

Management Comments

Thematic Evaluation of the Green Economy Transition - GET 2.1 [2021-2024]

May 2025

1. Executive Summary

Management thanks IEvD for the Thematic Evaluation of the Green Economy Transition – GET 2.1 [2021-2024]. Management welcomes this evaluation and its effort to assess the strategic design of GET 2.1, how it was operationalised, and what it has delivered over the period of 2021 to 2024. The assessment offers insights that support the continued impact, credibility, and refinement of the EBRD's efforts to promote a green economy transition. It acts as critical and timely input as the Bank produces a new green strategy for the 2026-30 period.

Management agrees with all five recommendations, which will improve the way the Bank articulates and measures systemic impact (recommendation 1); enhance its work on adaptation and nature (recommendation 2); further deepen the impact the Bank seeks by engaging its Partner Financial Institutions at counterparty level alongside its financing (recommendation 3); improve its approach to green related data management (recommendation 4); and indicates the importance of a review of the Bank's methodology, assurance process and communication around Private Indirect Mobilisation (recommendation 5). More detailed comments are below.

Linked to these recommendations, the Bank will take a variety of actions to strengthen its strategy, operationalisation and delivery of its approach to green transition in the 2026-30 period. Of particular importance is the Bank's data systems and enhancing processes that are already established to make use of post-signing impact measurement data. Monitoring ex post is also critical to ensure credibility in maintaining robust governance in all green processes, including in the attribution of green finance adaptation and nature finance attribution.

Management note that predicated on implementing these recommendations are appropriate resources – both staff and financial. For example, substantial technical cooperation (TC) support may be needed to help PFIs develop transition plans, and linked to this, the appropriate internal systems to track green finance at the level of the portfolio and develop impactful green investment projects.

Management comments on the recommendations of the study are below.

Recommendation 1 (*strategic*): *To maximize the impact of its green finance, the EBRD should strengthen how systemic change is embedded within the new GET strategy, with a focus on developing the structures to learn from where GET finance has most effectively supported systemic change.*

Management **Agrees** with the recommendation.

Management will prepare a Theory of Change in its upcoming green strategy to clearly specify how its work leads to impact. This will be accompanied by a results framework and an overarching narrative. This will incorporate consideration of systemic change and measures of success and align with transition impact metrics. The Bank plans to prepare regular reporting on relevant results in line with the Theory of Change in the annual Impact Report over the 2026-30 SCF period.

Management also recognises the importance of ensuring further consistency and coherence across its various, green-related assessments and enhancing the clarity with which their objectives are

communicated. These assessments – such as green finance attribution, Paris alignment, climate-related financial risk, and transition impact assessment serve different, though interconnected, purposes. Given that relevant green finance related output and outcome data are used as the basis of transition impact monitoring, Management has been considering how appropriate linkages can be made in the post-signing monitoring of green assessments, particularly in relation to green finance attribution, Paris alignment and transition impact.

Recommendation 2 (strategic): *To increase the quantity and quality of its adaptation and environmental financing, the EBRD should clearly outline the challenges it has faced in these two distinct areas, articulate the role that the EBRD should play, and improve internal incentives.*

Management **Agrees** with the recommendation.

The Bank is committed to deepening its impact in the areas of Climate Adaptation and Nature. These areas are critical for the EBRD's countries of operation and the Bank has made progress in their financing in the GET 2.1 period. Challenges which exist and will inform any future approach is:

- A. Adaptation and nature finance volumes are a poor proxy for impact. For example, in relation to adaption, attributed adaptation finance can account for a small part of a projects capital expenditure, yet serve to provide resilience to climate impacts for the whole investment.
- B. Climate adaptation reporting needs to differentiate between "adapted" projects and those that "enable" adaptation, as the latter tends to have a significantly broader impact.
- C. Identifying a pipeline of bankable, commercially sound projects in the private sector, with the sole aim of providing climate resilience or nature benefits are relatively scarce compared to mitigation. Many investments with the sole aim of providing climate resilience benefits are large public sector investments, which do not generate revenue streams (e.g. a flood defence system). Given the Bank's private sector focus, its financing in this area would need to target the mainstreaming of climate resilience and nature through its investment structuring, including through targeted engagement with the public sector.

The Bank will outline its approach to these issues in the forthcoming green strategy, detailing EBRD's role and how it plans to address associated financing challenges.

A reporting framework is already in place that distinguishes climate finance from a broader environmental finance, and this will be considered in an updated results management system. As highlighted by IEvD many projects deliver multiple benefits, and it is important they are considered in project structuring.

Advancing this work will require additional resources and expertise, including training opportunities for the staff on how to integrate climate resilience and nature-related considerations across various sectors and regions.

Recommendation 3 *(operational): To enhance the impact of its green finance through partner financial institutions, the EBRD's engagement in the financial sector should be focused on expanding green finance at the counterpart-level, in addition to considering use-of-proceeds.*¹

Management **Agrees** with the recommendation.

The Bank applies a relationship-based approach with PFIs, supporting client-level transformation to integrate climate considerations, with transition planning recognised as a path to systemic impact.

Green finance structured around “use of proceeds” remains an effective tool, strongly demanded by PFIs, and aligns with MDB climate finance methodologies. This use of proceeds approach complements broader counterparty-level impact through transition planning and will be reflected in the upcoming green strategy, noting that delivery depends on available resources, including donor support.

Furthermore, a shift “... to move away from a use-of-proceeds approach” is already underway through the dual-track structure of the new green finance attribution methodology which allows for attribution for client level commitments at the level of business operations. However, further work is required to define how the client commitment pathway will be integrated into various PFI transactions.

Management recognises the importance of robust data, while noting that ex-ante impact assessments are limited given sub-projects are identified post-signing and the market in general find portfolio level green reporting challenging. Data improvements must align with evolving regulatory expectations and focus on material, purposeful metrics. Enhancing data quality and scope at the level of the client – especially for portfolio-level metrics – is a core consideration in the Banks work on transition planning and transition impact. This is an area where significant TC support to build PFI capacity is likely to be required as part of the work on transition planning.

Recommendation 4 *(operational): To improve the effectiveness and credibility of its GET finance results, the EBRD should strengthen the use of adequate data to support investment decision-making, performance management and learning.*

Management **Agrees** with the recommendation.

The Bank continues to invest to improve the quality and transparency of its green data. Recent improvements include:

1. Moving to a digitised proforma for project assessment and monitoring in Monarch (expected that all investment types to be covered by 2026).
2. Including reference summaries for green finance attribution and Paris alignment determination in Project Summary Documents.
3. Revising templates with the view of improved transparency and consistency across projects.

¹ This recommendation builds on recommendation 2 that IEvD made as part of the evaluation of the transition impact and additionality of the EBRD's MREL and bail-in-able products, which was partially accepted by Management – see CS/ARC/24-40

With the move to the Monarch system, record keeping has improved materially and will continue to be monitored through the quality assurance process in place.

The Bank is also implementing a post-signing green monitoring approach, which will report on the implementation of green activities, including green-related impact metrics. In this context the Bank will review reporting on disbursement levels of green investments.

Another focus area of future work will be to streamline the metrics used in green-related assessments, taking into account materiality in project monitoring requirements, and to integrate these improvements into the Bank's digitalisation initiatives. This will support a more comprehensive view of green data and ensure that data collection efforts are targeted and relevant.

The Bank also recognises the importance of regularly reviewing its impact assessment methodologies, including those related to Scope 3 GHG emissions. Currently, green impact metrics are reported using a whole-of-project approach, consistent with MDB practices, rather than on a pro-rated basis. The EBRD will reassess the appropriateness of this method as part of its internal review of reporting protocols.

Recommendation 5 (operational): *To improve the effectiveness and the credibility of its green mobilisation efforts, the EBRD should strengthen the process and methodology for estimating GET Private indirect mobilisation [PIM].*

Management **Agrees** with the recommendation.

The methodology for tracking and reporting Estimated GET PIM was developed in alignment with the MDBs' climate co-finance framework and subsequently extended to include broader environmental finance. This approach, in use by all MDBs since 2015, allocates a proportion of eligible external private finance based on the project's GET share at the point of Board approval. These figures represent ex-ante estimates derived from the total project value and anticipated private sector financing. The general definition of mobilisation is established under the MDB and IFI Mobilisation Taskforce and their methodological guidelines, and the climate co-finance methodology uses the same definition for consistency.

Management recognises that this method offers an approximation of external finance contributing to green projects and is not designed to be a detailed assessment, particularly due to data constraints at time of approval. Consequently, more granular analysis in certain cases may produce different estimates, either higher or lower, a limitation acknowledged when the methodology was first established in 2015.

However, two elements of the IEVD's estimation of Expected GET PIM, namely, the exclusion of unrealised finance and public co-finance, are not consistent with either the MDB climate co-finance methodology or the MDB Taskforce reference guide on private mobilisation. Both frameworks stipulate that estimates are made at approval and can include some co-finance from public bodies where it is provided on commercial terms. EBRD has followed the MDB's guidance in its estimates.

While recognising the validity of IEVD's broader observations, and in view of an increased emphasis on private sector mobilisation, the Bank will:

1. engage with MDB peers to explore improvements to the current methodology with a view to improve limitations;

2. strengthen internal assurance mechanisms and systems for estimation, which will require dedicated resources; and
3. improve transparency and communication regarding Estimated GET PIM, including the associated limitations.