

ANNUAL EVALUATION REVIEW 2020



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Evaluation Department April 2021



European Bank
for Reconstruction and Development

The Evaluation Department (EvD) at the European Bank for Reconstruction and Development (EBRD) reports directly to the Board of Directors and is independent from the Bank's Management. This independence ensures that EvD can perform two critical functions: reinforcing institutional accountability for the achievement of results; and providing objective analysis and relevant findings to inform operational choices and improve performance over time. EvD evaluates the performance of the Bank's completed projects and programmes relative to objectives.

This summary has been prepared by EvD under the authority of the Chief Evaluator. The views expressed herein do not necessarily reflect those of the EBRD's Management or Board of Directors. Responsible members of the relevant operations teams were invited to comment on the Annual Evaluation Review 2020 prior to internal publication. Any comments received will have been considered and incorporated at the discretion of EvD. While EvD considers the Bank Management's views in preparing its evaluations, it makes the final decisions about the content of its reports. Annual Evaluation Reviews are discussed by the EBRD's Audit Committee and approved by the Board.

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Abbreviations

COVID-19	Coronavirus disease 2019	OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
EBRD	European Bank for Reconstruction and Development		
ECG	Evaluation Cooperation Group	OPA	Operation performance assessment
EU	European Union	SCF	Strategic and capital framework
EvalNet	OECD-DAC Network on Development Evaluation	SEMED	Southern and eastern Mediterranean
EvD	Evaluation Department	SIP	Strategy implementation plan
GET	Green economy transition	SMEs	Small and medium-sized enterprises
IFI	International financial institution	SP2	COVID-19 solidarity package 2
LTP	Legal transition programme	Ukraine MDA	EBRD-Ukraine stabilisation and sustainable growth multi-donor account
MDA	Multi-donor account		
MDB	Multilateral development bank		
OECD	Organisation for Economic Co-operation and Development	VCIP	Venture capital investment programme

Defined terms

Additionality	Additionality is one of three key principles governing the operations of the Bank, jointly with sound banking principles and transition impact. The notion of additionality is based on the statement in the Agreement Establishing the Bank – Article 13 (vii): the Bank shall not undertake any financing, or provide any facilities, when the applicant is able to obtain sufficient financing or facilities elsewhere on terms and conditions that the Bank considers reasonable.
Evaluability	The extent to which the value generated or the expected results of an intervention are verifiable in a reliable and credible fashion.
Impact	The positive or negative long-term effects produced by an intervention, directly or indirectly, intended or unintended; an impact generally results from a series of causal factors of which the project is but one.
Indicator	A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help to assess the performance of a specified entity.
Outcome	The short-term and medium-term effects consequent to delivering the intervention's outputs.
Output	The products, capital goods and services that result from an intervention – its deliverables.
Result	The output, outcome or impact (intended or unintended, positive or negative) of an activity or intervention.
Transition impact	The likely effects of a project on a client, sector or economy, which contribute to their transformation, from central planning to well-functioning market-based structures based on the transition concept. This also means that not everything that is good about a project is necessarily transition impact.
Transition concept	The transition concept is based on six qualities of a modern market economy: competitive, well-governed, green, inclusive, resilient and integrated.



Executive summary

This Annual Evaluation Review 2020 of the European Bank for Reconstruction and Development (EBRD), published by the Evaluation Department (EvD), summarises the EBRD's evaluation activities, findings and results. EvD provides evidence-based operational insights, principally to the shareholders, Management and other stakeholders, that contribute to the EBRD's accountability for performance and continued institutional improvement.

In 2020, several independent developments led to a possible step change in the level of discussion between EvD, Board and Management about internal processes relating to results measurement, monitoring and assessment. Follow-up work continued on the first-ever independent external evaluation of the EBRD's evaluation system, delivered in 2019 (the Kirk Report), which highlighted many areas for improvement in independent evaluation, self-evaluation and results management. At the same time, Management was focused on preparing a new five-year strategic and capital framework (SCF), approved at the Annual Meeting in October, with attendant changes to scorecards, annual plans and strategies. This offered an exceptional opportunity for EvD to support the Board in its consideration of the Bank's strategic direction. Substantially closer and more consistent engagement developed between the Board and EvD, including through informal channels. This was facilitated by the disruption to normal communication channels due to remote working conditions, which led in turn to greater and more effective engagement by the Board with Management.

EvD products continued to identify issues about the clarity of strategies, and call for strategic-level review by Management with the full engagement of the Board; Management broadly agreed with the issues identified but generally did not agree on the recommended strategic reviews. Major thematic evaluations completed in 2020 produced important insights into the Bank's strategic direction, results management and incentives. These included a study on the mobilisation of private finance, which contributed to the incorporation of specific mobilisation objectives and metrics in the SCF. An assessment of the evaluability of the Bank's transition qualities informed the Board's consideration of results management and fed into ongoing work by Management to develop a theory of change for each transition quality, and at the country and sector levels.

It was a transition year in 2020, with unprecedented attention to finding and clarifying the elusive balance between accountability and learning, and between EvD and Management responsibilities for performance assessment and feedback. EvD cooperated and contributed to Management's work to design a new self-evaluation system in line with Kirk Report recommendations. Management has consulted widely across the Bank to agree the balance between accountability and learning in the new self-evaluation system, and in the wider monitoring and evaluation system. In 2020, EvD transferred administration of the existing self-evaluation system to Management. While project-level evaluation was reduced somewhat in a Covid-19-affected year, operation teams prepared self-evaluation reports on 92 projects, reviewed by EvD.

EvD's work programme is developed in close cooperation with the Audit Committee of the EBRD Board of Directors. After informal consultation, a draft work programme is submitted to the Audit Committee. Subsequent to those discussions, a final work programme is brought before the Audit Committee and then approved by the full Board. All EvD evaluations are distributed to the Board and Management. Major evaluations are presented to the Audit Committee and are available in full to Bank staff on the EBRD intranet. Audit Committee discussion, which involves an active exchange between Board members, EvD and (generally) Management, provides an essential institutional mechanism for presentation, absorption and uptake of evaluation findings and recommendations. Audit Committee discussions in 2020 provided valuable feedback and guidance to both EvD and Management. Following committee discussion, final circulation and removal of any sensitive or proprietary information, evaluations are posted on the EBRD website.

The Bank's evaluation policy gives EvD primary line responsibility for the effective design and performance of the Bank's overall evaluation system in addition to delivery of high-quality evaluations. The year also saw an increase in the strategic

relevance and value of EvD's work within existing resource constraints. EvD, while maintaining its traditional accountability function, continually evolves to provide learning and insights to a Bank facing new strategic challenges related to missions, markets and a changing, larger organisational context in Europe.

Key accomplishments

Major thematic evaluations

- mobilisation of private finance
- regional integration
- policy dialogue in southern and eastern Mediterranean (SEMED) countries¹
- legal transition programme (LTP)
- evaluability of transition qualities
- EvD briefing: summaries of major evaluation reports 2015-20.

Services and contributions

- The SCF 2021-2025, which the Board of Governors approved at the 2020 Annual Meeting, drew heavily on EvD work, especially the study on mobilisation. Board Directors sought EvD's input at various stages, including at Board committee discussions, and the final document incorporated EvD suggestions. EBRD has also advised on the revised Bank scorecard.
- EvD substantially increased its interaction with the Board through informal notes and briefings on topics, including the Bank's Covid-19 response package, crisis lessons from EBRD and other international financial institutions' experience, the EBRD-Ukraine stabilisation and sustainable growth multi-donor account (Ukraine MDA), the green economy transition approach 2021-25 (GET 2.1), the transition results architecture, improving evaluability, the country strategy delivery reviews and country results snapshots, the shareholder special fund, and results units at other multilateral development banks.
- Incorporation of EvD recommendations in the extension of the Ukraine MDA and the renewal of GET 2.1.

¹ EBRD countries of operation in the southern and eastern Mediterranean region: Egypt, Jordan, Lebanon, Morocco and Tunisia.

- EvD has also contributed substantial support to the ongoing development of the results framework for the Covid-19 solidarity package 2 (SP2). Directors requested EvD engagement in the internal evaluation of the SP2 and analysis of the proposed results framework.
- A Board information session on the EBRD approach to roads was informed by EvD's study on regional integration, and EvD commented directly on Management's presentation.
- EvD has been closely engaged in the management working groups on self-evaluation and results management, and knowledge management and learning, which were established to implement the recommendations of the Kirk Report. EvD has provided inputs to Management and consultants and commented on drafts as the Bank developed its new approach.
- Management has sought EvD help with the terms of reference for an internal evaluation of its activities in the West Bank and Gaza, and on the development of results frameworks for projects and programmes, including the SEMED multi-donor account (MDA), the Serbia small and medium-sized enterprises (SMEs) financing facility and a scorecard measure for gender inclusion.
- Management implemented the recommendations from the study on delegated authority in full. Good progress was made on implementing recommendations from the evaluation of the infrastructure project preparation facility.

Major findings and recommendations from evaluations

EvD saw themes recurring from previous years. Some of the major themes from 2020, discussed in more detail in Chapter 3, are as follows.

Strategic objectives

Several evaluations highlight the importance of including specific objectives in strategies and policies, to provide greater focus and coherence to the Bank's many activities on the ground. In many cases, a lot of work was undertaken, and specific, project-level objectives achieved, but EvD was unable to conclude much on results, given a lack

of clear strategic objectives, measurable success metrics, baseline data, and adequate monitoring and reporting. It is unclear how policy work is prioritised and whether it reflects dialogue and agreement with authorities. Country diagnostics do not directly feed into priorities for medium-term engagement, and country strategies do not set out monitorable and reportable policy engagement commitments. Studies noted the importance of strengthening theory-of-change tools by developing explicit results chains at the country and sector levels. Investment- and policy-related work needs to be systematically integrated at every level, with this integration built into all key operational tools.

Data and measurement

The issue of adequate monitoring data to provide evidence of impact at the country level has been a theme running through EvD's work over several years. It arose again in 2020 in the context of the studies on mobilisation, regional integration, and policy dialogue in SEMED. The mobilisation study found very little information on mobilisation in the EBRD's management information systems. It recommends upgrading the treatment of data on mobilisation and the use of blended finance in management information systems, to ensure that yield-on-capital calculations provide an accurate measure of performance across instruments and types of investment. The regional integration evaluation also found a scarcity of relevant data. It recommended ensuring an adequate system is in place for gathering relevant data to measure integration, which is one of the Bank's transition qualities, either by the client or by the Bank. The review of policy dialogue in SEMED countries found internal records on policy engagement to be patchy. There is no source for a full picture of the Bank's policy engagement work, and no means to develop a reliable picture of effectiveness and accomplishments; 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). The LTP study team had to construct its own database of policy dialogue activities for the purpose of the evaluation.

Resource sufficiency

The studies on policy dialogue in SEMED countries and the LTP reviewed similar, policy-related work.

In both cases, work 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 MDA. Clarity on resource usage is limited. The LTP portfolio tripled over the evaluation period, while core funding and headcount remained essentially unchanged. Significant year-to-year variations in overall funding – including donor funds – create a real obstacle to longer-term planning and programmatic consistency for reform work requiring sustained engagement over many years and a predictable budget.

Deeper and more effective engagement with the Board and Management

The 2019 Kirk Report and the Board's firm commitment to a detailed, multi-year plan created both a need and a road map for deeper, more intensive engagement between EvD, Board and Management. At a meeting of the Audit Committee in November 2019, several Directors commented that EvD's interface with the Board and the Audit Committee in particular needed to be strengthened.² EvD was able to develop its engagement in 2020 through both formal and informal mechanisms, though it found the formal mechanisms on the whole less satisfactory. The unexpected constraints of remote working due to Covid-19 disrupted established procedures and presented unprecedented challenges around engaging a new Board, new committees and a new President in a remote setting. There was a need to adapt and innovate, which EvD saw as an opportunity to reshape an overly rigid pre-existing situation, with the full support of the Audit Committee and Board. Ultimately, this allowed more meaningful engagement. Much of the engagement has been framed by the follow-up to the Kirk Report, especially work on results management and self-evaluation, knowledge management and learning. The new approaches have been seen as of high value by the Board and, in EvD's view, are here to stay.

Outlook for 2021

EvD moves into 2021 in a context of major institutional change and fluid circumstances expected for the year

² Minutes of the meeting of the Audit Committee of 21 November 2019: CS/AU/M19-23

and beyond. Four factors are expected to be significant in EvD's priorities for the year:

- continued delivery of evaluation products and services to meet Board and Management needs, and the core objectives of the Bank's evaluation policy
- continuing implementation of recommendations from the 2019 Kirk Report, requiring substantial changes in systems and processes at the heart of monitoring, evaluation and performance management in the Bank
- incorporation of the EBRD's wider institutional context, including new medium-term priorities and commitments under the 2021-25 SCF
- transition to a new Chief Evaluator in the context of an institutional-level transition to a new Presidential administration.

The following are important objectives for 2021.

- Early completion of major thematic evaluations of health-focused interventions, learning and knowledge management, the trade facilitation programme, assessment of SIPs, hydrocarbon investments, sustainable infrastructure in advanced transition countries, EBRD use of nominee directors in equity investments, shareholder special fund, and an interim evaluation of a major mining project in Central Asia.
- EvD will also undertake an update of the evaluation policy, development of a medium-term strategy and related updates to the operations manual.
- Launch of major new evaluations of the solidarity package (interim review), early transition country initiative, country strategy delivery reviews, venture capital investment programme, green cities programme, operations in West Bank and Gaza, and public sector operations.
- Launch of project cluster evaluations of solar investments and inclusion projects.
- Continuing interaction with Board and Management on Kirk Report follow-up actions, including the redesign of the self-evaluation system, knowledge management and work on the Bank's results management systems.
- Continue providing advice and support to Management on results frameworks for specific programmes and on the evaluations they manage, including the evaluation of the economic inclusion strategy.
- Three new staff members bringing fresh perspectives and experience.
- EvD team members contributing actively to international professional groups and international fora of the global development community.



EvD's year in review

It was a challenging but successful year for evaluation at the European Bank for Reconstruction and Development (EBRD) in 2020. Entailing close cooperation with the Board and Management, follow-up continued on the 2019 independent, external evaluation of evaluation at the EBRD (the Kirk Report). The Evaluation Department (EvD) completed thematic evaluations on mobilisation of private finance, regional integration, policy dialogue in southern and eastern Mediterranean (SEMED) countries and the legal transition programme (LTP), as well as an assessment of the evaluability of transition qualities (see Box 1 for an overview of EvD's range of products). EvD was able to leverage the opportunities offered by remote working to significantly enhance its engagement with the Board and Board committees. Meetings of international evaluation organisations, and bilaterally with the evaluation units of other international financial institutions (IFIs), continued remotely. This chapter recaps EvD's activities, performance and achievements in 2020.

Box 1. Our products

EvD's range of products all seek to contribute to institutional learning and accountability, and thus to superior institutional performance and results.

- **Thematic evaluations (special studies):** In-depth evaluations organised around a theme, strategy or sector, providing detailed analysis of design, structure and results. Their objective is to identify strategy and performance issues and provide timely, relevant and actionable recommendations for the Board of Directors and Senior Management.
- **Operation evaluations:** Comprehensive evaluation of a single project or (more commonly) a group of thematically related projects based on deep research and field work. Design and execution are assessed, and performance is evaluated against objectives and opportunities. Key findings and recommendations directed to both learning and accountability are provided to the Board and Management.
- **Project validations:** Desktop evaluation reports drawn up from self-evaluations produced by Management and independent EvD analysis. The analysis and findings tend to

focus on design, execution, operational results and strategic relevance. Individual evaluations may be clustered by sectors or themes where possible, to present a wider and more useful body of evidence.

- **Reviews:** Detailed review of each Management self-evaluation to provide guidance on performance assessment, and extract lessons.
- **Corporate reports:** Reports about EvD's operation and activities submitted to the Board and/or Management, both for information purposes and as an instrument of EvD's own accountability.
- **Additional papers:** Synthesis papers of related previous evaluations, short information notes and brief reports on subjects of particular interest to the Board.

All original evaluation papers are commented on by EBRD Management and shared with the Board Directors. Thematic evaluations and operation evaluations are also discussed in detail at Audit Committee meetings. EBRD staff and Board Directors can access all EvD products through the Evaluation Library.

Work programme delivery

The 2020 year was productive in terms of evaluations produced and their perceived high value and relevance for both the Board and Management.

EvD presented the following studies and reports to the Audit Committee.

- **EBRD mobilisation of private finance:** Mobilisation is a major issue of concern and area of challenge for the Bank. The study sought

to contribute to Board and Management understanding, strategic thinking and operational decision-making about the Bank's role in mobilising additional private capital to support transition.

- **Projects supporting cross-border connectivity (regional integration):** An evaluation of nine infrastructure projects promoting cross-border connectivity – eight in transport and one in energy. Its findings were in the areas of policy and strategic context, project design and performance, links to country and sector strategies, and collaboration with other IFIs.
- **Policy dialogue engagement in SEMED countries:** An evaluation of policy work in new SEMED member countries between 2011 and 2018 and on the application of the enhanced approach to policy dialogue in SEMED countries.
- **LTP:** EvD's third evaluation of the EBRD's flagship provider of legal and regulatory advisory work and technical assistance aiming to strengthen the investment climate and build markets in countries of operations. It evaluated the activities and performance of the LTP between 2011 and 2018, with a specific focus on programme results, impact and sustainability.
- **Evaluability of transition qualities:** Following the Kirk Report recommendation to assess the evaluability of the transition qualities as concepts and operational tools, this study informed the EBRD Board, Management and interested stakeholders of the extent to which the transition qualities concept can be usefully evaluated and whether it can be further strengthened. In determining the feasibility of evaluating the transition qualities concept and related issues, the assessment aims also to indicate ways in which the concept could be addressed by evaluation activities at the EBRD.

The Board did not require briefing papers for any consultation visits in 2020 because of travel restrictions. Instead, EvD prepared several short briefing papers on various topics. EvD's enhanced engagement with the Board and Management is the topic of Chapter 4.

The following corporate reports were also presented to the Audit Committee:

- annual evaluation review 2019
- midterm status update
- summaries of major evaluation reports 2015-20
- EvD work programme and budget 2021.

Additionally in 2020, EvD provided a thorough review of 90 projects via the operation performance assessments (OPAs)/self-evaluations completed by Management, and validated eight projects. Validations are independent desktop evaluations of individual projects performed by EvD.

Substantial work was completed on several major evaluations launched by the 2020 work programme. In the first half of 2021, EvD expects to deliver major thematic evaluations of health-focused interventions, the trade facilitation programme, hydrocarbon investments, sustainable infrastructure in advanced transition countries, EBRD use of nominee directors in equity investments, and the shareholder special fund, an interim evaluation of a major mining project in Central Asia, and an assessment of strategy implementation plans (SIPs). EvD will also undertake an update of the evaluation policy, and develop a medium-term strategy and related updates to the operations manual.

Project selection and self-evaluation process

It was a transition year in 2020 for the Bank's self-evaluation system. The internal review of the self-evaluation process, conducted in 2019, produced recommendations for a full handover of the process to Management and a thorough refocusing of the entire process. The handover was implemented in 2020, and Management has taken over the task of selecting projects for self-evaluation in 2021, identifying 41 operations. Management is undertaking a full review of the whole process with EvD participation, as described in detail in Chapter 4. The transition, combined with the demands on Management of responding to the COVID-19 crisis, led to a reduction in individual project reports in 2020 over previous years. Management reduced the number of OPAs by a quarter and moved delivery dates to later in the year; as a result, EvD produced fewer OPA validations.³

³ An OPA is a self-evaluation of an investment project conducted by Management. An OPA validation, conducted by EvD, is a brief, desk-based validation of the OPA.

Follow-up on EvD recommendations

Management's follow-up on recommendations from evaluations has been an area of substantially greater Board interest and concern in 2020. Board Directors generally share EvD's view that there is both a need and the scope to build further on the improvements made in recent years.

Management prepares an action plan in response to each evaluation study, explaining how it intends to implement the recommendations it has accepted. It presents a progress report to the Audit Committee twice yearly, giving an update on all outstanding recommendations and action plans. The process continues to evolve and improve. EvD now has the opportunity to comment on draft action plans before their finalisation. In 2020, the Bank's high-level Strategy and Policy Committee began to consider and approve each action plan and the twice-yearly update. Previously, this was done at the level of individual Bank business groups. EvD is now invited to be present at the committee's discussions on these papers. From late 2020, Management has started circulating final action plans to Board Directors as information items to the Board's Audit Committee. EvD welcomes all these developments as providing greater visibility to the process and creating the potential for greater cross-Bank coordination of actions.

EvD continues to propose changes to strengthen the process further. The Audit Committee of the Board should have the opportunity to comment on draft action plans before they are finalised. Management should indicate specifically where resources are a constraint to the effective follow-up and delivery of an action plan, or if a lack of resources has led to reduced ambition in proposed actions. EvD would like to see greater clarity in cases where Management "partially agrees" with recommendations, in terms of where agreement lies and what specific actions are envisaged. Management should allow EvD access to the documents and systems mentioned in its progress report to allow EvD to validate the actions described. Management's update should take a more thematic approach to reviewing recommendations and actions in place of a case-by-case update that risks losing sight of broader issues. This should include a brief to review of recommendations that have been dropped through disagreement or a lack of progress,

to identify if recurring themes are consistently problematic.

At the February 2021 presentation, Management recorded that, of the 41 recommendations from EvD evaluations requiring action, it had completed the proposed actions for 14 recommendations, 17 were in progress, one was on hold and nine were deemed not applicable. EvD continued to focus on the importance of producing fewer but more useful, actionable recommendations. The total number of recommendations being monitored continued to fall.

Across 2020, Management fully implemented recommendations relating to the approval of the green economy transition approach 2021-25 (GET 2.1) and extension of the Ukraine MDA, both incorporating changes recommended by EvD. It implemented all the recommendations from the delegated authority study, which related mostly to process improvements and information-sharing with the Board. Management made good progress on the outstanding recommendation from the infrastructure project preparation facility study on developing a value-for-money assessment, and delivered a self-evaluation of a mining operation in Central Asia. The recommendations from the study on the investment climate were closed with some modest progress recorded, but full implementation was constrained by scarce resources. Outstanding recommendations relate to a number of reviews and pilots that Management is running before implementing the findings, and ongoing work on Bank IT systems that is expected to contribute to improved monitoring and reporting, especially of technical cooperation operations. There is also a number of cases where Management believes it has already addressed a problem even though it arose as an issue in an evaluation.

The current process improvements build on the Kirk Report, which noted progress made in recent years but found that there was still both the scope and the need to improve the quality of information communicated, the clarity of commitments, and actions taken.⁴ This entailed challenges for EvD, Management and the Board:

● EvD – focused and actionable recommendations

⁴ The Kirk Report is the independent external evaluation of the EBRD's evaluation system published in 2019. It is available at <https://www.ebrd.com/what-we-do/evaluation-overview.html>.

- Management – serious trackable action plans, setting out resources and responsibilities
- Board – clarity on expected follow-up and better means to ensure delivery.

Further improvement in this area will remain a focus for EvD in 2021.

Results emanating from EvD studies

EvD's evaluations provide learning for performance enhancement and inform decision-making. Highlights of tangible results from EvD's findings and recommendations include the following.

- The strategic and capital framework (SCF) 2021-25, which the Board of Governors approved at the 2020 Annual Meeting, drew heavily on EvD work. Board Directors sought EvD's input at various stages, including at Board committee discussions and in consideration of the final document. In their final, approved version, SCF priorities included three that flowed directly from Board concerns about issues identified by EvD in major evaluations, relating to the mobilisation of private capital, to results measurement and reporting, and to the integration of policy dialogue and technical assistance with investment work.
- EvD has also contributed substantial support to the ongoing development of the results framework for the COVID-19 solidarity package 2 (SP2). Directors requested EvD engagement in the internal evaluation of SP2 and analysis of the proposed results framework.
- The extension of the Ukraine MDA and the renewal of GET 2.1 both built on EvD work. EvD prepared the evaluations in time to feed into the extensions, and the approved extensions incorporated recommendations from the evaluation studies.
- A Board information session on the EBRD approach to roads was informed by EvD's study on regional integration, and EvD commented directly on Management's presentation.
- EvD has been closely engaged in the Management working groups on self-evaluation and results management, and knowledge management and learning, which were established to implement the recommendations of the Kirk Report. EvD has provided inputs to

Management and consultants and commented on drafts as the Bank developed its new approach.

- Management has sought EvD help with the terms of reference for an internal evaluation of its activities in the West Bank and Gaza, and on the development of results frameworks for projects and programmes, including the SEMED MDA, the Serbia small and medium-sized enterprises (SMEs) financing facility and a scorecard measure for gender inclusion.
- Management implemented the recommendations from the study on delegated authority in full. Good progress was made on implementing recommendations from the evaluation of the Infrastructure Project Preparation Facility.

During 2020, the Board of Directors increasingly drew on EvD expertise and requested its advice and opinions on Management papers presented for approval. The remote working environment allowed EvD to trial different ways of interacting with the Board and Audit Committee, including informal briefing sessions ahead of decision-making meetings and, in one case, soliciting Board comments on a draft EvD approach paper using Huddle. EvD feels that the increased interaction has been beneficial and hopes that it continues in future years, whatever the working mode.

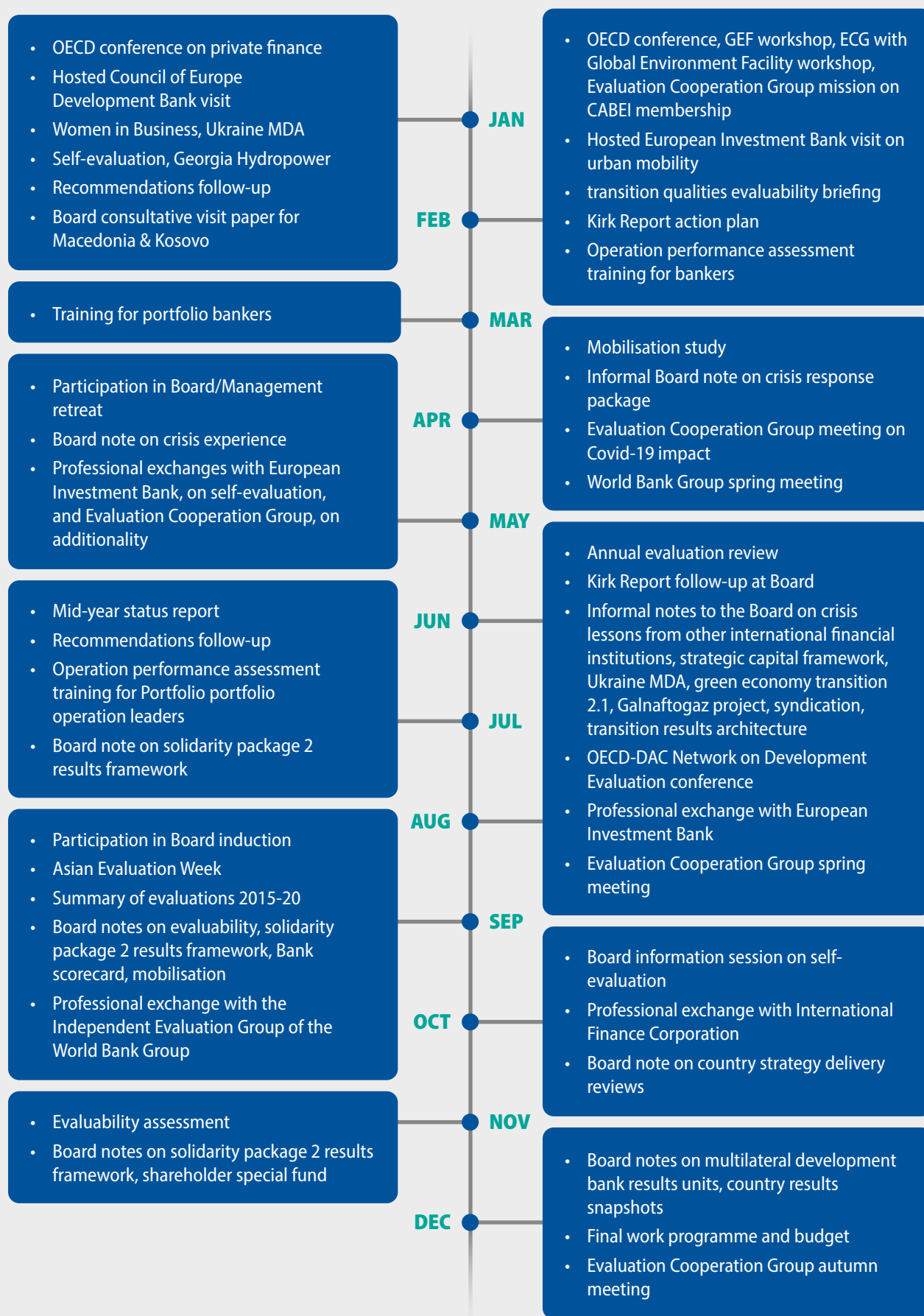
In its interactions with Management, EvD has taken care to maintain a balance between sharing its experience and knowledge of evaluation and results-based management on the one hand, while not compromising its independent position on the other.

Collaboration and contribution across the Bank

In addition to producing evaluations, EvD contributes internally in a variety of formats. Highlights from 2020 (see Figure 1) include:

- taking part in the Bank's International Center for Research on Women gender mainstreaming assessment
- participating in the EBRD corporate leadership group, senior leadership group and Board and Senior Management retreats

FIGURE 1: 2020 EvD HIGHLIGHTS



CABEL = Central American Bank for Economic Integration; OECD = Organisation for Economic Co-operation and Development; OECD-DAC = Development Assistance Committee of the Organisation for Economic Co-operation and Development; Ukraine MDA = EBRD-Ukraine stabilisation and sustainable growth multi-donor account

- providing support and advice to Management on the handling and selection of projects for self-evaluation in 2021, as Management took ownership of the process in place of EvD
- attending a collective team meeting with the Independent Project Accountability Mechanism team and meetings of the Chief Evaluator and Deputy with the Internal Audit Department to share experience across the independent functions of the Bank
- participating in the high-level corporate strategy planning scenario exercise
- a secondee to EvD returning to Banking in 2020 and continuing to work on evaluation-relevant activities.

Training

EvD cooperates with the Portfolio Management Group in providing training to operational staff assigned to complete OPAs and training for Portfolio Associate Directors and Operation Leaders. In normal times, EvD staff deliver OPA training sessions at resident offices during evaluation visits. This was suspended in 2020 but is expected to resume in 2021.

Departmental matters

Current staff and recruitment

For the first time in more than a decade, EvD requested, and the Board approved, additional budget to expand EvD's core staffing level.

Recruitment revealed a substantial increase in the level of internal interest in moving to EvD.

EvD hopes to continue making secondment opportunities available to Banking staff, but this has been limited by the fact that so far only EvD has been willing to provide the resources. Secondments of EvD staff to other parts of the Bank have not so far come to fruition.

EvD had three vacancies in 2020, as recruitment was suspended for several months due to Covid-19. The recruitment process resumed towards the end of the year, and three new team members have been selected and are expected to join in the first half of 2021. One is a transfer from elsewhere in the Bank and two were recruited externally. For the first few months of 2020, EvD benefitted from the services of an internal secondee from Banking, at Principal level,

who contributed to several evaluation reports and shared valuable Banking experience with the team.

One evaluator is on prolonged medical leave. EvD's 2021 work programme and budget, approved in December 2020, provided for the recruitment of another senior staff member to be recruited in 2021.

Participation in the international evaluation community

EBRD is a member of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Cooperation (DAC) EvalNet, a group aiming to improve development results via better learning through evaluation. EvD attended virtual EvalNet meetings and took part in the working group on blended finance evaluation and the Covid-19 evaluation coalition, which aims to develop evaluation methods and share experience. EvD also provided quality assurance on the Russian translation of new DAC evaluation criteria agreed in 2019, and attended an OECD conference on private finance.

EvD joined meetings of the Evaluation Cooperation Group (ECG), participating actively in the ECG working group on additionality, which conducted a stocktaking exercise among members. It also contributed actively to ECG work on knowledge management, including contributing to a stocktaking exercise. The Chief Evaluator participated in an ECG mission to assess the eligibility of a prospective new member.

EvD made presentations to a Global Environment Facility co-creation workshop on self-evaluation and participated in a panel on additionality at the Asian Evaluation Week. There were bilateral meetings with the Council of Europe Development Bank, the European Investment Bank, the Asian Infrastructure Investment Bank, the Inter-American Development Bank and the Independent Evaluation Group of the World Bank Group on topics including self-evaluation, the impact of Covid-19 on evaluation, urban mobility and the mobilisation of private finance. These interactions improve mutual understanding, help to share experience across organisations, are an important element in staff development, and contribute to quality evaluation at the EBRD. A senior manager from the department chaired a webinar on career development outside academia for the Regional Studies Association and serves as a trustee and treasurer of that organisation.

A hand is shown touching a smartphone screen. Overlaid on the image is a horizontal timeline with the years 2018, 2019, 2020, 2021, and 2022. The year 2020 is highlighted in white, while the others are in a lighter gray. The background is a blurred image of a person's hand and a laptop screen.

2018 2019 2020 2021 2022

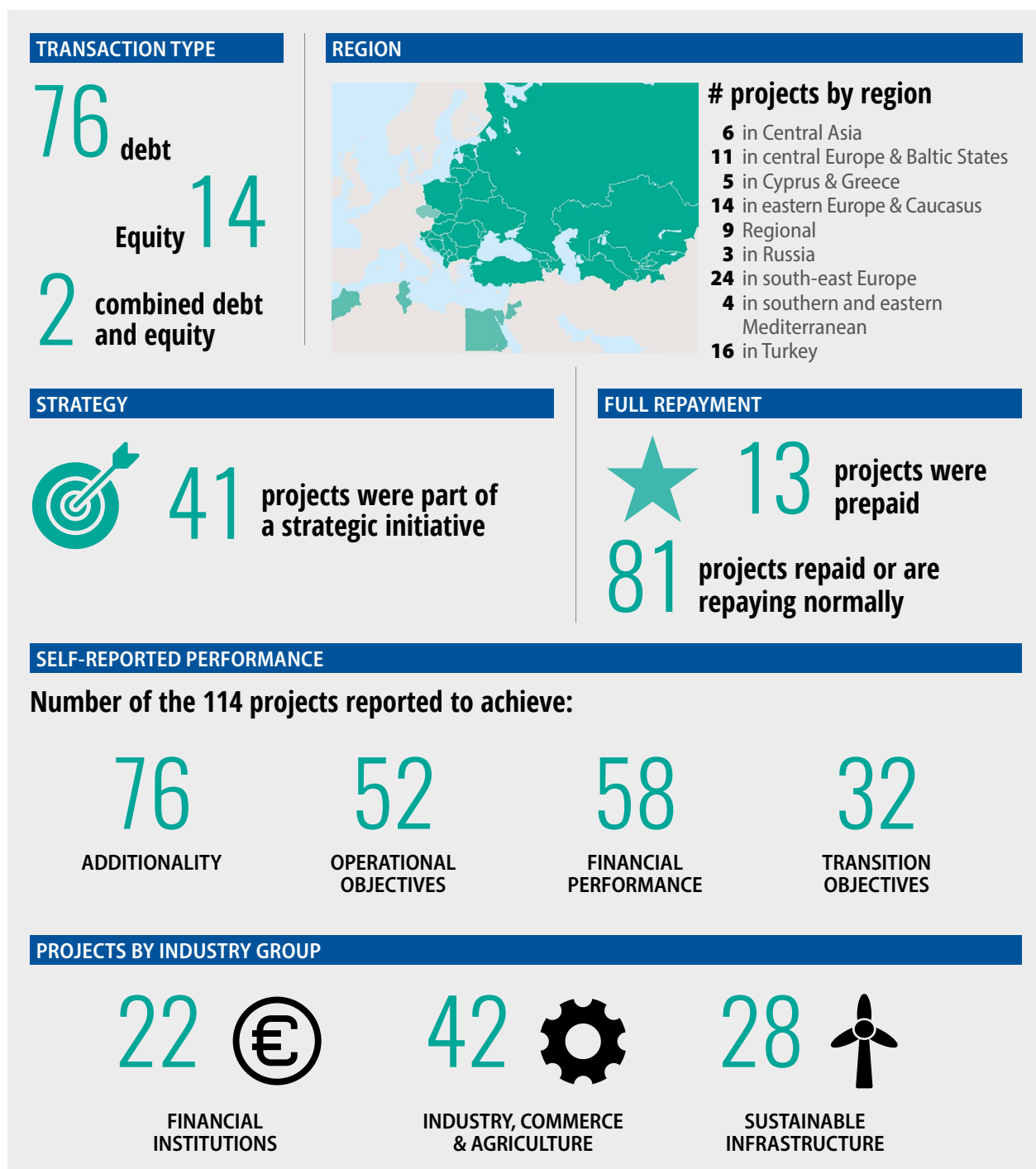
2

Project-level evaluation in 2020

EvD's evaluation work has two main elements: project-level review and thematic studies. At the project level, EvD reviews and comments on every self-evaluation produced by Management, as well as preparing desk-based validations on a small selection of these. Some of its larger studies also consist of evaluations of clusters of operations in a specific country or sector. This work provides data for the projects themselves and to inform higher-level studies. It also entails valuable interaction between EvD and operation teams, including helping operational staff to consider their projects from an evaluative and results-based perspective.

Results in 2020

FIGURE 2: SELF-EVALUATION SAMPLE 2020 – 92 PROJECTS



2020 evaluation cohort

The delivery of OPAs in 2020 was affected by the Covid-19 pandemic and Management's need to prioritise its urgent crisis response. In addition, there was intensive work throughout the year on Management's review and redesign of the self-evaluation system, in line with recommendations of the Kirk Report. EvD cooperated closely with Management, as described further in Chapter 4. As part of this, Management took over the administration of the self-evaluation system from EvD. These factors led to the self-evaluation programmes in 2020-21 becoming part of a larger transition from an existing system of very high numbers of individual project reports to a possible approach of fewer, more targeted and more clustered reviews of Bank operations with high learning potential. In 2020, Management self-evaluated 92 individual operations, substantially fewer than in previous years, and delivery was biased towards the end of the year. The 2021 work programme envisages fewer again, around 41, but with new operation cluster reviews expected to be piloted in the second half of the year. EvD reviewed all the self-evaluations produced in 2020 and returned them to Management with comments for their final edit and approval. Eighty lessons were derived from the self-evaluation process and entered into the lessons investigation application. The projects evaluated this year are summarised in Figure 2.

The reported results were similar to those of previous years:

- 84 per cent (77 out of 92) of the projects were self-reported as being additional⁵
- around 60 per cent reported that the financial performance of the client achieved their benchmarks⁶
- just over half (48 out of 92) of projects reported the achievement of operational objectives⁷
- only 38 per cent reported achieving transition objectives,⁸ while 55 per cent partly achieved them and 3 per cent reported not achieving them (three did not respond).

5 The remainder indicated Partly, No, Not Applicable or did not respond.

6 Ibid.

7 Ibid.

8 For projects that are validated, the intended outcomes from the results framework are used as a proxy for transition objectives.

Validations

The delivery schedule of long-form OPAs was adjusted during the year because of work pressures arising from Covid-19 and the Bank's crisis response. As a result, all but one were delivered in the fourth quarter of 2020, and EvD completed validations of only eight projects – too few to provide useful statistics. Several more long-form OPAs delivered very late in the year are currently under validation. The validation process involved assigning results frameworks⁹ and project performance ratings, and providing supplemental lessons where appropriate. It culminated in an evaluation report distributed to both Board and Management.

EvD ratings under the current methodology are based on the OECD-DAC criteria of relevance, effectiveness and efficiency.

- Relevance assesses the intervention logic and design, and includes additionality as a component.
- Effectiveness assesses the contribution to both outcomes and impacts, and provides insight into transition impact.
- Efficiency assesses financial performance of the client and investment return, and could be used as a proxy for sound banking.

The eight validated OPAs all reported *satisfactory* or better performance, while EvD's validations rated two of them *marginal*. Relevance was rated *satisfactory* or better in all cases, while half of the projects were less than *satisfactory* for effectiveness and three were rated *marginal* for efficiency.

Lessons from projects

EvD is the sponsor of the lessons investigation application at EBRD. OPAs, validations and operation evaluations produce specific lessons at the project level that are entered into the application. In past years, EvD lessons were formally incorporated as part of the project cycle. Several years ago, the project approval requirement was eliminated but operations teams are strongly encouraged to consult the application prior to creating their approval documents for the Operations Committee. Some lessons are developed by EvD staff, but most are

9 For projects where no results framework exists, EvD prepares a results framework based on the project document for Management review and acceptance.

developed by Operations teams conforming to a specified template and then thoroughly reviewed by EvD staff.

There were 80 lessons entered into the application in 2020. Colleagues are asked to identify the project phase that generated the lesson – the due diligence phase, project planning and design phase or the implementation phase. Of the 80 lessons, 58 were from the project planning and design phase, 12 from due diligence and only 10 from implementation. This indicates the overwhelming importance of appraisal and design to the prospects of projects.

The topics of lessons in 2020 were widely spread but the common ones were changes to projects after signing; client appraisal, capacity and selection; Bank handling; and stakeholder relations. Client relations and financial, market and technical analysis also featured across several projects. Clearly, picking the right client, maintaining a good relationship with other stakeholders, and managing challenges and changes arising during project implementation were seen as important success factors.

Findings from project-level evaluations

Lessons from OPAs and validations covered a wide range of topics, but some themes recurred across more than one project.

Capacities of local authorities and regulatory bodies

The following examples all showed the continuing difficulties in working with local authorities and regulators with limited capacity, and the importance of assessing their capacities upfront and providing additional, well focused support as necessary.

A public transport project premised on the adoption of a public service contract by the local authority ran into problems when the municipality proved unready to move to the new form of contractual arrangements. This was down to a lack of transparency in reporting by local bus operators, the weak monitoring function of the municipality and the legislative amendments needed at the national level. In another case, the creation of a regional water company depended on a national government decision, which was delayed so long that the consultancy assignment expected to assist the newly created company was close to completion and

little help could be offered. A third case found that insufficient thought was given initially to supporting the government with tendering a leasing contract. Fortunately, the government benefited from technical cooperation support from several multilateral development banks (MDBs), which were able to provide support to enhance capacity in this area.

Regional expansion targets

The Bank continued to learn from experience that can help it to fine-tune its approach to setting benchmarks and targets. Financial sector and SME finance projects include geographical targets as a common benchmark, targeting a percentage of disbursements in regions away from the capital city or other major economic centres. In more than one case, an otherwise successful project missed its geographical targets, and it is EvD's experience that this is fairly common. Lessons offered by bankers suggested that the targets be set more realistically with reference to the economic dominance of particular regions. However, extending finance for economic development to underserved regions is an important element of inclusion that is clearly proving a particular challenge and will not be addressed by scaling back targets.

The Bank's ability to achieve corporate governance improvements

Client corporate governance improvements are often an objective in Bank projects, particularly in equity investments and with corporate, private sector clients. Ultimately, the Bank is dependent on the willingness and ability of the client's board and management to make the necessary changes and give them real meaning. Careful project design can contribute. A project in the manufacturing sector resulted in the lesson that the Bank should not rely on the fact that covenants are legally binding and expect the client to achieve them, but should gauge the client's genuine commitment to improve its corporate governance. In this case, it should have insisted that the client appoint an experienced chief financial officer with the mandate to drive the improvements in financial control, reporting and decision-making, and a senior officer responsible for the introduction and implementation of corporate governance improvements. The hiring and delivery by these officers should have been covenanted in the loan agreement and monitored on a regular basis. In another case, an equity project, the Bank found its

ability to influence corporate governance was limited by its low voting rights, resulting from the company's dual share structure. The Bank held lower-voting class B shares. At appraisal, the Bank had identified the dual share structure as a risk to the achievement of project objectives. While transition impact objectives are on track, risks to minority shareholders are likely to weigh on the company share price and affect the Bank's exit. The project team proposed that in future the Bank should consider introducing mitigating mechanisms such as sunset provisions that would automatically convert dual class shares to a single class within predefined time horizons.

Co-financing with the European Union or another international finance institution

An issue that has arisen occasionally over several years is that the EBRD sometimes comes late to a project that has already been largely defined by other – possibly larger or more influential – investors. In such a case, the Bank's financial additionality is rarely in doubt because it has been invited to plug a clear gap in the financing plan. However, its non-financial additionality may be severely constrained. An OPA in 2020 reported on the EBRD's co-financing of a European Union (EU) grant-funded project. The client approached the Bank only after the scope of the project had been approved by the national managing authority of the operational programme providing the grant financing. This effectively prevented EBRD from providing useful input and recommendations regarding project scope and sector reforms. It was also a challenge to align the scope of the project with the Bank's internal policies and rules. The Bank tried to complement components of the project with topical technical assistance for sector reform and the introduction of good industry practices, but it was limited in what it could achieve. The Bank also felt that a different procurement method might have achieved a better outcome in terms of cost and sustainability. The project team recommended that EBRD should engage with the European Commission and national managing authorities very early in the process when the terms of operational programmes are being negotiated. At that stage, the Bank will be able to provide useful advice and recommendations that could help the national authorities to design more sustainable, efficient, integrated and environmentally friendly projects.

Findings from thematic studies

Chapter 3 summarises the findings and recommendations from thematic studies. Recurring themes stand out.

Strategic objectives

Several evaluations highlight the importance of including specific objectives in strategies and policies, to provide greater focus and coherence to the Bank's many activities on the ground. The **mobilisation** study observes that mobilisation has no substantial institutional profile at EBRD, with the focus on the use of the Bank's own capital in achieving annual business investment targets. It finds that EvD is unable to conclude much on results, given the absence of a formal mobilisation strategy, performance targets and baselines. The study identifies individual projects obtaining high leverage of private finance with a range of instruments and structures; but they are not developed in a structured way to realise mobilisation potential. It recommends including mobilisation target ranges in the SCF under development in 2020, and its associated annual SIPs, which present objectives and resources for each year. These should then cascade down to other strategies. Mobilisation objectives and means should be included in all corporate, country and sector strategies, with details on baselines, target ranges and new metrics for mobilisation, types of instrument, expected volumes of blended finance and EBRD investment, and underlying levels of subsidisation and leverage. During 2020, EvD engaged with the Board and Management on the SCF with the result that Management included mobilisation as one of its four instruments to enable the achievement of transition impact, alongside equity investment, leveraging donor funds and strengthening policy engagement.

The study on **policy dialogue in SEMED countries** finds a lot of engagement in many important policy areas, broadly aligned with directions in country strategies and national agendas, and delivering on many planned policy engagement outputs in SEMED. However, 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, and country strategies do not set out

monitorable and reportable policy engagement commitments. Few policy deliverables have measurable success metrics and in many cases there are no monitoring reports. The study recommends that new country strategies provide substantially expanded treatment of policy-related diagnostics and specifically identify how priorities would be established.

The **LTP** evaluation similarly finds that LTP activities contribute significantly to estimates of expected transition impact, especially under the ‘well-governed’ and ‘competitive’ transition qualities, and to the delivery of country strategic priorities and priority policy objectives. While the LTP is broadly aligned with EBRD strategic directions and priorities, it appears to play no particular role in shaping them; its demand-driven model has been pragmatic but lacks an articulated strategy of its own; and while it is possible to identify specific LTP contributions on a shorter-term or transactional basis, there is very little ability to describe longer-term expected accomplishments or to substantiate them empirically. As is common in the Bank, LTP does not track project results beyond implementation and only occasionally tries to measure outcomes. The study recommends aligning both planning and reporting for non-transaction policy engagement (that is, policy engagement not directly associated with a specific investment operation) with a long-term horizon. It should base this on a well-defined results framework anchored to the Bank’s transition qualities and connected to country-level objectives. To facilitate this, it recommended building capacity within the team to construct results chains and provide evidence-based monitoring and reporting, and consequently knowledge-sharing.

The paper on the **evaluability of transition qualities** identified several disconnects and missing linkages that undermine the evaluability of the transition qualities. It also showed that the existing mechanisms are not sufficient and not designed to capture the indirect and induced impact of Bank activities (that is, job creation); yet the expectation of triggering positive externalities is at the centre of the concept of transition and the Bank’s broader rationale.

Data and measurement

The issue of adequate monitoring data to provide evidence of impact at the country level has been

a theme running through EvD’s work over several years. It arose again in 2020 in the context of the studies on mobilisation, regional integration, and policy dialogue in SEMED.

The **mobilisation** study notes that very little information on mobilisation is available in the EBRD’s management information systems. There are very few metrics to measure the economic and financial efficiency of the EBRD’s mobilisation projects, and EvD is unable to conclude much on results, given the absence of a formal mobilisation strategy, performance target and baselines. The study recommends upgrading the treatment of data on mobilisation and on the use of blended finance in management information systems, to ensure yield-on-capital calculations provide an accurate measure of performance across instruments and types of investment. The regional integration evaluation also found it challenging to conclusively assess the regional integration impact of most of the cross-border infrastructure projects in the absence of a framing strategy against which to assess operations, and a scarcity of relevant data. It recommends ensuring an adequate system is in place for gathering relevant data to measure integration, which is one of the Bank’s transition qualities, either by the client or by the Bank.

The review of **policy dialogue in SEMED countries** finds that few policy deliverables have measurable success metrics and, in many cases, there are no monitoring reports. 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; and, as elsewhere, much policy work is done informally and goes unrecorded. Overall, while positive contributions may be assumed, strong, evidence-based claims cannot be made in most cases. 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; 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). The LTP study found a similar lack of a database of policy dialogue activities and EvD had to construct its own for the purpose of the evaluation. The SEMED study recommends that country strategy

delivery reviews presented to the Board of Directors should provide substantial additional detail and analysis of policy engagement activities and emerging results; the terms of reference of the policy priority objective instrument should be reviewed, and guidance issued, and a review of the internal accounting should be considered for the policy engagement contribution to transition impact. Using SEMED work as a pilot, 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 to share experience in real time. 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 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.

The **evaluability assessment** also finds that measuring wider impacts and linking the EBRD's contribution to country progress remains a real challenge, even as shareholder and donor reliance on these continues to increase. There is a substantial gap between country results indicators and the country-level context that cannot be bridged by simply aggregating project outputs, as is now done in the country strategy delivery reviews. Project results are monitored only until financial completion/repayment, while observable transition results almost always take much longer. Externalities, demonstration effects and indirect and induced results are not monitored. The paper recommends improving the measurement of wider and longer-terms effects of the Bank's operations and consolidating transition results reporting into a single, authoritative document.

Management reviews of programmes

Several studies recommended that Management should carry out its own reviews of its operations to identify weaknesses and areas for improvement.

This included a recommendation from the **regional integration** study that Management conduct a focused assessment of why most of the private sector enhancement and policy-related objectives of large infrastructure projects have failed; a recommendation from the **SEMED** paper that Management prepare for the Board a full self-evaluation of the enhanced and comprehensive approach to policy reform dialogue, leading to an updated approach paper being approved by the Board; and a recommendation that Management complete a comprehensive review of the **LTP's** institutional position, objectives, scope of work and funding model, which could be closely coordinated with the review of enhanced approach to policy dialogue.

Resource sufficiency

The studies on **policy dialogue in SEMED countries** and the **LTP** review similar, policy-related work. In both cases, work 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 MDA. Clarity on resource usage is limited. It proved impossible to determine how much has been spent on policy work in SEMED. The LTP portfolio tripled over the evaluation period, but core funding and headcount remained essentially unchanged. There have been significant year-to-year variations in overall funding – including in donor funds – creating a real obstacle to longer-term planning and programmatic consistency for the reform work that requires sustained engagement over many years and a predictable budget.

The SEMED paper notes that the enhanced approach was deliberately ambitious; there is a large gap between aspirations and practice, and this gap needs to be resolved, either by dialling back ambitions or by committing additional resources. The LTP study recommends that resources should be specifically estimated against strategic goals and the actual demand for technical cooperation projects and expertise in specific areas. If the Bank is unable to increase LTP's core funding, resources should be prioritised to a limited number of sectors and countries with the greatest need.



Thematic evaluations

EvD delivered several substantial thematic studies in 2020, and this chapter presents brief summaries of them. The study on the mobilisation of private finance evaluated a major issue of concern and challenge, central to the Bank's expected role and contribution in key sectors. A review of projects supporting cross-border connectivity looked at a cluster of projects with integration as a transition objective, considering their performance, the role of policy dialogue and technical cooperation, and larger effects on competitiveness, regional economic links and investment flows. Evaluation of policy dialogue in SEMED countries had a particular focus on how the Bank implemented its 2015 enhanced and structured approach to policy dialogue in a set of relatively new countries of operation, where there was little in the way of established practice. The evaluation of the LTP was the third review of a programme at the heart of the Bank's efforts to operationalise its policy dialogue engagements, following previous studies in 2001 and 2012. Finally, the evaluability assessment of transition qualities was undertaken to address a specific recommendation of the Kirk Report.

EBRD mobilisation of private finance

Background

As demonstrated by the EBRD's articles and the founding articles of the World Bank, International Finance Corporation and other comparator institutions, the mobilisation of incremental private sector finance has always been at the core of the public purpose of MDBs. Several major recent developments have made mobilisation central to shareholder concerns and strategic and operational priorities for the MDB system.

Estimates of the incremental private sector investment needs for development priorities have soared; governments and the MDBs have made many ambitious and high-profile commitments such as the Sustainable Development Goals; and public resources are increasingly squeezed by demographics. Meanwhile, the pool of potentially investible private funds has grown hugely; highly capable private investors are meeting financing needs – once the exclusive domain of the MDBs; and traditional MDB lending instruments have become less attractive in many markets and less relevant to potential new clients.

It was in this context that EBRD joined a 2015 commitment with other MDBs to increase the mobilisation of private finance 10-fold over time. In 2017, it joined a further MDB commitment to increase private sector mobilisation by 25 to 35 per cent by 2020. Despite these ambitious commitments, direct financing has long had overwhelming operational and strategic priority across the system.

Mobilisation as originally understood – the use of public balance sheets to leverage substantially greater private investment – has for the most part had minimal systemic weight, including at the EBRD, and mobilisation has never been a strategic objective.

Main findings

The paper identifies the following range of findings, implications and potential action areas on key strategic and operational issues.

- Existing approaches will almost certainly not deliver the Bank's ambitious commitments to mobilise private investment for global priorities.
- There are real opportunities for the Bank to scale up mobilisation and expand its business in support of transition objectives, by broadening its product range such as offering guarantees.
- An intensified focus on private mobilisation would strengthen the Bank's institutional distinctiveness and competitive position.
- There are opportunities to make better use of existing capital and build on existing core banking competencies.
- An expanded range of instruments would create potentially powerful new performance metrics to improve internal incentives and external reporting.

Recommendations

- **Prepare a detailed mobilisation approach or initiative** for discussion with the Board, assessing where mobilisation can be used to

support the attainment of transition impact and return-on-capital objectives. It should cover markets and associated instruments, including advisory services and guarantees, review existing MDB/development finance institution practices, and set out clear objectives and institutional responsibilities.

- **Include mobilisation objectives and means in all corporate, country and sector strategies**, with details on baselines, target ranges and new metrics for mobilisation, types of instrument, expected volumes of blended finance and EBRD investment, and underlying levels of subsidisation and leverage.
- **Include mobilisation target ranges in the SCF and associated SIPs**, developed in accordance with financially sustainable yield-on-capital criteria in corporate and departmental scorecards. Quarterly reports to the Board, funding to ensure staff skills and an effective management information system should provide support.
- **Upgrade the management information system treatment of data on mobilisation and the use of blended finance**, review policies for allocating capital and measuring project and corporate performance to ensure yield-on-capital calculations provide an accurate measure of performance across instruments and types of investment.

Management response

Management provided extensive comments, agreeing with the third recommendation on including target ranges in the SCF and associated SIPs, and partly agreeing with the other three recommendations. It prepared an action plan in late 2020. Management undertook to prepare a mobilisation approach paper in 2021, covering the instruments, incentives and internal capabilities needed to deliver on its mobilisation ambitions. It committed to discuss the opportunities and challenges for mobilisation in country and sector strategies as relevant, though targets would not be set as country or sector priorities. It undertook to set an annual operational goal for mobilisation in the corporate scorecard for 2021, to be considered in the context of the SIP for 2021-23. EvD continued to provide substantial input and commentary on the draft scorecard throughout its preparation in

2020. Management also committed to review the definition of mobilisation in the context of the corporate scorecard review and enhance reporting on mobilisation based on the new definition, as well as enhancing the reporting of blended finance, and capturing and reporting on partial guarantees.

Projects supporting cross-border connectivity (regional integration)

Background

The report on regional integration presented an evaluation of nine infrastructure projects promoting cross-border connectivity, eight in transport and one in energy. It assessed their overall performance, with emphasis on the intended and observable impact on cross-border connectivity and integration. While all but one of the projects were approved and largely implemented before “integrated” was formally introduced as a transition quality, the evaluation nevertheless provided analysis, findings and insights directly relevant to current and future operations with regional integration elements and objectives.

The evaluation sought to establish a broader context for the Bank’s project-specific work – starting with a brief analysis of the evolution of its approach to regional integration, and a review of the portfolio of early cross-border projects as well as of more recent operations after “integrated” became one of the six transition qualities. The study examined linkages and the incorporation of regional integration into selected country and sector strategies, along with other IFIs’ approaches to regional integration and the EBRD’s collaboration with them.

Main findings

Policy and strategy context

- It proved challenging to conclusively assess the regional integration impact of most of the cross-border infrastructure projects as the **Bank does not have a framing strategy** for regional integration or cross-border investments against which to assess its operations, while work on many international corridors is ongoing and relevant data are scarce.
- Historically, three-quarters of the Bank’s transport projects with cross-border components by volume were in the **road sector**. Evaluation of several of them demonstrates that, in most

cases, actual traffic was disappointing. They had stronger local, rather than regional, integrating impact.

- Historically, the majority of the Bank's transport projects supported roads, while many interviewees believed **rail** played a more prominent role in their countries' cross-border connectivity. The Bank has had relatively few rail projects with regional integration components.
- **Complex customs and immigration procedures**, and long waiting times at border crossings were often the principal hurdles to integration, slowing transportation and impacting the choice of route by consignors. Only one of the four highways projects reviewed included components designed to address them through policy dialogue.

Project design and performance issues

- Project documents often cited impact on regional integration, but without completing prior **diagnostics**. Performance **metrics** were insufficient and typically limited to traffic/throughput, with projections simply linked to a country's forecast gross domestic product.
- Most **physical infrastructure** components were **completed** (albeit with substantial delays); however, **policy dialogue** objectives were often not achieved.
- Almost all **private sector** participation enhancement objectives of the reviewed projects **failed**.
- The current traffic or throughput of **three-quarters** of the evaluated projects has been well below projected levels.
- The **transportation hubs** projects (sea ports and airports) have been generally able to demonstrate strong integrating impact much faster than those in roads (and were easier to measure).
- Most evaluated projects were exposed to **political risks**, which often materialised, adversely impacting their connectivity potential.

Recommendations

- Prepare for the Board's approval a Bank-wide **strategy for regional integration**, including cross-border connectivity, to establish agreed

objectives, priority sectors/sub-sectors, potential investment types, directions of policy dialogue and technical cooperation support areas.

- Target integration-related investments and particularly policy dialogue towards countries with the **largest transition gap score** for the integrated quality, as identified in annual assessments of transition qualities – that is, in Central Asia, the Balkan states and SEMED region – actively pursuing opportunities in integration-boosting sub-sectors, such as rail, ports and airports.
- For projects targeting the integrated quality, ensure an adequate system is in place for **gathering relevant data to measure it**, either by the client or by the Bank.
- Conduct a **focused assessment of why most of the private sector** enhancement and policy-related objectives of large infrastructure projects have **failed**.

Management response

Management agreed with all the recommendations except the first one. Management indicated that its approach to strategies in its results architecture was to focus on country and sector strategies, with thematic strategies aimed at novel areas, which was not the case for integration. Management did not provide an action plan for the second recommendation, which it considered to be adequately addressed through its annual assessment of transition qualities. Management undertook to improve the measurement and monitoring of regional connectivity projects through developing a methodology for enhanced road connectivity measurement at the project level; implementing regular client reporting on key connectivity measures for other transport projects; refining indicators of integration and connectivity in the next review of the compendium of indicators; and engaging with other MDBs on indicator harmonisation efforts. EvD provided input in 2020 to Management's work on a methodology for road projects. Management committed to conducting a high-level analysis to understand why objectives related to private sector enhancement and policy-related objectives for some large infrastructure projects were not achieved. Management will finalise findings in a report to be shared across relevant teams.

Policy dialogue in the SEMED region

Background

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 SEMED region following the major political upheavals of 2011. The expectation was that a sequenced approach, beginning with technical cooperation 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.

Nevertheless, the evaluation is valuable in another way. In 2015, Bank Management adopted an ambitious enhanced and structured approach to policy dialogue, which 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 EvD and Management's own analysis. The core proposition of the enhanced approach was that effective policy work must be central to the Bank's value proposition and that institutional systems needed significant change to accomplish this. The enhanced approach was introduced at almost the same time as EBRD normalised its operational engagement with the new SEMED members, and the SEMED experience therefore represents a case study of how the enhanced approach was implemented in circumstances where there was little in the way of established practice.

This evaluation reviews the content, objectives and, to the extent possible, performance of the Bank's policy engagement in SEMED between 2011 and 2018. In addition to providing potentially useful findings for future policy work in SEMED, the expectation was also that the evaluation could be valuable if new memberships are considered in the future.

Main findings and recommendations

- The study found significant and successful policy engagements on the ground, both stand-alone and linked to investments. In the latter case, they were an important contributor to expected transition impact at the design stage.
- Resident offices play a leading role, collaboration with other IFIs is generally good, and both public and private clients value the combination of investment and policy work.
- There are important gaps in advance planning, monitoring, record-keeping and reporting, which inhibit evidence-based assessment of actual results on the ground.
- Work is generally funded ad hoc from technical cooperation funds rather than from the core EBRD budget.
- There is little evidence that the broad commitments of the enhanced approach were applied in SEMED countries between 2015 and 2019.
- EvD believes that the rationale for the adoption of the enhanced approach remains sound. 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.

Recommendations

- 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.
- 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.
- Starting immediately, country strategy delivery reviews should provide substantial additional detail and analysis of policy engagement activities and emerging results.
- 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.

- 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 response

Management agreed with all the recommendations except the last one, with which it disagreed. It undertook to prepare a self-evaluation of the enhanced policy approach in 2021, taking stock of progress and remaining gaps. The report would feed into a next phase assessing potential actions to take to remediate gaps and further enhance the policy approach. It undertook to anchor priority policy engagements more explicitly in country strategies based on policy-related diagnostics; the country strategies for Kosovo and Montenegro, expected in 2021, would pilot the new approach. Management committed to extend reporting on policy engagements in country strategy delivery reviews from 2021 using concrete examples from activities across the Bank. There would be more explicit reporting on objectives under each strategic priority, strengthening the section on the way forward with more explicit assessments of the Bank's activity focus over the next 12 to 18 months, and a dedicated policy engagement section in each regional overview to present policy objectives at the regional level. The Bank undertook to create a comprehensive database on policy engagement in the SEMED region within the next 12 months, collating information on donor-funded engagements, both transactional and non-transactional, as well as information on policy priority objectives building on the work undertaken to improve country strategy delivery reviews. Management did not agree with the recommendation to produce a comprehensive annual summary and review of its policy-related activities.

Legal transition programme

Background

The LTP is the EBRD's flagship provider of legal and regulatory advisory work and technical assistance, combining it with investment activities to support

the legal reforms needed to strengthen investment climates and build markets. Its four key work areas are international legal standards and best practices, country legal assessments and diagnostics, support for legal reforms and building the institutional capacity, and outreach and knowledge sharing.

LTP is or has been present in all countries of operation and in practically all sectors of Bank operations. During the evaluation period of 2011-18, it has delivered around 230 technical cooperation projects for the total amount of €78 million of mostly donor funds. This evaluation is one of the regular reviews of LTP's work – EvD previously evaluated the LTP's performance in 2001 and 2012. The findings of the 2012 review were used as the baseline for measuring progress in the programme's delivery and results.

Main findings

- LTP work, which is primarily demand-driven, is highly appreciated by external clients and sought after by internal Bank teams.
- By bundling highly focused legal support with mainstream operational work across 25 years, the LTP has become a distinctive institutional asset for EBRD in its efforts to improve the investment climate in the countries of operation. It is a key part of the EBRD's unique institutional offer and a key differentiator versus other IFIs and private sector financiers.
- LTP activities contribute significantly to estimates of expected transition impact, especially under the "well-governed" and "competitive" transition qualities. A high intensity of LTP interventions, delivered in close partnership with other Bank departments, is associated with greater improvements.
- LTP's internal visibility has improved, and it is one of the most active parts of the Bank in sharing knowledge products, although there is a substantial need and an unexploited potential for better knowledge management.
- LTP contributes to the delivery of country strategic priorities and priority policy objectives. The uptake of LTP reforms is significant in many countries, and some achieved substantial breakthrough. Evidence suggests long-term engagement with multiple partners enhances the prospects for reform.

Areas for focus and improvement

- LTP's strategic importance and distinctiveness is not as effectively supported as it could be by organisational, managerial, strategic and resourcing tools and practices commensurate with its institutional role or with the strong claims made for its transition contributions.
- While the LTP is broadly aligned with EBRD strategic directions and priorities, it appears to play no particular role in shaping them. Its demand-driven model has been pragmatic but lacks an articulated strategy of its own. Operational planning has largely disappeared, even as activities have tripled.
- While it is possible to identify specific LTP contributions on a shorter-term or transactional basis, there is very little ability to describe longer-term expected accomplishments or to substantiate them empirically. As is common in the Bank, LTP does not track project results beyond implementation and only occasionally tries to measure outcomes.
- As a result, there is a disconnection between LTP's demonstrable provision of specific legal solutions and its plausible ownership of the larger, longer-term change that is at the heart of transition.
- LTP engagement in high-level policy dialogue is largely reactive and often reliant on additional leverage from cooperation with other IFIs. Collaboration with other institutions on the ground, generally on a supporting basis, tends to be good but also largely ad hoc. There is scope for more planning and prioritisation when moving into new areas.
- LTP's management and operational processes share most of the missing features and design deficiencies of the EBRD's technical assistance and policy advisory work more broadly. Well covered elsewhere, these include a lack of strategic planning, an absence of results frameworks and clear success indicators, poor information and data management, limited extraction and reapplication of accumulated knowledge and experience.
- The LTP portfolio tripled over the evaluation period, but funding and headcount remained essentially unchanged.
- LTP funding has been multi-source and highly

variable, coming almost exclusively from outside the Bank's core budget. It has been difficult to set programme reform work that requires sustained engagement and a predictable budget.

- A previous commitment (following EvD's 2012 evaluation) to integrate results frameworks and measurable objectives into LTP operational planning and reporting has not been delivered.

Recommendations

- Management should complete a **comprehensive review of LTP's institutional position, objectives, scope of work and funding model**. The review should be part of and feed into the ongoing SCF 2021-25 work on better integration of policy engagement and investment operations. This could be closely coordinated with Management's recently announced review of the EBRD's enhanced and comprehensive approach to policy reform dialogue. It would be valuable specifically to consider the following two scenarios.
 - Integrate the LTP into the Client Services Group within a single policy function under the Vice Presidency for Policy and Partnerships, where its priorities and scope are defined by a clearly operationalised enhanced approach to policy reform dialogue, and its midterm planning, monitoring and evaluation is performed consistently and systemically.
 - Continue LTP as a stand-alone operation within the Office of the General Counsel, but develop for Board review a detailed strategic plan, resource envelope, scorecard and reporting line to the Client Services Group via the Strategy and Policy Committee.
- In any scenario, **LTP resources should be specifically estimated against strategic goals and the actual demand** for technical cooperation projects and expertise in specific areas. LTP's on-the-ground presence should be enhanced in the countries with the greatest needs for legal and regulatory support. If the Bank is unable to increase LTP's core funding, resources should be prioritised to a limited number of sectors and countries with the greatest need.
- **LTP's planning and reporting for non-transactional policy engagement should be aligned with its long-term horizon**. It should

be based on well-defined results framework anchored to the Bank's transition qualities and connected to country-level objectives. A theory of change prepared by the evaluation team could be used as a basis for developing the framework.

- **LTP's capacity to build results chains and provide evidence of its contribution to transition impact should be enhanced,** along with the reporting and knowledge sharing standards.

Management response

Management partly agreed with the second recommendation on estimating LTP resources, and agreed with the other three recommendations. Management linked the recommended review of LTP to the outcome of the wider enhanced policy approach review to be undertaken upon the recommendation of the SEMED study. Management would then consider what actions were necessary in relation to LTP specifically. The second recommendation on resource estimation would also be folded into this review. Management committed to develop a theory of change for each of the Bank's six transition qualities, including the well-governed quality, which would be incorporated into a results framework for LTP. Management aimed to pilot a results framework in the new operational plan for LTP in 2021. EvD has continued to cooperate with Management to help with the implementation of this recommendation. Management noted that LTP would be one of the teams to benefit from training to build capacity in this field in the context of the work on theories of change for the six transition qualities.

Evaluability assessment of transition qualities

Background

The EBRD's redefinition of its transition concept in 2016 was a significant change in how its core purpose was identified. The concept has had important implications for many core operational issues, and it remains a work in progress in key respects. A first independent review of the Bank's evaluation systems completed in 2019 (the Kirk Report) asked the core question of the degree to which intended operational results could be reliably and credibly verified. It observed that the qualities were broad and abstract and therefore

challenging to translate into a coherent approach to results identification and management. The EBRD has made major efforts in recent years to build a stronger and more systematic approach to transition measurement and monitoring. This evaluation seeks to address evaluability in principle and evaluability in practice. The first asks questions based on the internal logic of the Bank's approach and systems as they exist, and the second focuses closely on the measurement approach, and tools and indicators used within those systems to reflect performance and the results achieved.

Main findings

- While the transition qualities are broad and abstract, there is a range of well-established indices and metrics that, in principle, provide the basis for benchmarking and tracking transition quality performance at the macro level.
- Evaluability requires a framework setting out plausible connections between operations and higher-level objectives: a theory of change connecting activities with ultimate objectives. Country strategies were intended to be the essential framework connecting operations to wider transition progress, but despite important improvements, country strategies do not now play this role.
- The Bank has added substantially to the number and quality of its tools to track progress at the operational level, but these components have for the most part been developed individually rather than systematically.
- For example, there is a substantial gap between country results indicators and the country-level context; policy work and technical cooperation are responsible for a substantial amount of predicted transition effects but are not meaningfully integrated into key parts of the results architecture.
- Project results are monitored only until financial completion/repayment; externalities, demonstration effects and indirect and induced results are not monitored; nor are possible multiplier or synergistic effects of collaboration with other institutions.
- The EBRD does not produce an overall unified report on development (or transition) effectiveness, and results reporting is scattered

across different programmes and instruments. Efforts to improve knowledge management have been isolated, under-resourced and not efficiently incentivised.

Opportunities for improvement

The study identifies some low-hanging fruit that the Board, Management and the self-evaluation and results management working group might translate into a concrete action plan to produce specific improvements.

- Strengthen theory-of-change tools by developing explicit results chains at the country/sector level.
- Consolidate transition results reporting into a single, authoritative document.
- Improve the measurement of wider and longer-term effects.
- Integrate investment and policy-related work systematically at every level and ensure that this is built into all key operational tools.
- Develop better joint approaches with other IFIs. There is a potential leadership role for the EBRD in the private sector areas where it has particular expertise and insight.

Evaluability challenges have important implications for EvD. The Kirk Report and preceding self-

assessment of EvD, the 2019 review of the Bank's self-evaluation systems, annual work programmes and many individual thematic evaluations have identified areas where EvD itself must adapt and improve, including by:

- integrating the new transition qualities more systematically into all EvD work
- extending and deepening country strategy evaluation work
- strengthening EvD's internal learning and knowledge management
- strengthening the effectiveness of EvD's outreach to Banking
- helping Management to build stronger self-evaluation systems and practices.

Management response

Management agreed with the study's key suggestions and reported on its ongoing work on Kirk Report follow-up, improving IT capacity to streamline the process for capturing monitoring and reporting results, and work on further developing theories of change and strengthening evaluability. Management undertook to work closely with EvD over the next two to three years to implement the recommendations.

The number 4 is rendered in a large, bold, blue font. The background of the entire top section is a collage. It features a central image of two hands shaking in a firm grip, with a bright sunburst effect emanating from the point of contact. Overlaid on this and the rest of the top section are various semi-transparent images: a group of business professionals in suits, a construction worker wearing a hard hat, and a dense urban skyline with numerous skyscrapers.

4

Special topic: deeper
and more effective
engagement with the
Board and Management

The 2019 Kirk Report and the Board's firm commitment to a detailed, multi-year plan created both a need and a road map for deeper, more intensive engagement between EvD, Board and Management. At a meeting of the Audit Committee in November 2019, several Directors commented that EvD's interface with the Board and the Audit Committee in particular needed to be strengthened.¹⁰ EvD was able to develop its engagement in 2020 through both formal and informal mechanisms, although it found the formal mechanisms on the whole less satisfactory. The unexpected constraints of remote working due to COVID-19 disrupted established procedures and presented unprecedented challenges around engaging a new Board, new committees and a new President in a remote setting. There was a need to adapt and innovate, and EvD saw an opportunity to reshape an overly rigid pre-existing situation, with the full support of the Audit Committee and Board. Ultimately, this allowed more meaningful engagement. Much of the engagement has been framed by the follow-up to the Kirk Report, especially the work on results management and self-evaluation, knowledge management and learning. The new approaches have been seen as of high value by the Board and in EvD's view are here to stay.

Formal engagement

The Kirk Report recommendation for regular EvD participation in senior level (Management) committees was partly realised. The Kirk Report recommended "regular EvD attendance as an observer in senior level committees including the Management Committee and the Strategy and Policy Committee." This was intended to enable "sustained engagement by EvD with Management and operations staff on key systems and processes" and "allow EvD to contribute evaluation insights regarding 'issues of the day' and to acquire a deeper understanding of current Management thinking in key areas". As part of the joint (Management/ EvD) action plan for the implementation of the Kirk Report recommendations, Management proposed inviting EvD to meetings of the Strategy and Policy Committee on subjects directly related to EvD's work. In practice, this has meant discussions of EvD reports and Management follow-up action plans, and the biannual report on Management follow-up of EvD recommendations. While this falls far short of the Kirk Report recommendation, it is nevertheless a useful addition to EvD-Management engagement.

Another action proposed in the joint action plan was the attention of Board plenary meetings to evaluation matters at least twice per year. The first occasion was in June 2020, when there was a fruitful

Board discussion of EvD's study on the mobilisation of private finance as well as an update on the joint action plan. A second session was scheduled for January 2021 to discuss the joint action plan again as well as EvD's findings on policy dialogue. On this occasion, the planned discussion of policy dialogue was crowded out by Management business and EvD will seek another opportunity to present its findings to the Board, as recommended by the Kirk Report.

Informal engagement with the Board

EvD exploited the opportunities offered by remote working to enhance its engagement with the Board of Directors and Board committees. It expanded the range of its offerings by introducing a number of compact notes providing Board members with context, technical analysis and evaluation viewpoints on issues being brought to the Board's attention by Management. The ultimate aim of these notes was to facilitate productive, high-quality interaction between the Board and Management on matters connected to evaluation, monitoring and results reporting. In addition, EvD has improved engagement with Board and Management in the run-up to Audit Committee discussions of new evaluation reports, such as the papers on the mobilisation of private finance, regional integration, policy engagement in SEMED countries and the LTP. EvD now attends the meetings of the Management Strategy and Policy Committee, which approve formal Management comments and action plans responding to the EvD reports. It has introduced a new practice of briefing the Audit

¹⁰ Minutes of the meeting of the Audit Committee of 21 November 2019: CS/AU/M19-23

Committee informally before the main discussion, allowing Directors to ask in-depth questions and gain a better understanding of the topic. This helps to reduce the information asymmetry whereby EvD and Management are significantly more familiar with the topic than Board Directors.

This line of work culminated a series of information notes, discussion papers, summaries, technical assessments and reviews covering a wide spectrum of critical institutional and operational matters. EvD contributed to the discussion of major new strategy papers (see Box 2).

An addition to established EvD products, these notes formed the main content of informal workshops and briefings, which were an important advancement in EvD-Board engagement and communication, particularly since the pandemic-related lockdown. Overall, these deliverables proved to be a very useful tool to share information with Board members and

bring attention to particularly important, though very technical, aspects of the EBRD evaluation system.

Informal engagement with Management

Management also is bearing the fruits of EvD's improved engagement with the Board. Issues such as the need of strengthening the theory of change underpinning the transition qualities, the importance of measuring the wider impact of the Bank's operations and improving reporting on policy dialogue and technical cooperation work results have been embraced by Management, leading to a number of new and strategic synergies across several Bank's departments. Management also requested EvD support in developing results frameworks for several specific projects, including the Ukraine reform architecture project – where EvD helped to prepare the monitoring and evaluation plan, advised on the recruitment of a monitoring and evaluation

Box 2. Informal briefing notes to the Board and committees in 2020

- EBRD crisis response: transition results perspective (April; informal note for Board members)
- Lessons from previous EBRD crisis response (May; informal note)
- Transition results management architecture (June; informal note for Board members)
- Loan syndications and mobilisation (June; informal note for Board information session)
- EBRD mobilisation of private finance (June; informal note for Board discussion)
- Galnaftogaz project proposal (June; informal note for Board members)
- GET 2.1 paper (June; informal note for the Financial and Operations Policies Committee)
- Crisis response lessons from other IFIs (June; informal note)
- Background on the proposed revised general conditions of the Ukraine MDA (June; note for the Audit Committee)
- SP2 results framework (July; technical note on the first draft)
- Mobilisation in the EBRD scorecard (August, informal note; September, informal presentation to the Board)
- Comments on the revised Management scorecard (September; informal note for the Audit Committee)
- SP2 results framework (September, informal follow-up note for Board members)
- Improving evaluability and maximizing transition impact (September; informal note)
- Country strategy delivery reviews 2021 (October; informal note for the Financial and Operations Policies Committee)
- Background on shareholder special fund (November; note for Budget and Administrative Affairs Committee)
- SP2 results framework (November; discussion paper and presentation for the Audit Committee and note for Financial and Operations Policies Committee)
- Cross-MDB comparison of results units' organisation (December; note for Audit Committee)

specialist and reviewed reports in an advisory capacity – the SEMED MDA, the Serbia SME finance framework and the new gender inclusion scorecard measure.

The new approach in practice

The 2020 EBRD Annual Meeting approved a new SCF for 2021-25, setting out the EBRD's strategic aspirations for the next five-year period. There was ample opportunity for EvD to contribute to the development of the SCF, with the keen support of the Board. The SCF, as ultimately agreed, substantially elevated several EvD-related issues where interaction between EvD, Board and Management had been very extensive in 2020. These included the mobilisation of private finance, the integration of policy dialogue with project work, and a focus on results. EvD's studies on mobilisation, the evaluability of transition qualities, and policy dialogue in the SEMED region were particularly relevant. In addition, EvD was closely engaged in Management's work on the redesign of the self-evaluation system, another stream of work emerging from the Kirk Report. The following sections review specific practical examples of EvD's engagement with Board and Management in 2020.

Evaluability of transition qualities

The EvD special study on the evaluability of the transition qualities was one of the key EvD products in 2020, and it triggered numerous Management reactions at multiple levels. The study focus was on the extent to which the terms and application of the EBRD's concept of transition qualities can be meaningfully and usefully evaluated – to determine how far the concept (or set of concepts) is credible, adequately defined, relevant and meaningful, and the extent to which the value and utility of its application can be determined or verified.

The study not only informed EBRD Board, Management and interested stakeholders about whether the transition qualities concept can be usefully evaluated, but, more importantly, how it can be further strengthened. In determining the feasibility of evaluating the transition qualities concept and related issues, the assessment aimed also to indicate ways in which the concept could be addressed by evaluation activities at the EBRD. Since the Kirk Report recommended assessing the evaluability of the transition qualities as concepts

and operational tools, the scope of the assessment included the entirety of the existing conceptual and operational blocks as the Bank's transition qualities framework. This includes the revised transition concept, the operationalisation of the concept comprising the transition impact methodology, the transition results management architecture and the self-evaluation system.

Board and Management have extensively discussed the analysis as well as conclusions of this paper at respective committees. As a result, in addition to the items established in the Kirk action plan, Management launched a new work stream aiming to develop a theory of change of transition qualities. The study on the evaluability of the transition qualities demonstrated that while much has been accomplished over the past five years, systems and processes still do not, in aggregate, provide a sufficient basis for effective performance assessment and evaluation. The larger picture for the EBRD is one of discrete elements delivered by different organisational units rather than a cohesive and interconnected system. While individual components have merit and technical strengths, and have brought specific improvements, there are substantial issues of internal linkage, consistency, integration and coherence.

Cooperation on the strategic capital framework and scorecards

The EvD special study on the mobilisation of private finance had important implications for the development of the new SCF and Management scorecard. Following interactions between EvD and Board committees, the new SCF includes mobilisation as one of the four instruments to enable the achievement of transition impact, alongside equity investment, leveraging donor funds, and strengthening policy engagement. This was accompanied by an undertaking by Management to prepare a paper for the Board on how to scale up mobilisation in 2021.

The Board Directors also requested EvD's involvement in the SP2. The Board of Directors approved the first phase of the SP2 in March 2020 and a second phase in April 2020, including an increase of the resilience framework from €1 billion to €4 billion. During a June 2020 review of the EBRD's crisis response, the Board asked Management to develop a results framework for the programme,

and the Audit Committee subsequently asked EvD to assist Management with this work. Management delivered the results framework and a guidance note in the SP2 review it submitted to the Board in November. The Audit Committee then asked EvD to provide insights into the utility and prospective effectiveness of the results framework.

EvD observed that reliance on existing tracking and reporting systems brought substantial limitations in the ability to arrive at evidence-driven conclusions about SP2 effectiveness. The overall evaluability of the framework is weak, with a lack of baselines, clear benchmarks, and specific and measurable indicators in many cases; the theory of change underpinning the framework is underdeveloped, undermining linkage between SP2 objectives and longer-term impact; and some important elements of SP2 are not captured. EvD noted that it had provided substantial advisory assistance to Management on performance measurement and results reporting, but most of its points were not reflected in the final document. Nevertheless, the SP2 results framework is more ambitious than any other EBRD crisis response results framework to date. EvD delivered its assessment to the Audit Committee in December 2020 and was asked to prepare an interim assessment of the SP2 by the end of March 2021.

Redesign of the self-evaluation system

One of the recommendations of the 2019 Kirk Report on the EBRD's evaluation system was for Management and EvD to work jointly on a redesign of the self-evaluation system. The report found that Management had not been meeting its responsibilities under the evaluation policy and needed to develop a medium-term plan for strengthening the self-evaluation system and integrating it with the Bank's results architecture. It found that evaluation quality was constrained by the quality of self-evaluation, as well as the evaluability of operations and the limitations of the EBRD's results monitoring systems, making it difficult to validate EBRD claims regarding transition impact. EvD prepared a review of the existing system, published early in 2020, and Management established a working group on self-evaluation and results management, overseen by a senior-level steering committee. Management also took over administration of the existing system from EvD.

During 2020, EvD has participated in working group meetings as an observer and has had extensive interactions, both formal and informal, with Management and with the consultants engaged to look into self-evaluation and prepare options for reform. The consultants identified four potential objectives of self-evaluation: learning, accountability, results management and contribution to strategy. Following a survey of opinions from around the Bank, Management concluded that the primary purpose of self-evaluation would be learning, with results management as a secondary objective. Accountability and contribution to strategy would be achieved primarily through other means, including enhanced monitoring. This view was broadly endorsed by the Board of Directors at an information session in October 2020.

The consultants have continued to develop and refine proposals envisaging a final monitoring report or project completion report with 100 per cent coverage within the monitoring system to provide the primary project-level input to accountability, and three types of self-evaluation product: individual project self-evaluations, project cluster reports and impact evaluations. These reports would all be prepared on a selective basis.

EvD agrees that in the context of the Bank's culture, self-evaluation is more likely to be effective with a learning focus than with an accountability focus. In light of that, a selective approach to self-evaluation is appropriate, as long as the selection of projects is a transparent process with clear guidelines and taking account of views from across the Bank, and the sample should be large enough to provide confidence and avoid cherry-picking. However, accountability remains imperative for a publicly owned institution, and EvD sees the value of the project completion report as inextricably linked to the quality of the results architecture and EBRD-wide theory of change in which it is positioned. Chapters 2 and 3 highlighted multiple serious concerns that EvD has over the clarity of Bank strategies, links between strategies and individual projects and activities, specification of results, quality of baseline data, provision of resources for monitoring real results on the ground, and reporting mechanisms. Without fundamental changes in these areas, aggregated project completion reports can provide nothing more than information on a collection of individual activities

with limited focus and relevance to broader transition objectives.

EvD considers it crucial that the new system be managed by a fully resourced results unit with senior leadership and a direct reporting line to the President's Office, rather than a small functional unit within any existing Bank business unit. It should have cross-departmental reach, authority to ensure delivery and quality, and a role in knowledge management.

This remains a work in progress with a final decision expected in the second quarter of 2021 and implementation of the preferred option continuing into 2022.

Both information notes as well as informal briefings are expected to continue in 2021; the SCF 2025 identifies two key priorities that have been at the core of these products, including: (1) achieving greater transition impact by further integrating policy engagement and investment activity and reinforced EBRD ability to measure its effectiveness; and (2) strengthening the Bank's overall results framework, knowledge management and the use of evaluation findings to improve the design and impact of operations. EvD can thus play an important role in achieving these critical SCF objectives by providing technical assistance and strategic guidance to the work undertaken by the working groups in charge of implementing the Kirk Report recommendations.

5



Outlook for 2021:
expectations, changes and
advances

EvD moves into 2021 in a context of major institutional change and fluid circumstances expected in 2021 and beyond. Four factors are expected to be significant in EvD's priorities for the year:

- continued delivery of evaluation products and services to meet Board and Management needs, and the core objectives of the Bank's evaluation policy
- continuing implementation of recommendations from the 2019 Kirk Report, requiring substantial changes in systems and processes at the heart of monitoring, evaluation and performance management in the Bank
- incorporation of the EBRD's wider institutional context, including new medium-term priorities and commitments under the 2021-25 SCF
- transition to a new Chief Evaluator in the context of an institutional-level transition to a new Presidential administration.

The ongoing revision of the self-evaluation process and Bank-wide efforts on results management and knowledge management will have major implications for the nature of EvD's work and its product mix. This section summarises a few selected areas of particular interest to the Board and Management.

Major pieces of work for delivery in 2021

- **Assessment of SIPs under the 2016-20 SCF:** The SIP aims to provide a three-year perspective on how the Board-approved priorities of the SCF will be operationalised. It sets the context for Board consideration of the Bank's annual administrative expense budget and corporate scorecard.
- **Health-focused interventions:** A variety of interventions (projects and advisory) in the health area, including manufacturing and services projects and the public-private partnership portfolio in Turkey.
- **Learning and knowledge management:** A major study looking at Bank-wide policies and practices. A separate paper will also be prepared focusing on learning and knowledge management in EvD.
- **Trade facilitation programme:** First approved in 1999, with its limit recently expanded to

€2 billion, this large and high-profile Bank programme is central to Bank priorities and delivery in the financial sector. EvD has reviewed it before, most recently in 2008-09.

- **Hydrocarbon investments (project cluster):** EBRD has been an active investor in the hydrocarbon sector, including for extraction, refining and transport. These investments can have significant upstream and downstream linkages, are potentially relevant across multiple transition qualities, and are often areas of joint public-private engagement.
- **Sustainable infrastructure in advanced transition countries (project cluster):** Sustainable infrastructure investments have been a Bank focus in advanced transition countries (central Europe) in recent years, including but not limited to expanding capacity in renewable energy production.¹¹
- **EBRD use of nominee directors for equity investments:** Nominee directors are an important element of the Bank's equity engagement; they are often considered central to managing EBRD's interests as a shareholder and are embedded in Management's enhanced equity approach.
- **Shareholder special fund – action plan implementation:** EvD completed a first-ever evaluation of the shareholder special fund in late 2014. It identified several important issues around priorities, resourcing and governance. Recommendations were endorsed by the Board and fed into a reform plan. This follow-up evaluation will assess current structure, operations and effectiveness.
- **Evaluation policy, EvD medium-term strategy and operations manual updates:** These related actions result from a Kirk Report recommendation and are particularly timely given the arrival of a new Chief Evaluator.
- **Interim evaluation of a major mining project in Central Asia:** A 2019 cluster evaluation of mining projects recommended that Management

¹¹ Advanced transition countries: Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic and Slovenia

prepares, and EvD independently validates, a full self-assessment of this project as a prior condition to any follow-up investment.

Major studies launching in 2021 for delivery in 2021-22

- **Early transition country initiative:** A substantial umbrella programme affecting a large number of countries where transition gaps and operational delivery challenges are significant. It has not been evaluated to date. An evaluation is expected to provide useful insights into the Bank's contribution, improve the effectiveness of engagement in these countries and feed into wider discussions across a wide range of issues.
- **Country strategy results reporting:** The study will include a full evaluation of the overall Bank country results reporting, including the country strategy results framework, country strategy delivery reviews, the annual report on transition performance, country snapshots, and reporting on the Sustainable Development Goals. A case study focused on the evaluation of a country strategy coming to an end in 2021 (possibly Kazakhstan or Egypt) will also be included, with a view to informing the new country strategy of that country.
- **Approach paper on the midterm evaluation of the SCF 2021-25:** The assessment of SIPs to be delivered in 2021 builds and deepens the knowledge and understanding of numerous corporate issues that are necessary to prepare the midterm evaluation of the SCF 2021-25 expected in 2022 and therefore to be initiated in mid-2021.
- **Venture capital investment programme (VCIP):** The VCIP has been operational since 2012 but never evaluated. An initial envelope of €100 million (VCIP I) was increased to €250 million (VCIP II). This evaluation would focus on the first framework; it is believed to be mature enough to yield useful insights into one of the Bank's more specialised instruments, with investments in a range of different countries.
- **Green cities:** A large and ambitious flagship programme approved in 2016 to deliver EBRD's green investment commitment. Investment, policy engagement and technical cooperation are combined, and strategic planning is required. An interim evaluation will try to identify short-term results and their drivers to provide useful feedback to ongoing programme management. Sovereign operations have grown substantially, are central to strategic and business plans for a range of initiatives and priorities, and have been flagged as of major Board interest and concern in the strategic review.
- **West bank and Gaza operations:** At the request of Management, EvD will evaluate the West Bank/Gaza programme after five years of operation in 2022. An EvD evaluation starting in late 2021 will provide valuable input into the Board's view of future operations in the West Bank and Gaza and Management's updated approach for the next phase.
- **Cairo municipal transport (integrated approach):** The Bank's last remaining integrated approach has provided the framework for substantial investment in a strategically critical sector. Individual operations have included innovative elements, and some are likely sufficiently mature to yield useful insights. Together with the green cities evaluation, this will expand the body of recent findings on municipal operations.
- **Public sector operations:** Initially included in the 2020 work programme but postponed at Management's request given Covid-19-related resource issues. The evaluation will look at a selected group of projects and focus particularly on issues often flagged by the Board – disbursements; importance for green economy business volume; role of policy dialogue; repeat transactions; degree of ambition in conditions and transition goals; and diagnostics.
- **Solar investments (project cluster):** An area of substantial and growing emphasis for the Bank, and of considerable interest for the Board. As with renewables more broadly, issues likely to be of particular value for future operations would include regulatory/policy components, pricing, use of donor funds, and sustainability.
- **Inclusion projects (project cluster):** Inclusion is at the heart of the transition challenge in many countries and now deeply embedded as a strategic priority for the Bank. The focus of this evaluation will be projects aimed at job creation/youth unemployment, a particular priority in the SEMED countries.

EvD expects to continue to deliver information notes, informal briefings and ad hoc reviews to the Board in 2021, following the success of such products in 2020. The Board has already requested an early interim assessment of the solidarity package focusing on operations approved under the package rather than the impact of Covid-19 on countries of operation and/or EBRD. The assessment is slated to address relevance, efficiency and whether operations are on track. EvD will not be able to conduct a full evaluation with emphasis on results and effectiveness, but expects to examine issues related to design, disbursement, targeted clients and transition ambition, and to deliver the paper in the first half of 2021.

It is likely that Board consultation visits will resume in 2021, depending on the Covid-19 situation. As in the past, EvD will produce Board briefing papers, in the form of syntheses of previous evaluations combined with current issues, for each Board consultation visit in 2021.

Project-level evaluation

Management has identified a pool of mature/completed projects that may be considered evaluation-ready. In recent years, the number of such projects has been in the range of 120–150 projects each year. In 2021, Management will prepare around 41 self-evaluations on a selective basis. EvD will review the list to identify individual projects considered likely to yield useful evaluation findings. In the past this has taken the form of short desk assessments (validations). However, given the Kirk Report's recommendation to reintroduce individual project evaluations on a selective basis where they could be of high value, EvD will also review the list in that context. Should attractive candidates emerge, EvD will inform the Board and engage with Management to develop an approach.

Evaluation evolution and enhancement continued

EvD work on specific Kirk-related recommendations will continue in 2021, with final delivery expected in all cases.

Learning and knowledge management in EvD

The Kirk Report made a recommendation to review learning and knowledge management inside EvD; a paper on this will be prepared alongside the special study on learning and knowledge management at EBRD, and is expected to lead to improvements within EvD.

EvD communications and outreach

While EvD has elements of an improved communication and outreach programme in place, it needs to be more systematic and ambitious. EvD will produce a detailed plan to improve the quality, relevance and targeting of its communication and engagement.

EvD also continues to cooperate with Management on the redesign of the self-evaluation system, support and advice to Management on evaluations they manage, including the evaluation of the economic inclusion strategy, and the development of results management within major Bank programmes and strategies.

Improving methodologies and techniques through international engagement

Travel restrictions meant that many of the usual opportunities for interaction with other evaluators at international seminars and conferences did not materialise in 2020, but may be expected to resume gradually in 2021. Annual milestone events such as the Evaluation Cooperation Group and OECD EvalNet went ahead virtually, and EvD will continue to be closely engaged with them in 2021.



Annex 1. Management comments

- Management thanks the Evaluation Department (EvD) for the Annual Evaluation Review (AER) 2020. Management appreciates the insights provided through thematic studies and other evaluation products conducted in 2020 and briefly outlined in the AER – they help our understanding and learning on important and relevant topics.
- Management thanks EvD for the fruitful cooperation and good inputs made to important initiatives taken during the year, including improvement of the self-evaluation system, the results framework for the solidarity package, the green economy transition approach 2021-25 (GET 2.1) and the strategic capital framework (SCF) 2021-25. We agree that EvD's constructive involvement has made useful contributions to the final products.
- Management appreciates EvD's acknowledgement of improvements to and a greater visibility of the management follow-up on EvD recommendations. Management notes EvD's suggestions to further strengthen the process and has already adopted some of them (for example, the thematic approach to follow-up reporting). Management will continue working with EvD to further improving the follow-up process and biannual reporting, in line with previous discussions and positions taken on these areas.
- Management acknowledges EvD's cross-cutting findings across thematic studies on enhancing specific objectives in strategies and policies, ensuring adequate data monitoring and measurement, especially at the country level, conducting self-review of programmes and assessing funding sources/resourcing on core work. We note that, contrary to the assertion made in the AER's executive summary, Management agreed with most elements contained in the EvD studies' recommendations derived from the study analysis and in line with the internal policies and processes agreed with the Board. Management remains committed to addressing the recommendations raised by individual studies and evaluations, appreciating EvD's continued endeavour to producing fewer but more useful actionable recommendations. Management notes that, as with past reviews, it will not comment here on individual studies for which comments are provided separately in the respective review processes.
- Management appreciates EvD's commitment to more effective engagement with the Board and Management through both formal and informal channels. Management notes that a transparent and clear process of engagement between EvD, Board and Management would be beneficial to ensure effective and efficient communication for all.
- Management welcomes EvD's ongoing support in the two key SCF priorities of achieving greater transition impact and strengthening the Bank's overall results framework, and knowledge management and the use of evaluation findings to improve the design and impact of operations. Management specifically values EvD's engagement on the implementation of the follow-up to the Kirk Report and the early progress thus far, notably in the following two key areas.
 - Joint work on the redesign of the self-evaluation, for which Management thanks EvD for the study on self-evaluation and the close engagement with consultants and participation in working group meetings.
 - Strengthening the theory of change underpinning the six transition qualities and EvD's informal support for results frameworks of specific programmes, for which EvD prepared the study on evaluability of transition qualities.
- Management appreciates EvD's strong support during the first year of Management's administration of the self-evaluation system. Management is committed to working closely with EvD as the Bank transitions to a new Management-owned self-evaluation system.
- Management notes a brief description of findings and lessons emanating from project-level evaluations and believes that this analysis could be further elaborated and strengthened (for example, to focus on the reasons behind a low share of self-reported transition ratings) to improve the value of this section of the AER.
- Management thanks EvD for its continued collaborative effort across the Bank beyond studies and evaluations through participation in senior leadership retreats and knowledge sharing from external evaluation communities.

- Management looks forward to the upcoming studies identified in EvD's work programme, particularly on the final delivery of the Kirk Report's recommendations and incorporation of the EBRD's wider institutional context.

- Management thanks the outgoing Chief Evaluator for the leadership of the critical evaluation function in EBRD over the past years and oversight of important strategic evaluations and welcomes his successor.

Acknowledgements

The Annual Evaluation Review 2020 was prepared by the EBRD Evaluation Department (EvD), a team led by Victoria Millis, Senior Evaluation Manager. Joseph Eichenberger, Chief Evaluator, and Barry Kolodkin, Deputy Chief Evaluator, reviewed the text and provided additional contributions. All members of the Evaluation Department contributed.

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