Management Comments

Evaluability Assessment of EBRD's approach to Green Finance

Overarching comments

Management welcomes the Evaluability assessment on EBRD' approach on Green MRV. The report has several positive conclusions, especially on pioneering Green MRV and Management agrees broadly on several of them while emphasising the challenges such as drawing a link to system change is important to the extent it can be meaningfully done, and need for a clearer plan on what to do with the Green MRV data that is under development. Further, we agree that a Theory of Change in GET 2.1 is only implicit to date and will reflect on that in our future work.

Management agrees with the emphasis on the importance of systemic impact and ability to link the EBRD results to the broader systemic change. We share the view on the difficulty in identifying indicators and benchmarks for systemic impact that are both useful (ie timely and attributable) and relevant (ie substantive) and very much look forward to EvD's suggestions in this respect as we grapple with this issue. Currently, we are increasing our efforts to undertake more deep dive impact assessments to identify and assess the broader and more systemic impact of EBRD support in specific areas and countries (e.g. Green Cities).

Management highlights that the MRV system is only one part of the GET monitoring architecture and focuses on monitoring the assumptions underlying the attribution of GET finance, not Green Transition Impact.

Management notes the acknowledged limitations of the report and especially that this is just the first stage of a broader study. In that context, Management believes that some of the conclusions are premature and would reserve judgement until this further work is complete. This would look at the whole results architecture around the Green transition impact including addressing the role of country and sector strategies as well as, crucially, the role of TI monitoring. Management has the following technical comments on the report.

Study scope

Management believes that the study focus and scope is confusing. While the main focus of the study is on MRV and GET financing, it is unclear why the chapter on GET 2.1 indicators broadens its scope to all elements of ambition of GET given the scope set out for this assessment. The two main limitations are:

- The report simplistically states that the view of EBRD management is green finance ratio = green impact, which is not the case. It regularly conflates GET – i.e. the delivery of green transition with GET finance – i.e., the commitment of finance that contributes to green objectives. The MRV which the report focuses on only addresses GET finance which is, as the report notes, is only part of the story when assessing the "systemic" part. The report doesn't address this distinction at all.
- The report disregards the full internal architecture which gives effect to the GET approach: including the diagnostics through assessment of transition challenges, role of country and sector strategies, investments and policy, the associated the results frameworks, monitoring and reporting systems (and relevant indicators, quantitative and qualitative). The lack of attention to project transition impact monitoring is most pertinent given the scope of the exercise. This is the natural place to begin when assessing the Bank's theory of change around green.

Therefore in Management's view the paper should have made clearer that the evaluability assessment is only focused on the green finance ratio and the post-signing monitoring of that while emphasised more clearly the limitations of the assessment. Management understands that the above limitations will be discussed in a separate study in the future. Hence, the related report' messages are premature and could be misleading for the audience.

Systemic Change

Management agrees in principle on the importance of linking the EBRD results to the systemic change emphasising the practical difficulties already explained in response to the same suggestions or recommendation in other studies.

The report suggests (page 16) that GET ratio does not capture systemic change, behaviour change, results of policy dialogue and qualitative aspects. Management believes that the GET ratio or Green MRV are not intended to capture all these variables. The suggested outcomes are 'external' to the system and can be captured in an ex-post evaluation by developing a theory of change and testing the theory of change in practice.

Management is currently enhancing its efforts to prepare deeper dive impact assessments that would enable the Bank to link the impact of its investments and policy work to broader outcomes, in specific areas/countries. Furthermore, given the EBRD business model, setting targets on outcome indicators is even more difficult as is choosing an indicator/or indicators that are the most appropriate. This is a common issue that all MDBs and other institutions are struggling with.

Given this challenge, Management asked early on for good examples of systemic change targets and how other institutions have done systemic change targeting and achievements for learning purposes, and the assessment could have delved into these areas further and provide useful lessons.

Monitoring and Reporting

The report reflects the positive role of post signing monitoring on green projects. Historically this has been partially undertaken in two areas: Transitio Impact monitoring (TIMS) and impact reporting to donors. The latter is particularly important to address the different donor requirements. That said, the current MRV procedures issued in September 2022 includes processes that are intended to capture data that can be used by several departments across the Bank as well as for the puposes of integrated reporting including donor reporting.

Additionally, the integration of Environmental and Social and Green monitoring as well as the need to reduce manual interventions by monitoring data in an automated system (e.g. Monarch) will bring efficiencies. Management is currently working on this.

MDB/IFI Harmonised Reporting

Management suggests that the paper needs to better acknowledge the external world of harmonised reporting and assessment which EBRD follows (and contributes to). For example, there is an ongoing discussion by financial regulators, standard setters and voluntary iniatiatives (e.g. the ISSB and TCFD) which would have been beneficial to reflect in the analysis. To ensure consistency across IFI's we try to ensure consistent standards - a key statement sits at the bottom of page 9: "It is noteworthy that no other IFI currently reports on post signing data." – leading to a more general point that requires further attention at the IFI level to ensure pooled effort and mitigate divergent standards. Management needs to carefully consider the options with greater reporting (incl. objectives and targest) vis-à-vis aligning with the harmonized reporting needs among MDBs. In other evaluations, EvD has called for greater coherence and coordination between EBRD and other IFIs. In certain cases, greater coherence among IFIs comes with tradeoffs. This EvD evaluability assessment needs to acknowledge or factor such tradeoffs.