Managing our impact

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The EBRD manages the impact of its work with a robust system of checks and balances. This takes place over the whole lifecycle of an investment (and beyond), spanning ex-ante assessment, monitoring while the project is active and post-completion evaluation. Before signing any projects, the EBRD assesses their expected transition impact (ETI) to help ensure the Bank's investments are channelled to the countries and sectors where they are needed most and with the highest level of ambition. The ETI score is based on the project's transition impact objectives and ambition, weighted against the transition context of the area in which the investment is taking place. During implementation, projects are monitored and assessed against specific monitoring indicators and receive delivery rates to indicate progress made against targets. Upon completion, projects receive a final delivery rate. Projects also undergo a self-evaluation process that provides a holistic perspective on performance. More details on the EBRD's impact management system are provided in the Annex.

The EBRD's impact management practices are well regarded. The Bank was independently reviewed and earned "advanced" ratings on seven of the eight Operating Principles for Impact Management[49] – a global standard for integrating impact throughout the investment lifecycle – that were in the scope of the review. The review highlighted strengths in areas such as impact monitoring, learning from outcomes and risk management around environmental, social and governance issues, while identifying opportunities for improvement in sustaining impact beyond project exits.

49. See Operating Principles for Impact Management (n.d.).

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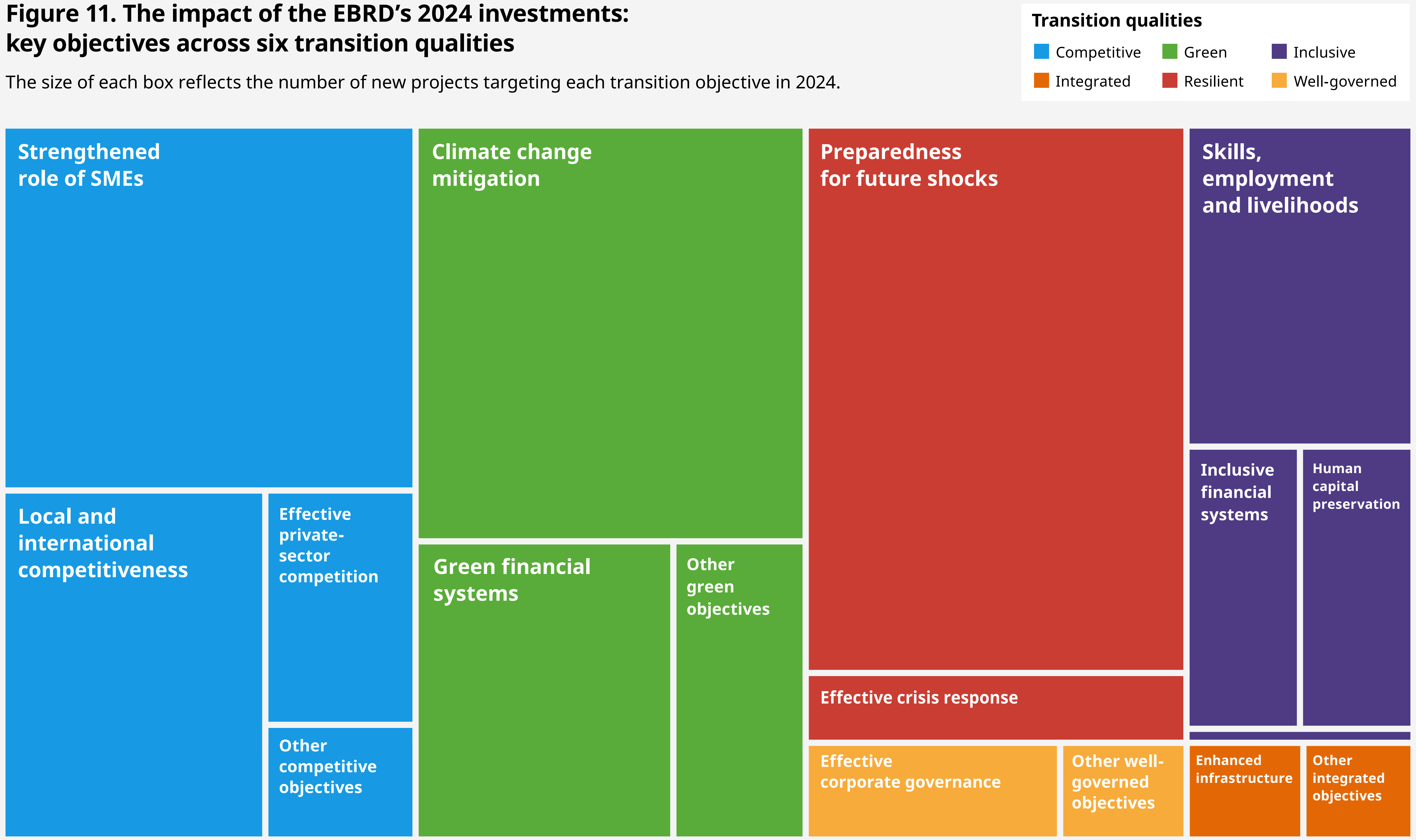
Prioritising our support for greater impact

The EBRD's 2024 projects focused mainly on boosting competitiveness in the private sector, strengthening the resilience of firms and economies – in Ukraine in particular – and accelerating the green transition. These relate to three key transition qualities of sustainable and well-functioning markets that we support – "competitive", "resilient" and "green". Within these and a further three transition qualities, our projects support specific transition objectives. Figure 11 shows the distribution of the Bank's 2024 investments, the six transition qualities and their main transition objectives.

The transition objectives targeted by each project vary in response to the key challenges and opportunities in different countries and sectors. In 2024, EBRD projects supporting more competitive economies and firms largely aimed to strengthen the role of small and medium-sized enterprises. Projects to strengthen resilience sought to provide short-term crisis response amid the war on Ukraine and earthquake recovery in Türkiye and Morocco, in addition to enhancing preparedness for future shocks. Green investments aimed to foster climate change mitigation in various sectors – from investments in increased renewable energy capacity and greener production processes to providing green financing facilities for partner financial institutions (PFIs). More than a quarter of investments targeted inclusive objectives, including access to training and skills to expand employability prospects, as well as the promotion of inclusive financing. Improvements in public governance objectives are often targeted through the EBRD's supplementary policy engagement activities, and integrated financial markets are supported by trade finance guarantees, both of which are not included in the overall count of investment projects. This is one of the reasons why there are fewer investments explicitly focused on "well-governed" and "integrated" objectives.

Figure 11. The impact of the EBRD's 2024 investments: key objectives across six transition qualities

The size of each box reflects the number of new projects targeting each transition objective in 2024.



Note: As one project can have multiple objectives and transition qualities, the total number of projects represented in the chart exceeds the total number of projects signed in 2024.

Addressing transition gaps

The projects that the EBRD launched in 2024 aim to achieve significant impact. Almost half had "strong" or "excellent" ETI scores, while 56 per cent were rated "good". This high average ETI reflects the Bank's continued efforts to invest where it matters most – in ambitious initiatives relevant to addressing challenges and reducing transition gaps in its regions.

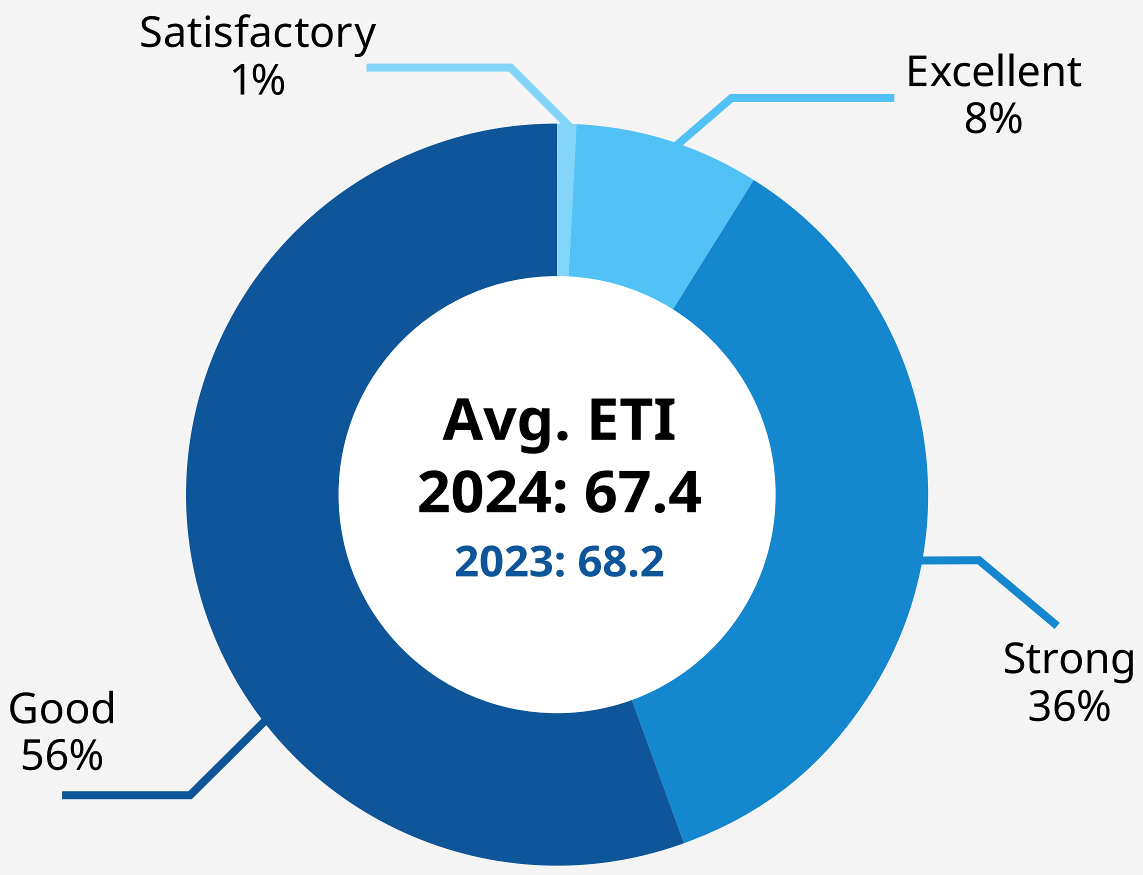
Average ETI scores are higher in regions with greater need for investment, capacity building and policy support. This includes the southern and eastern Mediterranean (SEMED), eastern Europe and the Caucasus, and Central Asia, all of which face significant challenges, as evident from their lower assessment of transition qualities (ATQ) scores.[50] Several EBRD projects show strong potential for systemic change, leading to higher average ETI scores in these regions.

These include:

- venture-capital equity investments in highly innovative tech companies in Egypt with the potential for scale
- an investment in a systemic financial institution in the West Bank and Gaza to bolster the stability of the local financial market
- continued support for Ukraine, including emergency liquidity to keep vital municipal services running.

The average ETI score is highest for projects in the sustainable infrastructure sector, where there is a larger number of ambitious and innovative projects with an "excellent" score. These include several innovative projects aiming to bring new financing structures (such as internationally funded public-private partnerships) and technologies (such as renewable district energy technologies) to sectors and countries for the first time.

Figure 12. Share of new EBRD projects in 2024 by ETI rating



ETI ratings by category: 50-59 Satisfactory; 60-69 Good; 70-79 Strong; 80+ Excellent

50. ATQ scores are based on a wide range of external and internal data sources and calculated in accordance with a detailed methodology. For each transition quality in each economy, progress is assessed on a scale of 1 to 10, where 10 corresponds to the standards of a sustainable market economy. More granular information on the ATQ scores and methodology is available in the EBRD's *Transition Report* (see EBRD, 2024a).

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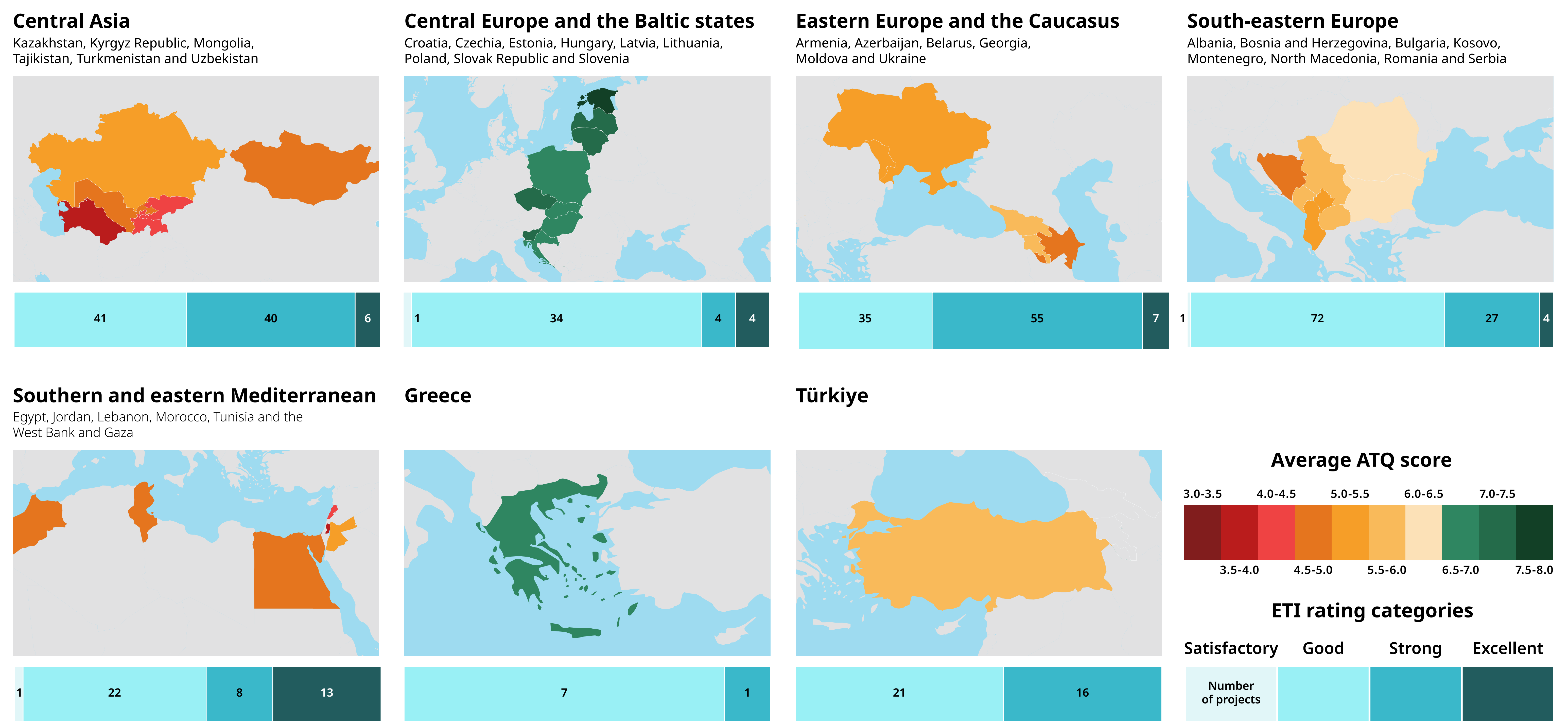
Figure 13. Regional transition gaps and distribution of 2024 projects by ETI rating



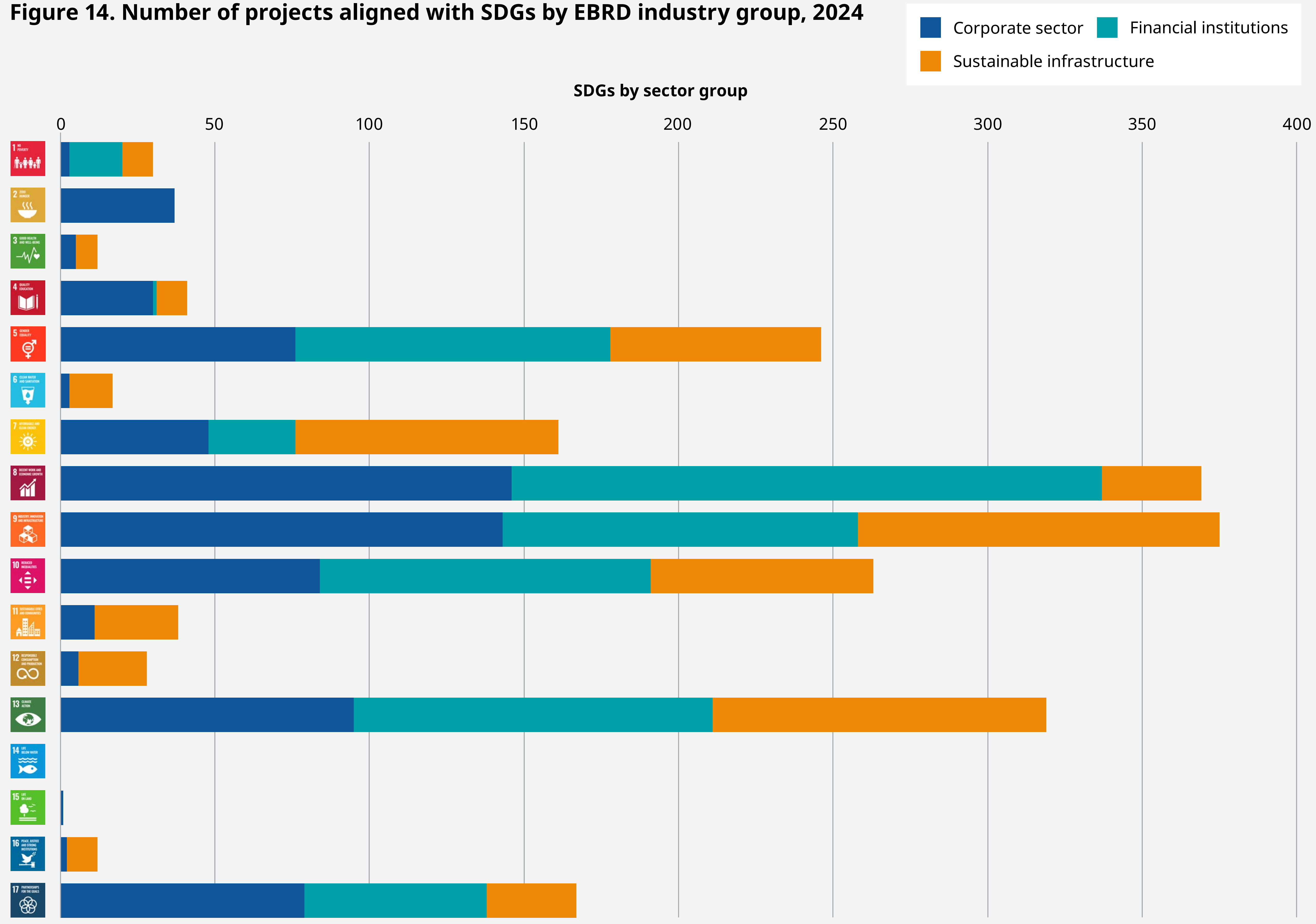
Note: The colour of each economy corresponds to the average assessment of transition qualities (ATQ) index score for each transition quality and economy (derived from a number of indicators and comparison against the best performers). Lower scores indicate larger transition gaps. The distribution of each chart corresponds to the share of “excellent”, “strong”, “good” and “satisfactory” projects in each region according to their ETI scores.

Source: EBRD calculations

Transition impact and the Sustainable Development Goals

The EBRD works to develop sustainable economies that serve the needs and aspirations of the regions in which it operates. While its overarching objective is to deliver transition impact, the Bank also maps its transition impact objectives, sectors and strategic initiatives to the targets of the UN's Sustainable Development Goals (SDGs) and has established a methodology to align its projects with all relevant SDGs. Since the start of 2023, all EBRD activities have also been aligned with the goals of the Paris Agreement, supporting market-based decision-making that ensures sustainable outcomes and effective delivery of benefits for people and the environment. In 2024, the EBRD's investment projects most frequently aligned with SDG 9 (industry, innovation and infrastructure), SDG 8 (decent work and economic growth), SDG 13 (climate action), SDG 10 (reduced inequalities) and SDG 5 (gender equality) (Figure 14).

Figure 14. Number of projects aligned with SDGs by EBRD industry group, 2024



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Monitoring our impact

EBRD investments met most of their expected transition impact objectives in 2024 across the Bank's sectors and regions. On average, projects in the Bank's portfolio are delivering 80 per cent of their targets within the envisaged timeframe (Figure 15). Moreover, the delivery of results was high across the range of expected impact.

Projects in the portfolio rated "excellent" and "strong" in terms of expected impact when they were signed are delivering around 79 per cent of their targets on time. "Good" and "satisfactory" projects are delivering above 80 per cent and 82 per cent of their targets on time, respectively. This indicates that less ambitious projects are only 1-3 percentage points "easier" to deliver, while more ambitious commitments do not make it significantly more likely that a project will struggle or fail to deliver on its impact objectives and targets. Lastly, projects performed well in 2024 across the Bank's regions and sectors, with average delivery rates of 76-91 per cent, the same as in 2023 (Figure 16).

Figure 15. Overall average delivery rate of EBRD investment portfolio, 2024

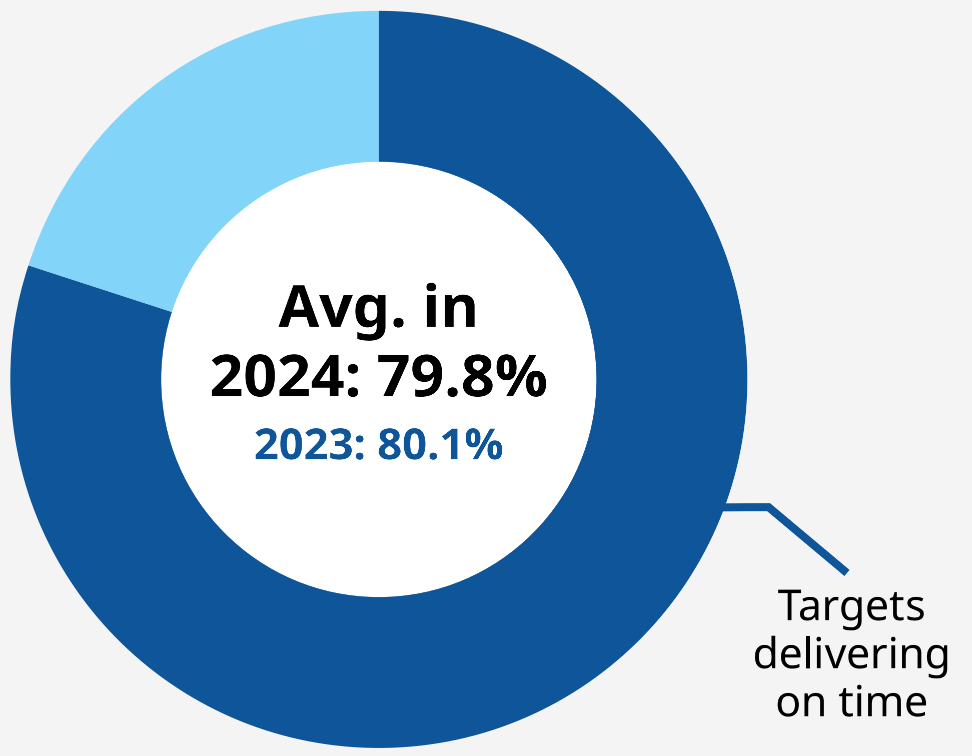
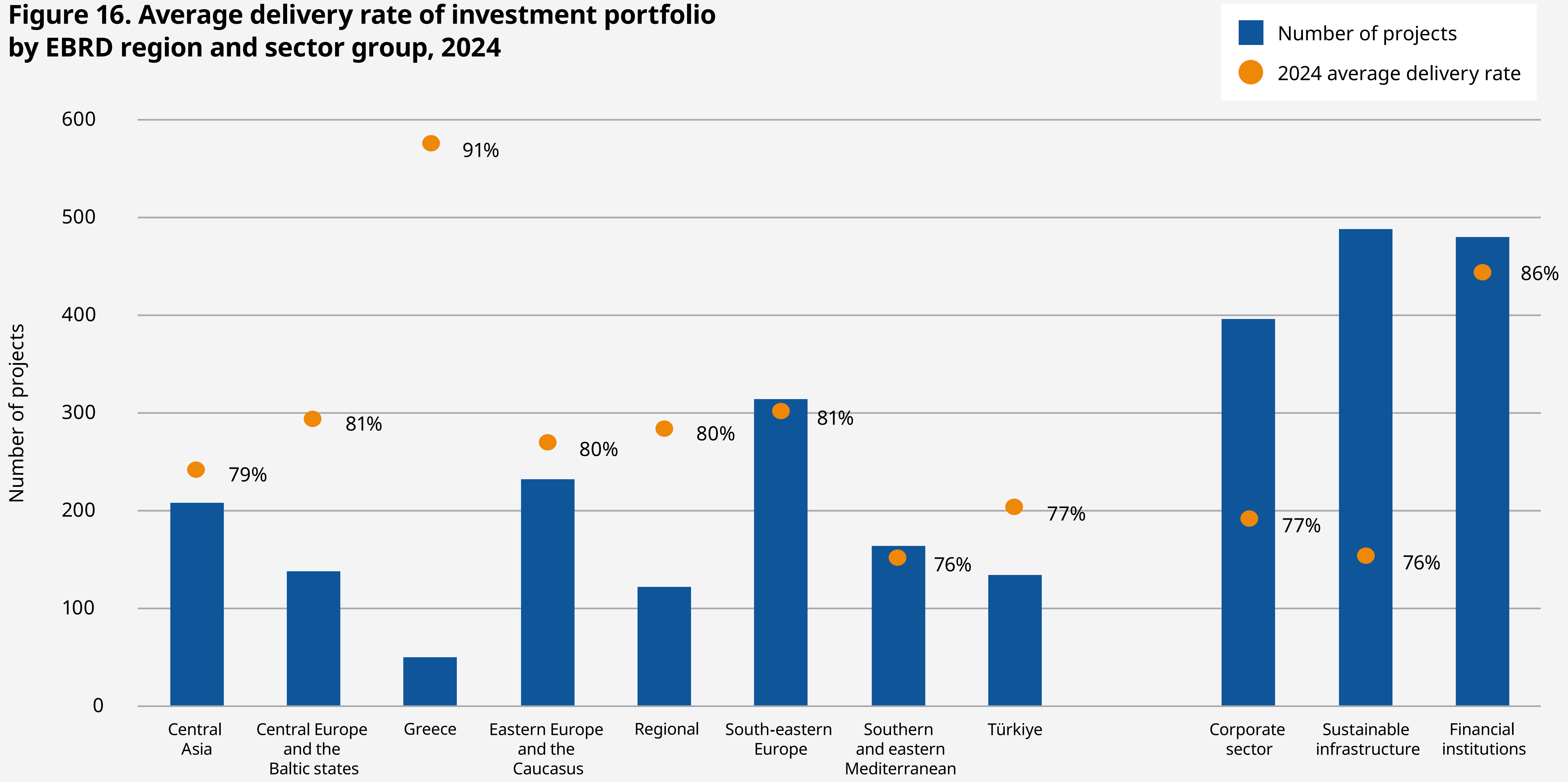


Figure 16. Average delivery rate of investment portfolio by EBRD region and sector group, 2024



Note: "Regional" projects have activities implemented in more than one country. Cyprus is not displayed in the chart as it only has two projects that are actively monitored.

Well-performing projects make up the majority of the EBRD's portfolio. This gives the Bank confidence in its capital allocation decisions and transition impact mandate. Many active projects produced impressive results in 2024, and some exceeded expectations, delivering notable impact across regions and contributing to the portfolio's high delivery rate – from promoting green energy and sustainable local development to fostering inclusive finance. With support from the EBRD, an ammonia facility in SEMED is transforming into a green hydrogen production plant and a national hydrogen strategy was adopted. Also in the region, a tourism development project halved energy consumption while also training local youth – more than half of them women – to enter the hospitality sector, demonstrating a successful, sustainable model for regional tourism. In Central Asia, a solar photovoltaic project exceeded energy and emissions targets, prompting the government to tender additional solar and wind capacity. Meanwhile in one Central Asian country, PFIs are exceeding expectations for on-lending and training women-led micro, small and medium-sized enterprises.

Projects with lower delivery rates are outliers but provide important lessons for the Bank. Of the 1,365 projects recently monitored in the Bank's portfolio, only 24 were delivering 25 per cent or less of their targets within the envisaged timeframe. Most of these were rated "good" at signing, with a handful rated "strong" or "excellent". No region was a significant outlier in terms of underperformance. Underperformance can occur for different reasons (as outlined in the following paragraph), and the Bank always aims to learn from its experience and improve.

There are a variety of reasons why projects may struggle to deliver impact objectives within the projected timeframe and targets. The most obvious obstacle facing projects in Ukraine has been the effects of war. Despite the challenging conditions, the Bank remains committed to supporting Ukraine. More broadly, the commercial decisions of firms in the corporate sector on innovation, introducing new technologies, expansion or operational restructuring are affected by overall macroeconomic development and commercial risks. Ambitious policy reforms (such as on tariffs) may be delayed due to socio-political considerations and institutional capacity. Similarly, difficult corporate governance improvements take longer than expected. There are other situations where, despite best efforts, projects do not materialise due to cost increases, the expiry of loans and grant funding, or new compliance demands. However, the EBRD often remains a committed partner, providing technical support to clients and countries to keep open the possibility of re-engagement. There are cases where projects only partly deliver on their objectives, resulting in a lower delivery rate. Lastly, low delivery rates can arise when project timelines change or there is a lack of evidence or communication with clients. Some clients repay early, stop providing progress updates or become non-viable, resulting in the termination of monitoring.

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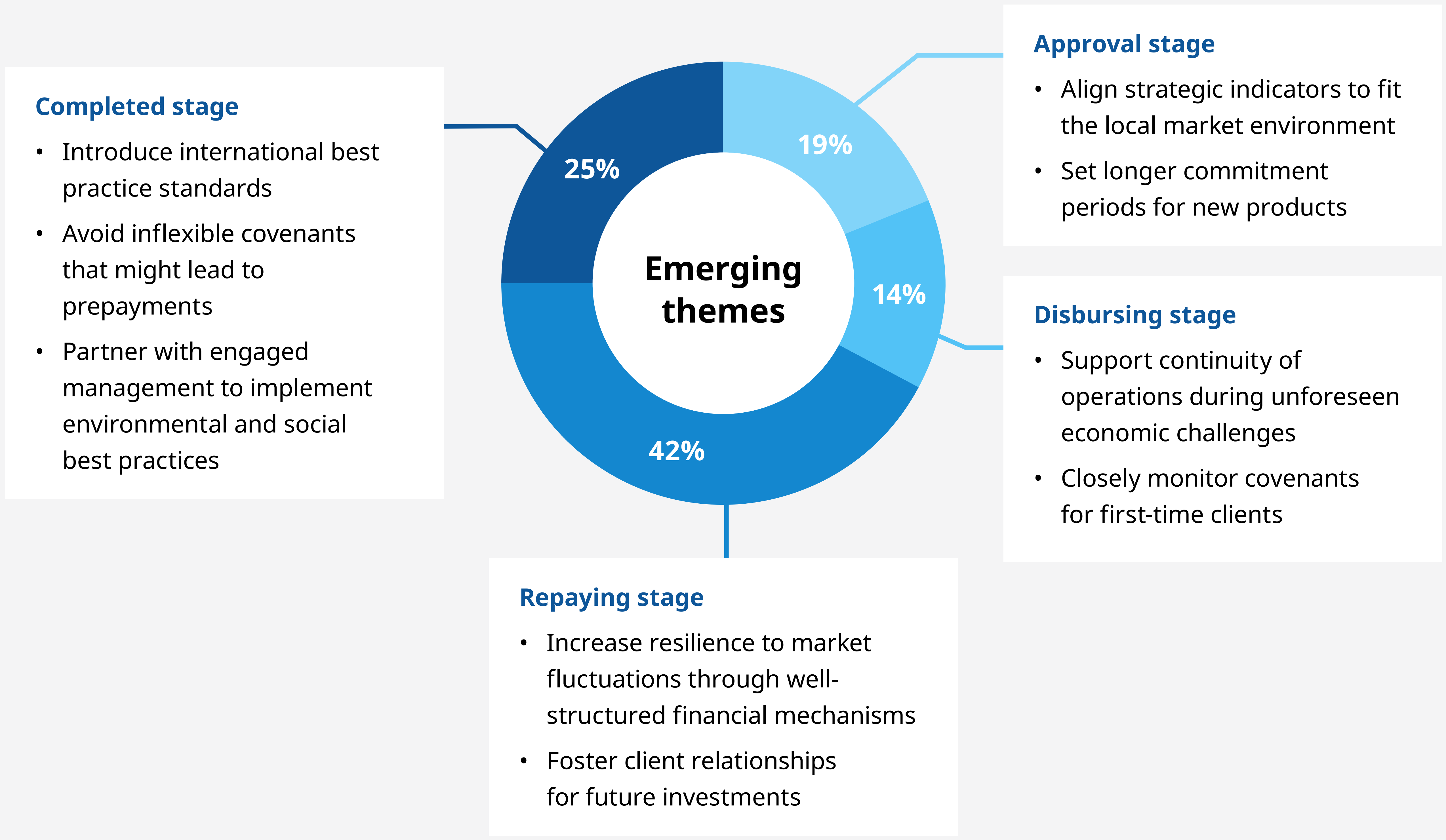
Learning from experience

The Bank overhauled its self-evaluation system between 2020 and 2024. This was part of an action plan to implement the recommendations of an external evaluation of the EBRD's evaluation function.[51] The process involved defining the strategic purpose and priorities of the self-evaluation system and putting them into practice through the launch of summary performance assessments (SPAs) – the EBRD's new self-evaluation reporting tool – along with updates to the Bank's Operations Manual. The SPAs are based on the evaluation criteria of the Organisation for Economic Co-operation and Development's Development Assistance Committee, ensuring alignment with international evaluation standards.[52] Their design was also informed by the Evaluation Cooperation Group's *Big Book on Evaluation Good Practice Standards*.[53]

A successful pilot of the EBRD's new self-evaluation reporting tool took place across the Bank in 2024. The pilot collected data at the time of project completion and provided illustrative insights into project design and the structural drivers of project performance by project lifecycle stage (Figure 17), vintage, region and portfolio class (Figure 18).

Figure 17. Lessons learned by project lifecycle stage



51. See EBRD (2019a).
52. See OECD DAC (2019).
53. See Evaluation Cooperation Group (2012).

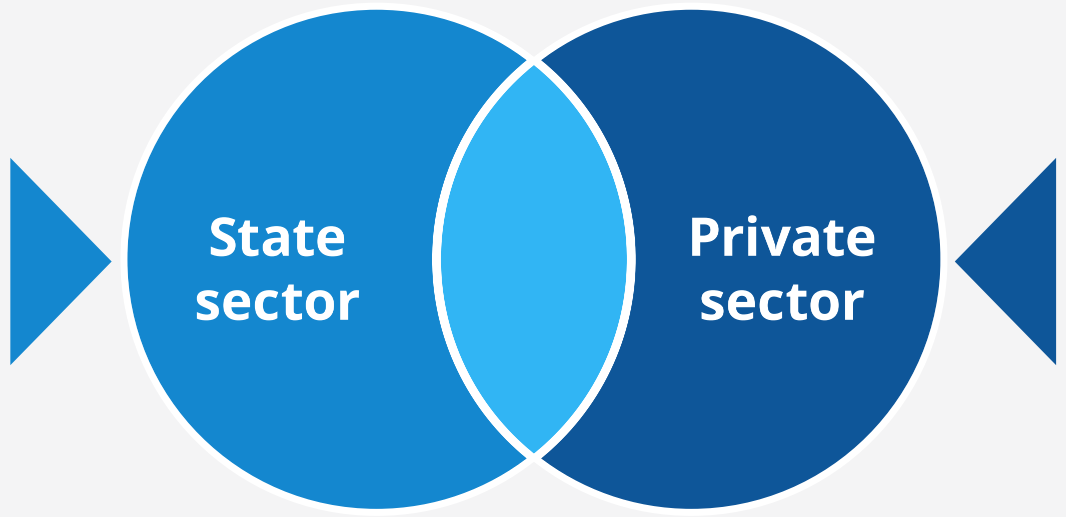
Figure 18. Focus areas for success

Tailored financing to small-size municipalities in public infrastructure and services

Importance of public-private cooperation in solid-waste-management engagements

Effective use of **independent auditors' and consultants' recommendations**

Robust **monitoring and compliance** mechanisms



Local-currency financing to mitigate exchange-rate risk

Introducing incentives and grants to promote **green investments** and the adoption of **green technologies**

Technical cooperation

Public sector: to support project implementation and monitoring

Private sector: to train sub-borrowers and support the implementation of EU standards

The changing operational context from 2010 to 2021 means the EBRD has had to adapt. The most critical needs are for flexible project structures, maintaining strong client relationships, proactive risk management and effective crisis response in rapidly changing environments. Between 2010 and 2015, efficiency and risk management were paramount, with an emphasis on flexibility in structuring projects, proactive identification of risks and leveraging private-sector efficiency to establish scalable models. From 2016 to 2018, the focus shifted to "specialising while simplifying", whereby streamlined documentation for small loans, right-sized financing and specialised technical cooperation[54] helped ensure efficient monitoring and expert oversight. In 2019 to 2021, projects highlighted the value of proactive crisis response and solidarity, underscoring the need for ongoing communication with clients to determine short-term funding requirements, along with support for working-capital needs during crises and the use of existing donor frameworks to rapidly deploy crisis funding.

54. Any activity to procure expertise to support the preparation or implementation of an investment or non-investment project. This can include activities not directly related to a specific investment, such as legal and regulatory reforms, as well as activities that directly enable investments, such as due diligence and feasibility studies. Technical cooperation is often financed by the Bank's many donors.