MOPAN ASSESSMENT REPORT

European Bank for Reconstruction and Development (EBRD)

MOPAN

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Multilateral Organisation Performance Assessment Network

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ABOUT MOPAN

The Multilateral Organisation Performance Assessment Network (MOPAN) comprises 22 members and observers* that promote an effective multilateral system, trusted to deliver solutions to evolving global goals and local challenges.

MOPAN is a network of members who assess multilateral organisations, shape performance standards, and champion learning and insights to strengthen development and humanitarian results and promote accountability. Capitalising on the Network's unique cross-multilateral system perspective and expertise, MOPAN members work together to deliver relevant, impartial, high-quality and timely performance information as a public good through an inclusive and transparent approach.

MOPAN's performance information mitigates risks, informs decision-making and supports change, helping to increase knowledge and trust among all stakeholders and ultimately to achieve a stronger and better-performing multilateral system.

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ABBREVIATIONS AND ACRONYMS

ABI	Annual Bank Investment
AEB	Agreement Establishing the Bank
AMI	Annual Mobilised Investment
ATQ	Assessment of Transition Qualities
CoO	Country of Operation
CS	Country Strategy
CSRF	Country Strategy Results Framework
CSDR	Country Strategy Delivery Review
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
ECG GPS	Evaluation Cooperation Group Good Practice Standards
EIS	Economic Inclusion Strategy
EoO	Equality of Opportunity
EOS	Equality of Opportunity Strategy
ETC	Early Transition Country
ETI	Estimated Transition Impact
EU	European Union
FI	Financial Intermediary
G&EI	Gender and Economic Inclusion
GBVH	Gender-Based Violence and Harassment
GEC	Grant Equivalent Calculator
GET	Green Economic Transition
IATI	International Aid Transparency Initiative
IEvD	Independent Evaluation Department
IPAM	Independent Project Accountability Mechanism
IT MYIP	Information Technology Multi-Year Investment Programme
KPI	Key Performance Indicator
MDB	Multilateral Development Bank
MI	Micro-indicator
MOPAN	Multilateral Organisation Performance Assessment Network
MoU	Memorandum of Understanding
OCCO	Office of the Chief Compliance Officer
OE&E	Operational Effectiveness and Efficiency
OPA	Operation Performance Assessment
PTI	Portfolio Transition Impact
QPR	Quarterly Performance Report
RACI	Responsible, Accountable, Consulted, Informed
RBM	Results-Based Management
RO	Resident Office
SCF	Strategic and Capital Framework
SDG	Sustainable Development Goal
SIP	Strategy Implementation Plan
SME	Small- and Medium-sized Enterprise
SPA	Summary Project Assessment
TA	Technical Assistance
TI	Transition Impact
TIMS	Transition Impact Monitoring System
ToC	Theory of Change
TOMS	Transition Objectives Measurement System
TQ	Transition Quality

EBRD project: Interglass Glass Manufacturers – Kyrgyz Republic

Wladimir Steinert's glass company in Tokmok, near Bishkek needed to modernise the once-abandoned factory. Thanks to EBRD loans and the support of donors to the Early Transition Countries Fund, it was important not just for the 1,500 people it employs locally but also for the country's economy.

Photo: © EBRD

PREFACE TO THE REPORT

INTRODUCING MOPAN

The Multilateral Organisation Performance Assessment Network (MOPAN) comprises 22 members and observers* that share a common interest in assessing the performance of the major multilateral organisations they fund, in light of their mandate, operating model and the contexts in which they work. A MOPAN assessment report seeks to provide a diagnostic assessment, or snapshot, of an organisation and tell the story of an organisation's current performance, within its mandate.

MOPAN's mission and vision are described in Box 1 below.

Box 1. MOPAN's mission and vision

MOPAN is a network of members who assess multilateral organisations, shape performance standards, and champion learning and insights to strengthen development and humanitarian results and promote accountability.

Capitalising on the Network's unique cross-multilateral system perspective and expertise, MOPAN members work together to deliver relevant, impartial, high-quality and timely performance information as a public good through an inclusive and transparent approach.

MOPAN's performance information mitigates risks, informs decision-making and supports change, helping to increase knowledge and trust among all stakeholders and ultimately to achieve a stronger and better-performing multilateral system.

MOPAN's shared vision is to promote an effective multilateral system, trusted to deliver solutions to evolving global goals and local challenges.

MOPAN's assessments provide a comprehensive overview of organisational effectiveness, including how an organisation is positioned to address its current and future challenges. These assessments support MOPAN members in their governance and decision-making for the multilateral organisations they fund. They also support the leadership of multilateral organisations in implementing reforms that reflect multilateral good practices.

MOPAN also produces a range of analytical insights into the multilateral system. MOPAN's full range of performance evidence and analysis can be found at www.mopanonline.org.

ASSESSMENT PROCESS AND STRUCTURE OF THE REPORT

MOPAN assessments are conducted through a rigorous and collaborative process to ensure that the findings are based on a strong evidence base and resonate with an organisation and among its stakeholders. It draws on multiple lines of evidence (documentary, survey and interviews)[1] from sources within and outside an organisation. These evidence sources are triangulated to identify findings and ratings against MOPAN's indicator framework, developed by MOPAN's members, based on international best practice. This framework applies MOPAN's framework for private

1. For this assessment, a partner survey was not conducted, to enable a broader scope of interviews.

sector operations. Additional information about the process is provided in Chapter 4 of this report and in MOPAN's methodology manual.

This assessment report includes five sections:

- *Performance at a glance*, which provides an overall summary of the assessment
- *Chapter 1: Introducing EBRD,* which provides key information about the EBRD, including its mandate, governance structure, business model and operations
- *Chapter 2: Assessment conclusions and future trajectory*, which lays out the overall conclusions of the assessment and identifies considerations for the organisation and its governing body
- *Chapter 3: Assessment findings*, which describes the findings of the assessment against MOPAN's framework and key performance indicators
- *Chapter 4: About this assessment,* which provides additional information about the methodology and approach, including timelines for implementation and key activities.

The report is complemented by a set of technical annexes available online. Annex A describes the underlying analysis feeding into the assessment ratings. Annex B provides the overall list of documents used.

HISTORY OF MOPAN ASSESSMENTS FOR EBRD

This is the first MOPAN assessment of the EBRD.

EBRD Project: Armenia – LA Solar

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

EBRD

PERFORMANCE AT A GLANCE

EBRD: PERFORMANCE AT A GLANCE

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 below:[1]

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 Soviet Union in a way that complements the activities of other partners and contributes to multilateral development effectiveness.[2]

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.

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".

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

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 and Equality of Opportunity, which includes gender equality.

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.

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.*

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.

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

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

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).

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 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 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.

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

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 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

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

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 to 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'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 as well as 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 Green Economy Transition (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 (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.

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 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 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.

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

'New modern buses, for new modern Tbilisi'

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

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.

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

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: (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]

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

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.

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 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

Going forward, EBRD faces a range of new challenges in an uncertain operating environment.

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. 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.

Box 2. Main strengths and areas of opportunity

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.

- 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. This is also an opportunity to reflect more systematically on outcomes for cross-cutting issues, addressing a persistent gap in MDBs' results systems.

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

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

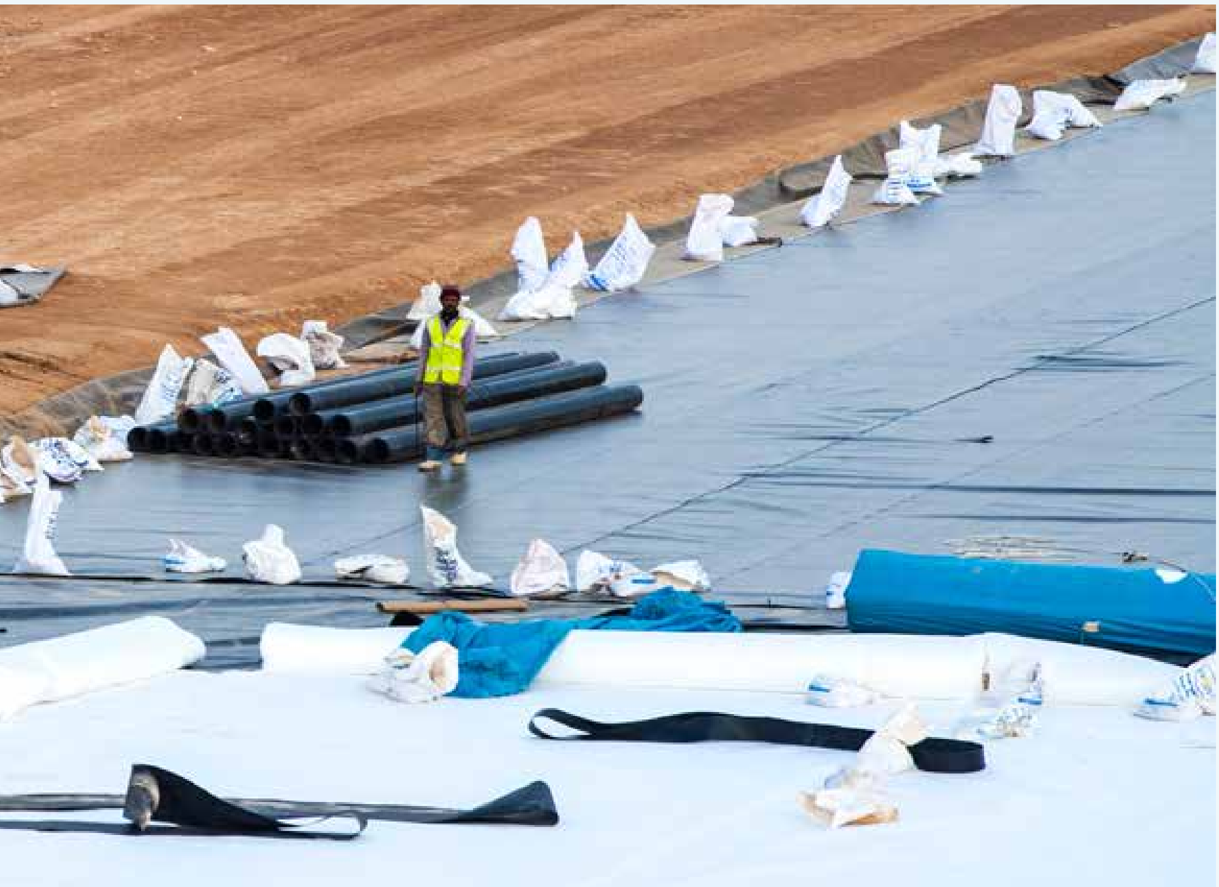
The assessment consisted of four phases: inception, evidence collection, analysis and reporting. Prior to the inception phase, EBRD worked alongside MOPAN and the International Finance Corporation on adapting the framework to the context of private sector-oriented institutions and the specificities of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

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.

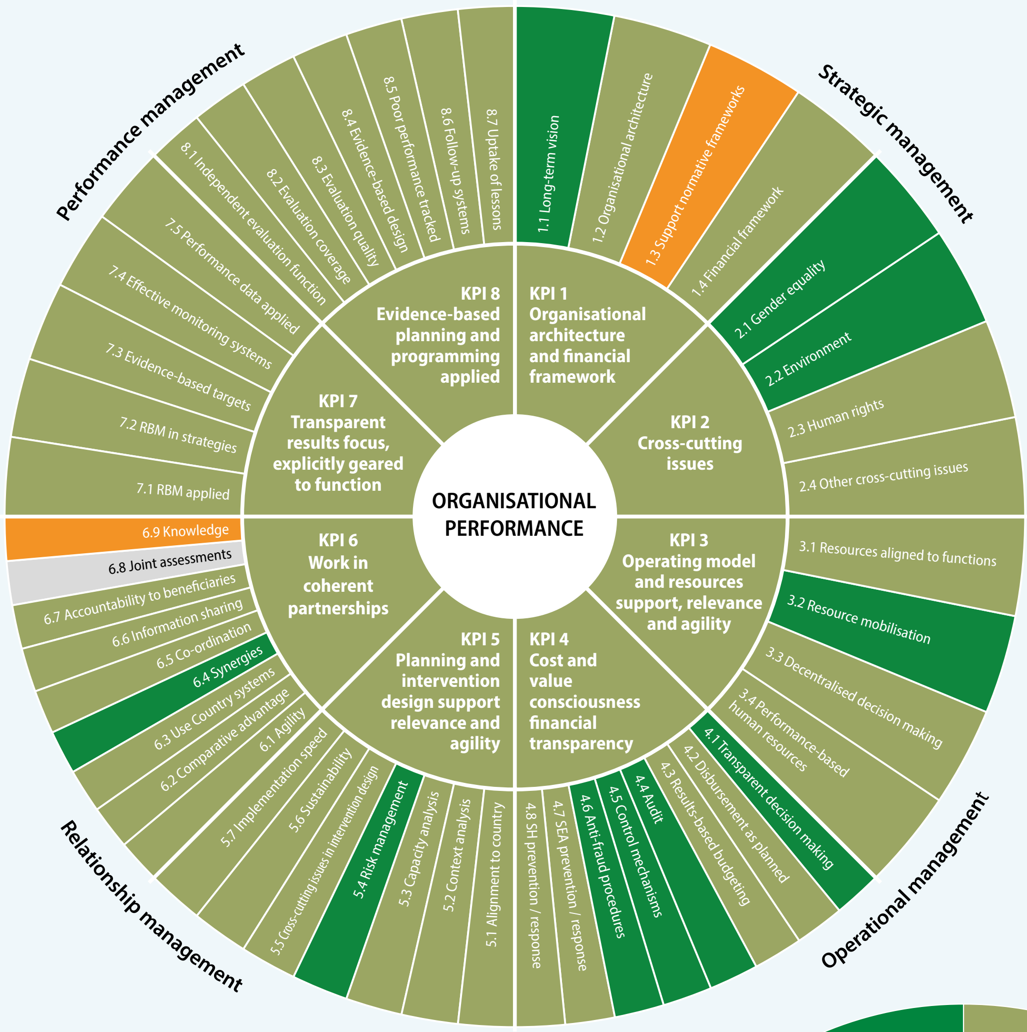


Al Ghabawi Landfill, Amman, Jordan

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

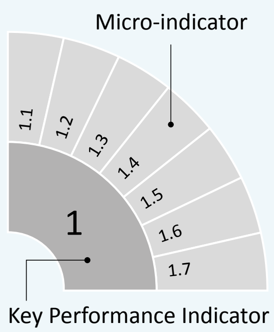
FIGURE 2: **EBRD'S PERFORMANCE RATING SUMMARY**



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



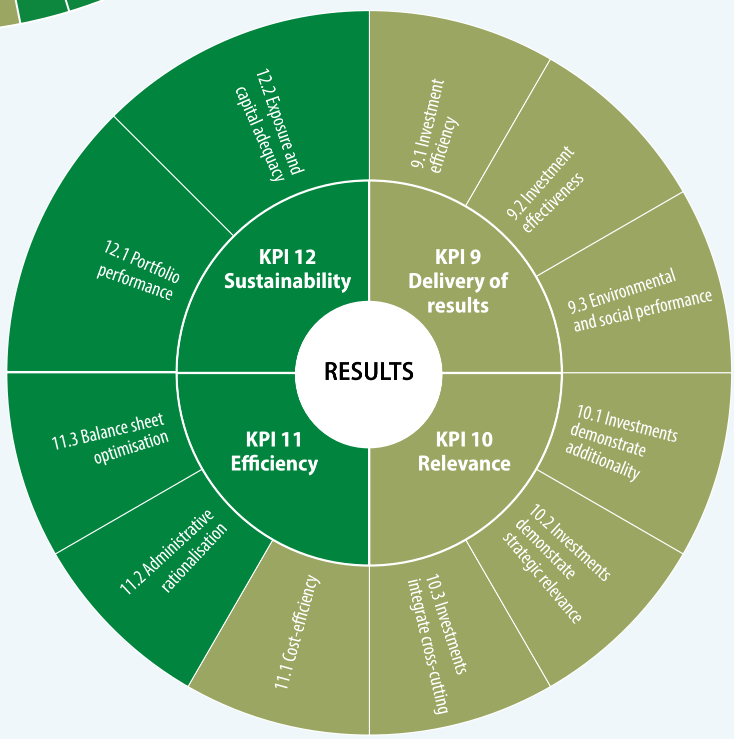
Highly satisfactory (3.51-4.00)

Satisfactory (2.51-3.50)

Unsatisfactory (1.51-2.50)

Highly unsatisfactory (0-1.50)

No evidence / Not applicable



EBRD project: Bite – Lithuania/Latvia

With an investment in Lithuanian mobile phone provider Bite, the EBRD helped the company revitalise its activities in neighbouring Latvia in 2009. Bite entered the Latvian market, dominated by two strong competitors, as a third big actor, with the explicit aim to increase competition. Photo: © EBRD

CHAPTER I

INTRODUCING EBRD

INTRODUCING EBRD

Mission and mandate

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 pursues transition impact as required by its mandate while adhering to the principles of sound banking, additionality, and environmentally sound and sustainable development as set out in the Agreement Establishing the Bank (AEB) (EBRD, 2013).[1] The AEB also requires that "not more than 40% of the amount 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).

EBRD's transition concept and how it is operationalised have evolved over the assessment timeframe (2016-23). Since 2017, the EBRD's operations and impact have been conceptualised as progress towards six qualities of transition, which are deemed to characterise a sustainable well-functioning market economy – competitive, well-governed, green, inclusive, resilient and integrated. These transition qualities underpin the EBRD's corporate results architecture and are described further in Figure 3.

The EBRD uses a five-year strategic planning document – the Strategic and Capital Framework (SCF) –to: (i) set high-level strategic directions through medium-term priorities; (ii) review their capital capacity to deliver these priorities; and (iii) set a control framework for implementation (EBRD, 2015). The priorities under SCF 2021-2025 were heavily influenced by the COVID-19 crisis, with EBRD initially focusing its financial strength on preserving transition gains in the face of the crisis. These activities were followed by a recovery phase involving support for an acceleration of transition, which has remained relevant even as circumstances evolved (EBRD, 2020a). All activities during the 2021-25 SCF period have focused on enabling countries of operations (CoOs) to build a more resilient and sustainable future.

FIGURE 3. **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".

1. 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 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".

Under the SCF 2021-2025, EBRD identified three strategic directions:

- **Sectoral directions for crisis response and recovery in key sectors (financial institutions, industry, commerce and agribusiness, and sustainable infrastructure):** This included a comprehensive approach to local currency lending and local capital market development, a broad and flexible suite of SME financing and advice and sub-sovereign lending. EBRD also committed to innovating by adopting new and different approaches to delivering transition.

- **Cross-cutting themes:** These included Green Economy Transition (GET), Equality of Opportunity (EoO) and Accelerating Digital Transition.

- **Economic governance:** The quality of governance was seen as a key determinant of economic performance between and within countries, and it became more critical given the increased level of state involvement in the economy to respond to the COVID-19 crisis.

EBRD operationalised these priorities over the medium term through three-year rolling Strategy Implementation Plans (SIPs). Each SIP sets the context for the annual budget proposal and Corporate Scorecard targets. The Corporate Scorecard is a vehicle for setting and measuring the EBRD's annual objectives and impact, as agreed with its shareholders. It sets key parameters for managing the process towards achieving and balancing the Bank's dual goals of delivering transition impact and being financially sustainable at the portfolio level. Scorecard objectives are set annually to ensure a balanced set of incentives are in place to achieve the goals set out in the SCF.

Governance arrangements

The EBRD, as of 31 May 2024, is owned by 75 shareholders – 73 countries,[2] the European Union (EU), and the European Investment Bank (EIB). Representatives from these shareholders comprise the Board of Governors. The Board of Governors delegates its powers related to the direction of operations to a Board of Directors, elected by the Governors for a term of three years with the potential for re-election. There are 23 Directors and Alternates. The President of the EBRD is elected every four years and is the Chair and a non-voting member of the Board as well as Chief of Staff. The Board of Directors has established three Board committees to assist with its work: the Audit and Risk Committee, the Budget and Administrative Affairs Committee, and the Financial Operations Policies Committee.

Organisational structure

EBRD is organised into five units: Client Services, Finance, Risk, Transformation and Central Services (Figure 4).

EBRD operates from its HQ in London, and it has a network of around 60 resident offices (ROs) and satellite offices across three continents that are grouped under five regions: Central Europe and the Baltic states, South-Eastern Europe, Eastern Europe and the Caucasus, Central Asia, and Southern and Eastern Mediterranean. There are multiple offices in some CoOs, such as Egypt, Kazakhstan, Tunisia and Türkiye. These offices are complemented by an official presence in Japan, as well as in Belgium for liaison with the EU.

2. 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.*

FIGURE 4: **EBRD ORGANIGRAM (APRIL 2024)**

Executive Committee

Board of Governors

Board of Directors

Independent Project Accountability Mechanism
Victoria Márquez-Mees
Chief Accountability Officer

Evaluation Department
Veronique Salze-Lozac'h
Chief Evaluator

President
Odile Renaud-Basso
President

Human resources and organisational design
Hannah Meadley-Roberts*
Managing Director

Office of the Chief Compliance Officer**
Jelena Madir
Chief Compliance Officer

Client Services

Jürgen Rigterink
First Vice President, Head of Client Services Group

Banking

Financial institutions

Sustainable infrastructure group

SME finance and development

Equity

Opscom and SBIC

Policy and partnerships

Mark Bowman
Vice President, Policy and Partnerships

Climate Strategy and Delivery

Policy Strategy and Delivery

Impact and partnerships

Matteo Patrone
Vice President, Banking

Central and South-eastern Europe (including Greece)

Southern and eastern Mediterranean

Eastern Europe and the Caucasus

Central Asia

Türkiye

Portfolio and Russia

Jean-Marc Peterschmitt
Chief Operating Officer
Client Services Group
Managing Director

Industry, commerce and agribusiness

Finance

Burkhard Kübel-Sorger
Vice President,
Chief Financial Officer

Finance – Strategy, Planning and Control

Debt Mobilisation

Debt Operations and Service Management

Treasury

Notes: The Portfolio and Russia division is now called the Banking Portfolio. The Risk and Compliance Unit is now called Risk.

Source: https://www.ebrd.com/who-we-are/ebrd-organisation-chart.pdf.

European Bank
for Reconstruction and Development

Risk and Compliance

David Coleman
Vice President Risk,
Chief Compliance and Risk Officer

Risk management
Environment and sustainability
Procurement
Security

*observer status

**OCCO reports functionally to the President and administratively to the VP Risk and Compliance, except in matters related to the Project Complaint Mechanism, where all reporting is to the President.

Transformation

Dina Matta
Vice President,
Chief Transformation Officer

Information technology
Administrative services
Data and transformation

Central Services

Office of the General Counsel
Michael Strauss
General Counsel

Office of the Secretary General
Kazuhiko Koguchi
Secretary General

Office of the Chief Economist
Beata Javorcik
Chief Economist

Communications
Richard Porter*
Managing Director

Corporate Strategy
Carlos San Basilo
Managing Director

Internal Audit
Office of the President

Business model

The EBRD's business model reflects the following underlying principles:

- 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;
- strict discipline when blending concessional finance, used to help impactful investments overcome bankability constraints and enhance the TI of projects, thereby ensuring that EBRD creates new markets, supports the development of financial and capital markets and does not undermine them;
- significant risk-taking against EBRD's balance sheet (the vast majority of clients are sub-investment grade) while maintaining a triple-A rating, without requiring blanket guarantees from shareholders (EBRD, 2020a; EBRD, 2022b).

Initially established to help build a new post-Communist world in Central and Eastern Europe and the Soviet Union, its regional operations have expanded to include Cyprus and Greece, Southern and Eastern Mediterranean (SEMED), and Türkiye (Figure 3). However, since 2014, EBRD has made no new investments in Russia and is now focusing on exiting from the remaining equity portfolio. EBRD is taking the governance steps, including amending Article 1 of the AEB, to enable a limited and incremental expansion of the geographic scope of the Bank's operations to countries in sub-Saharan Africa and Iraq (EBRD Board of Governors, 2023).

From 2025, EBRD expects to begin investing in Iraq and up to six sub-Saharan countries, including Benin, Côte d'Ivoire, Ghana, Kenya, Nigeria and Senegal. The Bank has received membership applications from the six sub-Saharan African countries. In April 2024, Benin became the 75th shareholder of the EBRD. Others will become members pending some final pre-membership requirements. Iraq joined in December 2023 as the 74th shareholder. The membership applications from the six SSA countries also included requests to become a recipient country, which the Bank will be able to take forward once the amended AEB is in force (EBRD, 2024c).

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 offers proportionately more financing for small projects through financial intermediaries, which is complemented by advisory services dedicated to SMEs. It is the only IFI to offer financing to SMEs directly. EBRD supports its CoOs through technical co-operation, which can be independent of or linked to 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 (EBRD, 2020a).

The EBRD operates in a variety of sectors and areas,[3] including Agribusiness, Energy, Equity, Equity Funds, Financial Institutions, Legal Reform, Manufacturing and Services, Municipal Infrastructure, Natural resources, Nuclear safety, Property and Tourism, Telecommunications, Media and Technology, and Transport. Sector strategies identify the EBRD's approach and tools for supporting transition in different sectors and are considered in the design of country strategies and individual operations.

Country strategies (CS) form the centrepiece of EBRD's approach to achieving transition. These strategies are shaped by country diagnostics, including an annual Assessment of Transition Qualities (ATQ) which identifies cross-cutting challenges for the six transition qualities. Country strategies identify objectives that take into account: (i) obstacles to private sector development; (ii) the political and institutional context for change; and (iii) the comparative advantage of EBRD to address these challenges.

3. See https://www.ebrd.com/what-we-do/sectors-and-topics.html

TABLE 1. **SECTORAL COMPOSITION OF REGIONAL PORTFOLIO AND SECTORAL DISTRIBUTION OF ANNUAL BANK INVESTMENT**

Region	Private sector share of regional portfolio	Sectoral distribution of regional Annual Bank Investment		
		Financial institutions	Industry, commerce and agriculture	Sustainable infrastructure
Central Europe and the Baltic states	92%	34%	47%	19%
South-Eastern Europe	53%	37%	18%	45%
Eastern Europe and the Caucasus	40%	33%	36%	31%
Central Asia	51%	38%	9%	52%
Southern and Eastern Mediterranean	53%	67%	17%	16%
Greece	100%	72%	28%	0%
Russia	83%	n/a	n/a	n/a
Türkiye	86%	51%	21%	28%

Source: EBRD Annual Review, 2023.

Each country's strategic priorities guide business development by country teams and the identification of policy engagements. Country Strategy Results Frameworks (CSRFs) aggregate outcomes from investments and policy engagements to reflect strategic priorities and objectives. Country strategies are reviewed annually through Country Strategy Delivery Reviews (CSDRs), which report on progress in implementing key activities under the CS and propose updates based on analysis of key market segments where EBRD's investments are likely to be additional (EBRD, 2020c). Policy engagement milestones linked to the CS strategic priorities are reflected in EBRD's corporate and teams' scorecards as well as CSDRs (EBRD, 2020a, 2023d).

All investments and associated advisory projects are assessed for their "strategic fit" at the design stage as part of EBRD's overall transition impact results architecture through the Transition Objective Measurement System (TOMS). A typical TOMS project submission and assessment workflow consists of three steps: (i) identifying the general features of a project and whether it requires enhanced scrutiny; (ii) determining the ambition of the project with respect to the transition mandate and attributing a score; and (iii) committing on the delivery of outcomes/outputs in line with the stated ambition. The TOMS system supports cascading of Corporate Scorecard indicators and monitoring through a standardised Compendium of Indicators (COI) across different transition qualities and sectors (EBRD, 2017, 2018, 2020c; IEvD, 2020a, 2023a).

An Expected Transition Impact (ETI) score is identified for each new investment based on a set of questions about its activities to assess the strength of the potential impact and the probability of impact being achieved. This ETI is reflected as a numerical score, which is then adjusted to reflect country context and support to cross-cutting strategic initiatives based on a gap analysis along the six qualities of transition. The ETI for new investments is a key metric in EBRD's Corporate Scorecard (see above), demonstrating that the Bank is identifying and approving investments in line with its mandate. ETI is scored between 0 and 100, with the bulk of projects falling between 60 and 69 – considered to have a Good transition impact.[4]

4. Updated rating criteria for ETI scores are as follows: Satisfactory: 50-59; Good: 60-69; Strong: 70-79; Excellent: 80-100.

The Transition Impact Monitoring System (TIMS) tracks the commitments made for each investment at appraisal and upholds the EBRD's mission to deliver the highest possible transition impact. It serves two key functions: (i) as a mechanism to monitor progress against transition objectives during project implementation and facilitate remedial actions; and (ii) as a basis to assess and report the Bank's transition performance and results achieved as well as lessons learned.

The TIMS system is used to calculate a Portfolio Transition Impact (PTI) score for each project vis-à-vis commitments at origination and manage the delivery of transition impact during project implementation and monitoring. Projects are monitored at regular intervals (typically annually) up to project completion when all transition impact has been achieved or when no further progress is expected. Reporting includes both ongoing projects and those investments which were completed during the relevant reporting year. Internal reporting includes an analysis of progress for the whole portfolio and, separately, performance of operations completed during the previous 12 months.

TIMS assesses performance by establishing the percentage achievement relative to each TI monitoring indicator (or benchmark). The process is automated for quantitative indicators and carried out through self-assessment by the Operation Leaders for qualitative indicators. The score for each indicator at the project level yields an overall percentage-based score showing the progress achieved against interim targets. This score is used to compute PTI ratings of projects. The average level of both ETI and PTI is a component of the Corporate Scorecard and is reported regularly. In addition, the SCF 2021-2025 set control parameters which require that ETI should exceed 60 and that average PTI should exceed 65 for each year of the SCF period (EBRD, 2020a) (Table 2). Whereas control parameters such as the minimum ETI and PTI score remain fixed, targets and the level of ambition are adjusted as part of the annual SIP process.

TABLE 2. **TRENDS IN ETI AND PTI SCORES (2017-23)**

	2017	2018	2019	2020	2021	2022	2023
ETI	67.7	66.7	66.4	66.9	67.7	67.0	68.3
PTI	70.4	70.1	70.9	71.2	72.8	76.4	75.4

Source: EBRD Strategy Implementation Plans.

Performance under each of the six transition qualities is assessed through Composite Performance Assessments (CPAs), which aim to mainstream the transition qualities into the EBRD's performance framework. Each CPA is composed of several parameters designed to capture key aspects of the Bank's work under the relevant quality, which are combined to produce an overall aggregated CPA score, which is reported annually in the assessment of the Corporate Scorecard on a scale of very good, good, or requires attention (EBRD, 2020a, 2024a).

Finances and operations

The EBRD's core funding at its establishment was supplied through capital contributions of its shareholders. The Bank's capital base has subsequently been augmented through the generation of positive net income. Additional shareholder contributions and commitments have been made over the years to increase this capital base. As of May 2023, the authorised capital of the EBRD amounted to EUR 30 billion, in the form of EUR 6.2 billion of paid-in capital and EUR 23.5 billion of callable capital (EBRD, 2024b).[5] In addition, as of May 2023, the EBRD held EUR 13.96 billion in reserves and retained earnings. The EBRD is rated triple-A with a stable outlook by Fitch, Moody's and Standard & Poor's. Capital and liquidity requirements, embedded in the Bank's financial policies, are calibrated annually to ensure that EBRD maintains its triple-A credit rating.

5. EUR 1 billion of the EUR 6.2 billion was transferred from reserves in 2011.

For 2023, EBRD recorded a net profit of EUR 2.1 billion after reporting a loss of EUR 1.1 billion in 2022 (EBRD, 2024b). The financial report states that the loss in 2022 was in large part due to impairment losses and equity losses driven by the financial consequences of the Russian invasion of Ukraine (EBRD, 2023c). In November 2023, the EBRD Board of Governors approved a resolution to increase the Bank's paid-in capital by EUR 4 billion, thus increasing its capital base to EUR 34 billion. The process of subscription to the capital increase is underway, and the increase will take effect on 31 December 2024.

In 2024, the EBRD's approved Core Administrative Expense Budget to support its work and priorities in 2023 was GBP 479.3 million, with staff costs accounting for the majority of both the total and the incremental change (EBRD, 2024a). From 2017 to 2023, EBRD's budget increased by an average annual growth rate of 4%. Actual expenses from 2016 to 2021 increased on average by 3%. Table 3 shows the administrative budget versus actual expenses over the period 2018-23. In real terms, the growth of EBRD's administrative budget and expenses has been tightly controlled, remaining in line with or below inflation over the assessment period.

TABLE 3. **ADMINISTRATIVE BUDGET AND EXPENDITURE (GBP MILLION, 2018-24)**

	2018	2019	2020	2021	2022	2023	2024
Administrative budget	359.5	370.0	383.4	394.5	410.1	448.2	479.3
Administrative expenses	358.8	370.0	379.1	396.2	409.9	447.9	–

Source: EBRD Strategy Implementation Plans 2018-2024.

The total Annual Bank Investment (ABI) of the EBRD amounted to approximately EUR 13.1 billion in 2023, classified in the EBRD Financial Report as a record amount. In the same year, Annual Mobilised Investment (AMI) was worth a total of EUR 2.8 billion (Table 4).

TABLE 4. **OPERATIONAL RESULTS (2018-23)**

	2018	2019	2020	2021	2022	2023
Number of projects[1]	395	452	411	413	431	464
Annual Bank Investment (EUR million)[2]	9 547	10 092	10 995	10 446	13 071	13 129
Annual Mobilised Investment[3]	1 467	1 262	1 240	1 750	1 746	2 819
Of which private direct mobilisation[4]	*1 059*	*460*	*411*	*908*	*803*	*1 499*
Total project value (EUR million)[5]	32 570	34 884	27 224	39 781	38 028	–

Notes:
1. The number of projects to which the Bank made commitments in the year.
2. Volume of commitments made by the Bank during the year, including (i) new commitments less an amount cancelled or syndicated within the year; (ii) restructured commitments; and (iii) trade finance (TFP) amounts issued during the year and outstanding at year-end.
3. Annual Mobilised Investment is the volume of commitments from entities other than the Bank that are made available to the client and that are explicitly due to the Bank's direct involvement.
4. Financing from a private entity on commercial terms due to the Bank's active involvement. This is the joint Multilateral Development Bank (MDB) metric for mobilisation. The main contributor to the difference in Annual Mobilised Investment is EBRD's unfunded mobilisation with the private insurance sector via a product called "unfunded risk participation".
5. Total project value is the total amount of finance provided to a project, including both EBRD and non-EBRD finance. EBRD stopped reporting this value in its 2023 Financial Report.

Source: EBRD Financial Report 2022 and 2023.

EBRD project: Armenia – Vedi Alco

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Photo: © EBRD

Bank investments across regions varied over the years, with notable increases in the most recent period in Central Europe and the Baltic states, South-Eastern Europe, and Eastern Europe and the Caucasus reflecting heightened demand for the Bank's finance as a consequence of the wide impact of the war in Ukraine. The cumulative investment since the inception of the Bank by the end of 2023 totalled EUR 190.6 billion, with an active portfolio of EUR 55.7 billion (Table 5). EBRD tracks the proportion of its ABI in those countries less advanced in transition. These are defined as Early Transition Countries (ETCs) and countries in the Western Balkans and SEMED. Since 2021, there has been an overall scorecard target for such countries of 48% of total ABI, gradually shifting resources to countries that face the most challenging barriers to transition (EBRD, 2020a). At the end of 2023, this proportion stood at 37% despite the highest level of investment in ETCs to date, due in part to accelerated investment to respond to the war in Ukraine (EBRD, 2024a).

TABLE 5. **ANNUAL BANK INVESTMENT BY REGION (EUR MILLION)**

Region	2018	2019	2020	2021	2022	2023	Cumulative to end 2022	Active portfolio
Central Europe and the Baltic states	1 267	1 467	1 412	1 266	2 350	2 435	31 932	9 407
South-Eastern Europe	1 749	1 705	1 760	1 839	2 099	2 405	33 646	10 860
Eastern Europe and the Caucasus	1 567	2 058	1 933	1 693	2 405	2 135	35 060	8 992
Central Asia	1 607	1 376	1 150	1 298	1 490	1 220	18 507	6 713
Southern and Eastern Mediterranean[1]	1 985	1 847	2 131	1 510	2 404	1 935	20 766	9 128
Greece	846	571	797	838	687	519	7 352	2 260
Russia[2]	0.2	–	0.4	–	–	–	24 242	748
Türkiye	1 001	1 002	1 675	2 002	1 634	2 480	19 126	7 578
Total	10 022	10 026	10 858	10 445	13 069	13 129	190 631	55 686

Notes:

1. This table does not include investments in the West Bank and Gaza, which began in 2018 and are financed through a trust fund. For 2023, these investments totalled EUR 10 million.
2. The Bank has made no new investments in Russia since 2014. In April 2022, the EBRD Board of Governors decided to suspend Russia's and Belarus' access to Bank resources in response to the invasion of Ukraine. The Bank has closed its offices in Moscow and Minsk. Russia remains a shareholder of the EBRD.

Source: EBRD Annual Review 2022 and 2023.

The EBRD in numbers

Issue	Data (Year)
Founding date	1991
HQ location	London, United Kingdom
Number of member countries/shareholders	73 countries + EU and EIB
Number of country offices (resident and regional)	60+
Annual budget (administrative)	EUR 432.2 (2022) billion; EUR 460.0 billion (2023 projection)
Number of projects / annual approvals	464 (2023) / EUR 13.1 billion (2023)
Number of staff	2 929 (Q3 2022)
Proportion of staff in country offices	35% (2022)
Revenue growth/mobilisation (Annual Mobilised Investment)	EUR 2 819 million (2023)
Active portfolio	EUR 55.9 billion (2023)
Last update	14 May 2024 (based on 2023 Annual Review)

EBRD Project – Ukraine – Silpo Green Supermarket

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

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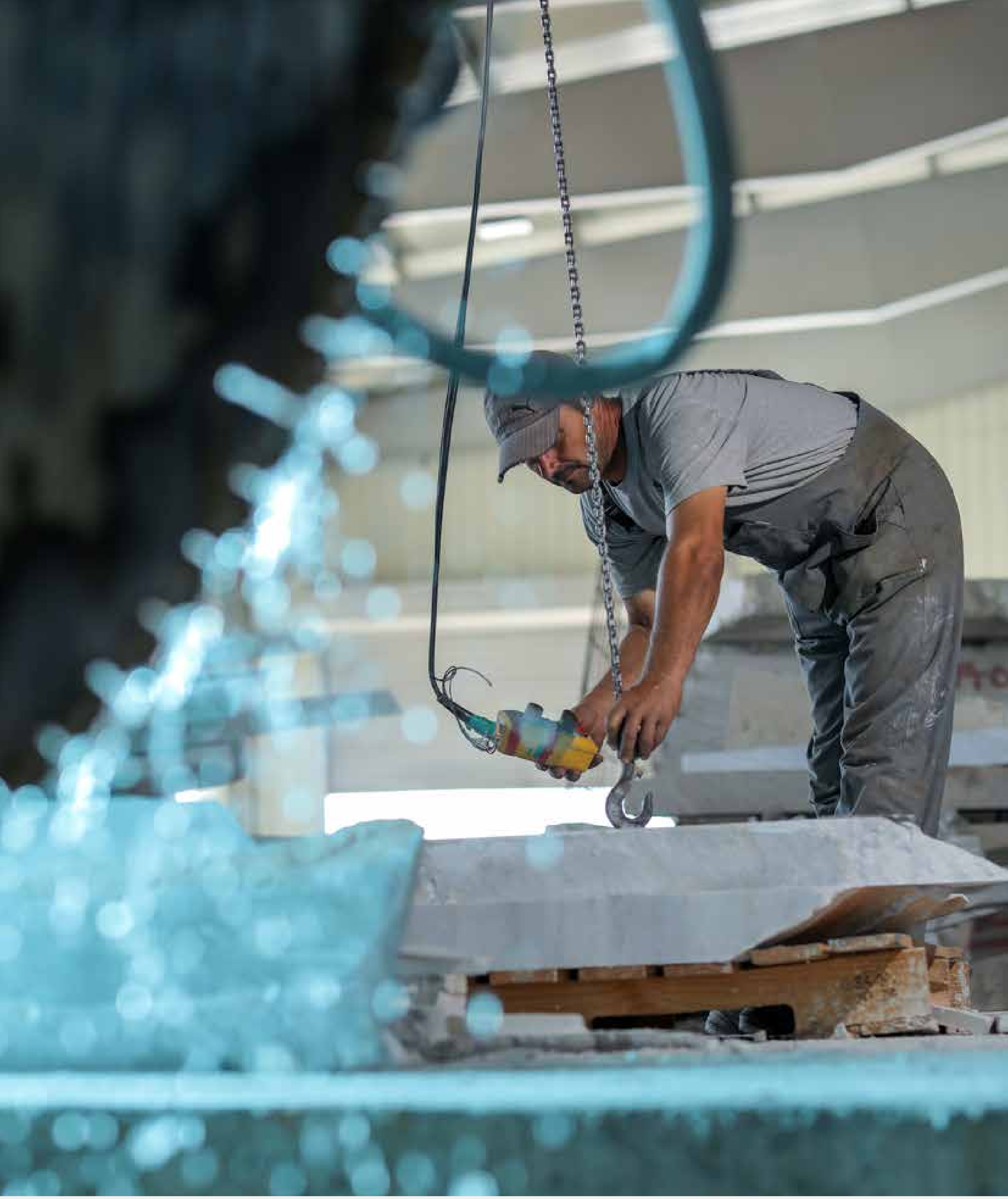
ASSESSMENT CONCLUSIONS AND FUTURE TRAJECTORY



EBRD project: Krin KG – North Macedonia

The EBRD and the European Union (EU) have supported the stone processor Krin KG and helped it to invest in modern equipment. The firm's main office and production factory are located close to the city of Prilep, while the four quarries – two for granite, one for marble and one for travertine – are located within 40 km of the city. The EBRD supports SMEs in North Macedonia through loans, which are provided by partner banks, such as Sparkasse Bank AD Skopje, in Krin KG's case. The investments help companies to meet high EU standards that make them more competitive. Furthermore, EU funds serve to identify the most suitable equipment and processes and verify them after installation. . Photo: © EBRD

This chapter describes how EBRD has adapted to important changes in its strategic, policy and operating context over the assessment period. It highlights the strengths and good practices that have influenced EBRD's ability to deliver transition impact in its Countries of Operation (CoOs) as well as risks and areas for opportunity. The chapter examines EBRD's future trajectory and opportunities to further strengthen its positioning to respond to emerging challenges and changes in its operating environment. MOPAN identifies conclusions and considerations for EBRD's members and senior management, which build on the analysis against MOPAN's assessment framework, described in further detail in Chapter 3.

EBRD'S ORGANISATIONAL TRANSFORMATION IN TURBULENT TIMES

Throughout the assessment period, EBRD has undergone an institutional evolution to enhance the delivery of its transition mandate. Changes include: (i) re-articulating the transition concept to enhance the strategic alignment of EBRD's work and better conceptualise its contribution to transition impacts; (ii) redefining key concepts and product lines to enhance its support to transition across its CoOs; and (iii) enhancing the maturity of its processes and systems to support a growing and increasingly more complex portfolio while controlling growth in costs. EBRD's evolution over the assessment period has been shaped by steady growth in its portfolio as well as significant external events. Responding to the COVID-19 pandemic and the war in Ukraine has placed strain on existing ways of working, forcing EBRD to be agile, adapt processes and products, develop new ones, and learn lessons.

Transition, re-invigorated: The evolution of EBRD's transition concept and strategic architecture.

At the outset of the assessment period, EBRD sought to adjust to a more complex environment for transition. When it was first established in 1991, EBRD's overarching goal was to facilitate the transition towards a market economy throughout Central and Eastern Europe following the fall of the Soviet Union. In this context, EBRD's contribution to transition was delivered by supporting: (i) competitive market structures; (ii) institutions and policies that support markets; and (iii) market-based conduct, skills and innovation (Besley, Dewatripont and Guriev, 2010). Whereas this framework served as an initial basis for the strategic alignment of EBRD's activities, it became less useful over time as transition challenges became more complex.

By 2013, there were concerns that several economies in Emerging Europe and Central Asia were "stuck in transition". Beyond the impacts of the 2008 financial crisis and 2011-12 eurozone crisis, initial momentum in achieving key reform was slowing, including stagnating economic reform, limited strengthening of economic institutions and slower convergence in living standards with Western Europe (EBRD, 2016; Besley, Dewatripont and Guriev, 2010). Sustaining the transition process necessitated a shift towards more complex institutional support and reforms to address emerging political, social and human capital constraints to transition. This adjustment included the need to improve the business environment, address key infrastructure and skills gaps, deepen local capital markets, and promote transparent governance and the rule of law (Besley, Dewatripont and Guriev, 2010; EBRD, 2020c). In addition to the growing need to address a wider set of policy issues, the Bank recognised that transition to a sustainable well-functioning market economy requires a focus on the results of markets as well as their structure, leading to the identification of transition qualities.

In 2016-17, EBRD updated its transition concept to reflect these emerging challenges. The updated definition identified six key qualities of a modern, sustainable market economy: competitive, well-governed, green, inclusive, resilient and integrated (EBRD, 2018b, 2020c; IEvD, 2020a). This change also integrated important global and cross-cutting issues into EBRD's mandate and operations, including support for issues related to gender equality and climate change. This shift aimed to make country strategies more targeted and effective based on annual Assessments of Transition Qualities (ATQs) and diagnostics (EBRD, 2023a). In developing country strategies, EBRD considers transition needs, the political economy for change and EBRD's positioning to address key challenges. Country strategies identify transition objectives and assess progress achieved through a results framework that links country- and project-level results.

The updated transition concept has been embedded comprehensively throughout EBRD's strategic and results architecture from the top down. A detailed methodology has been developed to assess the progress and challenges in each CoO against selected developed economies. This includes a "frontier" benchmark for each transition quality, reflecting actual or theoretical best performance (ATQ) (IEvD, 2020a, 2023a). Analysis of transition qualities also contributes to diagnostics that inform the design of country strategies in line with needs, opportunities and comparative advantage. EBRD's Transition Objective Measurement System (TOMS) helps ensure the strategic alignment of investments to the transition qualities and country strategy objectives, complemented by a standardised Compendium of Indicators (COI) and impact monitoring system (TIMS) to monitor results throughout implementation (EBRD, 2020c). These changes have contributed to a more logical, integrated and robust results architecture that is better positioned to demonstrate EBRD's contribution to transition over time.

EBRD has set ambitious climate targets, enhancing the Bank's green transition mandate. EBRD's Green Economy Transition Approach (2021-25) seeks to move beyond the mainstreaming of climate change into operations to target systemic change (EBRD, 2021k). This includes an enhanced focus on policy dialogue and green mobilisation, supported by the use of blended finance. The GET 2.1 approach identifies a range of ambitious climate targets including: i) increase the share of green finance to more than 50% of ABI by 2025; ii) align all activities with the objectives of the Paris Agreement by the end of 2022; and iii) double the mobilisation of private sector climate financing by 2025. Notable activities have included implementing Green Economy Financing Frameworks (GEFF) and partnerships with vertical funds focusing on small-scale renewable energy, technology transfer and innovation. Over the course of the assessment period, the Climate Strategy and Delivery team has more than doubled in size, and a wide range of staff training has been launched to help deliver on this ambition. EBRD reached its target of at least 50% green finance as a share of ABI each year between 2021 and 2023 (EBRD, 2023a).

EBRD's transition mandate remains relevant to contemporary transition and development challenges across a broad range of contexts. In 2022, the Board of Governors discussed expansion of EBRD's activities to specific economies in sub-Saharan Africa and Iraq based on EBRD's potential value addition, complementarity and additionality to the work of other development partners (EBRD Board of Governors, 2022). This decision was affirmed in 2023, with Governors noting that EBRD's mandate and business model can be deployed to complement existing support for the private sector in the region to enhance transition and development impacts (EBRD Board of Governors, 2023a). However, the Board emphasised that this incremental expansion must be rolled out in a manner which preserves EBRD's strong capital adequacy profile and does not dilute support to existing CoOs nor support to Ukraine (EBRD Board of Governors, 2023a).

The Bank has since received membership applications from the six sub-Saharan African countries (Benin, Cote d'Ivoire, Ghana, Kenya, Nigeria and Senegal; EBRD Board of Governors, 2023b, 2023c, 2024a, 2024b). In April 2024, Benin became the 75th shareholder of the EBRD. Others will become members pending some final pre-membership requirements. Iraq joined in December 2023 as the 74th shareholder. The membership applications from the six SSA countries also included requests to become a recipient country, which the Bank will be able to take forward once the amended AEB is in force.

Enhancing operational efficiency, effectiveness and resilience

At the start of the assessment period in 2016, EBRD embarked on a series of institution-wide reforms. 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. Consequently, there was an absence of long-term growth and investment planning to support the maturation of EBRD's processes and systems, including its Information Technology (IT) infrastructure. As its annual investment and active portfolio grew, weaknesses in processes and systems became increasingly apparent. Challenges included complex and/or undocumented processes, lack of digitisation, unclear roles and responsibilities, manual systems, and Human Resource (HR) structures and skill sets that were not aligned with evolving business needs. Recognising that EBRD's culture and processes were more suited to a smaller organisation, a series of initiatives were undertaken to modernise and enhance the Bank's systems and processes (EBRD, 2017a, 2018, 2020d).

These ambitious change programmes have been implemented in a controlled financial environment. A variety of change initiatives have been implemented with the overall objective of refreshing the institutional culture of the EBRD. They have included efforts to: (i) simplify and modernise processes and the IT architecture; (ii) promote operational sustainability and resilience considering a growing and increasingly complex portfolio; (iii) transform and modernise HR structures; (iv) enhance cybersecurity; and (v) foster a culture of efficiency. The impact on EBRD's administrative expenditure has been well-managed throughout, with many change processes implemented within a flat administrative budget (EBRD, 2020d, 2021a). Budgets defined over the assessment period have sought to counterbalance new investments and staff positions with identified efficiencies and reallocation of responsibilities.

Initial efforts focused on modernising and streamlining EBRD's systems and processes in priority areas and addressing IT infrastructure gaps. EBRD's Operational Effectiveness and Efficiency (OE&E) initiative was launched in 2016 to enable it to support this modernisation process and support the delivery of its mandate. Over a three-year period, its different workstreams led to the creation of a new portfolio management function, enhancements to country strategy formulation, simplification of approval processes, integration of EBRD's IT and procurement systems and embedding of the new transition concept into EBRD's operations (EBRD, 2020b, 2020d). Following the OE&E, a Multi-Year Investment Plan (MYIP) was introduced in 2020 to further address the legacy of underinvestment in IT systems (EBRD, 2021a, 2022a, 2023b, 2024a). The MYIP included creation of a client service platform, new IT modules to support Green Economy Transition (GET) processes and integrity functions, updating systems and infrastructure, and future-proofing core functions. In embracing forward-looking change, a Transformation Office was established in 2022 to oversee the MYIP and other internal projects, supporting data-driven decision-making and efficiency (EBRD, 2024a).

Strengthening of operational processes and IT systems has been accompanied by comprehensive updates to EBRD's Organisational Structure and HR Management. In 2018, EBRD embarked on implementation of a new "People Plan", including key reforms to strengthen evidence-driven HR management and foster a high-performance culture (EBRD, 2021a). This included a Bank-wide skills audit, identification of leadership and behavioural competencies, and automation of HR functions and processes, laying the groundwork for enhanced analytics, facilitated by a dedicated HR Analytics function. The performance management system was strengthened alongside compensation reviews and initiatives to promote mobility and learning. Efforts have been undertaken to support a healthy organisational culture, including support for diversity and inclusion and implementation of a regular staff engagement survey (EBRD, 2014, 2019b, 2022b, 2023c). These reforms aimed to create a supportive and dynamic work environment, fostering staff satisfaction, engagement and development. These changes have contributed to a more strategic and data-driven HR function that plays an active role in EBRD's ongoing transformation, positioning the institution to respond to emerging and future needs.

Since 2021, action has been taken by management and independent evaluation (IEvD) to strengthen self-evaluation and cultivate a culture of learning. This work has been part of a Joint Action Plan formulated in response to the recommendations of the 2019 Independent Evaluation of the EBRD's Evaluation Function (the Kirk Report). At the start of the assessment period, EBRD implemented Operational Performance Assessments (OPAs) for investments reaching operating maturity. Until 2017, a representative sample of OPAs was validated by IEvD to provide a robust picture of institutional performance (IEvD, 2017; Kirk, 2019). However, as the number of operations approved each year increased, staff resources were no longer sufficient to maintain this practice, leaving EBRD without a comprehensive picture of the performance of its operations (IEvD, 2018; Kirk, 2019). A new approach for self-evaluation is now being piloted to address challenges raised in the Kirk Report. To support organisation learning, this approach will be complemented by demand-driven thematic, cluster and impact assessments undertaken by Management, in addition to syntheses and other learning products prepared by IEvD. Other planned initiatives include a new platform for disseminating operational lessons and integration of learning objectives into staff competencies (EBRD, 2020e, 2021b, 2022c, 2023d).

EBRD should continue to enhance its institutional processes as it engages in an increasingly complex operating environment. EBRD's internal audit function and IEvD have been leveraged effectively to assess the progress achieved and identify opportunities to strengthen key functions across EBRD (e.g. IEvD, 2020a, 2021a; EBRD, 2022d). The overall result has been a leaner, more efficient and more productive organisation; various change initiatives are estimated to have contributed to ongoing savings and efficiencies of over EUR 50 million since 2017. Whereas EBRD's portfolio and reflows grew 37% and 22% respectively between 2018 and 2023, its administrative budget grew only 12% in real terms over the same timeframe, providing an indication that EBRD is doing more with less (EBRD, 2020b, 2021a, 2022a, 2023b). However, as EBRD's portfolio is anticipated to expand further, it will remain critical to ensure processes are consolidated, simplified and integrated, enhancing EBRD's positioning to engage in an increasingly complex, unpredictable and high-risk operating environment.

EBRD proved highly agile in its response to crises and leveraged its experience as a catalyst for change, driving efforts to strengthen its operational resilience.

EBRD acted quickly to address two major crises in short succession. It launched the Solidarity Package (SP) in March 2020 to respond to the COVID-19 pandemic (EBRD, 2020f; IEvD, 2021b). The SP sought to preserve transition progress and economic activity, with a focus on: (i) addressing the short-term liquidity and working capital needs of existing clients; (ii) supporting the continuity of infrastructure services and investment; and (iii) ensuring the continuity of trade and promoting access to finance for SMEs. As of June 2021, EBRD had approved EUR 12.3 billion in support for 491 projects (IEvD, 2021b). As Ukraine's largest institutional investor, it stepped up quickly to lead the response to the war in Ukraine in 2022, launching a EUR 2 billion Resilience and Livelihoods Framework (RLF) that offered immediate help to the people, companies and economy of Ukraine and other affected countries in the region. It pledged to invest EUR 3 billion in finance to Ukraine over 18 months between 2022 and 2023, an increase of 50% over the years prior to the invasion (EBRD, 2023b, 2024a).

EBRD project: Liquate Lamatem – Morocco

Lamatem, one of the leading producers of medical garments in Morocco, has been at the frontline of the coronavirus fight. Their coveralls, gowns, medical hats, and overshoes ensure the safety of doctors, nurses and patients. Our financing helped set up the first plant to meet demands from Moroccan clinics and European medical companies.

Photo: © EBRD

EBRD, EU and EIB help improve solid waste services in Kyrgyz Republic

Over 300,000 residents of Osh City and two neighbouring municipalities have better solid waste services thanks to a joint financing programme organised by the EBRD, the European Union (EU) and the European Investment Bank (EIB).

Photo: EBRD/xxxxxQui

The crisis response highlighted the need to enhance EBRD's organisational resilience. Increased workloads among staff during crisis response have exposed weaknesses in the documentation, clarity and integration of EBRD's processes (e.g. EBRD, 2020g, 2020h, 2021c, 2023e). Challenges have been noted for IT systems, risk management and integrity, with unfinished transformation of processes contributing to systems coming under strain. Particular challenges have been noted for donor funds systems (EBRD, 2018c, 2022e, 2023e, 2023g, 2024a). Mobilisation of donor funding has more than tripled since 2018, with donor funds playing a critical role in the Ukraine response. Funds have proliferated, with EBRD now managing over 250 different donor funds (EBRD, 2023g). There has also been a movement towards donor funds being deployed through more innovative and complex instruments, including funded and unfunded guarantees. The increase in donor engagement has played an important role in enabling the Bank's business ambitions and response to crises; however, it has also come with a multiplication of reporting requirements, placing further strain on operational resources.

In response to these challenges, an overhaul of the donor funds programme is now underway. Planned reform of EBRD's donor funds system includes: (i) end-to-end process redesign and new donor manuals; (ii) implementation of a donor compliance workstream for requirements, including a database of donor agreements; (iii) a donor funds' availability tracker and interactive dashboard; (iv) streamlining of the grant review and donor reporting processes, including integration into EBRD's IT platforms; and (v) a client facing donor system to enhance management of partnerships and fundraising (EBRD, 2022a, 2023b, 2023g, 2024a). Donor reports identified over the assessment period demonstrate that good progress is being made in implementing these planned reforms.

EBRD's strong support to Ukraine throughout the war and role in future reconstruction has led its Governors to approve a EUR 4 billion paid-in capital increase. In light of scaled-up investment in Ukraine, EBRD has taken on a higher level of risk, enabled by substantial levels of shareholder and donor support for risk sharing. There is a clear need for continuing and long-term shareholder support, with stress testing demonstrating that some key ratios could exceed credit rating criteria and illustrating potential risks to EBRD's triple-A rating (EBRD, 2023b, 2024a). In December 2023, EBRD's Governors approved the increase of EUR 4 billion to enable EBRD to provide up to EUR 3 billion to support reconstruction once the war ends and to maintain its wartime levels of investment without requiring further exceptional donor support while preserving its credit rating (EBRD Board of Governors, 2022b). The increase will provide crucial loss-absorbing capacity and was recognised as the most efficient means of enhancing EBRD's support to Ukraine, enabling EBRD to double the existing war-time investment and triple its pre-war investment while also increasing support for other CoOs.

KEY STRENGTHS AND AREAS OF OPPORTUNITY ARISING FROM EBRD'S TRANSFORMATION

This section builds on insights from EBRD's transformation over the assessment period, identifying key strengths and good practices as well as areas of opportunity. It draws on evidence against MOPAN's framework to identify key conclusions that support EBRD's ongoing efforts to enhance its organisational effectiveness. These areas of strength are also a potential source of lessons for other MDBs.

EBRD's emerging strengths

EBRD has reinforced its comparative advantage by strengthening the delivery of policy dialogue in its CoOs. Ongoing institutional changes and reforms introduced have placed EBRD in a better position to deliver on its unique transition mandate. Supporting transition to a well-functioning market economy requires a dual focus on the public and private sectors as well as the interaction between them. As the only predominantly private sector-focused Development Finance Institution (DFI) that works with both the public and private sectors, EBRD is uniquely positioned to promote investment and foster an enabling business environment through the removal of policy, regulatory and institutional barriers. It does so through combining investments with policy dialogue and technical co-operation, including pre-transactional and transactional capacity-building support (EBRD, 2021d).

Notable progress has been made in better integrating policy dialogue and transactional support in country strategies and operations. The Enhanced Approach to Policy Dialogue, introduced in 2015 to strengthen policy reform activities, helped ensure that these activities are supported by robust analysis (EBRD, 2021d). Priority Policy Objectives were identified as part of country strategies, reflecting transition needs, opportunities for greater impact and countries' willingness to implement reforms. This practice has evolved into the development of Policy Compact documents for each country to better manage and prioritise policy work across partners. A Policy Academy and Communities of Practice (CoP) were established to support the sharing of lessons. Challenges remain with respect to resourcing and results measurement of policy engagement. Policy activities continue to be linked to donor funds, resulting in some unpredictability, and results measurement tends to focus on activities and inputs rather than outputs and outcomes (EBRD, 2021d; IEvD, 2020b). EBRD is working to enhance its approach by introducing dedicated donor reporting and impact teams and strengthening internal capacity, results systems and reporting.

EBRD's staff presence in Resident Offices (ROs) has further supported policy engagement with clients. Approximately 35% of EBRD's staff are located in around 60 ROs with multiple offices in some countries with particularly large portfolios. This field presence has allowed for face-to-face contact with operational clients and has been critical for conducting policy dialogue and moving into new markets (EBRD, 2021d; IEvD, 2016, 2020b). Nearly 90% of staff in ROs are locally engaged officers who have a deep knowledge of local markets. There have also been ongoing efforts to place critical expertise in ROs, including economists and thematic experts (e.g. gender and climate) in addition to a strengthened Client Services Group and a portfolio monitoring function.

Support for global challenges and cross-cutting issues has been scaled up, including some notable good practices.

In 2021, EBRD strengthened its support for global issues and cross-cutting themes, embedding them within its Strategic and Capital Framework (SCF). The 2016-2020 SCF identified some horizontal operational priorities around resilience, inclusive economic institutions, robust economic structures and market integration. Global issues such as gender equality and climate change were subsumed within these priorities, with EBRD committing to establish institutional strategies and approaches (EBRD, 2015a). In contrast, the 2021-25 SCF identified clearer institutional priorities around global issues, including three cross-cutting themes: Green Economy Transition (GET), Equality of Opportunity (EoO; including gender equality) and Digital Transition (EBRD, 2020a). Over the assessment period, there has been strong progress in integrating these themes into EBRD's activities.

EBRD is a leader in addressing climate change through its focus on GET. The GET Approach includes an overall theory of change and institutional targets reflected in the Corporate Scorecard. Comprehensive guidance for assessing GET finance projects or project components during preparation draws on the joint MDB climate finance tracking methodology. Currently, 75% of EBRD projects have been assessed as at least partially green, and EBRD has already met its institutional goal to reach a green finance ratio (as a percentage of ABI) of greater than 50% by 2025 (EBRD, 2020i, 2024a). Notable good practices include support for Monitoring, Reporting and Verification (MRV) towards reporting on ex-post reduction of greenhouse gas (GHG) emission (EBRD, 2023h). EBRD also implements a robust programme of policy dialogue and technical co-operation supporting an enabling policy environment and the development of Long-term Strategies (LTS). However, EBRD's GET Approach has yet to be independently evaluated, with a planned evaluation in 2025.

Strong progress has also been achieved in delivering support for gender equality, including reporting on outcomes. EBRD's approach to mainstreaming gender equality has been strengthened through the introduction of the Gender SMART tagging process, which assesses how operations promote changes in the behaviour of clients with respect to gender. The tagging process identifies projects that are gender "additional" or that contribute to gender-related inclusive transition impact (EBRD, 2021e). The share of gender-tagged operations (operations with a gender component) is now tracked through the Corporate Scorecard, increasing from 6.8% in 2017 to 44% in 2023 (EBRD, 2024a). Good practices include the identification of a theory of change within the Strategy for the Promotion of Gender Equality together with a results framework and ongoing follow-up on the monitoring of gender-related indicators following the Gender SMART process, thereby enhancing EBRD's ability to report on outcomes. Like GET, EBRD's support for gender equality has yet to be evaluated, with the first independent evaluation ongoing at the time of writing.

EBRD has achieved good progress in refining and maturing its support for EoO and digital transition. These two themes have been pursued iteratively, building on lessons learned to gradually enhance the approach. The EoO Strategy 2021-2025 is the successor to the Economic Inclusion Strategy 2017-2021 and takes a broader human capital approach focused on addressing drivers of inequality of opportunity at the individual, company and market levels rather than focusing on specific target groups (EBRD, 2021f). Extensive training and development of operational guidance have supported implementation. Progress on EoO is captured within the Inclusive Transition Quality and reported through the Corporate Scorecard. Work on promoting digital transition commenced in 2021 and has been supported by the establishment of a Digital Hub, which gathers lessons and evidence towards building diagnostic tools and identifying opportunities to support mainstreaming going forward (EBRD, 2021g, 2023i, 2024a).

EBRD has a best-in-class system for managing its capital adequacy and ensuring medium-term financial sustainability.

EBRD's strong capital adequacy management is well recognised by ratings agencies and reflects several G20 recommendations for strengthening MDBs' Capital Adequacy Frameworks. It has a robust Capital Adequacy Policy (CAP) that has been reviewed and updated throughout the assessment period. The CAP seeks to ensure that EBRD is appropriately capitalised, including a prudential capital buffer over minimum capital requirements to ensure risk absorption capacity over unexpected losses such that EBRD maintains its triple-A credit rating (EBRD, 2016, 2019c, 2021h, 2023j). The CAP is supported by a robust Investment Profitability Model that leverages historical data to consider the likely risk-adjusted return of potential investments and portfolio performance (EBRD, 2020a, 2024a). EBRD also implements a three-pronged approach to managing concentration risks through country, sector and single obligor limits as well as conservative management of EBRD's liquidity position (EBRD, 2020a, 2022f, 2023j, 2024a).

Management of capital adequacy is supported by a robust reporting framework and stress testing. As per the AEB, the Board is required to review the adequacy of the capital stock at least every five years. This is done in the context of the SCF, with annual SIPs reporting on capital utilisation over time against control levels. Capital numbers are produced and reported on a monthly basis. Regular stress testing helps identify and respond to potential vulnerabilities in EBRD's overall portfolio. Stress testing scenarios reflect key drivers of financial impacts on EBRD, including potential debt, equity and treasury losses. EBRD aims to be sufficiently capitalised to withstand a "severe" (1 in 25 years) event while maintaining its triple-A rating (EBRD, 2020a, 2023k, 2024a). Stress testing was an important factor in identifying the need for a General Capital Increase and defining its required size to support EBRD's role in responding to the war in Ukraine and supporting eventual reconstruction.

Mobilisation of private capital has expanded significantly under the Mobilisation Approach.

EBRD's Mobilisation Approach has simultaneously unlocked new instruments and new relationships. In 2021, EBRD approved a new Mobilisation Approach, its first comprehensive approach to the mobilisation of third-party capital. The Mobilisation Approach seeks to double the baseline level of Annual Mobilised Investment (AMI) by the end of the SCF period to at least EUR 2 billion per year. This target was subsequently increased to EUR 2.5 billion, reflecting the progress achieved and the heightened expectations of shareholders. EBRD aims to achieve this target through: (i) growth in existing products, including B-loans, parallel loans and insurer mobilisation; (ii) scaling up the Sustainable Infrastructure Group PPP advisory programme; (iii) increasing the use of private insurance capacity and Risk-Sharing Frameworks; and (iv) establishing a new debt co-investment fund (EBRD, 2022a, 2022g). A dedicated product development sub-group of the debt mobilisation team was convened to implement the approach.

Strong progress has been achieved to date in expanding AMI through new instruments. Since 2016, EBRD's AMI has grown by 165%, and Private Indirect Mobilisation (PIM) has grown by more than 143% (EBRD, 2022g, 2023l). This growth is also evident in EBRD's mobilisation relative to other DFIs, with its overall share of mobilisation among 24 institutions working in low- and middle-income countries increasing from 2.7% in 2020 to 14.2% in 2021 (IFC, 2023). The expansion of new instruments has played a key role, including through insurer mobilisation arrangements such as Unfunded Risk Participations (URPs) and Non-Payment Insurance (NPI) as well as Risk-Sharing Frameworks with financial institutions. Since being introduced in 2014, URPs have grown by a factor of 38, reaching EUR 765 million in 2022, and have supported investment in high-risk contexts where mobilisation through B loans would otherwise be infeasible (EBRD, 2022g, 2023l). In future, there are opportunities for EBRD to continue scaling up mobilisation through its PPP Advisory and trade facilitation programmes, building on good practices from other institutions (EBRD, 2023m).

EBRD has cultivated a robust operational risk management culture.

Throughout the assessment period, EBRD has gradually fostered a stronger operational risk management (ORM) culture. Strengthening operational risk management has been a key focus of efforts to enhance organisational resilience, including through: (i) strengthening processes; (ii) clarifying the division of roles and responsibilities; and (iii) reinforcing lines of defence and oversight to drive accountability and efficiency. In the early years of the assessment period, ORM functions were found to be inadequate for EBRD's operating environment, with a need to enhance processes, ownership and oversight for documenting risks and validation of actions taken (EBRD, 2018d). There was also a need to enhance compliance with the Operational Risk Framework (ORF), including by strengthening the oversight of the ORM function and embedding a culture of operational risk management through a strengthened tone from the top, including providing adequate resources to support these activities.

Decisive action has been taken over time to address these challenges with strong improvement in the structure, governance and institutionalisation of this essential function. An updated Risk Appetite Statement provides a comprehensive summary of risk parameters guiding operational decision-making (EBRD, 2021i, 2022h, 2023n). The ORM Policy was updated to enhance coverage of key risks and strengthen the first and second lines of defence

EBRD project: Demur Ardia Hazelnuts – Georgia

Hazelnuts are a major product for agriculture in Georgia. As one of the country's top 10 export commodities, they are a source of income for more than 50,000 farmers and dozens of processing facilities. Through partner banks, the EBRD provides credit lines for companies to foster stronger economic ties with the EU.

Photo: © EBRD

functions (EBRD, 2019d, 2019e). Roles and responsibilities have been clarified: first-line functions assess and manage risks across operations with oversight provided by the ORM function, including by documenting better evidence of how risks have been addressed (EBRD, 2022h, 2023n). Together, these changes have helped institutionalise a risk management culture and enhance EBRD's positioning for further strengthening.

Internal Audit and Risk Management partnered to take stock and drive ongoing strengthening of EBRD's risk management function. A series of audits conducted since 2019 have pointed to important progress made in: (i) strengthening compliance with the ORF; (ii) enhancing scrutiny and oversight by senior management and board committees; (iii) enhancing the timeliness of incident reporting; and (iv) embedding a risk management culture through training, identification of business champions and integrating risk management performance into the Corporate Scorecard (EBRD, 2020j, 2022h, 20223n). In addition, accountability for risk management has now been embedded in senior management's performance objectives (EBRD, 2023n). EBRD's experience provides potential lessons for other institutions on how to overhaul a safeguarding function over a relatively short timeframe and foster an operational risk management culture.

EBRD has been agile in responding to crises, including the COVID-19 pandemic and the war in Ukraine.

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. (EBRD, 2020f; IEvD, 2021a) New agile ways of working were introduced, including: (i) streamlined approval processes and delegated approval up to EUR 25 million; and (ii) a rapid advisory response framework to provide policy and advisory support and standardised approval measures for payment deferrals. 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. It has become an important feature of EBRD's response to subsequent crises (IEvD 2021b).

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, increasing its support to the country by over 50% between 2022 and 2023 (EBRD, 2023a, 2024a). The ongoing Resilience and Livelihoods Framework (RLF) supports: (i) companies affected by higher costs of energy and raw materials; (ii) municipalities facing increased costs related to hosting refugees; (iii) access to finance for SMEs; (iv) food security and continuity of the pharmaceuticals supply chain; (v) human capital and skills support to preserve livelihoods; and (vi) rapid advisory and policy support for governments. Furthermore, EBRD drew up a multi-pronged response plan to provide Türkiye with emergency and reconstruction financing of EUR 1.5 billion over two years after two devastating earthquakes. This included a disaster response framework identifying: (i) EUR 600 million in credit lines through partner banks; (ii) financing for the reconstruction of sustainable infrastructure in the affected cities (e.g. railways); (iii) provision of working capital and capital expenditure facilities to affected private sector companies; and (iv) a dedicated focus to help affected SMEs unable to resume operations after the initial impact (EBRD, 2023r).

EBRD's experience engaging in crises provides a foundation for shaping an institutional approach to engaging in fragile contexts going forward. EBRD does not currently have an institutional approach for engaging in fragile and conflict-affected situations in line with its peers, partly due to the nature of the markets it has traditionally engaged in. The war in Ukraine, difficulties in engaging in challenging contexts such as Lebanon, the expansion to higher-risk regions and the increasing need to address the impact of displaced populations are now raising the need to identify a more differentiated approach to address pockets of fragility and fragile situations. EBRD's experience with risk-sharing facilities, accelerated processes in conflict settings, enhanced risk management and delivery of rapid advisory support provides an important foundation. Recognising that the EBRD has a specific mandate and business model, peer experience has suggested that the following issues should be considered: (i) investing human resources; (ii) enhanced project preparation approaches that address the drivers of fragility; (iii) resource envelopes and programmes to enable more risky investments and address market barriers; and (iv) a differential approach for due diligence, E&S risk management and measuring results (MOPAN 2023, 2024).

Areas of opportunity

EBRD will face an increasingly uncertain operating environment as it scales up its response to the war in Ukraine while expanding into new markets. It is expected that the Bank will grow in both its level of lending and its

EBRD project: Egyptian National Railway – Egypt

A partnership between Egyptian National Railways (ENR), the European Bank for Reconstruction and Development (EBRD) and Egypt's National Council for Women (NCW) is making the Egyptian rail network safer for female passengers.

Photo: © EBRD

geographical coverage as a result of the 2023 capital increase decision and amendment of Article 1. In an increasingly uncertain operating environment, EBRD will need to consolidate the gains it has achieved, manage emerging risks and further demonstrate its contribution to results, ensuring sustainable delivery. Although expected to be a relatively small part of the Bank's activities for the medium term, countries in sub-Saharan Africa and Iraq present a different operating environment, with the potential for substantial financial and non-financial risks that pose barriers to investment. The experience of other institutions has demonstrated that building a pipeline in these contexts can require considerable time and upstream engagement that may not materialise in bankable investments in the short term (MOPAN, 2024). It is important that EBRD continues to reinforce its foundation of core processes to promote sustainable delivery, ensure accountability to its shareholders, respond to emerging risks and better demonstrate its contribution to transition impacts in CoOs.

There remain opportunities to strengthen EBRD's results architecture, including reporting on country-level transition impact and its contribution to the Sustainable Development Goals (SDGs).

Important progress has been achieved in strengthening the results architecture, but more is needed to fully demonstrate EBRD's contribution to transition results in CoOs. EBRD produces country strategies every five years, including country-level transition objectives. This includes: (i) an updated approach to country strategies, including Country Strategy Results Frameworks; (ii) implementing the transition context into project selection, design and monitoring through TOMS and TIMS; (iii) a Compendium of Indicators (COI) to standardise results reporting; and (iv) introducing annual Country Strategy Delivery Reviews (CSDRs) (EBRD, 2020a, 2020c; IEvD, 2023a). Building on previous efforts prior to the review of the transition concept and a critical IEvD report, work is ongoing to develop theories of change and clear causal pathways to strengthen the evaluability of the transition qualities (IEvD, 2020a). Despite this progress, there remain challenges in demonstrating EBRD's contribution to transition impact in its CoOs and some broader global development priorities.

EBRD currently lacks a clear means of reporting on its contribution to transition impacts at the country level. Specific country-level objectives are broad, and indicators largely continue to reflect activities and outputs from projects, rather than outcomes. This partly reflects EBRD's demand-led business model and limited ability to identify a stable forward-looking pipeline. CSDRs largely aggregate the activities and outputs of operations, accompanied by a qualitative narrative. Although this reporting ensures alignment to EBRD's strategic priorities and country needs, it does not clearly demonstrate how EBRD contributes to transition impacts in CoOs (EBRD, 2023o). Annual Assessments of Transition Qualities (ATQs) identify overarching trends, support country-level diagnostics and are linked to context indicators in CSRFs but do not link the Bank's activity in a country to changes in transition indicators. (IEvD, 2020a). Although IEvD has recently introduced country evaluations to better assess EBRD's contribution to transition in CoOs, these will encounter important challenges and costs without robust data to build on (IEvD, 2023c).

Existing reporting does not capture the EBRD's contribution to the SDGs. EBRD reports on its global commitments, including by participating in joint MDB reporting on mobilisation, sustainability, Paris Agreement Alignment and the SDGs. EBRD's mandate is grounded in transition rather than sustainable development and is predominantly private sector focused; however, the two concepts are linked. Although EBRD has mapped the SDGs to its transition qualities and COI indicators, actual reporting is on alignment to the SDGs rather than contribution, reflecting snapshots and financial flows (IEvD, 2020a; EBRD, 2020k) There is currently no consolidated reporting on contribution to results aligned with the SDGs. Although COI indicators have been mapped to the SDGs, these do not reflect the official SDG indicators and often reflect activities and outputs.[1] In this context, work is ongoing to enhance reporting, including the production of the Bank's first published Impact Report 2025, and pilot work has been undertaken at the sector level by the Sustainable Infrastructure Group to measure contribution to the SDGs.

1. As per its mandate, EBRD seeks to contribute to "transition" as part of its core mandate rather than contribution to the SDGs. This should be considered with regard to gaps in monitoring and reporting on contribution to the SDGs.

Strategic planning, budgeting and operations could be better integrated to support sustainable delivery and impact.

EBRD's budgeting is largely input-driven, reflecting organisational units and functions rather than strategic themes. This partly reflects the commitment to implement initiatives such as the OE&E and MYIP while limiting growth of administrative expenditure, ensuring that new investments and positions are rationalised through efficiencies (EBRD, 2020b, 2020d). It also reflects the challenges of allocating resources by strategic theme when individual activities can serve multiple priorities. The budget is designed around a base budget with incremental investments and increases aligned to thematic priorities. By contrast, EBRD's SIPs and SCF are driven by EBRD's medium-term vision and defined around thematic priorities identified in the SCF. These priorities are delivered through operations in countries, for which transition outcomes and impacts are to be measured. Budget formulation configured around units, functions and sectors, particularly in the absence of priorities-based time recording, limits further scope for results-based budgeting (IEvD, 2021a). Management has expressed openness to implementing priorities-based budgeting in future (EBRD, 2021j).

Limited growth in the administrative budget in line with objectives and delivery may create challenges for sustainable delivery going forward. Examples were noted of key positions in country offices supporting priorities such as gender equality being resourced through donor fees, making it challenging to recruit and retain key talent. Multiple teams and country offices noted examples where delivery commitments had increased, yet resources remained stable. Furthermore, the implementation of some new strategies has been unfunded. Both the staff engagement survey and independent audits have spoken to the intense workload of existing staff across different functions (EBRD, 2022d, 2023f, 2023p). Workload demands have become even more intense in the context of responding to COVID-19 and the war in Ukraine. With the full benefit of process modernisation yet to be realised, high workloads pose a potential risk for agility, integrity and resilience in responding to unanticipated challenges and engaging in more challenging markets (EBRD, 2024a).

Having a principle-based approach to decentralisation and resourcing assumptions will become increasingly important in light of EBRD's expansion to new CoOs and potentially riskier operating environments. The Bank's business model embodies a high degree of decentralisation with an emphasis on local and locally staffed presence. However, the Bank does not have a formal framework for decentralisation. This decision may need to be revisited in light of the expansion of the Bank's geographical footprint, particularly to more risky markets (IEvD, 2016). As noted above, operations in sub-Saharan Africa in particular involve higher levels of operational risk with greater upstream investment required to develop a bankable pipeline. The timeline for converting upstream work to investments is inherently uncertain. EBRD's peers have faced challenges in these contexts related to human resources management, risk management and maintaining the performance of operations. EBRD is currently in the process of identifying key principles and assumptions underlying the resourcing of ROs in light of the expansion to better identify, monitor and manage these risks.

EBRD should better position its "client-facing knowledge" as a strategic asset for engaging in challenging markets and accelerating transition impact.

Whereas EBRD has sought to enhance its internal-facing learning and knowledge management, its client-facing knowledge activities continue to play a strategic role in its operations. EBRD's technical co-operation and advice play an important role in supporting investment and transition impact in CoOs. Going forward, these activities will be central to enabling investment and pipeline development in challenging contexts and supporting the delivery of global public goods in more advanced markets. Furthermore, EBRD currently engages in numerous client-facing knowledge initiatives. These include strategic reports and working papers produced for wide distribution such as the transition reports produced by the Office of the Chief Economist and analysis on Low Carbon Development Pathways produced by the Climate and Sustainable Development team. EBRD has also developed Communities of Practice, the Policy Academy and specific initiatives such as Korea to Transition to help share good practice externally and with clients. Implementation of these activities is decentralised without an overall institutional strategy or governance structure.

The governance of EBRD's client-facing knowledge activities should be enhanced to better position these activities to support transition. Governance of TC and advice has largely been steered through donor funds processes. TC and advice have rarely featured prominently in country strategies and CSDRs, and there are known gaps in results measurement for policy dialogue activities. In 2024, a new TC Prioritisation process was introduced to align non-transactional TC to Policy Compacts, aiming to enhance selectivity, prioritise support for enabling investment environments and enhance alignment to country priorities (EBRD, 2024d). However, there is room to establish a more comprehensive approach in line with good practice.[2] Comparator organisations have sought to position their client-facing knowledge to drive impact by: (i) incorporating upstream work as a standalone pillar in country strategies; (ii) instituting "country-driven budgeting" to align donor fundraising with strategic and country needs; (iii) identifying advisory services teams and implementing targeted training for staff; and (iv) developing systems to consolidate and disseminate client-facing knowledge products, enabling staff to build on past learning.

A tailored approach is needed to demonstrate the results of client-facing knowledge support. Although some results data are tracked for TC and advice, there is limited institution-level information on how TC has added value to country engagement and on its use and impact. Under the TC Prioritisation process, progress reporting will be implemented annually. However, these reports are currently positioned as internal management documents, and the extent to which they will demonstrate contribution to results is not yet clear (EBRD, 2024d). Comparator organisations have invested in results systems and processes geared towards leveraging client-facing knowledge as a strategic tool. For example, IFC's self-evaluation system for advisory service products provides an institution-wide picture of the "role and contribution" and "development effectiveness" of this work, including the overall work quality. These data have enabled "deep dive" analyses to better understand how client-facing knowledge support can drive market creation and contribute to pipeline development.

EBRD is updating its approach to self-evaluation, but challenges remain in supporting knowledge management and learning and reporting on institutional results.

EBRD's former approach to self-evaluation has made it challenging to present a robust picture of institutional performance. Resources became inadequate to support a representative approach to self-evaluation of operations and independent validation as the portfolio continued to grow (IEvD, 2019). The process was adjusted, and trade-offs were made with the intention of supporting learning through the purposeful selection of Operations Performance Assessments (OPAs) for validation. However, the Kirk Report emphasised that uptake for learning remained weak (Kirk, 2019). Although EBRD reports a Comprehensive Performance Assessment for transition qualities in the Corporate Scorecard, these targets do not replace a representative analysis of the extent to which mature operations contribute to intended transition impacts (IEvD, 2020a, 2023a). An important challenge remains in ensuring that the COIs appropriately reflect EBRD's contribution to outcomes to ensure self-evaluation is meaningful and robust.

There are opportunities to better align self-evaluation with good practice. EBRD is in the process of designing a robust, data-driven approach to self-evaluation, including good practice approaches to producing thematic insight and strategic foresight products (EBRD, 2023d). In implementing this approach, there is room to better link criteria to the Evaluation Cooperation Group (ECG) Good Practice Standards (GPS) in line with peer organisations (MOPAN, 2024; OVE, 2023). In particular, the previous self-evaluation system did not systematically consider realised non-financial additionality in its ratings. Attention may be given to clearly defining this concept and supporting its measurement, including by: (i) identifying realisation against a clear counterfactual; (ii) ensuring a clear distinction between

2. 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 project: Geographical Indication status – Montengro

In northern Montenegro, FAO and EBRD, with funding from Luxembourg, helped farmers like Gordana and Dragan Dulovic get international recognition – Geographical Indication (GI) status – for some of their foods thanks to their high quality and unique production process.

Photo: © EBRD

"transition impact and environmental and social performance; (iii) better defining the role played by the EBRD's TC, advice and policy dialogue; and (iv) ensuring that realisation of non-financial additionality is measured throughout the investment lifecycle. 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 accountability and learning.

More limited progress has been achieved in strengthening learning and knowledge management. EBRD's planned demand-driven thematic and impact assessments are positioned to provide rigorous, evidence-driven learning on frontier challenges. However, five years following the Kirk Report, there has been less progress in enhancing the dissemination of operational lessons through the revitalisation of internal databases and platforms. IEvD remains in the early stages of implementing Evaluation Capacity Development to promote an enabling environment for evaluation (IEvD, 2023b). Beyond promoting the dissemination of lessons, there is room for greater emphasis on cultivating and understanding demand drivers. Examples include identifying competencies and accountabilities for learning among management and staff, which has been planned but remains in progress (EBRD, 2023d).

Lack of a regular client survey is a missed opportunity to better understand client needs and preferences in an increasingly complex operating context.

EBRD has not undertaken a client survey since 2014, prior to important changes in its portfolio and instruments. The previous client survey focused on investment activity broadly (EBRD, 2015b). This was prior to the implementation of key changes such as the Enhanced Approach to Policy Engagement, the Enhanced Equity Approach and the Enhanced Approach to Additionality (EBRD, 2018d, 2018e). Furthermore, EBRD is now working with a much broader array of instruments to expand investment in high-risk environments, including through funded and unfunded guarantees supported by donor financing. Although EBRD maintains a very high rate of repeat clients, which implies a level of satisfaction, client surveys are also tools to learn lessons and better anticipate changes in client needs.

Client surveys would be instrumental in understanding how EBRD's clients perceive the support it provides in crises and fragile contexts. IEvD has noted that the failure to implement a client survey in 2021 following the SP limited opportunities to test assumptions and learn lessons around responsiveness to client needs (IEvD, 2021b). An initial evaluation of the SP noted issues in targeting specific countries as well as overall use of the funds available, raising concerns around the extent to which support could better target clients' needs. The survey was again postponed following the start of the war in Ukraine. EBRD has been agile in responding to crises, but client surveys can help test assumptions underlying crisis responses and identify good practices that can be used to define an approach for future engagement in crises and fragile contexts.

A client survey would help demonstrate how EBRD's clients use policy dialogue and TC. Ongoing challenges have been noted for results measurement in the context of policy dialogue and non-transactional TC (EBRD, 2021d; IEvD, 2020b). As noted above, these activities are central to EBRD's unique transition mandate, and a clearer approach is needed to better demonstrate their contribution to pipeline development and transition impacts in CoOs. There are important opportunities to enhance how existing knowledge and operational learning are channelled to clients. For example, implementing a client survey would help EBRD better understand how policy dialogue and TC are received and used by partners and provide insights into how they can be better positioned to promote downstream investment. Client feedback has been instrumental for comparator organisations such as IFC in operationalising its upstream approach.

Updating the Environmental and Social Policy (ESP) provides an opportunity to strengthen compliance reporting and responses to emerging challenges.

EBRD has a robust approach to managing and monitoring environmental and social (E&S) risks in line with good practice; however, reporting of E&S performance should be enhanced. Whereas E&S performance was previously assessed regularly in OPAs, it has not been reported consistently. Although performance was satisfactory for the vast majority of projects, data are not fully representative. Although EBRD has extensive data from E&S monitoring, it is not yet positioned to provide comprehensive institutional reporting and analysis. An E&S digitisation of projects is underway to develop a "golden source" of E&S data and enhance reporting (EBRD, 2023q). Unlike comparator organisations, EBRD is not positioned to report an annual metric assessing the quality of their E&S due diligence activities across operations and ongoing compliance (MOPAN, 2024). These data could also contribute to streamlining processes for external sustainability reporting, for which data consolidation and reconciliation are challenging and time-consuming.

As EBRD implements its new Environmental and Social Policy, greater focus should be given to leveraging modernised systems and processes to enhance due diligence. A new 2024 ESP is currently undergoing public consultation (EBRD, 2024c). It brings EBRD's policy in line with good practice with a greater focus on emerging challenges such as gender-based violence and harassment (GBVH), child protection, just transition and management of risks along supply chains. There is more explicit recognition of constraints posed by the legal and regulatory environment in the management of E&S risk. Enhancing the use of data will be critically important to the success of this policy, enabling EBRD to learn lessons in these emerging areas. As E&S risks become more complex, these data can help ensure E&S risk management is appropriately resourced to match its ambition and enhance EBRD's role in ensuring strengthening of the legal and regulatory environment.

EBRD can better position itself to address emerging E&S risks, including GBVH, through standalone action plans and external reviews. Considerable work has been undertaken across the multilateral system to address GBVH. Although GBVH risks are addressed through the ESP (EBRD, 2019f), a specific action plan could promote stronger institutional accountabilities for ensuring that appropriate resources (including expertise) are available to respond to these risks and monitoring implementation progress. E&S risks can pose ongoing reputational risks even after the repayment of a loan, regardless of whether institutions were aware of those risks at the time a project was originated. Having robust data on E&S monitoring and conducting periodic external reviews have helped peer organisations conduct retrospective and forward-looking analyses to learn lessons about managing emerging risks. This approach could be particularly useful in addressing GBVH in challenging contexts, such as lending through FIs and management of supply chains, which are linked to the legal and regulatory context.

Box 3. Main strengths and areas of opportunity

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.

FUTURE TRAJECTORY AND CONSIDERATIONS

EBRD will face a range of continued and new challenges in an uncertain operating environment. The paid-in capital increase of EUR 4 billion approved in December 2023 will be instrumental for EBRD's continued support in Ukraine throughout the conflict and its future reconstruction (EBRD, 2024a). However, with no end to the war in sight, the context remains unpredictable. EBRD's incremental expansion into specific sub-Saharan African countries and Iraq has been agreed on the basis of maintaining the capital position and not detracting from the Ukraine response nor from the support to existing CoOs (EBRD Board of Governors, 2023a). However, the experience of peer organisations suggests that scaling up operations in these markets can require a considerable upfront investment in time, resources and partnerships to develop a pipeline of bankable projects (MOPAN, 2024). Conversion of upstream support to a strong pipeline and approved investments is unpredictable.

EBRD has made important gains in enhancing its organisational resilience and ensuring sustainable delivery of impact. EBRD's experience provides potential lessons for other institutions, including in the context of the MDB

Reform Agenda. EBRD's Capital Adequacy Framework identifies a clear risk appetite statement and also considers ratings agencies' metrics, preferred creditor treatment and the role of callable capital. Considerable progress has been made in enhancing private finance mobilisation through setting institutional targets and expansion of subordinated instruments, including unfunded guarantees, Risk-Sharing Frameworks and insurer mobilisation (EBRD, 2023l). EBRD's participation in Egypt's Nexus for Food, Water and Energy programme is likely to identify important lessons for scaling up MDB collaboration in the context of country-led platforms. A number of other initiatives around portfolio guarantees, portfolio risk transfers and hybrid capital instruments are in progress.

Ongoing investment in IT systems and reform are positioning EBRD to make expanded use of Artificial Intelligence (AI). As investments in integrated systems and digitalised processes continue, EBRD is putting the right foundation in place to harness AI for further enhancements in risk management, sustainability reporting and decision-making. AI is increasingly being used by comparator organisations to enhance management of Environmental and Social and Integrity Risks, and EBRD's ongoing investment in modernising systems and processes reflects good practice and is enhancing its positioning to implement similar solutions in future (MOPAN, 2023, 2024).[3]

EBRD should now capitalise on the gains it has achieved to ensure it has a strong foundation to deliver sustainably in an increasingly uncertain environment. MOPAN identifies the considerations below in terms of improving EBRD's ability to strengthen operational delivery and demonstrate its contribution to transition impact given its expansion and increasingly uncertain operating environment:

- **Consolidate renewal of systems and processes towards clear targets for institutional efficiency.** EBRD currently includes a Productivity Index in its Corporate Scorecard. However, it would be beneficial to have more specific process targets to assess the results of process and systems modernisation. As EBRD should consider benchmarking the efficiencies realised and identify targets to drive further progress, demonstrate return on investment and learn lessons. These efforts align to MDB Reform priorities around enhancing operational efficiencies, shortening timeframes for decision-making and harmonising institutional processes and requirements. More clearly measuring the progress achieved will help ensure resourcing supports operational sustainability, particularly in challenging markets.

- **Identify clear resourcing principles and assumptions underlying geographic expansion into sub-Saharan Africa and Iraq.** EBRD's Board of Directors and management have previously chosen not to develop a decentralisation strategy, seeking to align RO resources with emerging needs through existing institutional processes. However, the experience of comparators working in sub-Saharan Africa and Iraq underscores a different risk profile relative to most of EBRD's existing CoOs – even among institutions that have long been active in the region. Assumptions and principles underlying business development needs, staffing, profitability and performance should be specified, tested and adjusted over time.

- **Build on good practices to develop an institutional approach and strategy for operating in fragile and conflict settings.** The nature of EBRD's operating environment has changed, requiring a more deliberate approach to dealing with crises, fragility and conflict situations. This may involve: (i) establishing a policy and differential approach for operating in fragile and conflict settings to preserve transition; (ii) identifying dedicated financial envelopes, donor-funded programmes and risk-sharing instruments; (iii) convening appropriate expertise; (iv) identifying implications for due diligence and safeguards functions; and (v) results measurement systems that address EBRD's contribution to addressing drivers of fragility.

3. See, in particular, the World Bank's use of AI to identify and address potential integrity issues and IFC's MALENA tool to identify potential E&S risks.

- **Implement a systematic client and partner feedback mechanism and enhance the self-evaluation system to better understand how clients use EBRD's products, beyond lending.** The last client survey was implemented in 2014 before major changes to EBRD's operations and instruments, including enhanced approaches for equity and policy work, new solutions for mobilisation, expanded use of donor funds and emerging work through country-led platforms. In a more complex operational context, client feedback mechanisms could help EBRD understand clients' experience and how they combine different sources of instruments to meet their needs, identifying opportunities to introduce good practices.

- **Build on good practices to rationalise transaction costs associated with the management of donor funds.** As the scale of donor engagement and use of trust funds increase, EBRD could identify possible approaches to streamline governance structures and reporting requirements in line with emerging practices for strengthening trust fund management. Other organisations have identified consolidated governance structures and identified more stringent conditions for the creation of single-donor structures.

- **Report more systematically on E&S performance and EBRD's positioning to address emerging challenges, including GBVH.** EBRD has a robust system for ensuring E&S due diligence. There are opportunities to enhance its approach in line with good practice, including: (i) more systematic self-evaluation of E&S performance; (ii) compliance monitoring; and (iii) building a robust central data source to support retrospective analysis and use of AI to identify potential risks. As EBRD seeks to implement its new ESP, including in new operating contexts, a robust central data source can help examine how emerging risks were identified in previous operations to learn lessons. Identifying formal institutional action plans to address emerging risks could enhance accountability around ensuring that the right resources, skills and training are in place to address them.

- **Enhance the outcome orientation of EBRD's results architecture and country strategies, including stronger reporting on EBRD's contribution to transition impact at the country level and institutional incentives to deliver transition results.** EBRD has relatively few tools in place to take stock of its actual contribution to country-level transition impacts. Existing project monitoring is not well-positioned to examine impacts that materialise after closure, with many key indicators reflecting output-level delivery. More robust institutional metrics and reporting should reflect how EBRD's activities in CoOs are contributing to transition over time and possible operational lessons. IEvD's recently piloted Country Evaluations are useful but cannot replace a more systematic self-evaluation approach at the country level in line with the good practice of comparators (MOPAN, 2023).[4] Strengthening the measurement of contribution to transition impacts in countries will be essential in strengthening accountability and institutional incentives beyond lending volumes.

- **Identify an institutional approach for delivering knowledge to drive transition impact.** TC and advice are likely to play an increasingly important role in EBRD's work, both to promote global public goods in countries more advanced in transition and to support pipeline development in more challenging markets. There is a need to consolidate EBRD's work in this area through stronger information management platforms and better integrate it into country strategy development and programming. Internal platforms should be used to provide access to existing knowledge products internally to support operational learning and transmit the benefits of this experience to clients. Finally, a more mature results system should be established for this work that drives quality and captures its appreciation and uptake by clients.

- **Position the self-evaluation system to provide a comprehensive view of portfolio performance across the institution in line with good practice.** EBRD's forward-looking self-evaluation system will include cutting-edge practices and impact assessments to meet demand for learning and anticipate trends. However, it is also

4. See, in particular, the World Bank's Performance and Learning Review and Completion and Learning Review for Country Partnership Frameworks.

EBRD project: Collect Mobile and Netige – Kazakhstan

The EBRD and the Food and Agriculture Organisation of the United Nations (FAO) have released 'Collect Mobile'. This app allows processors to map and monitor fresh milk suppliers and forecasts information about the sources of existing raw milk. Technology is now transforming dairy farming in Kazakhstan.

Photo: © EBRD

necessary to ensure a foundation of institutional accountability by generating a representative, independently validated picture of operational performance, aligned to shared benchmarks (e.g. the ECG Good Practice Standards). Comparator organisations have seen that a strong accountability perspective in self-evaluation can also support learning and collaboration to drive improvement (MOPAN, 2024).[5] This is an opportunity to reflect more systematically on outcomes for cross-cutting issues such as gender equality and climate change. As part of the forward-looking system, non-financial additionality should be measured more systematically, including through use of counterfactuals.

- **Create stronger institutional incentives for learning.** Currently, EBRD's efforts to enhance learning focus on new products and dissemination tools. However, creating a stronger culture for organisational learning also requires incentives and accountability. There are opportunities to create stronger institutional drivers for learning by enhancing progress towards integrating learning into job competencies, objectives and performance evaluation and establishing a dedicated institutional strategy and governance structure for organisational learning.

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ASSESSMENT FINDINGS

EBRD project: ODE Yalitim Insulation Factory – Türkiye

As well as helping others to cut their energy consumption, Türkiye's ODE Yalitim has also been working to slash their own energy costs. They've received financing from the EBRD, which has enabled them to set up a co-generation system. It allows the company to use less energy whilst maintaining production . Photo: © EBRD

This chapter provides a more detailed assessment of EBRD's performance across the five performance areas – strategic management, operational management, relationship management, performance management and results – and the KPIs that relate to each area, accompanied by their score and rating.

FIGURE 5. **MOPAN PERFORMANCE SCORING AND RATING SCALE**

Highly satisfactory (3.51-4.00) | Satisfactory (2.51-3.50)
Unsatisfactory (1.51-2.50) | Highly unsatisfactory (0.00-1.50) | No evidence / Not applicable

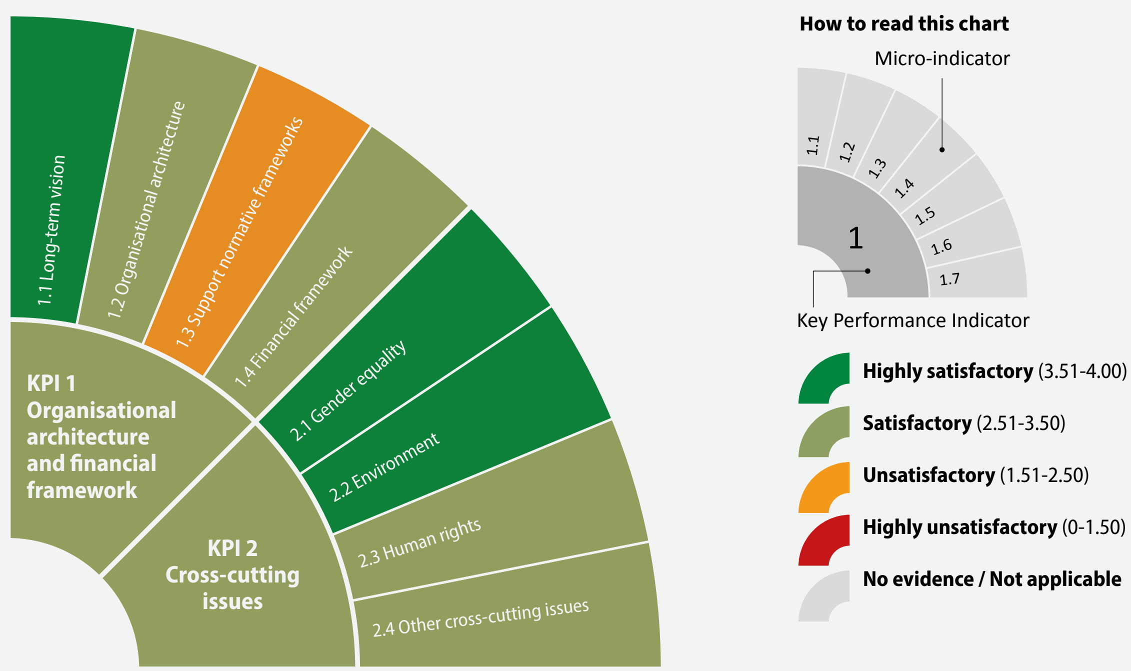
Source: MOPAN Methodology Manual, 2020 Assessment Cycle, http://www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf

Assessment findings draw on information from the two evidence sources (document reviews and interviews – see Chapter 4 for more information). Further analysis per micro-indicator and detailed scoring can be found in Annex A. For the full list and citation details of the documents referred to, please see Annex B.

STRATEGIC MANAGEMENT

Clear strategic direction geared to key functions, intended results and the integration of relevant cross-cutting priorities.

FIGURE 6. **STRATEGIC MANAGEMENT – KEY FINDINGS**



KPI 1: Organisational architecture and financial framework enable mandate implementation and achievement of expected results.

Satisfactory	**3.23**

This KPI assesses EBRD's strategic management arrangements with respect to: (i) clarity of its mandate and comparative advantage; (ii) strategic architecture and planning; (iii) the extent to which its operational model is geared towards delivering on its priorities and driving collaboration; (iv) alignment of priorities and results with global commitments; and (v) its financial framework.

EBRD's activities are aligned with good practice across the majority of these areas, underpinning an overall rating of satisfactory. However, there are opportunities to further enhance reporting on the alignment of EBRD's activities and results to the SDGs.

Mandate and comparative advantage

EBRD has a clear mandate and long-term vision. This vision is reflected in its establishing document "Agreement Establishing the Bank". EBRD's mandate, which serves as its long-term vision, is "to foster the transition towards open market-oriented economies" (EBRD, 2013). EBRD's business model is based on three operating principles enshrined in its Articles Establishing the Bank (AEB): transition impact, additionality and sound banking. EBRD articulates its comparative advantage as its unique focus on supporting transition through private sector development, including a dual focus on the public and private sectors and the interaction between them (EBRD, 2020a).

EBRD delivers on this mandate through a range of instruments, including investment, policy engagement and technical co-operation (both pre-transactional and transactional). In doing so, it works with the private sector and selectively in the public sector. Over the current strategic period, the Bank aims to invest a minimum of 75% of ABI in the private sector (EBRD, 2021a). It is the only DFI active in the public and private sectors with a predominantly private sector focus, and it is uniquely positioned to address barriers to investment through policy dialogue. Its geographic footprint across more than 60 ROs enables it to provide tailored investment and policy support to its clients.

EBRD has updated its transition concept to respond to a changing operating context. Following steady progress made in implementing key reforms between the 1990s and 2010, the pace of transition began to slow as countries confronted more nuanced issues related to social, political, institutional and human capacity-related constraints (Besley, Dewatripont and Guriev, 2010; EBRD, 2020c). In 2016, EBRD revised its transition concept, conceptualising it in terms of six transition qualities: competitive, well-governed, green, inclusive, resilient and integrated. These six qualities have been embedded into EBRD's strategic and results architecture (IEvD, 2020a). However, challenges remain in their implementation, with IEvD reports and an external review of EBRD's evaluation function noting key challenges for evaluability and fit-for-purpose in demonstrating EBRD's contribution to transition results (IEvD, 2020a; Kirk, 2019). Work is ongoing to address this concern (see KPI 7 for more information).

Strategic architecture and planning

Elements of EBRD's Strategic architecture have evolved since the start of the assessment period with ongoing work to identify lessons and continually strengthen the approach. EBRD's strategic architecture includes its five-year SCFs, which identify medium-term priorities that are operationalised through three-year rolling SIPs, which also present an annual budget. Through the transition qualities, these are connected to country strategies, which are prepared and reviewed every five years. Country strategy priorities and sector strategies guide the selection of investments; however, this is dependent on the availability of bankable opportunities. Country strategies identify transition objectives and results frameworks, linked to EBRD's Compendium of Indicators (COI); however, these largely reflect activities and outputs. Annual Country Strategy Delivery Reviews (CSDRs) provide a feedback loop, reflecting on alignment and results from operations relative to the country strategy (EBRD, 2020a; IEvD, 2021a).

SCFs set a control framework and strategic directions to guide EBRD's operations. The goals in SCFs are pursued through an annual, three-year rolling Strategy Implementation Plan (SIP). The Corporate Scorecard sets targets for key parameters balancing the dual goals of driving transition impact while remaining financially sustainable at the portfolio level (EBRD, 2020a, 2020b, 2021a, 2022a, 2023a, 2024a). Key targets include: (i) Expected Transition Impact (ETI) ratings for new projects; (ii) Portfolio Transition Impact (PTI) ratings for ongoing operations; and (iii) Composite

Performance Assessments for transition qualities. A key challenge involves the fact that ETI remains ex-ante, whereas PTI primarily reflects whether the original project scope has been implemented and the direct impact of the project achieved, not contribution to wider results. Furthermore, Composite Performance Assessments are not designed to assess contribution to country-level transition outcomes.

Over time, the Scorecard has been redesigned to support core strategic objectives and delivery of key operational priorities, promote financial control and support cultural change. For the current SCF period (2021-25), operational performance indicators and targets include: (i) Annual Bank Investment (ABI); (ii) Annual Mobilised Investment (AMI); (iii) Private Sector share of ABI; and (iv) Proportion of Activities in Early Transition Countries, the Western Balkans and Southern and Eastern Mediterranean (SEMED). Reflecting a commitment at the time of the approval of the scorecard structure for the SCF period, a separate indicator on risk management performance was introduced in the Corporate Scorecard to help strengthen EBRD's risk management culture (EBRD, 2022a). The scorecard includes financial control parameters, discussed further in KPI 11.

Processes are in place to regularly review the strategic vision and align operations. The strategic vision is regularly reviewed by management and the Board of Directors through the SCF process every five years and the alignment of operations through the SIP process annually. The Annual Meetings serve as an opportunity to confirm the relevance of the strategic direction and introduce new commitments and high-level priorities. IEvD and Internal Audit play a key role in reviewing, evaluating and informing the ongoing transformation of the strategic architecture of the Bank (IEvD, 2016a, 2020a, 2021a; EBRD, 2022b).

Organisational structure aligned to priorities and supporting collaboration

Over the course of the assessment period, EBRD has sought to evolve its organisational structure in line with its mandate and strategic vision. Key changes include creating a portfolio monitoring function and client services group to manage a growing portfolio, increasing decentralisation of expertise in ROs and incorporating stronger analysis of transition needs and impacts across country strategies and operations (EBRD, 2020b). EBRD has implemented ongoing reforms to enhance, modernise and integrate its processes and systems, culminating in the identification of a Transformation Office in 2022 to support ongoing governance, co-ordination and roll-out (EBRD, 2024a).

EBRD operates through its ROs, locating staff and expertise closer to clients. Staff implement operations through a matrix system, whereby regional bankers also belong to sector teams. There are multiple points of collaboration across the institution in the context of strategies and investments, including among economists, risk management specialists, banking professionals and sector experts. Across operational processes, EBRD implements a Responsible, Accountable, Consulted, Informed (RACI) system to identify how different functions within the organisation collaborate in implementing the operational processes that position decision-making and investment to deliver results. Clear roles and responsibilities across teams are further articulated in the Operations Manual (EBRD, 2017a, 2024c).

Aligning results to global commitments

EBRD's strategic priorities and operations reflect several global commitments. These include the 2030 Sustainable Development Agenda, the Hamburg Principles, the Addis Ababa Action Agenda and Paris Alignment of financial flows. During the 2018 update of its Transition Impact Methodology, EBRD conducted a mapping of its transition qualities with the SDGs (EBRD, 2020d; IEvD, 2020a).

EBRD reports regularly on many of its global commitments. EBRD reports systematically on contributions to some of its other global commitments, including participating in joint MDB reporting around climate finance, blended finance and private capital mobilisation. Annual Sustainability Reports and Global Reporting Initiative (GRI) disclosures provide a comprehensive picture of EBRD's approach to addressing environmental, social and governance issues, including its contribution to Green Economy Transition and gender equality (2024e).

However, there are opportunities to enhance its reporting on contribution to the SDGs. Of note, as per its mandate, EBRD's operations are targeted primarily towards contributing to transition rather than achievement of the SDGs; however, there are many areas of potential alignment. Management has developed a template for communication of results to external stakeholders – the Results Snapshot – that includes how EBRD's work aligns with and contributes to the SDGs (EBRD, 2024d). Additional information is provided in EBRD's Annual Donor Report and Shareholder Special Fund Report. However, these reports reflect the alignment of investments rather than results. Whereas EBRD's COI has been mapped to the SDGs, these are largely at the activity and output levels and do not reflect official SDG indicators. Furthermore, they are not used to report on EBRD's contribution to results aligned to the SDGs.

Financial framework

EBRD has a comprehensive budget and externally assured annual financial statements. SIPs present a budget by department with justification for incremental shifts in budget being linked to strategic priorities. However, a comprehensive overview of budget allocations by SCF priorities is not available (IEvD, 2021a; EBRD, 2024a). The structure of the budget is largely driven by operational functions and teams, which has helped EBRD rationalise its administrative budget during ongoing institutional transformation, balancing new investments with efficiencies. Multiple stakeholders noted that changes in operational programme targets have not always been accompanied by commensurate changes in budget/resource allocation. EBRD is undertaking efforts to improve information on cost allocations that reflect key strategic priorities and activities.

Strong processes are in place to review capital adequacy and medium-term financial sustainability. Capital adequacy is reviewed at least every five years by the Board of Governors through the SCF, with regular updates and stress testing reported through SIPs. EBRD has many policies in place to ensure that sufficient funds are available to deliver its investment programme, including through its Capital Adequacy Policy and its policy and procedures for Treasury authority, including liquidity (EBRD, 2022c, 2023b, 2023c). The Treasury team is responsible for maintaining adequate liquidity to cover EBRD's activities and manage its capital. Bank finances are reported through annual financial reports, which are available publicly (EBRD, 2024f).

Mobilisation of donor funds is playing an increasingly important role in EBRD's financing. EBRD has taken steps to guide raising and using donor funds to support its operations, with medium- and short-term planning and resource mobilisation needs outlined in the SCF and SIPs (EBRD, 2022a, 2023d, 2024a). The SCF also sets guidelines for its Mobilisation Approach regarding the private sector and donors. Mobilisation of donor resources has more than tripled over the assessment period (EBRD, 2023d). EBRD's donor partnership team plays a critical role in reviewing and implementing strategies, policies, guidelines, systems and tools supporting donor funding. The Donor Manual provides a framework for the management of donor funds, including processes for allocation in line with donor priorities and country needs. Donor funding has played a critical role in supporting EBRD's crisis response to the COVID-19 pandemic and the war in Ukraine. The scope of donors that EBRD works with has increased steadily over the assessment period, and it now manages approximately 250 donor funds (EBRD, 2023e, 2024a).

Clear processes are in place to support the prudent use of blended finance. Blended concessional finance is subject to guidelines which ensure that the use of concessional funds is in line with EBRD's mandate and adherent to the DFI Enhanced Principles (EBRD, 2022d). EBRD has requirements in place to demonstrate that the use of funds is targeted where they are needed most and likely to contribute to transition impact. EBRD uses a Grant Equivalent Calculator (GEC) to measure and record the level of concessionality in its operations. This allows for consistency and transparency and enables comparison across project proposals and instruments.

KPI 2: Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels, in line with the 2030 Sustainable Development Agenda principles.

Satisfactory	3.50

This assessment examined EBRD's support for four cross-cutting issues: gender equality, climate change, equality of opportunity and digital transition. For each issue, MOPAN assesses the extent to which cross-cutting issues are: (i) reflected in policy and strategy documents; (ii) integrated into accountability frameworks; (iii) mainstreamed across operations; (iv) supported by human and financial resources; and (v) reflected in staff training programmes.

Overall, EBRD addressed global issues and cross-cutting themes in line with good practice, with particularly strong performance in supporting gender equality and Green Economy Transition. EBRD is rated satisfactory for this KPI overall and highly satisfactory for Green Economy Transition and Gender Equality. Support for EoO and Digitalisation is being scaled up, with efforts underway to enhance the approach over time and build on lessons learned, including from the implementation of other themes.

Gender equality

EBRD has a clear strategic commitment to support gender equality, which has been mainstreamed into operations. EBRD has had two iterations of its Strategy for the Promotion of Gender Equality (SPGE) covering the periods of 2016-20 and 2021-25 (EBRD, 2016a, 2021b). Gender equality is reflected in the institution's strategic vision as part of the "inclusive" transition quality and represented in its thematic priority around equality of opportunity, identified in the 2021-25 SCF (EBRD, 2020a). EBRD committed to mainstream gender considerations into operations through the SPGE 2021-2025, supported by a gender SMART process and tagging system for projects. The gender SMART process is geared towards identifying opportunities created by investments for contributing to a change in behaviour among clients (EBRD, 2021b, 2023f). The share of gender-tagged operations is tracked through the Corporate Scorecard, increasing from 6.8% in 2017 to 44% in 2023 (EBRD, 2024a).

Financial and human resources are increasingly being allocated to support gender equality and women's empowerment. The Gender and Economic Inclusion (G&EI) team continues to grow at pace. The team operates through a hub-and-spoke model with key staff embedded in sector and regional teams. However, stakeholders noted that some positions in ROs are funded through donor funds, making them less secure and posing difficulties for recruitment and retention. Donor funding is essential to scale up EBRD gender activities. More than EUR 120 million in funds were received for gender-related technical co-operation (TC) and co-investment projects across EBRD, and its Special Shareholder Fund (SSF) has funded over two-thirds of gender TC projects. In 2022, 62% of donor-funded investment projects addressed issues of gender and inclusion (EBRD, 2022e).

Targeted training is available to staff to further promote mainstreaming. EBRD provides courses to develop gender proficiency through the EBRD Gender Academy. Although not mandatory, there are high levels of attendance across the organisation. Beyond training, staff also have access to Gender Champions that act as go-to resources within their team on matters pertaining to gender.

Climate change

Climate change is reflected in EBRD's policies and strategies and its green transition quality. Relevant policy statements include EBRD's Environmental and Social Policy and Green Economy Transition (GET) Approach (EBRD, 2020e). Climate change is reflected throughout the SCF, SIPs and Corporate Scorecard, including a corporate to reach at least 50% green finance as a proportion of Annual Bank Investment (ABI) by 2025 (EBRD, 2020a, 2020e, 2024a). Currently, 75% of EBRD projects have been assessed as at least partially green, and EBRD has already met its 2025 target. In its 2021-25 Mobilisation Approach, EBRD has also stated that at least half of its private capital mobilisation will be for Green Economy Transition (GET) projects (EBRD, 2024a).

Beyond green finance, climate change considerations are embedded into country strategies and operations. New financial flows have been fully aligned with the Paris Agreement from 1 January 2023 (EBRD, 2024c). EBRD is further dedicated to supporting its CoOs to meet their Paris Agreement commitments through policy dialogue and technical co-operation, assisting them in developing long-term strategies. EBRD reports on its annual climate finance commitments, a subset of GET finance, through the annual joint MDB Climate Finance Report and through the EBRD Sustainability Report (EBRD 2024c). It has further implemented methodology and screening processes to enable EBRD to ensure Paris Alignment of new operations (EBRD, 2022c). In 2021, a new monitoring, reporting and verification approach was introduced that will help EBRD track and verify actual impacts as projects are implemented in future – an example of good practice among DFIs (EBRD, 2024c).

Human and financial resources have been scaled up steadily to deliver on EBRD's GET ambition. The Climate Strategy and Delivery team has increased in size since 2023, with over 100 staff that address green financial systems, sustainable business and infrastructure, and climate strategy and delivery. This team is supported by a network of RO staff who lead green policy dialogue and business origination. Climate activities have benefited substantially from the mobilisation of donor funding and the issuance of green bonds. This includes collaboration with the Climate Investment Funds (CIF) and the Green Climate Fund (GCF), which have provided over USD 1 billion in funding. Since 2010, EBRD has issued 139 green bonds totalling EUR 9.0 billion under its three green bond programmes (EBRD, 2023e).

EBRD provides multiple training opportunities for staff on climate change, ranging from introductory courses to more tailored offerings. Although training courses are not mandatory, there is evidence of considerable uptake. A handbook provides detailed guidance for assessing GET finance projects or project components (EBRD, 2021c, 2023g). Additionally, staff have access to external learning platforms on climate change issues. Training ranges from the "Green ABCs" – a training course open and relevant to everyone at EBRD – to tailored support to colleagues on a demand-driven basis. As of 3 November 2023, 758 staff had accessed the Climate and Environment ABCs, and 227 had completed the course.

Equality of opportunity

EBRD's strategic approach to equality of opportunity has matured over the assessment period. EBRD had an Economic Inclusion Strategy (EIS) covering the period 2017-21, preceded by a distinctive private sector-focused inclusion approach since 2013 (EBRD, 2017b). EoO is further established as a strategic theme in the SCF 2021-2025 (EBRD, 2020a). In 2021, EBRD launched its Equality of Opportunity Strategy (EOS), with a sharper link to the "inclusive" transition quality and a focus on addressing human capital gaps (EBRD, 2021d). The EOS outlines three focus areas: (i) broadening skills, employment and livelihoods; (ii) building inclusive and gender-responsive financial systems and business environments; and (iii) creating inclusive and gender-responsive services and public goods. It also reflects on implications for global issues such as climate change, digitalisation and the future of work, urbanisation, regional disparities, migration, and large-scale shocks such as the COVID-19 crisis.

EoO is increasingly being mainstreamed into operations and policy dialogue. EoO is embedded into project assessment, selection and monitoring in EBRD's Monarch system and transition impact assessment. The EOS 2021-2025 aims at having at least 25% of operations identified as "inclusive", although there are no specific targets within the SCF or Corporate Scorecard. The EOS implements an innovative approach to addressing barriers to EoO faced by diverse groups in different contexts. At a market level, EBRD seeks to strengthen both institutions and the policy environment. At the stakeholder level, operations seek to address human capital barriers for women, youth, the elderly, people with disabilities, people with "stranded skills" and other marginalised groups that face challenges in entering or remaining in the labour market (EBRD, 2021d). Targeting of these groups is subject to a verifiable gap in the country or regional context. These can be reflected in terms of overlapping characteristics, encouraging intersectionality.

Dedicated resources for delivering on EoO objectives are limited. The implementation of the EOS is the responsibility of the G&EI team, which addresses gender and inclusion jointly. The overall team consists of 45 staff, with one-third based in resident offices. Although staffing has increased over the period, the EOS was launched without a dedicated budget and continues to rely on donor funding (EBRD, 2023e). To date, the G&EI team has worked closely with the Impact team to update the Inclusive Transition Impact scoring methodology, objective classification and monitoring indicators in line with the EOS, helping to guide staff in the development of projects. This has been complemented by a robust theory of change and results framework to demonstrate results. Sectoral toolkits have been developed to assist teams in better marketing EoO interventions. Training and internal knowledge transfer initiatives are planned, though no information was available about current training offerings.

Digital transition

Digital transition was established as a strategic theme in SCF 2021-2025, and EBRD launched its digital transition approach in 2021. The digital approach outlines a delivery model, centred around digital foundations, adaptation and innovation, with cybersecurity addressed as a cross-cutting theme in all three initiatives (EBRD, 2021e).[1] A digital project is defined as one that delivers a measurable result against the EBRD Transition Qualities (TQs) by helping to deliver on one or more of these core areas. Foundations include policies, regulations and digital infrastructure, whereas adaptation involves access to finance and advisory support to adapt business processes and supply chains to identify and implement innovative solutions.

A forward-looking plan and results dashboard has been established to guide the maturation of EBRD's approach over time. This plan includes a set of commitments and a performance dashboard targeting internal enablers, EBRD's engagement with clients and development of digital products. This includes: (i) cultivating internal capacity; (ii) developing relevant products, standards, policy support and advisory services; (iii) strengthening the legal and regulatory framework; and (iv) strengthening the capacity of end-users (EBRD, 2023h). EBRD is adopting a prudent approach in consolidating the existing knowledge base around ongoing activities and deferring detailed work on indicators and targets to the next strategy (which is due in 2025). Although not included in its Corporate Scorecard, projects with digital components are tagged, and incentives for digital activities are reflected in projects' Expected Transition Impact scores.

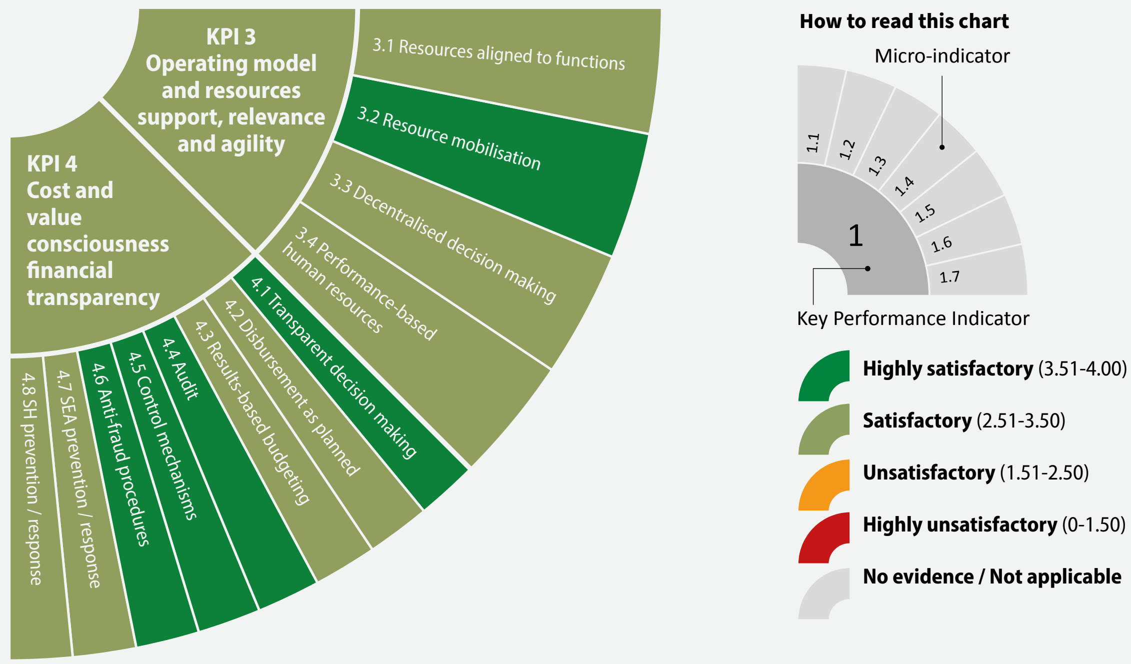
Work has been underway to enhance EBRD's human resources capacity for digital transition and identify partnerships. The creation of the Digital Hub has facilitated working on digital issues across the organisation, despite a relatively small resource budget (EBRD, 2023h). The Hub was initially created with a small resource budget – 3 (now 5) regular bank staff, an annual budget of EUR 300 000 as well as donor funding and secondment agreements that bring the total number of experts to 12. The Hub is working to align donor resources to digitalisation, including through the Shareholder Special Fund and the EU's Recovery and Resilience Facility. Resources are available to staff who seek training in the area of digitalisation, including a curated learning programme for the Bank's network of Digital Champions and further specialised topics requested by staff/teams. The creation of "digital roadmaps" for certain sectoral units provides bankers with information on the breadth of digital operations relevant to their work.

1. Foundation: promoting appropriate policies and regulation, access to connectivity through infrastructure and a skilled workforce; Adaptation: providing access to finance, technical cooperation and advisory services to organisations in support of digitalisation of services, assets, business processes and value chains; Innovation: supporting digital-first clients through an ecosystem of policy and advisory services, as well as debt financing and direct and indirect equity investments.

OPERATIONAL MANAGEMENT

Assets and capacities organised behind strategic direction and intended results, to ensure relevance, agility and accountability.

FIGURE 7. **STRATEGIC MANAGEMENT – KEY FINDINGS**



KPI 3: Operating model and human and financial resources support relevance and agility.

Satisfactory	3.25

This KPI examines EBRD's operating model and organisational structure and how EBRD has adapted these to reflect its operating needs and emerging challenges. It considers the extent to which EBRD: (i) has aligned its operating model, budget and staffing structures to deliver on its strategic commitments; (ii) has resources in place to deliver and structures to manage them efficiently; (iii) has identified clear roles, responsibilities and ways of working across teams; and (iv) has established processes to manage performance.

Overall, EBRD has been rated satisfactory on the basis of ongoing efforts to modernise, streamline, integrate, and digitalise its processes and structures to deliver on its mandate and strategic priorities. EBRD is aligned with good practice for MDBs to mobilise and allocate resources to deliver on its strategic priorities, promote collaboration across teams and manage the performance of its staff.

Aligning the operating model to strategic priorities

EBRD has made continued efforts to modernise its organisational structure as its operations have grown. The Operational Efficiency and Effectiveness Programme (OE&E), which was implemented between 2016 and 2019, sought to update and integrate EBRD's corporate processes as the scale of its operations grew (EBRD, 2020b, 2020d). This programme involved the streamlining of processes and clarification of responsibilities across the organisation, creation of a portfolio management function, streamlining of the IT and procurement functions and establishment of a data management team.

The OE&E set a trajectory for ongoing change for investment across EBRD. The OE&E was followed up by the introduction of the IT Multi-Year Investment Plan (MYIP), which sought to address a legacy of underinvestment in IT infrastructure and ensure platforms were "fit for the future". Challenges faced during the COVID-19 pandemic further underscored how limitations in IT capacity were affecting operational sustainability (EBRD, 2021a, 2022a). In 2022, a new Transformation Office was identified to implement EBRD's forward-looking transformation agenda, including a multi-year work programme that seeks to create a "digitally enabled institution with an expert workforce, well connected across all locations, confidently using data and technology to add value, making decisions based on good access to analytics and decision-support tools and able to properly share and collaborate with stakeholders and clients in line with their expectations" (EBRD, 2020a, 2024a).

The organisational structure has been updated to deliver on strategic priorities. An initial top-level structure review was undertaken in 2016 to support alignment of staffing structures with the strategic vision identified in the SCF (2016-2020). Following a commitment made to undertake another review after four years (EBRD, 2017c), a Top Structure Review was carried out in 2021 to support alignment of the organisational structure with the strategic directions of the 2021-25 SCF (EBRD, 2021a). As the number of CoOs has expanded, EBRD has enhanced decentralisation. It currently operates through a network of around 60 ROs, sometimes with multiple ROs in specific countries, where one-third of staff are based. Decentralisation has enabled EBRD to provide hands-on support to clients in CoOs and delivery policy engagement. While the EBRD has a substantial field presence, it does not have an overall strategy or structured approach for decentralisation that articulates how human resources (HR) will be deployed (IEvD, 2016).

EBRD has sought to enhance its capacity for data-driven HR management and analytics. EBRD embarked on a five-year People Plan in 2018 with the objective of: (i) strengthening organisational design capability; (ii) developing strategic workforce planning and "people analytics" capacity; (iii) supporting data-driven decision-making for hiring and promotion; and (iv) enhancing self-service and automation. Overall, the People Plan sought to lay the groundwork for intelligent, modern management of EBRD's people and skills needs and promote a high-performance and learning culture (EBRD, 2021a). Achievements include: (i) the set-up of a dedicated HR data analytics function; (ii) the revitalisation of staff learning through digitisation of learning; (iii) the development of targeted masterclasses; and (iv) the roll-out of a staff mobility programme.

Management of resources in line with priorities

Budgets are presented in EBRD's SIPs, identifying investments and staff costs against a baseline budget. A series of "cornerstone" discussions are held between Management and the Board Budget and Administrative Affairs Committee (BAAC) which highlight important budget issues upstream and set directions (EBRD, 2022a). Additional staff resource requests are balanced against reallocations and efficiencies to limit growth in expenses. Discussions at the senior management level examine large-scale investment needs, and a "Staffing Refresh" exercise is implemented. Department heads, with guidance from HR business partners, request adjustments to staffing proposals as necessary to maximise budget utilisation. A draft budget is discussed by senior management and the BAAC before it is approved by the Board of Directors. Budgets break down expenditure by departments and functions rather than by SCF priorities. While this approach creates challenges for results-based budgeting, it has contributed to controlling administrative expenditure during transformation.

EBRD's income includes loan repayments and funds raised via capital markets. A range of bonds and debt instruments are managed by EBRD's Treasury team according to a funding strategy. EBRD has issued traditional fixed rate and floating rate benchmark bonds, as well as exotic currency issuance and structured private placements denominated in or linked to over 60 different currencies, reaching a diversified investor base by both geography and investor type. EBRD has issued EUR 142.6 billion in approximately 3 000 medium-to-long term transactions and in 63 currencies (including EUR legacy currencies) under its annual Borrowing Programme at year-end 2023 (EBRD, 2024g). In support of its mission to stimulate and encourage the development of capital markets, EBRD raises funds through local currency issuances. EBRD's bond issuances are also used to raise funds earmarked for thematic issues including: (i) green bonds, such as environmental sustainability bonds, climate resilience bonds and green transition bonds; and (ii) social bonds, such as microfinance bonds and health bonds.

EBRD has strong processes in place to monitor its capital adequacy, enabling it to respond to external shocks. The EBRD's Board of Governors reviews the adequacy of its capital stock at least every five years, with the next capital review set for 2025. SCFs provide an overview of this analysis, confirming the capital stock remains sufficient to deliver on EBRD's strategic vision. SIPs then report on statutory capital utilisation and capital adequacy utilisation over time against prudential thresholds (EBRD, 2020a). These reports are complemented by Quarterly Performance Reports and the Business Performance Navigator Platform, which reflect key ratings agency ratios. The impact of consequences of the war in Ukraine and the EBRD's response on its capital adequacy was assessed over time through a multi-stage process as it scaled up its approach (EBRD, 2023a, 2024a). These stages broadly consisted of: (i) identifying the potential impact of provisioning and write-offs; (ii) minimising the impact of increased lending on the balance sheet, including through donor funding; and (iii) assessing the most efficient and effective form of shareholder support for the EBRD which led to the approval of a EUR 4 billion paid-in capital increase by the Board of Governors (see KPI 12).

Fostering collaboration across teams

EBRD identifies and implements its strategic vision through broad collaboration across functional teams. This collaboration helps ensure appropriate scrutiny and oversight of investment approval and implementation to enhance quality, manage risk and deliver results. This collaboration is guided by several tools, including the Operations Manual, which describes processes and roles and responsibilities among teams across the project cycle (EBRD, 2024c). Key processes and decisions are implemented through "RACI matrices", which identify which teams or individuals are responsible, accountable, consulted and informed (EBRD, 2017a).

Delegation of authority has contributed to enhancing EBRD's operational agility. Over time, EBRD has increased use of delegated authority to enhance the efficiency of decision-making, including through Investment Frameworks. In 2019, EBRD expanded the threshold of delegated authority to EUR 25 million for framework projects and EUR 10 million for stand-alone projects, with quantifiable improvements to efficiency (EBRD, 2016c, 2022e, 2024h). This approach made an important contribution to enhancing EBRD's agility in responding to COVID-19 through the Solidarity Package. Available audits confirm these processes are implemented and robust, and delegated authority limits are being respected systematically (EBRD, 2020f).

Managing staff performance

EBRD has a robust process in place for managing the performance of staff. In addition to an expectation that managers provide ongoing and informal feedback to staff, performance is reviewed formally at least twice a year against objectives (EBRD, 2021f). EBRD's performance management framework sets out the programme structure, processes and definitions for staff to undergo formal performance assessments. Compensation adjustments are linked to performance. Provisions have been identified to address underperformance with demotion or termination of employment possible if performance does not improve, with a clear process in place to address complaints. EBRD sets the performance review period at 12 months, and it is applicable to all staff who have been engaged in their duties for at least 4 months.[2] There is clear evidence this process is implemented systematically, with an overall completion rate of 83% in 2022.

2. Consultants are measured against the objectives of their contract (as outlined as part of the procurement process/ contracting). Temporary staff (CCTs) are not staff members of EBRD but of external organisations; as such, they are not included in the Bank-wide process.

Staff performance objectives reflect institutional priorities. Staff objectives relate to strategy, risk, leadership and management, job-specific responsibilities, and personal development. The overall pool of performance-based compensation is driven by corporate objectives, including investment-related targets, ETI and green investments. More recently, performance objectives include risk management towards strengthening EBRD's risk management culture (EBRD, 2024a). However, this approach has been less effective in promoting themes that are not reflected in scorecard targets (e.g. inclusion, policy reform). Additionally, EBRD provides a number of formal and informal mobility opportunities for staff career development. All staff members are eligible for a mobility opportunity, provided that there is an available vacancy and that they have the required skills (EBRD, 2023i, 2024a).

EBRD has made important progress in supporting diversity and inclusion and promoting a healthy organisational culture. EBRD established a Diversity and Inclusion Policy (D+I) in 2014, which is "led from [the] top" (EBRD, 2014, 2019a). A Diversity Steering Group is chaired by a member of the Executive Committee and meets quarterly, including with representatives of the Staff Council and Employee Networks, to oversee implementation of the D+I Policy through a series of three-year action plans, with progress reviewed annually (EBRD, 2023j). EBRD implements a regular staff engagement survey with a staff engagement metric tracked in the Corporate Scorecard, complemented by annual action plans (EBRD, 2019b, 2022f). In 2023, quarterly surveys were introduced. Staff engagement has declined in recent years, likely as a by-product of enhanced workload transformation efforts (EBRD, 2023k). EBRD has implemented a number of change champion groups, transformation updates and newsletters to help address these issues, resulting in a recent rebound of engagement scores.

KPI 4: Organisational systems are cost- and value-conscious and enable transparency and accountability.

Satisfactory	3.39

EBRD's operations are guided by the core principles set out in the AEB, alongside the priorities identified in its SCFs. The AEB identifies EBRD's three main operating principles of sound banking, additionality and transition impact (EBRD, 2013). These principles are translated into operational guidelines and investment and lending standards through a comprehensive Operations Manual (EBRD, 2024c). Thematic priorities are identified in the SCF, which are operationalised through three-year rolling SIPs (EBRD, 2020a).

Each EBRD project is designed to achieve transition impact and to be additional to the supply of finance on similar terms in the market. Explicit consideration is given to how the objectives, outcomes and activities of each individual operation contribute to transition impact, with the ETI of new projects and the PTI of ongoing projects identified as a key corporate performance indicator (EBRD, 2020a, 2024a). Specific emphasis has been placed on moving EBRD operations progressively towards countries and regions less advanced in transition, including identified "Early Transition Countries" (ETCs),[3] the Western Balkans and SEMED (IEvD, 2023a). In 2018, EBRD introduced its Enhanced Approach to Additionality, with a structured, evidence-based approach to establishing additionality ex-ante against a counterfactual (EBRD, 2018a). These claims are then verified ex-post through self-evaluation.

Implementation of investments and other operations is guided by a robust suite of internal policies and processes. Processes and conditions underlying EBRD's project cycle are documented comprehensively in its Operations Manual, which identifies the key responsibilities of the Operations Leaders alongside the role played and oversight provided by various teams at different stages (EBRD, 2024a). Each project under consideration undergoes a comprehensive assessment of the financial and management position of potential clients and an overall assessment of creditworthiness (EBRD, 2021g). This includes a market due diligence that considers the commercial viability of a project, the competitive position of the borrower in the market and other factors that may influence the prospects

3. These countries face the most significant transition challenges and include Armenia, Azerbaijan, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Tajikistan, Turkmenistan and Uzbekistan. More than 50% of the population in these countries lives below the national poverty line. See The EBRD's Early Transition Countries Initiative.

for repayment. Clear requirements, timelines, conditions and clearance processes are established for disbursements and other operations (EBRD, 2018a, 2023l, 2024c). EBRD has processes in place to monitor investments and other operations to ensure financial soundness and compliance with legal covenants, identify issues concerning transition objectives, social, environmental or other requirements and intervene as required. A key oversight role is played by the ORM department, which serves as a second line of defence for identifying and managing operational risks and challenges (EBRD, 2019c, 2019d, 2024c).

EBRD's operating framework enables flexibility and agility in responding to crises and changing contexts. EBRD was able to respond rapidly both in launching its COVID-19 Solidarity Package and in responding to the needs of CoOs affected by the war in Ukraine through the Ukraine Resilience and Livelihood Framework. In responding to COVID-19, Management developed a streamlined processing and approval approach without compromising sound banking principles or compliance standards (EBRD, 2024a; IEvD, 2021b). This involved delegated approval by management for new financing under EUR 25 million, with projects above this threshold and any restructurings submitted to the Board on a three-day no-objection basis. Under the Ukraine Resilience and Livelihood Framework, which identified a regional response covering Ukraine and its neighbouring countries, EBRD again managed to shorten approval processes while maintaining a robust approach (EBRD, 2024a). While approval processes remained the same, the process allowed for faster escalation of bottlenecks to support agility.

EBRD's administrative budget identifies direct and centrally managed costs organised by functional areas rather than resources allocated to priority themes. Net resource needs are organised around a baseline budget, with incremental changes identified by priority theme. New expenses and investments are balanced by identified efficiencies and reallocation of responsibilities (EBRD, 2024a). Development of the budget is informed by a series of upstream "cornerstone" discussions between the Board and Management to set overall budget parameters as well as ongoing collaboration between departments to identify adjustments in light of delivery needs (EBRD, 2022a). On one hand, this process has enabled close management of administrative costs. On the other hand, it poses some challenges for implementing results-based budgeting, and several stakeholders noted that increased delivery has not always been supported by additional resources. EBRD tracks implementation of the budget through Quarterly Performance Reports (QPRs) and financial reports. The Corporate Scorecard tracks the "Cost to Debt Income" ratio[4] and the "Productivity Index",[5] which help rationalise EBRD's expenditure against its income and new operations (EBRD, 2020a, 2024a).

A robust framework is in place to ensure oversight of EBRD's activities, including through independent internal and external audits. External audits of the financial statements are conducted annually in accordance with International Standards on Auditing. External auditors are appointed by the Board of Directors and express their opinion on the effectiveness of internal controls over financial reporting. The most recent audit, conducted in accordance with the International Financial Reporting Standard (IFRS) and International Standards on Auditing (ISAs), confirms compliance of financial reporting with internationally accepted standards across functions. EBRD's internal audit function carries out its work independently under the oversight of the Board Audit and Risk Committee (ARC). It provides independent assurance to executive management and the Board of Directors on internal controls, governance and risk management processes as well as consultative advice on the development of new controls or the revision of existing controls. All issues identified are recorded in a designated system (OneSumX) and are assigned risk ratings, target dates and one or more actions with specific owners (EBRD, 2023m, 2023n). Internal Audit independently verifies actions taken by management to close issues raised in its reports, with the status of all open and overdue issues reported semi-annually by Operational Risk Management to the ARC (EBRD, 2023o).

4. Total administrative expenditure divided by total Bank debt operating income before provisions for impairment.
5. Weighted average number of new and portfolio operations per million pounds sterling of operating expenditure.

There is a comprehensive organisational framework in place to address prohibited practices through the Office of the Chief Compliance Officer (OCCO). Fraud, corruption, collusion, coercion, obstruction, theft and misuse of Bank resources are established as prohibited practices in the EBRD's Enforcement Policy and Procedures (EPP) (EBRD, 2017d). The EBRD's Integrity Risks Policy sets out the role of the OCCO in upholding the Bank's corporate values and principles in addressing integrity risks such as fraud, corruption and misconduct in all aspects of the Bank's work (2016d). The OCCO is responsible for the investigation of suspected staff misconduct in compliance with the Directive on Conduct and Disciplinary Rules and Procedures (CDRPs), providing its reports to the Managing Director of Human Resources and Organisational Development to commence disciplinary processes as appropriate. Allegations of misconduct against Covered Persons (the President, Vice Presidents, Board Officials, the Chief Compliance Officer, the Chief Evaluator, the Chief Accountability Officer and the Chief Internal Auditor) are reviewed by the Ethics Committee in accordance with the relevant Code of Conduct and the Rules of Procedure for the Ethics Committee, proceeding to a formal investigation if necessary (EBRD, 2021h). The Integrity Risks Policy, CDRP and EPP are complemented by the Codes of Conduct for Officials of the Board of Directors and EBRD Personnel and the Rules of Procedure for the Ethics Committee (EBRD, 2021i, 2021j).

There are clear channels and processes in place for reporting and ongoing follow-up of integrity concerns. OCCO provides all project-facing staff with compulsory training on ethics and integrity, anti-corruption, capital market compliance, and domiciliation. In addition, all EBRD staff and Board Officials also receive mandatory ethics training on the Code of Conduct for EBRD Personnel or the Board Code of Conduct, considering they have a duty to report any suspected misconduct or incidence of a prohibited practice (EBRD, 2017d, 2021i, 2021j). The Whistleblowing Policy sets out the rights and responsibilities of staff, Board Officials and third parties with respect to reporting suspected misconduct and establishes multiple reporting channels, including confidential reporting through the OCCO, Head of Internal Audit, MD Human Resources and Organisational Development, the President or other members of the Executive Committee. Reports concerning Covered Persons can be made directly to the Ethics Committee. An online anonymous reporting channel is also available. EBRD's Whistleblowing Policy prohibits retaliation against whistleblowers and outlines protection measures (2021k). Integrity issues are reported quarterly to the Board's BAAC and the ARC. A publicly available annual Integrity and Anti-Corruption Report reports on OCCO's work across all its respective functional areas (Project Integrity; Policy and Ethics; and Investigations), including on investigations under the EPPs and CDRPs (EBRD, 2023p). This includes the number of cases received, cases proceeding to investigation and decisions.

EBRD has a clear organisational commitment to prevent and address sexual exploitation, abuse and harassment in its operations. EBRD is a signatory to the MDB Joint Statement on the Continuous Advancement of Standards to Prevent Sexual Harassment, Abuse and Exploitation and its seven core principles, applying a survivor-centred approach. EBRD's Codes of Conduct and Environmental and Social Policy (ESP) address gender-based violence and harassment (GBVH), including in dealings with third parties and requirements for addressing GBVH in operations are embedded in the Operations Manual (EBRD, 2019e, 2024c). GBVH project risk screening, assessment and monitoring procedures address these risks throughout the operation's lifecycle, with each project assigned a risk rating and ongoing follow-up conducted on Environmental and Social Action Plans (EBRD, 2020g). Different levels of follow-up are implemented through GBVH focal points depending on the level of risk, including independent third-party review for high-risk cases. Clients are required to have suitable policies and systems in place for addressing these risks, including conduct requirements for contractors and an appropriate grievance mechanism for survivors, with any incidents raised immediately to EBRD (EBRD, 2020g, 2022g).

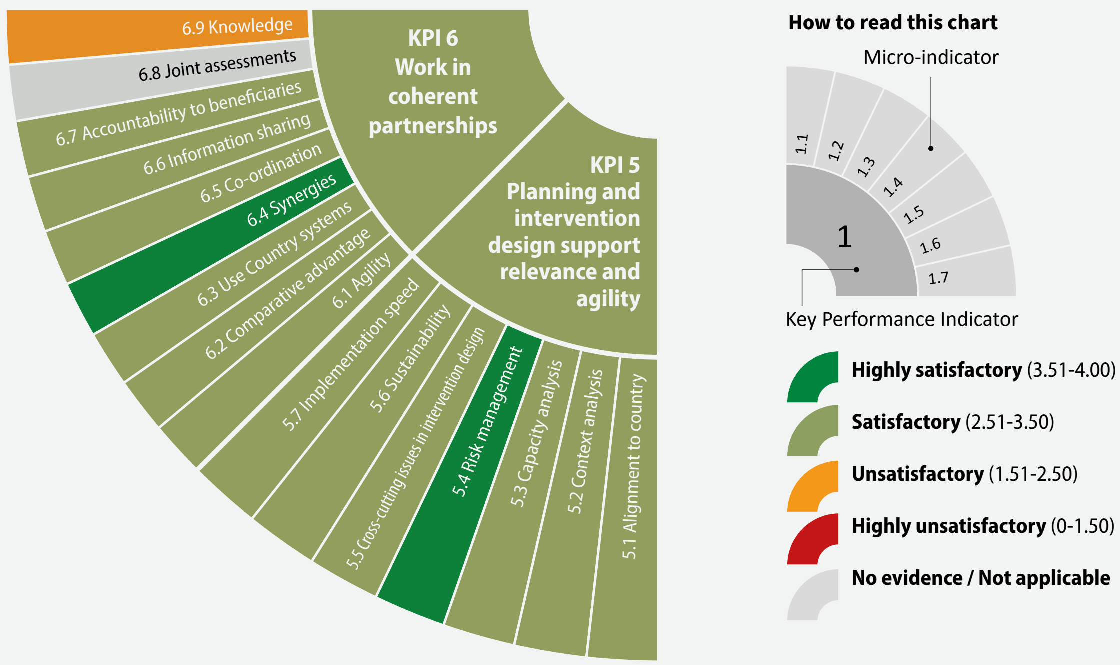
Similarly, a comprehensive system is in place to prevent and address sexual harassment among staff. Codes of Conduct for Board Officials and EBRD Personnel address improper interpersonal behaviour defined to include bullying, harassment, including sexual harassment and abuse of authority (EBRD, 2021i, 2021j). These documents are supported by the Conduct and Disciplinary Rules and Procedures (CDRPs) and the Harassment-free and Respectful

Workplace Procedure (RWPs) (EBRD, 2021h, 2019f). Alongside mandatory integrity and ethics training for staff and Board Officials, EBRD conducts outreach and scenario-based outreach to its ROs to raise awareness of behaviour requirements, including of general standards of behaviour for international public servants; improper interpersonal behaviour; and how to raise awareness and use of reporting channels. Staff may report improper behaviour through the established reporting channels for suspected misconduct. Clear timelines are in place to respond to instances of sexual harassment (SH), and timelines for resolution are monitored (2021h, 2023p). Reporting on cases, investigations and resolutions is provided in the annual OCCO Integrity and Anti-Corruption Report, which is publicly available.

RELATIONSHIP MANAGEMENT

Engaging in inclusive partnerships to support relevance, leverage effective solutions and maximise results.

FIGURE 8. **RELATIONSHIP MANAGEMENT – KEY FINDINGS**



KPI 5: Operational planning and intervention design tools support relevance and agility in partnerships.

Satisfactory	3.19

This KPI reflects how EBRD partners with clients, host governments and other stakeholders to ensure that: (i) operations align to national priorities and cross-cutting issues; (ii) key risks are identified and addressed in project design and monitored throughout implementation; and (iii) clearly articulated processes are in place for navigating relationships with clients.

EBRD's processes align with good practice, with this KPI rated as satisfactory. However, there are opportunities to strengthen the management of client relationships through the implementation of a regular client feedback mechanism.

EBRD's country strategies reflect transition needs and challenges, opportunities for reform and EBRD's potential value addition. Country strategies articulate EBRD's unique comparative advantage with respect to its focus on private sector development, combining investment, policy dialogue and technical co-operation, including through selective interventions in the public sector (EBRD, 2017e). They are informed by diagnostics that identify the main obstacles to private sector development and pathways for transition to a sustainable, open market-oriented economy. These documents are designed to align to country priorities and are finalised in consultation with government partners, reflecting the political economy for reform. Country strategy preparation brings together expertise across the organisation, with development led by a core country team with a consultative process in place to engage other functional and sector teams throughout the institution.

Country strategies shape project selection, and projects are monitored continuously to address changes in context, reflecting EBRD's core principle of "sound banking". Alignment with country strategy priorities is incentivised as part of transition impact assessments when projects are originated, promoting selectivity. Investment proposals are required to demonstrate alignment to country and sector strategies. Once approved, operations are assessed at least annually to establish implementation progress and allow interventions to mitigate emerging risks as needed. At the country level, annual CSDRs take stock of project performance and changes in context to consider future directions for implementation of the country strategy (2021l). EBRD has been highly responsive in rapidly providing financial mechanisms and targeted programmes to help mitigate the impact of external shocks and crises for its clients, with evidence of such support being made available during COVID-19 and the war on Ukraine (EBRD, 2022a, 2024a; IEvD, 2021b).

EBRD scrutinises all potential operations to identify a range of potential risks and manages these during supervision. All potential investments and other operations systematically include an assessment of potential integrity, corporate governance, anti-money laundering, environmental and social, legal, financial and market risks (EBRD, 2017f, 2019c, 2019d, 2021m, 2024c, 2024j). Risk mitigation measures are identified during project design and considered as part of a project's final or structure review. A systematic risk review process identifies risk factors and opportunities for addressing them. Where weaknesses are detected, EBRD provides support through technical co-operation and identifies loan covenants as determined by due diligence action plans. Risks are monitored throughout implementation, including follow-up on delivery of project outputs, financial performance and risk management plans. Over the life of the project, EBRD monitors the implementation of Environmental and Social Action Plans (ESAPs), which inter alia address GBVH risk, through annual environmental and social reports, site visits and/or third-party monitoring, where deemed necessary based on the level of risk (EBRD, 2024i).

Political and exposure risks are managed at the portfolio level. EBRD's Risk Appetite Statement outlines how EBRD manages credit risk by adopting portfolio limits, including country limits (EBRD, 2021b). EBRD's Capital Adequacy Policy articulates portfolio-level country limits, sector limits and single obligor limits against which potential operations are scrutinised. These limits consider risk factors linked to the country and sector contexts (EBRD, 2023b). As part of the approval process, investments undergo legal due diligence, which includes a review of the necessary legal and regulatory requirements in light of the context (EBRD, 2024c). Political risks are addressed primarily through policy reform using an integrated approach (IEvD, 2020b). Recently introduced "Policy Compacts" help consolidate country-level reform support. EBRD monitors changes in the policy and regulatory environment across all projects and adjusts their approach as needed. Although it does not offer explicit political or partial credit guarantees to mitigate political risks and lacks capacity to offer these instruments, many clients work with the EBRD to benefit from its relationships and access to governments.

Cross-cutting themes are integrated into the design and monitoring of operations. The assessment of transition impact through TOMS includes considerations for how projects address gender equality and GET. The approach has been updated to reflect the revised approach for EoO and includes a questionnaire to support automated identification of digital components. GET performance indicators, which reflect the key outputs and outcomes of GET projects, are included in EBRD's compendium of indicators and are assessed and tracked at a project level (EBRD, 2024e).

Projects with GET components include a monitoring plan that considers the future monitoring of the foreseen GET components and the expected GET impacts. Similarly, projects that receive a gender tag through the Gender SMART process must include a relevant indicator in the results framework. Gender tags are re-assessed on an annual basis based on performance against the identified indicators. An operation can lose its gender tag if no visible progress is made towards implementation of identified gender activities – a possible best practice across DFIs.

The design and approval of investments and the management of disbursements are guided by clear processes. Processes for investment approval ranging from concept review to final approval are articulated in EBRD's Operations Manual, including how different teams interact to promote the quality of investments (EBRD, 2024c). These processes are communicated to clients through EBRD's guide to financing (EBRD, 2018b). Loan conditions and legal covenants are agreed on with clients and communicated via a term sheet. The Banking Services Procedures Manual identifies specific standards and deadlines for the loan procedure, including procurement and timelines for disbursement, with oversight provided by the Banking Services Department (EBRD, 2023l). Client service performance, including disbursements against targeted rates, is tracked via departmental scorecards. Prior to the update of EBRD's approach to self-evaluation, Operations Performance Assessments (OPAs) identified ratings covering Bank handling and execution, reflecting the quality of client relationship management, management of covenants and responsiveness to emerging issues (EBRD, 2024c).

Although EBRD has implemented a client feedback survey in the past, it has not done so over the course of the assessment period. The last client survey was implemented in 2014 and solicited clients' perceptions related to: (i) the overall service they have received and likelihood of recommending EBRD to a peer or colleague; (ii) EBRD's technical, sector, local and country expertise; (iii) the range of financial products and services provided by EBRD; and (iv) the support provided by EBRD's local office (EBRD, 2015b). It was originally recommended that a full client survey be implemented every three to four years, but a follow-up survey was not planned until 2022, which was subsequently postponed due to the Ukraine war. Beyond the client survey, EBRD applies a "revealed preference approach" which links client satisfaction to a pipeline of repeat clients. On this basis, EBRD tracks the share of existing clients in its private sector ABI. This approach, however, does not provide the same insight into client needs and perceptions and the use of EBRD's instruments, including knowledge and technical assistance.

KPI 6: Working in coherent partnerships directed at leveraging and catalysing the use of resources.

Satisfactory	3.10

EBRD actively consults with stakeholders to identify and implement activities that contribute to an enabling investment environment and adapt as the context changes. Guidance for the development of country strategies requires consultation with country authorities, representatives of the private sector, CSOs and other IFIs. Country strategies also undergo a broader, web-based consultation process. At the end of the consultation period, a detailed report is prepared that identifies feedback received in writing and during country visits as well as actions taken to address them (EBRD, 2017e). Throughout implementation, EBRD engages with stakeholders on an ongoing basis in the context of its Environmental and Social Policy (ESP), Access to Information Policy (AIP) and Project Accountability Policy (PAP) (EBRD, 2019e, 2019g, 2019h, 2019i). Country Strategy Delivery Reviews (CSDR) allow for annual consideration of local context, a review of the delivery of the country strategy priorities, key challenges and enablers over the year, and a consideration of lessons learned and how they may be applied going forward (EBRD, 2021l, 2023q).

Country strategies consider EBRD's comparative advantage to address transition challenges in partnership with other organisations. Country strategies are developed with consideration of EBRD's potential value addition to support transition, considering the political economy and appetite to implement required reforms. Each country strategy maps the complementarity of the EBRD with international partners and identifies comparative advantage across relevant sectors (EBRD, 2017e). At a higher level, sector strategies identify considerations for co-operation with development partners, albeit to a more varied degree. EBRD engages with other institutions to agree on shared goals and priorities with respect to countries, regions or sectors, including implementation arrangements. These country strategies also often identify potential partnerships for advancing policy dialogue and learning for priority themes and cross-cutting issues, reflecting good practice.

A range of financial and non-financial instruments are deployed to support transition in challenging contexts and promote high standards. Beyond lending, these include policy dialogue, technical co-operation and equity. Since 2002, EBRD has sought to enhance its activities in Early Transition Countries (ETCs) which demonstrates the largest gaps and barriers to transition (IEvD, 2020b; EBRD, 2020a, 2024a). Operationally, EBRD's approach to countries with the largest transition gaps includes staff allocation, donor funding resources and risk mitigation measures. EBRD's Special Shareholder Fund (SSF) complements existing donor funding operations with technical co-operation, investment grants, incentive payments and equity participation, with a majority of funds targeting ETCs (IEvD, 2022a; EBRD, 2023e). EBRD's Scorecard includes a target to drive an increase in ABI going to ETCs, SEMED and the Western Balkans. Since the introduction of the target in SCF 2021-2025, activity in ETCs, SEMED and the Western Balkans stood at 38% of ABI in 2021 and 42% in 2022 (EBRD, 2023a). This indicator saw a slight decline in 2023 driven by expanded investment to address the war in Ukraine (EBRD, 2024a).

Since 2021, EBRD's Mobilisation Approach has helped increase private sector mobilisation through new and existing instruments and partnerships. The Mobilisation Approach seeks to double the baseline level of Annual Mobilised Investment (AMI) by the end of the SCF period (2025) to at least EUR 2 billion per year, subsequently increasing to EUR 2.5 billion by 2025 with GCI policy commitments. EBRD aims to achieve this target through: (i) growth in existing products, including B-loans, parallel loans and insurer mobilisation; (ii) the scaling-up of the Sustainable Infrastructure Group PPP advisory programme; (iii) an increase in the use of private insurance capacity and Risk-Sharing Frameworks; and (iv) the establishment of a new debt co-investment fund (EBRD, 2022a, 2023s). A new debt mobilisation team was convened to implement the approach. To date, the Mobilisation Approach has made strong progress, with AMI increasing 165% and Private Indirect Mobilisation increasing 143% over the period (EBRD 2023r) (see KPIs 11 and 12).

EBRD works with partners to allocate blended concessional finance where it is needed most to de-risk investments and address thematic priorities. EBRD uses blending selectively and in accordance with the DFI-agreed Enhanced Blended Concessional Finance Principles for Private Sector Operations to improve the risk-return balance for investors and crowd-in investment from the private sector, with the objective of creating, rather than distorting, markets (see KPI 10) (EBRD, 2022d). EBRD's Blended Finance Hub, which is independent from banking operations, manages blended concessional finance data systems and knowledge sharing. Overall, EBRD has demonstrated a robust track record of mobilising donor funds to support blended concessional finance in line with thematic priorities, with the use of donor funds more than tripling over the assessment period (EBRD, 2023e). This has often occurred through innovative programmatic approaches, including Green Economy Financing Facilities. In 2022, donor inflows played a critical role in EBRD's response to the war in Ukraine, with unearmarked grants and funded guarantees directed through a Crisis Response Fund (EBRD, 2023e, 2024a).

EBRD actively works with partners to harmonise approaches and strengthen reporting in line with shared operational principles. EBRD has actively engaged in supporting alignment across MDBs with respect to principles for mobilisation of private investment in development projects, climate finance, Blended Concessional Finance, MDB's role in financing the SDGs and the development of a Harmonised Framework for Additionality. EBRD participates in MDB working groups across a range of issues to adopt harmonised principles and agree on methodologies for joint reporting. These include, among others, working groups on climate finance, nature finance, mobilisation of private finance in development projects, blended concessional finance and results measurement. In 2023, EBRD chaired the Regional Development Banks (RDB) group – a platform to facilitate collaboration among RDB heads to support operational collaboration, policy and strategy, and information exchange. EBRD is also an active member of the broader Heads of MDBs group. Furthermore, a number of Memorandums of Understanding (MOUs) have been established across MDBs, UN Agencies and other actors to facilitate operational collaboration.[6]

An Access to Information Policy (AIP) and process operationalises EBRD's commitment to external transparency, accountability and good governance. EBRD is guided by the assumption that information related to Bank activities should be disclosed in a clear, timely and appropriate manner, subject to clear exceptions (EBRD, 2019g, 2019h). It aims to identify, raise awareness and share information with a broad range of stakeholders, including project-affected people and civil society. A clear process and timeline have been established for responding to information requests, including an appeals process. EBRD participates in Publish What You Fund's DFI Transparency Index, with EBRD ranking fourth among its peers for non-sovereign operations and fifth for sovereign operations, indicating "good" performance (Publish What You Fund, 2023). Opportunities have been identified to enhance budget transparency and results through more disaggregated reporting.

EBRD has a clear commitment to stakeholder engagement and accountability to beneficiaries, including through an independent review mechanism. EBRD implements stakeholder engagement in line with the requirements of its ESP, AIP and Project Accountability Policy (PAP) (EBRD, 2019e, 2018h, 2019i). Performance Requirement 10 articulated in the ESP requires that stakeholder engagement be addressed during project development, including through the establishment of stakeholder engagement plans. All projects are required to carry out stakeholder identification and implement a grievance mechanism appropriate to their level of risk (EBRD, 2019e). EBRD seeks to raise awareness and engage a broad range of stakeholders, with specific resources identified for follow-up on stakeholder engagement plans. An Independent Project Accountability Mechanism (IPAM) was established in 2020 to strengthen EBRD's accountability to beneficiaries through a transparent and independent process (EBRD, 2022h). In 2023, 70% of the complaints received by IPAM pertained to information disclosure and stakeholder engagement.[7]

Work is ongoing to strengthen Knowledge Management and Learning (KML) throughout the organisation. Following the 2019 Kirk Report and a critical IEvD Study, EBRD has sought to strengthen (KML) throughout the organisation through a phased programme, identifying this reform as an operational priority in SIPs (Kirk, 2019; EBRD, 2021a, 2023a, 2024a). There is evidence that operational knowledge is used to inform operations through country diagnostics, and it is shared through Communities of Practice, Policy Academy modules and dissemination platforms. EBRD was involved with the establishment of the IFI Country Diagnostics Working Group in 2017. However, IEvD found that bespoke solutions are often identified to address client needs on a case-by-case basis without calling on existing knowledge (IEvD, 2021c). Furthermore, existing systems for disseminating knowledge were found to be insufficient to promote awareness and uptake. A Joint Action Plan is being implemented to support the generation and dissemination of relevant knowledge products internally, which has included the creation of a new Impact team responsible for developing an integrated system of ex-ante assessment, monitoring, self-evaluation and knowledge management (EBRD, 2023t).

Efforts to support KML have predominantly targeted internal audiences rather than external users. Whereas many existing initiatives support learning among external partners through knowledge hubs, video recordings of events and meetings, and training e-modules, there are limited means in place to examine their utility, uptake and use, particularly in the absence of client feedback mechanisms. There is limited evidence available on how EBRD's knowledge products are used by partners, outside tracking downloads of knowledge products such as the Transition Report, nor how they contribute to delivering on transition objectives and outcomes at the country level. Furthermore, organisational knowledge assets are not exploited systematically to offer greater value to clients.

6. These include: ADB, AFD Group, AfDB, AIIB, CDP, EC, EDB, EDFI, EIB, ICD, IsDBG, MIGA, NDB, OECD, World Bank Group and UN agencies, including FAO, IDLO, IFAD, ILO, IMO, UN Women, UNDP, UNICEF, UNODC and UNWTO.

7. IPAM Case Registry website, www.ebrd.com/ipam-cases.

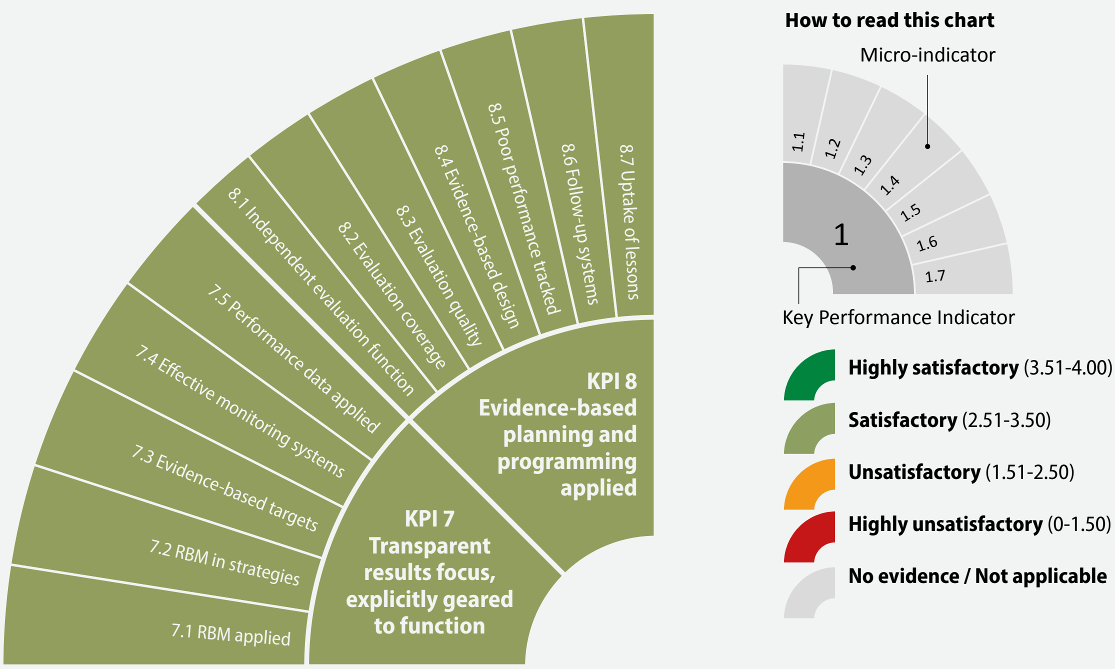
Knowledge management units have traditionally had limited scope to alter key operational processes or a limited means of obtaining senior management-level sponsorship for such changes (IEvD, 2021c). Overall, the assessment did not determine that EBRD's external-facing knowledge is not deemed to be timely, of high quality or useful to clients and partners but rather that systems are not in place to assess these issues, which does not reflect good practice. Going forward, the new Impact team will be responsible for improving the dissemination of knowledge related to impact both internally and externally (EBRD, 2023t).

In 2024, EBRD introduced a new process for prioritising non-transactional TC and Policy Dialogue support, but this falls short of a comprehensive approach to govern its external-facing knowledge. Non-transactional TC forms part of EBRD's external facing knowledge and advisory support, helping to foster enabling environments for investment by addressing policy and regulatory barriers and providing advice to potential clients. The new prioritisation process links this work to new Policy Compacts, seeking to make non-transactional TC more selective, enhance its targeting towards the promotion of an enabling investment environment and promote alignment with strategic priorities, including country strategy objectives (EBRD, 2024l). However, the overall process remains linked to the grant review process. There remain gaps in demonstrating how this work contributes to broader results, including transition impact at the country level and how this support contributes to addressing clients' needs. Although the new prioritisation process envisages that progress reports will be compiled annually and used to guide future prioritisation of TC and policy activities, it remains unclear how they will reflect on contribution to broader results. These reports are currently positioned as internal management documents, such that they are unlikely to provide an overall picture of the performance and contribution of this work.

PERFORMANCE MANAGEMENT

Systems geared to managing and accounting for development and humanitarian results and the use of performance information, including evaluation and lesson learning.

FIGURE 9. **RELATIONSHIP MANAGEMENT – KEY FINDINGS**



KPI 7: Strong and transparent results focus, explicitly geared to function.

Satisfactory	3.00

This KPI examines the extent to which EBRD demonstrates an enabling environment for results-based management, including a strong policy and strategic commitment, implementation of a clear results architecture throughout the organisation, and creation of an enabling environment. EBRD's practices in this area largely reflect good practice and have been rated as satisfactory. However, a particular challenge remains with respect to identifying the contribution of operations to transition impacts at the country level.

EBRD demonstrates a clear commitment to results-based management throughout the organisation, supported by an enabling environment. At the institutional level, Strategic and Capital Frameworks (SCFs) have identified clear commitments to strengthen results-based management. The SCF 2016-2020 stated that, by 2020, EBRD would strengthen the results orientation and alignment of objectives and apply lessons learned across all its operations (EBRD, 2015a). The SCF 2021-25 provides the EBRD's vision for strengthening its overall results framework, knowledge management, and the use of evaluation findings to improve the design and impact of operations by 2025 (EBRD, 2020a). SCFs and SIPs take stock of EBRD's ETI for new projects and PTI across the active portfolio, directly reflecting the operationalisation of EBRD's transition mandate (EBRD, 2024a).

At the corporate level, EBRD implements results-based planning and management. The Corporate Scorecard, agreed annually between EBRD and its shareholders, serves as the key overarching results framework (EBRD, 2020a, 2024a). Scorecard indicators and targets reflect key institutional priorities that are cascaded to country strategies, operations and individual performance objectives. Any underperformance is analysed to identify underlying drivers, including external factors. Performance against scorecard targets is reported to the Board of Directors through Quarterly Performance Reports to enable ongoing results-based management (EBRD, 2023u). The SCF and the SIPs take into account results and operational lessons to inform their development, including data-driven strategies for engaging with donors. Strategies for sectors and cross-cutting themes systematically identify results frameworks, performance monitoring frameworks or performance dashboards. Implementation progress and results are reported to the Board and inform the development of subsequent strategies.

Systems are in place to support results measurement in line with strategic priorities across projects. All operations go through the Transition Objective Measurement System (TOMS), which helps ensure overall alignment to strategic priorities and results (EBRD, 2020c). This system supports the establishment of results frameworks, including baselines and targets with the selection of indicators informed by a standardised Compendium of Indicators (COI) linked to the six transition qualities (EBRD, 2017g). Projects are monitored regularly up to completion/repayment through the Transition Impact Monitoring System (TIMS) (EBRD, 2020c). There have been some challenges demonstrating operations' contribution to transition impacts, which take longer to materialise. Important progress has been made in digitalising results processes by integrating these into Monarch, a system which supports EBRD's operational workflow. However, internal audits suggest that there remain opportunities for improving process rigour, transparency and controls (EBRD, 2022i).

The monitoring of policy engagement and technical co-operation activities has been enhanced over time. At the outset of the assessment period, results reporting for these activities was not integrated into EBRD's overall results architecture for transition (IEvD, 2020b). Whereas transactional technical co-operation (linked to an investment) is now monitored as part of TIMS, standalone policy dialogue and technical co-operation (not linked to a particular transaction) are monitored through the Technical Cooperation Reporting System (TCRS) through the Grant Review Process for donor funds (EBRD, 2021n). This system has now incorporated the COI, contributing to enhanced results monitoring aligned to EBRD's transition qualities. TCRS requires the identification of a results matrix, including expected results and target dates for achievement. However, it remains challenging to obtain a full institutional picture of the performance.

Although country strategies identify objectives and results frameworks, there are opportunities to strengthen results management at the country level. Country strategies are developed based on robust diagnostic work, which considers transition needs and results from the previous country strategy. The COI are also applied in the context of Country Strategy Results Frameworks (CSRF), helping to link country strategy objectives to results from operations. However, no results targets are identified. CSDRs provide an annual overview of the delivery of operations across CoOs aligned to country strategy priorities and objectives and aggregate results indicators identified in CSRF. These reports focus on implementation progress through aggregation of project results and qualitative input, but they are not positioned to report on EBRD's contribution to country impacts (EBRD, 2023q). Unlike peer organisations, EBRD does not have a formal completion report or self-assessment for its country strategies.

Results achievement is supported by processes to identify and address underperformance. Monitoring and remedial action are undertaken from the perspective of financial performance and transition impact. Risk management maintains and regularly updates a watch list of operations which have above-average risks or which are demonstrating adverse financial trends (EBRD, 2017h, 2021o). If an investment becomes non-performing, meaning EBRD is at risk of its investment not being repaid, management of the operation is transferred to Corporate Recovery and monitoring intensity increases with the aim of improving performance or identifying means of limiting EBRD's exposure and risk of loss (EBRD, 2024c). If a project is underperforming with respect to its TI quality, it is flagged for remedial through TIMS. However, some stakeholders expressed concerns around the limited use of TIMS information for initiating corrective actions and for broader learning.

EBRD has implemented important steps to create an enabling environment for results-based management. Onboarding materials for Banking staff include guidance on how to develop transition impact (TI) of a project, including an overview of the systems used, assigning TI qualities, and how TI is measured. Additional training is planned on the new self-evaluation system. Responsibility for assessing, monitoring and reporting on transition impact is with the Impact team. While it is not possible to fully quantify the resources devoted to results measurement, EBRD has made a considerable investment from its administrative and capital budgets in human resources and systems to improve RBM systems. This includes ongoing efforts to automate the transition impact assessment and monitoring process in Monarch, which has been used to ensure that projects identify results frameworks, indicators and baselines as a system requirement. In this context, centralised data management promotes data quality and contributes to consistency in reporting.

EBRD's institutional results are reported publicly across a range of annual reports. EBRD communicates results through four complementary annual flagship publications: (i) the Annual Review, which provides an overall perspective on performance; (ii) the Financial Report, which presents approved and audited financial statements; (iii) the Transition Report, which presents high-level trends for transition performance across EBRD's CoOs; and (iv) the Sustainability Report, which reports on EBRD's environmental and social performance (EBRD, 2024i).

KPI 8: The MO applies evidence-based planning and programming

Satisfactory	2.87

This KPI assesses the robustness of EBRD's independent evaluation function, implemented by its Independent Evaluation Department (IEvD). This KPI considers the operational and financial independence of IEvD and the extent to which independent evaluations are implemented in a way that promotes relevance, quality, coverage and use. Furthermore, this assessment considers the management actions taken in response to evaluation recommendations and management of the self-evaluation function.

Overall, the independent evaluation system reflects good practice; however, there are opportunities to better resource IEvD to fully deliver on its mandate. Furthermore, efforts to enhance the self-evaluation function and learning and knowledge management remain ongoing.

EBRD's Evaluation Policy (2023) establishes the operational and financial independence of IEvD. This policy establishes the institutional parameters for EBRD's evaluation system, with independent evaluation led by the Independent Evaluation Department (IEvD, formerly EvD), and enshrines the financial and operational independence of IEvD from the rest of EBRD's Management Structure (EBRD, 2024k). The EBRD's evaluation policy, and its implementation is overseen by the Bank's Audit and Risk Committee (ARC). The Chief Evaluator is appointed by the Board for a single term of six years which cannot be renewed. Based on a three-year rolling work programme, the Chief Evaluator prepares a budget that is presented separately from the rest of EBRD's budget and approved by the Board of Directors (EBRD, 2024k; IEvD, 2023c).

IEvD has established a medium-term strategic plan and results framework targeting an enabling culture for evaluation. IEvD's activities are guided by its 2021-25 Strategic Plan, which has an overall objective of strengthening EBRD's evaluation culture and is underpinned by a theory of change (IEvD, 2023d). It aligns to the 2021-25 SCF objective of strengthening knowledge management and use of evaluation findings to enhance the impact of EBRD's operations. In 2023, an Evaluation Results Framework was developed which links activities, products and engagement to outcomes for EBRD and clients as well as overall SCF priorities (IEvD, 2024a). Perception surveys are used to monitor progress against IEvD's three strategic priorities: (i) quality findings; (ii) effective learning loop; and (iii) strengthened enabling environment for evaluation (IEvD, 2023, 2024b). This approach reflects good practice.

There are some challenges in ensuring IEvD's full independence in practice. The 2019 Kirk Report noted that EBRD has the lowest budget for centralised evaluation as a proportion of the administrative budget relative to other MDBs, including the African Development Bank, Asian Development Bank, Inter-American Development Bank and the World Bank, contributing to high workloads in delivering key activities (Kirk, 2019). A recent comparison presented by the International Monetary Fund's Independent Evaluation Office suggests that this situation has not changed significantly over the assessment period (IEvD, 2023c). Although the Policy establishes IEvD's access to information as deemed necessary by the Chief Evaluator, there have been some persistent issues in accessing required data due to challenges around data quality and access, timeliness of information sharing and the need to request information from management. There is no evidence, however, that the independence and rigour of IEvD's reports have been compromised (Kirk, 2019c).

Evaluations reflect EBRD's strategic priorities and are implemented according to principles that promote quality, independence, coverage and use. The Evaluation Policy identifies seven operational principles across three areas: (i) enabling environment, including impartiality, independence and partnerships; (ii) expertise and methodology, including evaluability, credibility and transparency; and (iii) utilisation, reflecting usefulness (EBRD, 2024k). A principles-based approach is also used for selecting new evaluations and ensuring coverage of global, regional and institutional trends and SCF priorities and addressing historical gaps in coverage (IEvD, 2023c). Management is consulted on the development of the work programme and throughout the conduct of evaluations to ensure relevance, credibility and utility. Quality is assured through a series of internal and external reviews as well as key touchpoints with stakeholders (IEvD, 2023e). Efforts have been undertaken over the assessment period to improve the robustness and clarity of methods applied and clearly state any methodological limitations in evaluation reports. Notable examples include webinars around complex evaluation challenges, such as evaluation during crises, and novel approaches, such as the application of Artificial Intelligence (IEvD, 2023d). All evaluations are available publicly from IEvD's website.

Evaluations demonstrate logical connections between evaluation questions, findings, conclusions and recommendations, to which management identifies a response and action plan. Ensuring the logical coherence of evaluation reports and the quality of evaluation recommendations has remained an ongoing priority, with IEvD and management agreeing an action plan to ensure they are clear, actionable and realistic and strengthen the process of validating implementation (EBRD, 2021p; IEvD, 2023d, 2024b). The 2019 Kirk Report noted that management action plans were sometimes vague and the process of following up on actions taken was sometimes superficial (Kirk, 2019). Following a critical audit of the process, Management and IEvD have worked together to enhance the quality of recommendations and action plans, implement evaluations in a more inclusive way and ensure that recommendations are well-substantiated, clear and actionable (EBRD, 2021p). The follow-up process now takes place annually over a three-year window, allowing for more substantive discussion and verification of progress achieved. Follow-up on management actions is not reported publicly, however.

EBRD's self-evaluation system has undergone a period of reform and renewal. The 2019 Kirk Report was highly critical of the existing self-evaluation function. Management and then-EvD had agreed to shift away from representative coverage of Operations Performance Assessments (OPAs) and validations (OPAVs), partly due to increasing resource constraints (Kirk Report 2019). OPAs were validated based on a purposive sample selected to enhance value for learning (IEvD, 2018). However, this approach limited EBRD's ability to present a representative picture of operational performance, limiting accountability. In 2021, a Joint Action Plan was established to respond to the report and facilitate a stronger self-evaluation function (EBRD, 2020h). New Summary Project Assessments (SPAs) are now being piloted. Additional products have been introduced, including stand-alone self-evaluations (STEPs), cluster of projects self-evaluations (COPEs) and Impact Self-evaluations (IEs), implemented with support from a specialist Impact Assessment and Foresights team (EBRD, 2021q, 2021s, 2021r, 2023t). This team will also produce foresight notes generating learning and intelligence on emerging issues.

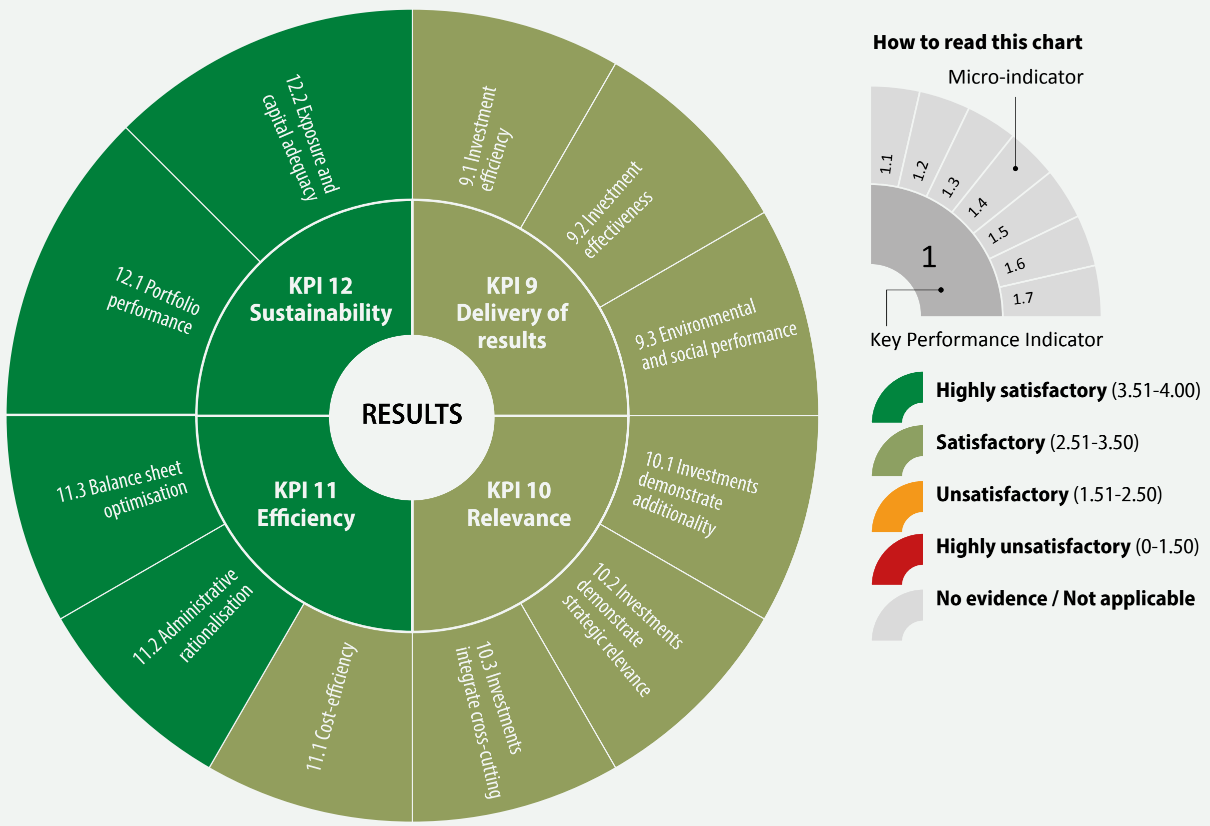
Action is also being taken to enhance knowledge management and learning (KML); however, uptake of operational lessons remains relatively limited. OPAs previously identified lessons learned. Furthermore, uptake of lessons was previously assessed as part of the OPA and rating for the quality of project design. Despite initiatives to enhance learning, including the establishment of a searchable database, the Kirk Report found that actual uptake of lessons from evaluation and operations remained limited (Kirk, 2019). A follow-up IEvD report identified a number of institutional constraints limiting the enabling environment for knowledge management and learning (IEvD, 2021c). The 2021 Joint Action Plan identified a series of actions to be taken, including re-design of the lessons database, enhanced production of learning notes, and enhanced learning competencies and objectives among staff (EBRD, 2021q, 2023t). Several actions remain ongoing and have yet to yield tangible changes in how EBRD promotes KML internally.

To this end, IEvD has made progress in implementing an Evaluation Knowledge Management (EKM) and Capacity Development Function. The new EKM unit supports learning from evaluations through dissemination products such as videos, blogs and articles. Examples include panel discussions, "EvalTalks" and the introduction of IEvD's new "Connecting the Dots" series, which provide high-level synthesis reports on issues of strategic relevance to the Bank and other stakeholders through a targeted and tailored approach. Other relevant initiatives include the use of Artificial Intelligence to identify relevant lessons from operations. Evaluations now include a dissemination plan to maximise opportunities to drive uptake and impact. Evaluation Capacity Development (ECD) similarly plays an important role in IEvD's efforts to enhance the identification, communication and uptake of lessons towards a stronger evaluative culture. This approach involves the provision of internal training and capacity development activities to complement the enhanced dissemination of evaluative knowledge. An approved budget allocation identified for ECD in IEvD's 2024-26 Work Plan is being used to support the delivery of foundational training across the organisation.

RESULTS

Achievement of relevant, inclusive and sustainable contributions to humanitarian and development results in an efficient manner.

FIGURE 10. **RESULTS – KEY FINDINGS**



KPI 9: Development and humanitarian objectives are achieved, and results contribute to normative and cross-cutting goals.

Satisfactory	2.92

This KPI was assessed with respect to which: (i) operations demonstrate good financial performance and overall profitability; (ii) good performance has been demonstrated in the design and execution of operations; (iii) investments and advice contribute to expected transition outputs and contribute towards transition outcomes and impacts; (iv) operations contribute to strategic objectives for cross-cutting themes; (v) investments demonstrate adherence to E&S standards, and high standards have been promoted; and (vi) clients are satisfied with the services they receive.

This KPI was assessed based on a review of relevant corporate reporting documents, complemented by a review of Annual Evaluation Reviews, 39 IEvD evaluations and a sample of 53 Operations Performance Assessment Validations (OPAVs). Overall, this KPI has been rated as satisfactory, given that most operations appear to contribute to expected results.

As noted above, EBRD's self-evaluation process has changed considerably over the assessment period. Until 2016, all operations meeting evaluability criteria were subject to an Operations Performance Assessment (OPA), and a representative sample of Operations Performance Assessments was validated independently by EVD through a desk review exercise with input from Operations Leaders as needed. This enabled EBRD to identify a robust institutional picture of the performance of operations over time in line with good practice (IEvD, 2017). Changes implemented to the self-evaluation process in light of resource constraints and a growing portfolio led to a more purposive sampling and validation approach, with efforts made to support learning in a more targeted and demand-driven way (IEvD, 2018; Kirk, 2019). However, this approach also made it impossible to present a representative institutional perspective. The number of OPAs and OPAVs produced annually has declined over time (Kirk, 2019; IEvD, 2018, 2019, 2020c, 2021d).

Following the 2019 Kirk Report, EBRD's self-evaluation function has gone through a process of renewal. This transition is now stabilising with a system identified for mandatory Summary Project Assessments to be produced for a substantively representative number of projects with work underway to finalise the process and templates and integrate them into the Monarch system for greater automation (see KPI 8) (EBRD, 2021r, 2021s). However, the changes introduced over the course of the assessment period make it challenging to obtain a full picture of the performance of EBRD's portfolio.

This context has had implications for the assessment, with MOPAN not being able to rate some issues and others being rated with low confidence.

Financial performance and profitability

Evidence from self and independent evaluations suggests that most operations largely achieve their financial performance targets. The previous validation exercises conducted by IEvD until 2016 demonstrated that the vast majority of operations showed at least satisfactory financial performance (IEvD, 2017). The proportion of validated projects that were rated standard or better presented in Annual Evaluation Reviews (AERs) from 2017 to 2020 fluctuated between 52.9% and 88% (IEvD, 2018, 2019, 2020c, 2021d). Across OPAVs reviewed covering the assessment period, 52% of operations were rated standard or better in this regard. Evidence from evaluations produced over the period have been more mixed. It is important to note that this performance criterion is heavily influenced by external shocks, including inflation, the war in Ukraine and the COVID-19 pandemic.

EBRD's overall financial results show that, despite external shocks, the portfolio has continued to demonstrate strong financial results and profitability. The institution experienced an isolated loss occurring in 2022 in the context of the Ukraine invasion. Bank Investment Profitability is assessed as part of EBRD's self-evaluations (EBRD, 2023v). OPAVs produced over the assessment period demonstrate strong profitability, with 71% of operations rated standard or better. This rating reflects the extent to which EBRD will achieve its expected return on its investment.

Design and execution

Design and execution have pre-approval and post-approval dimensions that must be considered. Pre-approval, this concept is reflected in the quality of up-front work to demonstrate: (i) the relevance of the operation to corporate, country and sector strategies; (ii) the quality of the assessment of the sponsors, company, management, country conditions and market dynamics; (iii) the appraisal of the financial plan and underlying assumptions; (iv) the assessment of political and environmental and social risks, with the inclusion of appropriate requirements in legal agreements; and (vi) investment instrument selection, structure, pricing and exit. Post-approval, this concept reflects: (i) the completeness of supervision reports in documenting project status and risk; (ii) the monitoring of the client company's terms of the investment; (iii) the monitoring of the client's environmental and social performance; (iv) the adequacy of timeliness of the IFI's response to emerging problems or opportunities; (v) the client's satisfaction with service quality; and (vi) the contribution made by the IFI representative on the client company's board (where relevant).

There are important challenges in assessing this criterion due to the non-representative self-evaluation and validation approach in place for much of the assessment period. This issue has not been addressed systematically in AERs nor independent evaluations, and there is uneven alignment between EBRD's approach to assessing this issue and the ECG Good Practice Standards. OPAVs indicate that most projects are rated as standard or better for relevance of the investment design (75%) and Bank execution performance (83%). Projects that score poorly on these dimensions are more likely to receive poor ratings for delivery of transition outputs, outcomes and impacts, underscoring the importance of learning lessons.

Contribution to transition outputs and impacts

Most of EBRD's operations at least partly achieve expected transition outputs and contribute to transition outcomes and impacts. The last review of a representative sample of validated assessments was conducted in 2016. It determined that 78% of projects that had reached operating maturity in 2016 (approved between 2011 and 2013) demonstrated at least satisfactory performance in delivering expected transition outputs and outcomes (IEvD, 2017). Evidence from AERs between 2017 and 2020 indicate that most operations during this period at least partially deliver expected transition outcomes, with between 50% and 79% of OPAVs identifying ratings of standard or better (IEvD, 2018, 2019, 2020c, 2021d). A limited sample of OPAVs produced over the assessment period indicated that 51% of operations are rating standard or better, with 10% being unable to provide a rating due to lack of evidence.

Most evaluations note that progress has been achieved in delivering outputs and outcomes as specified in project documents. However, many evaluations also note important challenges in terms of the appropriateness of indicators for examining contribution to market impacts and maintain that the linkage to transition at the country level remains difficult to demonstrate conclusively. The most recent Uzbekistan Country Evaluation, a pilot product, makes an important contribution to this issue, providing a picture of how EBRD operations have contributed to transformative change in different sectors, linking projects and policy engagement to overall market changes (IEvD, 2023f).

There remain important challenges in obtaining a clear perspective of EBRD's contribution to transition impact at the country level. The Assessment of Transition Qualities (ATQs) provides an economy-wide perspective to identify progress, challenges and mega-trends across different dimensions of transition qualities, hence the underlying data do not reflect results indicators for operations (IEvD, 2020a; EBRD, 2023w). Country strategies identify transition objectives, and indicators in the results framework are aligned to operations, but this aggregation of qualitative and quantitative evidence from operations falls short of providing a clear picture of the overall contribution to transition at the country level. Stakeholders broadly recognise the limitations of TOMS and TIMS in reflecting contribution to impacts.

Contribution to strategic objectives for cross-cutting themes

Progress in contributing to outcomes for cross-cutting issues is not assessed separately as part of project self-evaluation – a common challenge across DFIs. Relevant evidence from a limited number of evaluations suggests that project-level outcomes related to Green Economy Transition and gender equality have been achieved. However, no specific thematic evaluation has yet been concluded covering either of these themes, resulting in an important evidence gap.

EBRD conducts extensive internal reporting on its GET activities. in addition to reporting on overall GET finance, the EBRD reports annually on a series of 18 GET impact indicators that aggregate the expected impact of projects assessed prior to investment, reflecting the impact and reach that projects are expected to have once they become fully operational (EBRD, 2024e). Overall, these data between (2018 and 2022) suggest that EBRD is making a contribution to its strategic objectives with respect to Green Economy Transition. Examples include CO_2 emissions reduced (kilo-tons/year – 11 141 as of 2022), water saved (m^3/year – 21 495 103 as of 2022) and renewable energy – capacity installed (MW – 4 652 as of 2022) (EBRD, 2023x).

In the case of equality of opportunity, corporate reporting on gender alignment and outcomes is the most mature. However, to date, corporate results reporting has typically occurred at the input or output level only. This result is primarily reflected in the number and proportion of gender-tagged operations, which has risen from 15% in 2020 to 44% in 2023 (EBRD, 2022a, 2024a). In 2022, EBRD began to track other indicators, including the number of gender-related policy interventions delivered and EBRD's reach in terms of the number of women with enhanced skills and economic opportunities linked to knowledge and skills development delivered through EBRD's operations, showing a clear increase (EBRD, 2023x, 2024e). Despite legacy challenges relating to the quality of results indicators, the available evidence demonstrates EBRD's expanding reach for gender-related activities.

For the moment, these data are reported ex-ante. However, EBRD is implementing a Monitoring, Verification and Reporting approach for GET, including support for clients, which will support ex-post reporting in future (EBRD, 2023x, 2024e). If it is successfully implemented, it will be a notable example of good practice.

Environmental and social performance

Evidence from evaluations suggests that EBRD maintains an appropriate level of compliance with ESG standards throughout their operations. However, evidence around environmental and social performance is fragmented across different sources, and it is challenging to obtain a full picture of institutional performance. Available audits suggest appropriate compliance with relevant processes despite opportunities to strengthen the overall audit trail (EBRD, 2023y). Quarterly operations reports and EBRD's sustainability reporting do not reflect the overall level of compliance across operations with respect to environmental and social risk management standards, nor implementation of Environmental and Social Action Plans (ESAPs). However, serious incidents, including cases raised to IPAM, are reflected when they arise.

Available evidence from OPAVs and evaluations suggests satisfactory performance in addressing ESG risks throughout operations. Most, but not all, OPAVs provide a rating for environmental and social performance in line with the ECG Good Practice Standards. These ratings reflect the degree of compliance with the requirements of EBRD's Environmental and Social Policy. Of the 53 reports reviewed, 18 did not provide overall ratings for this criterion. It is not clear to what extent this result is due to minimal E&S concerns versus inadequate data to assess compliance. For projects that were rated, 91% demonstrated satisfactory (standard) or better performance.

Client satisfaction

EBRD's last "Client and Potential Client Survey" was implemented in 2014, prior to the assessment period. This survey indicated a generally high level of client satisfaction with EBRD's range of products and services offered (EBRD, 2015b). EBRD's reputation is highly valued among clients and was found to be a key reason why clients choose to work with EBRD. More attenuated results were found for client satisfaction with EBRD's processes, yet the majority of clients reported being satisfied.

In 2015, it was proposed that a full client survey be launched every three to four years, yet this was not actioned. A Terms of Reference demonstrated EBRD's intent to launch a follow-up survey in 2022. These plans were overtaken by the war in Ukraine, and the survey was not launched (EBRD, 2022j). Client satisfaction is not addressed systematically in OPAs, OPAVs or independent evaluations. IEvD noted that failure to undertake a client survey following the implementation of the Solidarity Package was an important missed opportunity (IEvD, 2021b). The absence of data collection for an important indicator of institutional performance is not in line with good practice, contributing to a rating of unsatisfactory.

Beyond the client survey, EBRD applies a "revealed preference approach", whereby strong client satisfaction is strongly correlated with a strong pipeline of repeat clients. On this basis, EBRD tracks the share of existing clients in EBRD's private sector ABI. The share of existing clients among private sector ABI (in terms of numbers of projects) has risen steadily across the assessment period, from 70% in December 2016 to 84% in December 2023. These repeat clients suggest a high level of satisfaction with the services EBRD provides. However, OPAVs and evaluations suggest that high levels of repeat clients also involve some risk that non-financial additionality may diminish after the initial transaction.

KPI 10: Interventions are relevant to the needs and priorities of partner countries and beneficiaries, as the organisation works towards results in areas within its mandate.

Satisfactory	**3.00**

This KPI was assessed in terms of the extent to which: (i) EBRD's investments demonstrate financial and non-financial additionality; (ii) EBRD's investments are aligned with country and sector strategies; (iii) systems are in place to review the rationale for providing blended concessional finance; and (iv) investments and other operations address cross-cutting themes.

Overall, EBRD's operations were found to demonstrate financial additionality, be aligned with country and sector strategies and integrate cross-cutting themes. Furthermore, EBRD has strong systems in place to ensure appropriate use of blended finance. However, the realisation of non-financial additionality has not been demonstrated or assessed systematically across the portfolio.

Financial and non-financial additionality

All projects are required to demonstrate financial additionality when approved, with additionality confirmed ex-post through self-evaluation. Financial additionality has been confirmed for the majority of projects ex-post. However, as noted above, changes to the self-evaluation system have made it challenging to get an institution-wide perspective on the extent to which expected financial and non-financial additionality has been realised ex-post.

Realisation of additionality ex-post has been inconsistent over the assessment period. The last representative picture of portfolio performance provided in 2016 indicated that additionality was "largely verified" or better for at least 85% of operations approved between 2011 and 2013 that had reached operating maturity (IEvD, 2017). Since that time, the AERs have presented a fluctuating picture with between 63.1% and 100% of operations receiving a "standard" or better rating (IEvD, 2018, 2019, 2020c, 2021d). Of 53 OPAVs reviewed across the assessment period, 69.8% of projects received a rating of "standard" or better, suggesting that financial additionality is often realised as expected, but there is potential room for improvement and lessons through a more systematic review. Evidence from evaluations was largely positive, but it is unrated and not covered systematically across reports.

There are important challenges for demonstrating the extent to which EBRD's investments reflect realised non-financial additionality. This element was unrated due to the inconsistency and lack of coverage among available evidence. These challenges are due to gaps in monitoring and reporting and uneven evaluation coverage of this topic; however, available evaluative evidence suggests that non-financial additionality is often, but not always, realised. Evaluations do not address this issue systematically and do not provide ratings that identify the extent to which expected non-financial additionality was delivered ex-post. Whereas realisation of anticipated non-financial additionality is often discussed in OPAVs, the additionality rating is largely driven by realised financial additionality, even where non-financial additionality was not realised. Another challenge relates to the lack of conceptual clarity across non-financial additionality, environmental and social performance, and transition impacts.

Alignment to country and sector strategies

EBRD's operations are well-aligned to its country and sector strategies. Evidence from evaluations and validated Operational Performance Assessments (OPAVs) suggests that: (i) EBRD's investments and other operations largely reflect key priorities identified in country strategies; and (ii) EBRD's sector strategies generally guide the design of country strategies and operations. Across OPAVs, nearly all (90.5%) received satisfactory or better ratings for alignment to sector strategies, and 86.5% received satisfactory or better ratings for alignment to country strategy priorities.

Rationale for providing blended finance

EBRD has robust systems in place to review the rationale for providing blended finance aligned to the DFI Enhanced Principles for Blended Concessional Finance for Private Sector Projects. The Principles are embedded in the project approval process. EBRD updated Staff Guidelines on the Use of Blended Concessional Finance (BCF) in 2022 (EBRD, 2022d). The guidelines target the use of blended finance in transition contexts to help: (i) enable impactful investments to proceed by addressing bankability constraints; and (ii) enhance transition impact of projects beyond what EBRD can deliver with its own-account finance. The Guidelines explicitly apply the DFI Enhanced Principles for Blended Concessional Finance for Private Sector Projects.

As part of its standard assessment, EBRD requires that private and public sector projects deploying BCF:

- have a clear rationale for the use of concessional resources
- use only the minimum amount of concessionality required to make a project viable
- support clear paths towards long-term commercial sustainability
- do not distort markets and ultimately seek to reinforce market development.

A simplified "de minimis" assessment is applied where the risk of market distortion is more limited. Instead, this assessment focuses on why concessional finance is required. EBRD's Impact team reviews these assessments and assigns a rating of "aligned", "partially aligned" or "not aligned", alongside a written opinion that is shared with the relevant investment approval committee. The assessment by the Impact team plays an important role in the Final Review of proposed investments ahead of submission to the Board.

Integration of cross-cutting themes

EBRD's operations integrate cross-cutting themes systematically. A review of CSDRs showed that nearly all sample countries for this assessment demonstrated tangible priorities, objectives, operations and indicators linked to EoO and Green Economy Transition (EBRD, 2023q). CSDRs indicate the overall number of projects mapped to different dimensions of transition as a primary or secondary Transition Objective. A mapping of key investments by size is also provided for key transition priorities and objectives.

With respect to EoO, this review found that:

- 50% of country strategies included inclusion objectives.
- An average of 19% of projects targeted inclusion (max.: 42%, min.: 6%).
- Nearly half of projects were gender-tagged (average: 48.7%, max.: 80%, min.: 13%).
- Nine of ten country strategy results frameworks identified results indicators linked to gender and EoO.
- Approximately half of country strategies identified key policy engagements linked to inclusion.

With respect to Green Economy Transition, this review found that:

- 50% of country strategies identify objectives linked to Green Economy Transition.
- An average of 19% of projects target Green Economy Transition as a main transition objective (average: 18.6%, max.: 40%, min.: 0%).

- On average, GET finance accounts for 45% of the portfolio (average: 45%, max.: 85%, min.: 13%).
- 80% of country strategies identified key results indicators linked to GET measured as part of country strategy implementation.
- 70% of countries identified specific policy engagements supporting GET.

KPI 11: Results are delivered efficiently.

Highly satisfactory	3.67

This KPI was assessed in terms of the extent to which: (i) EBRD's interventions are resource and cost-efficient; (ii) administrative expenditure is rationalised in line with organisational commitments; (iii) EBRD demonstrated growth in private capital mobilisation, particularly in emerging markets; and (iv) measures have been implemented to optimise EBRD's balance sheet through mobilisation and risk-sharing.

EBRD's performance was assessed as highly satisfactory owing to its strong management of the administrative budget during ongoing change processes.

Rationalisation of administrative expenditure

Over the course of the assessment period, EBRD has been on an ongoing journey to strengthen internal processes and systems. Audit reports suggest internal policies, processes and conditions in legal agreements are generally followed. Rather than compliance, common challenges observed pertain to evidence and documentation gaps, systems administration and security, gaps in processes and guidelines, and manual processes, reflecting EBRD's ongoing investment in its operational processes and systems over time.

EBRD's internal processes are largely implemented as designed. To assess this element, MOPAN considered 15 audit reports implemented over the course of the assessment period. The Internal Audit Department regularly reviews specific and thematic topics on adherence to internal policies and conditions in legal agreements in relation to investment activities and has played a key role in supporting the maturation of EBRD's systems and processes over time. Whereas internal policies, processes and conditions in legal agreements are generally followed, audit reports demonstrate common challenges related to evidence and documentation gaps, systems administration and security, gaps in processes and guidelines, and manual processes that pose risks for the resilience of control processes.

The most common challenges identified include:

- inconsistent documentation, evidencing and updating of key process information (36% of reports)
- weaknesses in systems administration and security (30% of reports)
- gaps in processes to address novel situations, fragmented processes or lack of clear guidelines (30% reports)
- challenges posed by manual processes and oversight controls (25%).

In the case of risk management, audits demonstrate the important progress that EBRD has achieved in implementing process reforms and embedding a culture of risk management and accountability. Audit is playing a similar role in guiding the maturation of EBRD's donor systems.

EBRD's ongoing institutional transformation has taken place in a controlled financial environment. Particular attention has been paid to limiting growth in the administrative budget throughout the assessment period by balancing investments with efficiencies and re-allocation of responsibilities. The success of this approach is apparent in the fact that EBRD's active portfolio grew 23% between 2018 and 2023, whereas the core administrative expenditures grew just 12%, notwithstanding periods of high inflation (EBRD, 2023a).

EBRD implements a set of scorecard metrics to rationalise its administrative expenditure against its operating income. It has met its institutional targets in this regard throughout the assessment period. EBRD includes two budget efficiency metrics in its Corporate Scorecard: (i) the Cost to Debt Income ratio;[8] and (ii) the Productivity Index.[9] These two metrics, reported annually, help ensure that administrative expenditure is rationalised against profitability and operations. These measures are closely followed through the annual SIPs with a limit on the level of the Cost to Debt income ratio also forming a control parameter in the five-year SCF. To help manage rationalisation of the administrative budget throughout the year (EBRD, 20EBRD, 2019a, 2021a, 2024a), Quarterly Performance Reports provide detailed breakdowns of budget utilisation against plan, including reasons for deviation (EBRD, 20EBRD, 2023u).

Private capital mobilisation and risk-sharing

EBRD assesses its performance in mobilising private capital through its Annual Mobilised Investment indicator. Reporting on the Bank's AMI includes products where there is verifiable evidence (typically fees or other auditable contractual expenses) that the Bank has mobilised third-party finance including from B loans, parallel loans, unfunded risk participations, non-payment insurance, Risk-Sharing Frameworks and other products on a case-by-case basis (e.g. PPP advisory and equity products).

Since the implementation of the Mobilisation Approach in 2021, EBRD's AMI has grown considerably. EBRD's mobilisation in terms of Annual Mobilised Investment (AMI) has grown 165% since 2017 (EBRD, 20EBRD, 2023d, 2023r). Private Direct Mobilisation (PDM) has fluctuated over the assessment period with no clear trend; however, Private Indirect Mobilisation (PIM) grew 143% between 2017 and 2023. Particular growth has been seen after 2021 due to the introduction of the Mobilisation Approach and the easing of macroeconomic impacts from the COVID-19 pandemic. Since 2021, AMI has been exceeding an institutional threshold set in the Corporate Scorecard for EUR 1.4 billion. The 2020-21 Joint MDB Report on the Mobilisation of Private Finance covering 24 MDBs and DFIs further demonstrates the impact of EBRD's Mobilisation Approach, with its overall proportion of mobilisation among the 24 institutions in low- and middle-income countries jumping from 2.7% in 2020 to 14.2% in 2021 (IFC, 2023).

Implementation of the Mobilisation Approach has been supported by the establishment of a specialised team. The Mobilisation Approach and establishment of the debt mobilisation team have supported: (i) the increased presence of unfunded mobilisation activities in EBRD's portfolio; (ii) the introduction of new mobilisation tools and products; (iii) coordination of all-Bank activities leading to increased AMI and GET AMI; and (iv) fine-tuning of incentives contributing to enhanced mobilisation across the organisation. Two sub-teams were created addressing sales and advisory services, including sales and risk transfers via existing products, and a product development team that focuses on developing new mobilisation products and optimising deal structures to maximise private debt mobilisation (EBRD, 2023s).

EBRD has also made important progress in expanding the range of tools it applies to transfer risk and enhance mobilisation, expanding investment while conserving the use of capital resources. Key tools introduced and expanded include:

- insurer mobilisation, including Unfunded Risk Participations and Non-Payment Insurance
- Risk-Sharing Frameworks
- partnerships with asset managers.

8. Total administrative expenditure divided by total Bank debt operating income before provisions for impairment.
9. Weighted average number of new and portfolio operations per million pounds sterling of operating expenditure.

URPs are akin to first-demand payment guarantee instruments with the primary objective of risk transfer of existing exposures to counterparties with a stronger risk rating (e.g. insurance and re-insurance counterparties), allowing for stronger portfolio management at the client, country, sector and product levels. Increasingly, URPs have been used at project inception as a mobilisation tool that helps the EBRD grant larger loans and provide enhanced financial additionality in closing financing gaps. These products also offer an advantage over B loans in that URP counterparties tend to have a more flexible risk appetite and fewer regulatory constraints, allowing application to a wider range of countries, sectors, tenors and, in some cases, risk transfer transactions denominated in local currency. Since 2014, the application of URPs has grown by a factor of 38, reaching EUR 765 million in 2022 (EBRD, 2023d).

EBRD introduced Non-payment Insurance (NPI) in 2022, an insurance-based instrument that is intended to provide access to a wider pool of insurers. Unlike a URP, which only a limited number of insurers can engage in, NPIs are more widely available on the market, offering a range of policy warranties and conditions. This product is increasingly being used by commercial banks and financial institutions as a key risk distribution tool for the purposes of exposure management and capital relief. The NPI was piloted in 2022 through a panel of six insurers under a market-tested Master Policy Framework Agreement, with a first transaction signed in 2023 (EBRD, 2023d, 2023r).

The EBRD's RSF programme seeks to enhance the mobilisation of small loans in ETC and small countries where applying other mobilisation products is more challenging or outright impossible. RSFs seek to enhance the lending capacity of partner FIs and enable them to engage in smaller transactions more efficiently. RSFs were particularly important in the context of Ukraine, contributing to EUR 188 million in AMI in 2022. EBRD is also working to foster co-operation with institutional investors such as pension funds and asset managers, signing MOUs with two large institutional investors in 2022, one asset manager and one pension fund. EBRD has also been working to establish partnerships with new insurance counterparties to strengthen the provision of URPs, signing 15 URPs since 2021 through four new partnerships with re-insurance providers established in 2021 and 2022 at a total of EUR 169.1 million (EBRD, 2023d).

KPI 12: Results are sustainable.

Highly satisfactory	4.00

EBRD is recognised by ratings agencies as having an "extremely strong" capital position. Whereas profitability and NPLs have been volatile in recent years due to the war in Ukraine, the EBRD has maintained a strong capital and liquidity position. This KPI is rated highly satisfactory based on the robustness of EBRD's approach.

EBRD manages its capital adequacy based on its Capital Adequacy Policy, Statutory Capital Metric and Framework for Net Income Allocation Proposals (EBRD, 2023b). The EBRD's approach to managing its capital adequacy is geared towards ensuring that EBRD continues to meet triple-A credit standards, to manage capital adequacy and portfolio concentration against key ratios, including those used by ratings agencies. EBRD has had a CAP in place since 2009, with reviews of the policy implemented in 2014, 2016 and 2019 to strengthen the approach, notably by including consideration for counterparty risk (EBRD, 2016e, 2019j, 2023b).

The EBRD's Capital Adequacy Policy seeks to:

(i) ensure proper capitalisation to support the business of the Bank with an adequate prudential capital buffer maintained over the minimum level of capital requirements

(ii) provide risk absorption capacity to withstand potential unexpected losses

(iii) preserve a capital structure consistent with maintaining and protecting the Bank's triple-A credit rating

(iv) provide a tool for planning and assessing medium- to long-term financial sustainability

(v) avoid the need to call subscribed callable capital

(vi) provide a tool for identifying prudential limits

(vii) support a profitability model that considers return and portfolio performance in light of risk.

EBRD's approach to managing its capital adequacy already reflected some approaches recommended by the G20 Independent Review of Capital Adequacy Frameworks and has evolved further in light of these recommendations. EBRD manages its capital according to two internal prudential limitations: (i) Its statutory capital ratio under Article 12.1 of the Agreement Establishing the Bank: Operating assets (limited to the Bank's statutory capital including callable capital), with utilisation managed against a 92% prudential threshold; and (ii) the Capital Utilisation Ratio (CUR), which is managed against a 90% prudential threshold. Resolution 260 from the 2023 Annual Meetings provides additional flexibility (EBRD Board of Governors, 2023). In responding to the G20 CAF Review, the Board of Governors agreed to amend Article 12.1 of the AEB to remove the statutory capital limitation on ordinary operations with the understanding that the Board of Directors will maintain an appropriate nominal leverage limit on operations within the capital adequacy framework. This resolution seeks to "enable the optimal use of the Bank's capital capacity to support the Bank in achieving the maximum potential impact in its recipient countries".

EBRD applies a robust, multi-pronged approach to ensuring financial sustainability linked to profitability, capital adequacy and a strong liquidity position (EBRD, 2020a, 2024a). EBRD's three-pronged approach to ensuring financial sustainability includes:

- an Investment Profitability Model (IPM), which allows assessment of projected risk-adjusted returns on new debt transactions when they are originated
- portfolio-level Return on Required Capital (RoRC), a scorecard metric which captures overall return of the Bank
- the Debt RoRC (before costs), which assesses risk-adjusted financial returns at the level of the debt portfolio.

New projects are assessed using the IPM to calculate a Risk-adjusted Return on Capital (RAROC). The aggregated output of individual IPM calculations allows projected risk-adjusted returns to be managed across the portfolio. A Strategic Portfolio Management analysis is prepared to inform the preparation of annual, three-year rolling SIPs.

EBRD has a robust process in place to monitor and address Non-Performing Loans (NPLs), applying a clear definition based on IFRS nine principles (EBRD, 2017h, 2021g). Specifically, EBRD designates an asset as an NPL in one of two cases:

- The issuer or the borrower is 90 days or more past due on payment to any material creditor.
- In the opinion of the MD, Risk Management or a Risk Officer acting as his/her delegate, the counterparty is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realising security (if held).

On being designated as an NPL, an exposure is transferred to Corporate Recovery, which actively monitors these investments and plays a management, advisory and/or oversight role, depending on the context. The EBRD monitors NPLs as part of its Quarterly Performance Reporting and Annual Financial Reporting. Country Strategy Delivery Reviews also provide a breakdown of NPLs by country. Following relatively stable performance between 2018 and 2022 at between 4.5% and 5.5% of the portfolio, the NPL ratio jumped to 7.9% in 2022 due to the impact of the war in Ukraine (EBRD, 2023v).

The EBRD's Treasury Authority and Liquidity Policy aims to ensure that the Bank holds sufficient liquid assets to meet its financial obligations, including under stress conditions (EBRD, 2022c)**.** The policy establishes key limits to enable EBRD to meet its commitments for an agreed period of time in the event of access to the market being impossible and ensure that the rating agencies view the Bank's liquidity as a strong factor underpinning a triple-A rating. EBRD is required to ensure minimum liquidity such that: (i) the Bank is able to meet its obligations for at least 12 months under an extreme stress scenario (e.g. a 1 in 100-year event) which implies no access to funding markets. This is based on an internal analysis presented to the Audit and Risk Committee that presents the outcome of an annual Bank-wide stress test. EBRD must ensure that at least 75% of the next two years' net cash flow requirements can be met without recourse to accessing funding markets, allowing it to fund its business plan as laid out in the SIP. Over the short term, EBRD must have sufficient projected cash flows from maturing assets to be able to meet its obligations for at least three months without recourse to the market.

The EBRD's overall capital adequacy prudential limits are accompanied by a set of country, sector and single obligor limits that constrain the maximum exposure that EBRD can have in any single country or to any single counterparty. These limits are expressed in terms of Required Capital (capital required to cover the risk of unexpected losses) as a percentage of Available Capital (risk-bearing capital, including paid-in share capital, reserves and unrealised fair value reserved for equity investments) (EBRD, 2021h, 2023b). EBRD sets out clear concentration limits and systematically monitors compliance with its organisational targets and tolerances at the country, sector and obligor levels. Management provides the Board with regular periodic updates on the concentration risk, including periodic monitoring by the Audit and Risk Committee. Quarterly Performance Reports provide information on overall compliance with prudential limits, including specific impairments and significant downgrades of sovereign or country risk ratings. Live data on limits reporting is also available internally through EBRD's Business Performance Navigator Tool.

EBRD's Capital Adequacy Framework lays out systematic processes and metrics for ensuring proper capitalisation. Stress testing assesses the impact of scenarios on EBRD's projected capital capacity to understand if the operational plan is within an acceptable risk tolerance and determine the implications of stress events on capital adequacy (EBRD, 2023c). These stress scenarios reflect key drivers of financial impact on EBRD, including debt, equity and treasury losses. For planning purposes, a "severe" (1 in 25 years) scenario is applied. EBRD aims to be sufficiently capitalised to withstand such a macro economic shock while maintaining its triple-A rating. Stress testing is presented on a five-year basis in the SCF and annually in the context of three-year rolling SIPs. This analysis is supplemented by quarterly reporting to the Board of Directors, with capital adequacy numbers being managed on a daily basis.

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EBRD project: GIPA – Tunisia

Ice cream maker GIPA is celebrating 40 years of successful business in Tunisia and its General Director Youssef Ghrib has further ambitions to grow the company well into the future.

With support from the EBRD's Advice for Agribusiness programme, funded by the European Union, the company has modernised its business and is ready for new ventures.

Photo: © EBRD

ABOUT THIS ASSESSMENT

EBRD project: Ignalina Nuclear Power Plant – Lithuania

The EBRD manages the Ignalina International Decommissioning Support Fund (IIDSF) which supports the development and implementation of key decommissioning and energy sector projects in Lithuania. To assist Lithuania with the decommissioning process, the European Commission together with 14 European governments set up the Ignalina International Decommissioning Support Fund (IIDSF) at the EBRD in 2001. Photo: © EBRD

THE MOPAN APPROACH

The approach to MOPAN assessments has evolved over time to adjust to the needs of the multilateral system. The MOPAN 3.1 Approach, applied in this assessment, is the latest iteration.

Starting in 2020, all assessments have used the MOPAN 3.1 Methodology, which was endorsed by MOPAN members in early 2020. The framework draws on the international standards and reference points, as described in the MOPAN Methodology Manual. Table 6 lists the performance areas and indicators used in MOPAN 3.1.

TABLE 6. **PERFORMANCE AREAS AND KEY PERFORMANCE INDICATORS**

Performance area	Key performance indicator (KPI)
Strategic management	**KPI 1:** Organisational architecture and financial framework enable mandate implementation and achievement of expected results
	KPI 2: Structures and mechanisms support the implementation of global frameworks for cross-cutting issues at all levels in line with the 2030 Sustainable Development Agenda principles
Operational management	**KPI 3:** Operating model and human and financial resources support relevance and agility
	KPI 4: Organisational systems are cost- and value-conscious and enable financial transparency and accountability
Relationship management	**KPI 5:** Operational planning and intervention design tools support relevance and agility in partnerships
	KPI 6: Working in coherent partnerships directed at leveraging and catalysing the use of resources
Performance management	**KPI 7:** Strong and transparent results focus, explicitly geared towards function
	KPI 8: Evidence-based planning and programming applied
Results	**KPI 9:** Development and humanitarian objectives are achieved, and results contribute to normative and cross-cutting goals
	KPI 10: Interventions are relevant to the needs and priorities of partner countries and beneficiaries, as the organisation works towards results in areas within its mandate
	KPI 11: Results are implemented efficiently
	KPI 12: Results are sustainable

Source: MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle.

APPLYING MOPAN 3.1 TO EBRD

Interpretations and adaptations to the methodology (when applicable)

This assessment has used the MOPAN 3.1 methodology, but the KPIs have been interpreted to reflect EBRD's transition mandate and the private sector-facing nature of its activities.

The MOPAN framework has been adapted for private sector-oriented institutions while maintaining the core principles of the broader MOPAN 3.1 framework. To do this, the MOPAN Secretariat worked closely with an experienced evaluator, Fredrik Korfker, former Chief Evaluator of the EBRD, as well as stakeholders from IFC and EBRD to fine-tune the framework and ensure its relevance and appropriateness for both organisations. Their inputs were complemented by those of MOPAN's service providers from Centennial Group International. The framework has since been applied to the assessment of IFC and to a limited assessment of IDB Invest.

The broad performance areas of the MOPAN framework (strategic, operational, relationship and performance management, and results) were maintained, but the elements underneath the KPIs/MIs were adapted. The main adaptations arise from the differing nature of MOs with private sector operations. For example, one of the most important changes relates to the fact that IFIs work mainly with private sector companies rather than governments, and private sector operations are expected to earn a positive financial return. Investors – and the IFIs working with them – also take on substantial investment risks if the project underperforms, and the financial performance of the portfolio and the institution is thus also typically of greater importance than for public sector MDBs.

Consequently, indicators in the Results performance area (KPIs 9-12) have been adapted to focus on overall financial performance and financial profitability of projects as well as the impact on capital adequacy and financial sustainability of the MO itself in line with the Evaluation Cooperation Group Good Practice Standards (ECG GPS). Similarly, to ensure IFIs are complementing and not competing with private sector investment, a key consideration for private sector operations is additionality. Financial and non-financial additionality were therefore added to KPI 10, which also considers alignment with country and sector strategies and integration of cross-cutting themes into the design of operations.

Adaptation of the framework for this assessment (particularly in KPIs 9-12) took into account EBRD's specific circumstances with regard to: its transition mandate, a mixed portfolio of private and public sector investments, and engagement with governments through policy and advisory services.

1. Lines of evidence

This assessment relies on two lines of evidence: a document review and an interview with key stakeholders throughout EBRD. The Assessment team was able to collect and review a significant body of evidence on this basis:

- Document review: This comprised both publicly available and non-public documents published between 2016 and 2023 as well as guidelines and policies that are "current and in force". These included key strategies and policies, budgets and financial statements, annual reports and Corporate Scorecards, and evaluations. The over 400 documents reviewed included approximately 40 evaluations and evaluation syntheses. Given EBRD's trajectory of ongoing organisational reform, previous institutional guidelines were reviewed as required to understand the trajectory of change over the course of the assessment period.

- Interviews and consultations: These were undertaken both in person and virtually. Inception interviews were predominantly conducted in person between 7 and 14 July 2023, and consisted of:
  - HQ interviews with 51 senior managers and staff
  - country-level interviews with 19 mid- to senior-level resident office staff
  - partner interviews with 4 external partners in sample countries.

Discussions were held with the institutional lead of the EBRD assessment as part of the analytical process. These served to gather insights on current priorities for the organisation from the perspective of MOPAN member countries.

General information about the sequence and details related to these evidence lines, the overall analysis, and the scoring and rating process as applied to the EBRD can be found in the MOPAN 3.1 methodology.

ASSESSMENT PROCESS

The assessment consisted of four phases: inception, evidence collection, analysis and reporting. The inception phase included adapting the framework to the context of a private sector-oriented institution and the specificities of the EBRD, as well as preliminary evidence collection. This was conducted from 1 June to 4 October 2023. Evidence collection, conducted from 15 September 2023 to 8 April 2024, included a document review and interviews. The analysis phase, conducted from 29 November 2023 to 13 May 2024, consisted of the triangulation of the evidence collected in the evidence collection phase and documentation of this evidence. The reporting stage began on 12 April 2024.

TABLE 7. **ASSESSMENT TIMELINE**

Assessment Phase	Inception (1 June 2023 – 4 October 2023)	Evidence collection (15 September 2023 – 8 April 2024)	Analysis (29 November 2023 – 13 May 2024)	Reporting (12 April 2024 – July 2024)
Key activities	Adaptation of indicator framework Preparation of evidence collection, including identification of key informants and documents for review Inception interviews	Key informant interviews Document review	Triangulation Evidence documentation	Report drafting Quality assurance Presentations
Key activities timeline	Draft Inception Report **(June 2023 – September 2023)** Final Inception Report: **(October 2023)**	Key informant interviews **(October 2023 – April 2024)** Document review: **(September 2023 – December 2023)**	Draft Summary Analysis Table (Annex A) **(November 2023 – 5 February 2024)** Preliminary findings: **(February 2024)**	Draft Assessment Report **(April 2024 – May 2024)** Final Assessment Report: **(July 2024)**

METHODOLOGY FOR SCORING AND RATING

The approach to scoring and rating under MOPAN 3.1 is described in the 2020 Methodology Manual,[1] which can be found on MOPAN's website. MOPAN rates each element on a scale from 1 to 4, with a score of 4 reflecting good practice. The MOPAN website also presents additional information about how the MOPAN framework was adapted for private sector operations.

Each of the 12 KPIs contains several micro-indicators (MIs), which vary in number. The KPI rating is calculated by taking the average of the ratings of its constituent MIs.

Scoring of KPIs 1-8

The scoring of KPIs 1-8 is based on an aggregated scoring of the MIs. Each MI contains several elements, which vary in number, that represent international good practice. Taking the average of the constituent scores per element, a score is then calculated per MI. The same logic is pursued at aggregation to the KPI level, to ensure a consistent approach. Taking the average of the constituent scores per MI, an aggregated score is then calculated per KPI.

1. MOPAN 3.1 Methodology Manual, 2020 Assessment Cycle, www.mopanonline.org/ourwork/themopanapproach/MOPAN_3.1_Methodology.pdf.

Scoring of KPIs 9-12

The scoring of KPIs 9-12 is based on a meta-analysis of evaluations and performance information, rated at the MI level and aggregated to the KPI level. KPIs 9-12 take into account results achieved as assessed in evaluations and annual performance reporting from the organisations. Other sources of information are reviewed and included as needed.

Rating scales

Whenever scores are aggregated, rating scales are used to translate scores into ratings that summarise the assessment across KPIs and MIs. The rating scale used under MOPAN 3.1 is shown below.

- **Highly satisfactory** (3.51-4.00)
- **Satisfactory** (2.51-3.50)
- **Unsatisfactory** (1.51-2.50)
- **Highly unsatisfactory** (0.00-1.50)
- **No evidence / Not applicable**

- **High evidence confidence**
- **Medium evidence confidence**
- **Low evidence confidence**

A score of "N/E" means "no evidence" and indicates that the assessment team could not find any evidence but was not confident of whether or not there was evidence to be found. The team assumes that "no evidence" does not necessarily mean that the element is not present (which would result in a zero score). Elements rated N/E are excluded from any calculation of the average. A significant number of N/E scores in a report indicates an assessment limitation (see the Limitations section below). A note indicating "N/A" means that an element is considered to be "not applicable". This usually reflects the specific nature of an organisation's mandate and business model.

LIMITATIONS

The assessment applied a standardised framework that provides a picture of the organisation's performance. Thus, any general strengths and limitations of the MOPAN 3.1 methodology, which are laid out in MOPAN 3.1, Section 8, apply to this assessment too.

In addition, there are a few limitations specific to this assessment of the EBRD, and subsequently, the confidence that can be ascribed to the findings:

- No partner survey was implemented during this assessment in favour of conducting more in-depth staff and partner interviews. MOPAN was unable to engage with the Board of Directors throughout the implementation of the assessment, constituting an evidence gap.
- Due to EBRD's nature as a private sector-oriented institution, a significant number of key documents are not publicly disclosed. Several key documents were only made available to the assessment team after the evidence collection phase, consequently, the review time for these was limited. Some key information could not be obtained due to sensitivities, such as Operations Performance Assessments.
- During the review period, EBRD underwent several reorganisations, which have yet to show results. Hence, this assessment was unable to assess the final outcomes of some of these reorganisations. Additionally, there were many initiatives and operational improvements that were recently completed or in the process of being implemented. It was likewise not possible to assess the effects of some of these changes.

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