Just before midnight on 9 November 1989 the wall that had separated West and East Berlin for 28 years was breached. The fall of the Berlin Wall came to symbolise the end of the Cold War and the era of Soviet-inspired communism.

Nine days later, at a special European Council, French President François Mitterrand persuaded his European Community (EC) colleagues to consider the creation of a “Modernisation and Development Bank for Europe”, aimed at encouraging and supporting the nascent movement towards democracy and market economics that was flowing through central and eastern Europe.

Within 17 months of that Council meeting, the world would witness the birth of a brand new multilateral institution that was unique in the arena of international development. Owned by 42 shareholders from across five continents, and now named the European Bank for Reconstruction and Development (EBRD), this new institution opened its doors on 15 April 1991 in London.

The EBRD offered countries emerging from the wreckage of communist mismanagement and economic neglect a credible path towards sustainable prosperity as they embraced a democratic future. The new bank would be a pioneer in the promotion of sustainable market economies, putting a primary focus on private-sector development and bringing the skills of the private sector to the delivery of public services that improved the lives of millions across its regions. It would break new ground in the delivery of environmentally sustainable development in countries where energy waste and pollution were endemic.

The EBRD would be a partner in a journey of remarkable progress, even though that journey would last much longer than originally envisaged.
A robust balance between Anglo-Saxon and continental European perspectives would allow the EBRD to prosper through the many difficult times ahead. The success of its hands-on approach, and experience in transitioning countries towards well-functioning market democracies, would later take it well beyond its original geography of communist eastern Europe. The EBRD’s business model would help it leverage the private sector to promote global public goods, such as more sustainable energy solutions to mitigate climate change, including in its original countries of operations. That development forms the subject of the second volume of this history of the EBRD. In this volume we look at how the new international institution emerged and used its public capital to support private-sector development in the former socialist countries of eastern Europe.