Management Response on IEvD Report:
" An Evaluation of the EBRD's engagement in economies more advanced in transition (2010-2024)"

26 May 2026

Management thanks the Independent Evaluation Department (IEvD) for this study and appreciates the thorough assessment of the Bank's operations and evolving role in advanced transition economies (ATEs). Management appreciates the report's insights on relevance, additionality and demonstration effects, and notes in particular the recognition of the Bank's catalytic and innovative engagement and the importance of sustained, selective interventions to support systemic outcomes.

Management values the positive evidence about EBRD activities and outcomes emerging in the report. We welcome the overall assessment that the EBRD's strategic priorities in the ATEs were relevant, and that its strongest value proposition lies in its catalytic and innovative engagement. The Bank's convening power and leadership proved critical not only in times of crisis, but also in assuming risk-bearing roles, such as equity investments, market creation, and capital market innovation, where private investors were hesitant to act first.

Management welcomes the report's recognition that system-level impact was achieved via policy engagement in some of the ATEs, for example, Lithuania's covered bond framework supported by the Bank enabling longer-tenor, lower-cost funding. Management notes that novelty/innovation in advanced transition economies remains important especially for Bank's relevance and additionality of transactions at approval stage, but systemic impact usually depends on sustained engagement, replication, and credibility over time. As suggested by the study findings, additionality does not end uniformly with market maturity in advanced transition economies, it evolves and narrows in specific segments and re-emerges during systemic stress.

Management supports a pragmatic strengthening of the current approach of additionality assessment - focusing on better evidence, clearer articulation of the Bank's role at both strategic and operational levels, and targeted ex-post learning - while preserving the distinction and complementarity between strategic and transaction - level additionality. Management supports conducting a feasibility study and piloting a more granular ex-ante additionality assessment to enable the Bank to test how differentiated dimensions of additionality can improve transparency, consistency, and project differentiation. The study will assess costs and benefits in consultation with other MDBs, and test that changes to a more granular assessment are practical, support operational decision-making, deliver net benefits, and avoid unnecessary complexity or a compliance-driven, box-ticking approach.

Management agrees that demonstration and replication effects are important channels through which the Bank contributes to a change at the market level and transition impact, particularly in the case of innovative or first-of-a-kind operations. Management considers that this recommendation aligns well with the direction of ongoing reforms and will be taken forward as part of the enhancements to the TOMS 2.0, ensuring a more systematic and evidence-based approach to capturing and communicating the Bank's transition impact.

Management recognises the role of ROs in knowledge transfer and believes that lessons from project self-assessments (SPA), and selective, thematic ex-post impact assessment of innovative or first-of-kind operations, as well as the Bank's Knowledge Management activities and solutions will continue to play an important role in cross-country learning.

Management's detailed comments on the evaluation study's recommendations are provided below.

Recommendations

Recommendation 1: Introduce a more systemic additionality framing by enhancing the Bank's ex ante additionality approach, complementing it with sector/market-level framing and developing an effective feedback loop.

To strengthen its strategic positioning and transition contribution, particularly in advanced markets, the EBRD should enhance its approach to additionality by:

1) *Carrying out a feasibility study and pilot testing a more granular ex-ante additionality assessment, which includes defining levels of additionality and establishing mechanisms to capture portfolio- and market-level additionality dynamics.*
2) *Undertaking regular ex-post additionality assessments to create an effective feedback loop aimed at identifying patterns and drivers of "unanticipated" additionality and integrate those insights into both ex-ante assessment and monitoring.*

Management **Agrees** with this recommendation.

Management welcomes the recommendation and agrees with its overall objective of strengthening the Bank's approach to additionality. This is particularly relevant for maintaining the Bank's strategic positioning and supporting transition in more advanced markets.

Management supports a pragmatic strengthening of the current approach focusing on better evidence, clearer articulation of the Bank's role at both strategic and operational levels, and targeted ex-post learning, while preserving the distinction and complementarity between strategic and transaction - level additionality.

Management agrees that there is scope to further strengthen the robustness and clarity of transaction-level additionality assessments. This includes enhancing the evidence base underpinning assessments, improving the articulation of the Bank's role, and ensuring more consistent treatment of both financial and non-financial additionality (including investments, policy engagement, and advisory services). These improvements will be designed to remain practical, proportionate, and supportive of operational decision-making, with benefits exceeding costs.

Management supports undertaking a feasibility study and pilot testing of a more granular ex-ante additionality assessment approach. This will allow the Bank to explore how differentiated levels or dimensions of additionality can enhance transparency, consistency, and differentiation across projects, strengthening strategic alignment and portfolio insights, particularly in more advanced markets where the Bank's role may be less explicit.

Management notes that while a more granular approach can strengthen analytical clarity, its benefits for decision-making are not guaranteed. Additionality remains inherently context-specific and judgement-based, meaning that greater granularity may create a false sense of precision, increase operational burden, and risk shifting focus toward formal classification rather than substantive analysis. The feasibility study will carefully consider the cost benefits of any change, in consultation also with other MDBs. At the same time, the pilot phase will be critical to ensure that any refinements remain proportionate, context-sensitive, and operationally useful, and do not introduce unnecessary complexity or a compliance-driven, box-ticking approach.

Management also agrees on the importance of better capturing portfolio and market-level additionality dynamics, particularly where additionality materialises cumulatively through repeated or sequenced interventions. In this regard, the Bank's ongoing work, such as the introduction of sector-level reform roadmaps under its Economic Governance strategic priority, already strengthens the articulation of its role in supporting policy and institutional reform, and market development.

At the same time, Management emphasises that strategic and transaction-level additionality play distinct but complementary roles within the Bank's framework. At the strategic level, additionality is articulated through country and sector strategies, helping to define why the Bank is needed in a given context and how a combination of interventions will contribute to market development over time. This is reflected in the strategic analysis underpinning country strategies, in particular under the assessment of "what the EBRD can do," which defines priority areas based on the Bank's role and comparative advantage. This strategic framing is dynamic and evolves as market conditions change. During the strategy period, the cumulative additionality is then assessed explicitly in the Bank's frameworks that involve a pipeline of transactions. At the transaction level, additionality provides a more immediate and context-specific assessment of the Bank's value added in relation to a particular operation. Preserving this distinction remains important to ensure clarity of purpose and accountability.

Management further notes that market-level additionality is inherently linked to and already embedded in EBRD's transition impact assessment framework, which focuses on how projects support market functioning over time rather than just providing financing. Through its transition impact methodology, the Bank assesses explicitly whether projects introduce replicable standards, instruments, or practices that drive broader systemic change, with impacts accumulating through sustained and coordinated interventions, including investments, policy engagement, and capacity building. In this context, cumulative market-level additionality is the channel through which projects generate long-term transition impact, reflected in demonstration effects, stronger competition, institutional development, and behavioural change.

This approach differs from that of other MDBs, which primarily target development outcomes and do not necessarily require well-functioning markets as a precondition for achieving them, although market effects are increasingly incorporated into the impact assessments of their private sector operations. Hence, enhancing the articulation and evidence of market-level additionality will focus on strengthening the connections between transaction-level assessments and these broader systemic outcomes, rather than duplicating the transition impact assessment framework.

On ex-post additionality, Management agrees on the importance of strengthening feedback loops and embedding learning. Management agrees to undertaking targeted ex-post additionality assessments that will help identify patterns and drivers of both anticipated and "unanticipated" additionality, including cases where the Bank's interventions have had wider catalytic effects than initially expected. Targeted work can be undertaken to assess market-level additionality in selected cases or where frameworks generate cumulative effects over time. For example, where the Bank has supported the introduction and subsequent replication of new financial products, validating the EBRD role and strengthening the evidence linking the Bank's interventions to market outcomes. This can help better evidence the Bank's contribution to market development and inform future approaches. These insights can be used to refine ex-ante assessments, improve monitoring, and strengthen the overall evidence base.

Management emphasises that ex-post work will be carried out in a proportionate and selective manner, focusing on areas with the greatest learning potential and strategic relevance, given resource considerations.

Recommendation 2: Strengthen the Bank's ability to effectively communicate outcomes by positioning replication and demonstration effects more explicitly in its impact framework.

To strengthen its capacity to incentivize, capture and "tell the story" of its contribution to systemic change across its region, the EBRD should position replication and demonstration effects explicitly within its ex-ante impact framework while ensuring adequate ex-post assessment and learning loops.

In this context, the Bank should:

1) *Place replication and demonstration effects as key channel for systemic change (market effects) and ex-ante develop, monitor and ex-post assess these demonstration effect pathways to ensure solid feedback loop.*
2) *Taking into account that demonstration effects often materialise through indirect channels that are not captured by project-level systems, undertake deep dive assessment across EBRD's portfolio and regions to identify patterns and drivers of demonstration effects.*
3) *Build further mechanisms for regular cross-country learning on specific interventions and reuse of tested solutions while relying on Resident Offices to ensure policy continuity and effective market communication.*

Management **Agrees** with this recommendation.

Management agrees with the recommendation and welcomes its focus on strengthening the Bank's ability to better articulate and communicate its impact, including through clearer treatment of demonstration and replication effects. This is fully in line with the envisaged improvements to the transition impact assessment framework under TOMS 2.0, which aim to enhance how outcomes are defined, tracked, and communicated.

Management agrees that demonstration and replication effects are important channels through which the Bank contributes to market development and transition impact, particularly in the case of innovative or first-of-a-kind operations. Positioning replication more explicitly as a potential outcome, where relevant, is consistent with ongoing efforts to better reflect how impact materialises in practice.

As part of the new TOMS 2.0 methodology, we are introducing a clearer theory of change structure to the assessment of the transition impact of our investment projects. With a clearer focus on outcomes, systemic effects such as novelty and impact on market structures and behaviour will be better captured ex-ante and monitored ex-post. This approach will improve the way in which we can understand the demonstration and replication effects of our investments.

As part of enhancements to the Bank's impact assessment framework (TOMS 2.0), several improvements are being considered for introduction to strengthen measurement of systemic change, including those related to replication and demonstration effects on the market-level. These include:

- Development of dedicated questions (and associated guidance) within TOMS 2.0 to assess systemic effects of a particular standalone project or a framework may have on a broader market, resulting in a higher ETI score. This includes requirements (and guidance) on specific conditions that would enable a successful replication – such market conditions fit, replicability, visibility/influence etc.
- Development of dedicated results indicators in the revised Compendium of Indicators, including those related to replication and demonstration effects, to measure such market effects ex-post. We note that there will be substantial resource implications for collecting such data ex-post, and are considering best ways to doing so, including with the use of available macro-data as a proxy.

Management also agrees on the importance of reinforcing learning and knowledge diffusion across the Bank. This includes enhancing mechanisms for cross-country learning and reuse of tested approaches, as well as leveraging the role of ROs in supporting policy continuity and effective market communication. On ex-post learning, Management agrees to undertake ex-post reviews for a selective set of market-shaping activities or frameworks, with a view to capturing evidence of demonstration and replication effects as they materialise. We will explore and identify opportunities to assess the demonstration and replication effects of a portfolio of completed projects and/or frameworks. We will also carry out ex post reviews on carefully selected projects with strategic clients at their group/holding company level, to inform the analysis of additionality and impact.

On knowledge diffusion, Management believes that our current and ongoing Knowledge Management activities, including Impact Academy learning modules, lessons, and policy platforms under development, already play a role in cross-country learning and will continue to strengthen in near future. For example, recent developments with capital markets, battery storage systems, critical minerals have been covered via the existing systems and mechanisms available. Country impact portal (currently under development) may be used to embed summary of impact assessments, subject to resource availability and relevance, in particular within country-specific case describing systemic change and outcomes achieved within a specific focus area.