PERFORMANCE AT A GLANCE

European Bank for Reconstruction and Development (EBRD)

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MOPAN

INTRODUCING EBRD

Established in 1991, the European Bank for Reconstruction and Development (EBRD) has a unique mandate to "foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in […] countries committed to and applying the principles of multiparty democracy, pluralism and market economics". EBRD was initially established to help build a new post-Communist Central and Eastern Europe and the Soviet Union.

EBRD's approach to supporting transition has evolved since its establishment. It now uses six transition qualities to conceptualise progress towards a well-functioning market economy: competitive, well-governed, green, inclusive, resilient and integrated. These transition qualities underpin the EBRD's strategic and results architecture. They are described further in Figure 1[1]:

FIGURE 1: **EBRD'S TRANSITION QUALITIES**

Competitive Building dynamic and open markets that stimulate competition, entrepreneurship and productivity growth.	**Well-governed** Promoting the rule of law, transparency and accountability, and stimulating firms to adequately safeguard and balance the interests of their stakeholders.	**Green** Building green, sustainable market economies which preserve the environment and protect the interests of future generations.
Inclusive Building inclusive market economies which ensure equal economic opportunity for all and leave no group behind.	**Resilient** Building resilient market economies that can withstand turbulence and shocks.	**Integrated** Building geographically integrated domestic and international markets for goods, services, capital and labour.

Source: EBRD (2020), "Transition Results Management Architecture: Overview, Recent Progress and Remaining Challenges".

EBRD's mandate has been found to be relevant to a broad scope of countries. Its members have determined that its business model can be deployed to contribute to development and transition impact beyond Eastern Europe and the former Soviet Union in a way that complements the activities of other partners and contributes to multilateral development effectiveness.[2]

1. EBRD (2020), "Transition Results Management Architecture: Overview, Recent Progress and Remaining Challenges".
2. Resolution 248.

Over time, EBRD's regional operations have expanded to include Central Asia, Central Europe and the Baltic states, Cyprus and Greece, Eastern Europe and the Caucasus, Russia, South-Eastern Europe, Southern and Eastern Mediterranean, and Türkiye. EBRD is now embarking on further incremental expansion of its geographic coverage and operations to sub-Saharan Africa and Iraq.

EBRD's business model is based on three operating principles enshrined in its Articles Establishing the Bank (AEB): transition impact, additionality and sound banking.[3] The EBRD's commercially oriented business model reflects the following underlying principles:

i. a commercial approach that complements, rather than supplants, private finance by pricing in line with market norms to ensure sound banking, mobilise private capital and avoid crowding out the private sector

ii. strict discipline when blending concessional finance, used to help impactful investments overcome bankability constraints and enhance projects' transition impact, thereby ensuring that EBRD creates new markets and supports the development of financial and capital markets and does not undermine them

iii. significant risk-taking against EBRD's balance sheet[4] while maintaining a triple-A credit rating, without requiring blanket guarantees from shareholders.

The AEB also requires that "not more than 40% of the Bank's total committed loans, guarantees and equity investments, without prejudice to its other operations referred to in this Article, shall be provided to the state sector" (Article 11.3.i). This makes EBRD the only DFI to engage both the public and private sectors with a predominant focus on private sector investment.

Governance

The EBRD is governed by its 75 shareholders – 73 countries,[5] the EU and the European Investment Bank. Representatives from the Bank's shareholders comprise the Board of Governors. The Board of Governors delegates its power related to operations to a Board of Directors, including 23 Directors and Alternates. The President of the EBRD is elected every four years and is Chair and a non-voting member of the Board. An Executive Committee oversees all aspects of the Bank's strategy, performance and financial soundness. The work of the Board of Directors is supported by three committees comprising a subset of Directors: the Audit and Risk Committee, the Budget and Administrative Affairs Committee, and the Financial Operations Policies Committee.

Strategic architecture

EBRD's medium-term strategic planning is driven by five-year Strategic and Capital Frameworks (SCFs), which set out organisational strategic priorities, including horizontal priorities, cross-cutting issues and objectives for organisational reform. Over the course of the assessment period, SCFs have more clearly defined cross-cutting themes reflecting global issues and challenges, including Green Economy Transition (GET) and Equality of Opportunity (EoO), which includes gender equality.

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3. The sound banking principle refers to "ensuring the project returns are commensurate with the risks". The EBRD promotes transition "through projects that expand and improve markets and help build the institutions that underpin the market economy". Additionality indicates that the Bank will not provide finance "when the applicant is able to obtain sufficient financing or facilities elsewhere on terms and conditions the Bank considers reasonable".

4. The vast majority of clients are sub-investment grade.

5. Albania, Algeria, Armenia, Australia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Benin, Canada, China, Côte d'Ivoire, Croatia, Cyprus, Czech Republic, Denmark, Egypt, Estonia, Finland, France, Georgia, Germany, Greece, Hungary, Iceland, India, Iraq, Ireland, Israel, Italy, Japan, Jordan, Kazakhstan, Republic of Korea, Kosovo*, Kyrgyz Republic, Latvia, Lebanon, Libya, Liechtenstein, Lithuania, Luxembourg, Malta, Mexico, Moldova, Mongolia, Montenegro, Morocco, Netherlands, New Zealand, North Macedonia, Norway, Poland, Portugal, Romania, Russian Federation, San Marino, Serbia, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, Tajikistan, Tunisia, Türkiye, Turkmenistan, Ukraine, United Arab Emirates, United Kingdom, United States, and Uzbekistan.

**This designation is without prejudice to positions on status and is in line with United Nations Security Council Resolution 1244/1999 and the Advisory Opinion of the International Court of Justice on Kosovo's declaration of independence.*

EBRD Project: LA Solar – Armenia

LA Solar is a solar panel manufacturer based in Armenia. The EBRD, under its GEFF programme and with donor support from the Climate Investment Funds (CIF) and the Green Climate Fund (GCF), helped the company expand its production, save energy and reduce CO_2 emissions.

Photo: © EBRD

As stipulated in the AEB, SCFs provide an institutional touchpoint for reviewing the Bank's capital stock and ensuring it remains adequate to deliver on the medium-term strategic direction. SCFs are operationalised through three-year rolling Strategy Implementation Plans (SIPs) which include a budget, more detailed operational plans and follow-up on delivery against strategic themes.

Country strategies form the centrepiece of EBRD's approach to delivering transition impact. Country strategies are informed by diagnostics that identify transition needs, including: (i) obstacles to private sector development; (ii) the political economy and institutional context for change; and (iii) EBRD's comparative advantage to address these challenges. Country strategy priorities guide business development through the identification of strategic priorities and objectives and of policy engagements.

All investments and other support are assessed for "strategic fit" with country strategies and for their potential to contribute to transition impact, reflected in the Expected Transition Impact (ETI) of operations. Corporate performance metrics target a baseline level of ETI for new operations and Portfolio Transition Impact (PTI) for existing operations across the portfolio. These key indicators are tracked in the Corporate Scorecard to help ensure investments contribute to transition in line with EBRD's mandate. Aggregate outcomes of EBRD's investments and policy engagements are reflected in Country Strategy Results Frameworks (CSRFs) with progress reported annually through Country Strategy Delivery Reviews (CSDRs).

Overall performance in implementing operations and delivering on ETI is reflected through a Composite Performance Assessment (CPA) for each transition quality. These CPAs are meant to provide a broad perspective on EBRD's progress in contributing to its six transition qualities across its Countries of Operation (CoOs).

Operations and instruments

EBRD operates in a variety of sectors and areas, including agribusiness, energy, equity and equity funds, financial institutions, legal reform, manufacturing and services, municipal infrastructure, natural resources, nuclear safety, property and tourism, telecommunications, media and technology, and transport.[6] It implements its operations through a decentralised model, including over 60 Resident Offices and Satellite Offices in its CoOs.

6. https://www.ebrd.com/what-we-do/sectors-and-topics.html (accessed 9 June 2023).

EBRD Project: Silpo Green Supermarket – Ukraine

The EBRD supported the expansion and stores renovation of the two key Ukrainian food retail chains of Fozzy Group, "Silpo" and "Fora", including investments into energy and resource efficiency enhancement, focused on the reduction of food waste and loss in the operations of the retailer.

Photo: © EBRD

EBRD offers its CoOs a range of products and services, including financial products, policy dialogue and advisory services. It customises its financial products to reflect the unique needs of each client, such as loans structured with a high degree of flexibility, equity investments and guarantees. EBRD also provides technical co-operation (TC), which can either be stand-alone or complement a transaction. EBRD's policy reform dialogue services bring together relevant stakeholders, including governments, business leaders and regional officials, to help shape policies and initiatives that create favourable economic conditions and improve lives.

ORGANISATIONAL TRANSFORMATION IN TURBULENT TIMES

This assessment covers 2016-23, a period during which EBRD has undergone an important institutional evolution.[7] This evolution has involved: (i) re-articulating the transition concept and strengthening the results architecture underlying EBRD's contribution to transition impact; (ii) redefining key concepts and product lines to reinforce delivery of its mandate; and (iii) enhancing the maturity of its processes and systems to support a growing portfolio while controlling costs. EBRD's evolution over the assessment period has been further shaped by important external events, including the COVID-19 pandemic and the ongoing war in Ukraine.

EBRD has adjusted its transition concept to reflect evolving needs and challenges. Supporting transition was initially conceptualised as facilitating transition towards a market economy following the fall of the Soviet Union. EBRD's contribution was framed broadly in terms of contributing to: (i) competitive market structures; (ii) institutions and policies that support markets; and (iii) market-based conduct, skills and innovation. By 2013, the initial momentum in delivering reforms stagnated, with economic reform and the strengthening of economic institutions proceeding more slowly. Transition was now deemed to require support for more complex institutional reforms to address emerging political, social and human capital constraints. Accordingly, EBRD adopted its six existing qualities of a modern, sustainable market economy: competitive, well-governed, green, inclusive, resilient and integrated.

Operationalising this updated transition concept required an overhaul of EBRD's strategic and results architecture from the top down. A detailed methodology was developed to assess the state of transition in EBRD's CoOs for each transition quality against benchmark economies (the Assessment of Transition Qualities). This analysis

7. Although the assessment period is 2016-23, this report considers relevant information and the context of the EBRD up to the time of writing (July 2024).

EBRD Project: New modern buses, for a new modern Tbilisi – Georgia

The EBRD and the Eastern Europe Energy Efficiency and Environment Partnership (E5P), have provided the financial means and know-how for the acquisition of 143 new compressed-natural-gas buses in Tbilisi.

Photo: © EBRD

identifies megatrends and yields diagnostics that inform the design of country strategies. EBRD's Transition Objective Measurement System (TOMS) ensures the strategic alignment of operations to the transition qualities during project design and approval. This system is supported by a standardised Compendium of Indicators (COI) and is complemented by the Transition Impact Monitoring System (TIMS) to follow up on transition impact during implementation.

At the start of the assessment period in 2016, EBRD embarked on a series of institution-wide reforms targeting enhanced organisational effectiveness. When EBRD was initially established in 1991, there was a prevailing belief that its role and mission would be completed in the medium-term, possibly closing after a decade of operations. No long-term growth and investment plan was identified to support the maturation of processes and systems as operations scaled up. Steady growth in Annual Bank Investment (ABI) gradually exposed important weaknesses. Recognising that the Bank's culture and processes were better suited to a smaller organisation, new reform initiatives sought to modernise the Bank's systems and enhance their fitness for purpose.

An ambitious change programme was rolled out amidst a controlled financial environment to refresh EBRD's institutional culture. These initiatives have sought to: (i) simplify and modernise EBRD's processes and IT architecture; (ii) promote organisational resilience; (iii) transform and modernise HR functions; and (iv) foster a culture of efficiency. This change process was implemented while maintaining a relatively flat administrative budget. New investments and staff costs were counterbalanced by identified efficiencies and reallocation of responsibilities to the extent possible.

Major change initiatives have included:

- The **Operational Effectiveness and Efficiency (OEE) initiative**, launched in 2016 to simplify and modernise the Bank's processes, enabling it to deliver its mandate more effectively. Over a 3-year period, 16 workstreams were implemented to: (i) enhance portfolio management and country strategy formulation; (ii) simplify approval processes; (iii) integrate and enhance the Bank's IT systems; and (iv) embed the revised transition concept.

- The **Multi-Year Investment Plan (MYIP),** which was introduced in 2020 to overcome a legacy of underinvestment in IT systems. This ongoing initiative has included: (i) the creation of a modern client services platform; (ii) updating outdated systems; (iii) integrating new modules to support key business functions; and (iv) future-proofing core functions.

- Implementation of the "**People Plan**", launched in 2018 to strengthen data-driven human resource management, enhance agility and foster a high-performance culture. This initiative included the establishment of an HR Data Analytics function, a Bank-wide skills audit, identification of leadership and behavioural competencies, and automation of HR functions and processes. It also sought to cultivate a healthy organisational culture, including strengthening support for diversity and inclusion and the launching an enhanced staff engagement survey.

Overall, these initiatives have enabled EBRD to become a leaner, more efficient and more productive organisation and have enhanced its positioning to respond to an increasingly complex operating environment. These change initiatives are thought to have contributed to ongoing savings and efficiencies of over EUR 50 million; however, these have not always been documented clearly over time. Whereas the Bank's portfolio and reflows grew by 23% and 22% respectively between 2018 and 2023, its administrative expenses grew by only 12% over the same timeframe. To further embrace forward-looking change, a Transformation Office was established in 2022 to oversee the MYIP and other change initiatives, support data-driven decision-making and foster a culture of efficiency and continuous improvement.

A growing investment portfolio amidst a resource-constrained environment has posed challenges for self-evaluation and learning. A series of decisions were made to rationalise self-evaluation and validation in light of mounting operational pressures. A later external review (the 2019 Kirk Report), highlighted limitations of this approach, including its inability to provide a robust perspective of the performance of operations. Furthermore, operational learning within the Bank was found to be limited. Since 2021, the Bank has been implementing a joint action plan between management and independent evaluation (IEvD) to strengthen self-evaluation, knowledge management and learning. The Bank has since overhauled its self-evaluation process, including the production of thematic insight and strategic foresight products – an example of good practice. EBRD piloted a new self-evaluation approach in 2024, and full implementation is now underway. However, progress in strengthening organisational learning has remained uneven over the past five years. Planned initiatives include a new platform for disseminating operational lessons and the incorporation of learning objectives into staff competencies.

EBRD's agile response to crises has been an important catalyst for change. EBRD was the first International Financial Institution (IFI) to approve a comprehensive response package to the COVID-19 pandemic. The Solidarity Package (SP) was approved on 13 March 2020, and expanded in April 2020, building on EBRD's existing products to

EBRD Project: Enguri Hydro Power Plant – Georgia

The EBRD is stepping up its support for Georgia's efforts to improve the country's energy security. The Bank is increasing a USD38.5 million loan for the rehabilitation and modernisation of Georgia's state-owned Enguri hydro power plant by USD million. Once completed, the overhaul of the facility will increase the output of the plant by at least 15%.

Photo: © EBRD

preserve transition and economic activity with a focus on existing clients. Agile ways of working were piloted, including streamlined and delegated approvals, a rapid advisory response framework and standardised approval measures for payment deferrals. As of June 2021, EBRD had approved EUR 12.3 billion in COVID-19 support across 491 projects.

As the pandemic was subsiding, EBRD had to quickly reposition its operations to address the war in Ukraine. EBRD was again the first IFI to launch a support package to address the regional implications of the war, with commitments increasing 50% over the years prior to the invasion. The Bank's response package included: the EUR 2 billion Resilience and Livelihoods Framework (RLF) offering immediate help to the people, companies and economy of Ukraine and other affected countries, contributing to over EUR 3 billion in investments between 2022 and 2023.

These crisis responses have highlighted risks for organisational resilience. Increased workloads among staff have revealed ongoing pain points for the documentation, clarity and integration of EBRD's processes. Overall, these demonstrate the need for continued investment in organisational maturity and effectiveness. For example, COVID-19 posed important IT-related challenges, including lack of preparedness for a remote work environment.

Furthermore, the war in Ukraine has contributed to a rapid expansion of the use of donor funds. This expansion has involved increasingly complex instruments, such as risk-sharing instruments and funded and unfunded guarantees. Mobilisation of donor funding has increased significantly over the assessment period, more than tripling since 2018. While this increase has enabled an expansion of operations in a high-risk environment, it has come with enhanced reporting requirements and placed strain on existing systems. Efforts are underway to strengthen, streamline and modernise donor systems, including enhanced capacity for digital reporting and the modernisation of data systems. More recently, the heightened risk associated with operations in Ukraine and EBRD's forward-looking role in supporting reconstruction led to the approval of a EUR 4 billion paid-in capital increase which will become effective in 2025.

This report takes stock of how EBRD has evolved over the assessment period, leading up to the capital increase decision at the end of 2023. It identifies EBRD's key strengths and accomplishments since 2016 as well as areas for further attention as it continues on its path of organisational transformation. The report concludes by identifying key considerations for EBRD's members and senior management in positioning the organisation to navigate future challenges and contribute to the broader G20 agenda for MDB Reform.

EBRD Project: Al Ghabawi Landfill, – Amman, Jordan

The Ghabawi solid waste landfill site that serves Amman, the capital of Jordan, and the nearby cities of Zarqa and Russeifa, was running out of space, with ever-increasing deliveries round the clock fast filling its last dug 120,000-square-metre cell, when EBRD made a €102 million loan to the Greater Amman Municipality to improve its infrastructure.

Photo: © EBRD

EBRD'S ORGANISATIONAL TRANSFORMATION: KEY ACHIEVEMENTS AND STRENGTHS

EBRD has strengthened delivery on its comparative advantage through integrated approaches to delivering policy dialogue and expansion of its geographic footprint. EBRD is uniquely positioned to deliver its mandate by promoting investment while working to remove policy, regulatory and institutional barriers. Policy dialogue and lending are increasingly integrated into country operations through the Enhanced Approach to Policy Dialogue and the recent introduction of Policy Compacts. EBRD's network of around 60 resident offices (ROs) and its field presence facilitate closer contact with clients to troubleshoot implementation challenges and support policy dialogue. Efforts are ongoing to ensure ROs are resourced with staff that have a deep understanding of the local context as well as economists and thematic experts.

Support for global issues and cross-cutting themes has been scaled up, with strong progress achieved in supporting gender equality, EoO and digital transition. Comprehensive staff guidance, processes and training underpinned by robust theories of change have been developed to support the mainstreaming of gender into operations. This has been facilitated by the launch of a Gender SMART tagging process in 2021. The share of gender-tagged operations is tracked through the Corporate Scorecard and has increased from 6.8% in 2017 to 44% in 2023. EBRD is also making progress in maturing its approach to supporting equality of opportunity, which addresses drivers of inequality across individuals, companies and markets. This includes a focus on building human capital, addressing regional disparities and responding to large-scale shocks such as COVID-19 and the war in Ukraine. EBRD has established a Digital Hub to advise and identify opportunities to support digital transition as an emerging theme.

EBRD is a leader in addressing climate change through its focus on GET. Currently, 75% of EBRD projects have been assessed as at least partially green, and EBRD has already met its ambitious goal set in the SCF 2021-25 to have a green finance ratio of greater than 50% by 2025.[8] Notable good practices include support for Monitoring, Reporting and Verification (MRV) towards reporting on ex-post reduction of greenhouse gas (GHG) emission. When fully implemented, this will be an example of good practice. EBRD also supports the development of Long-term Strategies

8. Green Economy Transition Approach 2021-2025 (GET 2.1); the green finance ratio is measured as green finance as a percentage of ABI.

EBRD Project: Neodenim – Morocco

Fast fashion has a major impact on the environment, so textile businesses are looking for ways to make the production of clothing greener.

Photo: © EBRD

(LTS) and implements a robust programme of policy dialogue and technical co-operation to support an enabling policy environment for climate action.

EBRD has a best-in-class framework for managing capital adequacy and ensuring financial sustainability. EBRD's Capital Adequacy Policy and Framework (CAP) have been reviewed and strengthened over time to ensure EBRD is appropriately capitalised to deliver on its strategic priorities. This includes a prudential buffer to absorb unexpected losses while meeting capital requirements for forward-looking lending. The CAP is supported by a robust Investment Profitability Model (IPM) that leverages historical data to consider the likely risk-adjusted return of potential investments and portfolio performance. Capital adequacy is reviewed regularly through the update of the SCF and annual three-year rolling SIPs, including robust stress-testing that reflects key drivers of financial impacts on the Bank, including potential debt, equity and treasury losses. The Bank aims to be sufficiently capitalised to withstand a "severe" (1 in 25 years) event while maintaining its triple-A rating.

Mobilisation of private capital has expanded significantly under the Mobilisation Approach. Introduced in 2021, the Mobilisation Approach sought to double Annual Mobilised Investment (AMI) by 2025 to EUR 2 billion per year, a target subsequently raised to at least EUR 2.5 billion per year, through expanding the use of existing products such as B loans, parallel loans and Unfunded Risk Participations (URPs) as well as scaling up new instruments. The Approach has contributed to growing EBRD's AMI by 165% and Private Indirect Mobilisation by 143%. URPs have played an essential role in this growth alongside Non-Payment Insurance (NPI). URPs have grown by a factor of 38 since being introduced in 2014 and have played a key role, as mobilisation through B loans has become more constrained.

EBRD has cultivated a robust operational risk management culture by addressing legacy challenges and enhancing the structure, governance and institutionalisation of this essential function. Strengthening operational risk management and embedding an organisational risk management culture has been a key aspect of enhancing EBRD's organisational resilience. This has included strengthening processes and structures, establishing a clearer division of labour across teams and enhancing oversight and documentation of risks and how they have been managed. EBRD also established a clear risk appetite statement and updated its Operational Risk Management Policy to enhance coverage of key risks. Internal audit has contributed to the Office of Risk Management's (ORM) efforts to

EBRD Project: Salkhit Windfarm – Mongolia

Since 2013, the Salkhit wind farm is connected to the grid and has started producing electricity. The EBRD was the first international investor to support Mongolia's first wind energy project with debt and equity financing of USD 47 million.

Photo: © EBRD

strengthen the risk management function, taking stock of progress achieved and identifying opportunities for further reinforcement. Overall, EBRD's experience is a potential good practice example for other organisations seeking to embed a stronger risk management culture.

EBRD has been agile in responding to crisis, including the COVID-19 pandemic, the war in Ukraine and the catastrophic earthquakes in Türkiye. EBRD was the first DFI to approve a response package for the COVID-19 pandemic. The Solidarity Package (SP) was approved on 13 March 2020, and further expanded in April 2020. New agile ways of working were introduced, including streamlined approval processes and delegated approval up to EUR 25 million. The Rapid Advisory Support initiative was a key innovation that enabled EBRD to provide targeted support to its clients in addressing financial and non-financial impacts of the pandemic. Following devastating earthquakes in Türkiye in 2023, EBRD drew up a multi-pronged response plan to provide Türkiye with emergency and reconstruction financing of EUR 1.5 billion over two years, including a disaster response framework that dedicated EUR 600 million in credit lines through partner banks.

Building on lessons learned from the SP, EBRD again responded quickly to the war in Ukraine in February 2022 to address the regional impacts of the crisis. In doing so, it increased its support to the country by over 50% between 2022 and 2023. Its Resilience and Livelihoods Framework (RLF) has targeted energy resilience, food security and the pharmaceuticals supply chain, preserving livelihoods and providing rapid advisory and policy support to governments. EBRD's experience engaging in crises provides a foundation for shaping an institutional approach to engaging in fragile contexts going forward; however, EBRD currently lacks an institutional policy or approach to engaging in fragile situations – which is likely to become increasingly relevant as it expands to new markets.

DELIVERING TRANSITION IMPACT IN A COMPLEX OPERATING CONTEXT: AREAS FOR FURTHER ATTENTION

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 CoOs. However, 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 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.[9]

Strategic planning, budgeting and delivery management can be further strengthened and integrated to deliver on priorities and promote organisational resilience. EBRD's budget has primarily been driven by organisational activities and business units rather than thematic priorities. While this approach has been useful for controlling growth of administrative expenditure amidst organisational transformation, it has limited opportunities for results-based budgeting. EBRD continues to refine its budgeting process and has expressed openness to move towards budgeting by thematic priorities in future.

Limited growth amidst an expanding portfolio may pose challenges for sustainable delivery. EBRD's budget has increased by an average annual growth rate of 4% from 2017 to 2023. Actual expenses from 2016 to 2021 have increased on average by 3%. In real terms, the growth of EBRD's administrative budget and expenses have been tightly controlled, remaining in line with or below inflation. Pressure on organisational resilience has materialised where:

9. As per its mandate, EBRD seeks to contribute to "transition" as part of its core mandate rather than contribution to the SDGs.

EBRD Project: Termopan Glass Manufacturer – Kosovo

Termopan is a small glass company in Kosovo that produces all imaginable kinds of glass: from decorative panels to doors or windows.

The EBRD, with support from the European Union, helped Termopan to invest in modernising its equipment and operations, resulting in further business growth.

Photo: © EBRD

(i) new strategies have been unfunded; (ii) country office budgets have not been aligned to increased delivery; and (iii) delivery commitments for different functions and teams have not been accompanied by commensurate increases in budget. While this situation has not led to a failure to deliver on strategic priorities, it has contributed to rising workloads among staff and challenges for operational sustainability when responding to crises.

There is a growing need to define clearer assumptions for resourcing country-level activities as EBRD expands its geographic footprint. Despite the fact that its business model is built around a high degree of decentralisation and local presence, EBRD currently lacks a clear set of principles for decentralisation. These would be important to help adjudicate resources requests across ROs and adjust assumptions in light of evolving needs and risks. This gap poses a particular risk in the context of sub-Saharan Africa and Iraq; comparator organisations such as IFC have found that generating a bankable pipeline requires heavy investment in staff presence, upstream work and enhanced due diligence. Furthermore, establishing a bankable pipeline and approved investments takes time and can be uncertain.

EBRD can better position its "client-facing knowledge" as a strategic asset for engaging in challenging markets and accelerating transition impact. EBRD's TC and advice play an important role in supporting investment and transition impact in CoOs. These activities will be central to enabling investment and pipeline development in challenging contexts. EBRD currently implements numerous client-facing knowledge initiatives, including through TC; however, the implementation of these activities is decentralised without an overall institutional strategy. The governance of TC and advice remains largely steered by donor funds processes. A new TC Prioritisation Process was introduced in 2024, guided by Policy Compacts, to help ensure TC is selective, supports an enabling investment environment and is aligned to operational priorities. Progress will be assessed annually, but these updates will remain internal management documents.[10] 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.[11]

10. This means that these documents will not be publicly available nor circulated to the Board of Directors.

11. The assessment did not conclude that EBRD's existing client-facing knowledge is not considered by its clients to be relevant, timely or useful. Rather, EBRD lacks the systems to assess these issues and manage client-facing knowledge work in line with the practices of other organisations.

EBRD has faced challenges in compiling a representative, validated picture of the performance of its operations. EBRD is now implementing a new approach to self-evaluation, including systematic Summary Project Assessments (SPAs) complemented by impact and thematic assessments and strategic foresight to support learning. Going forward, it will be important to ensure that this new system reflects good practice, including the Evaluation Cooperation Group (ECG) Good Practice Standards. This would include providing a robust picture of the performance of operations across the institution and identifying accountabilities for uptake of lessons. Fundamentally, this system will require appropriate investment to ensure it is positioned to provide a robust, validated and comprehensive perspective on the performance of operations as a foundation for both accountability and learning.

Lack of a regular client survey is a missed opportunity to better understand client needs and preferences in an increasingly complex operating context. The previous client survey was implemented in 2014 prior to important changes in EBRD's operational approach, including the Enhanced Approach to Policy Engagement. Furthermore, since that time, EBRD is applying a broader array of instruments, and there would be merit in better understanding how these are addressing the needs of clients. Although EBRD maintains a very high rate of repeat clients, implying some level of satisfaction, client surveys are increasingly used by other institutions as tools to learn lessons and better anticipate changes in client needs. Implementing a client survey would be a means of better understanding how policy dialogue, technical co-operation and other client-facing knowledge are appreciated and used by partners, accounting for longer-term use beyond the delivery of outputs and providing insights into how technical co-operation contributes to downstream investment.

EBRD has a robust approach to managing E&S risks systematically in line with good practice; however, there are opportunities to enhance performance reporting and address emerging risks. EBRD's new Environmental and

EBRD Project: Mobilier Furniture – Moldova

Mobilier is a Moldovan family-owned furniture maker. Started in the early 2000's it started off with just 5 employees, but the company's management always thought big. They had to purchase modern equipment and invest in machinery.

Mobilier received funds from a joint credit line programme of the EBRD and the European Union (EU). One year after the investment, the market share and sales of the company had increased by 20 per cent.

Photo: © WFP/Ali Jadallah

Social Policy, currently under consultation, reflects good practice in strengthening the prevention, management and response of risks related to gender-based violence and harassment (GBVH), child protection, just transition and supply chain risks. A planned digitalisation initiative will be essential to ensure that robust data are available to support compliance monitoring and periodic external reviews to assess performance and learn lessons. EBRD can benefit from the experience of comparators who compile comprehensive data to report annually on their E&S monitoring and performance. These organisations use retrospective analyses and external reviews to respond to emerging risks. Identifying standalone action plans can also help enhance accountability for ensuring that the appropriate skills, resources and functions are in place to respond to emerging risks such as GBVH.

CONSIDERATIONS FOR EBRD'S FUTURE TRAJECTORY

There are opportunities for EBRD to further capitalise on the gains it has achieved over the assessment period as it faces a range of new challenges. Going forward, EBRD faces a range of new challenges in an uncertain operating environment. There remains no end in sight to the conflict in Ukraine, and geographic expansion into new operating environments is likely to come with new and more varied operational risks. EBRD has made important progress towards G20 MDB Reform, and its experience provides lessons for other institutions, yet its transformation to fully operationalise the vision of the G20's recommendations remains ongoing.

MOPAN identifies the following considerations for strengthening EBRD's operational delivery and its contribution to impact in an increasingly uncertain environment:

- Identify and track clear targets for the efficiency of key institutional processes, consolidating progress achieved in strengthening its systems and processes and contributing to broader MDB reform.

- Elaborate clear assumptions and principles for resourcing country operations in the context of geographic expansion, taking stock on an ongoing basis to calibrate resources in light of potentially higher operating risks and challenges.

- Build on good practices to develop an institutional approach for operating in fragile and conflict settings. The nature of EBRD's operating environment has changed, requiring a more deliberate approach to engaging in these contexts.

- Implement an appropriate client feedback mechanism, not only to understand client satisfaction, but to examine ongoing alignment to clients' needs and how they use an increasingly diverse range of financial instruments and technical co-operation to address them.

- As the scale of donor engagement and use of trust funds increase, identify possible approaches to streamline governance structures and reporting requirements in line with emerging practices for strengthening trust fund management.

- Strengthen institutional reporting on E&S performance to demonstrate compliance on an ongoing basis and conduct analyses as new issues arise. As EBRD seeks to implement its new ESP and engage in sub-Saharan Africa and Iraq, a robust central data source can help examine how emerging risks were identified in previous operations to learn lessons. Consider adopting standalone strategies for emerging challenges to enhance institutional accountability and ensure that the required skills, training and resources are in place.

- Enhance monitoring and reporting of transition impact at the country level by enhancing the outcome orientation of the EBRD's results architecture and country strategies. This could include introducing a more fulsome mid-term and/or end-term self-evaluation assessment of contribution transition impacts in line with good practices among other MDBs.

- Identify an institutional approach for delivering client-facing knowledge to drive transition impact. This would include a more comprehensive approach to integrating TC and advice into country strategies and operations as well as a governance framework that emphasises strategic alignment and impact. Particular attention is needed to promote stronger, fit-for-purpose results measurement systems for external-facing knowledge activities.

- Ensure that the future self-evaluation, learning and knowledge management functions balance accountability and learning. The new system should provide a representative, validated picture of performance across EBRD's portfolio.

- Beyond enhancing the supply and dissemination of lessons, cultivate stronger accountabilities for learning through competencies, performance evaluation and governance.

BOX 2. **EBRD'S main strengths and areas of opportunuty**

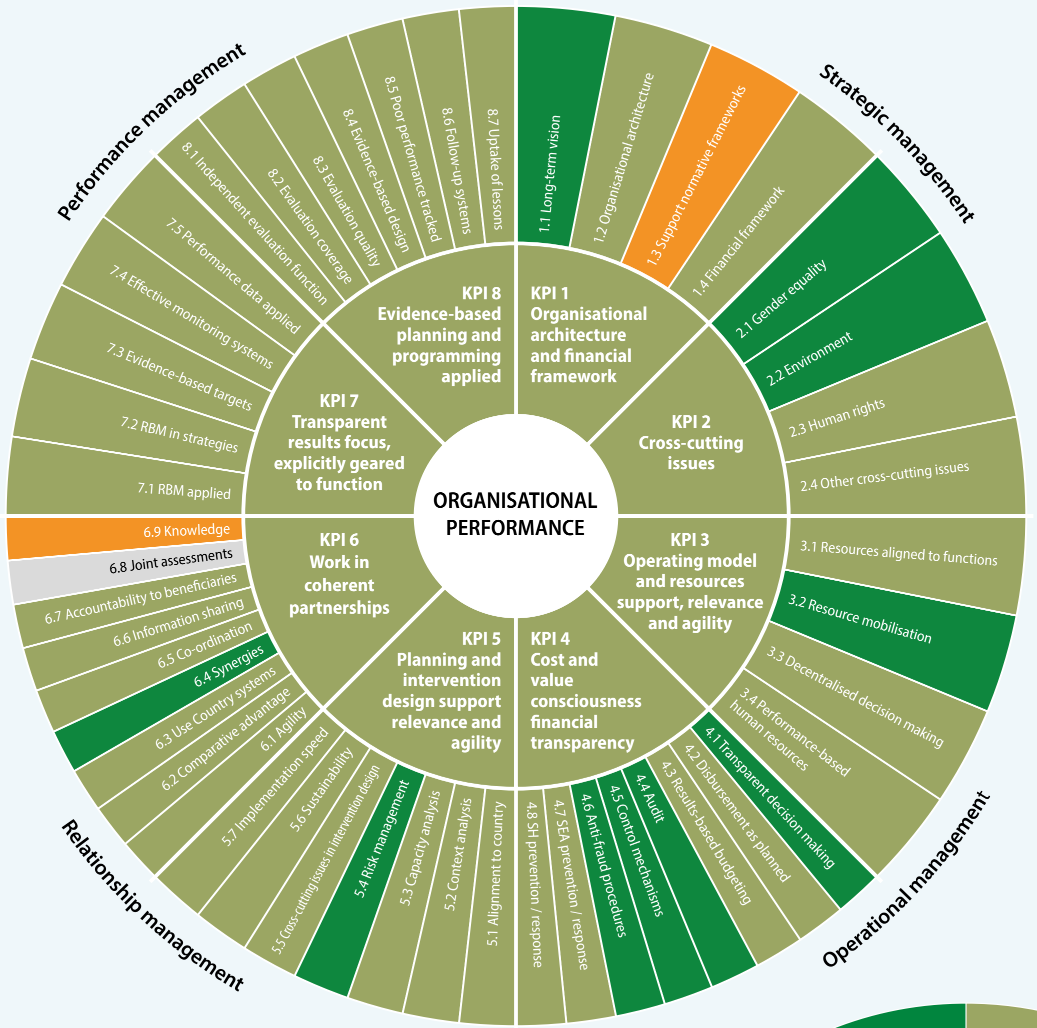
Main strengths

- Enhanced business model and comparative advantage through decentralisation and enhanced support to policy dialogue.
- Support for global issues and cross-cutting themes has been scaled-up, with strong progress in delivering support for gender equality and Green Economy Transition.
- Best-in-class framework for managing capital adequacy and ensuring medium-term financial sustainability.
- Strong expansion of Annual Mobilised Investment under the Mobilisation Approach, including through innovative new instruments and relationships.
- A robust operational risk management culture supporting enhanced compliance with the Operational Risk Framework.
- Agile response to crises, including COVID-19 and the war in Ukraine, with the institution drawing lessons to carry forward to a new approach to engaging in fragile contexts.

Areas of opportunity

- Enhancing the strategy and results architecture to better demonstrate EBRD's contribution to transition impacts in countries and delivering results towards the SDGs.
- Enhancing integration across strategic planning, budgeting and delivery management to support sustainable delivery.
- Better positioning client-facing knowledge and advice as a strategic asset for engaging in challenging markets and accelerating transition impact.
- Strengthening self-evaluation to provide a clearer picture of performance across the institution, balancing accountability and learning.
- Identifying systematic client feedback mechanisms to understand client needs and use of EBRD's expanding range of instruments as well as knowledge.
- Strengthening reporting on environmental and social performance and positioning to respond to emerging challenges.

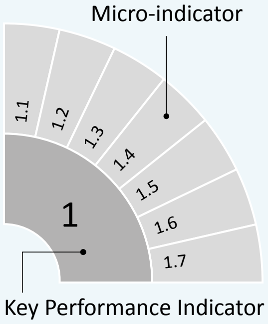
FIGURE 2: **EBRD'S PERFORMANCE RATING SUMMARY**



Disclaimer:
Each organisation MOPAN assesses has a unique mandate, business model and operating environment. The context of multilateral development and co-operation is dynamic, with expectations and good practices changing over time.

The MOPAN framework reflects this unique context and evolution across different types of multilateral organisations. As such, comparison across assessments is strongly discouraged. More information on the rationale underlying MOPAN's assessment ratings can be found in Chapter 4 of this report and the online technical annexes.

How to read these charts



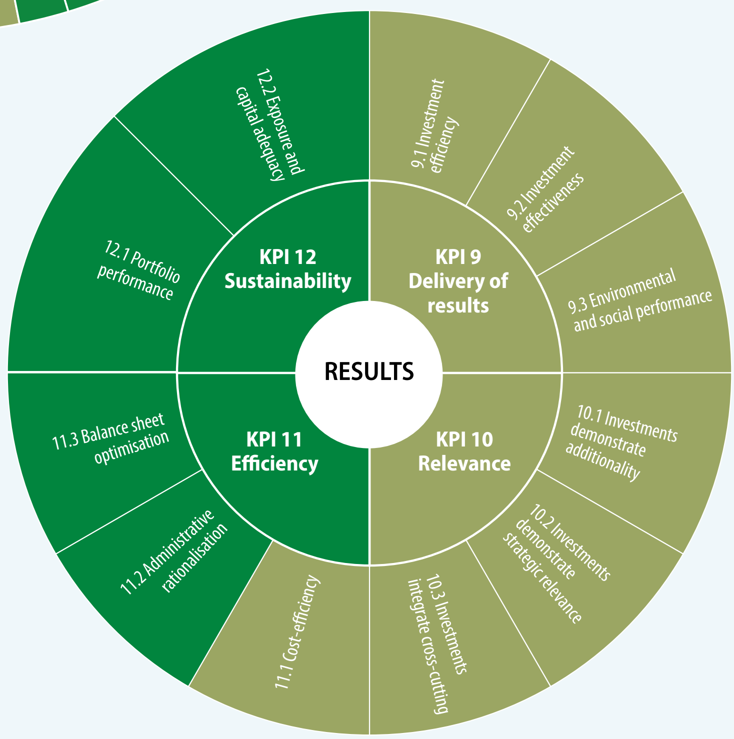
Highly satisfactory (3.51-4.00)

Satisfactory (2.51-3.50)

Unsatisfactory (1.51-2.50)

Highly unsatisfactory (0-1.50)

No evidence / Not applicable



ABOUT THE ASSESSMENT OF EBRD

This report provides a diagnostic assessment and snapshot of the European Bank for Reconstruction and Development (EBRD) and tells the story of its performance within its mandate. It is the first MOPAN assessment conducted for EBRD. It covers the period from 2016 through 2023. As relevant, information has also been included covering relevant activities in 2024.

The assessment was conducted through an extensive process and took a collaborative approach by integrating the perspectives of a range of stakeholders. This approach provides multilateral organisations and network members with a robust source of evidence-based guidance on the areas for improvement to achieve enhanced organisational performance.

The assessment draws on multiple lines of evidence (documentary and interviews) from sources within and outside the organisation to validate and triangulate findings across 12 key performance indicators (KPIs) that are broken down into 58 indicators and 243 elements. The standard assessment framework has been developed based on international best practice and further customised for private sector-oriented development institutions, taking into account the specific mandate and priorities of EBRD. Moreover, the assessment framework has also been revisited to gauge the extent to which EBRD has been able to adapt and leverage its internal processes responding to COVID-19 and the war in Ukraine in an agile manner.

THE ASSESSMENT APPROACH

The assessment consisted of four phases: inception, evidence collection, analysis and reporting. Prior to the inception phase, EBRD worked alongside MOPAN and the International Finance Corporation on adapting the framework to the context of private sector-oriented institutions and the specificities of the EBRD. This was conducted from July 2021 to January 2023.

The inception phase of this assessment started in May 2023 and was finalised in September 2023. Evidence collection was conducted from September 2023 to January 2024, including a document review and interviews conducted at headquarters, with country office staff and partners. The analysis phase, conducted from January 2024 to May 2024, consisted of the triangulation of the evidence collected in the evidence collection phase and documentation of this evidence. Reporting took place between May and June 2024. The report was finalised in July 2024.

ABOUT MOPAN

The Multilateral Organisation Performance Assessment Network (MOPAN) comprises 22 members and observers[12] that share a common interest in assessing the performance of the major multilateral organisations they fund. Through its assessments and analytical work, MOPAN provides comprehensive, independent and credible information on the effectiveness of multilateral organisations. This knowledge base contributes to organisational learning within and among the multilateral organisations, their direct beneficiaries and partners, and other stakeholders. MOPAN's work also helps its network members meet their own accountability needs and inform their policies and strategic decision-making about the wider multilateral system.

For more information:

12. Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Qatar, Spain, Sweden, Switzerland, United Kingdom and United States. New Zealand and Türkiye are observers.