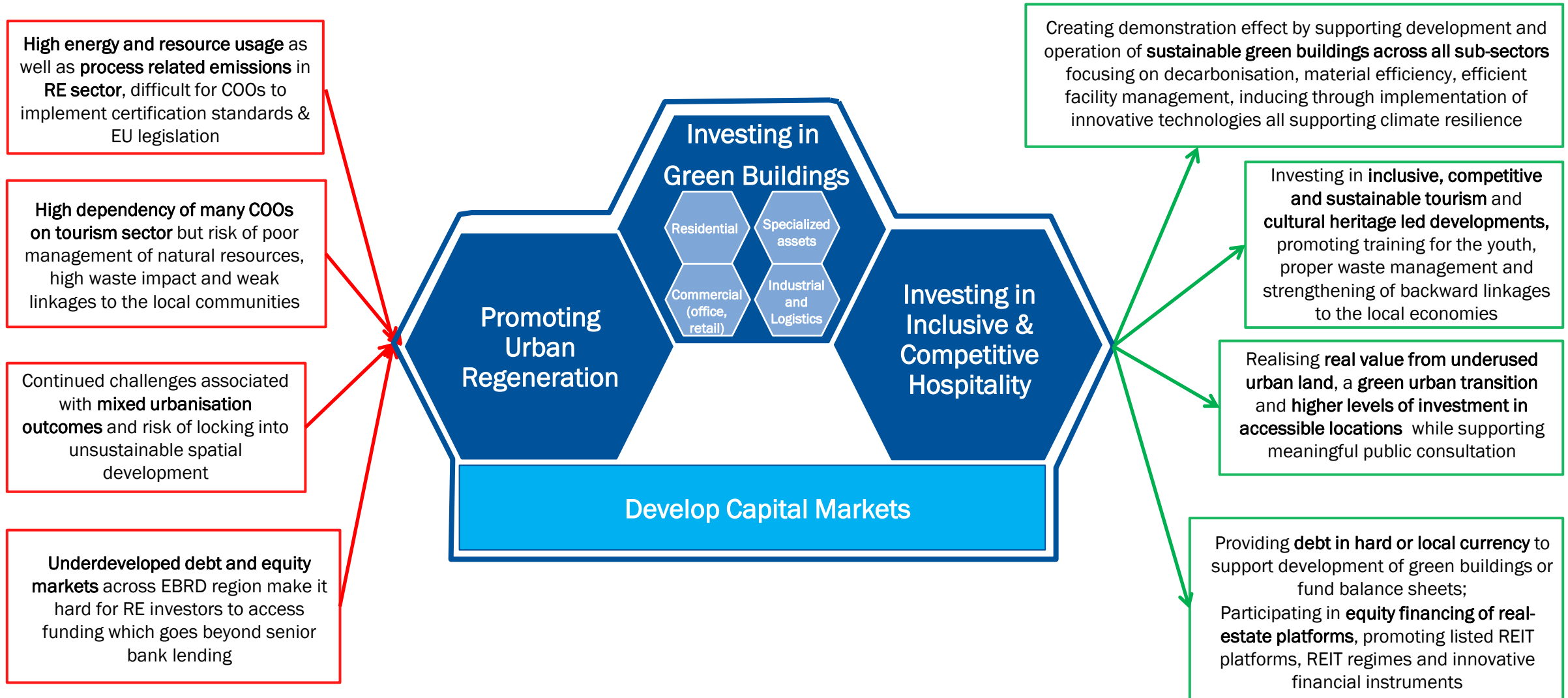
## Section 3: The Bank's Strategic Approach and Strategy Focus Areas



# The Bank's Strategic Approach to P&T and Focus Areas – Overview of Strategic Approach and Interaction Between Focus Areas & Cross-Cutting Facilitator



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# Strategic Directions



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Distinct patterns in strategic priority areas emerge at regional level depending on the COO's readiness, implementation capacities, and market dynamics. The examples of potential investment focus, financial products and TC areas provided below will be targeted and contribute to closing the specific transition gaps.

	P&T Market depth	Investing in developing and managing green real-estate				Investing in development of inclusive and competitive hospitality and tourism			Promoting urban regeneration initiatives more competitive and greener cities			Financing tool-kit					
		Commercial	Logistics	Residential	Specialized assets	Hotels	Hospitality	Specialized assets	Brownfield sites	Clustered asset portfolios	Crucial hub sites in cities	Senior debt	Mezzanine	Direct Equity	Listed Equity	Listed Debt	TC
Central Asia		✓	✓			✓	✓		✓			✓				✓	✓
CEB		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓
EEC		✓	✓			✓	✓		✓	✓		✓				✓	✓
SEE		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
SEMED		✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Turkey		✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓

Note: The above are examples of potential areas of engagement. Actual areas of engagement is not restricted to these areas. Analysis of transition gaps and prioritisation of Bank's activities at the country level are performed in EBRD Country Diagnostics and Country Strategies respectively

EBRD regional specification could be found here: <https://www.ebrd.com/where-we-are.html>

PUBLIC

# The Bank's Strategic Approach to P&T and Focus Areas – New Strategic Focus Areas of 2020-2024 Strategy



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## Focus Area 1: Investing in developing and managing green real estate

- Focus on supporting development of and retrofit to high quality green properties across all asset classes, including **retail, hospitality, office, mixed-use, industrial space and specialized assets** throughout the EBRD COOs
- Projects will contribute to the introduction of green technologies, reflected in GET financing in line with the **EBRD Green Economy Transition approach** and with SDGs 13 (climate action) and 12 (responsible consumption and production)
- Implementation of green / sustainable practices
  - Promote utilization of **international certification standards** (e.g. LEED/BREEAM)
  - Develop and implement green lease policies, including offering tenants the possibility to sign “**green memorandum of understanding**”
  - Improve **institutional and management practices** of the asset performance of the portfolio
  - Support **green property funds** with sustainable management and operational/investment standards
  - Support **climate resilient planning practices** in the development process of real-estate
  - Integrate **circular economy practices** and techniques through promoting international certification
- Promote **high sustainability reporting standards** on an asset-by-asset as well as on portfolio level (GRESB/GRI reporting)
- Support **policy engagement** in cooperation with E2C2, ESD, EPG, SIG and key industry organizations
- Finance projects which help to **reduce energy intensity** to support compliance with new standards and environmental legislation

Primary TQs targeted

Green

Well-Governed

Resilient

## Focus Area 2: Investing in development of inclusive, and competitive hospitality and tourism

- Focus on hospitality, with the aim to support a well and comprehensively managed tourism sector in EBRD COOs, **through employment generation, strengthening of backward linkages and more diversified tourism, including ecotourism and cultural heritage driven sites**, thereby contributing to the SDGs of achieving quality education and gender equality as well as creating decent work and economic growth
- By supporting hospitality projects, the Bank will primarily target the **inclusive transition quality** by:
  - **Enhancing skills of the local population** by implementing **training programmes**, especially for young women and men and facilitating opportunities to transition into work in year-round tourism
  - Improving women's access to employment through **equal opportunities initiatives, especially in tourism** and improve women's access to services through gender responsive infrastructure design initiatives
  - Creating **training and work opportunities** for other disadvantaged groups such as people with disabilities, refugees and others
- The Bank will also address the **competitive transition quality** by:
  - Engaging in meaningful **policy dialogue and workshops** with local stakeholders to promote the development of **backward linkages with local and regional suppliers** and better marketing of **food /culinary and rural tourism**
  - Cooperating with knowledgeable partners such as the **UNWTO and the Smithsonian Institution** to work together towards the common goals of **promoting sustainable tourism development and preserving cultural heritage**
- The Bank will also support more sustainable tourism through greener hospitality facilities and efficient management / operations under the **Green Transition Quality**

Primary TQs targeted

Inclusive

Competitive

Green



# The Bank’s strategic Approach to P&T and Focus Areas –

## New Strategic Focus Areas of 2020-2024 Strategy

Focus Area 3: Promoting urban regeneration initiatives for more competitive and greener cities	Cross cutting facilitator: Supporting diversification of funding sources for RE development and ownership through the Capital Markets
<ul style="list-style-type: none"> <li>➤ Engage in impactful <b>policy dialogue with municipalities</b> and other stakeholders such as <b>local businesses and land owners, community based civil organizations and universities</b> across the EBRD COOs to support sensitive urban development, and promote efficient <b>private / public co-operations</b>, thereby approaching urban regeneration in a holistic way</li> <li>➤ <b>Support private sector clients</b> with technical assistance when approaching potential urban regeneration opportunities</li> <li>➤ Support urban regeneration efforts through implementation of direct investments in <b>development of green properties in competitive urban locations</b>, thereby contributing towards creating sustainable cities and communities (SDG 11). The Bank will aim to achieve this through: <ul style="list-style-type: none"> <li>▪ <b>Support of concepts</b> that <b>attract skilled labour force</b>, facilitate knowledge dissemination and spur innovation</li> <li>▪ <b>Renewal or replacement of depleted built assets</b> that are well served by a concentration of utilities and communications networks</li> <li>▪ <b>Reduction of building-based emissions</b> and transport-related emissions as well as local pollution levels, through aligning investments <b>with EBRD’s Sustainable Infrastructure Group</b></li> </ul> </li> <li>➤ Promote utilization of international certification such as LEED for Neighbourhood Development for <b>greener and more sustainable urban spaces</b></li> <li>➤ Identify and support <b>investments in integrated smart city initiatives</b> where the value proposition is clearly articulated, with a particular focus on: <ul style="list-style-type: none"> <li>▪ <b>Social inclusion</b> and citizen engagement,</li> <li>▪ <b>Resources management</b> and system capacities,</li> <li>▪ New products and <b>platforms for innovation</b></li> </ul> </li> <li>➤ Engage with <b>other teams</b> and <b>cross-sectoral initiatives</b> (e.g. Green Cities Programme) as well as <b>international partners</b> and organizations such as World Bank and the WGBC on combining our <b>urban regeneration efforts</b> across the EBRD COOs</li> </ul>	<ul style="list-style-type: none"> <li>➤ Focus on supporting capital market development by providing <b>alternative sources</b> for funding real-estate transactions that go <b>beyond senior bank lending</b></li> <li>➤ Support development of capital markets through <b>investments</b> in listed financial products, across the capital structure of real-estate platforms</li> <li>➤ Promote the development of <b>listed REIT platforms and REIT legislation</b> across the EBRD COOs</li> <li>➤ Engage in policy dialogue in cooperation with LC2 team to <b>advance capital market development</b></li> <li>➤ In cooperation with LTT, support <b>better reporting standards</b> both on corporate level as well as on environmental issues (GRI etc.)</li> <li>➤ In cooperation with E2C2, <b>promote green building standards and technologies</b> across capital market instruments that support decarbonisation in the sector</li> <li>➤ Support <b>green property investment funds</b> which seek long-term capital appreciation through investments in sustainable income producing real estate assets</li> <li>➤ Promote <b>innovative products</b> and alternative approaches to sourcing funds by supporting various players that are working on <b>disrupting</b> the way real-estate acquisition and development are funded.</li> </ul>
<div>Primary TIs targeted</div> <div>Competitive</div> <div>Green</div> <div>Well-Governed</div>	<div>Primary TIs targeted</div> <div>Resilient</div> <div>Well-Governed</div> <div>Green</div>

# Link to EBRD's Country Strategies:

The EBRD region is comprised of diverse economies and a tailored approach is needed to take into account the specific country context:

- Countries in **Central and Eastern Europe** have a great potential to invest in the development of green commercial properties in line with international best practices and relevant EU directives. P&T projects in the region also have the potential to support capital market development by providing alternative sources for funding real-estate transactions.
- Countries in the **SEE** and **Western Balkans** as well as countries in the **SEMED** region have enormous investment potential in their local tourism sectors, on which their economies highly depend upon. Through supporting competitive and inclusive projects, they can contribute to enhancing the skill standards especially of young people working in the industry.
- In addition to its high investment potential in the tourism sector, the **SEMED** region and countries in the **Eastern Mediterranean** regions have a particular potential to invest in urban or regional regeneration projects, unlocking the latent real-estate value in urban cores and to address its high climate vulnerabilities.
- Countries in **Eastern Europe and the Caucasus** can minimise resource and energy usage in buildings by investing in modern construction techniques and technologies which will improve energy efficiency and sustainability.
- Countries in **Central Asia** could benefit from increased supply of modern commercial property and modern tourism infrastructure, especially in regional areas, on the back of cultural heritage investments.

The proposed strategic directions of the Property & Tourism Strategy are aligned with recently approved EBRD country strategies and a few country strategies are singled out here to give examples.

## POLAND (2018)

- Support energy efficiency investments, with emphasis on green buildings and residential and commercial energy efficiency

## MONTENEGRO (2017)

- Increasing supply of modern commercial property, including higher quality tourism infrastructure

## GEORGIA (2017)

- Increase focus on modern construction techniques and technologies, including energy efficiency and sustainability.

## TUNISIA (2018)

- Develop innovative skill-enhancing solutions together with corporate clients (focus on manufacturing & tourism sector)

## UZBEKISTAN (2018)

- Strengthen regional connectivity & integration by deploying financial resources and TA to develop cultural heritage locations & support infrastructure to boost tourism





# Performance Monitoring Framework

Specific objectives	Activities	Tracking indicators	
		Outputs	Outcome (for relevant countries tracked in Country Strategies)
1. Sustainable and green real estate (Focus TI qualities - Green, Well-governed, Resilient)			
1.1 Promote development and deep retrofit of buildings with low energy/carbon footprint 1.2 Promote sustainability certification of buildings and introduction of innovative technologies or energy management approaches 1.3 Support building capacities, soft skills and awareness on green buildings 1.4 Promote climate resilient features in buildings	<ul style="list-style-type: none"><li>Investments</li><li>Design and fund TC</li><li>Capacity-building</li><li>External partnerships</li></ul>	<ul style="list-style-type: none"><li>Number/Volume of investments with a green quality (promoting energy and climate resilience)</li><li>Number of projects promoting international sustainability certification of buildings (LEED/BREEAM and others)</li><li>Number of TC activities supporting the reduction of GHG emissions and enhanced climate resilience (e.g. climate mitigation and adaptation) and pollution (e.g. waste reduction, air pollution, etc)</li></ul>	<ul style="list-style-type: none"><li>Total Energy or CO<sub>2</sub> emissions reduced/avoided (tonne / year) – including operational and embodied<sup>(*)</sup></li><li>Number of clients introducing improved energy management standards (including building – LEED,BREEM, others)</li><li>Total water savings (m3 / year)</li><li>Total waste reduction (tonne / year)</li></ul>
2. Inclusive and sustainable tourism (Focus TI qualities –Inclusive, Competitive, Green)			
2.1 Improve access to employment and/or training related to real estate operations, facility management and retail activities 2.2 Improve access to employment and/or training related tourism operations and hospitality providers 2.3 Strengthen competitiveness of real estate operators through gains in efficiency, skills and innovation, quality and performance standards 2.4 Promoting ecolabel certification for tourism accommodations which include specific criteria that cover all energy and environmental aspects	<ul style="list-style-type: none"><li>Investments</li><li>Design and fund technical cooperation (TC)</li><li>Capacity-building</li><li>External partnerships</li></ul>	<ul style="list-style-type: none"><li>Number/Volume of investments supporting employment and training opportunities for young people</li><li>Number/Volume of investments supporting employment and training opportunities for women</li><li>Number/Volume of investments supporting employment and training opportunities for people w/ disabilities</li><li>Number/Volume of investments with a competitive quality, that are tourism related, focusing on backward linkages to local suppliers;</li><li>Number / volume of green investments, focusing on sustainable and certified tourist facilities (e.g. Ecolabel or other)</li></ul>	<ul style="list-style-type: none"><li>Number of individuals in target group (women, youth, local population – m/f) enhancing their skills as a result of training</li><li>Number of clients with equal opportunities practices improved</li><li>Increase in number of local suppliers providing inputs to tourism and hospitality sites</li><li>Number of clients with demonstrated gains in profitability, productivity, turnover or introducing innovative/new technology</li><li>Total Energy or CO<sub>2</sub> emissions reduced/avoided (tonne / year)</li></ul>

(\*) Carbon assessment will be conducted by EBRD based on measurable data provided by the Clients.



# Performance Monitoring Framework (cont'd)



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Specific objectives	Activities	Tracking indicators	
		Outputs	Outcome (for relevant countries tracked in Country Strategies)
3. Sustainable urban regeneration (focus TI qualities – Competitive, Green, Well-governed)			
3.1 Support effective and transparent public and private sector efforts to facilitate systematic urban regeneration 3.2 Promote development and deep retrofit of buildings with low energy/carbon footprint 3.3 Promote sustainability certification of buildings and introduction of innovative technologies or energy management approaches 3.4 Support enhancement of social, economic and climate resilience in cities	<ul style="list-style-type: none"><li>Investments</li><li>TCs designed and funded</li><li>Capacity-building</li><li>Reforms and Policy Dialogue</li></ul>	<ul style="list-style-type: none"><li>Number / volume of investments in urban regeneration projects</li><li>Numbers of hectares of urban land moved from non-productive into economically productive use</li><li>Number / volume of GET-financing share in urban development</li><li>Number of TC engagements addressing sub-optimal land-use in EBRD cities through technical support, capacity building and policy dialogue</li></ul>	<ul style="list-style-type: none"><li>Number of clients (cities / neighbourhoods) introducing environmental standards (LEED for Neighbourhood Development / BREEAM)</li><li>Number of clients / cities engaging in policy dialogue</li><li>Total Energy or CO2 emissions reduced/avoided (tonne / year) – including operational and embodied<sup>(*)</sup></li><li>Total number of clients introducing innovative/new technologies, products or processes</li></ul>
4. More developed capital markets (focus TI qualities – Resilient, Well-governed, Green)			
4.1 Improve access to finance and support more diversified financial products through capital market instruments 4.2. Support clients to undertake financial restructuring to improve their profitability and balance sheet robustness 4.3 Support reporting transparency	<ul style="list-style-type: none"><li>Investments</li><li>Investor mobilisation</li><li>TCs designed and funded</li><li>Capacity-building</li><li>Reforms and Policy Dialogue</li></ul>	<ul style="list-style-type: none"><li>Number / Volume of investments supporting capital market development, notably number of transactions supporting:<ul style="list-style-type: none"><li>Bond issuances under the Resilient quality</li><li>Equity investments including in listed platforms and REITs</li></ul></li><li>Number/Volume of transactions with private investor funding mobilised</li><li>Number of investments targeting the introduction of GRI or GRESB reporting</li><li>Number of capital markets transactions supporting the development of green real-estate</li></ul>	<ul style="list-style-type: none"><li>Total volume of capital market transactions facilitated (e.g. private issuances/ bonds/equity investments)</li><li>Number of clients adopting GRI or GRESB reporting on capital market related transactions</li></ul>
Context Impact Indicators			
Context Impact Indicator 1 Green buildings: Final energy intensity per unit of GDP (residential + commercial and public services in ktOE / GDP).			
Context Impact Indicator 2: Tourism: International tourist arrivals (1995-2017 CAGR in arrivals vs. 1995-2017 CAGR in receipts).			
Context Impact Indicator 3: Tourism: Total Contribution of Travel and Tourism to GDP and Employment in EBRD COOs (2017) and Travel Security Risk Rating in EBRD COOs (2019).			
Context Impact Indicator 4: Urban regeneration: OCE research on quality of air and quality of public transport in urban areas (2018).			
Context Impact Indicator 5: Capital Markets development based on listed companies market capitalization to GDP (%).			

(\*) Carbon assessment will be conducted by EBRD based on measurable data provided by the Clients.



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A person with their back to the camera, wearing a light pink long-sleeved shirt, is pulling apart light-colored sheer curtains. Through the curtains, a bright city skyline is visible, with a prominent skyscraper in the center. The scene is bathed in warm, golden light, suggesting sunrise or sunset.

## **Section 4: The Bank's Position vis-à-vis other Teams, IFIs and Partners**

# EBRD's Position vis à vis other IFIs and Partners

		Subsector		
		Tourism	Real Estate	Urban Regeneration
IFIs	ADB	€P	€P	P
	AfDB	P		P
	EIB	€P	€P	€P
	IADB	€P	P	€P
	IFC	€P	€P	€P
	World Bank			€P
	BSTDB	€	€	
	EBRD	€P	€P	€P

€ Area of investments

P Area of policy dialogue

Focus mostly on public sector

Focus mostly on private sector

## Increasing cooperation with IFIs and Partners in Property & Tourism Sector

- During previous strategy period, EBRD co-financed three projects with other IFIs – one with BSTDB and two with IFC
- More IFIs are starting to realise the importance of the P&T sector, specifically with regards to urban regeneration programmes and sustainable tourism development
- Since 2015, EBRD also signed 3 MOUs with international partner organisations active in the P&T sector
- Additional cooperation on Bank level includes MOUs with international partners such as European Training Foundation and FAO, which are used to promote training programs and backward linkages in EBRD's P&T projects.
- EBRD is part of the joint MDBs working group on green buildings



**Recent intensification of cooperation with other IFIs & Partner organisations and increasing interest of other IFIs to invest in P&T sector**



# External Partnerships with International Institutions

## MoU between EBRD and United Nations World Tourism Organization (UNWTO), since 2015

### Common interests:

- Support sustainable tourism in common COOs as a driver of socio-economic growth and development
- Socioeconomic inclusion in the tourism sector by fostering tourism education and training; and
- Multilateral initiatives on development effectiveness

### Strategic partnership:

- Framework for cooperation, work together towards the shared goal of promoting sustainable tourism development by capitalizing on both parties comparative advantages and increasing complementarities and synergies



## MoU between EBRD and the Europe Regional Network of the World Green Building Council, since 2016

### Common interests:

- Developing the sustainable building market in countries of common operation

### Strategic partnership:

- Framework for cooperation to work together in support of sustainable property development with a special emphasis on energy and resource efficiency as well as reduction of carbon emissions and climate resilience



## MoU between EBRD and the Smithsonian Institution and EBRD, since 2017

### Common interests:

- Support cultural heritage preservation, museum sector support and the global cultural tourism sector as a means of economic growth, stability and cultural resilience

### Strategic partnership:

- Explore and collaborate in areas relating to cultural heritage, tourism, sustainability, economic development, sustainable infrastructure mutually agreed to areas





# Cross Sectoral Linkages

EBRD Departments	Areas of cooperation – Banking teams
Agribusiness Team	Agri-tourism (backward linkages to farmers) , retail sector and logistics
Sustainable Infrastructure	Land value capture, Green City Action Plan, CREATE TC, cultural heritage led development, urban regeneration projects
Manufacturing and Services	Energy efficient construction material
Financial Institutions	Risk Sharing Facility and NPLs
SME Finance and Development	Support of SMEs in both tourism and property to boost competitiveness; Cultural heritage (e.g. support for creative industries)
Transport	Cultural heritage, Intermodal transport (Logistics)
Power and Energy	Energy efficiency across value chain

EBRD Departments	Areas of cooperation – Support units
Energy Efficiency and Climate Change (E2C2)	Standard setting for improved energy efficiency buildings and buildings certification, cooperation on CREATE TC and urban regeneration projects more generally, integration of climate resilience technologies into green buildings and urban regeneration.
Economics Policy and Governance	Inclusive Tourism Framework, policy dialogue on energy efficiency standards
Legal Transition Team	Improved energy efficiency standards and regulations for buildings, Improved legal and institutional framework in the sector such as REIT laws
Environment and Social Department	Environmental and social requirements, especially gender, cultural heritage and environmental standards to ensure compliance with national law and EBRD PRs,
Local Currency and Capital Markets	Local currency lending , Capital market development

## Examples of cooperation between P&T and other sector teams

### CREATE TECHNICAL CO-OPERATION

- P&T, SIG and E2C2 Team launched the City Regeneration and Environment (CREATE) TC in beginning of 2018
- Aims to test integrated approach to the preparation of regeneration projects in 3-4 cities in the COOS by exploring the synergies between the three teams and by developing projects within broader masterplans
- Will address 3 critical issues in cities: Environmental pressures, targeted regeneration needs of urban centres and deterioration of public building stock
- Seeks to complement the infrastructure focus of the Green Cities Framework with a focus on optimising land-use to lock in compact urban development and economic resilience

### POLICY DIALOGUE ON GENDER AND INCLUSION

- Co-operation with Gender and Economic Inclusion team in establishing the Sector Skills Council for the tourism and hospitality sector in Jordan

### POLICY DIALOGUE ON GREEN BUILDINGS

- E2C2 and P&T team engaged in policy dialogue and supported implementation of Energy Performance of Buildings Directive in Western Balkans

### CULTURAL HERITAGE FRAMEWORK

- Cross-sector (P&T, SIG, Transport, SME, ICT, Agribusiness teams) catalyst for regional and sustainable tourism development related to cultural heritage sites
- Regional initiative for projects in Uzbekistan, Romania, Albania, Jordan and West Bank and Gaza





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# Annexes

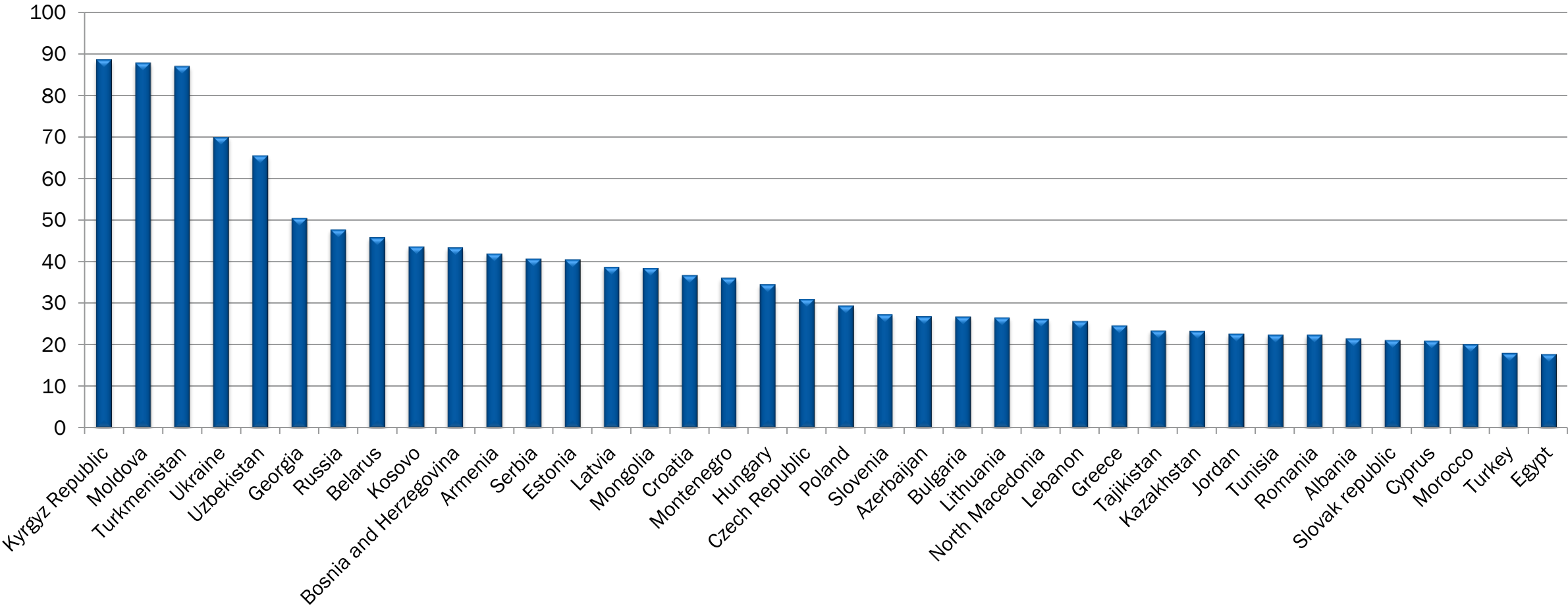


# Annex I: Performance Monitoring Framework

## (1) Final Energy Intensity per Unit of GDP

### Final energy intensity per unit of GDP

(Final energy consumption residential in ktoe+ final energy consumption commercial & public services in ktoe) / GDP

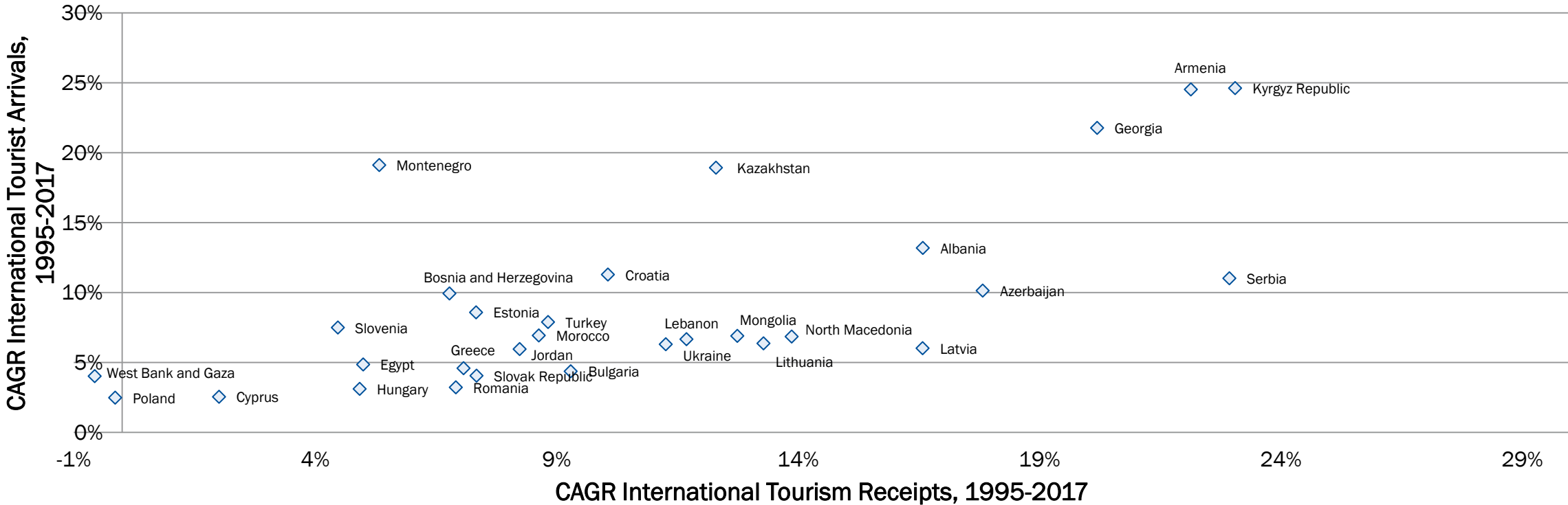


# Annex I: Performance Monitoring Framework

## (2) Growth in International Tourist Arrivals and International Tourism Receipts in EBRDs Core COOs

In most EBRD COO's International tourist arrivals as well as International tourism receipts have been growing over the past 20 years, making the hospitality sector and important driver for economic growth across EBRD regions. However, in many COOs, backward linkages to local supply chains remain limited, jobs are often seasonal in nature and financial resources as well as technical know-how are missing.

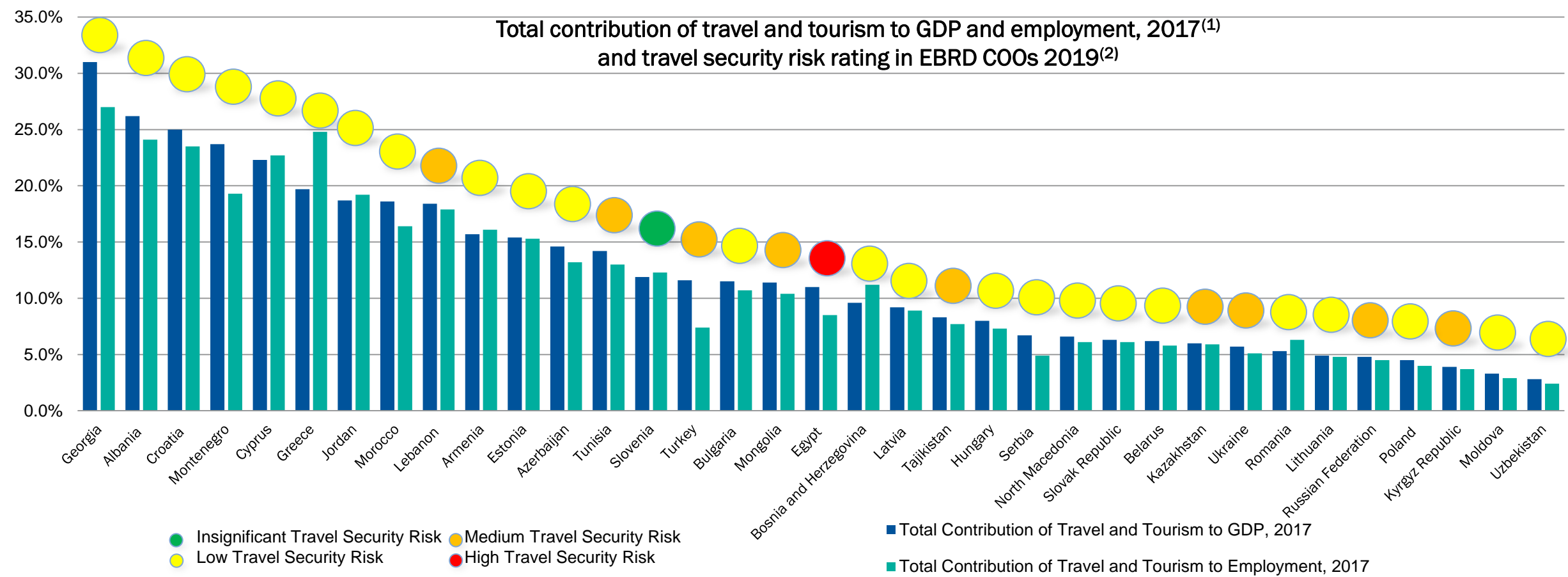
Compound annual growth rate in international tourist arrivals & international tourism receipts between 1995 & 2017(\*)



# Annex I: Performance Monitoring Framework

## (3) Total Contribution of Travel and Tourism to GDP and Employment in EBRD COOs

In many EBRD COOs, the total contribution of travel and tourism to GDP and employment is relatively high, showing the hospitality sector’s significant importance to the local economies. At the same time, due to security and geopolitical risks tourism remains particularly volatile sector in some countries. These factors will be taken into account when promoting investments in sustainable and inclusive tourism projects.



(1) Source: World Travel & Tourism Council. Country Reports (2018). No data available on Travel and Tourism’s contribution to GDP and employment in Kosovo, Turkmenistan and West Bank and Gaza. Travel risk was rated as medium for all three COOs.  
(2) Source: SOS International, Control Risks. Travel Risk Map (2019). For rating definitions, see [www.travelriskmap.com](http://www.travelriskmap.com)



# Annex I: Performance Monitoring Framework

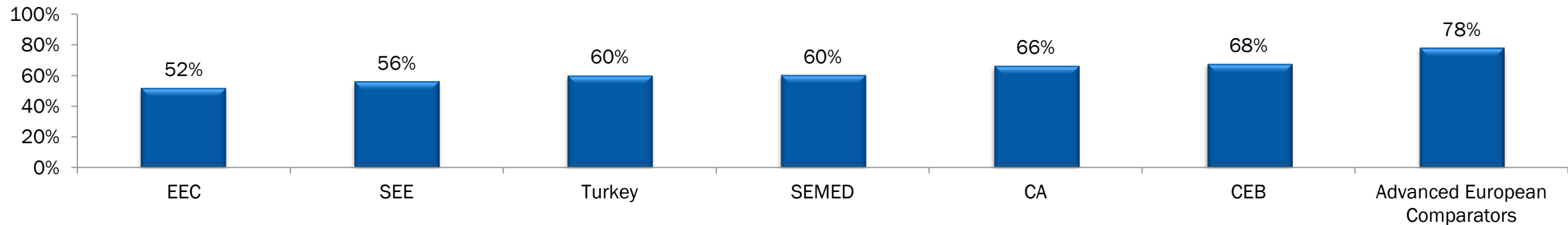
## (4) Satisfaction with Air Quality and Public Transportation in Urban Areas



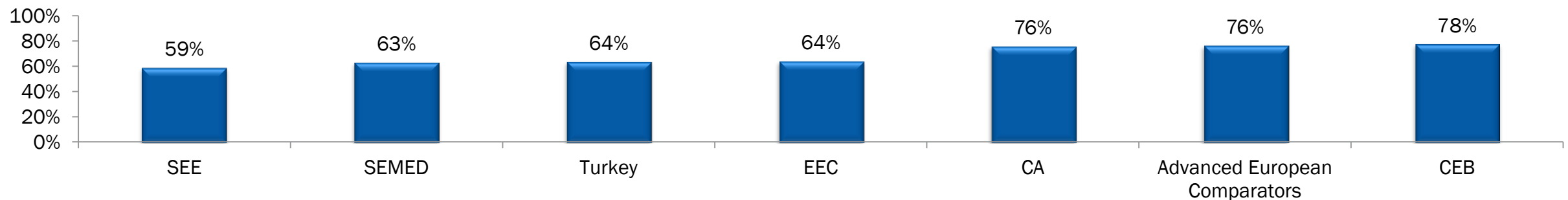
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Successfully securing compact urban development means aligning land-use policies, infrastructure investments and economic development in a manner that drives wellbeing improvements, diversity of economic opportunity and progressive elimination of factors that are prejudicial to global health. Complex metrics such as jobs accessible within a 30 minute commute, or CO2 emissions per resident are not readily accessible across cities in the EBRD regions. Levels of satisfaction with urban transportation services or urban air quality may serve as proxy measures for the degree to which the urban environment is meeting the needs of its residents without compromising global environmental objectives. Such metrics can be expected to improve as quality of life and public finances also improve in any given city.

Satisfaction with air quality in urban areas, 2018



Satisfaction with public transport in urban areas, 2018



# Annex I: Performance Monitoring Framework –

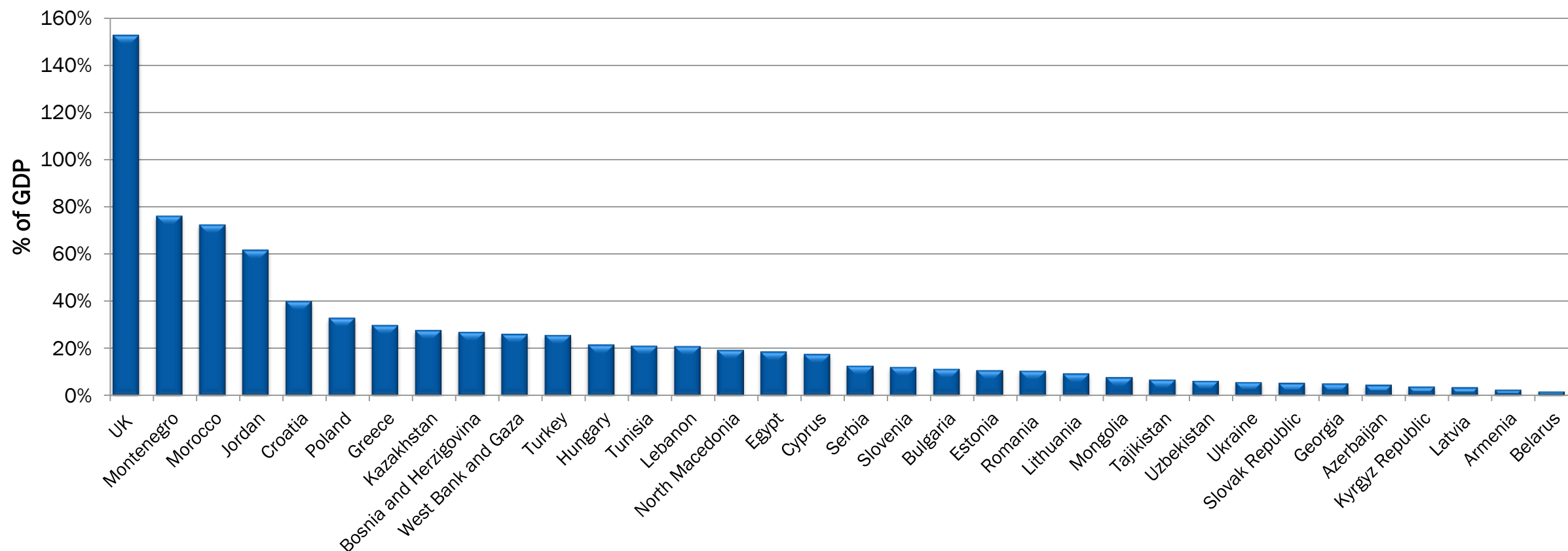
## (5) Market Capitalization of Listed Domestic Companies (% of GDP), 2017



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The absence of fully developed local capital markets, the resulting overreliance on foreign funding and foreign currency lending, and the severity of cross-border deleveraging has impeded economic growth and financial stability in many EBRD countries. Through increased capital flow into listed real estate vehicles, listed debt instruments and policy dialogue the Bank contributes to increased financial resilience in the EBRD region.

Market Capitalization of listed domestic companies (% of GDP), 2017



# Annex II: Sector context and transition challenges

## EU legislation on Greener Buildings



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### Revised EU Energy Performance of Buildings Directive

- Creates a clear path towards a low and zero-emission building stock in the EU by 2050 underpinned by national roadmaps to decarbonise buildings.
- Integrates and substantially strengthens long term building renovation strategies.
- Encourages the use of information and communication technology (ICT) and smart technologies to ensure buildings operate efficiently, for example by introducing automation and control systems.
- Supports the rollout of the infrastructure for e-mobility in all buildings.
- Introduces a "smart readiness indicator" which will measure the buildings' capacity to use new technologies and electronic systems to adapt to the needs of the consumer, optimise its operation and interact with the grid.
- Mobilises public and private financing and investment.
- Helps combatting energy poverty and reducing the household energy bill by renovating older buildings.

### Eco Design Directive

- The eco-design directive provides consistent EU-wide rules for improving the environmental performance of products and sets out minimum mandatory requirements for the energy efficiency of these products.
- Directive mentions under Art. 16 implementation of measures for products with high potential for cost-effective reduction of greenhouse gas emissions such as:
  - heating and water heating equipment,
  - lighting in both the domestic and tertiary sectors,
  - HVAC (heating ventilating air conditioning) systems

### Others (Circular Economy – Levels)

- Level(s) is a voluntary reporting framework which focuses on improving the sustainability of buildings and promoting a circular economy
- Using existing standards, Level(s) provides a common EU approach to the assessment of environmental performance in residential and commercial buildings.
- The Level(s) priorities are as follows:
  - GHG emissions throughout the building's life cycle - EE in buildings
  - Resource efficient and circular material life cycles
  - Efficient use of water resources
  - Healthy and comfortable spaces
  - Adaptation and resilience to climate change
  - Life cycle cost and value

### EBRDs EU COOs are lagging behind other EU member states regarding the implementation of these ambitious environmental objectives:

- Governments have difficulties with timely implementation of directives' requirements, especially with regards to the decarbonisation of national building stocks.
- Industry in many COOs is not prepared for increased demand for nearly zero-energy efficient buildings & materials.





# Annex III: Sector context and transition challenges

## Global context: The Bank's Contribution to UN SDG's through P&T Projects

		Green	Inclusive	Competitive	Resilient	Integrated	Well-governed
CORE P&T - SDG's	13 CLIMATE ACTION						
	8 DECENT WORK AND ECONOMIC GROWTH						
	11 SUSTAINABLE CITIES AND COMMUNITIES						
	12 RESPONSIBLE CONSUMPTION AND PRODUCTION						
OTHER RELEVANT P&T - SDG's	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE						
	10 REDUCED INEQUALITIES						
	5 GENDER EQUALITY						
	17 PARTNERSHIPS FOR THE GOALS						
	15 LIFE ON LAND						
	3 GOOD HEALTH AND WELL-BEING						

A strong link	A less strong link
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P&T actively contributes to **10** out of **17** Sustainable Development Goals with **4** SDG's being the most relevant to the property, tourism and hospitality sectors.

When EBRD Transition Qualities are mapped against SDGs, the largest impact made by P&T projects is expected on **Green** and **Inclusive/ Competitive** Transition Qualities.



### Issues

#### E&S ISSUES

The environmental and social issues which are typically encountered and need to be effectively managed during the implementation of P&T projects include: official permits including a local or national EIA requirement, past contamination, pollution and nuisance control measures associated with construction & operation (such as air, noise, vibration, visual impact, waste and road and traffic safety); labour, temporary accommodation & occupational health & safety particularly in construction; economic and/or physical displacement and related compensation; impacts on biodiversity and ecosystem services; protection of cultural resources; building life and fire safety and meaningful stakeholder engagement.

### Challenges

#### E&S CHALLENGES

Challenges for clients implementing projects in line with the Bank's Performance Requirements (PRs) in the P&T sector include: limited institutional capacity on E&S issues; insufficient national public information disclosure and consultation provisions and consequent poor communication with stakeholders in some countries; inadequate labour and working conditions of the construction workers including that of temporary accommodation; insufficient legal protection of migrant construction workers; insufficient Occupational Health & Safety (OHS) oversight and consequent OHS accidents; cascading E&S requirements to contractors and subcontractors and monitoring their performance during project implementation; construction & delivery traffic management; and national regulatory gaps in asbestos use, life & fire safety provisions and insufficient enforcement in some countries.

### Approach

#### E&S APPROACH

The Bank is addressing these gaps through Environmental and Social Action Plans tailored to individual project risks, identification of Green Economy Transition (GET) opportunities (including water and materials efficiency, reduction of waste), monitoring of environmental performance and through the provision of Technical Cooperation (TC) funded support to its Clients in areas such as energy & water efficiency audit and specific improvement actions & capacity building. The Bank requires the client to carry out a life and fire safety audit for significant renovation or new public building to ensure the building's and public life & fire safety; assure that adequate information disclosure, public consultation and stakeholder engagement in place; and promote good international environmental & social management practices such as ISO14001 and ISO45001 and international sustainable hospitality management practices such as Travellife and Cristal through the project.

# Annex V: Existing Cross-Sectoral Frameworks and TC Funds

## Cultural Heritage Framework (February 2018)

- The Framework with a volume of EUR 150 million aims to support projects in tourism (among other sectors) which stimulate economic growth by leveraging cultural heritage resources available, while facilitating better overall governance and competitiveness of tourism sectors in urban as well as rural areas.
- The Framework will include debt and equity financing to private sector entities, as well as loans to governments, municipalities, state or municipal-owned companies, for projects in Uzbekistan, Romania, Albania, Jordan, and the West Bank (the "Pilot Locations")

## Inclusive Framework for the Eastern Mediterranean (March 2018)

- Framework of EUR 250mil to support equity and debt investments into hotel companies and other tourism operators in the market, primarily located in Croatia, Greece, as well as Montenegro and Turkey
- The Framework aims to maximize the local economic impact generated by tourism through employment and backward linkages

## CREATE Fund (March 2018)

- Addressing sub-optimal use of land or real estate in cities in a manner that drives sustainable and positive change at social, economic and environmental levels
  - Rationalisation of underused infrastructure land assets in strategic locations for the future development of urban centres
  - Decontamination and repurposing of formerly industrial / military sites in support of economic revitalisation and strategic development
  - Upgrading of dilapidated urban fabric in support of enhanced economic activity and improved delivery of public services
- Effectively complements the infrastructure focus of the Green Cities Framework by optimising land use in EBRD region cities supporting compact urban development and economic resilience. CREATE Fund projects will draw on integrated analysis linking land-use and real estate values with urban systems, particularly energy and mobility.
- Active alignment of Green Cities initiatives with CREATE Fund initiatives is undertaken at programme, city and project level.



# Annex VI: EvD Recommendations - Lessons Learned from Evaluation of Property Strategy 2010-2017

## EvD recommendations to 2010-2017 strategy

## 2020-2024 Strategy response

Identify much more clearly how a strategically determined combination of specific transactions, technical assistance, policy dialogue and collaboration with other actors is intended to deliver a demonstrable transition impact.



The structure of the 2020-2024 The Bank's P&T sector strategy is clear. It first identifies key market trends in the P&T sector and then derives the major transition challenges in the EBRD regions and COOs. It then sets out focus areas for the next strategy period and outlines the Bank's plans to achieve demonstrable transition impact.

Include a sector analysis and diagnostics identifying gaps in transition qualities relevant for the sector, setting out Bank priorities and what it believes it is positioned to accomplish.



The 2020-2024 Strategy identifies key transition challenges in the P&T sector in EBRDs COOs. It sets a strategic focus on areas of particular relevance and outlines how the Bank can address the transition challenges in an adequate way, on the back of existing transition gaps.

Give a consolidated picture of the business objectives, country and regional priorities, as well as policy dialogue work, through which demonstrable transition impact is to be delivered.



The 2020-2024 Strategy gives a detailed insight into key business objectives the Bank wants to achieve in the P&T sector in the next five years, as well as into country and regional priorities. It also makes clear in which areas it will conduct significant policy dialogue in order to address key transition gaps.

Elaborate on how the new strategy will be integrated into country strategies and specifically, whether engagement will be targeted to particular countries and/or circumstances.



The sector strategy includes country level data and it outlines specific linkages with recently approved country strategies. It further gives detailed account of priorities and potential investments in certain subsectors in the different regions of EBRDs COOs. (Slide #20-22)

Include a broad assessment of resources required to implement the strategy.



The sector strategy includes a performance monitoring framework with key performance indicators, but it does not include specific resource requirements as these are set through other Bank processes and planning documents such as the Strategy Implementation Plan (Slide #23-24)

# Annex VII: Innovation and Technology are Present Throughout the Real-Estate Development Cycle



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