

Assessing the Impact of EBRD Operations

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Impact questions important

- Management: transition impact?
- Donors/shareholders: final beneficiaries?
- ETC donors: poverty alleviation?

⇒ transition impact *and* poverty alleviation



Growth and Poverty Alleviation

(Besley, Burgess, and Donaldson, 2007)

- Growth most effective way
- Redistribution of productive opportunities more important than income redistribution
- Structural change key (industry-services)
- Institutional change key to structural change



Which institutions affect poverty?

- *Property rights (land reform, but not only)*
- *Voice and accountability (media)*
- *Access to finance (rural finance)*
- *Human capital (education)*
- *Regulation (SME regulation and labor law)*



Many remaining issues

- Cross-country evidence unsatisfactory
- Data often poor even within countries
- Panel (same people over time) data rare
- Would like to isolate particular interventions
- Counterfactual: no intervention? Control group
- Selection bias

Ex post vs. Ex ante



Ex post approach

- Control group constructed ex-post
- By definition presence of selection bias
- Addressed with econometric techniques
- But results not unequivocal and often hard to understand



Ex ante approach

- Determine treatment and control randomly
- Need to plan the assessment ex-ante
- Randomisation element
- Gives unequivocal, easy to communicate results that everyone can understand — no fancy econometrics, but ***often costly***
- *Not all projects can be evaluated on this basis*



What EBRD has done so far?

- An ex-post assessment of microfinance operation on firm's performance
- Launched Rigorous Experimentation and Assessment Programme (REAP)
- Currently engaged in five ex-ante projects
- Will also use other methodologies



Ex-Post Assessment of EBRD (cash-flow based) loans

- Positive for most indicators - fixed assets, revenues, labour costs, but not profits
- Effect stronger for slightly larger loans
- More likely to survive
- Created more jobs
- *...but were EBRD firms and non-EBRD firms the same before treatment?*



Other Ex-Post Assessments

- Banking sector development in ETCs
- Water utilities in Georgia
- ...

- But we also do our regular monitoring of transition impact benchmarks during project implementation



Impact on the poor of municipal water projects supported by EBRD - Georgia

- Current observations:
 - Municipal infrastructure and services equally accessible to all income segments (from 75%-100% of population).
 - Reliability of supply very poor, sometimes only 2-3 hours every other day (Poti). Affects the poor more; better off find substitutes (bottled water, water reservoirs etc)
 - Water consumption of extremely poor households (as well as of refugees) subsidised by the municipal budgets.
- Ongoing investment supported by the EBRD:
6 municipalities



EBRD banking projects

- indirect impact on growth and poverty

- EBRD significant presence in banking sector across the region through equity and debt to local commercial banks.
 - Focus of the study: Impact of EBRD investments 1994-2005:
 - Increase in financial intermediation;
 - Improvement of depositors confidence;
 - Improvement of bank efficiency;
 - Bank performance
- ➔ *private sector, growth, and thus poverty*



Impact of EBRD banking projects on loan growth – very preliminary results

The results, which are affected by the sample, are mixed for different countries. In Georgia and Kyrgyz republic banks where EBRD have invested have grown their loan book faster, while this is not true in other countries..

Average nominal loan growth 1999-2005(%)

	Total number of banks analysed	Banks where EBRD is present	Banks with EBRD support	Other banks in the sample	Total banking sector
ARMENIA	14	2	19.0	30.4	13.6
AZERBAIJAN	22	3	25.5	43.4	24.8
GEORGIA	12	6	59.5	46.3	35.8
KYRGYZ REP.	11	3	66.1	38.0	27.6
MOLDOVA	13	6	21.6	29.8	29.5



REAP – the Benefits

- Encourage innovation and learning in projects by experimenting
- Encourage feedback during implementation of projects
- Primarily for management – not evaluation – purposes, but produces useful data
- ...and programme itself can be evaluated



Current ex-ante impact evaluations managed by OCE

- Introduction of secured transaction law
- Microfinance projects in ETC
- Microfinance projects in Western Balkans
- Bank Aval (RZB), Ukraine
- BAS programme



Assessing EBRD impact on poverty alleviation in ETC

- Measuring poverty alleviation of microfinance in selected ETC countries
- Using experimental techniques – provide convincing evidence and also encourage learning in partner institutions
- Also measuring impact of legal transition (introduction of mortgage legislation in Moldova), and MEI operation in Georgia



Assessing impact of microfinance - where, who, when?

- Explored possibilities in Moldova, Azerbaijan and Mongolia
- Selected as partner in first evaluation - Xac bank in Mongolia
- Experiment designed in 2007 to start in 2008

