



## **SPECIAL STUDY**

# **EBRD Policy Work in SEMED**



**European Bank**  
for Reconstruction and Development

**EvD ID: SS18-138**

**September 2020**

**EBRD EVALUATION DEPARTMENT**

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## Abbreviations

|        |   |
|--------|---|
| ATC    | Assessment of Transition Challenges                         |
| ATQ    | Assessment of Transition Qualities                          |
| BPN    | Business Performance Navigator (see defined terms)          |
| CPA    | Composite Performance Assessment                            |
| COO    | Country of Operation  |
| CS     | Country Strategy  |
| CSDR   | Country Strategy Delivery Review                            |
| CSG    | Client Services Group                                       |
| CSRF   | Country Strategy Results Framework                          |
| CSRM   | Country Strategy and Results Management team                |
| CSU    | Country Strategy Update                                     |
| DCF    | Donor Co-financing  |
| DFI    | Development Finance Institution                             |
| EBRD   | European Bank for Reconstruction and Development            |
| ETC    | Early Transition Countries                                  |
| ETI    | Expected Transition Impact                                  |
| EvD    | Evaluation Department                                       |
| GPA    | Governance and Political Affairs Team, within EBRD's EPG    |
| HoO    | Head of Office  |
| IA     | Integrated Approach   |
| IFI    | International Financial Institution                         |
| JOPRED | Joint Policy Reform Engagement Database and Tracking System |
| LC2    | Local Currency and Capital Markets Development              |
| MDA    | Multi Donor Account   |
| PD     | Policy Dialogue   |
| PPO    | Policy Milestone (previously priority policy objective)     |
| PTI    | Portfolio Transition Impact                                 |
| RO     | Resident Office   |
| SCF    | Strategic and Capital Framework                             |
| SEMED  | Southern and Eastern Mediterranean Region                   |
| SIP    | Strategic Implementation Plan                               |
| SS     | Sector Strategy   |
| SSF    | EBRD Shareholder Special Fund                               |
| TC     | Technical Cooperation                                       |
| TCRS   | Technical Cooperation Reporting System                      |
| TI     | Transition Impact   |
| TIMS   | Transition Impact Monitoring System                         |
| TOMS   | Transition Objectives Measurement System                    |
| TC     | Technical Cooperation                                       |
| TQ     | Transition Quality  |

## Defined terms

|  |   |
|--|---|
| Assessment of Transition Quality   | A measure of the progress of each Country of Operations along a transition pathway to provide an objective cross-country comparison. Introduced to the Bank in 2017 along with the adoption of the six transition qualities that are seen to characterize a sustainable market economy  |
| Business Performance Navigator   | Platform accessible across the whole Bank. Aims to help management make informed decisions by delivering timely, accurate and relevant Banking information and data through different tools/tabs.   |
| Bottom-up policy engagement  | EBRD investment projects triggering policy dialogue/reforms   |
| Capacity-building technical assistance (as work-stream of policy engagement) | Complementing policy advice, the Bank may provide capacity-building technical assistance to institutional counterparts to support the implementation of policy reforms.   |
| Delegated approval   | Delegated approval refers to EBRD pipeline approvals where final approval is delegated from Board to Management (i.e. OpsCom, with further delegation when applicable to SBIC or Designated Approvers).   |
| Donor funds  | Donor funding provided to support EBRD investments or activities in the form of grants, risk participation and loans.   |
| Enhanced and Structured Approach to Policy Reform Dialogue                   | <p>Introduced at an Information Session in H2 2015, this reviewed and proposed an enhanced approach aiming for higher transition impact in light of the SCF 2016-2020. Salient features included:</p> <p>Proper diagnostics of policy issues</p> <p>Policy reform dialogue is country focused</p> <p>Prioritisation for policy reform engagement (whether reform advocacy or policy advisory or technical assistance) happens through the country strategy process</p> <p>In order to enhance EBRD's policy reform engagement capacity an internal system will be put in place to ensure alignment of objectives and policy messages, enhance quality control, coordinate and monitor progress, and maintain a central database of policy engagements.</p> <p>EBRD will take a new approach to knowledge management</p> <p>The Bank will enhance its in-house policy reform expertise and staff.</p> <p>In order to provide incentives and gain recognition for policy reform dialogue work at EBRD, a number of changes will be rolled out. To strengthen accountability and measure its results in policy reform engagement, the Bank will develop results measurement for policy engagements under the country strategy results framework.</p> |
| Expected Transition Impact   | <p>Expected Transition Impact (ETI) is a score assigned at the project level, derived using an internal scoring system based on the transition impact assessment of investment projects. ETI incorporates both transition impact potential (i.e. setting the appropriate objectives for projects in the context of transition challenges in a country) and risks to achieving those objectives, thus reflecting the most likely "transition value" of a project.</p> <p>The ETI in the Bank's scorecard measures the average ETI of all new projects rated over the course of a year. The Bank's projects are assessed individually during the project approval process and categorized according to the matrix in the scorecard.</p>   |
| Grant-funded   | Used to indicate an engagement that has been financed by donor funds or net income allocation (SSF), and is visible in TCRS   |
| Investment operation   | A specific agreement to invest in a clearly defined project or an investee.   |
| Net income allocation decision   | <p>Net income and reserve allocation decisions are made in accordance with Article 36.1 of the Agreement Establishing the Bank which provides that:</p> <p>"The Board of Governors shall determine at least annually what part of the Bank's net income, after making provisions for reserves and, if necessary, against possible losses (...), shall be allocated to surplus or other purposes and what part, if any, shall be distributed. (...) No such allocation, and no distribution, shall be made until the general reserve amounts to at least ten (10) per cent of the authorized capital stock."</p>   |

|  |  |
|--|--|
| Policy advice (work-stream of policy engagement)   | Policy advice is provided by or under the leadership of EBRD experts on policies and legal/regulatory framework, based on analytical work and experience elsewhere. EBRD offers policy options to authorities who are committed to reform in the given area and who have requested such services from EBRD.  |
| Policy engagement/policy dialogue/policy reform dialogue/policy work – terms are used interchangeably. Definition of what is meant is found in Enhanced Approach | Within its mandate and leveraging its knowledge, investment experience, and its local presence, EBRD engages in dialogue with the authorities in its countries of operations and promotes a dialogue between the public and private sectors, to help identify policy and institutional challenges to transition to open market economies and private sector-led sustainable and inclusive growth. In doing so, it helps induce or re-ignite reforms, and supports the formulation of new or amended policies, legislative and regulatory frameworks and their implementation.  |
| PPO/Policy Milestone   | Country strategies set out 5 years objectives in terms of both investment and policy. From the five years country strategy priorities, medium term Priority Policy Objectives are set out that are to be achieved through Annual Policy Milestones (formerly PPO).   |
| Project  | The set of works, goods, services and/or business activities defined in the financing agreements and for which EBRD financing is sought by a client, and as approved by the Board of Directors or, if the Board of Directors has delegated the approval authority, by Bank management.   |
| Reform advocacy (work-stream of policy engagement)   | Rooted in robust country diagnostics and thematic/sector analytical work, reform advocacy represents regular EBRD interaction with relevant authorities, with or without the involvement of the private sector, at national or regional level. Reform advocacy aims to further general or particular reform agenda points, providing analytical evidence of problems, sharing knowledge, including on best practice, and to nudge thinking and gauge reform appetite and commitment. EBRD may also assist with establishing and maintaining platforms for public sector – private sector dialogue on policy reform.  |
| Technical cooperation (transactional and non-transactional TC)   | <p>Funding that donors provide for a particular project or programme/framework on a non-reimbursable basis. Funds can be related to an EBRD investment or standalone, in support of project preparation and implementation, training, legal and regulatory reform, research and analysis, client capacity building, policy dialogue and other forms of assistance.</p> <p>TCs are considered transactional when they include pre- and/or post-signing activities to directly support a related investment operation. The intention of transactional TCs is to strengthen the design (including feasibility assessment) of an investment and/or support its implementation, thereby bolstering the projects' transition impact.</p> <p>Non-transactional TCs include activities that do not directly support an investment or do so only indirectly through their contribution towards enhancing the wider environment for transition. Typically, such TCs would target activities in the sphere of policy dialogue, legal and regulatory reforms, research and capacity building. These TC are also called stand-alone TC.</p> |
| Top-down policy engagement   | Policy reform unlocking investments  |
| Transition qualities   | In November 2016, the EBRD's Board of Directors approved an update to the transition concept whereby progress towards a sustainable market economy should be considered against six key qualities: competitive, well-governed, green, inclusive, resilient and integrated  |

## Executive summary

### *Background & Context*

The EBRD's ability to combine non-sovereign investment and policy engagement was an important contributor to shareholders' decision to offer membership to countries of the South-east Mediterranean and North Africa region (known as the SEMED region in EBRD) following the major political upheavals of 2011. The expectation was that a sequenced approach beginning with TC and policy dialogue, and expanding relatively quickly into full operational engagement, would enable EBRD to bring its post-Soviet era experience to bear in countries sharing some similar structural and institutional characteristics. These included: low competitiveness and economic integration; state ownership or dominance of major sectors; and, a legal, policy and institutional infrastructure ill-suited to the more open, market-based democracies that it was hoped might be helped to emerge.

EBRD's experience with policy engagement work in these new and challenging member countries offers an opportunity for a provisional assessment of achievements. This evaluation reviews the content, objectives and, to the extent possible, performance of the Bank's policy engagement in SEMED between 2011 and 2018. It provides findings for future policy work in SEMED, and potential new countries of operations.

This evaluation of the SEMED experience is also an example of how the Bank's ambitious 2015 *Enhanced and Structured Approach to Policy Dialogue* (the "Enhanced Approach" or "EA") was implemented in circumstances where there was little in the way of established practice. The EA was intended as a sharp departure from existing practice in order to address major weaknesses in the Bank's policy work and delivery identified by the Bank's Evaluation Department (EvD) and Management's own analysis. The core proposition underpinning the EA was, first, that effective policy work must be central to the Bank's value proposition, relevance, comparative advantage and wider transition effectiveness and, second, that institutional systems needed very significant change in order to accomplish this.

The EA was introduced at almost the same time as EBRD "normalised" its operational engagement in the new SEMED members and expanded its policy-related work significantly.

### *Evaluation Questions*

EvD combined extensive document review and field analysis to address three questions:

1. How has EBRD ensured that its policy engagement in SEMED met country requirements?
2. What results from EBRD's policy engagement can be observed?
3. In what ways has EBRD ensured its policy engagement in SEMED follows good practice (including its own Enhanced Approach)?



The first question looks at the relevance of EBRD's policy engagement in SEMED; the second considers the evidence of results obtained in the context within which EBRD was operating; and, the third looks at the processes by which the policy engagement was delivered, in particular the extent to which the Enhanced Approach was implemented.

### *Findings on policy engagement in SEMED*

The following main findings primarily cover matters specific to the Bank's policy-focussed activities in SEMED. Positive accomplishments and developments are observable:

- There has been a lot of policy engagement in many important policy areas and this engagement is broadly aligned with directions in country strategies and national agendas
- EBRD has delivered many of its planned policy engagement outputs in SEMED
- Most sector teams make consistent use of policy engagement for transition impact at the project level, especially power and energy and Municipal and Environmental Infrastructure
- About 45% of SEMED investment operations between 2011-2018 included policy elements; about 30% claimed expected transition impact from this policy engagement
- Most policy-related TC is stand-alone (not directly connected to an investment)
- Policy benchmarks were an important expected contributor to estimated transition impact in about 85% of sovereign projects; the comparable figure for private operations was about 25%, concentrated in renewable energy
- Both public and private clients value the combination of investment and policy work; they especially value work to increase implementation capacity and would like greater knowledge transfer
- EBRD collaboration with other IFIs is generally good and appears increasingly strategic, with EBRD progressively carving out a coordinating role in joint action areas
- ROs play a leading role in policy engagement work.

Less positive are the following findings:

- It is unclear how policy work is prioritised and whether it reflects dialogue and agreement with authorities.
- Many identified priorities are not the focus of policy engagement; sometimes it takes place in non-priority areas.
- Country diagnostics do not directly feed into priorities for medium-term engagement.
- Country strategies do not set out policy engagement commitments in a way that can be monitored through reporting.



- Few policy deliverables have measurable success metrics and in many cases there are no monitoring reports
- Field staff do not see any influence of the country strategy or diagnostics on planning policy engagement; many said they hadn't read these documents
- Policy work in SEMED has not generally been funded out of core budget – most funding comes from the Shareholder Special Fund and multi-donor pools such as the SEMED Multi-donor Account
- Advance planning is limited, as is clarity on resource usage – it impossible to determine how much is spent on policy work in SEMED
- Internal records on policy engagement are patchy; data are held inconsistently and are of variable quality and completeness; it is very difficult to access reliable data on policy engagement and, especially, on the results obtained; as elsewhere, much policy work is done informally and goes unrecorded
- An incoming head of a resident office is not able to find a consolidated summary of Bank policy work and what results have been achieved (and importantly, what remains to be done)
- Overall, while positive contributions may be assumed, strong, evidence-driven claims cannot be made in most cases

#### *Findings on influence of the Enhanced Approach*

This evaluation finds little evidence that the broad commitments of the Enhanced Approach were applied in SEMED countries between 2015 and 2019. Specifically:

- Implications of the Enhanced Approach are not widely understood at operational level.
- There is no clear guidance on how to deliver policy work – how to prioritise and sequence it, how to package it with an investment, treat it in board documents, or reflect transition contributions in performance tracking.
- Policy engagement is not strongly driven by country strategies – there is no available overview on country policy engagement objectives, prioritised action, emerging results, challenges, lessons, identification of the Bank's relevant specialists, or work in progress.
- The mechanisms underpinning the contribution of policy work to Expected Transition Impact is not transparent, and it is not clear whether this contribution affects operational decisions.
- The Corporate Scorecard does not sufficiently include transition resulting from policy engagement, weakening the incentive to carry out policy engagement.
- Pre-EA recording, monitoring and reporting systems for policy engagement (such as they are) remain essentially unchanged – there has been no material strengthening.
- Information tends to be activity oriented, but incomplete even at that level.

- There is no source for a full picture of the Bank’s policy engagement work, or any means to develop a reliable picture of effectiveness and accomplishments.
- Project Monarch does not allow tracking of non-transactional policy engagement so the future does not look good in terms of improved monitoring and reporting on policy engagement.
- Flowing from this, there is no systematic capture and feedback of the experience and knowledge generated by policy work, despite its always having been intended as a distinctive feature of EBRD’s offer and competitive advantage.

### *Main Conclusions*

- The delivery by EBRD of policy engagement in SEMED countries appears broadly similar to that in other countries based on previous evaluation work.
- The specific context of the new member countries did not result in any material changes in the Bank’s approach or, as far as can be determined given inadequate reporting, results.
- Management’s commitment in 2015 to a substantially more ambitious and integrated Bank-wide programme for policy work (the EA) was unique opportunity to apply it in new member countries where it enjoyed a largely “clean slate” and great latitude.

In the event this was not pursued in SEMED, nor does it appear to have been implemented elsewhere in the Bank – Management’s last update for the Board on the EA was provided in 2017.

- The EA was deliberately ambitious – certainly relative to the resources and commitment to its implementation provided by EBRD Management; there is a large gap between aspirations and practice.
- This gap between aspirations and practice needs to be resolved, either by dialling back ambitions, or, committing additional resources.
- EvD is not neutral on which option should be chosen – the rationale for the adoption of the EA remains sound, and indeed probably even more compelling, given the challenges facing EBRD’s countries of operation and the strategic opportunities and pressures faced by the Bank.
- The absence of a more systematic approach to policy work, in SEMED and elsewhere represents a failure to capitalise on a unique institutional asset and build relevance, impact and competitive advantage.
- The EA needs implementation and perhaps even strengthening; it is essential that resources and incentives match aspirations.

## Recommendations

1. **Within the next 12 months, Management, should prepare for the Board a full self-evaluation of the Enhanced Approach to policy dialogue and an Updated Enhanced Approach to Policy Dialogue to be approved by the Board.**

This should objectively assess the implementation record and factors affecting it, in particular resourcing and management. It should provide a comprehensive update of the analysis and action plan set out in the Enhanced Approach, taking into account the substantial institutional and contextual changes since 2015.

EvD should comment on the self-evaluation for inclusion in the final report.

2. **Starting immediately, new country strategies for SEMED countries (and elsewhere) should provide substantially expanded treatment of policy-related diagnostics and specifically identify how priorities will be established.**
3. **Starting immediately, Country Strategy Delivery Reviews should provide substantial additional detail and analysis of policy engagement activities and emerging results.**

As part of this, the Policy Priority Objective instrument terms of reference should be reviewed with guidance issued, and a review of the internal accounting of policy engagement contribution to transition impact considered.

4. **Using SEMED work as a pilot, within the next 12 months, the Bank should establish a comprehensive integrated and accessible database on policy engagement, encompassing work that is both internally and externally funded.**

Management should be equipped to maintain comprehensive and up-to-date information packages on the status of policy-related work, as part of its monitoring, which will further strengthen IFI coordination, visibility and knowledge sharing with in country stakeholders. An internal policy blog could also be developed for real-time sharing of experience. Additional and dedicated resources will be required to implement this recommendation.

5. **Starting in the current year, Management should produce a comprehensive annual summary and review of its policy-related activities, including previous and ongoing efforts as well as new approvals.**

This should include funding and resource matters; review of performance monitoring systems and performance data against expected outcomes and results; collaboration with other institutions; etc. As part of this it may be necessary to review internal accounting of policy engagement. This summary and review should include quantitative evidence where available but more importantly, qualitative evidence (such as case studies, interviews, videos, etc) that show why things turned out the way they did to aid learning and knowledge sharing.

## 1. Introduction

This evaluation reviews the nature and, to the extent possible, performance of the Bank's policy engagement in the SEMED region (Southeastern Mediterranean and North Africa) between 2011 and 2018. It also provides more general findings on the Bank's ambitious *Enhanced and Structured Approach to Policy Dialogue* (the Enhanced Approach) approved in 2015, almost the same time as EBRD started full operational engagement in the region and expanded its policy-related work significantly. The core tenet of the Enhanced Approach was that effective policy work should be central to the Bank's value proposition, relevance, comparative advantage, and transition effectiveness. Institutional systems and resource allocation needed to change in order to accomplish this.

This evaluation attempts to document EBRD's policy engagement in the region, and to identify emerging results of this effort. This was a challenging task given the absence of effective monitoring and reporting systems. An earlier EvD evaluation of the Bank's policy engagement in Ukraine observed a lot of policy dialogue was taking place but much of it was 'under the radar' such that EBRD had little idea of what policy dialogue was occurring, how and with what results. This is still the case despite the EA. For a review of previous evaluation work on policy engagement see Annex 1.

Policy engagement was evaluated in four countries – Egypt, Jordan, Morocco and Tunisia. The team constructed a portfolio of policy engagement activities (see Annex 3 and further available on request from EvD). No single reliable source of information on the Bank's policy engagement exists so EvD had to expend a lot of effort to construct this (see Box 1).

### Box 1: Constructing the database of policy engagement in SEMED

EvD identified a database of policy engagement using TCs from TCRS by first looking at the relevance of the topic in the Project or Assignment description (each document had to be read), and asking Country Heads as well as main delivery hubs (E2C2, LC2, LTT, Inclusion, Agribusiness, and MEI) to check for accuracy and add any missing interventions. This included some PPO which might not have observable TC attached. From this EvD cross checked the list with DCF-provided SAP data to prepare a portfolio which allows an approximate view of the number of policy engagement projects, as well as amounts and funding source for grant funded activities, but not including policy engagement interventions conducted with in-house resources for the most part as no record is kept of these.

The evaluation answers three questions:

- Evaluation question 1: *How has EBRD ensured that its policy engagement in SEMED met country requirements?* EvD's principal reference points are the priorities articulated in country strategies; the country-level challenges identified by the Assessment of Transition Qualities (ATQ) challenges; and, national development plans.
- Evaluation question 2: *What results from EBRD's policy engagement can be observed?* The main focus is on outputs and outcomes as reported by Management or identified through field work by EvD.

- Evaluation question 3: *In what ways has EBRD ensured its policy engagement in SEMED follows good practice (including its own Enhanced Approach)?* This question focuses mainly on the institutional structures and processes that support policy work, taking specific account of Management commitments under the 2015 Enhanced Approach.

Sources include data and documentation accessible on Bank systems as well as that which was made available to EvD from various Bank departments, over 75 field and headquarters interviews with EBRD staff, clients and partners. EBRD staff were also surveyed.

See Annex 7 for Management's comments on this report together with EvD's response.

## 2. Main features of policy engagement in SEMED

General features of policy engagement in SEMED include the following:

- There has been a lot of policy engagement in all four countries since EBRD entry, partly reflecting that initial engagement was solely through technical cooperation.
- Areas of concentrated EBRD activity were legal/regulatory frameworks for renewable energy and capital markets, public procurement, energy sector reform, foreign investment councils and facilitating SME participation.
- A substantial amount of policy work is done informally and/or opportunistically at the field level – positive results may be assumed, but there is no tangible evidence.
- About one-third of investment operations included related policy engagement activities; of these, a third claimed an expected contribution to transition impact.
- Introduction of the Enhanced Approach had no discernible effect on the conduct of policy work in SEMED though it may have had some influence on its volume.
- Funding for policy engagement has mostly come from the Shareholder Special Fund and multi-donor facilities rather than the Bank's core budget, potentially negatively affecting predictability of funding and the freedom with which it can be used.
- An analysis of overall strengths, weaknesses, opportunities and threats is presented in Annex 6.

More specific features include:

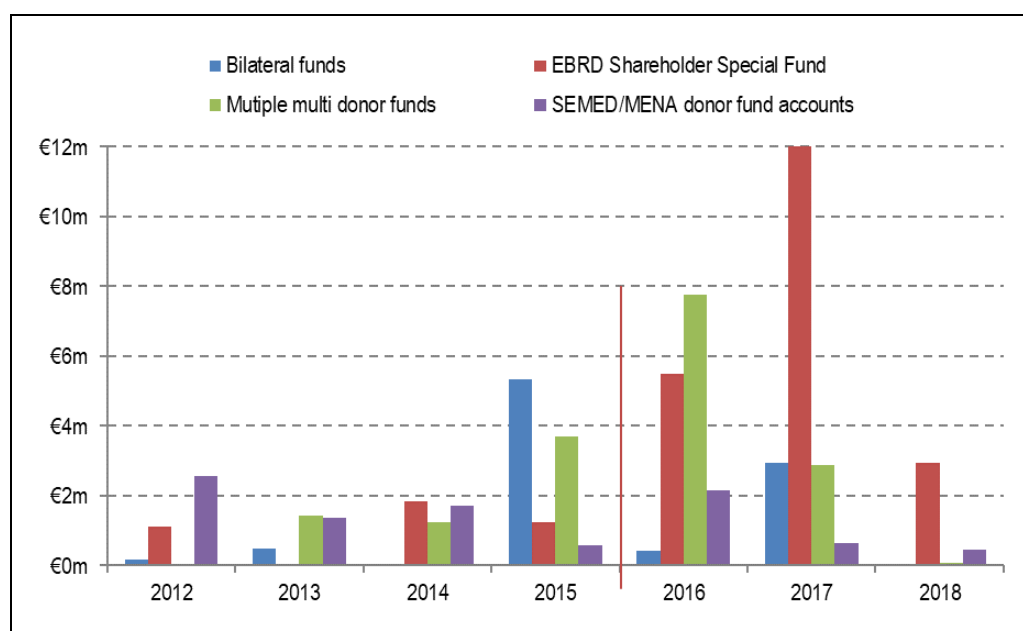
- At the end of 2018, the Bank's investment portfolio in the initial four SEMED countries consisted of 201 active transactions for EUR 6.6 billion (60% private).
- EUR 163 million of TC was provided
- Categorization of TC was problematic (see Box 2). A review of each TC document showed that about a third of TC funding supported policy engagement during the evaluation period. The country distribution of policy engagement TC funds tracks roughly with the portfolio share – Egypt received about a third; Jordan about a quarter with Morocco and Tunisia sharing the remainder.

### Box 2: Categorisation of policy dialogue

TC recorded in TCRS is categorised according to function by the Operations Leader. There is no automated designation. A categorisation typology was developed to distinguish the primary purpose of TC and this is available to see in the Board document. However, this categorization is not used for reporting purposes. The idea behind categorizing was to avoid double counting of types. However, EvD found it is not possible to use this system as an accurate indication of the extent to which activities support policy engagement as the policy engagement category is not exclusive, other types of TC (such as legal and regulatory reform) may be considered as policy dialogue.

- In number and volume, policy engagement TCs doubled in 2015-18 versus 2013-15 coinciding with Egypt's gaining full recipient status and the introduction of the Enhanced Approach. The amount of policy engagement funding deployed following the Enhanced Approach was about three times greater than prior to the Enhanced Approach.
- A sharp increase of grant funding in 2017 was in part due to higher support from the Shareholder Special Fund; the reason for it tailing off in 2018 was the fact that funding committed in 2017 was expected to cover activities spanning multiple years.

Figure 1: Source of funding for policy engagement in SEMED by year\*



\*Amounts reflect where donor source is known (in TCRS system)

Source: EvD portfolio of policy engagement from TCRS, DCF and other sources

- TCRS records transactional TC and non-transactional TC. More than two-thirds of TC recorded by TCRS was categorised as non-transactional TC. It does not record non-TC policy engagement.
- Investment projects had widely varying policy content – 40% of board approved SEMED investments (2011-18) had policy related TI benchmarks and 30% overall portfolio had policy engagement contributing to TI objectives
- Policy engagement was an important driver of TI in approx. 80% of sovereign projects, almost always through a transactional TC
- For private sector operations, about 25% of expected transition was linked to policy dialogue
- Reform advocacy started early via the Transition-to-Transition (T2T) program in 2012. Since 2015, TCRS shows reform advocacy assignments to have more than doubled in number. No information is available on expenditure on reform advocacy given it is mostly informal and unmonitored.



**Box 3: Relationships between investments and policy engagement**

In EBRD, policy engagement tends to be associated with investment in one or more of the following three ways:

1. Policy engagement that takes place ahead of any financing that directly allows subsequent financing to go ahead. An example of is the development of power purchase agreements for renewable energy. This work may take place as a combination of formal TC (stand-alone, non-transactional) and informal dialogue. It may be mentioned in the board documents as a crucial part of the groundwork, or even additionality, but since it occurred pre-approval, it is not captured in the TI monitoring benchmarks.
2. Policy engagement that occurs hand-in-hand with EBRD financing as an integral part of a project, contributing to shared transition goals. An example of this is given by state sector projects, where a change in policy/support to policy implementation, might be intrinsic to a project's transition ambition. This would be part of the project's TI benchmarks and either take place through TC (predominantly transactional) or informally.
3. The third way is seen more with private sector clients, where a project might go ahead with mention of related policy engagement in the sector, either including associated TC, but where this does not have any bearing on the project potential outcomes.

### 3. Answering the evaluation questions

#### 3.1 How has EBRD ensured that its policy engagement in SEMED met country requirements?

##### 3.1.1 *Relevance to country strategies*

Each of the four countries reviewed here had a country assessment or strategy prepared between 2012 and 2019. These strategies link potential policy engagement work to priorities but stop short of making any explicit commitments, either in the narrative or most importantly in results frameworks. Policy work and milestones do seem to be broadly aligned with the country assessments and priorities set out in the strategies. They cover most areas identified as a priority, though there are also numerous examples of priorities that are not covered, and of work that falls outside of the identified priorities (see Annexes 3-5). It is important to note here these observations about clarity, linkage and alignment in SEMED country strategies are consistent with EvD analysis of the Bank's country strategies more broadly; the SEMED experience is in no way distinctive.

Country strategies/assessments indicate that policy engagement plays a comparatively large role in attaining strategic objectives in the following areas: capital market development (institutional capacity; regulation); public enterprise reform (commercialisation of SOEs; PPP), and private sector participation in energy.

Looking at what was carried out (coverage of issue, scope and intended outcomes); it is possible to assess the relevance of policy engagement to SEMED's country strategies.

- In Morocco, the policy engagement activities and policy priority objectives marked as annual milestones map onto strategic priorities (details in Annexes 3 and 4). However, and surprisingly given the breadth of the country strategies, the review also reveals some gaps in coverage – specifically in agribusiness. It also shows that some work falls outside the country strategy and does not appear linked to particular strategic priorities. The same pattern is seen in the other three SEMED countries.
- More broadly, while activities match up to wider strategic goals, a review of the strategy alone cannot establish whether those activities would be adequate and appropriate to support the priorities, or indeed whether they have been prioritised and sequenced accordingly. This is because:
  - The policy engagement areas in the strategy are not commitments;
  - There is no theory of change for how the individual activities link to each other or coordinate with other IFI work;
  - We do not know what the critical mass of Bank work is that is required to drive policy movement;
  - We do not know the degree of commitment of the clients to either the work or to what steps/actions might be recommended by the work.

As far as policy priorities<sup>1</sup> are concerned, these sufficiently reflect the country strategic priorities in SEMED. In most cases, policy milestones also reflect policy priorities articulated in country strategies/strategic objectives. However, there are numerous cases where strategic priorities have not been picked up by policy milestones and numerous instances where policy milestones exist for areas not identified as a priority.

### 3.1.2 *Relevance to transition need*

The Bank's Assessment of Transition Qualities (ATQs) provides the analytical basis for understanding the major challenges to transition at the country level. The country diagnostic introduced in 2015 was intended among other things to provide context for policy work. However, while diagnostics try to identify key challenges, they do not prioritise action. Relevance to country needs requires policy work that flows from and reflects the underlying diagnostics.

The evaluation therefore cross-referenced what is described in the diagnostics for SEMED countries with what is 'prioritised' in the country strategies, and also what has been delivered. On that basis country strategy priorities were broadly consistent with country diagnostics in most cases. The main observations are:

- The coverage of policy work is very wide across the transition qualities; this results in some evident misalignments and gaps
- While diagnostic and policy work priorities are well aligned in the case of Competitive, they are less so in the case of Inclusive; heavy policy work in Resilient is much less need-relevant; Integrated is least well covered.

### 3.1.3 *Alignment with national priorities and cooperation with other IFIs*

The areas of focus of policy work in SEMED have been broadly well-aligned with national reform agendas. EBRD policy engagement covers major themes from national development plans (Moroccan development plan, the 2016-2020 Tunisia Development Plan, Jordan 2025 and Egypt 2030).

National agendas are also a logical focus point through which to develop cross-institutional cooperation and complementarity when multiple organisations are engaged. This is particularly important in the SEMED case, where EBRD joined other multilateral institutions with very long-standing engagement in the region (in particular, International Monetary Fund; World Bank; International Finance Corporation; European Investment Bank; and African Development Bank). For a summary of other IFI investment at the time of EBRD's entry into SEMED see Annex 2.

The EA commits EBRD to focus its resources where it is best placed to complement other agencies rather than to be everywhere and spread its resources too thinly. Some findings on this aspect are:

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<sup>1</sup> In 2017, the Bank introduced policy milestones in 2017 (initially known as policy priority objectives) to highlight areas of priority policy engagement for the Bank.

- The level of detail on cross-institutional complementarity in the country strategies for Egypt, Jordan and Morocco is low; there is little clarity on any commitments, or how areas of collaboration were determined.
- Alignment with other development partners and/or national priorities is more often discussed at the project level. Analysis by the evaluation showed around 40% of the Jordan and Egypt project documents discussed the coherence of the specific intervention with other development agency work, almost always with plans for some form of collaboration during implementation. Further, among the policy priority objectives for 2019, coordination with international finance institutions (IFIs) is indicated for just over half the engagements
- A cooperative EBRD approach and flexible role was also reported during field visits in terms of regular communication and collaboration between heads of office and other IFIs. In Tunisia for example, EBRD is leading several private sector coordination platforms and supporting others that are public-sector focussed.

### 3.2 What results from EBRD's policy engagement can be observed?

#### 3.2.1 *Outputs and outcomes*

EBRD has delivered many of its planned policy engagement outputs in SEMED (see Box 4)<sup>2</sup>.

#### Box 4: Examples of policy engagement output delivery

**Agribusiness in Tunisia**, the Bank has been involved in policy engagement work in the olive oil sector to improve sector competitiveness, quality, efficiency and productivity. Tunisia's Ministry of Agriculture (MoA) was working on new Olive Oil Strategy, but there had been little interaction with private stakeholders. A 2013 diagnostic report produced together with FAO was the first deliverable which led to TC work to facilitate a working group between public and private sector.

**Capital markets in Morocco** where deliverables have included workshops and a dialogue to develop a MOU, which led to two TCs on yield curve and debt framework. Separately, work has been ongoing on developing legal frameworks for secured transactions, a financial inclusion strategy and a derivatives law.

**Sustainable energy in Morocco** where EBRD worked on capacity building with the Ministry of Energy and Mining to implement law 13.09 (the legal framework for renewable energy projects)

**Oil and gas market reform in Egypt** where EBRD has provided TC to support implementation of Egypt's gas market law and provide capacity building to the Ministry of Petroleum.

**Implementation of the Gender and Inclusion Strategy across SEMED:** growing work here since 2017. Multiple projects occurring most recently in Egypt occurring alongside investment operations, particularly in the area of vocational and skills training, after the successful introduction of sector skills councils in Jordan. One deliverable here in Jordan was knowledge transfer which has been cited by field interviewees as particularly relevant; EBRD organised a study trip to Taipei for the Ministry of Tourism in Jordan and Chair of the Sector Skills Councils in Jordan to learn about Sector Skills Councils in general and how they work. Other inclusion based policy work has also taken place in Egypt through investment operations in state owned firms (Cairo Metro and Egypt National Rail). According to the 2020 Mid-term review of the Gender and Inclusion Strategy (SGS20-040), out of all the EBRD's

<sup>2</sup> Supplemented during Management Comment process on inclusion work

countries of operations, the highest number of inclusion projects have taken place in Egypt and Morocco, together with Turkey and Kazakhstan.

However, these are mostly inputs to other activities, generally owned by and to be executed by others. It is difficult to assess results on this basis, and even harder where monitoring reports do not exist.

TCSR reports indicate achievement in delivering intended outputs – almost all policy engagement activities were reported as being on track or outstanding in the four countries, and where partly off track was recorded, delays were given as the sole reason. It is difficult to say if there are failures because monitoring reports do not exist for a significant portion of the policy engagement activities.

Since 2017, the Bank has signalled which milestone actions are prioritised each year for policy engagement activities; many of which are at the level of outputs. Therefore, the focus and monitoring for these also provides a lens through which to assess output delivery. Looking at the priority milestones for 2017/8 shows some progress against these annual targets: a total of 6 out of 13 have been achieved, with the remaining 7 listed as partly achieved.

Stakeholders consulted generally consider that EBRD delivers. EBRD's availability on the ground was cited as a reason for working with EBRD as opposed to other IFIs. EBRD is perceived by many interviewees as understanding how a country works, in no small part due to its local presence. Several interviewees said that they appreciated EBRD more when the advice was given by in house experts rather than hired consultants, but they also commented on the comfort they felt with EBRD when it came to constructing terms of reference for consulting work or supervising the quality of consultant deliverables.

Expected midterm outcomes for policy engagement in SEMED include improved institutional capabilities for implementing policy, implementation of new laws, better communication between public and private sector, and a more conducive environment for sector investment. Anecdotal evidence suggests that the Bank is achieving some expected outcomes in some sectors.

Policy engagement is expected to catalyse investment but there is no recording of this. Despite this, some cases were observed as shown in the box that follows.

#### Box 5: Examples of investment catalysed

In **Egypt**, it is possible to link work on power purchase agreements to 13 operations with over US\$500Min investment, including the largest solar site in Africa. This joint work with IFC also resulted in private sector investment from others.

Model PPAs used for the first time in **Jordan** are now a blueprint for **Egypt Lebanon** and **Palestine**.

The evaluation of investment climate reports that policy initiatives in **Egypt** in the financial sector have also led to investment, though again, evidence is only available in limited areas.

Following policy dialogue on Central Bank regulations on Tier 2 capital, EBRD issued a subordinated loan for up to US\$125M to Emirates NBD **Egypt**. This was the very first instance under the new regulations where a third-party lender offered this kind of instrument to a bank in the country. NBD Egypt was the very first bank to implement this new transaction structure.

### 3.3 In what ways has EBRD ensured its policy engagement in SEMED follows good practice?

#### 3.3.1 *Country Focus*

The principal findings regarding country focus are:

- Country diagnostics and country strategy are separately managed; there is room for improvement of coordination among teams and how policy priority decisions flow from diagnostics.
- Country strategies appear to have a very limited profile for operational staff on the ground or in HQ.
- Very few operational staff interviewed by EvD in the SEMED region had read either the strategy or the underlying diagnostics (see Box 6).

#### Box 6: Example of Tunisia Country Strategy

Tunisia has a new-style Country Strategy in place and offers some useful findings. During field visits, EvD probed whether the new strategy had made a difference, to which the dominant response was that it had not. It apparently made little difference on the ground to how engagements are initiated in part because there was a prevailing assumption that the strategy would have captured what was the situation on the ground, including Government priorities. In fact, policy engagement that became a policy priority was often initiated by Government. Looking more generally across the SEMED portfolio, areas of greatest activity are those driven by governments.

- Monitoring tools provide little support despite their central importance in the Enhanced Approach. The Enhanced Approach envisaged that the annual review of country strategy implementation would assess progress on policy reform engagement and in particular, review progress/bottlenecks, de-prioritise/step up engagement, and consider new areas. The Country Strategy Delivery Reviews (CSDRs) introduced in 2017 only provide a limited single-year snapshot focussed mainly on delivery rather than an assessment of performance or indeed reflection of ongoing engagement.
- Introduction of the Priority Policy Objective (PPO) or Policy Milestone (used interchangeably here) was intended to help in highlighting issues, establishing goals and creating accountability.

Table 1: Policy Priority Objectives - Strengths and Weaknesses

| Strengths   | Areas for improvement and clarity   |
|---|---|
| <ul style="list-style-type: none"> <li>✓ Potentially makes policy engagement more visible</li> <li>✓ Potentially Improves evaluability of policy engagement</li> <li>✓ Facilitates coordination and knowledge sharing</li> <li>✓ Can be reviewed during the year – flexibility</li> </ul> | <ul style="list-style-type: none"> <li>- Unclear function, definition and ownership</li> <li>- Limited monitoring and evaluability</li> <li>- Limited visibility across the Bank – the PPO are not well known or widely regarded</li> </ul> |

### 3.3.2 Knowledge management and training

The Bank committed under the EA to build the structures and practices to support an internal cycle whereby useful knowledge is created, extracted, absorbed and reapplied in order to fuel superior institutional results. These include: i) systematic management of policy reform-related assets to generate and apply knowledge and experience; ii) peer review for all policy related work delivered; and, iii) internal quality assurance and review through the Strategy & Policy Committee.

Based on the evaluation evidence gathered, little to none of this has been carried out in practice – purposeful and systematic knowledge management is not yet an integral part of the Bank's policy work. Specifically:

- **Knowledge repository:** A database was intended to hold all policy-related information of cross-departmental interest, including information on ongoing and past engagements, key messages from relevant meetings (BTORs), and insights from front line experiences. This has largely not been done. As was found in EvD's Policy Dialogue study of 2014, a substantial amount of policy work remains undocumented; some survey respondents put it at around 30%, but it is impossible to know with confidence.
- **Self-assessments:** Of the 33 project self-evaluations (OPAs) completed for SEMED operations to date, none identifies any insights related to policy matters. Insufficient uptake and absorption of experience leaves the Bank's internal resources poorer than they would otherwise be and at the same time reduces its ability to "tell a compelling story" to internal or external stakeholders.
- **Project Monarch:** EvD's understanding is that Project Monarch only allows teams to record and track policy work specifically linked to transactions, and this is itself not mandatory.
- The EA specifically flagged the need for a full-fledged **knowledge management function**. Board members reinforced this during their 2017 FOPC meeting to take stock of the EA; they again gave prominence to the issue during the Audit Committee's review of EvD's assessment of Country Strategies in May 2019.
- EPG launched a **Knowledge Management Pilot initiative** around internal working group efforts. Some progress has been made: six Communities of Practice have been formed and are functioning; 14 Policy Academy modules have been developed; lessons learned papers have been produced.



- **Korean Twinning programme:** There is a plan to develop several new elements including a knowledge-sharing programme between Korean organisations and officials in EBRD's countries of operation, called Korea for Transition, a revival of the Bank's Transition to Transition model of capacity development through knowledge exchange, and a Policy Academy e-course that will leverage its existing materials in new formats, again, largely funded by the Korean Trust Fund
- However, the visibility of these efforts is limited, and staff involved in policy dialogue in SEMED see their utility as low. Interviews and surveys of SEMED policy-focussed staff revealed limited awareness of and engagement in the Communities of Practice, and Policy Academy, despite their clear topical relevance for SEMED. Reasons for this unsatisfactory situation include:
  - No core budgetary resources are provided to support an institution-wide knowledge management structure. Resources for communities of practice are provided voluntarily by Departments
  - The Economic Policy Group's Knowledge Management Initiative has only one internally funded dedicated staff. Limited supplemental part-time resources are mainly donor funded, very significantly by the Korea Trust Fund
  - The approach to training has been more supply than demand-driven – all Policy Academy courses take place at headquarters, for example, even though the front-line policy work occurs in the field
  - The Communities of Practice are not currently widely recognised and used for knowledge sharing and transfer, at least as far as SEMED is concerned – work programmes are not shared, though these were envisaged to be shared
  - No structured or systematic training in policy engagement issues and skills is offered to incoming resident office heads despite some expressed commitments to map skills and offer training in the Enhanced Approach.

### 3.3.3 *Managing for Results*

The EA established for the first time a clear Management commitment to applying a Managing for Results approach to the Bank's policy work. Specific elements included:

- i. Explicitly assessing implementation risk through political economy analysis
- ii. Building Country Strategy Results Frameworks into scorecards, defining policy reform dialogue objectives for a given year; having Shareholder Special Fund allocations steered by country managers
- iii. Integrating policy work into incentives, performance management and accountability systems; staff with significant policy dialogue involvement would have specific objectives assessed at performance appraisal
- iv. Integrating learning from results by, among other things, completing systematic impact evaluation of policy work at the end of a country strategy period or longer term.

Advancements include:

- ✓ Introduction of the PPO instrument formally launched in 2019 (piloted in 2017)
- ✓ Policy work is incorporated more regularly into departmental scorecards, although not yet fully
- ✓ Individual performance objectives include policy work more consistently, especially if there is a senior management champion; staff doing policy work report more consistent capture in individual scorecards.

However, the evaluation finds that the Bank's results monitoring systems and practices for policy work fall well short of EA commitments and are essentially inadequate to extract full value from policy engagement. This evaluation and several others (Evaluability Assessment of EBRD's Transition Qualities, and the Evaluation of the Ukraine Multi-Donor Arrangement), identify a number of issues.

### Evaluability issues

EBRD's policy engagement is difficult to evaluate (has low evaluability) because the definition of what constitutes policy engagement is not clearly or universally understood. Objectives of policy engagement initiatives are not clear; measures success (indicators) are of poor quality or absent; and, there are inadequate provisions for monitoring and reporting

**Policy engagement as additionality:** The EA to Additionality potentially resolves one area previously unclear – where the project is designed to trigger a change in policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level that improve substantially the business environment, this is described as a source of non-financial additionality. However, it remains to be seen how this is operationalised and if it provides a clearer distinction between policy engagement as additionality and policy engagement as transition impact

An area still unclear relates to **building effective institutions** for policy implementation – currently, this area is not covered in full in the definition of policy dialogue.

**Monitoring and reporting:** Provisions for this on policy engagement are weak:

- The scope and quality of data, measures and reporting are low.
- It is not possible to access time series data easily or to match it with transactions in the Deal Tracking Module system.
- Policy engagement associated with an investment but not defined as transactional is missed (in the SEMED portfolio of investment policy engagement TC showed up as a transactional TC less than 15% of the time).
- Narrative reports are not quality controlled and are not always available.
- Both PPO and general TCRS monitoring are output based, which offers limited utility for results-based management.

- Teams can only enter transaction-related policy engagement in Monarch (15% of the total in SEMED), and then only on a self-selective basis.
- Resourcing and responsibility for monitoring of policy engagement is fragmented.
- There is inefficient duplication of reporting when annual policy milestones are also part of TC.
- Reporting on the relationship between policy engagement and investment is fragmentary: quarterly performance reports, Country Strategy Delivery Reviews, project documents, the policy milestone monitoring sheet, the Annual Donor Co-Financing Report, and the Annual Report for the SEMED Multi-Donor account all make some effort in this regard, but the net result is still incomplete and fragmentary
- There is inconsistency between the Bank's results framework and those used for donor funding, specifically the SEMED Multi-Donor Account – the latter has only two policy-work indicators providing limited useful information

#### Incentive issues

Internal transition accounting does not provide incentives for integrating policy engagement with investment work, which was an aim of the Enhanced Approach.

- Only policy engagement that is transactional contributes to a project's overall Expected Transition Impact and is consequently assessed through the Transition Objectives Measurement system.
- However, because the Transition Objectives Measurement system takes a simple average of each factor, unless the policy engagement element achieves a score that exceeds the score that the project would have got in its absence, its inclusion could have the result of decreasing the overall Expected Transition Impact thereby providing a negative incentive for the inclusion of policy engagement, which would particularly be the case for type 3 advocacy work that is typical of longer-term reform efforts
- Policy engagement that has taken place outside of a TC and has contributed to, but is not part of an investment and its transition objectives, cannot be processed by the Bank's Transition Objectives Measurement system
- The Economic Policy Group tries to recognise the contribution of previous policy dialogue to an investment through both discussion as additionality and a manual uplift to its Expected Transition Impact, but this 'work around' is non-transparent and there is no certainty that such policy engagement will be captured
- Incentives to capture synergies from product interaction need rethinking as products that link investment with policy engagement are not widely used. The Integrated Approach is one such product, but in SEMED at least no new Integrated Approach has been introduced since adoption of the Enhanced Approach.

### Reporting the story of policy engagement

Notwithstanding the evaluability constraints, there are additional challenges with what is reported – existing reports do not provide the necessary clarity on specific pieces of policy work, or tell an effective wider story about the Bank’s work, goals, and performance.

- Transition results from policy engagement efforts related to investment are recognised in the corporate scorecard through the Portfolio Transition Impact measurement.
- Policy engagement that is not part of a project may be taken up by the Composite Performance Assessment qualitative assessment<sup>3</sup> as part of the scorecard and corresponding quarterly performance reporting. However, this is selective<sup>4</sup> and may be duplicative of that which is captured in the Portfolio Transition Impact.<sup>5</sup>
- Policy engagement at the country level is not adequately covered. The Enhanced Approach envisaged an annual review of country strategy implementation that would assess key developments on policy reform. However, SEMED CSDRs have not discussed policy engagement or results in any meaningful way.
- The Board is only partially informed about policy engagement carried out by the Bank. For example, Legal Transition Programme work (about a fifth of all policy engagement in SEMED) includes very substantial policy content, but this does not go to the Board aside from qualitative highlights – the 2018 report mentioned SEMED in only three instances

### 3.3.4 *Leveraging and Collaborating with other International Finance Institutions*

The EA stressed the need for closer and more structured EBRD coordination with other IFIs on policy engagement. Areas specifically identified for more collaboration included: diagnostic work; consultative platforms engaging both the public and private sectors; sharing of results and learning; and, cross-conditionality in specific operations.

The evaluation found good examples of cross-institutional collaboration in a wide range of areas in the 4 SEMED countries included (and beyond – see Box 7).

<sup>3</sup> The Composite Performance Assessment for Bank activity for each of the six transition qualities examines both quantitative and qualitative parameters, including a review of policy outcomes. It was introduced in 2016 and aims at a balanced coverage across the whole transition dimension. The CPA consists of: (i) a quantitative target/floor indicator (where practical); (ii) 2-4 other quantitative indicators; (iii) a qualitative summary of results focusing on policy dialogue and advisory work. One question remains unanswered for EvD whether the quantitative element is supposed to be geared towards operations as meaning both investment and engagement (as per the Strategic Implementation Plan), or just investment operations (as is currently the case).

<sup>4</sup> As an illustration, the Q1 2019 Quarterly Portfolio Report does not reflect progress against all Priority Policy Objectives. The 2018 Q4 Quarterly Portfolio Report only mentions Priority Policy Objectives for the SEMED region in 3 cases out of 12. It also mentions a couple which are not listed as priorities.

<sup>5</sup> Policy engagement can conceivably be reported as part of the Composite Performance Assessment and also part of the Expected Transition Impact/Portfolio Transition Impact.

**Box 7: Examples of collaboration**

- Joint diagnostic work includes collaboration on agribusiness in Tunisia with FAO.
- Though outside the scope of this study, an EBRD-EIB Joint Diagnostic Report on Lebanon was the first of its kind.
- In Tunisia a PPP Conference was jointly organised with IFC. EBRD and IFC collaborate consistently on infrastructure and PPP work.
- In Tunisia, there is also a “Joint Matrix” for coordination led by EU with EBRD a founding partner and involving the AfDB and EIB; where IFI collaboration is critical.
- Regionally, the G-20 launched Compact for Africa provides a framework to develop and agree policy priorities between government and IFIs; EBRD is leading on SMEs and renewables though few significant results are apparent to date
- Field visits confirm widespread informal collaboration at the operational level, particularly where institutions share an interest in opening a sector that has generally been closed, such as renewables

The EA stated: “In pursuing policy reform, the Bank has used cross-conditionality in its loan agreements referring to other IFIs’ investments loans or financing programmes for budgetary or balance of payment support, the latter explicitly conditioned on policy changes:”

- The Bank should seek more actively this type of leverage for policy reform, particularly in the case of most difficult reform challenges. Cross-conditionality is directly relevant for SEMED countries that make heavy use of budget support. However, there is not much evidence of cross-conditionality in practice.
- Interviews indicate that there has been some success at leveraging such as restarting operations in Morocco for IFC using EBRD. There are only few examples of strong collaborations over an extended time horizon – the strongest being with FAO on public private dialogue, which the Bank has applied throughout SEMED.
- Although there is a generally good picture of IFI collaboration, areas where it could be deepened include: policy work and related diagnostics; deeper collaboration on country strategies; and, more upstream collaboration on design of policy work and downstream sharing of results.

### Product development and instrument interaction

The Bank has talked about the value of policy and investment packages for some time.<sup>6</sup> This makes sense, not least for donors, where policy engagement is an efficient way of achieving grant leverage.<sup>7</sup>

- There is some evidence of the Bank taking a more holistic approach to induce reforms in SEMED, but this has not been through explicit products designed for this purpose such as the Integrated Approach, which has only been used once for the Cairo Urban Transport Integrated Approach project in 2015.
- Field visits and interviews with bankers and other IFIs indicate that the Bank has used successive investments to reinforce policy reform messages to make incremental progress.

### 3.3.5 *Resourcing*

The EA argued strongly that some resource redeployment and significant additional resources were needed for more effective policy engagement, including for:

- Increased resources to reinforce a frontline country management role (diagnostics/policy notes; forward deployment of economists; policy training)
- Additional EBRD staff resources for analytical work, coordination, capacity to manage consultants
- Additional resources for knowledge management
- SSF allocations for strategic priorities at country level and policy reform engagement
- Pilot reimbursable policy advisory services

Most EA commitments remain unfunded or underfunded with the following points emerging from the evaluation:

- Funding for policy engagement was not considered to be a constraint by those involved
- Funding for policy engagement tends to be subordinate to what is understood as core business as indicated by heavy dependence on donor funding and the Shareholder Special Fund; both are variable pools, annually allocated and heavily competed-for with

<sup>6</sup> The enhanced and structured approach to policy dialogue emphasised product innovation for new financial products more expressly linked to policy reform; the mid-term of the Strategic Capital Framework also noted that strengthening product innovation was important. The need for extending the range of the instruments to enhance policy engagement capability and effectiveness was echoed most importantly in the 2018 SCF mid-term review, where the Bank indicated that consideration can be given to whether the Bank's formal instruments for delivery of policy goals can be strengthened, all the while recognising that the Bank does not undertake pure policy lending.

<sup>7</sup> In terms of the extent to which policy engagement money can unlock investment, the TCRS system records whether a policy engagement is 'linked' to an investment. A look at funded policy engagement to related investments as per TCRS shows eight instances of transactional TC for 1:75 leverage ratio, predominantly by Municipal and Environmental Infrastructure. The number is likely to be a lot higher, due to system weakness but also, because there is investment after EBRD engagement by other funders, which is not captured but field visits indicated that this has taken place in SEMED.

great uncertainty about reliability as a source of funding, particularly where engagement is required over the medium to long term

- Skills development for policy engagement has not been prioritised nor demand been met
- Fee-based advisory services have not been considered in SEMED despite reported agreement at the 2017 FOPC Taking Stock of the Enhanced Approach – other IFIs complain that their reimbursable services cannot compete against EBRD non-reimbursable services.
- Investment in building the policy capability was one of three multiyear priorities supported in the first Strategy Implementation Plan 2016-2018 of the current Strategic Capital Framework
- A modest increase went to VP3 for sectoral economic and governance expertise, moving sector economists to resident offices, knowledge management across Communities of Practice, and information management capacity.
- However, the next Strategy Implementation Plan 2018-2020 decreased the amount going to VP3 while the current Strategy Implementation Plan 2019-2021 provided a budget increment of 0.1% to VP3 versus an overall administrative budget increase of 2.9%
- It is clear that the quantum of incremental resources envisaged by the EA never materialised
- In SEMED there is some increased in field capacity, both through relocation of sector economists and the position of regional economist
- However, evaluation analysis shows that increasingly resources will be stretched, particularly in the areas of inclusion and governance – staff are being tasked to lead delivery of strategic priorities, but they are under resourced compared to traditional banking teams.



## 4. Implications of Findings

### 4.1 Conclusions

- ✓ It is clear that policy engagement is important to the origination, impact and sustainability of the EBRD's mandate in SEMED.
- ✓ It is also clear that there is consistent demand from stakeholders and partners for a continuation of partnerships in this area.
- ✓ The Bank has made some progress since the Ukraine Policy Dialogue Evaluation and introduction of the Enhanced Approach, in that policy dialogue is somewhat more visible and coordinated.
- However, it is not possible to get an overall picture of the quantum and nature of policy engagement in any SEMED country – there is no basis for an incoming head to know exactly what has gone before.
- There is no institutional memory/usable knowledge asset or means of institutional knowledge transfer.
- Any insights from close to 10 years of experience with policy engagement in these new member countries are for the most part unavailable.
- There would be no credible way for Bank expansion into other new countries to be reliably informed by its SEMED experience.
- There is still no information on aggregate resources used for policy dialogue, and only fragmentary evidence of the results being produced from the considerable effort and resources expended.
- There is no basis for Board or senior Management to know where and how resources are being deployed across different priorities, or to assess where their value/effectiveness has been greatest.
- There is no regular systematic and comprehensive reporting on policy activities to the Board.
- There is no usable input into future scorecards or other management tools.
- There is no basis to tell a consistent story about this aspect of the Bank's engagement in SEMED, despite it having substantial donor support for many years and being of high interest to donors and the Board.
- The Bank's SEMED experience on PD cannot for the most part be used as a source of influence and competitive advantage relative to other IFIs, or as a basis for deeper and more effective cooperation.
- Resource allocation is sub-optimal and future funding uncertain.

- There is little training to develop or enhance skills in policy dialogue nor has any consideration been given to what skills are required.

It must be acknowledged that the Bank is aware of these issues and is working on a number of them. For example, real efforts are being made to strengthen management for outcomes and impacts. The Bank is making it clearer what it is trying to achieve from policy engagement in relation to country strategies and how it works in a transition quality context. However, the Bank has not delivered on the ambitious commitments made under the Enhanced Approach. As noted earlier in this evaluation, a reset is needed – either ambitions have to be scaled back or resources increased. EvD favours the latter.

## 4.2 Recommendations

- 1. Within the next 12 months, Management, should prepare for the Board a full self-evaluation of the Enhanced Approach to policy dialogue and an Updated Enhanced Approach to Policy Dialogue to be approved by the Board.**

This should objectively assess the implementation record and factors affecting it, in particular resourcing and management. It should provide a comprehensive update of the analysis and action plan set out in the Enhanced Approach, taking into account the substantial institutional and contextual changes since 2015.

EvD should comment on the self-evaluation for inclusion in the final report.

- 2. Starting immediately, new country strategies for SEMED countries (and elsewhere) should provide substantially expanded treatment of policy-related diagnostics and specifically identify how priorities will be established.**
- 3. Starting immediately, Country Strategy Delivery Reviews should provide substantial additional detail and analysis of policy engagement activities and emerging results.**

As part of this, the Policy Priority Objective instrument terms of reference should be reviewed with guidance issued, and a review of the internal accounting of policy engagement contribution to transition impact considered.

- 4. Using SEMED work as a pilot, within the next 12 months, the Bank should establish a comprehensive integrated and accessible database on policy engagement, encompassing work that is both internally and externally funded.**

Management should be equipped to maintain comprehensive and up-to-date information packages on the status of policy-related work, as part of its monitoring, which will further strengthen IFI coordination, visibility and knowledge sharing with in country stakeholders. An internal policy blog could also be developed for real-time sharing of experience. Additional and dedicated resources will be required to implement this recommendation.

- 5. Starting in the current year, Management should produce a comprehensive annual summary and review of its policy-related activities, including previous and ongoing efforts as well as new approvals.**

This should include funding and resource matters; review of performance monitoring systems and performance data against expected outcomes and results; collaboration with other institutions; etc. As part of this it may be necessary to review internal accounting of policy engagement. This summary and review should include quantitative evidence where available but more importantly, qualitative evidence (such as case studies, interviews, videos, etc) that show why things turned out the way they did to aid learning and knowledge sharing.

Management's comments on this report, including the recommendations together with EvD's response are enclosed in Annex 7.

## 5. Sources

### 5.1 Documents

|  |
|--|
| <a href="#">Basic documents of the EBRD</a>  |
| Strategic and Capital Framework 2016-2020 BDS15-013/F  |
| Strategic Review: Country Reports for Southern Eastern Mediterranean   |
| Information Session: Enhanced and Structured Approach to Policy Reform Dialogue at the EBRD  |
| Enhanced and Structured approach to policy dialogue: Taking Stock and Way Forward CSFO1711   |
| Knowledge Management Initiative Webpage  |
| BPN Scorecards and online reports/tools <a href="#">including PPO</a>  |
| EBRD Transition Report 2017 : Sustaining Growth  |
| ATQ homepage   |
| Legal Transition Programme 2018 Report SGS19-027   |
| Quarterly Performance Report 2019 Q1 BDS19-130   |
| Quarterly Performance Report Q4 2018 BDS19-014   |
| Country Strategy Egypt   |
| Country Strategy Jordan  |
| Country Strategy Morocco   |
| Country Strategy Tunisia   |
| Country Strategy Delivery Reviews 2019 BDS19-051/F   |
| Board Adviser's Visit to Morocco   |
| Advisers' visit to Egypt   |
| Board Consultation Visit to Egypt 2016   |
| Board Consultation Visit to Jordan October 2015  |
| Board Consultation Visit to Tunisia 23-27 October 2017   |
| Press Release – President's Visit to Tunisia   |
| <a href="#">EvD special study : "Small Business Support Programme"</a>   |
| EvD Special study Transport sector Strategy Review   |
| EvD Special Study Shareholder Special Fund- Interim Evaluation   |
| <a href="#">EvD special study : "Country strategies - an initial review":</a>  |
| Thematic Study: EBRD Country Strategies (CSAU1918x)  |
| EvD Special Study: Bank support for Local Capital Markets  |
| <a href="#">EvD special study : "Legal Transition Programme Review"</a>  |
| <a href="#">EvD special study : "The EBRD Experience with Resident Offices"</a>  |
| <a href="#">IEG Investment Climate Reforms: An Independent Evaluation of World Bank Group Support to Reforms of Business Regulations</a> |
| <a href="#">World Bank : "Ease of Doing Business" rankings</a>   |

|   |
|---|
| <a href="#">World Bank Governance Indicators</a>                          |
| <a href="#">WEF Competitiveness Report 2019</a>                           |
| <a href="#">IEA policies and measures databases</a>                       |
| <a href="#">ECG Paper 7 Knowledge Management Synthesis Paper Dec 2014</a> |
| <a href="#">IFC Anticipated Impact Measurement and Monitoring</a>         |

## 5.2 People interviewed

EvD interviewed 76 people engaged in policy dialogue in the SEMED region.

- Forty were EBRD staff members, across multiple EBRD departments including Country teams, Economics Policy and Governance, Banking, Legal Transition and Donor Co-Financing.
- The remaining thirty-six individuals were staff from other IFIs working in SEMED (including IFC, the EU, African Development Bank and GIZ), ministries across various sectors (infrastructure, energy, public private partnerships), central banks and clients.

## 5.3 Staff survey

EvD surveyed EBRD staff working in on policy engagements, and received 57 responses, a 47% response rate. Half of respondents were RO staff, the other half were located in HQ London. The target population was:

- RO staff in Morocco, Tunisia, Jordan and Egypt from Managing Directors to Associates, Analysts and CCT positions;
- HQ staff in EPG and Banking sector teams leading policy engagement work in Morocco, Tunisia, Jordan and Egypt either formally through TCs or investments or informally.

More detailed information on the survey is available from EvD on request.

## Annex 1: Previous evaluation work on policy engagement

Various prior thematic evaluations consider the way the Bank carries out policy engagement (including in SEMED in some cases) and factors for success including: the 2014 Ukraine policy dialogue, the 2016 EBRD's experience with ROs, the 2018 Investment Climate Support: Egypt Case Study, the 2018 Infrastructure Project Preparation Facility, the 2018 Review of the EBRD Energy Sector Strategy, and the 2018 evaluation of the Legal Transition Program. These evaluations identified issues that are both directly relevant to this evaluation and largely confirmed by its own analysis and findings. Issues identified include:

- weak strategic direction for policy engagement activities,<sup>8</sup>
- lack of focus on results and management of policy dialogue
- insufficient internal incentives to prioritise and value policy dialogue work;
- sufficiency of monitoring and data capture (an adequate tracking system)<sup>9</sup>,
- lack of consistent extraction and application of insights and lesson from experience;
- need for more resources dedicated to policy dialogue,<sup>10</sup>
- more staff with policy related skills,
- need to target interventions in SEMED,
- need to enhance cooperation with other IFIs.<sup>11</sup>

Many of these evaluations took place before, or fed into, the establishment of the enhanced approach, and are examined again in the relevant section of this evaluation. More recently, the Investment Climate Support Study identified policy dialogue findings in relation to Egypt, as part of its case study. The box below summarises these key findings:

### Box: Summary of Investment Climate Support: Egypt Case Study, 2018

EBRD policy dialogue efforts have achieved results in the limited time the Bank has been present in Egypt and it has delivered on the country strategy. This result is particularly commendable given the complex context in which it operates and the challenges it faces.

This case study found a need for policy dialogue with the authorities to close the gaps and improve the legal and regulatory framework; the Bank can and should play a leading role in the policy dialogue defined by the area of its expertise... It can have an innovative role and maintain a hands-on approach for linking the different key stakeholders. The managing director, deputy head, senior bankers and economists represent the Bank in policy dialogue with the main

<sup>8</sup> EvD Study: 2017 Bank support for local capital market development

<sup>9</sup> EvD Studies: 2011 Transport Operations Policy, 2014 EBRD's experience with policy dialogue in Ukraine, 2010 Evaluation of policy dialogue, 2016 EBRD's experience with resident offices, 2014 EBRD's Shareholder Special Fund

<sup>10</sup> EvD Studies: 2014 EBRD's experience with Policy Dialogue in Ukraine and 2010 Evaluation of Policy

<sup>11</sup> EvD Study: 2018 Transport sector strategy review & 2017 Bank support for local capital market development

government counterparts. This is where the impact has been tangible and where feedback from counterparts has been positive, reasserting the strong brand EBRD has built in the country.

Key difficulties faced in engaging in policy dialogue in Egypt: included: (i) changing leadership and management in the main public agencies (and in EBRD to a lesser extent), and lack of continuity of relationships with counterparts at all levels; (ii) high centralisation of government; (iii) limited human resources and need for more local staff against a challenging recruitment process.

Source: Investment Climate Support: Egypt Case Study

In addition to the evaluative work looking at policy engagement, the recent thematic study on Country Strategies merits discussion because of its findings on country strategies as a tool for operational guidance. With consideration that most of the policy engagement in SEMED during this period took place prior to the new strategic planning frameworks being introduced, the report highlights important areas that this evaluation discusses in Section 4, namely on the extent to which country strategies are used as a tool for operational guidance, both for individual instruments and to facilitate the planning of the combination of instruments. While not repeating all key findings, it is worth mentioning that the report found that in general:

‘There has been a notable progress on the integration of policy priorities and policy engagements in the country strategies. There is some lack of transparency on the operationalisation of policy priorities and this is exacerbated by the lack of comprehensive information of on-going policy work’.

There has never been a systematic process for evaluation or self-evaluation of these activities. Their variety is such that some (for example, incentive payments) are inseparable from the associated investment operations, while others (for example, stand-alone policy dialogue) fall far outside any definition of project-level evaluation.



## Annex 2: Summary of IFI activities in SEMED at time of EBRD expansion

|             | <i>Egypt</i>              |  |  | <i>Jordan</i>                                |  |   | <i>Morocco</i>                               |  |  | <i>Tunisia</i>                              |  |   |
|-------------|---------------------------|--|--|--|--|---|--|--|--|---|--|---|
| Institution | Portfolio                 | ABV  | Private Sector                                   | Portfolio                                    | ABV  | Private Sector  | Portfolio                                    | ABV  | Private Sector   | Portfolio                                   | ABV  | Private Sector  |
| World Bank  | \$4.05 bn                 | Annual average of around USD1 bn since FY09 (with a sharp increase in FY10 to USD2.2 bn) | --   | \$329 m                                      | FY09: USD140 m<br>FY10: USD302 m<br>FY11: USD476 k<br>FY12: USD254 m | --  | \$1.5b                                       | Average of \$642 m a year; record level of USD729.5 m in 2010. | MSME Access to Finance loan approved in FY12; Economic competitiveness planned in FY13 | \$510m                                      | FY11 amounted to \$592 m. There was no new lending in FY12.                                      | Export Development Project II & III (under preparation); MSME Financing loan FY11 |
| IFC         | \$1,153 m in 32 companies | FY12 \$506m  | Portfolio increased by 47% between FY10-present. | \$658 m in 16 companies as of end-April 2012 | USD141 m in FY11   | Expected annual commitments around USD100 m over the next three years | \$219 m in 10 companies as of end-April 2012 | \$18.5 m in FY11   | PS only  | \$252 m in 6 companies as of end April 2012 | In FY11, USD7.8 m project in the health sector; FY12 ytd USD31 m in oil/gas and financial market | Focus on PPPs, equity investments and IT  |
| AfDB        | \$2.20 bn                 | Approvals in 2011 have been for grants only worth UA 5.42m                               | 11% active portfolio                             | --   | --   | --  | EUR1.74 bn for 25 operations                 | EUR904 m expected in 2012                                      | No private sector projects as of yet   | Active portfolio comprises 36 operations    | For 2012, a \$500 m budget support operation and 1 wastewater management project of \$40m        | Lines of credit and hydrocarbon sector  |
| EIB         | EUR5.6 bn                 | Average EUR320 m over the last five years.   | 2009-2011 EUR404 m                               | EUR934 m since 1978                          | EUR81 m loan and EUR5 m equity in 2011                               | 48% of signed loan exposure   | EUR4.5 bn                                    | EUR700 m in 2011   | 28% of volume on average over the last 3 years   | EUR4 bn                                     | EUR300 m in 2011   | 21% on average over the last 3 years  |
| KfW/DEG     | EUR1.2 bn                 | EUR390 m in 2010; average ABV EUR170 m   | EUR390 m in 2010                                 | --   | ---  | --  | EUR600 m of current commitments              | Small  | --   | EUR1.4 bn                                   | EUR48 m in 2010<br>EUR91 in 2011   | No recent project   |

### Annex 3: Policy engagement interventions in SEMED

A full list of TCRS records of policy engagement in SEMED 2012-2018 is available on request from EvD. The table below sets out the principal workstreams for policy priorities by area of transition.

| Principal Workstreams                    |   |  |  |
|--|---|--|--|
| Primary Transition Quality <sup>12</sup> | Area of engagement  | Specifics of effort  | Principal teams <sup>13</sup>  |
| Resilient                                | Capital Market Development – road map   | Jordan policy priority 2019  | LC2, RO Jordan   |
|  | Public Procurement  | Jordan policy priority 2019  | LTT, Gender, RO Jordan   |
|  | Supporting Sustainability and Commercialisation of Public Services and Infrastructure- Gas market unbundling, water sector, Cairo Metro | Egypt policy priority 2018/2019<br>Morocco policy priority 2018/19<br>Tunisia and Morocco project specific PD TC<br>Jordan policy priority 2018<br>Egypt IA on urban transport | EPG SEP SEMED<br><br>MEI, RO Morocco, RO Tunisia<br>RO Jordan<br><br>MEI, RO Egypt |
|  | NPL reform  | Tunisia policy priority 2019   | FI, RO Tunisia, EPG SEP, LTT   |
| Inclusive                                | Vocational education and training; public-private dialogue  | Jordan policy priority 2018, 2019  | Gender, RO Jordan  |
|  | Women entrepreneurs access to justice   | Jordan policy priority 2018  | Gender, LTT  |
| Competitive                              | SOE modernisation - gas/oil sector  | Egypt policy priority 2018/19  | EPG SEP SEMED  |
|  | Supporting Sustainability and Commercialisation of Public Services and Infrastructure- Gas market unbundling                            | Jordan policy priority 2019  | EPG SEP SEMED  |
|  | PPP Work  | Tunisia policy priority 2019   | LTT, IPPF, RO Tunisia  |
|  | Public private dialogue – agribusiness sectors  | Egypt and Tunisia and Morocco TC   |  |
| Well-Governed                            | Regulatory framework and SME support in SCZone  | Egypt policy priority 2019   | EPG Governance, SME F&D SEMED, LTT   |
|  | Capital Market Development – debt market  | Morocco policy priority 2019   | LC2, RO Morocco  |
|  | Foreign Investment Council  | Egypt TC<br>Tunisia policy priority 2018   | EPG Governance   |
| Green                                    | PSP in RE Sector  | Tunisia policy priority 2018/19<br>Egypt policy Priority 2018  | PEU, RO Tunisia, RO Egypt  |
|  | Renewable energy sector development - with gender equality lens   | Egypt TC   | SI3P   |
|  | Renewable energy sector development- energy storage   | Jordan priority policy 2018  | EPG SEP SEMED  |
|  | EE Standards and Labelling  | Morocco policy priority 2018   | E2C2   |
|  | Cement low carbon market development  | Egypt policy priority 2018   | E2C2, M&S  |

<sup>12</sup> According to data provided by EBRD's Economics Policy and Governance

<sup>13</sup> Based on Operation Leaders and known involvement

## Annex 4: Country strategy coverage

| Tunisia   |  |  |
|---|--|--|
| Tunisia Country Assessment operational themes 2012-2013 and Country Strategy 2018-2023 priorities   | Policy dialogue activity details listed: blue front for strategic detail versus black for country assessment if in bold, this activity appears in the results framework of the strategy  | Coverage 2011-2018 through policy engagement (those in bold are policy priorities tracked through PPO)   |
| <p>Restructuring and strengthening the financial sector to support private sector development;</p> <p>Strengthen Resilience of the Financial Sector and Broaden Access to Finance</p>   | <p>Specific reference to supporting the transition of the insurance sector through TC and direct investments.</p> <p>In private equity (policy engagement), supporting regional fund managers that have Tunisia in their investment focus, engage in capacity-building of the policy engagement industry, and cooperate with other DFI's in developing a stable international, regional and local investor base, promoting greater investor interest in the asset class.</p> <p>Supporting the development of local currency and capital markets</p> | <p>Negotiation and signature of MOU on LC framework (XTC)</p> <p>Review of the legal framework for factoring</p> <p>Advice to the regulator, government, and parliament, on the risk interest rate cap (PPO 2019 followed from previous TC)</p> <p>Review of Money market indexes including Risk-Free Reference Rate (Bank funded) benchmark yield curve model (SA), review of the legal and regulatory framework for capital markets (SA),</p> <p>Responsible pricing for Microfinance (SA) modernisation of clearing &amp; settlement infrastructure (SA)</p> <p>Provided assistance to Central Bank, in coordination with IMF, on preparation of law and decree creating a Deposit Guarantee Fund (XTC)</p> <p>Regulatory framework for NPL resolution (debt collection Companies law (SA), legal framework drafting of insolvency holders profession, with a judicial handbook for reorganisation cases in insolvency and training (SA).</p> <p>Policy advocacy for restructuring of state owned banks (XTC)</p> <p>Speaker and Partner at 2nd MENA Roadshow, London (XTC)</p> <p>Speaker and attendant at 2-day Frontier Exchange conference on MENA region, London (XTC)</p> <p>Speaker at the Arab Federation of Exchanges Annual Conference 2015 (XTC)</p> |
| <p>Financing private enterprises, with a focus on SMEs, to boost the creation of high quality private sector jobs and develop a resilient and diverse economy;</p> <p>Support Tunisia's Competitiveness by Opening Markets, Strengthening Governance, and Levelling the Playing Field</p> |  | <p>Forum on Sustainable Value Chains 2017 (SA)</p> <p>Improving Quality in the olive oil sector (linked to projects) (TC)</p> <p>SEMED public procurement conference (2012 SA)</p> <p>Electronic Public procurement system for SMEs (SA)</p> <p>Enhancing the investment climate and improving the conditions for businesses to start, operate, and close via support to the Tunisia Investment Authority on the investment council (PPO 2018).</p>  |
| <p>Supporting energy efficiency and the development of a sustainable energy sector, to improve energy security, sustainability and economic competitiveness</p>   | <p>Bringing EBRD specific expertise to bear in this area by promoting liberalisation, unbundling and commercialisation, potentially linked to large projects requiring co-financing.</p>   | <p>Advice to the Ministry of Energy on tender documentation, and bankability of the Power Purchase Agreement (PPO 17 18 19, SA)</p> <p>Framework for Environmental and Social Impact Assessment of the large scale RE programme (TC SA)</p>  |

|  |   |   |
|--|---|---|
| Support Tunisia's Green Economy Transition.  | These activities would need to be closely coordinated with other IFIs active in this sector, and would be focused on the specific expertise the Bank could provide in this joint approach, including through concerted policy dialogue.               |   |
| Facilitating non-sovereign financing for infrastructure development to provide wider access to better quality urban and efficient public services.   | The Bank will aim to conduct policy dialogue to strengthen governance and institutional capacity of public utilities, in order to help create a reform environment that could enable the Bank to be a catalyst for decentralised financing solutions. | PPP draft Law (approved in 2015 for non-concession types of PPPs), and legal review of the 2008 Concession Law (SA)<br>Advice to government on PPP policy (PPO 2019, following older SA TC)<br>Bizerte Lake Environmental Project (linked to investment, TC)                                    |
| Promoting transport and municipal infrastructure reform and decentralisation of municipal services with a particular focus on non-sovereign financing and mobilisation of private sector investment, where possible. | Conducting policy dialogue with the aim of creating a reform environment that could enable the Bank to be a catalyst for decentralised financing solutions, frameworks for PPPs, and sector reform and allow the bank to finance such solutions.      | Policy dialogue to ONAS involving the creation of an inter-governmental platform to consider long term financial planning and budgeting, thereby supporting its long term financial sustainability (related to investment TC).<br>Bizerte Lake Environmental Project (linked to investment, TC) |
| Promote Economic Inclusion for Women, Young People and Populations Living in Remote Areas Through Private Sector Engagement  |   |   |

| Jordan  |  |   |
|---|--|---|
| Jordan Country Assessment operational themes 2012-2013 and Country Strategy 2014-2018 priorities  | Policy dialogue activity details listed: blue front for strategic detail versus black for country assessment operational response mention if in bold, this activity appears in the results framework of the strategy   | Coverage 2011-2018 through policy engagement (those in bold are policy priorities tracked through PPO)  |
| <p>Supporting sustainable energy through investments that promote energy efficiency throughout the economy, the development of new sources of renewable energy and alternative fossil fuel supply as well and Jordan's transition to a liberalised, sustainable energy sector;</p> <p>Enhancing energy sustainability and efficiency</p>                              | <p>Specific reference to Policy dialogue to support Jordan's legislative framework with regards to energy efficiency, climate change, and sustainable energy initiatives. This will include cooperation with other IFIs and multi-/bilateral donors on the implementation of climate finance funding in Jordan</p> <p>Focus policy dialogue and TA on fostering a conducive and sustainable investment environment to:</p> <ul style="list-style-type: none"> <li>i. improve the clarity and effectiveness of the regulatory framework with a view to deregulate the oil distribution market including through price liberalisation and to support renewable energy investments (both large generation and small scale decentralised initiatives as well as corporate and household on-site solutions),</li> <li>ii. facilitate more innovative approaches to sustainable energy such as demand side response or wheeling arrangements to allow bilateral sales of renewable energy,</li> <li>iii. support public and private sector initiatives and awareness for more energy efficient solutions.</li> </ul> <p>The Results Framework includes:</p> <ul style="list-style-type: none"> <li>(i) policy dialogue activities to support new import infrastructure and private operators in the oil/gas sector/related products → to increase capacity of domestic energy generation, transmission and distribution including through network improvements and a diversification of courses</li> <li>(ii) policy dialogue/advice with the energy regulator, MoE, in close coordination with other IFIs and TC support to improve legal and regulatory frameworks e.g. to oil distribution market → effectively and efficiently contribute to progress in overall reform including through promoting the application of new laws and regulations .</li> </ul> | <p>Policy advice to development of the PPA for renewable energy (SA)</p> <p>Support to the development and adoption of a permanent regulatory regime for energy storage (SA, PPO 2018)</p> <p>Sharing ESCO and EnPC Experiences with potential EnPC Customers and ESCOs in Jordan – Workshop (SA)</p> <p>Development of a National Programme for the Promotion of Solar Water Heating (SA)</p> <p>Jordan Gas Market Design (SA_</p>   |
| <p>Direct and indirect financing of private enterprises in the corporate sector, including</p> <p>SMEs, improvements in the agribusiness value chain and energy and water use efficiency, aimed at boosting the creation of high quality jobs and further developing a thriving private sector;</p> <p>CS: Enabling dynamic, private sector-led, inclusive growth</p> | <p>CS notes that the bank will intensify its active policy dialogue with the financial sector including advisory services and CB at FI, banks and microfinance institutions, with the regulator and development of local currency and capital markets.</p> <p>The Bank will also continue to use public private dialogue to address key competitiveness challenges in the agribusiness sector on water use and promote the improvement of quality and hygiene standards to enhance export opportunities, and streamline trade and certification regulations</p> <p>Finally the Bank will engage to see if some of the employment restrictions on women working in certain sectors (such as factories) can be adapted and/or made more flexible to enable more women to enter the labour force.</p> <p>The Results Framework includes policy dialogue/TC for improved business regulatory environment and local capital markets (LC2) → to support access to and diversification of small business financing including in local currency and policy dialogue and TC for improving competitiveness and export opportunities (e.g. food security initiative) → to strengthen competitiveness through introduction of business related skills, international management practice and good corporate governance aiming at demonstration effects across market segments</p>  | <p>PPO (2017 2018 2019) to reform of the TVET sector in Jordan through the introduction of formal public/private sector engagement structures to improve vocational education and training (TA attached to inv)</p> <p>Legal analysis of primary and secondary procurement legal framework and advocacy/cB workshops (SA)</p> <p>JONEPS work (SA)</p> <p>Memorandum of Understanding ('MoU') with the Government of Jordan on the implementation of the 'Investment Climate and Governance Initiative for Jordan' (XTC)</p> <p>Enhancing public-private dialogue (SA)</p> |

|   |   |   |
|---|---|---|
| <p>Promoting infrastructure reform and facilitating non-sovereign financing, where feasible,</p> <p>in order to develop efficient delivery of infrastructure services. Supporting PPPs and private sector participation in the infrastructure sector. The EBRD will also aim to support water and energy efficiency in the municipal sector.</p> <p>CS: Support for commercialisation and PSP in infrastructure</p> | <p>Specific reference to promoting institutional and regulatory reform in the municipal sector – decentralisation and corporatisation of municipal services provision and establishing cost recovery tariffs will be key to development of non-sovereign financial solutions and increased private sector participation. Also to Supporting commercialisation and modernisation of municipal infrastructure, Supporting the development of private sector participation, including via financing of PPPs in the municipal and transport sectors</p> <p>Results framework included policy dialogue activities (including T2T and TC with relevant authorities → provide access to capital and promote innovative financial solutions to investment needs</p> | <p>Support to the implementation of the 2017-2025 MWI Action Plan for the Water Authority of Jordan, aiming to increase tariff levels to a commercially viable level. This will include the increase in water and wastewater connection fees by 15% in 2018.(PPO 2018, TA related to Inv)</p> <p>Integrating inclusive procurement into water and wastewater public procurement (TA related to inv PPO 2019)</p> <p>NEPCO gas unbundling and downstream market opening (SA,PPO 2019)</p> <p>Developed PPPs</p> <p>Solid waste policy dialogue (TC inv related)</p>  |
| OTHER WORK  |   | <p>Addressing barriers women entrepreneurs face in accessing justice: study, manual and training; issue recommendations on key reforms in the justice sector identified by the EBRD (PPO 2018)</p> <p>Framework: Implementation of "Strategy and Roadmap for Capital Market Development in Jordan (SA)</p> <p>Panel discussion at EBRD annual meeting: Reinforcing investor interest in Jordan Capital Markets (XTC)</p> <p>Jordan and Morocco and other CoOs: Transaction cost study: comparative benchmarking study of the level of transaction and issuance cost for debt securities (SA)</p> <p>Law affecting women's access to credit (SA)</p> |

| Egypt   |  |  |
|---|--|--|
| Egypt Country Assessment operational themes 2012-2013 and Country Strategy 2017-2020 priorities   | Policy dialogue activity details listed: blue front for strategic detail versus black for country assessment if in bold, this activity appears in the results framework of the strategy  | Coverage 2011-2018 through policy engagement (those in bold are policy priorities tracked through PPO)   |
| <p>Financing and improving conditions for investments in the private sector with particular emphasis on SMEs, to support transition and job creation enhancing the agribusiness value chain to improve food security, strengthen the distribution chain, and develop a sector that accounts for a high share of employment modernising the financial sector so that it can contribute more fully to economic growth by strengthening its capacity and diversifying the range of financial products offered, including risk capital.</p> <p>CS: Support Egypt's Private Sector Competitiveness through Stronger Value Chains, improved access to finance for SMEs, and increased economic opportunities for women and young people</p> | <p>The Bank will continue to work with the SFD.</p> <p>The Bank will be ready to engage on reforming the bankruptcy and insolvency legal and regulatory framework.</p> <p>The Bank will continue its policy support to the Central Bank of Egypt to modernise its clearing, settlement and depository system for government securities. It will also support the development of the corporate bond market, working notably with the Egyptian Financial Supervisory Authority, through the development of a short term debt framework, advisory on the development of an enabling environment for the establishment of fixed income funds, as well as capacity building specifically focused on credit and fixed income markets in the form of e-learning.</p> <p>To support youth inclusion, the Bank will promote the development of training provision benchmarked against international and national standards (including the Egyptian National Qualifications Framework) and requirements with a particular focus on vocational training delivered through private sector providers or partnerships between national education providers (e.g. universities) and the private sector.</p> <p>Potential sectors include natural resources, public transport, property and tourism.</p> <p>RF included:</p> <ul style="list-style-type: none"> <li>- Policy dialogue with the SFD on developing and implementing a National MSME Strategy</li> <li>- Improve productivity and competitiveness through promotion of best operational and management practices, and integration of SMEs into value chains by strengthening backward and forward linkages</li> <li>- Policy support on sovereign and corporate bonds markets development</li> <li>- Facilitate SME's access to finance by promoting more tailored products and addressing some of the impediments in the financial infrastructure</li> </ul> | <p>PD to establish PPD on grain sector (with FAO)</p> <p>Developing an SME policy paper that will support SFD's 'National Strategy for MSMEs' and support the SFD in its implementation thereof.</p> <p>Study assessing Egyptian SME's readiness to access capital markets (SA)</p> <p>Created a money market contact group with the Central Bank and market participants to discuss, recommend and catalyse developments in EGP money markets to support financial stability (XTC)</p> <p>Workshop on developing private equity and venture capital in Egypt which will facilitate an investment exit route for funds</p> <p>Creation of short term debt framework (SA)</p> <p>Upgrade of government bond CSD (SA)</p> <p>Derivatives law reform (SA)</p> <p>Review of money market indices (XTC)</p> <p>Funding EBRD in local currency (XTC)</p> <p>Yield curve modelling (SA)</p> <p>E-procurement</p> <p>Improving Transparency and Disclosure in the Egyptian Capital Market (SA)</p> |
| <p>Supporting reform and commercialisation of the transport, fuels and power sectors, including through the mobilisation of private sector infrastructure investment, where feasible.</p> <p>Upgrading and expanding municipal infrastructure, based on decentralisation and commercialisation principles, to provide the population with wider access to better quality urban services.</p>  | <p>The Bank will continue to roll-out its Integrated Approach to Cairo Urban Transport which, in addition to commercialising of operators focuses on (i) strengthening the Greater Cairo Transport Regulatory Authority; (ii) improving carbon emissions profile and (iii) supporting equal opportunities practices and introducing international best practices on youth-inclusive procurement, and stands ready to provide assistance to the Egyptian authorities in support of tariff reforms in the urban transport sectors.</p> <ul style="list-style-type: none"> <li>- The Bank will continue to provide policy advisory support to the Egyptian authorities to improve the legal, regulatory and operational framework for greater private sector involvement in infrastructure financing, with a focus on</li> </ul>  | <p>PPP work: Central PPP Unit as part of the Ministry of Finance, including support for the preparation and tendering of a Public Private Partnership programme to develop and operate Nile River Buses services</p> <p>MoU with the Ministry of Irrigation for the development of the national irrigation sector in Egypt.</p> <p>Policy dialogue with the Bank with the aim of preparing a report on a new strategic tariff reform (TC rel to inv)</p>   |



|  |   |   |
|--|---|---|
| <p>CS: Improve Quality and Sustainability of Egypt's Public Utilities through Private Sector Participation and Commercialisation</p>   | <p>river transport (for freight and passenger transit), urban solid waste, and the port/dry port sectors.</p> <ul style="list-style-type: none"> <li>- The Bank will continue to support the commercialisation of the Egyptian Electricity</li> <li>- Holding Company through promoting adoption of IFRS accounting standards. The Bank will cooperate with other institutions, in particular the World Bank and the EU, to support unbundling of the Egyptian Electricity Transmission Company, together with the introduction of network tariffs and consequent reforms.</li> <li>- The Bank will support the Egyptian authorities in domestic gas market reforms, including developing a framework for third-party access to gas transmission infrastructure, as well as improve price transparency across the value chain and introduction of cost reflective pricing for gas.</li> </ul> <p>RF mentions:</p> <ul style="list-style-type: none"> <li>- Implement the Integrated Approach for Greater Cairo Urban Transport to finance greener high capacity public transport, strengthen the regulator, support improved operational and energy efficiencies, and foster youth inclusion and gender equality.</li> <li>- Support private sector participation in municipal services, including through PPPs on case by case and policy advice → Improve operating practices of municipal public services focused on financial sustainability, including through the use of increased private sector participation.</li> </ul> <p>And Advisory on gas market reform, including third party access and pricing transparency → Promote commercial practices in the power and gas sector and increase share of private sector operators</p> | <p>Built capacity of GASCO and provided support for the practical implementation of Egypt's new Gas Market Law (PO 2018/9, TC rel to inv)</p> <p>PSC with Cairo Metro (PPO 2018 TC rel to INV)</p> <p>Modernisation of SOE governance with ministry of petroleum (PPO 2018/9)</p> <p>Development of ESIA Guidelines for the Oil and Gas, Cement Manufacturing Plants and Renewables Sector (SA)</p> <p>Kafr El-Sheikh Wastewater Expansion Programme (Inv related TC)</p>   |
| <p>Increasing the role of cleaner fuels and renewable energy, including solar energy, and improving energy efficiency so as to support energy security and enhance economic competitiveness;</p> <p>CS: Support Egypt's Green Economy Transition</p> | <p>The Bank will continue to engage with the authorities on the regulatory and contractual framework for renewable investments. The Bank will also explore opportunities to support the development of market based tender structures, aimed at exploiting Egypt's large renewable potential.</p> <ul style="list-style-type: none"> <li>- The Bank will engage with the authorities to provide legal advisory support on improving the energy efficiency legislation.</li> <li>- The Bank will support Egypt in the implementation of its COP21 commitment and engage to support the Egyptian authorities in prioritising and determining the enabling policies to promote climate change mitigation and adaptation, including through reduction of water usage and improvement of water efficiencies. As part of this agenda, the Bank will continue its support to regulate gas flaring and incentivise recovery of associated gas. This will include engaging the country in international initiatives such as the Zero Gas Flaring by 2030 initiative.</li> <li>- The Bank will continue to support the authorities in improving the Environmental, Health, and Safety standards for the oil and gas industry, including the ongoing effort on raising occupational health and safety standards; improving</li> </ul>  | <p>Policy dialogue to assist the authorities in developing a legal and contractual framework geared for both private sector led and financed renewables projects (with IFC) PPO 2018)</p> <p>Programme for Supporting RE and Promoting Gender Equality in Egypt (SA)</p> <p>Solar grid code preparation (SA)</p> <p>Policy dialogue with the Ministries of Industry &amp; Trade and Environment to assist in the development of a countrywide low-carbon road map for the cement industry to 2030 (PPO 2017 2018)</p> <p>Develop investments in Green Logistics with PSP (2017 PPO)</p> <p>Egypt: Assistance in Developing Hazardous Waste Management Programme (SA TA)</p> |

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|--|--|--|
|  | <p>management of biodiversity and establishing world-class oil spill response capability.</p> <p>In the RF: Policy dialogue to support energy efficiency Legislation → Help Egypt mitigate climate change, including through improved energy and material efficiencies and more attractive framework for resource efficiency investments</p> <p>And Policy dialogue supporting implementation of Egypt's COP21 commitment, including on reduction of water usage and improvement of water efficiencies → Support water efficiency, in particular in the agribusiness sector</p>  |  |
| CS: Strengthen Governance and Level the Playing Field for all Businesses | <p>The Bank will engage with the Egyptian authorities to provide capacity building and technical assistance in the field of competition and policy delivery to relevant institutions. It will also seek to assist in the development of a governance programme for the Suez Canal Economic Zone Authority, jointly with the OECD.</p> <ul style="list-style-type: none"> <li>- The Bank will provide policy advice and capacity building to promote more transparent and more accountable public procurement processes. This includes support in drafting legislation and operational policies for modernising public procurement system in Egypt. In addition, the Bank will assist with the development of a concept for a comprehensive eProcurement scheme for the public sector, aimed at increasing the accessibility by SMEs (including outside of larger urban centres) of public tenders, to improve the competitive environment and increase public sector's supplier diversity.</li> <li>- The Bank will engage with the authorities to discuss the provision of selected judicial training programmes to support the private sector business environment, for instance with a focus on arbitration to help reduce the time required to resolve commercial disputes.</li> <li>- The Bank will conduct targeted research to identify women entrepreneurs' obstacles to access dispute resolution and develop policy recommendations.</li> </ul> <p>In RF: Policy dialogue to promote women participation on listed companies' boards and on a case by case basis provide capacity building → Support improvements in governance practices in the corporate sector and SMEs which can be a catalyst for improved governance levels in the country</p> <p>Provide legal advisory support in public procurement reform, including eProcurement improving access by SMEs → Foster the development of a level playing field, with a focus on competition policy, judicial capacity and public procurement</p> | <p>Launched support for Regulatory Framework to the Suez Canal Economic Zone (PPO 2019)</p> <p>Draft legal framework on public procurement (SA)</p> <p>Implementation of Insolvency Legislation (SA)</p> <p>Foreign investment Council of Egypt (SA)</p> |

| Morocco   |  |   |
|---|--|---|
| Morocco Country Assessment strategic directions 2012-2013 and Country Strategy 2014-2019 priorities   | Policy dialogue activity details listed: blue front for strategic detail versus black for country assessment if in bold, this activity appears in the results framework of the strategy  | Coverage 2011-2018 through policy engagement (those in bold are policy priorities tracked through PPO)  |
| <p>Financing private enterprise to support competitiveness and employment, with a specific emphasis on SMEs</p> <p>Country Strategy prioritises Realising Morocco's entrepreneurial potential</p>   | <p>Specific reference to improving the business climate by strengthening competition policy, increasing investor protection and improving tax administration.</p> <p>CS committed to expand policy dialogue to inter alia support the implantation of the competition policy and <b>secured transactions</b>; to <b>promote women's economic empowerment/entrepreneurship</b>.<br/>The Bank will cooperate with the Moroccan authorities in the development of legal frameworks and sustainable training schemes facilitating SMEs participation and increased success rate in public tenders.</p> | <p>Morocco: Secured Transactions Reform – Designing a New Legal Framework (Phase 1 and 2) (2014, SA)<br/>SEMED Women Judges forum (SA)</p>  |
| <p>Modernising the agribusiness value chain to improve food security and develop a more open, competitive agricultural sector</p>   | <p>Supporting policy dialogue initiatives dealing with Agricultural land ownership and size, the harmonisation of the tax regime in farming and processing and the reform of the subsidy system</p>  | <p>Forum on Sustainable Value Chains 2017 (SA)<br/>Improving Quality in the olive oil sector (SA)</p>   |
| <p>Further strengthening the financial sector and capital markets in order to promote longer term financing and a more diverse range of techniques and financial products</p> <p>Country Strategy prioritises Advancing Capital Markets Development</p> | <p>Continue to work with the local stock exchange to improve governance, facilitate future listing and broaden exit options for equity holders</p> <p>Support MoF to establish regulatory FW allowing enforceability of close-out netting an opening the market to OTC derivatives</p> <p>Support legal FW for innovative financing structures such as warrants for primary agricultural products or REITs.</p>  | <p>Deauville Partnership assessment (2013, SA)<br/>CFC conference on securities lending (2014)<br/>SME Workshop on access to Capital Markets (2015, SA)<br/>Support to REITs draft law (ongoing dialogue and via investment, started 2014)<br/>SEMED flagship report (2015, SA)<br/>Listing Support Program (2015, SA)<br/>Advisory on Free float and index definition (2015, SA)<br/>Advisory on CSE demutualisation (2015, SA)<br/>Workshop on SME access to Capital Markets, jointly with CSE and LSE (2015, SA)<br/>Study assessing Moroccan SMEs' readiness to access capital markets (2016, SA)<br/>Funding EBRD in local currency with local institutional investors (2016, SA)<br/>Speaker and attendant at the LSE-CSE London conference: "Morocco: your footprint in Africa" (2016, SA)</p> |

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|  |  | <p>Sovereign yield curve modelling (ongoing, SA)</p> <p>Review of fixed income markets (ongoing, SA)</p> <p>Legal and regulatory framework for derivatives transactions</p> <p>Review of money market indexes (2017, SA)</p> <p>MofU on SME local currency program (2017, SA)</p> <p>Speaker at Morocco capital markets Day, LSE, London (2017)</p> <p>Speaker at Africa capital markets Day, (2017) CSE, Casablanca</p> <p>Legal framework for derivatives (standalone)</p> <p>Support with crowdfunding regulation (2018)</p> <p>Other regional work not captured here.</p>   |
| Supporting Morocco's sustainable energy strategy to improve energy security and enhance economic competitiveness   | <p>Engaging in policy dialogue to reform the electricity sector in order to promote a free open market in electricity, reorganise the state owned Office Nationale d'Electricité (ONE), establish an independent regulator and help create a market for electricity which should foster the development of independent private energy producers over the medium term.</p> <p>Reiterated by the CS: support development of EE regulatory and institutional framework</p>  | <p>Support to ONEE governance (through investment)</p> <p>Support to development of the medium voltage electricity network to private renewable energy producers (standalone)</p> <p>Support to gasification and improvements of its gas supply optionality (standalone)</p> <p>Work to establish a legal framework that incentivises investment in energy efficiency products and equipment (primarily through support to transposing EU eco-design and labelling directives) (SA TC, though helpful to GEFF rollout)</p> <p>SPREF: Policy dialogue mentioned in context of Khalladi wind farm investment</p> <p>Morocco ESCO workshop (SA)</p> <p>Preparation of electricity grid code (SA)</p> <p>Assistance to SIE RE programme</p> |
| <p>Promoting transport and municipal infrastructure reform and decentralisation of municipal services with a particular focus on non-sovereign financing and mobilisation of private sector investment, where possible.</p> <p>CS also prioritises Supporting Sustainability and Commercialisation of Public Services and Infrastructure</p> | <p>Conducting policy dialogue with the aim of creating a reform environment that could enable the Bank to be a catalyst for decentralised financing solutions, frameworks for PPPs, and sector reform and allow the bank to finance such solutions.</p> <p>Reiterated by Country Strategy: Technical assistance will be provided to establish the conditions required for the involvement of the private sector.</p> <p>Assistance to SOE to improve CG and steps towards commercialisation.</p> <p>Joint IFI PPP Platform participation</p> | <p>SEMED public procurement conference (2012)</p> <p>Study on Financing Urban Transport and Review of the Contractual arrangement between municipalities and private operators (2015, SA)</p>   |
| CS: Promoting Regional Inclusion   | The Bank will use policy dialogue to promote equal access in utilities and public services, with a focus on rural areas where inequality is comparatively higher.  |   |

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|            | <p>Work with authorities' and private sector stakeholders to identify opportunities to improve agricultural and animal husbandry practices.</p> <p>Focus on crops where Morocco has a competitive edge for export activity - e.g. olive oil – and support modern retail and appropriate logistics infrastructure along the value chain.</p> <p>Technical cooperation and policy dialogue will also be put in place to support local governments and companies in order to enhance core capabilities and encourage skills transfer.</p> |  |
| OTHER WORK |  | <p>Policy dialogue with Moroccan authorities in improving HSE regulation and national guidelines. Mentioned in the HSE CMT loan 48381 (2018, TC supported) – strategic fit with environmental and social implications of bank proposed activities. Aims to help with investment implementation &amp; future sector investment.</p> |

## Annex 5: Linking activity with country sector strategies

| Tunisia  |  |   |                |   |   |  |
|--|--|---|----------------|---|---|--|
| Country Themes                                   | Specific Items   | Country Strategy Priorities   | Specific Items | Results framework policy engagement commitments | PPO 2017-2019   | CSDR 2019 Treatment (in policy highlights) |
| Restructure financial sector                     | Insurance Sector development<br>Private Equity industry capacity building<br>Local currency and capital markets  | Strengthen Resilience of the Financial Sector and Broaden Access to Finance   | --             | No  | --  | N/A  |
| Focus on SMEs                                    | --   | Support Tunisia's Competitiveness by Opening Markets, Strengthening Governance, and Levelling the Playing Field             | --             | No  | Enhancing the investment climate and improving the conditions for businesses to start, operate, and close via support to the Tunisia Investment Authority on the investment council (PPO 2018). | N/A  |
| Sustainable energy sector                        | Promoting liberalisation, unbundling and commercialisation- closely coordinated with other IFIs and include policy dialogue                                | GET   | --             | No  | Advice to the Ministry of Energy on tender documentation, and bankability of the Power Purchase Agreement (PPO 17 18 19)  | N/A  |
| Non Sov financing for infrastructure development | Conducting policy dialogue with the aim of creating a reform environment that could enable the Bank to be a catalyst for decentralised financing solutions | --  | --             | No  | Advice to government on PPP policy (PPO 2019)   | N/A  |
| --   | --   | Promote Economic Inclusion for Women, Young People and Populations Living in Remote Areas Through Private Sector Engagement | --             | No  | --  | N/A  |

| Jordan                            |   |   |  |   |   |  |
|-----------------------------------|---|---|--|---|---|--|
| Country Themes                    | Specific Items  | Country Strategy Priorities                             | Specific Items   | Results Framework policy engagement commitments | PPO 17-19   | CSDR 2019 Treatment of PPO 2018 (in policy highlights) |
| Liberal sustainable energy sector | PD to support legislative framework   | Enhancing energy sustainability and efficiency          | PD/TA to improve regulatory FW innovative approaches especially on demand side awareness.  | Yes   | Policy advice to development of the PPA for renewable energy (SA)<br><br>Support to the development and adoption of a permanent regulatory regime for energy storage (SA, PPO 2018)   | Yes  |
| Private sector growth             | --  | Enabling dynamic, private sector-led, inclusive growth  | intensify PD with financial sector<br><br>Use public private dialogue to address Competitiveness challenges in the agribusiness sector on water use and promote the improvement of quality and hygiene standards<br><br>Look at employment restrictions on women | Yes   | PPO (2017 2018 2019) to reform of the TVET sector in Jordan through the introduction of formal public/private sector engagement structures to improve vocational education and training (TA attached to inv)  | Yes  |
| Infrastructure reform             | Decentralisation and corporatisation of municipal services provision and establishing cost recovery tariffs | Support for commercialisation and PSP in infrastructure | --   | Yes   | Support to the implementation of the 2017-2025 MWI Action Plan for the Water Authority of Jordan, aiming to increase tariff levels to a commercially viable level. This will include the increase in water and wastewater connection fees by 15% in 2018.(PPO 2018, TA related to Inv)<br><br>Integrating inclusive procurement into water and wastewater public procurement (TA related to inv PPO 2019)<br><br>NEPCO gas unbundling and downstream market opening (SA,PPO 2019) | Yes  |
| --                                | --  | --  | --   | --  | Addressing barriers women entrepreneurs face in accessing justice: study, manual and training; issue recommendations on key reforms in the justice sector identified by the EBRD (PPO 2018)   | No   |

| Egypt   |  |  |  |   |   |  |
|---|--|--|--|---|---|--|
| Country Themes  | Specific Items                                   | Country Strategy Priorities  | Specific Items   | Results Framework policy engagement commitments | PPO 17-19   | CSDR 2019 Treatment of PPO 2018 (in policy highlights) |
| Private sector competitiveness  | --   | Support Egypt's Private Sector Competitiveness through Stronger Value Chains, improved access to finance for SMEs, and increased economic opportunities for women and young people | Policy support to the Central Bank<br><br>Youth inclusion support  | No  | No  | Yes  |
| Infrastructure  | Mobilise PSP<br>Upgrade municipal infrastructure | Improve Quality and Sustainability of Egypt's Public Utilities through Private Sector Participation and Commercialisation  | Roll out the IA Cairo Metro<br>Support to FW for PSP with a focus on river transport, urban solid waste and dry ports<br>Commercialisation of electricity<br>Advise on gas market reform | No  | Policy dialogue with the Bank with the aim of preparing a report on a new strategic tariff reform (TC rel to inv)<br>Built capacity of GASCO and provided support for the practical implementation of Egypt's new Gas Market Law (PO 2018/9, TC rel to inv)<br>PSC with Cairo Metro (PPO 2018 TC rel to INV)<br>Modernisation of SOE governance with ministry of petroleum (PPO 2018/9)   | Yes  |
| Improving Energy efficiency so as to support energy security and economic competitiveness | --   | GET  | RE framework, EE legislation, support implementation of COP21 EHS in oil and gas   | No  | Policy dialogue to assist the authorities in developing a legal and contractual framework geared for both private sector led and financed renewables projects (with IFC) PPO 2018)<br>Policy dialogue with the Ministries of Industry & Trade and Environment to assist in the development of a countrywide low-carbon road map for the cement industry to 2030 (PPO 2017 2018)<br>Develop investments in Green Logistics with PSP (2017 PPO) | No   |
| --  | --   | Strengthen Governance and level the playing field for all businesses   | Governance programme for Suez Canal Econ Zone<br>Public procurement<br>Judicial training<br>Women entrepreneurial obstacles  | Yes   | Launched support for Regulatory Framework to the Suez Canal Economic Zone (PPO 2019)  | No   |



| Morocco  |  |   |  |                                  |   |  |
|--|--|---|--|----------------------------------|---|--|
| Country Themes   | Specific Items   | Country Strategy 2014 Priorities  | Specific Items   | Results Framework PE commitments | PPO 17-19   | CSDR 2019 Treatment of PPO 2018 (in policy highlights) |
| Competitiveness and employment, especially SMEs  | Strengthening competition policy, increasing investor protection and improving tax administration.   | Realising Morocco's entrepreneurial potential   | Expand policy dialogue to inter alia support the implantation of the competition policy and secured transactions; to promote women's economic empowerment/entrepreneurship                         | No                               | No  | No   |
| Modernising the agribusiness value chain to improve food security and develop a more open, competitive agricultural sector | Supporting policy dialogue initiatives dealing with Agricultural land ownership and size, the harmonisation of the tax regime in farming and processing and the reform of the subsidy system | --  | --   | No                               | No  | No   |
| Strengthen financial sector and capital markets  | --   | Advancing Capital Markets Development   | Support to MoF, local stock exchange. FW for innovative products   | No                               | Sovereign yield curve modelling (ongoing, SA)<br>Review of fixed income markets (ongoing, SA)   | Yes  |
| Energy Security and Competitiveness  | Reform of energy sector including ONE support  | Support development of EE regulatory and institutional framework                      | Reform of energy sector including ONE support  | No                               | Support to gasification and improvements of its gas supply optionality (standalone)<br>Work to establish a legal framework that incentivises investment in energy efficiency products and equipment (primarily through support to transposing EU eco-design and labelling directives) (SA TC, though helpful to GEFF rollout) | Yes  |
| Transport and Municipal Infrastructure Reform  | Catalyse decentralised financing solutions   | Supporting Sustainability and Commercialisation of Public Services and Infrastructure | TA to establish the conditions required for the involvement of the private sector.<br>Assistance to SOE to improve CG and steps towards commercialisation.<br>Joint IFI PPP Platform participation | No                               | No  | No   |

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|----|----|---------------------------------|---|----|----|----|
| -- | -- | Promoting<br>Regional Inclusion | PD to promote equal access in utilities and public services, with a focus on rural areas<br>Identify opportunities to improve agricultural and animal husbandry practices.<br>Focus on crops where Morocco has a competitive edge for export activity<br>Support local governments and companies core capabilities/skills transfer. | No | No | No |
|----|----|---------------------------------|---|----|----|----|

## Annex 6: EBRD policy engagement strengths, weaknesses, opportunities and threats

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| <p><b><u>Strengths</u></b></p> <p>Commitment to and credible track record in investments and policy advice in many sectors of the economy in the region of EBRD operations</p> <p>First-hand knowledge of policy/legislative/public governance issues gained from private sector clients</p> <p>EBRD through its own portfolio of investments feels the impact of policy and institutional environment on commercial opportunities and risks</p> <p>Expertise in various sectors of the real economy</p> <p>Flexible approach to policy advice that enables EBRD to seize reform opportunities as they arise</p> <p>Ability to bring together public and private sector for dialogue on policy reform</p> <p>Access to regular, fresh outside expertise through consultancy assignments on policy work</p> <p>Holistic approach to induce reforms through investments, policy reform dialogue and capacity building technical assistance to clients as well as market-relevant public institutions ('integrated approach')</p> | <p><b><u>Weaknesses</u></b></p> <p>Lack of appropriate internal structures to: 1./ map, manage and nurture accumulated institutional knowledge 2./ review periodically on-going policy reform engagements in COOs and 3./ measure the results of such engagements.</p> <p>Absence of strategic planning for policy reform engagement in countries</p> <p>Policy reform engagement is not consistently informed by political economy constraints</p> <p>Insufficient internal coordination of policy messages and policy advice delivery</p> <p>High reliance on individual investment projects delivering systemic impact</p> <p>Insufficient 'knowledge and resource' support for country management in policy reform dialogue</p> <p>Insufficient in-house expert capacity in certain areas – required to effectively manage external consultants for quality outputs and to represent the Bank as interface to policy dialogue counterparts</p> <p>Lack of internal incentive system to carry out policy reform dialogue</p> <p>Constrained donor funding for policy reform activities</p> |
| <p><b><u>Opportunities</u></b></p> <p>The Bank's rich project, industry and country experience and expertise could be much better leveraged to induce policy reform</p> <p>EBRD is already covering micro- and mid-level economic reform areas that are not covered or not covered well by other IFIs/international players (e.g. energy efficiency, corporate governance regulations, local capital markets, etc.)</p> <p>The Bank's focus on transition to market economy in defined sectors enables it to target its policy reform dialogue well (i.e. no need to expand into all areas of the economy and governance).</p> <p>The EBRD region also shows success in reform in many of its countries, particularly in advanced transition countries – that could be used and harnessed for knowledge transfer through EBRD</p>  | <p><b><u>Threats</u></b></p> <p>Relevance of the Bank's policy reform dialogue activities in countries amidst rising populism and some market reform reversals in certain countries</p> <p>Deep rooted vested interests developed during the first two decades of 'transition'</p> <p>Ability of the Bank to offer policy advice faithful to its credo in sustainable market economies against potentially competing economic policy/growth models</p> <p>Reputational risk with not clearly defining which areas it can provide meaningful policy advice and not having sufficiently deep in-house knowledge</p> <p>Potential conflict of interest arising from the Bank being both an investor and a policy advisor</p>   |

## Annex 7: Management comments and EvD response

| Management's comments   | EvD's response   |
|---|--|
| <p>Management welcomes the EvD report on the EBRD Policy Work on SEMED. It highlights the efforts of the EBRD in increasing its policy work in the region in recent years. In particular, the evaluation highlights that in number and volume, policy engagement technical cooperation (TCs) doubled in 2015-18 versus 2013-15 coinciding with Egypt's gaining full recipient status and the introduction of the Enhanced Approach. The amount of policy engagement funding deployed following the Enhanced Approach was about three times greater than prior to the Enhanced Approach.</p>   | <p>-----</p>   |
| <p>The study recommendations focus on the Bank's use of Country Strategies and Country Strategy Delivery Reviews for policy-related diagnostics and analysis of activities and results, recommending a self-evaluation of the Bank's Enhanced Approach to policy dialogue, establishing a comprehensive database on policy engagement, and a new annual summary of policy-related activities. Management agrees with four out of five recommendations. Management believes that reporting on policy engagement activities should not be separated, as policy work is one of the tools, though very important, the Bank uses together with other instruments (investments and capacity building) to achieve its transition objectives.</p> | <p><b>This evaluation further confirms a consistent finding from many EvD assessments of policy-related work. Whatever the merits of individual pieces of work, Management has no systematic, integrated reporting or assessment of its policy work at any level with which it can work or which can be provided – sub-sector, sector, country, regional, or Bank-wide.</b></p> <p><b>EvD believes that an annual summary and review of policy-related work, accomplishments and challenges would fill a very substantial and long-standing gap and at the same time be of high value to staff, clients and stakeholders. Clear accountability for producing such a report would enhance its internal profile and external visibility, ensure more effective processes for data gathering, review and interpretation that seem now to be lacking, and provide a valuable additional means of external communication. It would also provide supplemental material through which to consider resource needs and allocations.</b></p> |

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|  | <p><b>This report's specific function would not be peculiar since Management already has the annual donor report for TC, and the annual report for investments.</b></p> <p><b>Management's comments do not address either the needs or the potential benefits.</b></p>   |
| <p>Management also welcomes the evaluation highlights on the role of the EBRD's policy work in delivering transition impact (TI) in SEMED and elsewhere. Management shares the view that "Policy engagement was an important driver of TI in more than 85% of sovereign projects, almost always through TC associated with investments (transactional TC)". Nevertheless, management notes that a number of policies implemented in SEMED have not been mentioned in the report. For instance, as far as Gender and Inclusion (GEI) policy work in SEMED is concerned, the assessment does not acknowledge all the work already done and the achievements attained to date across SEMED. The ongoing GEI policy work in SEMED is all transactional (linked to investments) and not reflected in Policy Priority Objectives (PPOs) or in donor reports. Management notes that all ongoing GEI policy work across SEMED is articulated in MoUs signed with relevant counterparts (private sector associations and ministries) confirming alignment with governments' priorities.</p> | <p><b>EvD has reviewed the documentation available to it within the scope of the report. The report will briefly look again to make sure it provides the most complete picture of work and emerging results, based on available documentation and field work. A Management-prepared report to the Board, as recommended, would be an ideal way for Management to share its own assessment.</b></p> |
| <p>Management strongly supports the study recognition of progress achieved so far in adopting a systemic, structured and disciplined approach. While the report does not necessarily reflect the current strategic approach, where country diagnostics define what needs to be done and the country strategy (CS) process examines whether this can be done by EBRD, it does show that this approach works. As the report points out, "Country strategy priorities were broadly consistent with country diagnostics in most cases"; "the areas of focus of policy work in SEMED have been broadly well-aligned with national reform agendas"; "coordination with international finance institutions (IFIs) is indicated for just over half the engagements"; and most importantly, "Stakeholders consulted generally consider that EBRD delivers". Management underlines that the process has also strongly increased cooperation across the Bank, as the documents are prepared by EPG (diagnostics) and CSRМ (country strategies), in collaboration with</p>                     | <p><b>The report does not make any reference to a "systemic, structured and disciplined approach" being in place; rather, it cites areas of progress. Its discussion of the lack of implementation of the Enhanced Approach agreed in 2015 highlights the lack of such an approach.</b></p>  |

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| <p>Banking teams. In terms of PPOs, as the evaluation document points out, policy work and milestones are aligned with the country assessments and priorities set out in the strategies.</p>   |  |
| <p>Management notes the study proposal for further improvements in policy prioritisation, monitoring and reporting. Management however believes that the study does not adequately reflect the level of coordination with the authorities, the other IFIs and other donor communities around policy priorities. Management underlines that such coordination is not only a standard part of the country strategy preparation, but also all policy dialogue initiatives within a strategic period are reflections of continuous discussions with the government at different levels and then within the IFI community specifically.</p>   | <p><b>The report provides its findings on the basis of the material available to EvD.</b></p>  |
| <p>Management recognises the challenges ahead mentioned by the evaluation, in particular in terms of creating a consolidated database on policy. Management notes that evidence of impact of policy dialogue often comes through follow-up investments facilitated by improvement conditions through policy work. For instance in Egypt, renewable investments could not happen without constant discussions with the government, the ministers and others stakeholders to enable conditions for commercially viable PPA and hence renewable energy investments.</p> <p>Management also believes that the extent of reporting by specific teams on policy work has been overlooked. For example, the OGC Legal Transition Team (LTT) reporting tools include a list of TC projects from 1996 to date, arranged by country and giving some details on the project outcomes; and the annual publication of a new issue of its Law in Transition Journal disseminates lessons learned from its recent TC projects.</p> <p>Last but not least, Management recognises that it is indeed important to capture and report on the impact of policy engagements reflecting better their alignment with strategy, investments and overall impact. This will help to make a stronger case for donor additional support on which policy work strongly relies. Management believes that improvement cannot be achieved without additional resources to implement the ambitious recommendations put forward by the SEMED Policy Engagements EvD.</p> | <p><b>EvD has repeatedly acknowledged the existence of ongoing dialogue and its likely wider contributions. However Bank systems fail to capture the contribution of previous policy work to investments, which was a substantial intended objective of the Enhanced Approach. Substantial PE contributions to future investments can be missed and are not wholly captured systematically.</b></p> <p><b>EvD does not consider that the extent of reporting by specific teams on policy work has been overlooked. The LTP example is not in any sense a <i>reporting</i> tool, nor is it linked to the general results architecture of the bank.</b></p> <p><b>EvD has repeatedly encouraged Management to develop a consolidated picture of resource allocation for policy-related work and programme management. This would be a necessary starting point for a systematic discussion of additional resource needs.</b></p> |

## Management's response to the recommendations

### Recommendation 1:

*Within the next 12 months, Management should prepare for the Board a full self-evaluation of the Enhanced Approach to policy dialogue and an Updated Enhanced Approach to Policy Dialogue to be approved by the Board.*

Management agrees and welcomes this recommendation. Now is a good time to take stock of the 2015 Enhanced and Structured Approach to Policy Dialogue (EA) and its implementation, as well as on the role played by VP3 as a policy hub for teams across the bank. The self-evaluation of the Enhanced Approach to policy dialogue will be particularly useful in the context of ongoing strategic discussions and the new Strategic Capital Framework (SCF), that emphasises Bank's policy agenda and will undoubtedly further increase demand for its policy work as a key characteristic of strength of its business model. Management notes that the exact timing for review is difficult to set currently, given the uncertainty of the crisis duration and that resources are now fully engaged in the crisis response, including Rapid Advisory Response, and other Covid-19 critical policy engagements. Management will confirm the optimal timing as part of the follow-up Action Plan to this study, aiming provisionally at Q3 2021.

### Recommendation 2:

*Starting immediately, new country strategies for SEMED countries (and elsewhere) should provide substantially expanded treatment of policy-related diagnostics and specifically identify how priorities will be established.*

Management agrees with this recommendation.

Management recognises the value of a top-down strategic approach in setting long-term priorities and objectives in country strategies and outlining the Bank's activities and instruments, including policy dialogue, to achieve those objectives. Management highlights that the Bank has to carefully balance the value of expanding further details and the treatment of policy priorities in country strategy documents, and the risk of excessive prescription and rigidity that restricts Bank's ability to take advantage of potential opportunities (in addition to the risk of politicisation of policy deliberation).

Management underlines that the need to maintain adequate flexibility, including when unlocking investment opportunities in each country, is crucial given the unpredictable nature of policy dialogue. This is critical, because the Bank, by its very mandate and operational model, cannot impose ex-ante policy conditionality. The dependence on government's commitment to collaborate makes it difficult to plan these activities in advance for a 5-year period and then stick to the plan. There will always be some opportunistic element in policy dialogue, whereby Bank staff will tend to prioritise activities that are requested by the country, are additional to the work of other organisations, and for which funding is available. For instance, even within our current annual policy milestones system, flexibility is at the core: each year, around 5 per cent of PPOs are either dropped or modified because of changes in factors independent to the EBRD's work. The flexibility in policy prioritisation is also key for incentivising the teams to be ambitious without penalising them if they do not succeed due to exogenous factors.

Management notes that as recognised by the evaluation, the launch of diagnostics and new format and process behind country strategy preparation have strongly increased Bank's focus on the most important obstacles to private sector development, including more prioritised policy engagements. Management notes however, that the new country strategy format was only implemented in 2018 so some of the SEMED strategies in place remain under the "old" strategy format (Egypt (2017), Morocco (2015)). The current development of new country strategies for Lebanon, Morocco and Egypt will certainly foster the bank's focus and the links between policy priorities and investments.

Moreover, the Enhanced Policy Approach has resulted in the creation of the PPOs, consistently implemented since 2018. Management has developed separately a system for setting and monitoring on a quarterly basis a set of PPOs. These are reflected separately in the banking and specialised teams' scorecard, to provide incentives for focus and prioritisation of key policy areas in each country. PPOs allow prioritising and putting forward the most relevant policy achievements: there are around 75 to 80 PPOs across the EBRD countries of operations (and 15 on average in the SEMED region). Each year, PPOs are updated to lay down the annual milestones to achieve long-term policy objectives as stated in the country strategies.

### Recommendation 3:

*Starting immediately, Country Strategy Delivery Reviews should provide substantial additional detail and analysis of policy engagement activities and emerging results.*

Management agreed with this recommendation. Management notes that CSDRs provide a comprehensive assessment of the performance in the previous year covering business delivery, policy engagement, and portfolio management and emerging results, including policy highlights in the overview and regional pages, as well as the detailed assessment in the country pages for each individual objective of country strategy priorities. The policy engagement activities is captured by the indicators and the narrative on progress for each country strategy priority.

Management plans to provide an additional quantitative and qualitative analysis of the main policy achievement and challenges in the implementation of country strategy priorities already in the next round of CSDRs. Expanded reporting on policy engagements in the CSDRs will consist in adding a separate indicator on progress with policy engagements in the dashboard, and an explicitly dedicated section on policy engagement in the regional pages. Country pages in CSDRs 2021 may also have more space for additional detail on policy engagement activities and emerging results under individual objectives. All these changes are subject to agreement with the Board at the FOPC on the CSDRs 2021, expected in October / November 2020, where a revised template will be presented and discussed. The quality of reporting on policy in CSDRs will also strongly benefit from better IT systems / database management systems, and new country strategies and CSDRs will build on those improvements as they are being implemented.

### Recommendation 4:

*Using SEMED work as a pilot, within the next 12 months, the Bank should establish a comprehensive integrated and accessible database on policy engagement, encompassing work that is both internally and externally funded.*

Management welcomes and agrees with this recommendation. Management notes that monitoring and information on results of policy work are currently recorded in two systems: i) for policy associated with investments, in the Transition Impact Monitoring System (TIMS) (Monarch system) as part of the results metrics; ii) for stand-alone TC policy work, in the Technical Co-operation Results System (TCRS). In addition, tracking of PPOs (that overlap with these two categories) is done in a separate system. Management recognises that lack of integration across systems hinders the ability to capture and process the achievements of all policy work.

In the first period of the implementation of the Enhanced Approach to Policy Engagements, Bank's limited resources were concentrated to establish a close prioritisation, monitoring, analysis and reporting of the most transformative policy engagement, as captured by medium-term PPOs and their annual milestones. The progress is tracked closely and the key achievements are reported on quarterly basis as part of the Quarterly Performance Review, as well as annually by country as part of the CSDRs.



Moreover, more recently DCF started working on the modernisation of the TCRS system to allow more systematic analysis of the progress and impact across all policy engagements. Various improvements to TCRS being done should enhance reporting compliance through better user experience and ability to more effectively track, notify, and enforce reporting deadlines. Work under the Donor Funds Business reporting and compliance work streams also foresees better capturing of the reporting universe to track compliance and access to knowledge. This work is moving the Bank towards a comprehensive integrated and accessible database on policy engagement. This database will be eventually fully integrated in the Bank's centralised systems, including with other databases and those accessed via Business Performance Navigator (BPN). Fully achieving this objective will be conditional on additional resources being made available for Monarch 2 stage of development that would enable modernisation and integration of systems.

#### Recommendation 5:

*Starting in the current year, Management should produce a comprehensive annual summary and review of its policy-related activities, including previous and ongoing efforts as well as new approvals.*

Management does not support the creation of a new publication reporting only policy related activities. Policy work is one important tool that the Bank uses together with other instruments (investments and capacity building) to achieve its transition objectives. Hence, it has to be reported together with other activities of the Bank. As discussed above, PPOs were designed to provide specific incentives to focus on key policy work and their achievements are reported internally to the Board on quarterly basis in Quarterly Performance Review. A separate annual report on policy activities would not be the most effective nor efficient way of achieving the ultimate objective of maximising transition impact of Bank's policy work.

However, Management recognises the value of strengthening policy reporting and evaluation. The visibility of the Board on policy engagements needs to be increased, notably through further enhancements to the CSDRs, structural reform annex of The Transition Report, as well as in the Annual Report on Transition Performance, that already includes reporting on key achievements and case studies.

Management is also keen on increasing the visibility and incentives about the link between policy work and transition impact scoring, including upgrading functionalities of Project Monarch. Where policy work linked to a transaction is concerned, the ongoing development and implementation of the Single Results Metrics (capturing both policy and investments results) in Monarch are expected to help improve donor reporting. Management recognises that for the time being Monarch does not record non-transactional projects, but believes this functionality is expected to be included at some point.

Management acknowledges that the means of institutional knowledge transfer within the Bank need to be strengthened. That is why as part of the Joint Action Plan to Kirk report recommendations, Management has established a Bank-wide knowledge management working group, led by EPG, which is tasked with strengthening the feedback loops from projects and policy engagements to knowledge and learning. A consolidated approach involving Client Services Group, Data management, IT and others, based around an agreed action plan, will help to improve knowledge transfer and ensure that insights and lessons learned from policy engagements will be readily available for future use by staff.