

Multilateral Aid Review: Assessment of European Bank for Reconstruction and Development

Summary	
Organisation: European Bank for Reconstruction and Development	Date: February 2011
Description of Organisation	
<p>The European Bank for Reconstruction and Development (EBRD) finances banks, industries and business from Central Europe and the Western Balkans to Central Asia¹ to support countries' transition towards democratic market economies. The Bank operates in 29 countries across Central and Eastern Europe, the Caucasus, Central Asia, Turkey and Mongolia. With a business volume of €8 billion in 2009, a cumulative business volume since 1991 of €54 billion (for a total project value of €167 billion) and an active portfolio of 1,520 projects, the Bank is the single largest foreign investor in its region. EBRD is not a concessional lender; it is a project bank that lends on market terms.</p> <p>The UK has an 8.4% shareholding in EBRD – making it the joint 2nd largest shareholder – and has its own seat on the Board of Directors.</p> <p>DFID priorities that are supported by this MAR analysis are:</p> <ul style="list-style-type: none"> • Increase levels of Bank support to climate change mitigation particularly in more innovative and risky projects. • Mainstream climate change adaptation in relevant project design. • Maximise the Bank's added value through tight geographic and operational focus. • Implementation of the new Gender Action Plan. • Continue efforts to measure the impact of transition activities on people's lives. • Maintaining strong EBRD institutional performance. 	

Contribution to UK Development Objectives	Score (1-4)
<p>1a. Critical Role in Meeting International Objectives</p> <p>+ EBRD is the only institution with a political mandate that supports the transition to free and democratic governance and market economies of its countries of operation, although other multilaterals support private sector development and play a significant role in the region.</p> <p>+ Plays a crucial role supporting climate change mitigation in the most carbon-intensive region of the world.</p> <p>– EBRD makes the leading contribution amongst multilaterals in its region to wealth creation.</p>	<p>Satisfactory (3)</p>

¹ Countries of operations: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, FYR Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Mongolia, Montenegro, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine, Uzbekistan.

<ul style="list-style-type: none"> – Needs to continue to increase focus on those countries most in need of transition support = EBRD has a critical role supporting transition in its countries of operation. 	
<p>1b. Critical Role in Meeting UK Aid Objectives</p> <ul style="list-style-type: none"> + EBRD is contributing to private sector and financial sector development in the region, including contribution to financial sector stability + It is the leader amongst multilaterals on climate change in its region. – Limited role in direct delivery of the social MDGs – largely due to mandate and current relatively low levels of poverty in its region. + EBRD provides an important demonstration to other IFIs and donors in this region (and beyond) of what can be achieved on climate change and private sector development. = EBRD fills an important role on climate change and wealth creation in its region, but relative low levels of poverty in its region and focus on transition rather than poverty reduction make it less critical for the UK's aid objectives. 	<p>Weak (2)</p>
<p>2. Attention to Cross-cutting Issues:</p> <p>2a. Fragile Contexts</p> <ul style="list-style-type: none"> + EBRD has shown it can operate and adapt to fragile contexts such as in Georgia in 2008. – But operating in fragile contexts is not its specific strength – and because few countries in the region are categorised as fragile – lesson learning and experience in fragile states remains limited. = Not a core strength, but some evidence of effective working in fragile contexts <p>2b. Gender Equality</p> <ul style="list-style-type: none"> + Gender Action Plan only enacted in 2010. + Some progress on implementation – Too early to see impact = Insufficient evidence of impact so far. <p>2c. Climate Change and Environmental Sustainability</p> <ul style="list-style-type: none"> + EBRD plays an important and growing role in its region on climate change mitigation. + The EBRD has effective environmental safeguards in place. These are mainstreamed in the Bank's policies and operations from due diligence to ex-post evaluation. = Climate change is a critical element of EBRD's 	<p style="text-align: center; vertical-align: middle;">Weak (2)</p> <p style="text-align: center; vertical-align: middle;">Unsatisfactory (1)</p> <p style="text-align: center; vertical-align: middle;">Strong (4)</p>

<p>business, which it is delivering very effectively.</p>	
<p>3. Focus on Poor Countries</p> <ul style="list-style-type: none"> - None of the countries in the top quartile of an index that scores developing countries based on their poverty need and effectiveness (the strength of the country's institutions) are in EBRD's region of operation. Most of its borrowing members are now middle-income economies. 	<p>Unsatisfactory (1)</p>
<p>4. Contribution to Results</p> <ul style="list-style-type: none"> + Programme wide EBRD able to demonstrate significant transition outputs. + Big majority of sectors EBRD is engaged in experienced 'moderate', 'significant' or 'very significant' transition impacts during 2005-2009. + Sets challenging objectives and shows a willingness to innovate in instruments and policies and take risks to achieve them, as exemplified in the financial crisis. - Link between EBRD's transition impact and its wider impact on development and improved lives still being developed = Strong delivery on EBRD's transition objectives but link to outcomes/lives not so well established. 	<p>Satisfactory (3)</p>
<p>Organisational Strengths</p>	<p>Score (1-4)</p>
<p>5. Strategic and Performance Management</p> <ul style="list-style-type: none"> + Clear and explicit mandate that links directly to Bank strategies. + Pro-active and effective Board of Directors + Responsive and measured leadership, particularly demonstrated by a strong financial crisis response. + Good HR policies and practices that reward the best performers and take firm action over poor performance. + Robust and fully independent evaluation function, whose evaluations are often acted on. + EBRD has a comprehensive and detailed performance management and results system that allows it to set and steward higher level corporate targets and measure the transition impact of projects that are attributable to EBRD at all stages of the project cycle. = Well-focused, well-led and well-managed, with a comprehensive results system. 	<p>Strong (4)</p>
<p>6. Financial Resources Management</p> <ul style="list-style-type: none"> + Term of investments tailored to the specific project, but long-term investments of up to 15-20 years 	<p>Satisfactory (3)</p>

<p>possible.</p> <ul style="list-style-type: none"> + Comprehensive financial accountability policies. + Functional project monitoring and evaluation system to manage project performance. + Flexible and innovative use of financial instruments, and willingness to take risk. – Resources should be allocated to countries where transition needs are greatest post crisis. = Flexible financial instruments and strong financial systems. 	
<p>7. Cost and Value Consciousness</p> <ul style="list-style-type: none"> + EBRD challenges project partners to think about value for money (VFM), such as through approaches to corporate governance and procurement. + Shareholders and management have together ensured continued budget restraint, with active reprioritisation and quantified cost savings. + Corporate governance systems in place that incentivise senior management to maximise returns and cost-effectiveness. + Secures leverage value from callable capital and delivered a low-cost capital increase. = Controls its own costs, makes good use of its balance sheet and delivers value for money in programming. 	<p>Strong (4)</p>
<p>8. Partnership Behaviour</p> <ul style="list-style-type: none"> + A signatory of the Paris Declaration and Accra Agenda for Action + Despite being a bank focussed on the private sector, EBRD's country strategies are developed in consultation with partner governments. + All relevant EBRD projects undergo a public consultation and participation exercise. + Showed leadership and partnership with other IFIs in launching the Vienna Initiative. – Greater co-ordination and collaboration with other IFIs could increase impact of projects and consistency of international approach to continuing reform. = Good partnership behaviour and evidence of strong leadership amongst IFIs on specific issues. 	<p>Satisfactory (3)</p>
<p>9. Transparency and Accountability</p> <ul style="list-style-type: none"> + Comprehensive and appropriate disclosure policy. + The full set of strategy and policy documents are available on EBRD's website. + Project documentation routinely published and up to date. + Since 2010 EBRD has a new, independent 	<p>Satisfactory (3)</p>

<p>accountability mechanism</p> <ul style="list-style-type: none"> - Borrowing countries' Board voting share is low. - Not a signatory of IATI. = Transparent and with a strengthened accountability mechanism, though borrowing countries' Board voting share is low. 	
Likelihood of Positive Change	Score (1-4)
<p>10. Likelihood of Positive Change</p> <ul style="list-style-type: none"> + EBRD management has a track record of being flexible and responsive to new approaches while continuing to focus on its core transition mandate. + EBRD committed to scaling up activities in Early Transition Countries + Making efforts to improve assessment of impact of transition activities on development indicators. + EBRD set to increase focus on climate change mitigation and adaptation, + UK has own seat on Board of Directors - Adoption of gender as a cross-cutting issue has been slow. = A mainly strong track record of reform. Some challenges ahead on EBRD's strategic focus. 	<p>Likely (3)</p>