In 2012, the Board requested a full evaluation of the Facility for Medium-Sized Projects (the Facility), a regional framework providing equity and debt to corporate enterprises in countries not covered by other EBRD initiatives. The Facility targets subsidiaries of international sponsors new to the region, regional cross-border investors and locally owned companies.

About the study
This evaluation examines the relevance, effectiveness, efficiency, impact and sustainability of the Facility for Medium-Sized Projects which was first approved by the Board in 2008. The facility provides equity and debt to corporate enterprises in countries not covered by other EBRD initiatives. It targets subsidiaries of international sponsors new to the region, regional cross-border investors and locally owned companies. At the request of the Board, EvD carried out an interim evaluation of the Facility in 2009. The Board requested a full evaluation in 2012.

The Study begins with an explanation of the background to the Facility, a summary of the interim evaluation findings, and a description of the Facility profile in mid-2012.

It was anticipated that the facility would use a streamlined approval process to enable small projects to be handled efficiently without compromising the Bank’s standards for project appraisal and preparation. The model assumed utilisation of €50 million in about 15 investments in the first two years.

Projects under the facility
The crisis affected initial demand. The facility signed only eight transactions totalling €44.5 million in the three years to March 2011. Two transactions were prepaid.

In the 15 months to June 2012, however, utilisation picked up with a further eight transactions representing €55 million signed. This resulted in a portfolio of 14 operations amounting to €92 million, making use of a second replenishment that had brought the Facility from €70 million to €140 million.

Signed operations cover five countries. Seven operations involve equity investments, one accompanied by a senior loan. Seven operations involve debt only including one subordinated loan. The average deal size is €6.8 million. In June 2012 the reported pipeline amounted to €168 million in 22 operations.

Findings
— Affected by the financial crisis, initial demand for the facility fell short of forecast; demonstration effects from initial operations were slow to emerge. However, utilisation increased significantly since
— Overall savings through efficiencies in project preparation were not observed except for the saving achieved by the delegation of approval authority
— The EBRD’s requirements for the preparation of banking operations were followed and were not compromised
— Instances of synergy with other Bank initiatives were observed.
— The evaluation identifies a number of factors which are not conducive to efficient execution and cost effectiveness, among them the presence of offshore entities in the client’s corporate structure, the limited experience of the region of some sponsors and legal complexities.
— The Small Business Investment Committee functions efficiently. The committee is empowered to approve eligible transactions under 18 facilities and frameworks.

Recommendation
The study recommends that it would be timely to review the various channels used to deliver investment products to small and medium-sized enterprises. A review could lead to rationalisation with potential to increase the depth of outreach in the business segment, streamline procedures and improve cost effectiveness.
The Evaluation department (EvD) at the EBRD reports directly to the Board of Directors, and is independent from the Bank’s Management. This independence ensures that EvD can perform two critical functions, reinforcing institutional accountability for the achievement of results; and, providing objective analysis and relevant findings to inform operational choices and to improve performance over time.

This information sheet has been prepared by EvD and is circulated under the authority of the Chief Evaluator. The views expressed herein do not necessarily reflect those of EBRD Management or its Board of Directors. Responsible members of the relevant Operations teams were invited to comment on this report prior to internal publication. Any comments received will have been considered and incorporated at the discretion of EvD. Whilst EvD considers Management’s views in preparing its evaluations, it makes the final decisions about the content of its reports.

Contact
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN UK
Tel: +44 20 7338 6000
Fax: +44 20 7338 7848

Joe Eichenberger
Chief Evaluator, Evaluation department
European Bank for Reconstruction and Development
Tel: +44 207 338 6107
Email: eichenbj@ebrd.com

Further information
www.ebrd.com/evaluation

For more information read the full report at: www.ebrd.com/evaluation.