

The EBRD's Investment Climate Support Activities



European Bank
for Reconstruction and Development

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Mobilising private capital is central to the Bank's core transition mandate, and is integral to the achievement of major recent institutional commitments such as supporting the SDGs, climate resilience, and inclusion. Significantly greater private investment, both domestic and foreign, is in turn critically dependent upon a supportive investment climate (IC), which has long been identified as a strategic and operational priority for the Bank and an area of comparative advantage. This study identifies principal objectives and components of EBRD's work on IC improvement; assesses the effectiveness of design and delivery; and presents findings and recommendations to enhance programmatic performance in the future.

The Investment Climate is the institutional, policy and regulatory environment within which companies invest, create jobs, and expand, and the behaviour of public and private agents which influence investment performance. The EBRD's activities along two transition qualities – competitive and well-governed – contribute the most to improving the investment climate and governance standards in its countries of operation.

Study approach

A mixed method approach was used: the quantitative data analysis of TC portfolio relevant for the investment climate was combined with semi-structured interviews with circa 100 internal and external stakeholders. Additionally four detailed case studies were prepared: three at country level (Albania, Egypt, and the Kyrgyz Republic) and one at instrument level – the Business Ombudsman Council in Ukraine. They provided in-depth insight and evidence of the Bank's effectiveness and efficiency in implementing IC support activities.

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WHAT HAVE WE LEARNED ABOUT EBRD WORK TO STRENGTHEN INVESTMENT CLIMATE

EUROPEAN BANK for RECONSTRUCTION and DEVELOPMENT | VISUAL SUMMARY | JUNE 2018

1 PRIVATE SECTOR ENTITIES are AT THE HEART of THE BANK'S MANDATE

2 INCREASE in PRIVATE INVESTMENT is KEY to POSITIVE ECONOMIC CHANGE and IS CRITICALLY DEPENDENT on a

SUPPORTIVE INVESTMENT CLIMATE (IC)

3 IC is the POLICY, INSTITUTIONAL & REGULATORY ENVIRONMENT within WHICH COMPANIES INVEST, CREATE JOBS and EXPAND and the BEHAVIOR of PUBLIC and PRIVATE AGENTS WHICH INFLUENCE INVESTMENT PERFORMANCE.

WHAT CAN BE LEARNED FROM EBRD'S WORK IMPROVING IC BETWEEN 2005 AND 2017?

MAIN FINDINGS FROM THE REPORT

- 1 THE BANK'S IC WORK COULD BE AT TRANSACTIONS LEVEL OR AT MACRO LEVEL, WHICH ARE VERY DIFFERENT; SYNERGIES HAVE BEEN HARD TO ACCOMPLISH.
- 2 EBRD'S INSTITUTIONAL RESPONSE TO COUNTRY CHALLENGES EVOLVED WITH A GREATER EMPHASIS ON ECONOMIC GOVERNANCE AND POLICY ENGAGEMENT (16 COUNTRY STRATEGIES HAVE IC IMPROVEMENTS AMONG PRIORITIES, 7 COUNTRY MOUS WERE SIGNED IN THIS AREA).
- 3 THERE ARE PROMINENT HORIZONTAL POLICY THEMES IN THE BANK'S IC ACTIVITIES (I.E. SUPPORT TO 7 INVESTMENT COUNCILS, BUSINESS OMBUDSMAN IN 1 COUNTRY) BUT THIS WORK HAS NOT BEEN STRATEGICALLY, SYSTEMATICALLY, OR TRANSPARENTLY RESOURCED.
- 4 THE BANK LACKS AN IC STRATEGY OR ANY CLEAR OBJECTIVES. IT'S DIFFICULT TO IDENTIFY HOW IT DEFINES SUCCESS. EVALUATING IMPACT AT A SECTOR OR COUNTRY LEVEL IS NOT POSSIBLE.
- 5 FEEDBACK FROM STAKEHOLDERS POINTS TO THE BANK'S STRENGTH IN RESPONDING TO CRISIS.
- 6 THERE IS CONSIDERABLE SCOPE TO LEVERAGE OTHER IFIS/DONORS' RESOURCES & CAPABILITIES.
- 7 THE EBRD'S GROUND PRESENCE IS CENTRAL TO ITS OPERATIONAL MODEL AND CRUCIAL FOR SUCCESS.
- 8 INTERNAL COOPERATION, COORDINATION AND KNOWLEDGE MANAGEMENT ARE IMPROVING, BUT CHALLENGES REMAIN.
- 9 THE EBRD MUST IMPROVE HOW IT COMMUNICATES ACHIEVEMENTS & SUCCESSES.

HOW CAN EBRD IMPROVE AND INCREASE ITS IMPACT?

RECOMMENDATIONS

THE BANK MUST STRENGTHEN ITS IC SUPPORT WORK IF IT WANTS TO BECOME A REAL CATALYST of PRIVATE FINANCING.

- ✓ PREPARE A STRATEGY ON IC SUPPORT THAT IS BOARD APPROVED WITH CLEAR CONNECTIONS TO THE COUNTRY STRATEGIES AND TRANSITION APPROACHES.
- ✓ ENSURE ADEQUATE LEADERSHIP and CORE MULTI-YEAR RESOURCING FOR IC AS A STRATEGIC PRIORITY.
- ✓ BUILD THE BASIS FOR IMPROVED INTERNAL and EXTERNAL COOPERATION and SYNERGY, SPECIFICALLY CREATE A COMMUNICATION PLAN AS PART OF THE STRATEGY.