

Management Response to MOPAN Assessment

European Bank for Reconstruction and Development (EBRD), October 2024

1. **Management welcomes the first assessment of the European Bank for Reconstruction and Development (EBRD) by the Multilateral Organisation Performance Assessment Network (MOPAN).** The assessment is a valuable exercise which highlights EBRD's many strengths as well as provides helpful insights into areas of opportunities to potentially further reinforce the Bank's operations and impact.
2. **Management thanks the MOPAN Secretariat and consultants engaged in the exercise for the collaborative spirit of the assessment.** We welcome MOPAN's efforts to adapt the assessment methodology to account for the missions and operating context of private sector-oriented institutions, as well as the EBRD's unique transition mandate. The adapted framework meets the goal of adequately capturing most specificities of private sector operations, while ensuring sufficient consistency with prior MOPAN assessments. As experience with a wider variety of institutions grows, the methodological framework could be further enhanced to recognise the diversity of institutions and allow for greater flexibility in recognising how common objectives are achieved. We would be happy to engage in such process.

Overall comments

3. **Management appreciates MOPAN's recognition of the EBRD's major strengths, rooted in the Bank's unique mandate and business model that enable collaboration with both public and private sectors and foster an integrated approach for investments and policy dialogue, promoting a favorable business environment.** Anchored in this model, the Bank has achieved strong results over the course of the extended assessment period from 2016 to 2023. These achievements are evident in EBRD's strong performance across all twelve key assessment areas, attaining satisfactory or highly satisfactory levels. Notably:
 - **EBRD has demonstrated significant transformation and operational growth over recent years, despite substantial external challenges.** Since 2016, Annual Business Investment has grown by almost 40 per cent to €13.1 billion in 2023, while the Bank strengthened its delivery architecture to ensure greater complementarity between our investment and policy operations. A new approach to mobilising private capital is reflected in a record total direct and indirect mobilised finance of €26 billion in 2023, leveraging innovative instruments and new partnerships.
 - **Heeding the call to action from the G20's review of MDBs' capital adequacy frameworks, the Bank was the first to approve the relocation of its statutory capital limit from the Bank's statutes.** This latest innovation further enhances EBRD's capital adequacy framework, building on already implemented measures relating to risk appetite and treatment of callable capital. MOPAN's assessment of EBRD's capital framework as "best in class" is a testament to these efforts.

- **EBRD demonstrated its ability to quickly learn and adapt in an evolving operational context characterised by successive crises, notably the Covid-19 pandemic and Russia’s war of aggression on Ukraine.** In March 2020, the EBRD became the first MDB to develop a support package aimed at helping economies respond to the Covid-19 crisis. The EBRD also responded to the war on Ukraine with speed and launched its Resilience and Livelihoods programme in March 2022 to provide urgent support to Ukraine and other affected countries. In that context, MOPAN’s assessment that the Bank demonstrated significant agility in addressing crises and drawing lessons to drive change and further enhance its operational resilience is a welcome recognition.
 - **The EBRD’s robust and strengthened operational risk management culture has become a well-recognised feature of the Bank.** This is the result of dedicated work over the assessment period on structure, governance, and institutionalisation of this essential function, and is well reflected in the assessment. It is this robust framework that allowed EBRD to take significant risks in the Bank’s continued operations in Ukraine during wartime, while maintaining its well-regarded financial strengths underpinning its triple-A rating, an achievement directly responding to the calls from shareholders for MDBs to adopt appropriate risk-taking cultures while ensuring long-term financial sustainability.
 - **The Bank has been pushing the boundaries on its delivery against global commitments through the rollout of cross-cutting themes supplementing the drive for sustainable results underpinned by the updated Transition Concept.** The EBRD has fully aligned its activities since 1 January 2023 with the mitigation and adaptation goals of the Paris Agreement. This overarching commitment complements the Bank’s ambition to ensure that at least half of its annual investment volumes are green by 2025, a goal it achieved in the last successive three years. EBRD has also been robustly implementing its commitment to promote gender equality through its operations. MOPAN’s recognition of EBRD’s leadership in these areas is a welcome endorsement of the Bank’s efforts.
 - **The Bank has undertaken successive organisational and operational efficiency programmes to maximise impact within its budgetary resources.** This has culminated in an ongoing multiyear investment plan, to further enhance its operational delivery, streamline processes and upgrade relevant IT systems. Rollout will further support executing EBRD’s comparative advantage.
4. **MOPAN’s overall conclusion demonstrates that EBRD has progressed well against the MDB evolution agenda,** including its best-in-class system for managing its capital adequacy, EBRD’s significant efforts to mainstream cross-cutting issues over the assessment period, including the Bank’s leadership in addressing climate change, and an ambitious change programme rolled out to simplify and modernise EBRD’s processes and foster a culture of efficiency.

Continued work to leverage areas of opportunity

5. **While the MOPAN assessment recognises EBRD’s strong performance across all key performance areas, Management takes note of the areas of opportunities and future**

considerations highlighted in the assessment as valuable pointers for reflection. We will continue to strengthen our approach in light of the valuable feedback provided, including in the following areas:

- **Results architecture.** Strengthening the Bank's results architecture to focus on outcomes and further demonstrate contribution to wider transition impacts at the country level as well as how it contributes to Sustainable Development Goals (SDGs) remains a priority for Management. A programme of work which began in the assessment period is ongoing and will continue. This includes a theory of change-based impact assessment system with better measurement and reporting of outcomes, and a more data driven approach to country, sector and thematic strategies alongside updated Results Frameworks and future reporting at these levels. EBRD has also taken steps to align its results architecture with the SDGs, demonstrating its ability to measure contributions to this global framework. The Bank's first Impact Report, to be published in 2025, is a significant further step in showcasing EBRD's delivery of its transition mandate.
- **Self-evaluation and learning.** Management welcomes MOPAN's emphasis on balancing accountability and learning. Following the Kirk Report, EBRD has revamped the self-evaluation function to offer a clear performance picture and address cross-cutting issues. Strengthened self-assessments are crucial for accountability and organizational learning, with thematic assessments aimed at improving institutional performance. The new function is being operationalised from 2024 to be fully effective in 2025. MOPAN's positive recognition of EBRD's efforts in creating a data-driven self-evaluation approach is encouraging. Further, Management has developed thematic impact assessment capabilities and taken steps to leverage innovative methods and techniques, e.g. earth observations via space, to analyse market-level or system-level impacts. Finally, significant progress is being made to strengthen the Bank's Learning and Knowledge Management (LKM) functions. This includes advancing digital transformation, improving the LKM system for the Vice Presidency for Policy and Partnerships, and HR initiatives to collect skills data for targeted learning and development interventions.
- **Strategic planning and budgeting, decentralisation and organisational resilience.** MOPAN acknowledges that over the assessment period, EBRD successfully delivered on its strategic objectives against a tightly controlled administrative budget which remained in line with or below inflation, and Management supports MOPAN's observation that limited growth in the administrative budget may create challenges for sustainable delivery going forward. Consequently, future increased ambition will necessarily require additional resources at the appropriate level. To enhance operational efficiency, whilst the Bank has extensive experience of leveraging local presence as a key element in its approach to delivering its mandate, Management is currently considering options for decentralisation and organisation of its regional presence, with a view to balance enhancing the delivery to clients and cost effectiveness, as part of the ongoing Transformation Agenda. This will be applied in all the Bank's regions including new countries of operations in sub-Saharan Africa and Iraq.
- **Client feedback mechanisms.** The Bank currently maintains a broad network of over 60 offices in our countries of operation, enabling direct interaction with clients, beneficiaries, and partners.

This local presence provides real-time client engagement insights and supports strong relationships. MOPAN's assessment recognises this advantage, emphasising face-to-face contact's critical role in conducting policy dialogue and entering new markets. EBRD management further uses various evidence to assess client satisfaction, including client return rates and uptake of new initiatives. Regular client surveys can offer a helpful complement to this extensive toolbox. We will reflect further on the merits and timing of such future surveys.

- **Reporting on Environmental and Social Performance.** Management welcomes the assessment that the EBRD has a robust system for ensuring environmental and social (E&S) due diligence, which underpins the Bank's approach to managing E&S risks. EBRD's Environmental and Social Policy provides a comprehensive framework for addressing these risks across the Bank's investment and technical cooperation activities. Recognising the need for enhanced reporting on E&S issues, including Gender-based Violence and Harassment, the Bank has established a dedicated Monitoring, Knowledge Management, and Digitalisation team within the Environment and Sustainability Department. This team is spearheading an E&S data digitalisation project to create a centralised source of E&S data, facilitating improved reporting. Moreover, the ongoing review of our Environmental and Social Policy presents an opportunity to strengthen our monitoring and due diligence reporting processes further.
- **Knowledge management.** As a key tool for knowledge transfer, Technical Cooperation (TC) remains central to EBRD's mission, enhancing corporate governance, human capital, and promoting green and digital transitions, and MOPAN highlighted the integration of TC with investments as a key strength and essential for client support. Beyond TC, EBRD engages in seminal knowledge initiatives such as the Transition Reports and Low Carbon Development Pathways analyses. EBRD also implemented Communities of Practice and developed the Policy Academy and other initiatives to share and advance good practices externally. We acknowledge further scope to consider the merits of a more centralised approach to knowledge management, while ensuring that our client services are prioritised to drive quality outcomes from our investments and policy dialogue.