



THEMATIC EVALUATION

“Moving wheels of change”

An evaluation of the EBRD’s policy dialogue performance and results 2017-2023

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EBRD INDEPENDENT EVALUATION DEPARTMENT • December 2024

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Abbreviations

| | | | |
|--------|---|-------|--|
| ABI | Annual Bank Investment | FPAS | Forecasting and Policy Analysis System |
| ADB | Asian Development Bank | FSSA | Financial Sector Stability Assessments |
| AE | Advanced Economies | GCAP | Green City Action Plan |
| AfDB | African Development Bank | GCF | Green Climate Fund |
| ARC | Audit and Risk Committee | GET | Green Economy Transition |
| ATC | Advanced Transition Countries | GIS | Geographic Information Systems |
| ATQ | Assessment of Transition Qualities | GRECO | Group of States Against Corruption |
| BPN | Business Performance Navigator | GRU | Grants Review Unit |
| BTOR | Back-to-office reports | HPP | Hydro power plant |
| CBAR | Central Bank of the Republic of Azerbaijan | IC | Investment Council |
| CDP | Corporate Development Programme | ICT | Information and Communication Technology |
| CEB | Central Europe and Baltics | IDA | International Development Association |
| CGPA | Competitiveness, Governance and Political Affairs | IEG | Independent Evaluation Group |
| CoO | Country of Operations | IMF | International Monetary Fund |
| CPA | Composite Performance Assessments | IPO | Initial Public Offering |
| CSD | Climate Strategy and Delivery | KWSF | Kyrgyz Water Sector Resilience Framework |
| CSDR | Country Strategy Delivery Reviews | LIC | Low Income Countries |
| CSO | Civil Society Organisation | LTP | Legal Transition Programme |
| DAC | Development Assistance Committee | LTT | Legal Transition Team |
| DP | Donor Partnerships | MEI | Municipal and Environmental Infrastructure |
| DPO | Development Policy Operation | MMWG | Money Market Working Group |
| EAPD | Enhanced and Structured Approach to Policy Dialogue | MoF | Ministry of Finance |
| EEC | Eastern Europe and Caucasus | MoU | Memorandum of Understanding |
| EIB | European Investment Bank | NCBI | Net Cumulative Bank Investment |
| EITI | Extractive Industries Transparency Initiative | NDC | Nationally Determined Contributions |
| ESW | Economic and Sector Work | NPAA | National Programme for the Adoption of the Acquis |
| ETC | Early Transition Countries | ODI | Overseas Development Institute |
| ETI | Expected Transition Impact | OECD | Organisation for Economic Co-operation and Development |
| EU | European Union | OPAV | Operation Performance Assessment Validations |
| UN FAO | UN Food and Agriculture Organisation | PPA | Power Purchase Agreement |
| FCS | Fragile and Conflict States | PPO | Policy Priority Objective |
| FDI | Foreign Direct Investment | PPP | Public Private Partnership |
| FIAS | Facility for Investment Climate Advisory Services | PSC | Public Service Contract |
| FOPC | Finance and Operations Committee | PSD | Policy Strategy Delivery |
| FOPIP | Financial and Operational Performance Improvement Programme | PSP | Private Sector Participation |

| | | | |
|-------|--|-------|---|
| PTI | Portfolio Transition Impact | SIP | Strategy Implementation Plan |
| QPR | Quarterly Performance Report | SME | Small and medium-sized enterprise |
| RAG | Red-Amber-Green | SOE | State owned enterprise |
| RE | Renewable energy | SPCom | Strategy and Policy Committee |
| RES | Renewable Energy Sources Association | SSA | Sub-Saharan Africa |
| RF | Results Framework | SSF | Shareholder Special Fund |
| RO | Resident Offices | TC | Technical Cooperation |
| SBI | Small Business Initiative | TCRS | Technical Cooperation Reporting System |
| SBS | Small Business Support | ToC | Theory of Change |
| SCF | Strategic and Capital Framework | TOMs | Transition Objective Monitoring system |
| SECAP | Sustainable Energy and Climate Action Plan | ToR | Terms of Reference |
| SEE | South-Eastern Europe | TQ | Transition Quality |
| SEMED | Southern and Eastern Mediterranean | TRK | Türkiye |
| SI3P | Sustainable Infrastructure Policy and Project Preparation (EBRD) | USAID | US Agency for International Development |
| SIG | Sustainable Infrastructure Group (EBRD) | WBG | World Bank Group |

The evaluation in a snapshot

| | |
|----------------------|---|
| Objective | This evaluation aims to update the EBRD's understanding of the performance and results of policy dialogue as the Bank prepares for the next SCF period (2026-2030). |
| Scope | <p>The scope of this evaluation covers funded policy dialogue activities approved from 2017 to 2023. It also builds on a synthesis of IEvD's evaluative findings on policy work, notably since 2017, with a view to understanding how things have changed.</p> <p>The findings are complemented by a "fresh look" at how the EBRD's policy dialogue helps turn the wheels for transition in two country case studies: Serbia and the Kyrgyz Republic. Qualitative sampling was purposive as per the approach paper, with recent and upcoming study coverage also taken into consideration.</p> |
| Portfolio | Across the Bank, the funded Policy Dialogue Technical cooperation portfolio may be estimated, with some caveats on data quality, at circa EUR 400 million across circa 1,600-1,700 technical cooperation assignments. |
| Sources | <ul style="list-style-type: none"> • Available portfolio data review using Bank's internal systems, (including the Technical Corporation Reporting System (TCRS), Donor Partnerships recording data, and the archive of the Policy Priority Objectives (PPO) as well as the Policy Compact tools on Business Performance Navigator (BPN). • Document review: Internal documents and external publications; 25+ relevant independent evaluation publications; 20+ relevant validations of self-assessments since 2020. • 120+ Semi-structured interviews • New case studies: Serbia and the Kyrgyz Republic |
| Evaluation Questions | <p>To what extent has the Bank's policy engagement helped foster transition towards open market-oriented economies and promoted private and entrepreneurial initiatives in the Bank's Countries of Operation (CoOs)?</p> <ul style="list-style-type: none"> • To what extent has the EBRD's policy dialogue been relevant to foster transition towards open market-oriented economies and to promote private initiative? • How competently has the EBRD performed in designing, implementing and reporting on its policy work? • What were the results (both intended and non-intended) of policy dialogue in support of transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Bank's CoOs? |



1. What is Policy Dialogue?

Since 2015 EBRD has referred to policy dialogue along **three types of policy engagement categories**:

- In 2022, that categorisation was further defined internally as expertise provided to improve the legal, regulatory environment and investment climate and/or to deliver capacity building to intermediaries, and where there is a specific client.

To add to complexity, policy dialogue activities are administratively categorised internally as “transactional” and “non-transactional”: **transactional** are defined as those policy activities that are specifically linked to an investment project, whereas **non-transactional** are those that are stand-alone and/or developed outside of the investment project cycle.

Policy engagement is a key dimension of the Bank's business model.

It is a key value added for clients, where the Bank's agility, flexibility and ability to work with a broad set of partners, sets it apart.

However, the overarching objective to contribute to EBRD's mandate has not been distinctly set and nor are there clear targets and incentives.

With caveats on data quality, the “portfolio” under this evaluation from 2017-2023 is roughly GBP 400m.



B. Evidence of policy engagement results

3. What

can we learn about the results of policy engagement across TQs?

The results emerging from the case studies (Serbia and Kyrgyz Republic), and other evaluation work, look across the Bank's Transition Qualities:

1. Policy engagement is often a slow burn, multi-year process; it may also start with non-transactional support on key early-stage reforms before shifting to investments.
2. Evidence indicates positive results towards fostering transition, although it is not always possible to claim changes at macro level.
3. Extensive local presence, breadth of support across public and private sectors, and tight nexus between advisory and financing, helps set EBRD apart for clients; local presence remains fundamental, where policy work can be sensitive to the political economy.
4. Policy dialogue was particularly relevant when it included a political economy approach and/or occurred in conjunction with sovereign investments.
5. Policy dialogue not linked to investment can lead to future transactions for the Bank and plays an important role in advancing systemic change.
6. Unanticipated results of policy engagement emerged, particularly in context of crisis, i.e. during the Covid-19 pandemic.
7. Results can depend on the level of government and stakeholder buy-in.
8. Policy engagement effectiveness is augmented when conducted jointly with other development partners; EBRD's policy dialogue activities include intense collaboration with others.

4. What

are the results of policy engagement emerging from evaluation reports in cross-cutting themes?

1. Crisis/Fragility Evaluation evidence points to how the Bank uses policy dialogue to be agile and adapt its delivery as needed.

Policy dialogue initiatives proved an efficient tool in times of conflict, to provide flexible and responsive support to changing stakeholder priorities, though issues remain. For example, the Real Time Evaluation of EBRD's support to Ukraine confirmed the need for a more holistic approach to policy dialogue. Evidence from 2022 showed that there has been unclear communication about the Bank's policy dialogue activities at that point. Beyond meeting immediate needs, building capacity, and supporting EU accession, teams do not have a clear idea about what the Bank's policy dialogue priorities are, what the appetite for long-term policy work is, and how priorities should be balanced against delivering immediate support.

2. Digital The evaluation confirmed that policy engagement is instrumental in developing digital solutions in multiple markets; however, more could be done to deliberately target the transformational effects.

This evaluation found that policy dialogue enabled important results in the digital realm, such as development of digital e-government services for business, process innovation and increased level of technology penetration. Support to digitalisation of government services was an explicit activity within the Country Strategy for Kyrgyz Republic for the objective of policy engagement to improve governance and the business environment.



C. What the evaluation identified as areas of improvement and what it recommends to enhance the impact of the Bank's policy engagement

5. Consistent overarching approach



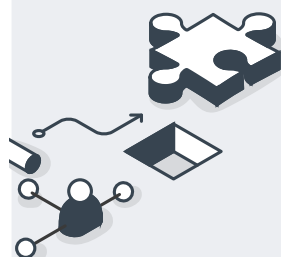
The evaluation found several limitations in the way EBRD approaches policy engagement, including:

- Definition and categorisation of policy activities still lack clarity
- Although policy dialogue plays a key role in the high-level vision and objectives, there is no clear strategic and operational approach for implementing it, with the Enhanced Approach to Policy Dialogue having been brought to Board in 2015.
- The approach to defining (and implementing) the high-level vision for policy dialogue is still a work in progress (new Strategic Capital Framework, GET 3.0, Transition Impact Monitoring System reform, Transformational Agenda, etc.)

Recommendation 1: For policy dialogue to effectively contribute to systemic change, the EBRD should develop further its policy engagement's overarching vision and approach that includes clear objectives, and definition of all Bank's policy activities, expected relation to investments and impact pathways (or theory of change).

The approach should be complemented by operational guidance and be adequately resourced, while also ensuring required visibility to the Board of Directors.

6. Enhanced tools and process



There are several limitations in the current set of tools, processes, incentives and overall governance of the Bank's approach to policy work.

- Effects of the ongoing restructuring of the policy dialogue related roles and responsibilities has still to be seen.
- The current prioritization tool (Policy Compact) does not fully capture non-transactional policy dialogue that plays an important role in advancing systemic change towards transition and can lead to transactional results.
- Evidence from the evaluation shows that policy dialogue was particularly relevant to address the needs of EBRD's clients when it included a political economy approach.

Recommendation 2: To continue to strengthen policy dialogue planning and implementation, the EBRD should further develop its tools, processes and governance mechanisms, enabling systematic and consistent prioritization assessment of all policy activities (including non-transactional) and robust monitoring and reporting.

The link to Country Strategies and to the political economy assessment should be clearly articulated and systematically reviewed over time.

7. Robust ex-ante and ex-post measurement and transparent incentive mechanism



The evaluation found significant limitations in capturing the impact of policy engagement.

For example, the criteria and approaches to estimate transactional policy work are not consistent across qualities and sectors; there is inconsistent linking to transactions, or crediting impact as part of transactions, and transition impact from non-transactional policy dialogue is not estimated / measured / captured.

Recommendation 3: To enhance its policy engagement impact, the EBRD should develop a consistent set of criteria and approaches, across different qualities and sectors, to systematically estimate ex-ante, allow on-going monitoring and report ex-post transition impact stemming from all policy activities, both transactional and non-transactional, while incentivizing impactful policy engagement.

Incentive / recognition mechanism of "systemic policy engagement efforts should be considered for inclusion within the Bank's scorecards.

This may include the development of an "ETI-like" approach for non-transactional policy work.

8. Enhance IT platform enabling feedback/ learning loops

There is no coherent system that centralises all data on policy engagement activities in the Bank, including the policy impact of lending.

Policy work information is scattered across separate databases, which may overlap and be of variable quality, some of which are no longer updated. That contributes to largely absent feedback loops to enable learning or visibility on results.

Recommendation 4: To enhance the effectiveness of its policy dialogue efforts and learn from experience, the EBRD should (i) develop a universal data base to systematically consolidate and access all policy dialogue information; (ii) ensure a better use of available systems to capture implementation insights and lessons learned making them accessible to all staff; and (iii) carry out self-evaluation of policy dialogue activities in a systematic way as per best practices.

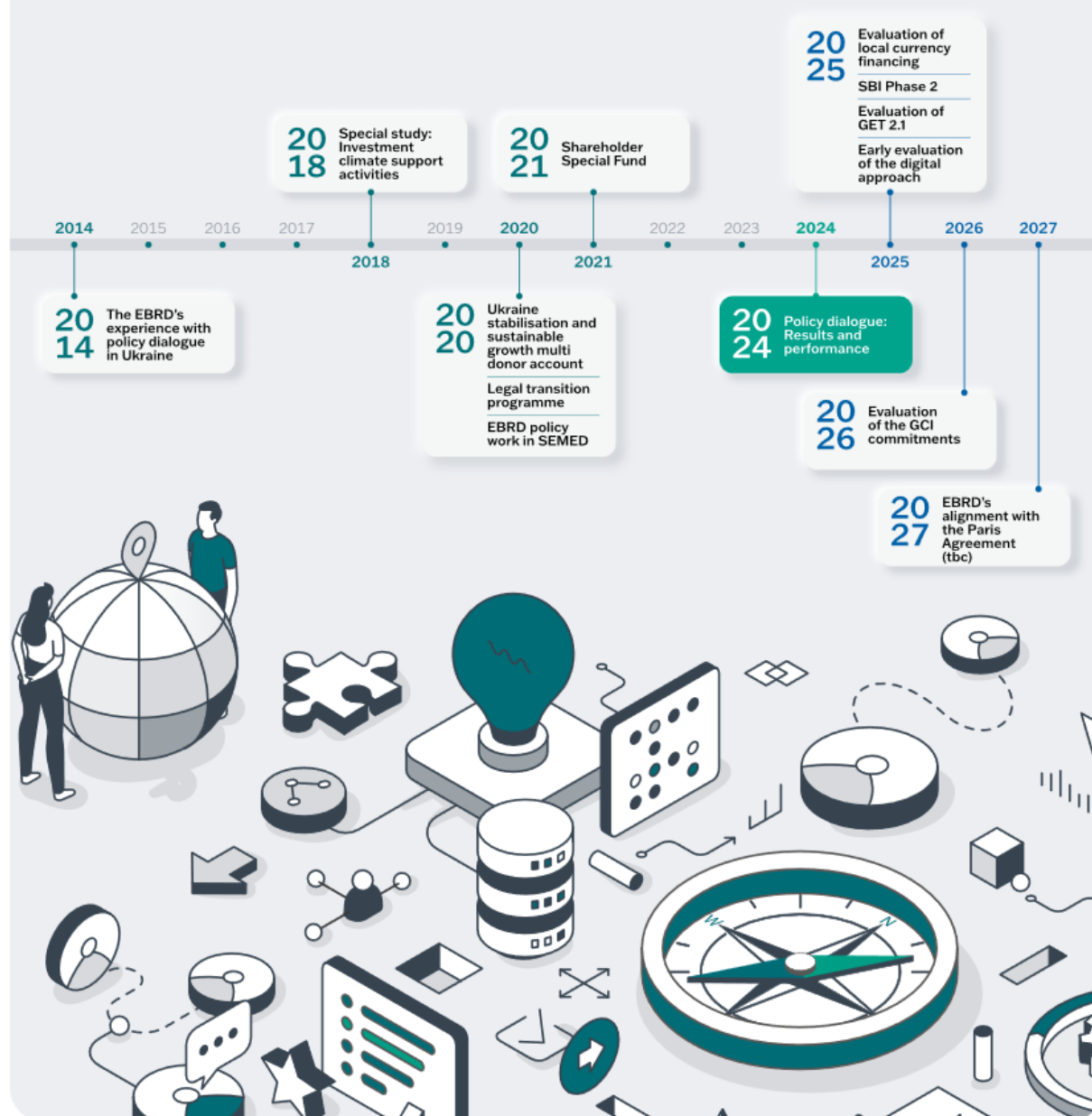
D. What's coming next

9. What is coming next?

Work Programme for 2025

- **The Evaluation of GET 2.1** will explore the results of green policy dialogue primarily through the prism of creation of other green finance investment opportunities for other market stakeholders, particularly private investors.
- **The Evaluation of the digital approach** will cover the Bank's Digital Approach to Accelerate Digital Transition 2021-2025, which aimed to enhance the Bank's existing toolbox of policy dialogue, investments and advisory services.
- **The Evaluation of the local currency financing** covers policy dialogue activities under the SME Local Currency Programme aimed at strengthening money markets implemented largely by EBRD Treasury.
- **The Evaluation of the Small Business Initiative (SBI) Phase 2** will provide evaluation insights on the policy work related to small-medium enterprises, both via direct financing and intermediates.

Finally, this evaluation helps illuminate additional areas for potential enquiry. Drivers of coordination between MDBs, for example, continues to be an area of priority. IEvD might explore this further.



1. Background and approach

1.1. Rationale for this evaluation

1. The Independent Evaluation Department (IEvD) Work Programme and Budget 2023-2025 includes a thematic evaluation of the performance and results of EBRD's policy dialogue.¹ Policy engagement/policy dialogue, used interchangeably in this report, is one of the key instruments of the EBRD's business model to accelerate transition in its Countries of Operation.
2. The high-level aspirations for the Bank's policy dialogue efforts are made clear by the Bank's Strategic Capital Framework (SCF). Within the current SCF period 2021-2025, one of the EBRD's three institutional aspirations by 2025 is the achievement of greater Transition Impact by further integrating policy engagement and investment activity while reinforcing its ability to measure its effectiveness.
3. This evaluation aims to update the Bank's understanding of the performance and results of policy dialogue as the Bank moves to prepare for the next SCF period 2026-2030. An evaluation on policy dialogue is also timely due to both internal dynamics under the Bank's Transformation Agenda discussions on policy engagement and in the context of the General Capital Increase Commitments taken under Governors Resolution #265 (2023).²

Box 1: The EBRD's Evolving Definition of policy dialogue (or policy engagement)

To introduce some consistency among the different types of policy activities implemented by the Bank, in 2015 it was set the Enhanced and Structured Approach to Policy Dialogue (EAPD) that provides a first conceptual framework to the Bank's policy engagement:

- **Policy advice** - It is provided by or under the leadership of EBRD experts on policies and legal/regulatory framework, based on further analytical work, EBRD offers policy options to authorities who are committed to reform in the given area and who have requested such services from EBRD.
- **Reform advocacy** - aims to further general or particular reform agenda points, providing analytical evidence of problems, to share knowledge, including on best practice, and to nudge thinking and gauge reform appetite and commitment.
- **Capacity-building Technical Assistance** - Complementing policy advice, the Bank may provide capacity-building Technical Assistance to institutional counterparts to support the implementation of policy reforms.

Source: 2015 Information Session: Enhanced and Structured Approach to Policy Reform Dialogue at the EBRD and the SGS15-220 (Addendum 1) and Enhanced and Structured Approach to Policy Reform Dialogue: Taking Stock and Way Forward-Presentation to FOPC 2017

¹ Available at ebrd.com/evd-work-programme-2023-2025.pdf

² Policy engagement is used interchangeably with policy dialogue although policy engagement has recently become the way in which Bank categorises the products associated with policy work.

1.2. Evaluation methodology

1.2.1. Objective and scope of this evaluation

4. The evaluation focuses on policy dialogue performance (i.e., how the Bank organises itself to deliver it), and results (i.e., how it contributes to fostering transition in the EBRD's region).

5. **The objective of the evaluation is to provide evaluative evidence of the contribution of EBRD-supported policy dialogue to support Transition Impact, to draw insights that may inform preparation of the new Strategic Capital Framework 2026-2030.** Where possible, this includes insights into the role that policy dialogue may play in the value proposition for the Bank's expansion to Sub-Saharan Africa.

6. **The scope of this evaluation covers funded policy dialogue activities approved from 2017 to 2023.** This evaluation does not look into policy work that is informal or not funded, although it recognises the importance of such ongoing *tacit* policy dialogue.

7. **It builds on a synthesis of evaluative findings on policy work since 2017**, particularly with a view to understanding how things have changed since. The findings are complemented and expanded by a "fresh look" at how EBRD's policy dialogue helps turn the wheels for transition in two country cases, Serbia and Kyrgyz Republic along two transition qualities (well governed and competitive).

1.2.2. Evaluation questions

8. The evaluation is structured around the following overarching evaluation question (the original evaluation framework is provided in *Annex 1*):

To what extent has the EBRD's policy engagement helped foster transition towards open market-oriented economies and promoted private and entrepreneurial initiatives in its Countries of Operation?

9. To respond to the overarching question, which aligns with the Bank's overarching purpose, this evaluation poses three evaluation questions based on internationally established OECD-DAC Evaluation Criteria (relevance, coherence, effectiveness, efficiency and sustainability).

Performance of the EBRD's policy dialogue

EQ1. To what extent has the EBRD's policy dialogue been relevant to foster transition towards open market-oriented economies and to promote private initiative? (Relevance, Coherence). This question considers how well the Bank's policy work approved from 2017-2023 has matched the EBRD's mandate and Strategic Capital Framework's strategic priorities and to what extent policy dialogue has externally made sense with, and additional to, the priorities and activities of relevant stakeholders and partners.

EQ2. How competently has the EBRD performed in designing, implementing and reporting on its policy work? (Efficiency). This question examines the general governance, structure and implementation efficiency of how the EBRD conducts policy work. It reflects on previous evaluation findings still pertinent to this topic.

Results of Policy Dialogue

EQ3. What were the results (both intended and non-intended) of policy dialogue in support of transition towards open market-oriented economies and to promote private and entrepreneurial initiative in the Bank's Countries of Operation? (Effectiveness, Sustainability). This question looks at emerging evidence of whether policy has or is on the way to delivering its intended outputs and outcomes, and outside of this more broadly, towards creating well-functioning and sustainable markets. A stylised depiction of the links between policy engagement activities and 'Competitive' and 'Well-Governed' is included in Annex 3.

1.2.3. Methodological framework and data collection and research tools

10. To address the evaluation questions, the evaluation relied on a mixed-methods approach and utilized a combination of primary and secondary data collection techniques.³

- **Available portfolio data review:** Data analysis was conducted from data available on the Bank's internal systems, including the Technical Corporation Reporting System (TCRS) and Donor Partnerships (DP) reporting data on policy-related TC, and Business Performance Navigator (BPN) data regarding the principal Bank-wide policy prioritisation tool (Policy Priority Objectives and later, Policy Compact).
- **Case studies:** Serbia and the Kyrgyz Republic. The evaluation looked at two sample countries, which were chosen based on a comparatively significant volume of policy engagement, across all TQs, approved from 2017-2023 and diversity in the political economies in the Bank's CoO. The evaluation team visited both countries to assess the outcomes of this policy engagement across key policy workstreams.

Box 2: Methodology to selection of country case studies

For the selection of case studies, a combination of countries was selected according to the following criteria:

- **Different delivery of policy dialogue**, so that it can be explored different contributions with different delivery mechanisms, for example, non-transactional, transactional, in conjunction with other IFI and alone.
- **Countries of Operation where the Bank provided relatively substantial amounts of policy dialogue support in Well governed and Competitive areas**, since the establishment of the new approach (2016-17).

³ In devising the right approach, the IEvD team invited interested Board members to consultation discussions, and sought input from various teams (Impact, Client Services Group [Monarch], Policy Strategy Delivery, SBI, Corporate Strategy) within the Bank.

Box 2: Methodology to selection of country case studies

- **Countries of Operation which experienced movement of their Assessment of Transition Qualities (ATQs)**, particularly in 'Competitive' and/or 'Well-Governed', so that the evaluation could look at where and whether the Bank's activities may have had some contribution.
- Economies which may still be seen as **earlier in their transition journey compared to the EBRD average**, in order to identify useful lessons in relation to the expansion to similar economies in Sub-Saharan Africa.
- **Different types of economy** were also a consideration, including whether it was an EU accession country or less advanced in transition.

This evaluation selected a purposeful sample of the Kyrgyz Republic and Serbia.

- **Document review:** Document review covered internal documents (from management committees, internal audit, Board etc), and external publications both from different organisations/academic institutions, and independent evaluations from other IFIs. For the two case study countries, this also included grant review documents, terms of references for consultants, Technical Cooperation progress, final reports, and Technical Cooperation project results matrices including specified output and outcome indicators, and consultant final reports. The team also reviewed independent evaluation publications, which focused on policy dialogue, as far back as 2010 as well as all evaluation reports since 2020, to understand which may contain insights on policy engagement (25 reports). The team also reviewed all validations of self-assessments since 2020 (22 operation performance assessment validations (OPAV) discuss policy engagement).
- **Semi-structured interviews:** The team held semi structured and open interviews with over 120 interviewees, sometimes on multiple occasions, including internal colleagues as well as external interviewees. A full list is provided in the Annex 3.

11. Finally, it should be noticed that the methodological framework, presented in the approach paper and used in the evaluation combines both *top-down* and *bottom-up* methods.

- **Top-Down:** In order to address the performance-related questions, the evaluation focused on the tools, processes, incentives, and underlying architecture of the prioritization approach implemented by the Bank in 2023. That is by nature cross transition qualities, though the evaluation has acknowledged, but not assessed, discrete policy instruments used within different departments, i.e. Green Script policy maps from Climate Strategy and Delivery (CSD). This also takes as evidence the update of status from previous evaluative findings, which cut across various Transition Qualities.
- **Bottom Up:** In the case studies, the evaluation methodological approach is *bottom-up*. It used the lens of 'Competitive' and 'Well-Governed' Transition Qualities to gather evaluation evidence, though some activities may cut across several qualities. This was supplemented with previous evaluation findings on results, which may also be cross TQs.

1.2.4. Challenges and limitations

12. Several challenges and limitations should be acknowledged in the context of this evaluation, including the followings:

- There is no universal system that centralises all data on policy engagement activities in the Bank, including the policy impact of lending.
- This was a consistent finding from all previous evaluations and is a problem that persists in other International Financial Institutions also.⁴
- As a result, policy information is scattered across separate databases, which may overlap and be of variable quality, some of which are no longer updated.
- Another challenge is defining the EBRD's results within the context of complex attribution of multiple players, found in EBRD and elsewhere.⁵
- Finally, there is substantial work in progress on policy dialogue within the Bank means that this evaluation was conducted on shifting ground.

13. Overall, these challenges make both the portfolio analysis difficult and necessitate caution in evaluating institutional performance more generally.

14. This evaluation, therefore, attempts to understand the trends in the portfolio in relative, broad terms and look at institutional changes through the lens of whether they are likely to sufficiently address continuing concerns raised in previous evaluations.

1.2.5. Common insights from previous evaluation work on policy dialogue

15. Over time, a large body of evaluation work has emerged looking both at the institutional performance and the results of policy engagement efforts.

16. On evaluability, previous evaluations include discussion on the definition, assessment methods, IT resources, incentives, indicators and reporting vis-a-vis investments. Over the last three years (2021-2023), 22 IEvD Validations included references to policy dialogue issues and commented in the majority that either policy objectives (which may or may not be clear) were not tracked and thus not reported on, or they were not reported on fully in self-evaluation. This issue is not specific to EBRD and has also created challenges for independent evaluation in sister IFIs over many years.⁶

17. Common insights into **results on the ground** included IEvD observing significant and visible outputs, but that outcomes and impacts have been harder to realise. This was the case in the Evaluation of EBRD's Experience with Policy Dialogue in Ukraine (CS/AU/14-13), EBRD Policy

⁴ IDEVs AFDB Experience in Evaluating PBOs

⁵ ADB PBL 2008-2017: Performance, Results, and Issues of Design (2018)

⁶ IEG published blogs on evaluating budgetary support, <https://ieg.worldbankgroup.org/blog/evaluating-budget-support> ; DFID Monitoring Policy Dialogue Lessons from a pilot study (2008)

Work in SEMED (SC/AU/20-JJ) and the Evaluation of the Shareholders' Special Fund 2016-2020 (CS/AU/22-49) (Box 3).

Box 3: EBRD's strengths and weaknesses in policy engagement highlighted by previous evaluative evidence

| Strengths: | Areas for improvement and clarity: |
|--|---|
| <ul style="list-style-type: none"> • EBRD is seen as a committed and pragmatic partner. • It has expertise across both investment climate issues and specialist sectors of the real economy. • EBRD's local presence twinned with ability to bring in technical expertise is valued. • Its flexible approach to policy advice that enables EBRD to seize reform opportunities as they arise. • EBRD can bring together public and private sector for dialogue on policy reform and build coalitions pushing for change. • Speedy access to high quality, regular, fresh outside expertise through consultancy assignments on policy work. • EBRD has the ability to induce reforms through investments as well as standalone policy dialogue. | <ul style="list-style-type: none"> • There is limited institutional guidance at corporate level. • There is limited evidence of strategic planning in country strategies. • The EBRD lacks appropriate internal structures to map, manage, report on and learn from policy dialogue experiences and suffers inadequate coverage by TOMS. • There is no internal incentive system for staff to carry out policy engagement. • EBRD operates in a constrained environment of donor funding to support policy reform activities, and it lacks a mid-term financial planning horizon. |

Source: IEvD elaboration based on previous evaluations

18. **Previous evaluation reports also made recommendations related to policy engagement (as Annex 4);** the main themes were to address results management and planning issues. Management has progressed with implementing many of IEvD's recommendations, though several related to the management of policy work in the Bank are still in progress and have been absorbed by the Bank's Transformation Agenda.

19. **Management has also disagreed with some recommendations, concerning those which called for separate or additional strategies and reports for policy dialogue initiatives,** though agreed with the spirit of the recommendation to enhance strategic presence and visibility of results to the Board, choosing to do this through existing measures rather than additional processes.

2. Navigating the Bank's approach to policy dialogue

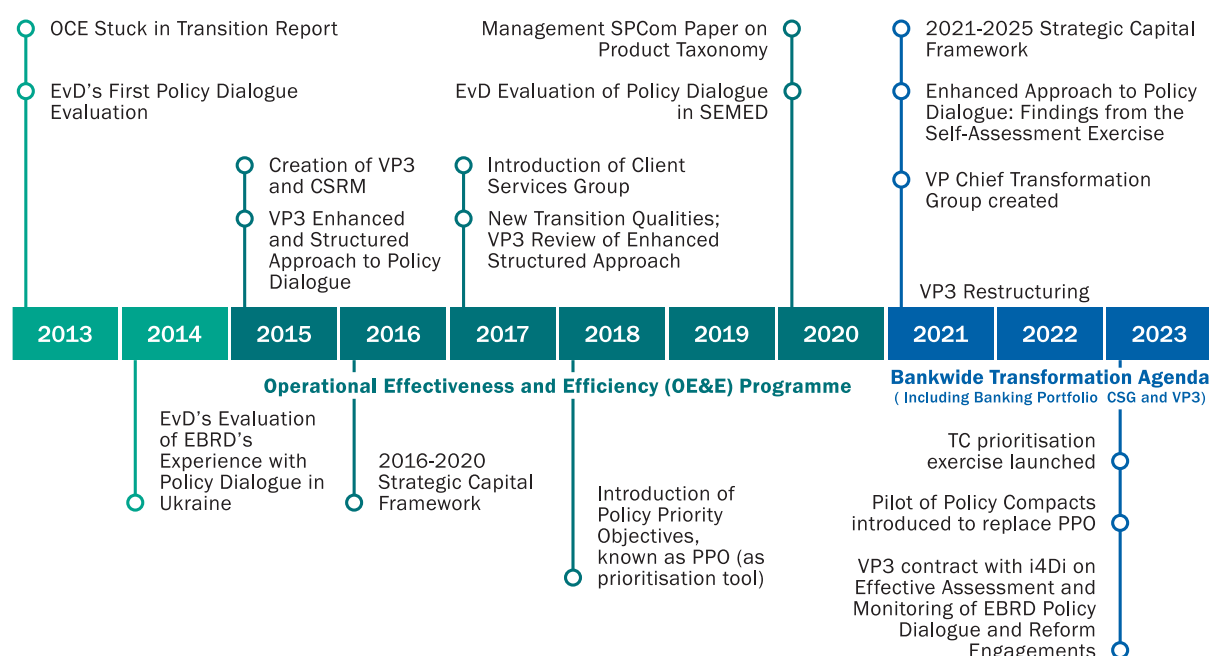
2.1. Evolution of the EBRD's approach to policy dialogue

20. Overall, policy dialogue is a process of communication and negotiation between different stakeholders, such as government, private sector, civil society and development partners. It addresses issues that affect the business environment and private sector development. Policy dialogue can take various forms, including formal consultations, working groups, roundtables, forums, coalitions and platforms. It can cover a range of topics, such as regulatory reforms, trade policies, investment climate, sector-specific challenges and cross-cutting issues, such as gender, environment and governance.

21. By facilitating constructive and inclusive dialogue between the public and private sector, in addition to other relevant actors, the EBRD's policy dialogue (or policy engagement) can lead to improved policy design, implementation and monitoring. It can also facilitate and nurture increased trust, cooperation and accountability among stakeholders. In turn, this can contribute to a more conducive business environment and a more competitive and resilient private sector. Ultimately, it supports the move towards more inclusive and sustainable growth and TI.

22. However, understanding the EBRD's approach to policy dialogue remains a complex undertaking, partly because concepts and processes seem in perpetual change (Fig.1).

Figure 1: Timeline of EBRD's institutional milestones related to policy dialogue



23. Over the last decade in particular, the Bank has continued reviewing its approach to policy dialogue. The periods detailed below illustrate some of the key steps taken over the last nine years and can be seen as a stage where the Bank has made purposeful efforts to structure policy work within its systems.

- **2015 – Enhanced Approach to Policy Dialogue:** The Bank established its approach to policy dialogue within the EAPD, which was discussed with the Board in 2015
- **2018 – Introduction of Policy Priority Objectives (PPO).** From the five-year country strategies medium-term PPOs (Box 4) were set out to be achieved through annual policy milestones. The introduction of this tool was intended to help highlight issues, establish goals and create accountability.

Box 4: Policy Priority Objectives strengths and weaknesses identified within the IEvD special study, 'Policy engagement in SEMED countries'

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

Source: CS/AU/20-55/Add 1

- **2021 – New emphasis on policy dialogue included in the current SCF 2021-2025.** The current SCF plans that by 2025 the Bank will have: *“Achieved greater transition impact by further integrating policy engagement and investment activity.”*

The current SCF also highlights policy engagement as a priority for the Bank and discusses a need for the Bank to combine policy engagement with investment activity to achieve and sustain systemic impact. It further alludes to strengthening policy impact at the sector and economy-level, as well as strengthening its knowledge management. In addition, recent Strategy Implementation Plans (SIP) allude to policy dialogue. The 2022-2024 SIP strongly reflects on the SCF 2025 priority, reinforcing that an important component of the Bank's delivery architecture is its capacity for policy engagement.

- **2022 – Vice Presidency Policy and Partnerships (VP3) restructuring.** Whilst other teams in the Bank continue to contribute specialist expertise and Banking continues to act as the key interface with countries and clients, VP3 was tasked to carry out the core function of policy dialogue. Accordingly, there are two policy-focused departments that oversee the Bank's policy agenda, called “Policy Strategy and Delivery” (PSD) and “Climate Strategy and Delivery (CSD)”.

- **2022 – Introduction of Bank-wide taxonomy creates a basis for common classification, although there is a period of overlap with the previous product classification.** As part of the Bank's Transformation Agenda, the Bank's Data Committee approved a classification of 'non-transaction engagement' for Monarch in 2022. As part of the detailed categorisation of the "expertise products", policy engagement is defined as expertise provided to improve the legal, regulatory environment and investment climate and/or to deliver capacity building to intermediaries. This is in keeping with the Enhanced Approach to Policy Dialogue definition. However, the granularity of classification may narrow as IEvD understands that in Bank systems, products within policy engagement expertise will be logged as *policy advice*.
- **2022 – Introduction of Client Dynamics, a new technological solution to manage client and counterpart relations.** Its purpose is to have one easily accessible digital platform for all information related to managing relations with clients and other counterparts, including a history of meetings and Back to office Reports (BTORs). First launched in 2022 in two pilot departments, it is now being rolled out across the Banking and Policy teams. This means that there is now an ability to record implementation details for ongoing policy engagement.
- **2023 – Introduction of the "policy compact" and new approval process for activities approved outside of an investment cycle.** In July 2023, the Management Executive Committee endorsed a set of principles to guide the prioritisation of non-transactional TCs. It also agreed on a governance mechanism through the introduction of policy compact and concept reviews for early "go-no go" decisions prior to full grant review submission.
- **2024 – Inclusion of Economic Governance as a pillar in the next SCF 2026-2030.** Within the context of the preparatory meetings on the themes for SCF 2026-2030, Management prepared a concept note which defines their vision on how to approach Economic Governance in order to close some persistent transition gaps.⁷ The concept note defines Economic Governance as: "*The rules, policies and institutions that shape and regulate economic activity at the corporate, sector and economy levels.*" This is in line with the Bank's 'Well-Governed' and 'Competitive' Transition Qualities. The proposed delivery model for Economic Governance under the next SCF includes supporting private sector development and competitiveness, strengthening State Owned Enterprise governance, implementing sector reform and enhancing institutional capacity to design and deliver relevant reform.
- **2024-2025 Vice Presidency Policy and Partnerships further restructuring** whereby VP3 remains the main policy hub of the Bank, with strengthened regional presence for policy delivery.

2.2. Overview of EBRD's policy dialogue portfolio

24. This evaluation performed a policy dialogue portfolio analysis for the period 2017-2023, which is essential for understanding the breadth and depth of the Bank's engagement in enhancing investment climate in its Countries of Operation. It was a challenging task, in a similar vein to the experience of previous evaluations, as a ready-made portfolio does not exist, and the

⁷ CS/FO/24-15

evaluation team had to construct it from several sources. This included using different systems containing different levels of information, which led to differences in data points, values and coverage.

25. Furthermore, classification within these systems of what constitutes policy engagement is not always consistent with the Bank's definitions/classifications. This is partly because the granular categorisation of activities has been evolving, such as labels being restricted to one Transition Quality for Technical Cooperation (TC), whereas an investment operation may be tagged as contributing to more than one. In addition, investment portfolio data does not include policy dialogue activities. Due to data reliability, this evaluation predominantly uses relative values and the figures should be treated as guidance rather than exact illustrations.

26. Policy engagement activities represent a significant amount of Technical Cooperation. Within the Technical Cooperation universe between 2017-2023, more than half (55%) of funding allocated to approved/ready to close assignments was to support project implementation.

27. From an assessment of the remaining categories in the TCRS database, just over one third of total Technical Cooperation funding approved from 2017-2023 can be categorised as policy engagement. This figure tallies with an analysis of separate data produced by VP3 covering the most recently approved Technical Cooperation.⁸ An analysis of data from Donor Partnerships suggests that policy engagement represents more than one fifth of all Technical Cooperations approved from 2017-2023, in number and in funding.

28. As illustrated above, for the EBRD's global portfolio, there are three types of policy engagement categories: policy advice, capacity building and reform advocacy. The largest share of the policy engagement work in 2017-2023 was in policy advice, accounting for two-thirds of the total.

29. Notably, almost half of all approved policy advice, legal and regulatory reform and institution building engagements since 2017-2023 has been directed to Ukraine in Eastern Europe and the Caucasus, reflecting an institutional prioritisation.

30. After this, South-Eastern Europe and the Southern and Eastern Mediterranean regions account for approximately 15% of policy engagement activities in terms of number, although for Central Asia, this represents 15% of funding also. Comparatively, in South-Eastern Europe and the Southern and Eastern Mediterranean, this represents only 8% of the total volume of financing, respectively. This means there may be smaller activities underway in these regions.

31. The two case studies countries selected for this evaluation – Serbia and the Kyrgyz Republic – also illustrate noteworthy points.

⁸ The VP3 team constructed a raw excel database to track the individual TCs going to Grant Review (GRU) over the recent period- noting that this does not include all TCs because those under frameworks do not go to Grant Review. Although there is approval date missing, so it is not possible to track when the TC were approved, or amounts, there is categorisation and thus share of policy advice, as well as within this category share of transaction related policy advice according to the sheet, can be ascertained. According to the GRU, of the 827 recently approved TC, 293, or 35% was classified as policy advice, the largest category, which tallies with what was found through TCRS.

32. In Serbia, the Technical Cooperation (TC) funded policy dialogue portfolio accounted for more than €18 million during 2017-2023. This represented more than one third of all the approved TC in Serbia during the period under evaluation, split across approximately 30 projects.⁹

Approximately three quarters of the assignments centred on advisory work. One quarter focused on fostering the investment climate through other activities.

33. In the Kyrgyz Republic, policy dialogue accounted for one fifth of the total of TC approved for the country, and one sixth in terms of the volume of funds (more than €30 million) in 2017-2023.

A little under two thirds of policy engagement is reported to be focused on fostering capacity building in intermediaries and the remaining portion is advisory work (including capacity building to implement advice).¹⁰ Very little is purely in advocacy, which on first impression, may be unexpected considering the very difficult context for achieving reform but it is important to consider that the data may skew the observation, as advocacy takes part through other/untracked capacity building activities and combinations of activities.

34. In terms of funding for policy engagement in support of the Bank's strategic directions, the majority tended to be allocated towards the SCF priority of the Green Economy Transition (GET), energy security and good governance. A spike in 2023 was mostly due to the crisis in Ukraine.

35. The top five strategic directions for policy dialogue delivered as standalone TC outside of the investment cycle in terms of the number of assignments are: good governance (approximately 40%), GET, private sector competitiveness, innovation and knowledge economy and infrastructure services/energy security.¹¹

36. These top five strategic delivered through lending are recorded as being in the areas of GET, economic inclusion and gender, resilient and effective financial systems, good governance, and infrastructure services and energy security.

37. In terms of the policy impact on investments, approximately one fifth of policy engagement work can be classed as transactional in terms of the number of assignments since 2017 and approximately 12% of funding within the same period.¹² The situation is similar if you look at the investment portfolio data in the two case study countries. In Serbia, approximately one sixth of the total investment portfolio included policy dialogue related elements, most with 'Green' as their primary Transition Quality.

38. Notably, 90% of all sovereign loans in Serbia have policy dialogue attached. Almost all of these supported the Bank's infrastructure investments, which accounts for half of the Bank's portfolio. This reflects an ability to directly influence government counterparts. There are very few non-sovereign loans with policy dialogue attached. The policy impact of investments does not seem to have shifted over the period under evaluation (2017-2023). Furthermore, the mix of

⁹ Taken from TCRS data; a share of TC as represented by a portion of TC that was policy dialogue related work

¹⁰ As per the clean up of DP 022 report (2017 onwards approved or ready to close, TC only, single country)

¹¹ Number of assignments is more meaningful than volume of funding as it provides an indication of the footprint of influence.

¹² Using data provided by Donor Partnerships

delivery has been maintained. Projects mentioning policy dialogue elements include a mix of ongoing policy dialogue, specific policy dialogue and financing.

39. In the Kyrgyz Republic, approximately one sixth of the total investment portfolio included policy dialogue related elements, which reflects much of the sovereign portfolio. Again, the portfolio data has maintained a type of project or share of project to include policy dialogue, with almost none of the non-sovereign projects containing policy dialogue references. Almost all these projects containing policy work references are supported the Bank's energy/sustainable infrastructure portfolio, which also accounted for the majority of investments made during the period 2017-2023. This policy dialogue was mostly advice or capacity building. Almost all were in support of 'Green' or 'Well-Governed' and almost all of these were supported by the SSF.

40. In terms of resourcing policy engagement under the scope of this evaluation, the SSF was arguably the most important source of finance for the Bank's work in policy engagement – both standalone and transactional. More than 50% of the total number of policy engagement activities across the categories of policy advice/dialogue, legal and regulatory reform and institution building were funded with SSF financing. This represents one third in terms of funding volume. This is similar whether the policy dialogue was delivered as part of an investment or standalone.¹³

41. Previous evaluation work highlights that the Shareholders Special Fund, (SSF), has enabled the Bank to develop and deliver its non-transactional work related to new areas of SCF ambition and policy priorities. More generally, the share of on transactional TC has been rising (during the period under evaluation) and the SSF has (co) funded most of the Bank's identified policy priorities. The SSF is the backbone of several of the Bank's flagship investment and advisory activities (such as the Small Business Support (SBS) programme and Legal Transition Programme (LTP)). There is also convincing evidence of its catalytic role in enabling investment and policy work and in pioneering new areas of support in green, inclusion and digitalization, for example.

42. The part of SSF in supporting non-transactional work, including policy dialogue priorities, has been major and has recently grown with the share of the non-transactional TC in SSF-approved funding. It has risen from 18% in 2018 to 27% in 2020 – a 9% gain in two years.

¹³ . SSF funded half of the transactional assignments in number, just over 40% in volume. Of the funding listed as non-transaction related, SSF funded just over 50% in terms of number, and 30% in terms of funding volume

3. Performance – Distinctive feature of the Bank's business model and highly relevant, though performance needs improvement

1. To what extent has the EBRD's policy dialogue been relevant to foster transition towards open market-oriented economies and to promote private initiative?

1. While policy engagement is highly relevant and plays a key role in the high-level vision of the Bank, there is no systematic approach (nor operational guidance) to ensure consistent implementation.
2. The categorisation of “policy dialogue” has evolved over time, but it still lacks clarity, internal coherence and overall acceptance across the Bank.
3. The Bank-wide tools and processes for the prioritisation of policy engagement remain limited; the recently introduced “policy compact” is narrow in its function for strategic prioritisation and selection.

In addition, the restructuring of the policy dialogue roles and responsibilities within the Bank is still ongoing and the effects are yet to be seen.

2. How competently has the EBRD performed with designing, implementing and reporting on its policy work?

4. (ex-ante) Currently, there is no consistent method for estimating transition impact stemming from policy dialogue across different qualities and sectors, in particular for policy activities not linked to investments.
5. (on-going / ex-post) Monitoring and Reporting on policy dialogue activities remain fragmented and inconsistent
6. There are limited incentives to promote systematically effective policy dialogue work.
7. Donor funding is crucial to policy engagement activities in the EBRD, but funding is becoming increasingly scarce.

3.1. While policy engagement is highly relevant and plays a key role in the high-level vision of the Bank, there is no strategic approach nor operational guidance for implementation

43. The current SCF 2021-2025 highlighted policy engagement as a priority for the Bank and argued the need for the Bank to combine it with investment activity to achieve and sustain systemic impact.¹⁴

44. It further alludes to strengthening policy impact at the sector and economy-level, as well as strengthening its knowledge management. In addition, subsequent Strategy & Implementation Plans (SIPs) allude to policy dialogue arrangements; for example, the SIP 2022-2024 strongly reflects on the SCF 2021-2025 priority that capacity for policy engagement is an important component of the Bank's delivery architecture. In addition, the role and focus of policy engagement in the next SCF period (2026-2030) will be a fundamental instrument to deliver on Economic Governance.

45. However, translating these high-level objectives/commitments into country-level planning and performance requires additional institutional guidance in the form of the Enhanced Approach to Policy Dialogue (EAPD), which was discussed with the Board in 2015. Evaluation work and Management's own self-assessment in 2021 showed that several of the EAPD commitments were unfinished and Management embarked on further efforts to resolve these.

46. One of the ongoing workstreams since 2021 was on nascent Theories of Change for the Transition Qualities, which may provide a structure for policy engagement. However, these are not well applied to the Bank's everyday work.

47. Until now, Country Strategies do not provide the missing programme theory, and it is unclear how the diagnostic and political economy assessments feed into decision-making at this level. The box below explains the political economy approach:

Box 5: What is the political economy approach?

- According to the OECD (2009), political economy approaches are 'concerned with the interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.'
- A political economy approach aims at addressing key questions for policy makers, including, for instance 1) Why do sector reforms sometimes slow down, stop or reverse despite technically sound policy content? 2) What are the political, economic and social forces that drive or block policy change in specific sectors? 3) Why do real world politicians often not act like textbook social planners? 4) Which opportunities and incentives as well as which constraints and disincentives are reformers facing? 5) Why is the 'political will' for sector

¹⁴ The SCF 2021-2025 planned that by 2025 the Bank will have: Achieved greater transition impact by further integrating policy engagement and investment activity.

Box 5: What is the political economy approach?

reforms sometimes strong and sometimes weak? 6) And how could development partners best create, strengthen or sustain this political will for sector reforms? etc.

- Following the OECD definition, political economy studies ‘recognize that the policy environment is shaped by political, economic, social, cultural and institutional factors’ –that is they analyse all factors influencing the political process. Moreover, they seek ‘to move beyond a description of symptoms and to understand the underlying causes of poor governance and lack of “political will” for sustained change’ and thus, focus on the underlying institutions and incentives that are governing political action.
- According to Collinson (2003), political economy analysis is characterised by four guiding principles: ‘dynamic (by focusing on change), broad (by connecting changes in one place or group to those in another), longitudinal (by incorporating a historical perspective), and explanatory (by asking why certain people are affected by conflict and crisis in the way that they are)’.
- Political economy analysis and management can also be understood as ‘change management’, which ‘includes managing opposition, creating and heralding quick wins, taking advantage of opportune moments, and putting together and maintaining a supportive coalition’ (European Commission 2005).

Source: Edelmann, D. (2009). Analysing and managing the political dynamics of sector reforms: A sourcebook on sector-level political economy approaches. London: ODI.

48. There are concerns with the strength of the EBRD's country strategy documents to guide engagements in the EBRD's countries of operations. With regards to policy work, concerns remain. and the country case studies in this evaluation – Serbia and the Kyrgyz Republic – explore this aspect anew. Country strategies in force during the evaluation period of 2017 to 2023 provide an indication of the policy activities. They do not, however, provide a sense of the level of government buy-in, prioritisation and commitment to each policy workstream, nor a rigorous results framework to guide policy prioritisation towards country strategy objectives over five years.

49. For example, in some countries the Investment Council workplans may provide useful input on potential priorities. Outcome indicators lack specificity of the baseline, target and evidence base, and timing is not apparent. Unlike at other institutions, the EBRD's country strategy documents relevant during this evaluation period do little more than list the activities for the Bank's non-lending programme, even though non-lending activities might be necessary to unlock the ability to do the investments that are envisaged.

50. IEvD notes that the new Country Strategy for the Kyrgyz Republic 2024 to 2029 includes a full agenda of policy activities, including for example: support to the authorities to develop and implement green policies, including on climate adaptation and resilience; supporting economic governance improvements through the Investment Council, policy engagement to support the development of a transparent and well-governed energy market, tariff reform, and supporting

money, financial and capital markets development and local currency funding. It also includes support to the expansion of foreign direct investment (FDI). Some policy activities are carried over from the previous strategy.

51. Country strategies for the two case study countries do not fully integrate the findings of the annexed Political Assessments. This is even though the political assessments contain contextual information which is relevant to crafting a strategy and in turn, essential for effective policy engagement. It is unclear if the assessment contributed in any way to strategy formulation.

52. Country strategies also do not provide guidance or incentive on how to work across the development partner platform to optimise resources for policy dialogue. For example, the section in the Serbia Country Strategy 2023 on Complementarity (in terms of potential areas of cooperation) does not detail policy work. Only the matrix showing other IFIs' activities includes an indication of the broad areas where IFIs are active in policy work. In the absence of another mechanism, this performs poorly.

53. On green prioritisation with the GET 2021-2025, the Bank has enhanced its climate policy planning, including the green policy script (GPS) for each COO, that is accessible through BPN. While not a bank wide tool, this script attempts to show the long term view of how engagement will enable movement along the green pathway.

Box 6: Policy Dialogue in the Green Sphere¹⁵

An example of the Bank's policy dialogue contributions to the green agenda include in the development of competitive renewable energy auctions. The Evaluation of solar power operations stated that there have been three primary concrete results from the Bank's policy dialogue activities in improving bankability and supporting the transition to competitive auctions:

- The average solar energy tariff has fallen as Feed in Tariffs (FiTs) were adjusted and auctions launched;
- Private sector RES developers have invested in countries with a limited track record of supporting solar energy and private-sector participation in the energy sector;
- Solar PV capacity has climbed rapidly, especially in Egypt, Jordan and Ukraine.

In terms of the delivery of policy dialogue, in Albania, it is interesting to note that although the EBRD had not directly financed solar by the end of 2021, its policy dialogue was critical to the successful launch of the country's first solar auctions. *Previous evaluations also indicate that where the bank has investment opportunities, accompanying investment with policy dialogue can help contribute to systemic change. Indeed, evaluations have observed less evidence of*

¹⁵ Previous evaluations that look at policy dialogue contributions to green transition include most recently, Evaluation of Hydrocarbon Projects (2021), Cluster evaluation of the EBRD's Sustainable Infrastructure Operations in Advanced Transition Countries (2021), Mobilising Private Sector Participation in Infrastructure (2022), Solar Power Operations (2022), Terna Rachoula Wind Farms (2022), Supporting Green Transformations in Municipalities - The EBRD Green Cities Programme interim evaluation (2016-21) (2023), EBRD's Investments in Green Bonds (2017-22) (2024), Transport Strategy Evaluation (2024)

Box 6: Policy Dialogue in the Green Sphere¹⁵

systemic change where the Bank has not combined green investments with accompanying policy dialogue.

This dynamic is particularly clear in the renewable energy sector, where the EBRD's policy dialogue on renewable energy auctions and on national grid infrastructure has laid the foundation for a significant increase in renewable energy investment.

The upcoming GET 2.1 evaluation will look further at the work of EBRD in this area, scheduled for early 2025 delivery.

54. Furthermore, the new TC prioritisation governance process will require careful review to understand its full implications. One of the issues is a lack of clarity on what the evidence base is, what the new prioritisation (of TC that is linked to investment) is aiming to achieve and importantly, corresponding targets, and how it links to country priorities, including those set out by Investment Councils where relevant.

55. The implications of internal changes on policy dialogue and shareholders' expectations for the next SCF period – which might provide better targeting and allow an assessment of what constitutes success – remain partially discussed between Management and Board. Preparatory SCF discussions have gone some way to addressing this, by including specific focus on Economic Governance, and IEvD expects that the SCF will be able to include further specifics. At the same time, in addition to hitherto the limited Board-Management dialogue on the EBRD's policy dialogue approach, there is currently a lack of interaction between country strategy/policy compact intention and the Annual SIPs.

3.2. The categorisation of policy dialogue activities has evolved over time, but it still lacks clarity, internal coherence and overall acceptance across the Bank

56. Policy engagement/policy dialogue are used interchangeably in this report. As it stands (Figure 2), there have been issues with inconsistency in the application of the definition of policy work; for example, some work might be considered policy advice in one instance, yet capacity building or institution building in another.

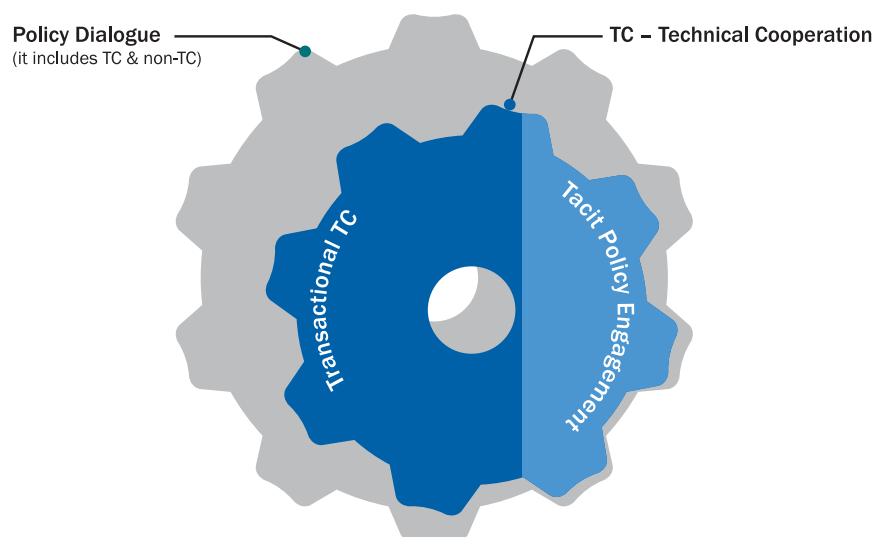
57. This causes data management issues when trying to understand exactly what the Bank is doing in terms of policy advice and what it is doing in terms of business advice for the client.

58. Overall “policy dialogue” or “policy engagement” in the EBRD includes different levels of activity, which can be delivered as part of a transaction or on a standalone basis (Fig.2).

- First, it should be noted that exists some intense policy work which is informal (not funded) or not purposeful, and not documented anywhere, such as regular meeting with ministry colleagues or preparation for memorandum of understanding on topics as necessary. This evaluation does not look into it, but it recognises its presence.
- Secondly, formal policy dialogue (funded) is referred and recorded in the Bank systems in form of Technical Cooperation (TC). This is currently classified either as “transactional TC” or “non-transactional TC”.
- Transactional Technical Cooperations are defined as those TCs that are specifically linked to an investment project and rereferred to in investment approval documentation, such as Concept Review Memoranda, New Transaction Notifications, Final Review Memoranda, whereas non-transactional TCs are those TCs that are stand-alone and/or developed outside of the investment project cycle and referred to in separate documents approved by Grant Unit in VP3.
- Thirdly, within the non-transactional policy dialogue (or TC), there is ongoing work within the development of TOMS 2.0 aimed at developing a clear structure for policy engagement TI assessment that distinguishes between *pre-transactional* and non-transactional policy engagements, with clear eligibility criteria and governance mechanisms, regarding those engagements generating transactions (pre-transactional).
- The previous Evaluation of the Shareholders Special Fund (SSF) also discussed pre-transactional TC as a category worth understanding better in isolation;¹⁶ *Lastly, the mapping of WP 2019-20 identified a subcategory of SSF-funded assignments that were categorised as non-transactional, but which could rightly be seen as pre-transactional. Section 3.2.3 discusses the role of the SSF in this area. At a Work Programme level, around 15 per cent of non-transactional TCs could be reasonably seen as related to the development of investment, mainly “pre-transactional”.*

¹⁶ Evaluation of the Shareholder Special Fund 2016-2020

Figure 2: Relationship between policy dialogue efforts and technical cooperation as a delivery instrument



| Type of TC | Recipient Type | Description |
|---|--|--|
| Business Advice | There exists identified party recipient (client / beneficiary) | Expertise provided targeting primarily improvement of the party's operations |
| Policy Advice | | Expertise provided to improve the legal, regulatory environment and investment climate and/or to deliver capacity building to intermediaries |
| Research & Dissemination, Outreach Advocacy, Knowledge Management | No identified party recipient | Internal research and dissemination; Outreach, trainings, awareness raising, knowledge transfer |

Source: IEvD elaboration based on prioritisation of Non-Transactional TCs, February 2024

60. In addition, within the context of the EBRD's Transformation agenda, the 2015 definition has been further refined internally to: "expertise provided to improve the legal, regulatory environment and investment climate and/or to deliver capacity building to intermediaries, and where there is a specific client". These granular activities are known together as "policy advice", bringing together the policy reform dialogue activity under the EAPD conducted with national authorities and SOEs, and amalgamating the capacity building. This is both to develop (reform advocacy with intermediaries, clients, etc) and build capacity to implement (Technical Assistance as EAPD category above).

61. This opacity calls for streamlined quality control over the use of categories to ensure the Bank's policy engagement is properly reported, monitored and assessed. The recent Multilateral Organisation Performance Assessment Network (MOPAN) assessment indicates alignment with this finding: EBRD lacks an overall strategy for the management of client-facing knowledge

solutions as a strategic driver of transition, including targeted results measurement practices that demonstrate contribution to transition and provide an institutional picture of performance.

62. This evaluation would suggest that the categorisation of the different levels of activity that constitute policy engagement products should be detailed in Monarch. This would include granularity between accepted categories, such as policy advice, reform dialogue and capacity building.

3.3. Challenges in Policy Engagement Prioritisation

63. Bank-wide tools and processes for the prioritisation of policy engagement remain limited; the recently introduced “policy compact” is narrow in its function for strategic prioritisation and selection.

64. In late 2023, with strong support from senior management, the EBRD embarked on a TC prioritisation exercise. This attempts to introduce processes to better prioritise EBRD work, initially on non-transactional TC and policy (by implication).

65. As discussed in Chapter 2, the process includes the introduction of policy compact and concept clearance process, as the primary internal management prioritisation tool. This splits the Grant Review process into two components: Concept Clearance and Final Approval.

66. All non-transactional TCs are supposed to be subject to prioritisation in policy compact and need to be referred to in a relevant policy compact prior to concept review submission. If TC is not included in the policy compact, submitting teams need to justify the need for the TC and confirm the endorsement of a regional Managing Director.

67. Since it is too early to assess the implementation of this exercise, this evaluation has performed an initial evaluability assessment of the new approach to the design and prioritisation of policy dialogue.

68. On the positive side, there is some qualitative evidence that policy compacts may provide a channel for better communication between regional country management and policy practitioners. This tool can clarify what the expectations are ahead of formal TC requests.

69. Notwithstanding the positives, the function of policy compacts is unclear. There are no Terms of Reference for policy compact, which was suggested by the SEMED Evaluation in 2020 as useful in the case of the predecessor PPO tool. This means that the basis upon which the principles of the policy compact were agreed are ambiguous.

70. Although, the policy compact are presented as “internal documents” they appear to represent country strategies from a policy perspective. In the absence of other tools, they are the principal platform for gauging institution wide policy objectives and subsequently allocating financial

resources¹⁷. This is further evidenced by the intention to present them as part of the Bank's Strategy and Policy Committee (SPCom) package in preparation of country strategies. **If that is indeed the case, it is good practice that these would be presented to the Board for information, at the very least as a summary.**

71. This evaluation found the links between the country strategy and policy compact unclear.

Policy Compacts are structured around the strategic priorities and take into account strategic directions identified in the country strategies. However, it is not clear the extent to which there would be a connection and flow between policy compact "objectives" and country strategies (or even diagnostics), both in terms of management and operations. This link is not evident; and it is not clear whether the policy compact will be reflected in the Results Framework (RF) of the country strategies. In that case, the policy compact would not be of the same status as other objectives that are incentivised.

72. The case study on Serbia illustrates how it is difficult to see how the policy compact priorities are derived from the country strategies. While they sit in columns that are intentionally linked to key objectives under each of the country strategy priorities, none of the policy compact priorities were mentioned in the activities of the country strategy. Notably, all the policy compact priorities were defined at the same time as the new country strategy was developed. Therefore, it is difficult to understand to what extent the policy compact reflects the new strategy during the evaluation.

73. Except for the link to country strategy and timeline, there is not yet a harmonised format/structure for the policy compact. The presentation of policy compacts differs significantly in terms of:

- The documents vary in length. Some are a one-page table, many contain annexes which can be up to 20 pages and one country does not have a table.
- Some link up to a full dataset of ongoing policy work (those in Western Balkans).
- Some reference future work or discontinued work, which might help tracking (South-Eastern Europe, Southern and Eastern Mediterranean and Central Europe and Baltics), while several other regions do not contain this information.
- Some contain additional useful information, such as team lead, the amount and source of funding (namely, Central Asia), while others do not.
- Some have not been updated for one year, while others have been updated recently. Therefore, it is unclear how much to rely on the data.

74. It is also not clear how selective policy compact are and on what basis. Policy compacts differ considerably in their apparent selectivity. While almost all countries have a policy compact, which details priorities in a one-page table, the choice of font size means that some teams have selected to prioritise 13 different actions under one country strategy priority.

¹⁷ IEvD recognises that certain teams have their own policy maps, such as the green script.

- Only ten countries had four or less actions per country strategy priority; at the time of the evaluation, there were 13 with some country strategic priorities tallying against seven distinct “priority” policy actions in the next 12-18 months.
- As compared to the previous “Policy Priority Objectives (PPOs) tool”, which restricted priority actions to three to five points, this casts doubt on the selective nature of the policy compacts.

75. This evaluation notes that while not explicitly but the Technical Cooperation prioritisation process for Policy Compacts takes into account the complementarity with other IFIs; however, it remains unclear what level of government buy-in is needed to include policy work in the policy compact and what discussions and agreement with counterparts they are predicated on. Interviews indicated that some regions will only include policy work that has a firm commitment or request from government, while other regions do not require this.

76. **Furthermore, the policy compact will not enhance visibility of policy dialogue direction and prioritisation by the Board, as they are not designed for the Board.** However, previous evaluation studies, including the Resident Office Study, have recommended further visibility of policy dialogue for the Board.

77. **In addition, there is currently no reporting tool linked to policy compact.** It is unclear the extent to which policy compact will be monitorable and how it interacts with updates and the Country Strategy Delivery Review. Because policy compact is flexible, ever-shifting living documents, it is more challenging to track factors and build a body of comparative and/or historical data. Only some policy compacts indicate what activities have been dropped or make a distinction between ongoing and future exploratory work.

78. In terms of organisational and governance, this evaluation notes that further restructuring of VP3 is currently ongoing, as the Bank enters the last year of its SCF and prepares for delivery of a new strategic framework.

3.4. (ex-ante) no consistent method for estimating transition impact stemming from policy dialogue

79. At ex-ante assessment level, this evaluation confirmed several findings already highlighted in the Evaluation Synthesis of the Transition Impact.

80. **First, there is lack of clarity over what "transactional" policy engagements are/involve, amidst pressure from Management on policy teams to focus on such engagements.** Transactional policy work has historically been used indifferently for policy activities enabled by transactions and policy activities enabling transactions (Box 7).

81. **In addition, there is no fully articulated and meaningful theory of change underlying policy engagement activities that can enable a solid narrative of the EBRD's contribution.** It is not possible to identify outcomes of some longer-term policy dialogue due to a lack of specificity of outcomes ex-ante (i.e. work on the Investment Council interventions, results of support to the

Office of the Business Ombudsman (now discontinued), overall strengthening of the rule of law in discrete areas of the justice system for the investment climate, etc..).

Box 7: Understanding “transactional policy activities”

Transactional policy work can include both policy activities enabled by transactions and policy activities enabling transactions

A) Policy engagements enabled by transactions. This may include:

- **Policy in engagements with government/regulatory entities and SOEs** – This category includes projects involving policy engagements with clients owned by/ linked to stakeholders that has the capacity to implement policies, regulations etc.
- **Policy in engagements with privately owned/ corporate entities or Participating Financial Institutions** - This category includes engagement with stakeholders that, although without the direct capacity to implement policy, can have on informing and influencing policy outcomes.

B) Policy engagements generating transactions: This includes investment-generating, pre-transactional policy engagement as a result of market-making/ investment-generating policy engagements led by EBRD that have resulted in a policy outcome in the last years. For example: Policy engagements to launch renewable energy auctions; policy engagements to launch new financial market instruments.

82. **Second, the current ETI methodology does not cover the impact expected from non-transactional policy dialogue, meaning policy activities not linked to investment. Non-transactional policy dialogue results captured in the TC reporting system (TCRS), are also limited to the outputs of activities.** Whilst the results matrix template in TCRS encourages the development of outcomes beyond outputs, IEvD found these are limited to the outputs of the consultancy contracts and do not attempt to capture broader outcomes.

83. **An example of an outcome indicator in TCRS from the case studies which are outputs not outcomes for non-transactional policy dialogue include: “recommended policy or strategy agreed by relevant stakeholder”.** There is no requirement for an indication of whether or not the policy is implemented or has the desired result, which raises questions over the outcome of the policy dialogue. Similarly in another example the outcome is stated as: **“Legal, institutional or regulatory frameworks in target areas improved”** (corporate governance, through introduction of a policy). There is no indicator to measure the extent to which international standards and best practices are adhered to, for example by the evidence of audit reports, or improvement in a specific index measuring international rankings in the specific legal area.

84. **Outputs are achieved consistently across policy dialogue workstreams, such as draft legislation, regulation and number of trained persons, but longer-term outcomes are not officially tracked.** Outputs are consistently achieved because they are generally part of a TC contractual agreement with relevant consultants who are hired to implement support for reform, or they are performed by in-house EBRD experts, such as the Legal Transition Team (LTT).

85. The Bank does not really track the contribution of policy dialogue conducted through non-transactional TCs towards transition, because its results and scorecard reporting are geared towards number of transactions and investment volume. Transition ETI and Portfolio Transition Impact (PTI) scoring is done solely for transactions with connected TC support.

3.5. (on going / ex-post) Monitoring and Reporting on policy dialogue activities remain fragmented and inconsistent

86. There is still no universal system that houses policy dialogue in the Bank; monitoring reports on individual policy work are weak. There is no repository of comparable quality reports to allow course correction or learning.¹⁸ Plus, consultants' knowledge is not systematically captured. This means that efforts to track, manage and learn from the results of policy dialogue are fragmented.

87. For context, the first recommendation for a data platform came in 2010 when the Evaluation recommended establishing a tracking system for policy dialogue achievements. Despite calls to do so and agreement in the SEMED policy evaluation follow up action plan, there is still no such database that houses all policy dialogue and allows tracking/monitoring.¹⁹

88. Overall, there is a lack of available reporting and feedback loops to monitor, analyse and measure success, resource allocation shifts and efficiency gains. TC project progress and completion reports often lack granular reporting on specific policy dialogue work and may not be available at all.

89. Consultant reports are not routinely saved in the centralised and accessible TCRS repository and are not used by Bank staff beyond the immediate project team. As much policy engagement is delivered by consultants, much tacit knowledge 'walks out the door' at the end of the contract, making the reports the only explicit knowledge remaining. If the reports are lost or damaged, there is no institutional memory of the policy dialogue.

90. Interviewees unanimously expressed the perspective that policy dialogue is not leveraged to its full potential in EBRD. In addition, the policy highlights dashboard provides no substantial base for monitoring, although this is supposedly the quarterly reporting. It is only possible to view policy highlights as reported by teams on the last quarter. Historical records are no longer available on the Bank's policy priority initiatives.

91. Previous evaluation reports have called for management to augment policy reporting to the Board due to partial coverage and poor results narratives. In several cases, the recommendation was not agreed upon. What Management action plans did agree on was to take heed of this within existing reports and augment reporting as necessary. However, this remains an unresolved weakness.

¹⁸ While managing confidentiality concerns

¹⁹ IEvD continued to note that the issue had not been fully resolved, but the action was closed due to agreement on time limitations of open recommendations.

92. Management is working on the data management of policy work, with the intention that TCRS will migrate to Monarch. While this work continues, the Bank's other data systems still do not allow users to obtain the same level of monitoring information on policy dialogue as investments.

93. Similarly, country-level reporting is inadequate. For instance, the new Serbian Country Strategy 2023 uses tracking indicators directly related to reform output-oriented trackers, – such as the “number of legal/regulatory improvements to the business environment” – and these are limited in number. Underlying this is the narrow selection afforded by the current system; tracking indicators for country strategies can only be chosen out of a limited pre-set list.

94. This means that it is not possible to fully understand the result of the Bank's work beyond output or immediate outcome level. The case study countries illustrate the issue with the Country Strategy Delivery Reviews. In the Kyrgyz Republic, CSDR reporting on progress was almost entirely on the basis of activities carried out and outputs successfully delivered. However, there is little evidence provided in CSDRs on whether the economy of the Kyrgyz Republic was becoming more ‘Competitive’ or ‘Well-Governed’ as a result of these activities and delivered outputs.

95. Overall, there are still important challenges in demonstrating how EBRD's operations contribute to country-level transition impacts. Its COIs and reporting through Country Strategy Delivery Reviews (CSDRs) largely aggregate the activities and outputs of operations, accompanied by a qualitative narrative. These primarily reflect alignment of operations to EBRD's strategic priorities and country needs. Much of this information focuses on outputs, activities and reach rather than contribution to outcomes. CSDRs do not provide a clear perspective on EBRD's contribution to transition in countries over time. While results reporting is aligned to the Sustainable Development Goals (SDGs), it has been primarily focused on financing, projects and case studies. Relevant project indicators aligned to the SDGs tend to reflect activities and outputs rather than contribution to sustainable development results and EBRD does not aggregate them to report on its contribution.”

96. In addition to internal reporting, the EBRD has a commitment to produce an external facing Impact Report by 2025, as part of its capital increase resolution taken by its governors (Table C DS23116f). Interviews have also reflected that there is demand from EBRD colleagues to be able to better show results externally. It is unclear how the impact report will link with other reports within the Bank and what level of results reporting it will focus on when it comes to policy dialogue. The latest emergent thinking paper discussed at the Management committee does not mention how policy dialogue results will be systematically accounted for, beyond those which are captured in TOMS/TI monitoring.

97. Finally, there is a lack of evaluation coverage of policy dialogue, both at self-assessment and independent evaluation level. Of the almost 80 validations that took place in the last three years, only 25% were transactions with policy dialogue related elements. This translates into only a couple of self-assessments per country, regardless of whether these look at policy dialogue elements.²⁰ Notwithstanding the underlying reasons, this simply does not allow a thorough understanding for learning from policy dialogue related to transactions, let alone on insights from

²⁰ In total there were only three self-assessments received in the past seven years for the Kyrgyz Republic and five in Serbia.

policy dialogue work that comes separate from transactions which is not covered at advisory level.

98. The recent MOPAN assessment comes to a similar conclusion and reflects that “There remain opportunities to further enhance country-led reporting of transition impact and enhance alignment with the SDGs. EBRD has made progress in operationalising its revised transition concept and strengthening its results architecture across projects and Countries of Operation.

3.6. There are limited systematic incentives to promote effective policy dialogue work

99. Although transactional policy work is to some extent captured in the ETI score, overall, as suggested by qualitative evidence (i.e. interviews with staff), the incentive based on recognition for pursuing policy engagement is either absent or much less strong than that of the pursuit of signing banking projects.

100. This is partly because there is not one measure that looks at policy dialogue in the corporate scorecard and the existing measures are difficult to interpret and are not high-quality indicators.

101. In addition, to the ETI score, the Composite Performance Assessments (CPAs) are used as a qualitative indicator of how the Bank is performing against its Transition Quality measures. However, the CPAs pick up some of the results of policy engagement in a rather unclear and selective way. It is reported on during quarterly performance assessments, although IEvD notes that recent Quarterly Performance Report consulted during this evaluation did not report these.

102. This evaluation highlights other IFIs good practices that might offer learning (Box 8).

Box 8: Comparator practice on policy dialogue data management

In terms of data management and monitoring at other IFIs, several MDBs introduced systems to better record their work and influence through policy dialogue.

- The IMF database covers 200 Article IV staff reports from 2014-2018, covering 50 countries. It includes nine Advanced Economies (AE), 25 Emerging Markets (EM) and 16 Low Income Countries (LIC).¹³ The database labels implementation status of policy advice in four categories: full implementation ('Yes'), partial implementation ('Partial'), no implementation ('No') and not available ('N/A').¹⁴ Policy recommendations are recorded for five policy areas: fiscal, monetary, external, financial and structural. The database also features authorities' receptions at the time of policy recommendations, which helps the IMF gauge how these are associated with the implementation status.
- The AfDB recently developed an e-platform that attempts to capture what the Bank does in terms of policy support, including key information and results. It will capture results of its non-transactional policy dialogue. The database is still a work in progress, with RO currently populating data with the aim to make this available to the Board and external users.

Box 8: Comparator practice on policy dialogue data management

- **The Facility for Investment Climate Advisory Services Partnership (FIAS) is one of the oldest and largest trust funds in the World Bank Group.** Through the FIAS programme, the WBG and development partners facilitate investment climate and sector reforms in EM and development economies to foster open, productive and competitive markets. They also unlock sustainable private investments in sectors that contribute to growth and poverty reduction. FIAS produces an annual report on engagements that it funds through the International Finance Corporation (IFC), much of which would be classed as policy work. This is a very readable report that utilises development language and categorises different types of results in a way that shows the end goal, with outcomes focused on results.
- **Finally, the case of the IFC advisory projects and their validations by the Independent Evaluation Group (IEG) indicates a much more robust system; something the EBRD lacks.** In IEG, every advisory project which aims to have a development impact goes through a self-assessment after it has had a chance to produce outcomes. Of these, 51% are validated by IEG. The validation governance process is therefore the same as for transactions.

3.7. Donor funding is crucial to EBRD policy engagement activities

103. Funding for policy dialogue, where necessary, may come from grant funding supported by donors or financed from EBRD's retained earnings in its SSF. According to the SSF study 2022, the SSF was arguably the most important source of finance for the Bank's work in policy engagement, funding much of its policy priorities and advisory programmes²¹.

104. Funding for policy dialogue, where necessary, may come from grant funding supported by donors or financed from EBRD's retained earnings in its Shareholder Special Fund (SSF). According to the SSF study 2022, the SSF was arguably the most important source of finance for the Bank's work in policy engagement, funding much of its policy priorities and advisory programmes. However, this evaluation notes that in the case of Kyrgyz Republic, current funding scale and availability is marginal and coming from a low base.

105. Data continues to suggest this funding significance, across both standalone and transaction approved policy work. More than 50% of the policy engagement in the areas under evaluation, across the categories of policy advice/dialogue, legal and regulatory reform and institution building was funded with SSF financing – representing one third of the total amount to these categories. The other top two funding sources (in terms of funding volume) for these categories during this period were the Ukraine Multi Donor Fund and the Japan-EBRD Cooperation Fund.

106. For transactional policy work, two thirds were supported by SSF. Data from the case studies portfolio continues to suggest this concentration of funding, across both standalone and

²¹ From available data in the BPN on PPO (which details PPOs for 2018 and 2019), the SSF co-funded 80% of the Bank's PPOs in Central Asia, 75% in Eastern Europe and the Caucasus, 70% in SEMED and 60% in Türkiye. Several Bank flagship programmes count on the SSF for their core funding year after year. For example, the Small Business Initiative (SBI) advisory work relied on SSF for more than 20% of its annual budget 2018-2020 and 70% for the LTP.

transaction approved policy work. For Serbia, funding came primarily from the SSF (circa 70%), as well as Switzerland's State Secretariat for Economic Affairs (SECO) and Austria (and Luxembourg for non-transactional work). For the Kyrgyz Republic, funding came primarily from the SSF at approximately 75%, with SECO mainly thereafter.

107. It is also clear that policy engagement activities can often be challenging to source from donor funds²² and that donor financing may be increasingly difficult to rely on.

²² According to the donor outlook and the SSF evaluation

4. Results - Policy engagement results towards systemic change are positive but non-linear and scattered

3. What were the results of policy dialogue in support of transition towards open market-oriented economies and to promote private and entrepreneurial initiative?

This section relies mainly on the key results of policy dialogue since 2017, drawing on the two case study countries of Serbia and the Kyrgyz Republic, plus some evidence from past evaluations. Methodology of selection of case studies is included in Ch. 1

- 1. Policy engagement is often a slow burn, multi-year process;** in certain cases, it starts with non-transactional support on key early-stage reforms before shifting to investments.
- 2. Evidence indicates positive results of policy dialogue towards fostering transition,** although it is not possible to claim changes at country (macro) level.
- 3. Policy dialogue was particularly relevant to address the needs of clients when it included a political economy approach and/or occurred in conjunction with sovereign investments;** combining policy dialogue work and sovereign investments delivered positive results (i.e. SOE reform and private sector participation).
- 4. The Bank's extensive local presence, breadth of support across public and private sectors, and tight nexus between advisory and financing, helps set EBRD apart from other IFIs for clients;** local presence remains fundamental to the design and delivery of policy work, which can be sensitive to the political economy.
- 5. Policy dialogue not linked to investment (non-transactional) may lead to transaction for the Bank and plays an important role in advancing systemic change.**
- 6. Unintended results of policy engagement emerged, particularly in context of crisis, i.e. during the Covid-19 pandemic.**
- 7. The achievement of results of the EBRD's policy dialogue in addressing the needs of the private sector depends on the level of government and stakeholder buy-in.**
- 8. Policy engagement effectiveness is augmented when conducted jointly with other development partners;** the EBRD's policy dialogue activities include intense collaboration with other IFIs.

4.1. Policy dialogue is often a slow burn, multi-year process

108. The EBRD's policy engagement assessed in the case studies demonstrates the benefit of being engaged 'over the long haul', as reform often takes time. For example, the Bank's support for the development of the PPP market in Serbia started in 2010 illustrates the importance of policy engagement over a long period if necessary to achieve results.

109. Through the EBRD's policy dialogue, Serbian authorities developed a PPP strategy, the legal and regulatory framework for PPPs, PPP a certification programme and the establishment of the PPP Commission which has helped the government develop a substantial pipeline for private sector investors. This resulted in a EBRD €72 million PPP investment for Belgrade Solid Waste in 2018 and a €72 million investment for the Belgrade Airport Concession in the same year, with more to follow. The recently initiated money market diagnostic Framework in Kyrgyz Republic is another example where the Bank was able to engage swiftly once the counterpart was ready.

110. In a further example, EBRD policy dialogue to reform business inspections in Serbia took place over a period of eight years with a phased package of technical support. Policy dialogue began following the government issuing a National Strategy to Combat the Grey Economy in 2014. In 2015 EBRD committed to reform business inspections as part of the Investment Climate Governance Initiative. This was followed by phased technical support from 2017 to 2022 to the Reform Support Division to the Coordination Commission for Inspection Reform, and in 2020 further technical support was provided to establish a business inspections contact centre and book of best practices. A phased approach was adopted to ensure each stage was complete before moving to the next.

111. Non-transactional policy dialogue over the long term has also taken place on development the local capital markets in Serbia, with the first technical support provided in 2013. Work started with EBRD supporting development of a risk management framework for cross currency swaps. Other work took place in 2016 to support stock exchange brokers in improvements to the Order Management Systems and a further Technical Cooperation to introduce to SMEs the benefits of raising finance through listing a bond or equity on the stock exchange. In 2018 EBRD continued this time to support developing the non-bank domestic institutional investor base on managing local currency liquidity and debt asset portfolios. Following the formation of a government working group in 2019, in 2020 EBRD supported development of a capital markets development strategy, which was adopted by parliament in 2021.

112. Another example of the slow long-term nature of policy dialogue which started through a transaction includes the development of the State Ownership Policy in Serbia, with EBRD engaging in policy dialogue on through a 2017 investment with the state-owned railway enterprise Serbia Voz leading to first steps towards a state-owned policy for the rail sector. Following this in 2018, the Bank agreed with the IMF to include development of the wider State Ownership Policy Document in their Policy Coordination Instrument and to cross-reference and covenant this objective in the Guarantee Agreement in EBRD's follow-on investments with the railway entity, Serbia Voz. This led to EBRD conducting further policy dialogue in 2020 to develop a policy for all sectors which is being implemented as part of subsequent EBRD transactions with

state-owned enterprises signed in 2022 and 2023. Some further details are provided in the case study summary in Annex 5.

113. Policy dialogue on renewable energy has also taken six years to progress and started on a non-transactional basis in 2018 leading to the first auction as a conditionality of a liquidity loan in 2023. Renewable work started with developing regulations for competitive procurement of renewables which then facilitated the first RE auction in 2023 and investment in 2024. EBRD provided donor funded support of €1.8 million (SSF and SECO) for the review of Renewable Energy legislation and the design of a scheme for designing and implementing an auction. The first auction was then expedited through a condition precedent in a sovereign loan to the electricity producer EPS, leading to an EBRD €50.5 million investment with a private sector renewable investor for the Pupin Wind Farm.

114. Conversely, cutting funding in the middle of policy dialogue when progress is being made can stall reforms. For example, policy dialogue in Serbia to encourage the digitalization of the Bankruptcy Supervision Agency through a long-standing relationship with the EBRD's LTT has been discontinued, despite progress in the first phase.

115. Doing one-off studies in a rapidly changing political context can have its downsides. For example, a piece of policy advisory work initiated during the COVID-19 pandemic in 2021 to help the Kyrgyz Republic attract Foreign Direct Investment did not materialise into results due to the change in government and the dissolution of the Ministry for Investment Promotion in late 2021. Despite a delegation from the team travelling to Bishkek to present the findings to the government in 2022, the decision was taken not to proceed. This example demonstrates how a lack of an ongoing champion for reform with power and influence to make things happen negatively impacts the chances of success.

116. 4.2. Positive results of policy dialogue in fostering transition, though macro-level changes cannot be confirmed. This evaluation found evidence in the case studies of some positive delivery across Transition Qualities. The EBRD addressed its policy priority objectives (PPOs) for 2017-2021, leading to some successful results, though mainly at the output level with some exceptions.²³

117. For example, in Serbia, as part of its work towards the 2018-2023 country strategy first priority:²⁴ *'fostering competitiveness and governance by enhancing private companies' capacity, and reforming selected SOEs and public utilities'*, the Bank combined sovereign lending for the rail sector with policy dialogue. EBRD encouraged Serbia to adopt a State Ownership Policy for rail, which, following IMF recommendations, was subsequently expanded to all sectors.

118. EBRD also provided TC support to develop the cross sectoral policy and action plan, which was then adopted in 2021, and as part of subsequent lending, the Bank has requested implementation. Following joint policy dialogue regulatory reform support work with IFC, the EBRD

²³ From the 5 years country strategies, medium term priority policy objectives are set out to be achieved through annual policy milestones (formerly PPOs). The introduction of such a tool was intended to help in highlighting issues, establishing goals, and creating accountability.

²⁴ BDS/SB/17-1 (Final)

invested in two PPPs in 2019 and the PPP market has grown overall.²⁵ The private sector was introduced for renewables with the first Renewable Energy auction held, leading to a second underway (also supporting the 'Green' priority). Also, towards improving governance and competitiveness, the EBRD supported Serbia in establishing a business inspections contact centre to address the informal economy.

119. In the Kyrgyz Republic, good progress was made towards the country strategy and policy priorities on e-governance services and the centralisation of a water tariff reform. Plus, policy engagement resulted in the implementation of some of the recommendations from a 2022 independent review of the Investor Council. This resulted in the renewal of staff and processes going forward, although it is too early to assess outcomes.

120. At the same time, it should be noted that progress is not linear; these progress points don't necessarily lead to positive changes at country level, in more macro indices. For example, macroeconomic indices and reports in the case study on Serbia indicate positive shifts in some 'Competitive' and 'Well-Governed' areas, but some regression in others, notably on corruption issues.

4.2. Policy dialogue relevant to address the needs of the EBRD's clients when including a political economy approach or in conjunction with sovereign investments

121. The EBRD is successfully leveraging sovereign investment in some sectors in both Serbia and the Kyrgyz Republic to promote policy dialogue and expedite government reform through the use of loan agreement conditions across multiple areas.

122. In Serbia a particularly striking example of successful policy dialogue through investment was in renewable energy (RE), where upstream policy dialogue towards the first RE auction was expedited through a 2023 liquidity loan agreement to the state electricity company with a condition to hold the country's first RE auction before the end of the year. The condition included a commitment to execute a 3-year plan of 1300MW of wind and solar auctions. This resulted in swift action by the government and a successful wind auction, leading to the EBRD's investment in the private sector.

123. Similar strong results were seen in the case of the EBRD's dialogue with the government of Serbia on SOE reform, starting from a sovereign investment and backed by subsequent investments that required implementation of reform. This included several sovereign loans since 2017 to the state railway companies, including a guarantee to develop and implement a national SOE rail reform strategy. This subsequently became a cross sectoral SOE reform strategy.

124. In Kyrgyz Republic, EBRD has also utilised its sovereign investment to further policy dialogue for reform. This includes via a water framework to promote tariff reform and a public

²⁵ The two PPPs in Serbia were signed in 2019 and were the result of joint policy engagements with IFC specifically targeting these projects

service contract between the state and water companies; and via investment in a hydro power plant for electricity tariff reform. It is also using an investment in the electricity grid to agree with the government how to integrate renewable energy in the future (see Box 9).

125. Finally, it should be noted that the Bank could increase effectiveness when choosing to engage with a regional country leader (i.e. amplification effect). Serbia, for example, is perceived as a leader in the region in terms of insolvency regulation and widely recognised as such. Last year (2023) Serbia assumed the presidency of the prestigious International Association of Insolvency Regulators including G7 countries. By not funding the next phase of the Project the Bank lost the opportunity to roll out similar projects to strengthen transparency and insolvency regulation in the Balkans region. As the example of Serbia RE auction or green bond issuance illustrate, green or other transition qualities can be the intentional or unintentional entry points that allows EBRD to further promote competitive or well-governed, depending on the context.

Box 9: Examples of successfully combining investments and policy dialogue in complex contexts

- **The EBRD is successfully leveraging its frameworks for investment in the water sector for policy dialogue with the government to reform water services in the Kyrgyz Republic.** A key covenant set out in the Board document of 2020 for the Kyrgyz Water Sector Resilience Framework (KWSF) included the requirement of the government to adopt a standardised drinking water tariff methodology to improve cost recovery. It also required a standardised Public Service Contract (PSC) between the central government and water companies by 2022. This is the culmination of many years of sovereign loans for municipal water services in the Kyrgyz Republic, persistent issues with tariff methodology and a lack of capacity in municipalities for implementation.
- **In the Kyrgyz Republic, an EBRD sovereign loan for €8.5 million and a €5 million grant in 2022 to Chakan GES for the rehabilitation of a hydro power plant (HPP) included a commitment to work towards an electricity tariff policy reform framework for small HPPs, aligned with WBG's efforts.** Following a €14 million investment in the National Electric Grid, involving multiple new projects to rehabilitate substations, a MoU was signed to modernise and expand the grid to integrate RE. Progress was also made towards establishing the first Power Purchase Agreement (PPA) and a feasibility study completed towards RE auctions, with an expectation that a wind auction will be held.

4.3. The Bank's strong local presence, support across public and private sectors, and tight nexus between advisory and financing, distinguish the EBRD for clients

126. Local presence remains fundamental to the design and delivery of policy work, which can be sensitive to the political economy.

127. **Both case study countries revealed that fostering relationships through a local presence is a vital part of a successful policy dialogue.** As emphasised by the 2016 IEvD evaluation of EBRD's Experience with its Resident Offices, relationships on the ground are essential for policy dialogue success, as well as entry points for new dialogue and for IFI coordination.²⁶ Anecdotal evidence from this evaluation also indicates that where teams have feet on the ground, policy dialogue traction and an ability to collaborate with IFIs becomes stronger.

128. **Local staff are able to identify and respond swiftly to any concerns raised by counterparts or to address issues where progress has slowed or halted, for example where consultants are not performing or government priorities change.** Government counterparts in the Kyrgyz Republic and Serbia expressed the particularly high value they place on their relationships with RO staff focal points. They appreciated the EBRD's local office presence and easy access to the EBRD's expertise when needed. This helps sets the EBRD apart from some other development partners. Some development partners in the case study countries expressed the idea that EBRD, with its larger presence and programmes of advisory, is seen as the local bank.

129. **Previous evaluations also pointed to more demand for the localisation of experts. Available documentation indicates that since 2017, there has been an increase in capacity for policy and partnerships.** They have grown by almost 25% since 2018. Approximately a fifth of policy and partnerships teams roles are based in Resident Office. There is also a persistent reliance on donor funded or externally funded resources.

4.4. Non-transactional policy dialogue can play a role in generating investments for the Bank and advancing systemic change

130. **The experience in both the Kyrgyz Republic and Serbia demonstrates how non-transactional policy dialogue – notably advocacy, advice and capacity building – plays a special role in advancing the 'Well-Governed' and 'Competitive' Transition Qualities.** (Box 10).

131. **It can foster systemic change in the investment climate for a modest sum of money, over time. Evidence shows that standalone policy dialogue created the enabling conditions for subsequent investment opportunities for the EBRD; conditions that did not previously exist.** This includes dialogue in Serbia towards a PPP market, Renewable Energy auctions and broadband rollout. In the Kyrgyz Republic, supporting better governance through the e-governance

²⁶ IEvD evaluation: The EBRD's experience with resident offices 2016

programme eased the investment climate for business registration, accessing government services and growing the local IT consultancy sector and technology park.

Box 10: Key examples of non-transactional policy dialogue leading to transition (and investments)

Evidence²⁷ shows that the EBRD is recognised as a leader among IFIs in the development of local currency solutions by using policy dialogue to support the upgrade and development of local capital markets, including policy frameworks, market infrastructure and financial products.

For example, this evaluation found that in Serbia, upstream non-transactional policy dialogue helped build momentum and capacity for the reform of capital markets and potential future investment.

- **The EBRD capitalised on the growing momentum for reform from 2019 onwards from internal and external factors, including a World Economic Forum report highlighting the urgent need and political pressures following the Covid-19 pandemic.**

This resulted in the pursuit of a “quick win”, with a well-timed 2020 EBRD TC support providing advice on the priorities for the new Capital Markets Development Strategy adopted by parliament in 2021. This catalysed the appointment of new staff within the Ministry of Finance (MoF) with relevant expertise and strong support for implementing the reform agenda. The WBG then provided a loan to develop corporate bond issuance.

Following EBRD's policy dialogue to assist with the development of the new Capital Markets Development Strategy and SOE policy, and their subsequent adoption, an increase in activity on Belex is expected in coming years to help reactivate Serbia's capital market.

- **Recently, following unfunded support from the EBRD's Capital and Financial Market Development team, Serbia issued a €1 billion green bond on the London Stock Exchange (LSE) to finance the country's green agenda.** This was the government's first green bond and the EBRD supported the process in an unfunded advisory role. In June 2024, the Government of Serbia raised \$1.5 billion (€1.39 billion) for a sustainable bond, again issued on the LSE.
- **Non-transactional policy dialogue towards the 'Well-Governed' TQ on business inspections in Serbia is also helping increase business integrity.** The EBRD engaged with Serbian authorities in 2017 on implementation of a 2014 strategy, which was developed with the support of USAID and a subsequent 2016 inspections law to help reduce challenges of a shadow economy.

The EBRD provided policy advice to improve the coordination of business inspections and a contact centre, which is now functioning and sustained, receiving 50,000 calls by the end of 2023. It contributed to Serbia being lifted from the G7's Financial Action Task Force grey list in 2019.

132. Towards competitive economies, as found in the 2022 Evaluation of EBRD's Approach to ETCs, the Bank's legal transition projects promote private sector development in ETCs (Box 11).

²⁷ 2022 Evaluation of the EBRD's Approach to Early Transition Countries (ETCs),

The EBRD conducts policy dialogue on legal transition, advising government authorities and regulators on multiple legislative reform areas. However, progress is slow.

Box 11: Selected legal transition work for private sector competitiveness in ETC case study countries

- In Georgia, towards mining sector reform, the EBRD with the support of SSF, drafted a law, regulations and provided training. Other work focused on PPPs and public procurement.
- In Mongolia the EBRD supported the government by helping draft a new law for mining sector reform, but no political agreement was reached. The Bank also assisted with drafting a sovereign wealth fund law (comments and recommendations submitted to the Ministry), a digital geo database (complete) and beneficial ownership disclosure as part of the multi-country Extract Industries Transparency Initiative. This is on hold due to a lack of consensus and counterpart readiness in Extractive Industries Transparency Initiative (EITI).

133. The EBRD conducted policy dialogue for the development of public/private dialogue platforms, with particular success for the Renewable Energy sector resulting in better governance in the sector. In Serbia, the EBRD established the Renewable Energy Sources (RES) Association to represent investors in renewables and to address outstanding policy and regulatory challenges with the government, plus helping mobilise private sector investment in renewable energy.

134. The Bank engaged to develop the public-private dialogue platform of the Investor Council in the Kyrgyz Republic since 2007, with some positive results. An independent evaluation of the Council in 2022 resulted in recent changes to improve operational effectiveness of the IC. There has also been good progress towards implementation outputs and outcomes related to legal and regulatory frameworks as well institutional capacity building, thereby generating transparent and inclusive dialogue between the public and private sector. However, results and impact of the Investor Council are not fully evident.

135. Unintended results of policy engagement emerged, particularly in context of crisis. Secondary effects of policy dialogue during the pandemic included increased crisis resilience of governance systems during lockdowns. Investment climate work in the Kyrgyz Republic and Serbia on e-governance, and in Serbia on business inspections and the contact centre increased resilience to lockdown restrictions. Covid-19 led to digitalization becoming a greater priority and increased levels of cooperation with government counterparts on digital reform.

136. An unintended positive result of policy dialogue to promote e-governance through a non-transactional TC led to the local IT consultancy market in Kyrgyz Republic benefiting. The TC project included use of four Kyrgyz technology firms, and five individual Kyrgyz experts to develop and implement the technology services. This contributes to development and growth of local IT outsourcing services, a sector which has been prioritised by the government for growth and jobs.

137. Another benefit from EBRD's past policy work is its strong credibility built through demonstrated expertise and networking capabilities, leading to increased leverage in starting

work in new markets. An example of this is in Kyrgyz Republic, where EBRD, as a participant of ADB's working group on capital market development, was asked by the authorities early in 2024 to conduct money market diagnostics, with the support of the National Bank of Kyrgyzstan ("NBK", central bank). Work is underway, with a questionnaire sent to NBK for endorsement and involvement of commercial banks. The diagnostic involves interviews and assessments to pinpoint the key issues with the monetary framework. The EBRD's opportunity to do this work is a signal from NBK that EBRD is a trusted partner for capital markets development.

138. Further, there are indications replicability as a result that can be gained or lost. Serbia is perceived as a leader in the region in terms of insolvency regulation and widely recognised as such. In 2023 Serbia assumed the presidency of the prestigious International Association of Insolvency Regulators including G7 countries. By not funding the next phase of the Project the Bank may have therefore lost the opportunity to roll out similar projects to strengthen transparency and insolvency regulation in the Balkans region.

139. The EBRD's policy dialogue for improved accountability mechanisms and legal processes may not be supported by some stakeholders who do not benefit.

- **In the Kyrgyz Republic, the EBRD established, with donor support, the Office of the Business Ombudsman (BOI), a policy priority objective for EBRD in 2019, 2020 and 2021.** Since its formal start of operations in February 2020, the BOI received more than 236 complaints and managed to save or return to businesses US\$ 24 million. In 2022 the Business Ombudsman, appointed by the EBRD in 2019, passed away. No suitable replacement was found and the EBRD decided to cease support to the office in 2023.
- **Serbian lawyers, as key stakeholders in the development of commercial mediation felt that they were negatively affected by EBRD's policy dialogue to promote it,** since it would mean fewer cases would go to court. Serbian lawyers protested against the new reform through a strike, due to fears it would result in loss of business and a backlog of cases. The EBRD's LTT had provided advice to the Ministry of Justice on developing commercial mediation mechanisms, which was approved. However, the implementation of reforms has since slowed, following the unexpected fall out. This shows the importance of considering the potential impacts on multiple stakeholders when pursuing policy dialogue.

4.5. A common driver of success is the level of counterpart buy-in, which is in turn dependent on a stable political economy

140. Case studies show that with strong government buy-in, the EBRD can move the needle on reform towards positive outcomes. For example, the EBRD's engagement was highly relevant to Serbia's RE targets and Serbian authorities wanted to transition from the Feed-in-Tariff programme to support and selection mechanisms for renewable projects based on competitive procurement. EBRD's policy dialogue and expert advice on regulatory frameworks for RE, followed by a liquidity support transaction with conditionality to hold the first Renewable Energy auction, led to the first renewable wind auction.

141. A WBG's IEG 2022 evaluation of the country partnership framework in Serbia found that the IFC and EBRD's work towards the RE regulatory framework was successful. WBG also profited from high government buy-in with successful achievements towards SOE reform and railway unbundling in Serbia, according to a 2022 IEG evaluation of the country partnership framework.²⁸ This was also seen in the EBRD's successful policy engagement to help Serbia establish a SOE Reform Strategy. A similar experience was found in a 2018 IEG evaluation of the World Bank Development Policy Operations in Georgia, where Georgia was keen to fulfil trade reforms to meet the requirements to negotiate a Deep and Common Free Trade Agreement with the EU. The WBG's Development Policy Operation (DPO) series helped focus government efforts on reform for exports.²⁹

142. In the Kyrgyz Republic, the ongoing prioritisation of digitalization with the EBRD and UN's support across successive governments, led to successes in implementation of e-governance reforms. In June 2017, the Government of the Kyrgyz Republic launched a long-term strategy for digitalization (Taza Koom) at a high-level forum, which covers both businesses and citizens. The new government in 2021 prioritized digitalization within the President's administration. This led to success across the key areas on which the EBRD engaged for e-registration, e-notary, e-patents, geographic information systems (GIS), remote identification and e-archive systems.

143. Evidence shows where government buy-in or a "champion" was lacking or was not sustained during the life of the engagement, little or no visible progress was made. An experience in Serbia further demonstrates the importance of a "champion" in government. The EBRD provided TC funds for Transparency International to conduct a business integrity country assessment with recommendations and a reform agenda for tackling corruption. However, no specific government counterpart was identified and neither the government nor the EBRD had highlighted this as a major priority objective. The government's anti-corruption strategy has still not been released and many recommendations have not been adopted. While this may have had other results, it does show the effect of not having full government support to push towards more substantial results.

144. Case study evidence included a Technical Cooperation to assess transparency and corruption in Serbia where a lack of a government counterpart meant that no anti-corruption strategy has yet been launched, and many recommendations not adopted.

145. In an example in the Kyrgyz Republic of how the political context, past government changes and frequently changing ministry staff slowed or derailed policy dialogue efforts, in 2018, the Ministry of Economy requested EBRD's assistance for further help to update the 2012 recommendations and reduce the informal economy. EBRD provided technical support via Shareholder Special Fund funding through a consultant who produced a report and recommendations, but feedback was delayed despite numerous follow ups from EBRD due to numerous staff changes in the Ministry. The report was not adopted, and work was discontinued following the change in government in 2021.

²⁸ IEG Completion and Learning Review Serbia FY16-FY20 Country Partnership Framework 2022

²⁹ IEG Project Performance Assessment Report: Georgia – First Second and Third Development Policy Operations 2018 p34

146. To address the often volatile and rapidly evolving political context in Countries of Operation, and to take advantage of changing government priorities, more could be done with the resources in situ on political economy (counsellors and regional economists) to help review the relevance of country strategy and policy compact priorities with the reality of the situation on the ground.

4.6. Policy engagement effectiveness is maximized when conducted jointly with other development partners

147. **Collaboration with IFIs has been a feature of the Bank's approach to policy dialogue; first articulated in the EAPD and intended for further consideration.** Evidence from the case studies seems to suggest that the situation remains positive and productive using multiple channels, usually organic, and where cooperation is a predominant feature of work. A description of recent findings follows, with Annex 7 covering seven lessons on IFI collaboration as indicated by the 2023 Connecting the Dots Knowledge Product on this (the Art of Multilateral Cooperation: Selected insights from Evaluation).

148. **Recent evaluation work indicated that development partner cooperation with IFI taking different roles was a key factor for successful private sector mobilisation in RE investments.**³⁰ For example, in Uzbekistan, the EBRD carefully directed the provision of both financing and policy dialogue support with other multilateral development banks (MDBs), particularly the World Bank Group (WBG) and the Asian Development Bank (ADB). On the policy dialogue side, the EBRD led on the 2019 PPP Law, the draft Electricity Law and the wind auctions. The World Bank led on the 2017 Renewable Energy Law and the solar auctions, while the Asian Development Bank led on tariff reform. This helped to ensure a coordinated and coherent approach to sector reform.

149. **Evidence from case studies shows when development partners work on the same reform topic, unifying their voice and synchronising technical support, they can be more influential and able to progress reforms further.** For example, the IMF and EBRD worked together on policy dialogue in Serbia towards the State-Owned Policy, with the IMF's 2018 Policy Coordination Instrument including restructuring and reform of SOEs, and, following EBRD's completion of a draft policy and action plan in 2021, in 2022 IMF drafted an SOE law with support from EBRD. In a second example, to reform bankruptcy supervision, in 2019 the EU issued a Directive on Insolvency Proceedings, and asked for insolvency statistics from the authorities, leading in 2021 to EBRD providing a TC to support development of insolvency statistics, and in 2023 the World Bank Group then provided complementary training to insolvency practitioners. WBG supported capital market reform following EBRD's efforts to help develop a strategy, resulting in a law and issuance programme.

150. **Information exchange occurs on the ground through regular meetings, such as between local heads of office and sector working groups which are reported as particularly effective when spearheaded by government requests and commitment.** Three examples demonstrate this: i) In Serbia, on energy efficiency and renewable energy in Serbia, WBG and EBRD worked closely

³⁰ Evaluation of EBRD operations in Uzbekistan (2017-22)

together to share information on reform initiatives, updating each other on next steps, with technical support to reform materialising following government requests; ii) On capital market development, in Serbia, in 2019, the government formed a working group for public, private and development partners on capital market reform; in Kyrgyz Republic, the ADB set up a working group which EBRD participates in; and iii) In 2018, Serbia's Ministry of Agriculture, Forestry and Water Management (MAFW) formally called for joint UN FAO and EBRD support to develop irrigation by signing a tripartite Memorandum of Understanding. Following this, EBRD included an affirmative covenant in the EUR 15m sovereign loan agreement signed in 2019 for the Serbian Climate Resilience & Irrigation Programme (DTM 50848).

151. There is a balance to be made between collaboration and healthy competition. Case studies show EBRD ROs meet regularly with other IFIs to talk about upcoming opportunities including investments. IFI may compete with EBRD for certain types of transactions, however, opportunities for co-investment are often discussed on the ground. IFC for example, is a supporting member of the Renewable Energy Sources Association established by EBRD in Serbia. In some COO, certain IFI have fewer staff than EBRD on the ground, and their client/transaction focus may be more narrow as a result. whilst EBRD may have more staff and do more business with state-owned enterprises, thereby having more opportunities to pursue policy dialogue, for example. . This complementarity works well.³¹

152. Overall, joint work and crisis response proved positive drivers of policy dialogue. Two examples in the case of Serbia highlight the positive synergies for reform created by collaborating with multi-lateral bodies.

153. For example, alongside the EBRD, the IMF was pushing for SOE reform in Serbia, with the IMF Policy Coordination Instrument including restructuring and reform of SOEs. The EBRD prepared a draft strategy and action plan, whilst the IMF prepared a draft law, which the EBRD then reviewed.

154. This shows the close collaboration that has led to the reform reaching the implementation phase. On RE, the EU as part of accession negotiations, required Serbia to transpose EU acquis for RE support schemes, with EU supporting a draft new law. The Bank supported this by taking forward advisory work on how to implement RE auctions. The EBRD's creation of the RES Association has led to the inclusion of a broad array of members from the international community including the IFC, EIB, law firms and consultancy groups.

155. The EBRD led policy engagement to develop a PPP policy, legal and regulatory framework and establish a PPP Commission over the course of years, alongside collaborative efforts of IFC supporting by-laws and the support for EU alignment, resulted in the growth of PPP transactions.

156. The energy crisis in Serbia, stemming from Russia's war on Ukraine, has helped create urgency around reform and support for the IMF programme on strategic energy commitments. This provided a short window to coordinate reform, with EBRD helping to implement the IMF programme, and IMF supporting EBRD policy activities on energy. Crises can offer a window of

³¹ IEvD Interviews April 2024

opportunity for reform due to the urgent need for solutions, although reform may not be sustained in the post-crisis period.

157. An energy crisis created by climate change in Kyrgyz Republic has led to strong government support for EBRD's dialogue to increase renewable energy sources. Low water levels in peak winter seasons have been disrupting production of hydro-electricity and led to the public experiencing shortages in electricity.

158. The government declaring a three-year energy crisis in 2023 and is now committing to allocate land for renewables and demonstrating strong receptivity to EBRD's policy dialogue to plan for increasing renewable energy sources and investment.

159. In relation to financial crises in general, IMF surveillance found that traction improves in countries undergoing financial sector stability assessments (FSSA) and receiving IMF capacity development support. In countries with IMF programmes, the reception of countries to Article IV advice is higher during the programme period compared to the before or after. These findings highlight the importance of better integration of capacity and institutional building in improving traction in surveillance.

160. The findings seem to resonate across IFIs, for example in the AfDB Evaluation of Economic and Sector work (ESW). The enabling factors identified by the evaluation are stakeholder involvement, technical capabilities, political will and the guidance and capacities of the Bank. The hindering factors include limited capacities (including high staff turnover of both the Bank and stakeholders, and insufficient capacity of Bank country offices), absence of political will, the lack of monitoring of results of ESW, inadequate or misallocation of resources and the insufficient involvement of stakeholders.

5. How to move the wheel: key evaluation insights and recommendations

161. Recommendations and evaluation insights from this assessment of the EBRD's institutional policy work and field results in selected countries of operation in two transition quality areas, should be considered in the context of the preparation of the new SCF 2026-2030, and the expansion to Sub Saharan Africa.

5.1. Key Evaluation insights

As the Bank discusses how to optimise policy engagement as a means for transition, the following three insights emerging from on-the-ground evaluation work, offer interesting perspectives about ways to enhance the EBRD's overall approach to policy dialogue, including in its new region of Sub-Saharan Africa.

#1: Evidence shows that EBRD is highly successful in achieving transition impact when it engages in “upstream” stand-alone policy work that may build the conditions for subsequent financing transactions.

162. Non-Transaction Technical Cooperation (NTTC) can help bring about systemic change. Moreover, evidence shows that can create the conditions for subsequent financing transactions where those conditions did not previously exist (upstream work), for example as in the case of the broadband rollout in Serbia (Annex 6).

163. In dynamic political economies, the EBRD's additionality in non-transactional, upstream work is particularly valued by stakeholders, and capacity building is seen as a crucial foundation that EBRD can help support in order to promote reform.

164. Furthermore, in economies where the Bank has a substantial investment portfolio, continuous transactional presence in certain sectors can provide an authentic platform for conveying messages on reform in a sector, setting up the context for when there is political will to act.

165. The EBRD's competitive advantages include 1) the use of conditionality in sovereign lending to get commitment to reforms which has not been used so much recently due to additional burdens it creates, but should be revisited; 2) focus on reform in largely technical areas, when the government commitment is not there; 3) bringing credibility as an independent partner and promoter of higher standards; and 4) collaboration with a skilled technical partner and organizing forums for public-private dialogue that can help bring about reform.

166. Finally, it should be noticed that visits by high-level officials from the Bank can raise the profile of reform needs and efforts with high-level leaders in country.

#2: Several factors, including a political economy approach, stakeholder commitment and reactivity can contribute to positive outcomes in policy dialogue.

167. There are numerous factors emerging from evaluation that may play a key role in enhancing the EBRD's ability to promote effective policy work.

168. One of most important, is about taking a political economy approach, considering the winners and losers of reform, including galvanising stakeholder commitment and providing advice when the timing is right, modifying it when timing is not.

169. Gaining stakeholders commitment is evidenced by government commitment prior to policy engagement (i.e. via targets, strategies, laws, or budget); policy continuity across administrations; private sector engagement, and high-level champion(s) for change. This was seen in Serbia with the renewed commitment to capital markets reform from the new assistant minister and staff, and in renewable energy where key private sector players jointed the Renewable Energy Sources Association.

170. Secondly, it is important to consider potential external leverage; for example, EU accession process, progress reports, and setting priorities for upcoming reforms providing incentive and guidance. IMF programmes can also spark reform efforts, which EBRD supports through more technical policy dialogue.

171. In addition, in complex environments, achieving quick wins and advocating for reforms can gradually build momentum. An example for Serbia (and other Western Balkan countries) includes the upcoming EU Growth Plan for the Western Balkans (2024 to 2027) which includes conditional funding and is focused on: (i) Enhancing economic integration with the European Union's single market (ii) Boosting economic integration through the Common Regional Market (iii) Accelerating fundamental reforms; (iv) Increasing financial assistance.

172. Plus, the "reactivity" proves to be crucial. Indicators of the ability of the Bank to react swiftly include rapid success and short-term gains (low hanging fruit), and the capacity to offer support for reform during a global crisis. This was in evidence during the pandemic, when efforts to support digital reform in government was prioritised, both by the government and EBRD through policy dialogue reform and technical support. Advice to the Kyrgyz Republic on the handling of an ailing bank and subsequent regulatory reforms shows the use of timing to encourage reform.

173. Finally, long-term policy engagement, with a phased approach and regular check on the delivery of results has also proven effective. This was in evidence with phased approaches to reform for public private partnerships (PPPs) in Serbia, and for building the regulatory conditions for renewable energy. Cutting funding in the case of support for legal transition to reform the Bankruptcy Supervision Agency means that finalisation of reforms for transparency has been suspended pending sourcing of alternative donor support.

#3: Ensuring predictable multi-year funding it is key to safeguard and improve agility in policy engagement activities

174. Donor funding is crucial to policy engagement activities in EBRD, but funding is becoming increasingly scarce. Previous evaluations point to a lack of multi-year funding as a challenge to strategic planning. For more agile policy engagement activities, the Bank should address the issue of unpredictable multi-year funding by reviewing the resourcing model for policy work delivery.

175. Predictable funding will enable a systemic approach to policy engagement prioritization, especially given the potential rise in demand for economic governance funding in emerging markets like (i.e. Sub-Saharan Africa) and donor funding constraints.

5.2. Recommendations

176. At the conclusion of this evaluation, four recommendations have been identified, two strategic, two operational - that may help the Bank become more selective and intentional, better leverage investment and policy engagement and ensure better focus on transition impact and strategic priorities.

177. There is alignment with these recommendations and previous evaluation from IEvD, as well as the 2024 Multilateral Organisation Performance Assessment Network (MOPAN) assessment, when it comes to the spirit of strategic guidance as well as results articulation and transition impact driven prioritisation.

A> Strategic-level recommendations

Recommendation 1 – OVERARCHING APPROACH

| Issue - Why there is need to change | Recommendation - What needs to change |
|---|--|
| <ul style="list-style-type: none"> Definition and categorisation of policy activities still lack clarity, internal coherence, overall acceptance and understanding, both internally and externally. Although policy dialogue plays a key role in the high-level vision and objectives of EBRD, there is no clear strategic and operational approach for implementing it, with the EAPD last discussed with Board in 2015. The approach to defining (and implementing) the high-level vision for policy dialogue is still a work in progress (new SCF, GET 3.0, TOMS reform, Transformational Agenda, etc.) | <p>For policy dialogue to effectively contribute to systemic change, the EBRD should develop further its policy engagement's overarching vision and approach that includes clear objectives, and definition of all Bank's policy activities, expected relation to investments and impact pathways (or theory of change).</p> <p>The approach should be complemented by operational guidance and be adequately resourced, while also ensuring required visibility to the Board of Directors.</p> |

Recommendation 2 – TOOLS and PROCESS FOR POLICY WORK PRIORITISATION

| Issue - Why there is need to change | Recommendation - What needs to change |
|---|--|
| <ul style="list-style-type: none"> Effects of the ongoing restructuring of roles and responsibilities related to policy dialogue has still to be seen. And the current prioritization tool (Policy Compact) does not fully capture non-transactional policy dialogue that plays an important role in advancing systemic change towards transition. This approach is not fully visible to the Board. Evidence shows that policy dialogue was particularly relevant to address the needs of clients when it integrates a full-fledged political economy approach. | <p>To continue to strengthen policy dialogue planning and implementation, the EBRD should further develop its tools, processes and governance mechanisms, enabling systematic and consistent prioritization assessment of all policy activities (including non-transactional) and robust monitoring and reporting.</p> <p>The link to Country Strategies and to the political economy assessment should be clearly articulated and systematically reviewed over time.</p> |

B > Operational-level recommendations**Recommendation 3 – INCENTIVES & EX-ANTE/EX-POST MEASURES**

| Issue - Why there is need to change | Recommendation - What needs to change |
|--|---|
| <ul style="list-style-type: none"> There are clear limitations in capturing the impact of policy engagement The criteria and approaches used to estimate transactional policy work are not consistent across different qualities and sectors There is inconsistent linking of policy engagements to transactions or crediting their impact as part of transactions. Current approach focussed solely on crediting policy engagements that are approved at the same time as an investment project (i.e. transactional). Transition impact from non-transactional policy dialogue is not estimated / measured / captured from the Bank. | <p>To enhance its policy engagement impact, the EBRD should develop a consistent set of criteria and approaches, across different qualities and sectors, to systematically estimate ex-ante, allow on-going monitoring and report ex-post transition impact stemming from all policy activities, both transactional and non-transactional, while incentivizing impactful policy engagement.</p> <p>Incentive / recognition mechanism of “systemic policy engagement efforts should be considered for inclusion within the Bank’s corporate and departmental scorecards.</p> <p>This may include the development of an “ETI-like” approach for non-transactional policy work.</p> |

Recommendation 4 – SYSTEMS AND LEARNING LOOP

| Issue - Why there is need to change | Recommendation - What needs to change |
|--|---|
| <ul style="list-style-type: none"> • There is no coherent system that centralises all data on policy engagement activities in the Bank, including the policy impact of lending. • Policy work information is scattered across separate databases, which may overlap and be of variable quality, some of which are no longer updated. • Largely absent feedback loops from monitoring and self/independent evaluation to enable learning or visibility on results. | <p>To enhance the effectiveness of its policy dialogue efforts and learn from experience, the EBRD should (i) develop a universal data base to systematically consolidate and access all policy dialogue information³²; (ii) ensure a better use of available systems to capture implementation insights and lessons learned making them accessible to all staff; and (iii) carry out self-evaluation of policy dialogue activities in a systematic way as per best practices.</p> |

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³² According to the classification developed according to Rec #1

Annexes

Annex 1. Evidence of policy activities results across transition qualities

| | |
|-------|---|
| Green | <p>Sustainable Infrastructure operations in Advanced Transition Countries found that there was active policy dialogue conducted in Poland Energy Sector throughout the evaluation period, which contributed to the overall transparency of the new auction system, and to the reversal of estate tax on windfarms in 2018.</p> <p>Evaluation of hydrocarbons found that some hydrocarbon projects (PICO, Energean, TANAP, MAK I Mongolia) included policy dialogue components, which objectives were typically partially achieved, contributing to regulatory improvements in the hydrocarbon sector.</p> <p>The Evaluation of hydrocarbons also found that As for the Energean II project . The Bank's policy dialogue through the first part of its TC yielded positive outcomes and salvaged the project's transition-related results, which otherwise could be seen largely as a failure. However, the project has not been a total failure as it helped a domestic company to exploit national resources, reviving an industry critical for the reduction of imports in a country under substantial economic stress. Moreover, the Bank led the efforts to transpose the EU off-shore oil and gas safety directive and implement it in practice – a rare example of the Bank's policy dialogue in this sector.</p> <p>The Evaluation of Solar power operations found that The Bank's policy dialogue (see Section 3) made critical contributions to the TI of all projects, although its objectives sometimes evolved due to changing circumstances (Kazakhstan, Ukraine) or were not particularly ambitious (Cyprus).</p> <p>Even without making direct investments in solar, the EBRD has still played a critical role in the sector in many countries through policy dialogue or via grid infrastructure investments.. .in Albania, although the EBRD had not directly financed solar by the end of 2021, its policy dialogue was critical to the successful launch of the country's first solar auctions.</p> <p>The evaluation of EBRD's investments in West Bank and Gaza state that The Palestinian Capital Markets Authority (PCMA) is also benefiting from assistance on the new Factoring law. Policy dialogue with the Palestinian Energy and Natural Resource Authority (PENRA) is also essential in moving forward on energy projects, even if this dialogue is protracted and challenging. Specific technical assistance with PADICO on energy projects can complement higher-level policy work.</p> |
|-------|---|

| | |
|--------------------|--|
| | <p>The Evaluation of solar power stated that There have been three primary concrete results from the Bank's policy dialogue activities in improving bankability and supporting the transition to competitive auctions:</p> <ul style="list-style-type: none"> • The average solar energy tariff has fallen as FiTs were adjusted and auctions launched; • Private sector RES developers have invested in countries with a limited track record of supporting solar energy and private-sector participation in the energy sector; • Solar PV capacity has climbed rapidly, especially in Egypt, Jordan and Ukraine. <p><i>The SCF cornerstone green note remarked from all previous related evaluations, that where the EBRD has combined green investments with targeted policy engagement, evaluative evidence demonstrates that the Bank has more successfully contributed towards systemic change. Targeted policy engagement, integrated with a large investment portfolio, can support the development of a stable, market-based regulatory framework that creates investment opportunities for other stakeholders.</i></p> <ul style="list-style-type: none"> • Evaluations have observed less evidence of systemic change where the Bank has not combined green investments with accompanying policy dialogue. • Similarly, in the renewable energy sector, where there has been less traction on policy dialogue engagement, there have been fewer opportunities for investment. • This dynamic is particularly clear in the renewable energy sector, where the EBRD's policy dialogue on renewable energy auctions and on national grid infrastructure has laid the foundation for a significant increase in renewable energy investment. |
| Competitive | <p>The Interim evaluation of the Bank's agribusiness strategy found impactful policy dialogue in Egypt, geared towards increasing the efficiency of Egyptian grain imports and unblocking its horticultural exports, as well as capacity building among Tunisian olive oil producers to increase value-added exports (see Section 4.2). This contributed to enhanced food security in these countries that are vulnerable to commodity price shocks.</p> <p>Several evaluations note how policy covenants are an important form of leverage for the EBRD to incentivise institutional reform and to meet the EBRD's policy objectives.</p> |
| Inclusive | <p>The Women in Business 2020 evaluation 2014-2017 Turkey had a recommendations to use it as a platform to engage in policy dialogue- Closed and management acknowledged that in absence of Turseff 3, still FI have done much already to facilitate practical and policy engagement to improve access to finance for women and our GE&I colleagues continue to push forward on these initiatives. EvD would like to see some examples of the concrete results achieved through the enhanced dialogue including how gaps in offerings of PFIS for WiB and gaps in know-how for women in business have been addressed.</p> |

| | |
|-------------------------------------|--|
| | <p>The gender cluster evaluation 2024 looked at 2 projects that had policy dialogue (Albania, Morocco)</p> <p>The evaluation found that their ambition was limited: Sector skills council in Albania- one of the parts of its mandates was to consider gender in policy dialogues and building skills</p> <p>Morocco-Morocco Saiss and Garet Conservation, TC Support for Policy Dialogue on Gender and Agriculture</p> <p>the project includes an outcome (under the TC component) to establish a policy dialogue inclusive of gender sensitive agriculture policies and practices.</p> <p>will work on supporting policy dialogue of MAPMDREF through a strategy, institutional framework and the setting of objectives and targets on gender-sensitive agricultural policies and practices. The target is set to be achieved by the end of 2025. The OL confirmed that the two consultants will benefit from each other's experience. The work of Agroconcept can serve as an example to be used in the Ministry's regional strategy. Agroconcept will start working on assessing challenges that female farmers face and potential opportunities for economic empowerment for women in the Saïss area.</p> |
| Well governed and resilience | <p>Several evaluations found that here, policy covenants are an important form of leverage for the EBRD to incentivise institutional reform and to meet the EBRD's policy objectives.</p> <p>The Evaluation of EBRD's approach to ETCs stated that The Bank is recognized as a leader among IFIs in the development of local currency solutions in the case study ETCs, using policy dialogue to support the upgrade and development of local capital markets (including policy frameworks, market infrastructure and financial products).</p> <p>Local currency financing Approach Paper: The 2013 LC2 Strategic initiative established clear objectives in the growth of LCY operations, linked to targeted policy dialogue. The importance of the 2013 LC2 Strategic initiative was reflected in the inclusion of its tracking in the institutional scorecard. Various MoU committing governments to reforms across multiple COO. EBRD has developed platforms for policy dialogue in the form of Money Market Working Groups (MMWG) since about 2018.³³ The MMWGs are a platform for interaction between the Central Bank and industry-wide market professionals involved in domestic money markets to develop domestic money markets and money market indices. In 2021 management reported running MMWGs in 10 countries, and in 2023 another report noted that post-covid MMWGs were restarted in five countries.³⁴</p> <p>In 2022 the approach to policy dialogue (PD) under the SME LCYP was revised from being anchored in MoUs to standardised Money Market Diagnostics Framework (MMDF).³⁵ As part of its annual reporting under SBI, the SME LCYP presented for Board approval changes to the approach to LCY PD. It noted that while conceptually sound,</p> |

³³ SGS21-096: Information Session: Local Currency & Market Building in the Context of Early Transition

³⁴ CS/FO/23-09: Annual Report on Treasury Activities in 2022; countries: Egypt, Morocco, Kazakhstan, Uzbekistan, Georgia, and Armenia

³⁵ BDS15-050 (Addendum 153): Regional: Small Business Initiative Annual Review 2021

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| | <p>MoUs, signed with qualifying countries' authorities between 2011-19 to guide policy engagement, had become less relevant over time in terms of anchoring and incentivising reform delivery and enabling robust monitoring. The new approach now follows a detailed and systematic diagnostic methodology, the MMDF. This anchors local currency and local financial market development recommendations within a common framework. The MMDF is also intended to be used for monitoring progress with country re-assessments to be conducted every 3-5 years. In collaboration with CFMD, annual assessments of the quality of policy engagement, local currency sourcing and management conditions, and direction of reform developments in each country are also conducted. Participation in the MMDF is conducted following the signing of Beneficiary Agreements with central banks, committing them to support the completion of diagnostic assessments.</p> <p>Longer term outcomes anticipated include: These will be explored by the local currency evaluation: Improved functioning of the domestic currency markets; Increased EBRD LCY share/volume; Declining credit dollarisation</p> <p>The Case study in Serbia under this evaluation found: providing alternative dispute resolution for business through commercial mediation to save court costs.</p> <p>The Bank's work to establish and strengthen business institutions including RE association in Serbia, shows positive contribution towards improved governance of stakeholders and institutions more effective at the national level</p> |
| Integrated | <p>The 2020 Regional Integration evaluation found that while some regulatory hurdles to integration were known, including principle ones, policy-related integration measures have rarely been included and those which were pursued were not always achieved.</p> <p>Policy dialogue both on institutional strengthening (management of roads etc), draft regulatory law (Azerbaijan) and IFI cooperation.</p> <p>The project cluster (9 core projects signed between 2008-2017, plus 23 related projects signed 2005-2019) under evaluation Azerbaijan, BiH, Croatia, Poland, Turkey, Ukraine represented positive additionality (relationship with authorities), but a mixed picture of results.</p> <p>The Bank registered some successes with policy related integrating measures, notably with the creation of the State Road Fund in Ukraine and the establishment of the energy regulator (AERA) in Azerbaijan. In both cases interviewees stressed concerted effort of a group of IFIs, which contributed to the success of these reforms. The regulatory law in Azerbaijan was not approved at the time of this evaluation (2019), but the Presidential Decree issued at that time was boding well for its approval. However, there were several disappointments, e.g. the failure of the Custom and Immigration Protocol between Croatia and BiH. However, in EvD's view the key deficiency in respect of soft integrating measures in cross-border projects has been their scarcity, i.e. such soft measures have been rarely included as part of said projects. This might be because "Integrated" was not one of the Bank's transition qualities at the time most of the cluster projects were approved. This should change now with "Integrated" as their transition quality.</p> |

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| | <p>There is no evidence of EBRD projects contributing to the policy-related border crossing improvements in any of the six sample countries. However, there is certainly a role for the Bank to play supporting policy-related reforms facilitating trade across borders in selected COOs. Such measures should be routinely included in future infrastructure projects which target “Integrated” as their transition quality.</p> <p>Recommendations all touched on the policy dialogue issues:</p> <ul style="list-style-type: none"> • Prepare for Board approval a Bank-wide strategy for Regional Integration, including crossborder connectivity, to establish agreed objectives, priority sectors/sub-sectors, potential investment types, directions of policy dialogue and TC support areas; • Target integration-related investments and particularly policy dialogue towards countries with the largest ATQ gap score for Integrated quality, i.e. in Central Asia, the Balkans and SEMED, actively pursuing opportunities in integration-boosting sub-sectors, such as rail, ports and airports; • For projects targeting Integrated, ensure 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. –? EvD received the assessment. It contains full and thorough analysis, as well as important findings/lessons, which deserve wider dissemination. EvD considers work on this recommendation completed. |
| Digital | <p>Understanding digitalisation: case study of the Kafr El-Sheikh Wastewater Expansion Project found that Policy frameworks struggle to keep up with rapid technological change - The digital transformation also brings a risk relative to the Competitive TQ. The narrative that digitalisation can improve productivity partially relies upon the assumption that organisations operate within policy frameworks that enable them to advantage of potential productivity improvements by replacing unskilled employees with a smaller group of skilled workers on higher wages.</p> <p>Evidence of market development in the PD Evaluation KR case study: Products and process innovation and levels of technology penetration improved - Business skills, standards, and sophistication improved across sectors – KR. Not necessarily as a direct target of the individual PD assignment, but as a by product of how it is delivered: Strengthening the skills development of the sector: The Kyrgyz government has a strong preference for using local consultants wherever possible, as this enables them to retain relationships after contracts end, and to build the local consultancy market in IT. The experience with international consultants has been more mixed, with difficulties in adapting to the local context and needs and with following up on any problems after the projects are complete.</p> |
| Crisis Response | <p>The Rapid assessment of the Solidarity package stated that policy work conducted under the Rapid Advisory Response (RAR) has been appreciated and successfully deployed in 18 countries.</p> |

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| | <p>Much evidence pointed to how the Bank used policy dialogue as a tool to be agile and showed how it can adapt its delivery activities as needed.</p> <p>The Ukraine Reform Architecture and other policy dialogue initiatives, such as the Ukraine Ombudsman Council, have had concrete results</p> <ul style="list-style-type: none"> • Policy dialogue initiatives proved an efficient tool in times of conflict, to provide flexible and responsive support to changing stakeholder priorities. However, in this case the fact that the URA was operational and credible prior to the start of the conflict has also clearly been critical in its effectiveness in providing support. • Whilst the overarching communication on the Bank's response to Ukraine was strong and clear, Banking teams mentioned they lacked guidance on how to balance the EBRD's commitments to immediate delivery in Ukraine with longer-term institutional objectives and policies, such as those related to environment, Green Economic Transition, long-term policy objectives in Ukraine, and gender. • Coordination among the wider group of stakeholders is challenging, because of the crowded policy space, and the range of different priorities. Other IFIs are also finding this difficult. There are emerging policy initiatives within Ukraine to better coordinate between donors (including an energy-focused platform supported by the URA programme), but issues remain in terms of effectively mobilising and harnessing the support of different donor resources. <p>This evaluation case study found that spillover results were increased ability to respond to crises, as seen with the investment climate work in business inspections and the contact centre.</p> |
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Annex 2. Evaluation approach

Box 12: Evaluation design matrix

| Evaluation Sub-Question | Areas of enquiry | Judgement criteria | Methods, indicators and sources |
|---|---|--|---|
| To what extent has the EBRD's policy dialogue been relevant to foster the transition towards open market-oriented economies and to promote private initiative? | <ul style="list-style-type: none"> • <i>Did the Bank's policy work demonstrate internal relevance and coherence with EBRD's overall mandate and strategic priorities?</i> • <i>To what extent was EBRD's policy dialogue additional and coherent with the priorities and activities of other actors?</i> • <i>Do the policy dialogues exhibit critical success factors? (Relevance of design effectiveness, coherence in working with others, and intent towards sustainability)</i> | <ul style="list-style-type: none"> • Evidence of a strategic approach as measured by existence and depth of critical appraisal of policy engagement for support of country priority objectives • Evidence of application of strategic approach through extent of import and selection of policy work in achieving strategic objectives indicated by weight of relevant policy work (number, volume) versus other instruments over the time period and critical mass considerations (is EBRD big enough to make a difference?) – number and volume of work in diff priority areas. The team will also compare models of engagement (Conditionalities and incentive building through transactional work, or NTTC - enabling work, bilateral dialogue at industry or country level supporting creation of space for reform, etc.) • Degree to which there have been common areas between the Strategy and country's own reform priorities • Extent of additionality, external coherence and complementarity that EBRD presented across the policy dialogue process (design, implementation)? Ex.: To what extent have joint diagnostics contributed to a sharper dialogue focus? • Match between policy ambition and resource allocation (includes time spend and donor/other financing) • Extent to which the policy dialogue design was relevant as measured by extent to which the Bank actively managed/developed the policy dialogue? (includes Evidence of analysis of different options based on the specific country context, learning loops; Extent of opportunism? Extent of meaningful participation of relevant stakeholders) • Extent to which the policy dialogue was relevant in its design as measured by extent of complementarity with other support instruments from EBRD - e.g. Extent to which the policy dialogue was linked to investments/technical assistance to follow up on any changes | <ul style="list-style-type: none"> • Internal and external documentary analysis • Bank systems (including Monarch, TCRS, PPO/BPN, Cognos) • Semi-structured interviews and field visits: with both colleagues (including the political advisers of the country of operations) and local stakeholders (e.g. clients, government counterparts, representatives from civil society and other MDBs, research institutions) to understand their perspectives • Possible staff survey |
| What have been the results (both intended and non-intended) of policy dialogue | <ul style="list-style-type: none"> • <i>What emerging evidence is there is that the policy is on the way to delivering/has delivered its intended outputs/</i> | <ul style="list-style-type: none"> • Evidence of direct and indirect transition results, whether intended (as per TCRS etc) or unintended • Critical drivers (meaningful participation), | <ul style="list-style-type: none"> • Documentary analysis, • Monitoring data, • Internal and external semi |

Box 12: Evaluation design matrix

| Evaluation Sub-Question | Areas of enquiry | Judgement criteria | Methods, indicators and sources |
|---|--|---|--|
| towards transition? | <p><i>strategic and transition outcomes?</i></p> <ul style="list-style-type: none"> What evidence is there of other ways in which the policy work is helping to reduce transition gaps in a sustainable way (that may not have been captured ex ante, or intended, either directly or indirectly)? | <ul style="list-style-type: none"> Institutional changes (attitudes, relations, behaviour, organizational changes, processes, capacity, documentation) Market structure (policy, legal framework) Market practice - such as improved organizational anchoring or other evidence of increased resilience of the system Other results (mobilisation) Evidence of how different policy dialogue creates different types of results, looking at the extent to which client/government and other factors play a role | <p>structured interviews</p> <ul style="list-style-type: none"> Field visits first hand observations, Web survey, Media capture, Public data systems etc. <p>Synthesis report of previous evaluation work</p> |
| How efficient has EBRD been in designing, implementing and reporting on its policy work? | <ul style="list-style-type: none"> What do past evaluations tell us about EBRD's policy dialogue infrastructure? To what extent has the EBRD's policy architecture addressed weaknesses identified by previous evaluations? What is the implementation efficiency of the Bank's policy dialogue work? Can the Bank adequately capture the contributions of its policy dialogue work? | <ul style="list-style-type: none"> Evidence and extent of the bottlenecks such as delays, cost overruns, cancellations, and irregularities, with exploration as to drivers (organizational mechanism, resource issues etc). Extent to which previous evaluation work findings/recommendations in this area have been incorporated (such as reflecting on reorganisation and whether it achieved its objectives) Extent to which the standalone policy dialogue performance metrics (immediate, intermediate and impact level, by IEvD or donor) adequately capture the results/contributions? Looking at the degree of completion of targets set in TC system or scorecards/country strategy results framework and how that compares with the identified results above Extent to which EBRD matches good practice (comparison with IFI, donor expectations and also up to date academic research) | <ul style="list-style-type: none"> Documentation review (including documents on transformation agenda and TC prioritisation work stream) Bank systems (including OneSum X, Monarch, TCRS) <p>Semi-Structured internal (management, board) and external Interviews (stakeholders including partners and donors)</p> |

Annex 3. Evaluation Interviews

| Box 13: Interviewees | | |
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| | Title | Institution |
| 1 | Country Director | ADB Bishkek |
| 2 | Economist | ADB Bishkek |
| 3 | Lead Country Programme Coordinator | AfDB |
| 4 | Head of Department | Agency for Insolvency Regulators, Serbia |
| 5 | Director | Agency for Insolvency Regulators, Serbia |
| 6 | Deputy Executive Director | AMCHAM |
| 7 | Deputy Secretary General Government of Serbia | Business Inspections Center |
| 8 | Government of Serbia | Deputy Secretary General |
| 9 | Stakeholder | Digital Market Place for Farmers |
| 10 | Director Road Safety Public Association | EASST (NGO) |
| 11 | Director, CGPA | EBRD |
| 12 | AD, Head, Sector Reforms, CGPA | EBRD |
| 13 | Director, Country Econ, Strategy Policy | EBRD |
| 14 | AD, Dpt. Director, Head Political Affairs, CG & PA | EBRD |
| 15 | Associate Internal Auditor | EBRD Internal Audit |
| 16 | Principal Banker | EBRD, Banking, Belgrade |
| 17 | Associate | EBRD, Capital & Financial Markets Development |
| 18 | Principal | EBRD, Capital & Financial Markets Development |
| 19 | AD, Head | EBRD, Civil Soc Engagement |
| 20 | Principal Manager | EBRD, Civil Soc Engagement |
| 21 | Associate Manager | EBRD, Civil Soc Engagement |
| 22 | Principal | EBRD, Climate Strategy and Delivery |
| 23 | Principal | EBRD, Climate Strategy and Delivery |
| 24 | Associate | EBRD, Climate Strategy and Delivery |
| 25 | AD, Head | EBRD, Comp Govern & Political Affairs |
| 26 | Associate Director, Snr Polit Counsellor | EBRD, Comp Govern & Political Affairs |
| 27 | Principal Counsellor | EBRD, Comp Govern & Political Affairs |
| 28 | AD II, Governance | EBRD, Comp Govern & Political Affairs |
| 29 | Associate Director, Senior Political Counsellor | EBRD, Comp Govern & Political Affairs |
| 30 | Associate Counsellor (Governance) | EBRD, Comp Govern & Political Affairs |
| 31 | SR Analyst in Central Asia | EBRD, Comp Govern & Political Affairs |
| 32 | Director | EBRD, Corporate Strategy |
| 33 | Deputy Director | EBRD, Ctry Econ Strategy & Policy |
| 34 | Associate Director, Rgnl Lead | EBRD, Ctry Econ Strategy & Policy – Belgrade |

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| 35 | Associate Director, Reg Lead Economist | EBRD, Ctry Econ Strategy & Policy, Astana |
| 36 | Associate Director, Head Bilateral, SSF | EBRD, Donor Partnerships |
| 37 | Principal | EBRD, Donor Partnerships |
| 38 | AD, Head of Donor Operations | EBRD, Donor Partnerships |
| 39 | Associate Director, Senior H&S Adviser | EBRD, Environment and Sustainability |
| 40 | Analyst, Grant Funded Ops Coordinator | EBRD, Environment and Sustainability |
| 41 | Director, Impact | EBRD, VP3 Impact |
| 42 | Director, Regional Head | EBRD, Kyrgyz, Tajik, Turkmen |
| 43 | Director | EBRD, LTT, Office of the General Counsel |
| 44 | Associate Director, Senior Counsel | EBRD, LTT, Office of the General Counsel |
| 45 | Associate Director, Senior Counsel | EBRD, LTT, Office of the General Counsel |
| 46 | Principal Counsel | EBRD, LTT, Office of the General Counsel |
| 47 | Principal Counsel | EBRD, LTT, Office of the General Counsel |
| 48 | Principal Banker | EBRD, Manufacturing and Services, Banking |
| 49 | MD | EBRD, Policy Strategy Delivery |
| 50 | Principal Adviser | EBRD, Policy Strategy Delivery |
| 51 | AD, Lead, Results & Knowledge Mgmt | EBRD, Results Management |
| 52 | Deputy Head Serbia | EBRD, Serbia |
| 53 | Associate Director Senior Banker | EBRD, Banking Bishkek |
| 54 | Associate Director Senior Banker | EBRD, Banking Bishkek |
| 55 | Associate Banker | EBRD, Banking Bishkek |
| 56 | Associate Director Senior Banker | EBRD, Banking Agribusiness CEEN/Ukr/Mol/Mong/Cauc |
| 57 | Associate Director, Advisor to VP | EBRD, Vice President, Policy & Partnerships |
| 58 | Director, Regional Head | EBRD, Western Balkans |
| 59 | Director, Lead Product Owner, CSG, Monarch Product Owner | EBRD, Banking Client Services Group |
| 60 | H.E Ambassador | EU Ambassador KR |
| 61 | Business associations | IC KR office |
| 62 | Manager, Development Impact Measurement | IFC |
| 63 | Chief Development Impact Officer | IFC |
| 64 | Regional Manager, Western Balkans | IFC |
| 65 | Country director, Kyrgyzstan | IFC |
| 66 | Country Director | IFC Bishkek |
| 67 | Senior Economist | IMF |
| 68 | Lead Evaluator and Alternate Senior Personnel Manager | IMF |
| 69 | Economist | IMF CO Bishkek |
| 70 | Resident Representative | IMF CO Belgrade |

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| 71 | Deputy Executive Director | International Business Council |
| 72 | Secretariat | Investment Council, Kyrgyz Republic |
| 73 | Communications and Public Relations Officer | Investment Council, Kyrgyz Republic |
| 74 | Senior Economic Policies Expert | Investment Council, Kyrgyz Republic |
| 75 | Senior Legal Expert | Investment Council, Kyrgyz Republic |
| 76 | Senior Advisor to the Prime Minister of Serbia | IT and E-Government Office |
| 77 | Assistant Director | IT and E-Government Office |
| 78 | Stakeholder | Kaindy Kant |
| 79 | Director | Kyrgyzgyprozem |
| 80 | Deputy Director | Kyrgyzgyprozem |
| 81 | Owner | LLC Maminy recepty |
| 82 | Owner | LLC Shokoladka |
| 83 | Senior Business Consultant | Ministry of Finance, Serbia |
| 84 | Assistant Minister | Ministry of Finance, Serbia |
| 85 | Director, Public Procurement Department | Ministry of Finance, Kyrgyz Republic |
| 86 | Associate Director Public Procurement Department | Ministry of Finance, Kyrgyz Republic |
| 87 | Head of Notary and Registration Department | Ministry of Justice, Kyrgyz Republic |
| 88 | Head of International Cooperation Department | Ministry of Justice, Kyrgyz Republic |
| 89 | Court Department, Supreme Court | Ministry of Justice, Kyrgyz Republic |
| 90 | Former Director of the Court Department, Supreme Court | Ministry of Justice, Kyrgyz Republic |
| 91 | Former head of the Enforcement Unit at the Court Department | Ministry of Justice, Kyrgyz Republic |
| 92 | Director, Court Department, Supreme Court | Ministry of Justice, Kyrgyz Republic |
| 93 | Former Director, Court Department, Supreme Court | Ministry of Justice, Kyrgyz Republic |
| 94 | Legal Policy Advisor to the Minister | Ministry of Mining and Energy, Serbia |
| 95 | State Secretary | Ministry of Telecommunications, Serbia |
| 96 | Deputy Minister for Digitalization | Ministry of Water Resources, Agriculture, and Processing Industry of the Kyrgyz Republic |
| 97 | Head of private sector | NALED |
| 98 | Consultant | NALED |
| 99 | Consultant | NALED |
| 100 | Head of Digital Department of the President's Administration | President Administration, Kyrgyz Republic |
| 101 | RES Association founder and EBRD client | Renewable Energy Business Association, Serbia |
| 102 | Manager of Association | Renewable Energy Business Association, Serbia |
| 103 | Consultant | Salience Consultants |
| 104 | Consultant | Salience Consultants |
| 105 | Consultant | Salience Consultants |
| 106 | Consultant | Salience Consultants |
| 107 | Consultant | Salience Consultants |

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| 108 | Director | State Enterprise CMC "Agrosmart" |
| 109 | Head | Transparency International, Serbia |
| 110 | Director of the USAID/Kyrgyzstan Economic Development | USAID |
| 111 | Global Product Specialist for the services sector in the Finance, Competitiveness, and Innovation Global Practice | WB |
| 112 | Acting CS, Kyrgyz Republic | WB |
| 113 | Senior specialist, WB KR | WB |
| 114 | Country Director | WB Serbia |
| 115 | Acting Country Director | WBG Bishkek |
| 116 | Evaluation Consultant, Investment Council Kyrgyz Republic | Independent consultant |
| 117 | World Bank Serbia | Portfolio Analyst |
| 118 | EC, Serbia | Policy specialist |
| 119 | EC Serbia | Energy Specialist |
| 120 | Principal | EBRD General Counsel |
| 121 | IEG, WBG | Senior Evaluation Officer |

Annex 4. Depictions of ToC for EBRD policy dialogue towards 'Competitive' and 'Well-Governed' transition qualities

Figure 3: ToC for policy dialogue towards the TQ 'Competitive'

| Activities | Client level outputs | Client level outcomes | Market level outcomes | Economy level outcomes | Impact statement |
|---|--|---|---|--|---|
| <p>Supporting/establishing platforms for effective public-private dialogue</p> <p>Advising on and advocating for improvements to public policies, plans, strategies, standards, laws and regulations</p> <p>Supporting preparation and implementation of reforms to public institutions/establishment of new institutions</p> | <p>New/improved standards introduced and adhered to</p> <p>Partnerships between private and public sector established</p> <p>Public policy/law/regulation/plan/strategy introduced or reformed</p> <p>Institutional reforms adopted and implemented/established</p> <p>SOE/SOB reforms adopted and implemented</p> <p>Procurement/supply chain system improvements adopted and implemented</p> | <p>Financial and operational performance improved</p> <p>Competitive access to markets and value chains expanded</p> <p>Operational standards/products of suppliers improved</p> <p>Commercialization/privatization of SOE/SOBs accelerated</p> <p>Legal and regulatory enabling environment that encourages competition among firms/reduces barriers to competition strengthened</p> | <p>Value chains and linkages enhanced across sectors/markets.</p> <p>Financial system products diversified and deepened (expanding access).</p> <p>Product and process innovation and levels of technology penetration (including ICT) improved across sectors.</p> <p>Business skills, standards and business sophistication improved across sectors</p> <p>Commercialisation and restructuring of SOE/SOBs accelerated across sectors</p> <p>Environment conducive to market efficiency and commercially sound decision making strengthened.</p> <p>Entry/consolidation of players and levelling of playing fields increased across sectors</p> <p>Foreign direct investment increased across sectors</p> | <p>Competition increased across country</p> <p>Role of MSMEs in economy strengthened</p> <p>Private sector ownership or participation increased across country</p> | <p>TQ Competitive: Dynamic and open markets stimulate competition, entrepreneurship and productivity growth.</p> |

Figure 4: ToC for policy dialogue towards the TQ 'Well Governed'

| Activities | Client level outputs | Client level outcomes | Market level outcomes | Economy level outcomes | Impact statement |
|---|--|---|---|---|--|
| <p>Supporting/establishing platforms for effective public-private dialogue</p> <p>Advising on and advocating for improvements to public policies, plans, strategies, standards, laws and regulations</p> <p>Supporting preparation and implementation of reforms to public institutions/establishment of new institutions</p> | <p>Supporting/establishing platforms for effective public-private dialogue</p> <p>Governance structure improvements adopted and implemented</p> <p>Processes, practice, and operational improvements adopted and implemented</p> <p>New/improved standards introduced and adhered to</p> <p>Knowledge and skills of individuals improved</p> <p>Partnerships between private and public sector established</p> <p>Public policy/law/regulation/plan/strategy introduced or reformed</p> <p>Public institution reforms adopted and implemented/ new institution established</p> | <p>Enabling environment (regulatory, legal, etc.) for good governance (corporate and public) strengthened</p> <p>Effectiveness, accountability, and transparency of public sector institutions and processes improved</p> <p>Quality (efficiency, value, etc.) of public services improved</p> <p>Resource mechanisms for businesses and entrepreneurs established and/or strengthened</p> <p>Quality of corporate/MSME governance improved (accountability, transparency, fairness, and responsibility)</p> <p>Quality of SOE/SOB governance improved (accountability, transparency, fairness, and responsibility), etc.</p> | <p>Governance of stakeholders and institutions more effective at the national level</p> <p>Policies and institutions to fight and prevent corruption strengthened</p> <p>Procurement policy and practice improved across sectors</p> <p>Strengthened corporate governance practices adopted and implemented across sector/markets</p> | <p>National and subnational economic governance improved</p> <p>Corporate integrity, transparency, and accountability strengthened</p> <p>Rule of law strengthened across country</p> | <p>TQ Well-Governed: Rule of law, transparency, and accountability is promoted; Firms are stimulated to adequately safeguard and balance the interests of their stakeholders.</p> |

Annex 5. Recommendations from previous IEvD evaluations that focused on policy engagement

| Box 14: Recommendations from previous IEvD evaluations focusing on policy engagement | | |
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| IEvD Evaluation (year) | Category | Recommendations relevant to policy dialogue |
| <u>Evaluation of policy dialogue (2010)</u> | Approach and prioritisation | Policy dialogue should continue to focus on sectoral and project related issues rather than country related issues. It should be aimed at making EBRD's investments viable while at the same time improving market mechanisms and institutions. Continuity of policy dialogue should be maintained to help sustain reform momentum, particularly when reforms are spread out over time or are vulnerable to changes in the political context. The integrated approach, combining policy reforms with a series of investments, should be pursued wherever practicable, especially in the public regulated sector. As it was noted before, EBRD's commercial investment side as well as its 'policy' side should be kept at arms-length. Quality control is therefore, essential to ensure that policy dialogue is pursued in ways that are designed to foster transition, and is not undertaken solely to advance the commercial interests of the Bank. |
| | | A more active policy dialogue should not be attempted in countries that are not interested. But the EBRD should make realistic efforts to reduce the resistance to reforms. There should be a willingness to play a more active, public role in the policy debate even if it sometimes means cooler relations with governments or delays in investment operations. |
| | Coordination | There should be strong and continuous coordination of policy dialogue with partners, especially when the sector policy leverage is low. This does not imply any dependence on other IFIs but should ensure that the policy dialogue is to be conceived and implemented as a collaborative effort where each IFI can act according to its comparative advantage (private sector development and the investment climate in EBRD's case). |
| | Resources | If the Bank is to play a greater policy dialogue role, then more resources should be devoted to it. In particular there should be more staff with policy-related skills able to complement EBRD's bankers. There would have to be more engagement at both high levels and lower levels with governments including, in the larger countries, regional and local governments. In addition, more resources should be provided for small technical cooperation grants that could be accessed (at low cost) to respond quickly to policy dialogue demands at the country level. |
| | | The resident office director should be skilled and adept at policy dialogue. In the larger country offices, there should be others who also have skills appropriate for carrying out policy dialogue in their areas of responsibility. They might include economists and lawyers who would complement the bankers. The RO should operate in close cooperation with other IFIs and partners. |
| | | Cross-bank teams should be encouraged, particularly when there are complex economic and legal dimensions to reforms. Staff performance, including that of policy-oriented teams, should be judged on the degree to which they have added value to the policy dialogue process by introducing new knowledge, strengthening reform champions, encouraging adoption of good practices and standards, and helping to build a consensus for change. Staff should be rewarded for engaging in policy dialogue, even if the payoffs are neither immediate nor universally positive |
| | Results FW, and reporting | The EBRD should identify what will be the main areas and objectives of policy dialogue, and establish a tracking system for policy dialogue achievements. Country strategy documents should be better designed to integrate technical cooperation, policy dialogue and project proposals in one set of fully consistent and mutually supportive activities. OCE and OGC (through its LTT) should continue to support the RO and operational staff concerned in the design, execution and tracking of progress made in policy dialogue at the project level. Apart from OCE, the new SRD could play an important coordinating and monitoring role and provide the Board with reports on the status of policy dialogue. This could for instance be done in the context of new country strategies and the country strategy |

Box 14: Recommendations from previous IEvD evaluations focusing on policy engagement

| IEvD Evaluation (year) | Category | Recommendations relevant to policy dialogue |
|--|-------------------|--|
| | | updates and would signal, among other things, the degree of a country's commitment to meeting major transition gaps and establishing and enforcing the rule of law per the Agreement. |
| The EBRD's Experience with policy dialogue in Ukraine (2014) | Planning | EBRD should produce a clear statement and guidance on policy dialogue |
| | Planning | The results focus of the Bank's policy dialogue in Ukraine should be enhanced |
| | Resources | Resource gaps (qualitative/skills and quantitative) should be addressed |
| | Implementation | Some enhancements should be made to the way in which the Bank engages with country counterparts |
| | Results FW | Some improvements can be made in the way in which the Bank manages its policy dialogue work |
| The EBRD experience with RO (2016) | Results FW | Ensure the relevance of the transition impact concept for each country of operation and that it captures all impacts resulting from the Bank's presence. |
| | Resources | Increase non-banking capacities in the field |
| The EBRD's investment climate support activities (2018) | Planning | Prepare a Board approved Strategy on Investment Climate Support. |
| | Resourcing | Ensure an adequate leadership and resourcing for IC as a strategic priority: If improvements in the investment climate are identified as a fundamental precondition for achieving Bank-wide objectives, Management should consider core multi-year funding for IC activities. This could be a dedicated funding pool in SSF. This would cover essential elements of wider policy engagement, such as diagnostics, country strategy content, country presence for the governance cadre, collaboration with other IFIs, confident fundraising activities etc. It could be limited to the cohort of countries with relevant priorities. Supplemental project-specific funding could still be available from donors. |
| | Results reporting | Build the basis for improved internal and external cooperation and synergy: A communication plan should be a core part of the proposed strategy. This will help to generate case studies and success stories for long-term engagement. The institutionalisation of information flows and purpose-driven knowledge management will contribute to preparing external success stories to convince potential partners/donors in the EBRD's ability to deliver high-quality results in the area of improving investment climate. |
| Evaluation of the Legal Transition Programme (2020) | Planning | 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 2021-2025 work on better integration of policy engagement and investment operations. This could be closely coordinated with Management's recently announced review of EBRD's Enhanced and Comprehensive Approach to Policy Reform Dialogue (EA). |
| | Planning | In any scenario LTP resources should be specifically estimated against strategic goals and the actual demand for TC 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 on a limited number of sectors and countries with the greatest need. |
| | Planning | 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. Theory of Change prepared by the evaluation team could be used as a basis for developing the framework. |


Box 14: Recommendations from previous IEvD evaluations focusing on policy engagement

| IEvD Evaluation (year) | Category | Recommendations relevant to policy dialogue |
|---|-----------------------------|---|
| | Results FW | LTT'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 |
| <u>EBRD policy work in SEMED (2020)</u> | Planning | 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. |
| | Planning | 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. |
| | Results reporting | Starting immediately, Country Strategy Delivery Reviews should provide substantial additional detail and analysis of policy engagement activities and emerging results. |
| | Results and data management | 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. |
| | Results reporting | 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. |
| Ukraine Stabilisation and Sustainable Growth Multi Donor Account (2020) | Results reporting | Enhance and enforce standards of reporting in internal information systems, such as TCRS. |
| | Results FW | Significantly strengthen results-based Fund management and enhance reporting standards for MDA projects and Fund in general, including metrics with monitorable indicators possibly allocating an additional MDA budget for this. |
| | Incentives | Individual performance matrices of bankers leading non- transactional TC and intensive policy dialogue should include these elements. |



Annex 6. Result summaries for Serbia and the Kyrgyz Republic

A. Serbia



IEvD's assessment of achievements of EBRD policy engagement in Serbia in support of the transition qualities of 'Competitive' and 'Well-Governed', and the contributory factors influencing achievements are shown in Error! Reference source not found.. This assessment focuses on outcome achievement, or the likelihood of outcome achievement rather than the delivery of outputs. However, as noted throughout this case study the evidence of outcomes is limited, not least because EBRD does a poor job of defining expected outcomes, so outcome achievement goes largely unmonitored. The assessments below are indicative. Rather than a specific rating, a colour code system from negative to positive is used to approximately position the assessment of results achievement.

| Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed' | | |
|--|--|--|
| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
| Building the Renewable Energy Market in Serbia - Auctions and Renewable Energy Sources (RES) Business Association (ongoing) |  | <p>Successful combination of multiple TCs with sovereign and non-sovereign investments and use of conditions precedent in a large sovereign loan. An energy crisis accelerated reform.</p> <p>Serbian authorities were committed to substantially increase RE investment with a 2020 target.</p> <ul style="list-style-type: none"> • TC for a PPA in 2016 • This facilitated an EBRD loan in 2017 (Kovacica Wind Farm for €46.5m). • As a signatory of the Energy Community Treaty, Serbia is required to transpose EU acquis related to RE support schemes. In 2018, at government's request, EBRD provided TC to prepare and implement RE auctions. • In 2021, after some delay, Serbia adopts Law on the Use of Renewable Energy Sources with EU assistance. • Also in 2021, EBRD TC support leads to creation of the RES Association with lead RE investors. Membership includes 25 full members which include the biggest green energy investors, and other members including IFC, EBRD and EIB, law firms and consultancy groups. The Ministry of Energy and EPS are strong partners on the government side. EBRD provides high-level support and visibility to RES with a visit by its Head of the Western Balkans and Vice President of Banking. • In 2022, an energy crisis increases the urgency of developing RE. • In 2023, EBRD funds EPS (large SOE) with a liquidity support sovereign loan for €300m with multiple conditions precedent around RE, including that Serbia launches a first RE auction. • Late 2024, a first RE wind auction held with EBRD and SECO providing technical support. • Under the first auction, EBRD and Erste Bank arranged a €91.4 million loan for Enlight's second 94MW windfarm in Serbia, signed in March 2024 (Pupin Wind Farm). • A second RE auction is well underway with EBRD support. • In 2024, China commits to invest \$2.18 billion (€1.97 billion) for renewables in Serbia. |


Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|--------------------------------------|---|---|
| Broadband rollout (ongoing) |  | <p>A TC over several years in support of government strategy leads to development of an updated strategy and a request for loan and grant finance. Two sovereign loans approved along with further TC.</p> <ul style="list-style-type: none"> The government adopts a Serbian Electronic Government Development Strategy 2015-2018 and action plan for its implementation. 2015 – EBRD's LTT use TC to carry out a National Broadband Study at the request of the Ministry for Trade, Tourism and Telecommunications (MTTT). Work continued for around 3 years. 2018 – LTT delivers a Telecommunications, Media and Technology strategy. 2019 – the MTTT requests EBRD finance for the rollout, including a grant component. 2020 – EBRD approves a sovereign loan for €18m for a first phase (no policy dialogue conditions) 2021 – EBRD approves a sovereign loan for €100m for a second phase (no policy dialogue conditions) 2021 – EBRD approves TC for EBRD TC for Fixed Broadband Universal Service Obligation Study (required under EU law) 2023-2023 – project implementation 2024 – exploratory work on a third phase. |
| Capital market development (ongoing) |  | <ul style="list-style-type: none"> 2013 onwards – EBRD carries out sporadic policy engagement on the topic with little progress evident 2019 – following an unfavourable country ranking in the 2019 World Economic Forum's Global Competitiveness Report, the government forms a Capital Markets Working Group comprised of high-level public and private representatives. 2020 – EBRD assists the Ministry of Finance with a prioritisation paper for the development of capital markets. The request came after the Ministry's attendance at a seminar in 2020, meeting the Deputy Director of EBRD's Capital and Financial Markets Development team together with WBG personnel. MoF had a new Assistant Minister with specialist expertise in capital markets, who also appointed a new staff member also with market expertise who provided input to the strategy. 2020 – the working group publishes a draft program with four pillars: (i) regulatory reforms, (ii) institution building, (iii) providing focused incentives, and (iv) outreach and education for issuers and investors. Key development partners including the WBG, IFC, IMF, GIZ, and Proparco agreed with the findings. The government adopted most of the proposed actions into its Capital Market Development Strategy. 2020 – Capital Markets Development Strategy approved 2023 – Capital Markets Law enacted (assisted by WBG) with some of the legal changes designed to create greater alignment with EU law. |


Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|--|
| | | <ul style="list-style-type: none"> 2023 - WBG provides €27.7m loan for the Catalysing Long Term Finance Through Capital Markets Project |
| Tackling the grey economy by reforming business inspections (non-transactional TC) (ended) |  | <ul style="list-style-type: none"> 2014 – USAID-supported National Strategy for Combatting the Shadow Economy approved 2015 – EBRD and the government sign an Investment Climate Governance Initiative MoU to reform business inspections. The MoU provides a framework for cooperation with the aims (<u>being desired outcomes</u>) of: <u>reducing the informal economy and enhancing competition, stimulating the resumption of credit growth, strengthening corporate governance and management practices, supporting privatisation, and stimulating investment in infrastructure.</u> 2016 – USAID-supported Law on Inspection Oversight of Serbia adopted. 2017 – EBRD approves a EUR 606k TC for the Coordination Commission for Inspection Reform in three phases from 2018 to 2022. A phased approach was adopted to facilitate completion in steps and ensure it was manageable with available resources. The project was contracted via the not-for-profit association that has extensive experience in implementing policy reforms with the Government. 2019 – Serbia was removed from the Financial Action Task Force FATF grey list 2019 - a survey of businesses conducted by USAID in 2019, found 79% of businesses thought inspections in Serbia were well coordinated. 2019 – the government adopts a National Program for Countering Shadow Economy for the period 2019-2020. EBRD provides TC 400k TC establish a Business Inspections Contact Centre and prepare a Book of Inspections Practices. The inspections are part of ministries and are funded from state budget, whilst donor support is needed only on a one-off basis when some reforms are being undertaken. |
| Civil society capacity building (ended) |  | <ul style="list-style-type: none"> 2018-2021 – NTTC Promoting Business Integrity in Serbia and Romania: Enhancing the Capacity of Civil Society to Work Collaboratively with the Private and Public Sector with services provided by Transparency International An assessment carried out by Transparency International based on the Business Integrity Country Agenda methodology The Assessment report and reform agenda did not appear to have any clear support or buy in from the government Not clear how many of the 40 recommendations from the TC output of a reform agenda will be adopted by the government in its anti-corruption strategy which is under development – the strategy was to be released in 2023, but has not been released so far Transparency International and EU were consulted on the draft strategy – Transparency International's view is that the draft strategy is not |


Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|---|---|--|
| | | <p>ambitious enough and it omits important recommendations from Group of States Against Corruption (GRECO) – only 35% of GRECO's recommendations were reportedly adopted.</p> <ul style="list-style-type: none"> Transparency International's report to EBRD cited major challenges with the authorities during the preparation of assessment The government appears to be pushing back on further amendments and work has been delayed The TC also aimed to support the establishment of a National Advisory Group to provide input into the reports – two workshops were held with the advisory group The stated TC outcomes are all restatements of outputs and activities – there are no outcome statements or indicators |
| State-owned enterprise (SOE) reform (ongoing) |  | <ul style="list-style-type: none"> 2001-2015 – Five EBRD sovereign loans to state utility EPS - the 2015 Loan to EPS led to a Corporate Governance Review TC (performed in 2017/2018) which showed the need for a State Ownership Policy to improve SOE governance, efficiency and transparency 2017 – The government commits to developing a SOP for the rail sector entities in the Guarantee Agreement for the EUR 30m sovereign loan to the state-owned railways. 2018 - IMF Policy Coordination Instrument includes restructuring and reform of SOEs. According to the IMF, improved SOE efficiency, could raise Serbian GDP by 2 percentage points permanently 2019 – the authorities realised that a broader approach was needed to apply to all SOEs, so the Ministry of Economy requested EBRD's support to help develop this. 2020 – EBRD provides TC led by the LTT on SOE reform 2021 – Draft policy and action plan is completed 2021 – IMF Policy Coordination Instrument includes restructuring and reform of SOEs 2022 – IMF drafting law for SOEs with support from EBRD as needed. 2022 – EBRD approves 2 further SOE loans that include conditions re adoption of the SOE Law. The Loans reference good practices which would be espoused in the legislation. 2023 – National Assembly adopts and President signs new SOE law 2023 – EBRD approves 2 further SOE loans, again both include conditions of elements of the SOE policy be implemented 2024 – drafting of by-laws underway expected to be followed by setting KPIs for the performance of SOEs a TC led by EBRD's LTT <p>The outcome statement is a restatement of the outputs and indicators are not indicators of outcome achievement. The outcome statement set out in TCRS is couched in general and vague terms: 'Serbian corporate governance regulatory framework and in particular corporate governance of SOEs is brought closer to international standards and best practices'</p> |

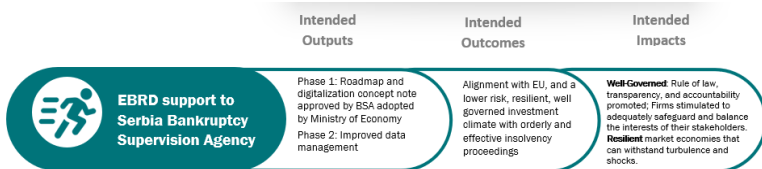


Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|---|
| | | <p>through development of the State Ownership Policy', There are two indicators towards this outcome, both of which repeat the outputs:</p> <ol style="list-style-type: none"> 1. Legal, institutional or regulatory frameworks in target areas improved (Framework around objectives and target setting, monitoring and reporting as well as assessing for SOEs is improved) This is a restatement of the output indicators: 'Draft Concept Note based on review and analysis of the Serbian legal framework concerning corporate governance of SOEs and the exercise of the State's ownership function and their benchmarking, as well as feedback from stakeholder consultations' and 'Draft Roadmap for the implementation of the State Ownership Policy, which operationalises and assigns responsibilities for implementation of high-level principles and activities endorsed in the State Ownership Policy' and 'Report prepared by consultant and presented on time and of good quality (Draft framework for setting objectives and targets for SOEs and for monitoring their achievement)' 2. Legal, institutional or regulatory frameworks in target corporate governance areas improved (State Ownership Policy is reviewed and developed) <p>This is also a restatement of the output indicator: 'The draft State Ownership Policy.'</p> <ul style="list-style-type: none"> • There is no indicator to measure the extent to which international standards and best practices are actually adhered to by for example the evidence of audit reports. |
| Public-private partnerships (PPP) and harmonising PPP law of Serbia with EU acquis (ended) |  | <ul style="list-style-type: none"> • 2010 – 3 TCs to develop Serbian concession law as part of EBRD's LTP • 2011 – EBRD supported Serbia to develop a PPP Policy • 2011 – an act for a PPP Law incorporating the legal framework for PPP, including concessions tabled • 2012 – adoption of PPP law • 2012 – PPP Commission established • 2017 – Ministry of Trade, Tourism and Telecommunications requested EBRD to provide TC to review the current regime applicable to PPPs/concessions projects and develop legislative amendments to harmonise it with the relevant EU acquis • 2018 – EBRD approves first PPP transaction: Belgrade Airport Concession Finance PPP (72m) • 2019 – EBRD approves second PPP transaction: Belgrade Solid Waste PPP (EUR72 m) • 2020 – EBRD offers APMG PPP Certification Program to Serbia key staff in PPP Commission • 2024 – PPP Commission has approved 253 PPPs worth over €6bn • 2024 – although the Ministry accepted the advanced recommendations on legislative amendments drafted with EBRD support from TC approved in 2017, these have not yet been adopted by parliament • The outcome statement for TCRS 8260 (Serbian PPP/concessions legal framework is improved) is a statement of output. The 3 supposed outcome indicators are that the review report and various amendments are accepted by EBRD and MTTT, which are indicators of outputs. |

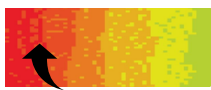


Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|---|
| | | Unless approved by parliament and then implemented the outputs will not produce better outcomes. |
| Bankruptcy Supervision Agency (stalled – further funding not approved by EBRD) |  | <ul style="list-style-type: none"> 2005- Serbia adopts law on Bankruptcy Supervision Agency (BSA) 2007-2008 – EBRD's LTT implement TC to establish national standards for insolvency practitioners. EBRD has self-interest as well as helps in the management of NPLs in its Corporate Recovery Unit 2010 – further TCs on national standards, code of ethics for bankruptcy, and new regulations 2015 – Serbia issues NPL Resolution Strategy 2015 – EBRD and Serbia sign MoU on investment climate governance initiative 2018 – Serbia adopts Bankruptcy Law 2019 – EU Directive on harmonising insolvency proceedings; calls for insolvency statistics from BSA. The need for EU alignment is a major driving force behind the push for digitalization of bankruptcy supervision and the need for clear statistics. 2021 – EBRD provides Phase I TC to help BSA produce statistics on insolvency cases. 2022 – BSA developed a new platform for electronic sales (E-Sales) with support from WBG, fully operational by 2022 2023 – WBG provides training to insolvency practitioners EBRD's LTT <u>unable</u> to secure funding for Phase II to complete the digital project – updating the Electronic Reporting System and Risk Based Management System. This may hinder further progress and result in loss of EBRD leverage. The TC outcome statement is phrased as an activity (strengthening the ability of BSA to gather and process insolvency data for statistical reporting purposes). The 7 so-called outcome indicators are indicators of outputs, not outcomes.. The TC Outcome statement provided in TCRS is: 'Strengthening the ability of Bankruptcy Supervision Agency ("BSA") to gather and process insolvency data for statistical reporting purposes'. Seven indicators to support this outcome focus on Recommended policy agreed by relevant stakeholder, Legal, institutional, or regulatory frameworks improved and supporting technology introduced. However, IEvD finds that the outcome should be a statement of the desired state: ie 'BSA statistical reporting is based on a full set of insolvency data according to best practice standards' . An indicator to support this outcome would be 'Audit demonstrates best practice regulations, methods and guidelines underpin statistical reporting' another would be 'Digital systems support full data collection and statistical reporting requirements'. The outputs should focus on advice and approval of regulatory changes and introduction new methods, guidelines and IT system. |

Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|---|
| | | <p>To report on impact, the outcomes should link to the Well-Governed or Resilient theory of change.</p> <p>IEvD prepared an illustrative example of the theory of change for the work with the Bankruptcy Supervision Agency as follows. This is however not a results framework which would be necessary to develop indicators in full:</p>  |
| Commercial mediation – Phase II: comparative analysis |  | <ul style="list-style-type: none"> 2019 – EBRD joins with International Development Law Organisation (IDLO) to conduct comparative study 2021 – report submitted to the Ministry of Justice, the Working Group on Mediation and the Appellate Commercial Court and approved by the Ministry of Justice in June 2021. The most important conclusion was that while promotion, judicial support, strong institutions and infrastructure, and expertise are all key to ensure effective use of mediation in the country, the most important factor is to create a solid Commercial Mediation Regulation Framework. At one point in the reform on mediation Serbian lawyers in opposition to the reform organised a strike, which resulted in many cases in courts being significantly delayed, which is particularly hurtful in criminal justice. The Serbian MoJ is very cautious in trying to avoid similar instances. 2024 – Serbia adopts Law on Mediation but an excessive backlog of cases It is unclear to IEvD whether any action has been taken to implement the recommendations. There was no outcome statement for the TC and the so-called outcome indicators were indicators of outputs. |
| Capacity building for the Serbian Commission for the Protection of Competition (CPC) and the creation of a regional forum of competition authorities |  | <ul style="list-style-type: none"> 2017 – the CPC requests EBRD TC to strengthen its institutional capacity and help formulating a proposal for draft secondary legislation. Also, the CPC was seeking to form a partnership with the EBRD to set-up a regional Western Balkans forum of competition authorities Most outputs related to the CPC were delivered, albeit with some delay due to Covid. The creation of a regional policy engagement platform or forum could not go ahead due to regional political sensitivities related to plans for both Serbia and Kosovo to participate. The TC outcome statement is a statement of output. So-called outcome indicators are generally indicators of output delivery. |

Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|---|---|---|
| Strengthening Quality Standards in the Agrifood sector |  | <ul style="list-style-type: none"> The non-transactional TC aimed to consolidate the Serbian Quality Label (SQL) and Geographical Indication (GI) labels previously supported by EBRD-FAO (for meat and horticulture products), with a coordinated effort between the Ministry of Agriculture (MoA) and the local producers' associations in Serbia. At completion of the TC, the Serbian government announced a competing label indication of Serbian origins, but without the stringent standards/regulation associated to the label. Discussions between the government, EBRD and FAO, the implementing partner, to collaborate or come to an agreement are ongoing. The statement of outcome is in fact a statement of output. The first so-called outcome indicator is an indicator of output although it is getting closer to an immediate outcome. The second so-called outcome indicator is an indicator of an activity carried out. |
| Development of Serbia's Irrigation Strategy |  | <ul style="list-style-type: none"> Serbia's Ministry of Agriculture, Forestry and Water Management MAFW formally called for joint FAO and EBRD support to develop irrigation by signing a tripartite Memorandum of Understanding in March 2018. This transactional policy engagement on developing an irrigation strategy by 31 December 2022 was a covenant included in the EUR 15m sovereign loan agreement signed in 2019 for Serbian Climate Resilience & Irrigation Programme The irrigation strategy is not yet delivered/adopted and MAFW is still working on this with the consultant. The team hopes to have the strategy adopted by the end of 2024. They are amending the loan agreement to reflect these new developments. There was no TC results framework for this specific TC- it is at the level of the entire framework with FAO. |
| Supporting enhancement of e-Delivery of acts and requests between business /citizens and Government in Serbia |  | <ul style="list-style-type: none"> E-government development has been one of the top priority goals of the Prime Minister's agenda since 2017 The Office for IT and E-Government was established within the PM's cabinet The Ministry of Public Administration and Local Self-Government, the Ministry of Justice and the Ministry of Finance were also interested to support the e-Delivery initiative and this project. The government had an Action Plan for the implementation of the E-government Development Programme for the period 2020-2022 As a result of EBRD policy engagement on e-delivery, regulatory framework analysis, recommendations and drafts of 15 laws and by-laws for full e-delivery, the government accepted five of those for implementation, and trainings were provided to civil servants, citizens and businesses on the e-governance portal to raise awareness The consultants used were National Alliance for Local Economic Development (NALED), the most influential consultancy for policy engagement in Serbia |

Box 15: Assessment of achievements to date in Serbia for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area | Achievements (RAG rating)* | Influential factors and other comments |
|------------------------|----------------------------|---|
| | | <ul style="list-style-type: none"> There was no TC results framework |

Source: Elaborated by IEvD

*Red-Amber-Green (RAG) Rating with red on the negative end of the scale and green on the positive end.


The information above shows that the following factors have been influential are in EBRD's policy engagement in Serbia:

- High-level political support for the reform initiative and conversely, a lack of buy-in from government can result in few if any recommendations of studies being adopted and the reform moving forward
- Demonstrated government commitment before initiation of the policy engagement through existence of a target, strategy or law and/or provision of budget for the initiative
- EU accession process requires reforms – the annual reports on progress and the setting of immediate priorities for reforms in the coming year provides and incentive and step-by-step guidance
- Existence of a crisis that demands reform action (though subsequent sustainability of the reforms can be an issue after the immediate crisis is resolved)
- Staying with the policy engagement over the long term if necessary to achieve results, albeit phasing the engagement to check on the delivery of results from each phase. Conversely, cutting funding when progress is being made can stall reforms.
- Use of conditionality in sovereign lending to get commitment to reforms (though signing the agreement may not reflect real high-level commitment to the reforms). Also the inclusion of reform conditions for IMF support can help initiate reform efforts.
- Forums for public-private dialogue can help bring about reform
- Visits by high-level officials from EBRD can raise the profile of reform needs and efforts with high-level leaders in country
- EBRD's LTT carrying out valuable upstream work that creates the necessary conditions for bankable transactions to be financed by EBRD and/or others
- Poor country rankings in global indexes can stimulate a need for reforms (though evidence exists that some countries have simply focused on what needs to be done to improve the ranking without being committed to producing sustainable positive outcomes
- Effective working partnerships with other IFIs, bilateral agencies and international organisation – the latter particularly for technical expertise
- Poor definition of expected outcomes and a near universal absence of outcome indicators means success is judged on the basis of delivering outputs


B. Kyrgyz Republic

EBRD's policy engagement in the Kyrgyz Republic over the period 2017-2023 had mixed results, particularly on outcome achievement and impact. Most policy engagement produced the outputs envisaged (draft legislation, regulation, trained persons, etc.) but overall, it is difficult to directly attribute the policy outputs to changes in the overall regulatory and business environment. Furthermore, challenges related to an unstable political environment, continuous government changes during the evaluation period, as well as the overall economic impact and unique crisis response to the Covid-19 pandemic have severely affected the expected results of medium-term policy interventions and related outcomes. Overall, there is little evidence that the country is becoming more competitive or more well governed as a result. The Bank may consider to revise its results framework for policy reform to better capture and reflect such external factors and introduce more long-term results which are more realistic for ETC countries. –


IEvD's assessment of achievements or the EBRD's policy engagement in the Kyrgyz Republic in support of the transition qualities of 'Competitive' and 'Well-Governed', and the contributory factors influencing achievements are shown in the table below.. This assessment focuses on outcome achievement, or the likelihood of outcome achievement rather than the delivery of outputs. However, as noted throughout this case study the evidence of outcomes is limited, not least because EBRD does a poor job of defining expected outcomes, so outcome achievement goes largely unmonitored. The assessments below are indicative. Rather than a specific rating, a colour code system from negative to positive is used to approximately position the assessment of results achievement.

| Box 16: Assessment of achievements to date in the Kyrgyz Republic for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed' | | |
|---|---|---|
| Policy engagement area covered by the evaluation | Achievements (RAG rating)* | Influential factors and other comments |
| Development of e-Government Services (in progress) |  | <p>This initiative has level support from current government (President and Prime Minister) including budget support. It is part of a drive to improve efficiency of government services for doing business and to support new companies, and oversight for Digitalisation sits in the current President's Administration. This includes supporting start-ups and businesses in tech industry for export of services through the Tech Park which was set up at the initiative of the Investment Council supported by EBRD back in 2011.</p> <p>The EBRD support to develop e-governance services enjoyed strong support from the COVID-19 pandemic period, where the push to digitalise became even stronger. It is therefore an example of a relatively "quick win" in terms of policy dialogue results and is an initiative which enjoys widespread support from the business community and government. The improvements have also led to long term gains and have addressed many issues with corruption under the old system. Any 'losers' from the reform do not have power or influence.. The initiative has resulted in international visibility where Kyrgyz Republic is emerging as a leader in the region in implementing technology in governance. Anecdotal evidence of positive outcomes were provided by EBRD counterparts. A possibility of perverse outcomes exists where small individual traders without technology may not have access.</p> <ul style="list-style-type: none"> • 2016- The rating of Kyrgyz Republic on the UN's E-Government Development Index is 'Medium' • 2017- Government launches Taza Koom, a long-term digitalization strategy with the UN and EBRD |

Box 16: Assessment of achievements to date in the Kyrgyz Republic for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area covered by the evaluation | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|--|
| | | <ul style="list-style-type: none"> 2018 - The rating of Kyrgyz Republic on the UN's E-Government Development Index is increased to 'High'. EBRD launches EUR 1.26m TC to support digitalization for e-registration and e-closure of businesses, e-notary services, e-patents, Remote ID system (e-signature) for banking 2021 - Kyrgyz Republic elects new President. High level government support for digitalization agenda. Digitalization Department located within the President's Administration, state budget allocation to agenda. 2022 - EBRD TC consultant delivers an assessment of reforms, technical advice and action plan to meet international best practices 2024- Business response to the introduction of the new e-notary and e-registration of legal entities has been positive according to the Notary and Registration Department staff. 2025- Systems included in the action plan are expected to be fully operational. <p>IEvD comment on EBRD TC monitoring and reporting system: Within the EBRD TCRS system which provides a pre-defined list of indicators, the stated outcome of the non-transactional TC is not an outcome. Rather, it is a restatement of output. Similarly, the indicators that supposedly will track outcome achievement are indicators of output achievement.</p> |
| Development of e-Procurement (complete) |  | <p>This project for transparency e-procurement and enablement of participation of SMEs was initially implemented as expected, with support under the previous government, but ran into technical difficulties following the new government in 2021 when changes were introduced both technically and on the regulatory side. The system is now on hold and is currently awaiting resolution with international partners providing a joint letter expressing concerns.</p> <ul style="list-style-type: none"> 2017 - EBRD commits €1.5 million through the SSF for developing e-procurement regulatory frameworks, systems and processes for the Ministry of Finance, Department of Public Procurement. 2018 Enhancing public procurement was an EBRD policy priority objective for Kyrgyz Republic, helping introduce and adopt new SMEs-friendly legislation on electronic bidding a pilot and implementation of the WTO commitment to open procurement market to competition. 2020 EBRD provides a US consultant to build capacity of CSOs in monitoring emergency spending and public procurement processes and to build on this engagement for advocacy for public procurement reforms to promote economic recovery and domestic markets development. 2021 following a change of government, transparency watchdog, Open Contracting Partnership, informed EBRD that that the Ministry turned off servers with these new e-Procurement tools to stop the use of competitive procedures |

Box 16: Assessment of achievements to date in the Kyrgyz Republic for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area covered by the evaluation | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|--|
| | | <p>for small value contracts and to stop publishing real time open data on procurement procedures and contracts. The government also replaced e-Catalogue competitive procedures with direct awarding to a single supplier without any competition and cancelled real-time publication of e-procurement data; this was replaced by biannual historical reports on procurement contracts.</p> <ul style="list-style-type: none"> The government also made changes to the public procurement regulatory framework which adversely impacted transparency and competition. At the same time, the Ministry requested the Bank to fund changes to deliver e-Procurement tools in line with the new public procurement policies. The Bank declined to support this work. 2022 EBRD together with WBG and ADB voiced concerns together with other IFIs in a letter to the Cabinet of Ministers, regarding the amendments to public procurement laws, resulting in decreased transparency and competition, but these concerns have not been heeded and further changes to public procurement laws have been adopted. 2024 EBRD policy dialogue to build capacity of CSOs to monitor public procurement was also stopped when the government ceasing to publish procurement data and in 2024 new laws curtailing foreign funded CSOs in Kyrgyz Republic. <p>Although an element of e-Government, this reform did not progress due to lack of high-level support, in fact the opposite. It can be surmised that there might have been 'losers' from the proposed reform and that those losers had power and influence to block the reform. Conversely, the 'winners' (SOEs in this case) lacked influence.</p> |
| Support to Investment Council (in progress) |  | <p>The Investment Council of Kyrgyz Republic is the sole independent public private dialogue platform in operation and has been functioning since 2007 through successive changes in government and periods of political instability. Since 2021 it has incorporated former activities of the Business Ombudsman, and the secretariat of the PPP Center. The IC is viewed by public and private stakeholders as an important and successful platform for businesses and government to consult on issues to ease constraints on doing business and investment in Kyrgyz Republic.</p> <p>Key positive attributes of the current IC shared by the Secretariat include:</p> <ul style="list-style-type: none"> The IC is an integral body of the state in Kyrgyz Republic. Its resilient, sustainable, structured and adaptable approach to resolving regulatory issues for business through dialogue with the government and has survived successive governments, political turmoil and functioned online during COVID. It has absorbed the activities of other independent bodies. The IC is inclusive in its approach, and is open and accessible to all business sectors and civil society and is represented half by government and half by business, with members of |


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|--|----------------------------|--|
| | | <p>parliament and international development partners as members. This approach is written into its by-laws.</p> <ul style="list-style-type: none"> The IC is a trusted voice for business and government, the Secretariat is an independent body, earning the trust of the business community and government institutions also use it to communicate across institutions when difficulties arise. <p>Examples of key achievements to note include:</p> <p>The IC was instrumental in the establishment in 2011 of the High Tech Park and sales and tax regime for exported services, which still exists today, and is a priority for the current government. Today, The High Tech Park has 383 resident IT companies residents, which create 2,417 jobs, and paid about US\$6,5 million in taxes.³⁶</p> <p>Public Private Partnerships and the laws governing them have been on the IC's agenda since 2007, with a PPP Center established in 2007. The PPP Secretariat was incorporated into the IC Secretariat in 2022. The IC is working to increase salaries of the staff of the PPP Center which have been too low to retain talent. The IC is working with UNDP to develop PPPs in the regions.</p> <p>Since 2014 the IC successfully lobbied for changes to streamline tax services for social funds and business from two separate bodies to one. Reporting is now through one body, eliminating duplication and corruption.</p> <p>SSF has been the donor supporting the IC in Kyrgyz Republic. Currently the EBRD team is seeking a new external donor and intends to improve reporting in line with donor requirements.</p> <ul style="list-style-type: none"> 2007 EBRD begins funding the IC Secretariat in Kyrgyz Republic 2014 EBRD's Investment Climate and Governance Initiative (ICGI) launched 2015 EBRD's IC Steering Group established 2017 IEvD conducts study of ICGI with case study on Kyrgyz Republic, and IC, finding that despite a decade of IC support, governance ratings remained very low (3.33 in the Kyrgyz Republic, 5.15 – the EBRD average) and 'Competitive' transition quality scores (2.78 in the Kyrgyz Republic, 4.76 - EBRD average).³⁷ At this time, the findings of the IC work in Kyrgyz Republic were positive with one caveat: 'The Kyrgyz council is the oldest, with plenty of lessons and experience to share. It has established procedures and enjoys close relationships with the government. At the same time, feedback from private companies suggests that the council does not quite speak the same language as they do and its ability to engage with other power branches (Parliament) is limited.' 2021 New President and government in Kyrgyz Republic following period of unrest. |

³⁶ <https://htp.kg/> High Tech Park Website

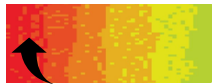
³⁷ SS15-086 IEvD Special Study: The EBRD's Investment Climate Support Activities p9

Box 16: Assessment of achievements to date in the Kyrgyz Republic for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'

| Policy engagement area covered by the evaluation | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|---|
| | | <ul style="list-style-type: none"> 2022 Management commissions an independent evaluation of ICs, including in the Kyrgyz Republic, which made recommendations for improvement.³⁸ 2023 The IC becomes a priority in the EBRD's first policy compact for Kyrgyz Republic 2024 IEvD meets the new IC Secretariat and staff, and hears the proposals for restructuring the processes following recommendations from the independent evaluation for including issues/complaints on the agenda to improve focus and efficiency. Capacity building of business associations to lobby their interests directly with state bodies is part of the programme, and well received by BA members. <p>The IC informed IEvD that it had been influential in instigating or shaping various pieces of legislation and regulation, including:</p> <ul style="list-style-type: none"> Tax administration and social contribution improvements Decree on Improving the Status and Image of Entrepreneurs Programme for Attracting Investments (2022-2026) Licensing and Permitting Systems Public-Private Partnership Law (2009) Resolution on Economic Freedom and Development Strategy for Development of the Construction Industry (2020-2030) <p>The IC has survived numerous changes in government enjoying non-partisan support from successive governments and the private sector. Perhaps dialogue is considered by governments to be non-threatening and talking is better than not talking. Impact attributable to the IC need to be assessed and it is unclear if it would survive without EBRD financial support. With a new management of the IC secretariat in place, identifying (external) donor funding support should be a priority in order to secure the budgets, maintain independency and support to leverage outreach, activities and visibility of the IC.</p> |
| Support to the Business Ombudsman's Institute (terminated) |  | <ul style="list-style-type: none"> 2018- EBRD approves a TC of EUR3.4m funded by the Small Business Investment Fund to set up the Business Ombudsman's Institute (BOI) in Kyrgyz Republic. <p>The Business Ombudsman is an authorized person to protect the rights, freedoms and legitimate interests of entrepreneurs and business entities, who operates on the basis of Decree No. 647 of the Government of the Kyrgyz Republic dated December 31, 2018.</p> <ul style="list-style-type: none"> 2020 – By February the BOI is fully established, funded, staffed, equipped and operational. Election and appointment of first Business Ombudsman (took place for the Business Ombudsman's Institute |





³⁸ Vickery, T. 2022. *Independent Review and Recommendations Investment Council in Kyrgyzstan*. Internal report.

Box 16: Assessment of achievements to date in the Kyrgyz Republic for policy engagement approved from 2017 to 2023 in the transition qualities of 'Competitive' and 'Well-Governed'



| Policy engagement area covered by the evaluation | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|---|
| | | <ul style="list-style-type: none"> 2022- The Business Ombudsman passes away. The Business Ombudsman's Institute has processed 170 complaints over the three years. <p>In a last report the Business Ombudsman states a key challenge was establishing and maintaining good working relations with government and state bodies.³⁹ He maintained good relations with successive Presidents, Prime Ministers and worked very closely with the Ministry of Economy, the General Prosecutor's Office and the State Tax Service. Some state bodies were more resistant to recommendations.</p> <p>In his report he identifies several key systemic problems holding back the private sector in the Kyrgyz Republic. These include a worrying lack of consistency in state policy and frequent changes in legislation, a tendency for state bodies to make decisions in favour of the state even if improper (and even illegal at times), a lack of transparency, accountability and an apparent increase in pressure from law enforcement bodies.</p> <ul style="list-style-type: none"> 2023 – EBRD is unable to find a replacement Business Ombudsman and ceases funding the Institute. <p>In conclusion, the BOI had some initial success in carrying out activities and delivering some outputs. It ceased functioning following the death of the first appointed ombudsman. It remains unclear why a new person could not be recruited. It is unclear what the status of the 2018 government decree on this office is, and whether support from the new government in 2021 was lacking. Outcomes, if any, remain unclear.</p> |
| Support to the attraction of FDI (complete) |  | <ul style="list-style-type: none"> 2020 – During the pandemic, KR experienced a sharp contraction (8.6%), making it the worst performer among Central Asian peers. The Kyrgyz authorities requested support following an informal interaction between the former prime minister of Georgia who heads a consultancy firm focused on attracting FDI and officials in the Ministry for Investment Promotion in the Kyrgyz Republic who wished to attract FDI to labour intensive sectors. They approached the EBRD who agreed on the basis that it responded to the urgent needs arising from the pandemic. 2021 – Following unrest and the change in government, the Ministry of Investment Promotions was disbanded by the new government and replaced by an agency with more junior staff meaning the EBRD's effort towards attracting FDI had lost the key champion within the authorities. 2022 Report with recommendations was presented to the Cabinet of Ministers. <p>Did not progress due to changes the Ministry of Investment Promotion being disbanded by the incoming President in 2021. Report presented to Prime Minister and team. No evidence that any</p> |

³⁹ Ord-Smith, Robin, 2 Years Protecting the Business Environment <https://www.ocamagazine.com/2022/07/18/the-business-ombudsman-of-kyrgyzstan/>

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|---|---|--|
| | | of the recommendations were adopted, or any steps taken towards reform. |
| Advice to the National Bank of Kyrgyz Republic on a state-owned bank (complete) |  | <ul style="list-style-type: none"> 2018 - The National Bank of Kyrgyz Republic (NBKR) as a temporary measure, acquired 72 % of the shares of Keremet Bank (ranked 12th in the country by asset size). The NBKR had to nationalize this bank due to fraud and money being extracted by majority shareholders, and to avoid a run on banks and panic in banking sector. 2019 IMF conditionality to reprivatize as part of its Article IV Consultation, other IFIs support. <p>Following a series of high-level meetings between the EBRD and the Kyrgyz authorities, the NBRK formally asked EBRD for help to re-privatize Keremet because they realized they should not have nationalized it. The NBRK as regulator was unsure how to proceed and asked for analysis and metrics on what to do.</p> <ul style="list-style-type: none"> 2021 KPMG delivered a report with recommendations and three options. The Kyrgyz government changed, along with leadership of the NBKR. They decided to take the third option to provide support through equity and financial support to build value and to transfer it from the regulator (NBRK) to a MoF agent intermediary representing SOE banks in Kyrgyz. Privatisation will be a challenge given the condition of the financial sector. 2022-2023 The government made amendments to the law to enable NBRK to revoke licenses of ailing banks. They also established the Deposit Insurance Fund so they can now manage the health of banks. EBRD is considering providing a credit facility to support this. <p>Policy option adopted and advice led to amendments to the law to allow the Regulator to revoke licenses of ailing banks in future and set up a Deposit Insurance Agency. Short term solution but long-term result of decision not to close or sell the bank not known.</p> |
| Engagement to reduce the informal economy (complete) |  | The Ministry of Economy requested EBRD to fund production of a report. Presented to the Ministry, but staff changes mean feedback was first delayed and then never provided. No apparent actions on recommendations. |
| Support to agriculture – land use App and AgroMap App (phase 2 underway) |  | Joint work with FAO, builds on successful collaboration between EBRD and FAO over many years and in a number of countries. Technical area that does not threaten the existing power relations. Outputs delivered, but outcomes unknown. |
| Enforcement of court decisions on debt (complete) |  | Effective collaboration with a technical partner, International Development Law Organisation (IDLO). Outputs delivered. Unclear on outcome achievement, but likely positive. |

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| Policy engagement area covered by the evaluation | Achievements (RAG rating)* | Influential factors and other comments |
|--|---|--|
| Alternative dispute resolution mechanisms (phase 2 underway) |  | Effective collaboration with IDLO. Phase I produced expected outputs. Phase II delayed by Ministry of Justice that wants Kyrgyz Republic to first join the Singapore Convention on Mediation |
| Improving sustainability of infrastructure through tariff reform (in progress) |  | Central agencies such as Ministry of Economy are, not surprisingly, supportive. However, local municipalities are not – they wish to keep tariffs low. A lot of activities. Always a challenging political decision to increase tariffs. |

Source: Elaborated by IEvD

*Red-Amber-Green (RAG) Rating with red on the negative end of the scale and green on the positive end.

Of note includes results of policy workstreams that are both underway and complete. For those that are underway, it looks at results up until the point of this evaluation.

The above table shows that factors that appear to have been influential are:

- The existence of a high-level champion for change
- Government 'putting its money where its mouth is' by providing budget support
- The policy priority surviving from one government to another
- No powerful losers from the reform
- Short-term gains (low hanging fruit) rather than short-term pain for long-term gain
- Churn of officials ministries and departments and frequent restructurings
- Staying engaged over a long time.
- Collaboration with a skilled technical partner
- A focus on reform in largely technical areas
- A crisis may provide a window of opportunity for reform, but such reform may not be sustainable once the crisis is over.

Box 17: Commentary on the effect of civil service restructuring and churn in civil servants

A less newsworthy, but nevertheless significant problem for stabilising policymaking and implementation of business/investment climate reforms has been multiple iterations of public administration reform and high turnover of civil servants in ministries and agencies at the core of market operations and private sector issues. Last year saw a tumultuous 'optimisation' of the government architecture where several Ministries, Departments and Agencies (MDAs) were downsized, merged or re-organised - especially notable was the merger and subsequent 'un-merger' of the Economy and Finance ministries.

In this environment, institutional memory suffers terribly along with investors' trust and underlines the importance of the IC as a stable, professional platform for ongoing dialogue. It also underscores the key role played by the many long-serving staff of the IC Secretariat - the sole, active repository of investment climate policymaking 'memory' in Kyrgyzstan.

Source: Vickery, T. 2022. Independent Review and Recommendations Investment Council in Kyrgyzstan. Internal report.

As noted above, most stated outcomes for non-transactional TC reviewed by this evaluation are not outcomes as per the OECD-DAC definition of outcomes. Most commonly, results frameworks just restate the outputs as outcomes, or in some cases the activities that are expected to lead to outputs. Consequently, there are almost no outcome indicators that would illustrate the actual short term and medium-term improvements in the investment climate, competitiveness or governance framework. Also, there are no statements of longer-term effects (impacts) and no tracking indicators despite there being many indices available and other regular assessments of aspects of competitiveness and governance.

The focus of EBRD's policy engagement in Kyrgyz Republic on delivering outputs with too little concern about whether those outputs are leading to better outcomes influences how EBRD views its success from its policy engagement. In turn, this affects the prioritisation of TC and decision making on whether to continue the policy engagement effort or to change the approach. If success from policy engagement is judged on activities carried out and outputs delivered, then one set of conclusions will be reached. If outcomes are used to judge success a completely different set of conclusions will be reached.

Medium-term policy priorities in policy priority objectives (PPOs) should have been stated in the form of outcomes, but they were not – generally, they were phrased as activities. PPOs were discontinued after 2021. The replacement policy compact (dated December 2023 for the Kyrgyz Republic) also states both country strategy and policy priorities as activities (strengthening, supporting, enhancing, reforming, developing, etc.). In some cases, these statements imply outputs that might be delivered and only in a few cases, outcomes that might be achieved.

Kyrgyz Republic is a challenging context for achieving reform. In countries without a favourable context for reform (and in areas within countries where the context for success is not favourable) policy engagement, if taken on at all, should focus on reform advocacy (both for decision makers as well as wider society) supported by awareness creating activities such as applied research, comparative studies, high level visits by EBRD staff (President and Vice President level) and exposure visits for potential reformers and pro-reform advocates. Policy engagement in a challenging context should increase the likelihood of working with other development financiers to work collectively in helping create a more favourable climate for reform.

Policy engagement in general, and particularly in a difficult country context, must take account of the political economy of reform. EBRD may have insufficiently considered that policy reform usually involves winners and losers. If the losers from reform are few in number and powerful in terms of influence, they will strongly and usually effectively oppose reform, particularly, as is often the case, they individually have much to lose from reform. Conversely, the winners from reform may be many, but individually they may not gain much from reform in the short term, and they likely lack power and influence. Given this, potential winners from reform will be unlikely to influence the direction of reform unless they can act collectively.

Any policy engagement that aims to support reform in a difficult country context should aim for quick wins to build reform momentum. Reforms that involve short-term pain or that do not deliver quick political wins are less likely to be supported by decision makers in any context. EBRD's

policy engagement strategy in Kyrgyz Republic may have taken insufficient account of the need to produce quick wins which, coupled with reform advocacy, can build a reform momentum over time.

The effect of poor or absent specification of expected outcomes from policy engagement is compounded by the fragmentary nature of monitoring and reporting on the results achieved from this engagement, whether at the input, activity or output levels, let alone outcomes.

While quantitative measures of outcome achievement are important, it can be more informative to 'tell the story of reform' since reform is a process and a political process at that. Such qualitative reporting should be an important part of any monitoring system for policy engagement.

Sometimes there is a disconnect between policy priorities (whether in PPOs or a policy compact) and the policy engagement actually carried out.

The experience with policy engagement in Kyrgyz Republic offers important insights for prioritising non-transactional TC and indeed policy engagement in general, whether supported by TC or not.

First, there should be a champion for reform with power and influence to ensure decisions are taken. If the champion of reform moves on for whatever reason, EBRD should reassess its continued policy engagement in that area and probably discontinue it if no new champion of reform emerges.

Second, in the absence of a champion for reform in the particular area suggests that EBRD should undertake advocacy work rather than directly seeking to support reform activities and outputs, if it engages at all.

Third, in challenging contexts, even with a champion for reform, there should be a focus on 'quick wins' or 'low hanging fruit' in order to broaden and deepen the commitment to reform.

Fourth, a political economy approach must be adopted as this shows the likelihood of a genuine commitment to reform and also where support and opposition are likely to come from.

Fifth, the desired results specification must go beyond the conduct of activities and delivery of outputs – outcomes, both immediate and intermediate must be specified and these must true outcomes reflecting changes from the status quo with indicators that measure those changes.

Sixth, if immediate outcomes are not being realised then EBRD should review its approach – there is little point in continuing to deliver outputs if nothing changes as a result.

Annex 7. The Art of Multilateral Cooperation: Selected Insights from Evaluation

This Annex summarises the seven strategic and operational lessons on IFI collaboration taken from IEvD's 2023 Connecting the Dots Knowledge product on [The Art of Multilateral Cooperation: Selected Insights from Evaluation](#).

Strategic Level Insights

Evidence shows that cooperation among IFIs is more likely to be successful when it is grounded in partners' respective comparative advantages. The benefits streaming from complementarity originate from lower competition and less duplication of work among partners. Cooperation is stronger when IFIs leverage their own strengths to reap the maximum benefits of cooperation as a public good. Good cooperation is often associated with IFIs' complementarity emerging from the additionality provided by each partner. Gains from IFIs' complementarity in cooperation are particularly visible in times of crisis. Complementarity in cooperation works well when IFI partners offer differentiated support to similar target groups.

Building on similarities in institutional mandates, strategic objectives, and geographical presence can also enable successful cooperation The same or similar issues that are recognized as critical to the mandates of both multilateral partners are indeed the core areas of cooperation in which the two institutions have complementary contributions to make to bring the greatest returns. Still, similarities in mandates and strategic objectives between partners do not always lead to cooperation as other factors are at play. "Boots on the ground" presence by IFIs can help in facilitating good cooperation with each other. However, the importance of physical proximity matters less if there are strong communication channels between partners. Similarly, the importance of physical proximity is less important between organisations with higher staff retention.

Evidence highlights that, in building successful partnerships, it is critical to understand the role played by the Government in shaping favourable conditions for coherent cooperation between IFIs. The state of government leadership is an important factor driving the quality of cooperation between IFIs.

The governance structure and organizational culture of IFIs as well as donor priorities play a very important role in determining the parameters and success of cooperation. Evidence shows that policy incoherence among donors and IFIs often lead to inefficiencies and administrative complexities in partner cooperation. The right structure and prioritization of the governing bodies of IFIs can unlock the pathway to good cooperation.

Operational Level insights

Building on trusted partnerships and leveraging existing cooperation mechanisms to quickly deploy resources at scale is a key ingredient of successful cooperation in times of crisis. Relying

on cooperation channels established prior to a crisis episode works best for IFI cooperation in times of emergency. Cooperation channels established between multilateral partners in Ukraine prior to the Russian-led invasion of the Ukrainian territory have helped in overcoming some key challenges in building successful cooperation among IFIs. A key element of successful cooperation is to ensure the platforms to harmonize donor support and its alignment to country needs are solid prior to the emergency episode.

Evidence indicates that formalising cooperation mechanisms among IFIs is critical in providing a stable foundation to nurture and sustain effective coordination processes and help achieve shared goals and objectives. The formal nature of a partnership can have a positive effect on the probability of its overall effectiveness and success. Establishing formal ex-ante joint crisis response plans for IFIs can further improve the effectiveness of cooperation between institutions in reacting to future crises. One of the possible ways to formalise cooperation mechanisms is signing a memorandum of understanding (MoU) between partners.

Evidence indicates that IFIs cooperation can get stronger over time as institutions establish joint mechanisms of information sharing, capacity development, monitoring, risk reduction, or financing; better coordination over such areas amplifies the benefits of cooperation in terms of development outcomes. One essential component of strong cooperation between IFIs is information sharing. Evaluation evidence also suggests that IFIs' cooperation can be strengthened through joint due diligence, monitoring, and reporting. Co-financing as a tool to facilitate better cooperation among partners.