



CLUSTER EVALUATION

Sustainable Infrastructure Operations in Advanced Transition Countries



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CASE STUDIES (IN SEPARATE VOLUMES)

Case study I: Croatia MEI

Case study II: Hungary Transport

Case study III: Poland Energy

Abbreviations

ABI	Annual Bank Investment
AEB	Agreement Establishing the Bank
AMI	Annual Mobilised Investment
ATC	Advanced Transition Country
ATQ	Assessment of Transition Qualities
C2CF	Cohesion Funds Co-Financing Water & Wastewater Framework
CEB	Central Europe and Baltics
CRR	Capital Resource Review
CS	Country Strategy
CSDR	Country Strategy Delivery Reviews
CSRF	Country Strategy Results Framework
EvD	Evaluation Department (EBRD)
GC	Green Certificate
GET	Green Economy Transition Approach
IA	Integrated Approach
IAPR	Integrated Approach to Polish Renewables
MEI	Municipal and Environmental Infrastructure
NCBI	Net Cumulative Bank Investment
P&E	Power and Energy
PPO	Priority policy objective
PPP	Public Private Partnership
PSP	Private sector participation
RE	Renewable energy
SCF	Strategic and Capital Framework
SIG	Sustainable Infrastructure Group (EBRD)
SIP	Strategy Implementation Plan
SPM	Strategic portfolio management
TC	Technical Cooperation
TQ	Transition Quality

Executive Summary

This report presents the main findings of an evaluation of Sustainable Infrastructure (SI) operations in EBRD Advanced transition countries of operation (ATCs), along with recommendations based on these findings. It is accompanied by three case studies (in separate volumes), which present the detailed discussion and evidence to support the findings.

The purpose of the evaluation is to provide evidence-based analysis contributing to: i) institutional accountability by evaluating the characteristics of the past operations against expectations; and, ii) institutional learning by offering insights relevant for the development of future strategies and project design. The evaluation focusses on Board-approved sustainable infrastructure operations within the Bank's past two five-year strategic periods (2011-2019).

The evaluation approach was from a bottom-up, project-level perspective. The benefit of a 'cluster' evaluation of a series of projects with common characteristics is that broader patterns and relationships can be identified as well as potential cumulative results or impacts. This evaluation is structured around the three sub-sectors of Sustainable Infrastructure as defined by the Bank – Municipal and Environmental Infrastructure (MEI), Transport sector operations, and Energy sector operations. At the same time it focusses specifically on three individual ATCs, each of which had a critical mass of operations in one of the chosen sub-sectors. The objective was to be able to identify both common features and cumulative effects in the individual country contexts that are the Bank's stated benchmark for transition progress. The selected sub-sector/country clusters were: **i) MEI operations in Croatia; ii) Transport operations in Hungary; and, iii) Energy operations in Poland.**

A total of 27 operations are covered by these clusters, representing about half of all SI operations in ATCs over the period. Given the relatively large number of operations under the three clusters, it was not the objective of this evaluation to fully evaluate each individual operation across all evaluation criteria. Instead, the evaluation focused on several key issues broadly falling under the criteria of relevance and effectiveness of the operations. The evaluation explored two key questions:

1: How relevant were SIG operations in ATCs to the Bank's strategies and local context?

2: What results and transition impacts can be identified from these operations?

Findings

Evaluation Question 1: Relevance & Additionality

- Sustainable infrastructure projects were relevant to sector needs and their links to the wider sector context were usually well articulated. Operations commonly had well developed sections discussing their fit within the larger context of the sector needs including their contributions to broader objectives such as compliance with relevant EU Directives or renewable energy targets. Likewise, links to clients' needs in terms of investment were largely well described especially for public sector entities, as well as scope for technical cooperation where relevant. The

operations were in line with broader government objectives although these were not always coherent with actual government policy. This was particularly evident in Poland where the increasing inconsistency between the sector's targets and the government's policy eventually led to the Bank's temporary discontinuation of investment in renewable energy (RE) in 2016-2018.

- Most operations in the evaluation portfolio originated in the previous sector-based transition concept operationalisation. The most recent operations base their transition rationale on TQ Green with the related GET physical indicators. Operations largely responded to the remaining transition gaps as identified through assessments in country strategies.
- Financial additionality in the sector has been decreasing in ATCs overall. EBRD brought non-financial additionality to its operations, most prominently through technical cooperation and policy dialogue.
- The only reported mobilised finance (AMI) related to the Polish Energy operations. There is also some evidence of contributions to investor participation elsewhere by providing comfort and lowering risk perception, especially in the secondary PPP market transactions.

Evaluation Question 2: Results

- EvD's detailed review of operations within the three case studies confirmed/reinforced several major prior evaluation findings about the Bank's results architecture; specifically, reporting on sector level transition progress is systematically flawed and insufficient.
- Using the Transition Quality "Green" as now defined, and its operationalisation through physical indicators, effectively ensures that TI objectives can be achieved. TQ Green also represents potential for renewed transition relevance in ATCs – while the former transition gaps in market structures and institutions were either small or proven beyond the capacity of the Bank to address, TQ Green offers almost universally relevant transition to tackle. However, these claims in terms of the Bank's contribution to transition can only be credible if a supporting monitoring and reporting system is in place. That system does not now exist. The current practice of using ex-ante GET data to report on aggregate ex-post results is wholly inappropriate.
- The shift to TQ Green physical indicators to represent transition also raises new questions about the Bank's representation of its contribution to these results. With TQ Green transition indicators being fully tied to physical implementation rather than unique EBRD inputs, the Bank should consider ways to responsibly represent its contribution to these achievements. This is particularly relevant for projects where significant volume of the finance comes from other public sources and grants.
- Activity and realised investment largely fell short of projections in all three sectors. In Croatia MEI only about a fifth of the Board approved volumes was realised, mainly due to non-implementation of the large Cohesion Funds Co-Financing Water & Wastewater Framework (C2CF) framework. The regional framework for

secondary PPPs also underperformed in terms of total investment volume and composition of instruments, although the operations in Hungary specifically represented the largest share of sub-operations, and Hungary was the only country with multiple projects under the framework. In Polish Energy, investment volume of over €850m masks a significant slowdown in the latter years due to the Bank's temporary disengagement from the investment in the RE sector following adverse regulatory developments in 2016-2018. Where implemented, physical outputs were largely delivered in MEI Croatia and Energy Poland, while Transport operations in Hungary did not entail physical implementation, focusing on PPP refinancing.

- TC was delivered at client level in MEI Croatia, while sector-level TCs associated with the C2CF framework were largely not implemented. TCs related to the Integrated Approach in Poland were also mostly cancelled.
- In Croatia MEI, the sustained strategic priority of the Bank – to increase the absorption capacity for EU funds – was not achieved. Environmental outcomes were inherent in projects once physical implementation was successfully completed. Client-level expectations in institutional strengthening and formalisation of contractual arrangements were often met, with the exception of tariff equalisation, which was universally not achieved. Impacts in terms of sector reform have not been achieved.
- For the regional framework for secondary PPPs, the results and transition impacts of the framework were tied to the delivery of critical mass of sub-operations and their composition in terms of type of instruments. From the perspective of operations in Hungary, what can be considered critical mass for the local market was delivered in high profile transactions with some unique features including the presence of non-bank institutional investors. The level of activity registered in Hungary was not matched in other countries in the ATC region, and overall the critical mass of sub-operations was not implemented. The most prized instrument in terms of local capital markets development – new local bond issues for infrastructure – did not materialise.
- In Poland Energy operations resulted in positive environmental outcomes in the cumulative installed RE capacity, RE electricity produced and corresponding CO2 savings. While the Bank supported projects financed limited recourse basis and partially exposed to market risks, some of which might not have happened otherwise, there is little evidence that this activity generated additional such projects through demonstration. The Bank has promoted the expansion of competitive markets in keeping with its transitional mandate. The Bank contributed to increased private sector participation in RE generation both directly through the co-financing of windfarm projects and indirectly through increasing distributors' capacity for RE connections. There was active policy dialogue conducted throughout the evaluation period, which contributed to the overall transparency of the new auction system, and to the reversal of estate tax on windfarms in 2018.

Recommendations

The recommendations of this study stem from the findings related to results management and reporting. While this evaluation confirmed a number of findings from previous evaluations, existing recommendations are not repeated in this study. The recommendations of this study address two important outstanding elements of results architecture –reporting on the ‘missing middle’ and reporting on GET physical indicators.

1) At the closure of all frameworks and integrated approaches, management should circulate to the Board a final report presenting results and transition achievements of the framework/ Integrated Approach (IA), supported by a balanced discussion of these achievements, and a review of lessons for future operations.

The ‘missing middle’ of results management in the EBRD is a long-standing issue. In essence the issue is that transition impact is defined and understood as systemic change but only presented and (partially) monitored at project level. Redesigned country strategies did not alleviate the issue as they present only broad objectives and lack any specificity about expected results. Frameworks and integrated approaches partly fill in this gap, at least in principle, because they contain a transition case for a large volume of investment, often combined with framework level TC and policy dialogue, sector context analysis, and sector-level transition objectives. Yet, there is little to no reporting to the Board on the transition achievements of frameworks, especially if there is no request for follow-up phases. Reporting on aggregate indicators without any context does not provide appropriate substantiation of the Bank’s contribution to transition. What is needed is a reasoned balanced discussion that takes into account contextual developments and external factors influencing those indicators, and that places the totality of the Bank’s operations including TC and policy within that context.

2) Using the GET database for aggregate reporting on the achievement of physical indicators should be discontinued.

The introduction of TQ Green allows the transition rationale of new projects to be based solely on expected achievement of outcomes relating to physical implementation (e.g. water saved; renewable capacity installed; renewable electricity produced; CO2 emissions reduced). However, while in principle relatively easily verified and monitored, the achievement of these outcomes in aggregate has relied on data provided by the GET database, which contains ex-ante estimates. If TQ Green physical indicators are to be reported as results or supporting evidence for transition impacts, a serious system of monitoring and verification needs to underpin such reporting. This means especially: verifying results as actually achieved and delivered; reporting on results only after they have been actually delivered; and reporting in the context of the Bank’s contribution to those results. The GET system data do not fulfil these requirements and its use for aggregate results reporting should be discontinued.

1 Introduction

1.1 Objective and scope of the evaluation

The Evaluation Department's (EvD) 2020 Work Programme included a multi-project cluster evaluation of sustainable infrastructure operations in Advanced Transition Countries (ATCs).

A cluster evaluation focuses on a set of interventions that share common features such as objectives, applicable strategy or target country/sector. The objective of cluster evaluations is to learn about what happened across the cluster and to ascertain common themes, findings and lessons, which is consistent with aims stated in the Board approved work programme.

The **purpose** of this evaluation is to contribute to: i) institutional accountability by evaluating the characteristics of the past operations against expectations; and, ii) institutional learning by offering insights relevant for the development of future strategies and project design.

The **objective** of this evaluation is to assess the merits of the sustainable infrastructure operations and to gather from their experience insights specific for the group of countries at the most advanced transition state from the Bank's regions of operations.

The **scope** of this evaluation covers the implementation of sustainable infrastructure operations in ATCs. The time scope of the evaluation comprises the past two strategic periods, the Capital Resource Review (CCR4, 2011-2015) and the first Strategic and Capital Framework (SCF, 2016-2020). Specifically, sustainable infrastructure operations approved by the Board of Directors within the time frame of 2011-2019 entered the initial portfolio analysis. The selection of projects for the evaluation portfolio is discussed below.

1.2 Approach

The SIG portfolio of operations approved between 2011-2019 consisted of a total of 56 projects. The detailed overview of the full portfolio is in Annex 3.

As there is no specific unified strategy or approach that would connect all these operations, the evaluation approach was from a bottom-up, project-level perspective. The benefit of a 'cluster' evaluation of a series of projects with common characteristics is that broader patterns and relationships can be identified as well as potential cumulative results/ impacts.

Therefore this evaluation is based on three sub-clusters of the full portfolio, representing the three sub-sector classifications used by the Bank's Sustainable Investment Group (SIG), as well as representing three specific ATCs. The guiding principle for the cluster selection was to focus on countries where there was substantial sub-sector level investment activity over the period, to identify possible common themes and cumulative effects. The selected clusters were:

i) Municipal and Environment Infrastructure (MEI) operations in Croatia

ii) Transport operations in Hungary

iii) Energy operations in Poland

The sample covers a substantial proportion of the overall portfolio:

- The three clusters comprise 27 (48%) out of a total of 56 operations approved during the period, representing €1.035bn NCBI out of €2.097bn (49%);
- By number of projects, the samples account for 63% of Energy, 60% of MEI, and 18% of Transport projects. (Other transport projects were already scrutinised in previous evaluations, namely EvD's Transport sector strategy evaluation (2018),ⁱ and Regional Integration evaluation (2020).ⁱⁱ)

Given the relatively large number of operations under the three clusters, it was not the objective of this evaluation to fully evaluate each individual operation across all evaluation criteria. Instead, the evaluation focused on several key issues broadly falling under the criteria of relevance and effectiveness of the operations. The evaluation explored two key questions:

EQ1: How relevant were SIG operations in ATCs to the Bank's strategies and local context?

EQ2: What results and transition impacts can be identified from these operations?

These evaluation questions were assessed in three case studies, one for each project cluster. This report represents a brief overall synthesis of the findings of the case studies, and presents recommendations based on these findings. The full case studies form annexes to this report presented in separate volumes.

1.3 Challenges and limitations

The framing approach of this evaluation was to focus on a limited set of enquiry points around relevance and results, and to use the advantage of the 'cluster' of projects in each sector-country case study to tell a story about the Bank's presence and delivery on its strategic priorities over time. This type of evidence-based narrative is in principle the backbone of any transition account, but it is at present almost wholly absent from management reporting.

Travel constraints in 2020 precluded EvD's intended field missions. The evaluation carried out extended research of internal reporting on all operations and explored their links to wider results architecture in country, sector and transition reporting. This provided valuable illustrations of former findings of more technically oriented EvD papers on country strategies and evaluability of TQs, and the implications of the TI concept revision for future operations in ATCs.

2 Context overview

2.1 Advanced Transition Countries

While there is no official internal definition of advanced transition countries, in line with internal practice and convention for the purpose of this evaluation ATCs are defined as the countries of Central Europe and Baltics (CEB) region, namely Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, and Slovenia. This group specifically does not include countries that might be considered advanced based on their performance on some of the Transition Qualities (TQs) or based on their membership in the EU, such as Greece, Cyprus, Bulgaria and Romania.

The following table presents the ranking of ATCs among all EBRD countries of operations based on 2019 Assessment of Transition Qualities (ATQs). More detailed presentation of the TQ position of ATCs, including scores, comparison with regional averages and with advanced comparator countries outside of EBRD operations is in Annex 2. Overall, ATCs score well above EBRD average across most TQs, yet still generally below those of advanced comparator countries outside of the EBRD region. There are some exceptions, specifically Estonia, which is performing in line with advanced comparators across several TQs.

Table 1: Rank of ATCs in all EBRD countries of operations based on 2019 ATQs

	Competitive	Green	Inclusive	Integrated	Resilient	Well-governed
Croatia	14	7	12	11	6	14
Estonia	1	6	1	2	1	1
Hungary	7	9	8	8	8	13
Latvia	6	3	3	6	3	5
Lithuania	8	4	4	5	7	3
Poland	3	5	6	9	4	4
Slovak Rep.	3	2	10	4	2	9
Slovenia	2	1	2	3	5	6

Source: 2019 ATQs on EPG intranet

There is no specific EBRD strategy or approach for operations in ATCs. However, institutional strategic and business plans as well as sector strategies or Bank initiatives may include specific regional directions and/or approaches. ATCs are also subject to standard country strategy planning process. (See further Section 2.3 on strategic overview.)

2.2 Sustainable infrastructure

For this evaluation, sustainable infrastructure operations are considered to be those currently within the purview of the Sustainable Infrastructure Group (SIG) in the Banking Department. The SIG was established as a restructured organisational unit in January 2019. SIG encompasses power, energy, transport, municipal and environmental infrastructure sectors in all Bank countries of operations, representing about a third of the Bank's annual business activity. Operations approved within these sectors, even before the establishment of the SIG, entered the initial portfolio analysis. The list of the projects in the evaluation scope was further narrowed as described above (section 1.2).

2.3 Strategic context

The time scope of the evaluation comprises the past two strategic periods, the CCR4 (2011-2015) and the first SCF (2016-2020). These broad mid-term institutional strategies were complemented by a number of specific strategies and initiatives at sector/thematic level and by country strategies. The SCF was also operationalised through annual business planning (SIPs).

2.3.1 CRR4 (2011-2015)

The share of annual business volume in ATCs was projected to decrease between 2011 and 2015. Based on the transition potential of the region, the Bank's CRR4ⁱⁱⁱ projected expansion in the early and intermediate transition countries and in Russia while maintaining a significant level of operational activity in the advanced transition countries. However, the share of annual business volume in the ATCs was projected to decrease from 12% in 2011 to 4% in 2015 reflecting declining additionality post-crisis and the decreasing transition challenges in the EU-7 countries.

Graduation was integrated as a fundamental principle. The EU-7 countries were firmly on the path to graduation during the CRR3 period until the global financial crisis hit. On the assumption that global market conditions would improve – voluntary private financial flows return, the region recovers in a sustainable way, and the threat to transition recede – the EU-7 countries were expected to graduate during the CRR4 period, taking into consideration each country's specific circumstances.

Sector priorities in the region corresponded to their advanced stage of transition. In P&E the Bank prioritised energy competition, diversity and security. The focus would be replacing ageing power generating assets, increasing power generation from RE sources to meet EU targets and financing distribution and transmission to reduce bottlenecks for connection of new renewable energy generation as well as regional interconnections. For MEI the remaining transition challenges were already characterised as modest in ATCs; the focus would be on addressing funding gaps in cooperation with EU cohesion funds and new products to support the development of local capital markets. Transport sector in ATCs was foreseen in the area of PPP transactions together with private rail, regional airports and ports.

2.3.2 SCF (2016-2020)

The SCF^{iv} reaffirmed its strategic orientation to move progressively towards countries and regions within countries that are less advanced in transition. The Bank reaffirmed the principle of graduation, as defined in its Graduation Policy. The main instrument for decision making on graduation would be the respective country strategies, jointly agreed by the Bank and country authorities. Shareholders expected that country strategies for the EU-7 would continue to set the path and indicate a plausible pace of graduation for these countries within the medium term, while recognising that countries face specific circumstances and the economic and political context for transition can be volatile.

The SCF highlighted the need for a renewed emphasis on strategic portfolio management (SPM). It noted that in addition to existing tools (assessing transition impact, effective risk-based allocation of capital to the portfolio, and risk management framework), the Bank would also develop new tools to enhance the implementation its strategic portfolio approach over the SCF period.

The first SIP (2016-2018)^v brought further to the front the nature of the trade-offs involved in SPM, balancing the transition impact and financial sustainability elements of the portfolio. It introduced the SPM matrix analysing debt operations' transition and returns across regions. It noted that the Bank's obligations under the

Agreement Establishing the Bank (AEB) mean that its portfolio should not become unbalanced within or among regions. In response, it proposed to maintain the size of its portfolio in CEB (ATCs), as opposed to a decline (ahead of expected graduation decisions in the medium term), given the region's contribution to the financial strength of the Bank's portfolio and remaining transition opportunities.

The subsequent SIP (2017-2019)^{vi} marked the Bank's shift to the new transition concept via the framework of the six Transition Qualities (TQs). It presents the summary of transition challenges across regions, as drawn from Country Strategies, with priorities for CEB identified in competitive, green and resilient TQs. The SPM analysis places CEB region in lowest risk but also below average transition and RAROC category. The SIP envisages lower levels of activity than in the previous SIP, particularly in CEB.

SIPs 2018-2020^{vii} and 2019-2021^{viii} continued to focus the CEB priorities on competitive, resilient, and green TQs, with an overarching objective to support frontier-level innovation and higher-value-added activities given the advanced economies of the countries in this region. The SIPs include mentions of policy priority objectives (PPOs); in the ATCs these were linked to capital market regulation, efficiency and accessibility, in Croatia and Poland.

The final SIP^{ix} of this SCF period offers a comparison of the evolution of ABI volume between the CRR4 and the SCF. Despite the SIP claim that the balance presented in the Plan reflects the approach to graduation highlighted in the SCF in that the level of activity in the most advanced countries will decrease, the data actually show only marginal difference – the ABI share of CEB countries over CRR4 was 14.5% compared to 14.1% in the SCF period. The share of projects in ATCs was at 11.2% for both strategic periods.

2.3.3 Sector strategies

Sector strategies were historically not tied to specific time cycles and only recently moved to a standardised five-year cycles with the redesign of the Bank's results architecture. There are three sector strategies for each of the three SIG subsectors that were applicable over CRR4 and SCF.

Usually sector strategies approved before the review of the Transition concept (switch to TQs) contained some assessment of transition challenges per region, including ATCs (CEB). Nevertheless, strategic priorities were commonly not detailed per region but mostly consisted of broad regional directions/ indications, if any. The newest batch of sector strategies, which are TQ-based, do not commonly have assessment of transition challenges per region, nor do they provide specific regional priorities.

2.4 Sustainable infrastructure in ATCs – portfolio overview

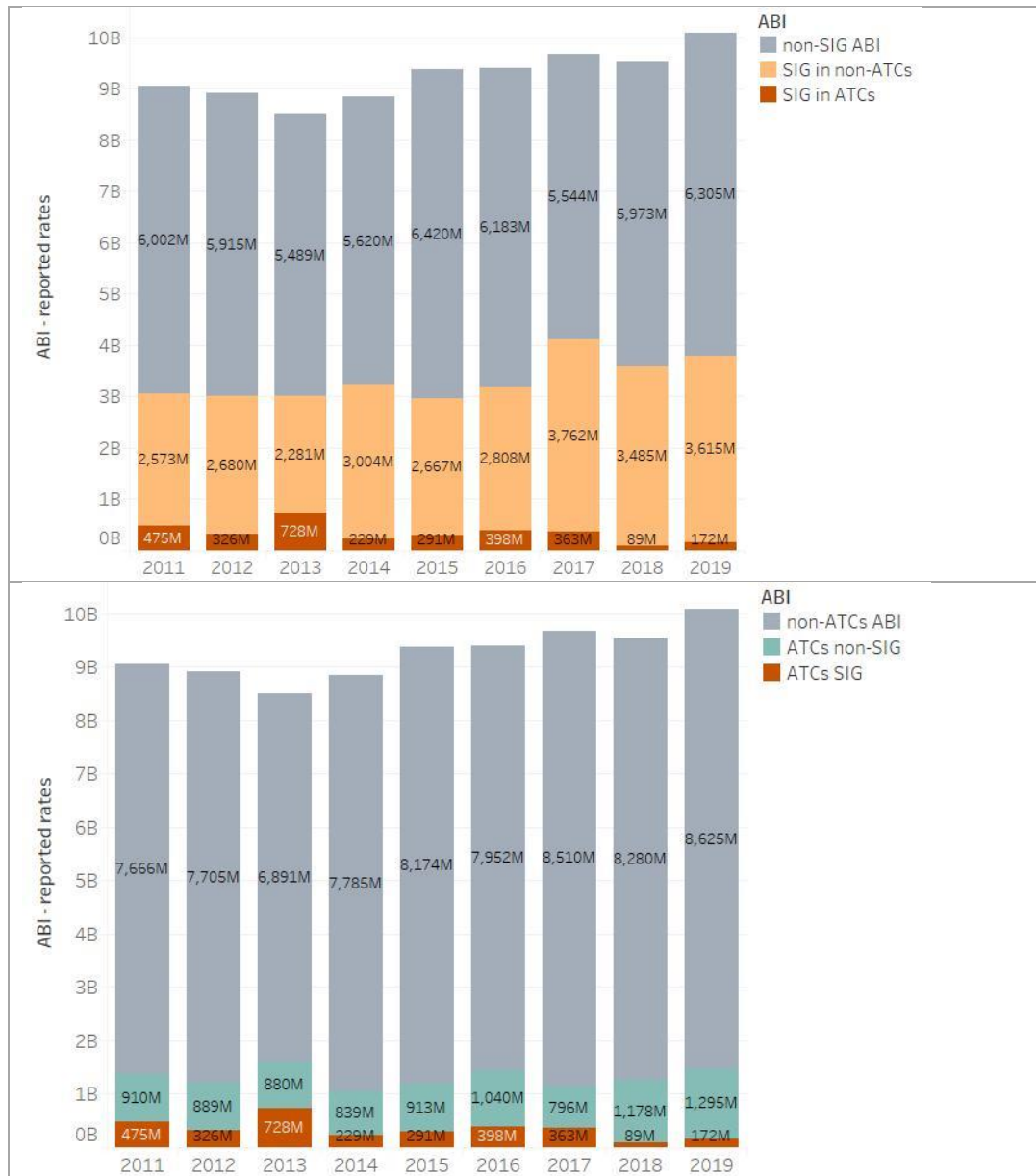
NB: This is a summary of the full portfolio analysis presented in Annex 3

2.4.1 Annual business volumes

Between CRR4 and SCF, the ABI of SIG in ATCs has fallen in terms of absolute volume, as well as a proportion of both SIG ABI and ATC ABI. Between CRR4 and SCF period, the ABI of SIG operations overall grew slightly, both in absolute volume and as a proportion of EBRD ABI. This trend however was not true for SIG in ATCs. While over CRR4 SIG in ATCs was on average around €400m and 14% of SIG ABI, in SCF period

SIG activity in ATCs decreased noticeably to about €250m ABI on average and about 7% as a share of SIG ABI. The last two years (2018, 2019) were particularly low on SIG ABI in ATCs, comprising only 3% and 5% of SIG ABI. Likewise, the SIG ABI as a share of ATCs ABI fell between the two periods – while in CRR4 SIG represented on average 30% of ABI in ATCs, over SCF this figure dropped to 19%. In the last two years (2018, 2019), SIG ABI represented only 7% and 12% of the ABI in ATCs.

Figure 1: SIG ATC ABI as a proportion of SIG ABI and as a proportion of ATC ABI, 2011-2019

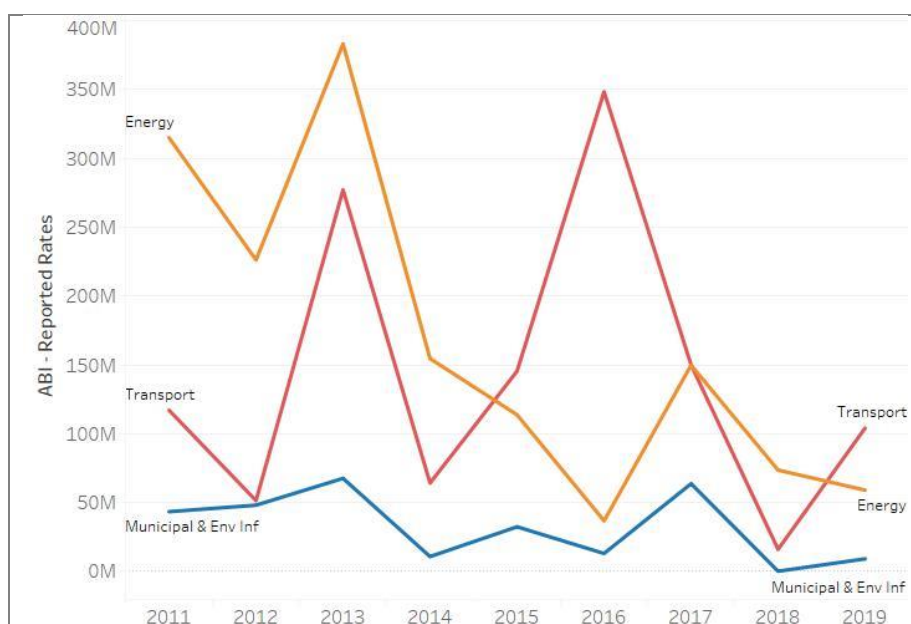


Source: DW_Banking_Operational dataset, EvD analysis

The overall decrease in reported SIG ABI in ATCs was reflected in all three SIG subsectors – Energy, MEI and Transport – over the 2011-2019 period. While reported ABI fluctuated for all three subsectors between individual years, the overall trend was decreasing. This was perhaps most marked in Energy investment, where the average ABI

dropped from €240m in the CRR4 period to just under €80m over the SCF until 2019; the Energy ABI rebounded from 2020 (outside of the scope of this evaluation).

Figure 2: SIG sub-sectors ABI in ATCs, 2011-2019

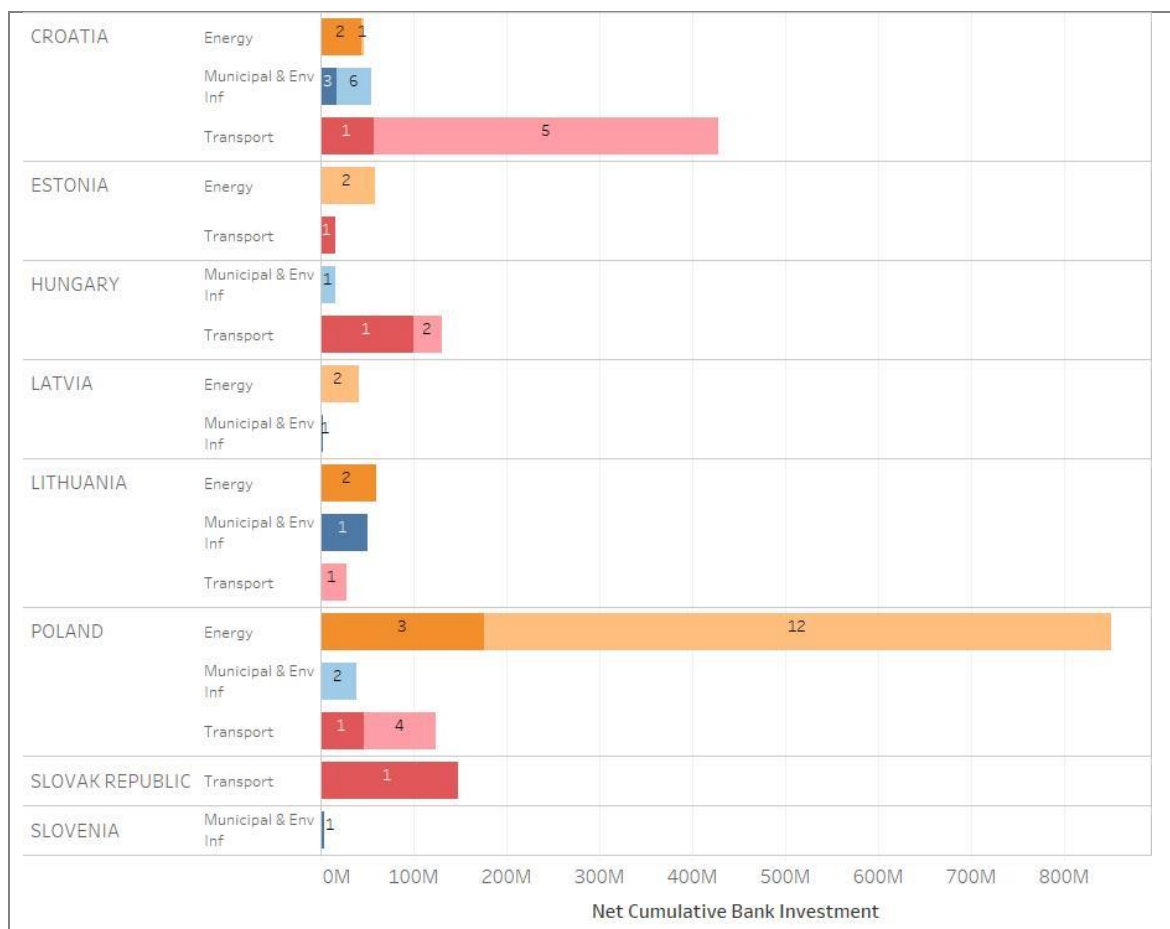


Source: DW_Banking_Operational dataset, EvD analysis

2.4.2 Investments

Based on the initial parameters this evaluation identified 56 individual operations in the SIG in ATCs portfolio. The cumulative investment (NCBI) made by the Bank over these 56 projects was predictably not evenly distributed, either by country or sector. The largest investment went to Poland, with over €1bn over 22 projects; over 80% of this was in Energy. The second largest country was Croatia, with over €520m in cumulative SIG investment. Majority of this investment was in Transport, which registered the largest single project of the whole SIG ATC portfolio – €250m sovereign guaranteed loan for the restructuring of HAC, the Croatian Motorways company. Slovak Republic is the third largest country in the portfolio, despite the implementation of only one SIG project over the entire period – this was the D4/R7 Highway PPP project with investment of over €148m. In terms of sectors, Energy investments cumulatively account for just over half of the portfolio (over €1bn), while Transport accounted for over 40% and MEI for just under 8% of the portfolio.

Figure 3: NCBI per country and sub-sector, 2011-2019 (by project approval year)



Note: Light shade – CRR4, Dark shade – SCF; Allocation of investment (NCBI) to strategic periods is based on the year of project approval; Number on bar signifies number of projects

Source: Source: DW_Banking_Operational dataset, EvD analysis

3 Findings

How relevant were SIG operations in ATCs to the Bank's strategies and local context?

This section presents main findings on relevance along four specific dimensions, with each summarised separately:

- Relevance to client and sector needs and government priorities:
- Relevance to the EBRD transition mandate and applicable strategies
- Financial and non-financial additionality
- Mobilisation of private finance

Relevance to client and sector needs and government priorities

- **Sustainable infrastructure projects were relevant to sector needs and their links to the wider sector context were usually well articulated. Operations commonly had well developed sections discussing their fit within the larger context of the sector needs including their contributions to broader objectives such as compliance with relevant EU Directives or renewable energy targets.**
- **Likewise, links to clients' needs in terms of investment were largely well described, as well as scope for technical cooperation where relevant. Transport operations in Hungary were part of a regional framework, the rationale and objectives of which were not tied to individual countries' needs or government priorities.**
- **The operations were in line with broader government objectives although these were not always coherent with actual government policy. In Croatia MEI the support to the government's objective of regional consolidation of water utilities was a constant in the rationalisation of projects, but the actual reform effort stalled for most of the decade. In Hungary the expectations of the projects' ultimate effect in attracting investment into primary PPPs was at odds with the government's adversarial stance to new PPPs. In Energy operations in Poland, the increasing inconsistency between the sector's targets and the government's policy eventually led to the Bank's temporary discontinuation of RE investment in 2016-2018 and focus on intensified policy dialogue.**

MEI Croatia

MEI sector in Croatia has had significant investment needs in the water and wastewater subsector where most of EBRD operations were targeted. These were tied to the sector's ability achieve EU standards in water supply and wastewater treatment and to comply with EU regulations. Prior to Croatia's EU accession, the projects pointed to the large investment needs coupled with limited access to EU grants. Likewise the projects were linked to the need of compliance with the relevant EU Directives for the sector, and the fact that achieving this compliance was integrated into the national plans. After the EU accession in 2013, Croatia entered a transitional period to address the investment and reform needs, largely with the contribution of EU investment funds grant financing. In addition to addressing existing investment needs, all projects had links to the clients' needs

of operational and financial management improvements and to their needs in terms of governance. Support to the government's objective of regional consolidation (regionalisation) of water utilities was a constant in the rationalisation of projects implemented in the sector over the evaluation period.

Transport Hungary

The Transport projects in Hungary were sub-operations of the regional Framework for development of a secondary market for maturing infrastructure PPPs. Neither the rationale nor the objectives of the framework and the sub-operations related to specific countries; they were related to the development of the secondary PPP market in the whole region, with a focus on ATCs and Turkey. Therefore, the relevance of the framework was not related to individual government priorities or individual country market needs but to the needs of the whole EBRD region. Neither the framework nor individual sub-operations provided analysis of the secondary PPP market beyond general statements. The specific transition needs or market gaps that prevented the development of the secondary market in the region were not analysed, and the rationale for the framework was therefore such that a critical mass of projects was needed for demonstration purposes. The Hungary sub-operations largely echoed the rationalisation of the framework and do not specifically discuss market considerations in the country. Their expectations of the projects' ultimate effect in attracting investment into primary PPPs was at odds with the government's adversarial stance to new PPPs.

Energy Poland

Operations in Energy sector in Poland were taking place in the context of the country's energy transition in the context of the EU energy and climate policies and the related binding targets, including achieving 15% energy from renewable sources in its final energy consumption by 2020. EBRD projects in the sector made specific links to Poland's legacy of coal-intensive energy generation and its high carbon footprint inconsistent with EU's climate goals, and to the necessity of achieving binding targets through expanding RE generation. Projects in the State portfolio were complementary to these needs by emphasising the necessary upgrade of the infrastructure for RE connections. Despite the wider EU objectives Poland has also been one of the most prominent opponents of low-carbon transition both domestically and by opposing stronger EU climate action. The uncertainty about the future policy and government support to renewables led to low investor confidence. Yet, the Bank assumed the rationale for the investment based on the needs of the sector linked to the broader EU goals was sound, and would remain relevant. The increasing inconsistency between the sector's targets and the government's policy eventually led to the Bank's discontinuation of RE investment between 2016-2018 and focus on intensified policy dialogue.

Relevance to the EBRD transition mandate and applicable strategies

- **Most operations in the evaluation portfolio originated in the previous sector-based transition concept operationalisation. Given the advanced status of the region, most transition gaps in the relevant infrastructure sectors were assessed as small. The most recent operations, originating in the new transition concept**

operationalisation based on Transition Qualities, base their transition rationale on TQ Green with the related GET physical indicators.

- Operations largely responded to the remaining transition gaps as identified through assessments in country strategies. In Croatia MEI sector this meant targeting the improvements in the operational and financial management of utility companies, tariff reform and establishing contractual relationships between utility companies and municipalities. At sector level the main reform efforts were toward regional consolidation. The regional framework of secondary PPP market did not outline any specific obstacles that it was aiming to alleviate. The approach rested on the support to a critical mass of transactions that would create a demonstration effect for new ways of infrastructure financing. The sub-operations did not intend to address the particular transition gaps in Hungary. In Polish Energy transition challenges included limited private sector participation in generation, and barriers to grid access for new energy producers. This was compounded by policy uncertainty and distortionary RE subsidies.

MEI Croatia

Croatian MEI operations consistently addressed transition challenges identified for the sector, which were largely stable over the evaluation period. In the water sector these meant largely targeting the improvements in the operational and financial management of utility companies, tariff reform and establishing contractual relationships between utility companies and municipalities. At sector level the main reform efforts were toward regional consolidation. Transition challenge in limited competition and private sector participation in the MEI sector was however largely not tackled. Projects were also in line with applicable country strategies, focusing on the necessary reforms at client and sector level to facilitate better absorption of available EU grant funding for large scale investments. Projects made references to sector strategy documents; although these were often relatively loose and referred to the sector's general broad directions. The vast availability of EU grants in the sector also precluded EBRD playing significant role in mobilising private finance for investment, which was a specific sector priority for the CEB region's water sector. Projects implemented under the 2012 MEI strategy also presented objectives (targets) for strategic physical indicators but the data for these were neither collected nor reported, at project or aggregate level. All projects from 2013 onward were reported as contributing commitments for Green Economy Transition (GET) approach yet mostly not as part their transition rationale.

Transport Hungary

The regional framework saw the creation of the secondary market for PPPs as a 'key remaining transition challenge' in infrastructure but did not outline any specific obstacles that it was aiming to alleviate. The approach rested on the support to a critical mass of transactions that would create a demonstration effect for new type of investors for the COOs in infrastructure (institutional investors) and new ways of financing (including infrastructure bonds and equity transactions). It did not consider that specific policy/regulatory aspects of with PPP markets or capital markets would be the reason for the relative underdevelopment. To the extent that the framework saw the underdevelopment of the secondary PPP market in the region as a transition challenge to be alleviated by

demonstration, all three sub-operations in Hungary were relevant to that objective. The projects did not address the particular transition gaps in Hungary – in the primary PPP sector (to which the framework also aimed to ultimately contribute) the issues were political and regulatory. Private equity sector likewise suffered from uncertainties in the business environment, and institutional investors were set back in the country by the government's nationalisation of the pension funds. These country specific transition challenges were not affected or tackled by the nature of the projects. Hungarian M6 sub-operations were in line with the direction of the 2011 country strategy, while the last sub-operation fell out of the narrower scope of the 2016 strategy. The framework and its sub-operations were in line with the relevant Transport strategy priorities.

Energy Poland

Projects approved over the evaluation period addressed the transition challenges identified for the Polish Energy sector. Overall, the transition gaps in market institutions were assessed as small or negligible already at the beginning of the evaluation period, while gaps in market structures were still medium. Key transition challenges included limited private sector participation in generation, and barriers to grid access for new energy producers. This was compounded by policy uncertainty and distortionary RE subsidies.

Projects in the sector responded to the identified transition gaps by supporting RE generation with private sector producers and co-financing complementary investments in the electricity grid. Projects also addressed the expansion of competitive markets for GCs and electricity. In the beginning of the evaluation period, projects invariably sought to achieve 'demonstration effects' – i.e., attracting further private investment in the Polish RE/wind sector under the conditions of regulatory uncertainty, by showcasing successful and commercially viable projects and creating a critical mass of such operations. In addition, already in the early projects there was a drive for projects to rely on market-based mechanisms as opposed to mandatory off-takes at regulated prices. With the creation of the IAPR there was a strengthened transition element of supporting private sector participation in the sector.

Policy uncertainty was addressed in ongoing policy dialogue throughout the evaluation period. The need for more consistent and targeted engagement then was translated in the creation of the Integrated Approach with more formalised objectives and including a fairly substantial budget for technical cooperation. The IAPR expected this approach to lead to 'more systemic changes' in the sector. The rationale for the strengthened policy dialogue was to contribute to an appropriate investment climate and push for an implementation of a stable market-based regulatory framework. After the government's regulatory changes of 2016, the policy dialogue became the main priority and the main instrument for transition impact, with focus on promoting the reversal of the most damaging retroactive provisions.

Environmental outcomes were formally recognised as transitional with the introduction of TQ Green. The transition rationale of most new (post 2019) projects now relies fully on the environmental (GET) indicators related to physical implementation. All projects were in line with the relevant country and sector strategies and the GET approach.

Financial and non-financial additionality

- **Financial additionality in the sector has been decreasing in ATCs overall. In Croatia there are sufficient commercial and public sources for co-financing of EU grants, while the exemption of these from the limits on municipal borrowing also lowered EBRD's financial additionality. The regional framework for secondary PPPs was underutilised by about a half for various reasons including high liquidity in the markets and unfavourable context for relevant bond issuances, as well as adverse contextual developments in Turkey. There is evidence of additionality in those operations that materialised. In Polish Energy there was ample private investment into on-shore wind pre-2015, and the case for financial additionality was made based on the provision of project finance on non-recourse basis and to projects exposed to market risks. When commercial banks fully withdrew due to adverse regulatory changes, EBRD followed them soon after and halted its RE investments between 2016-2018.**
- **EBRD brought non-financial additionality to its operations, most prominently through technical cooperation and policy dialogue. In Croatia MEI technical cooperation was the source of large part of its transition impact expectations. Non-financial conditionalities however were not enforced where not implemented, demonstrating the uneasy trade-off between financial and non-financial additionality. In Polish Energy, the Bank's relationship with the government provided comfort to investors and policy dialogue intensified in the time of regulatory disruption in the sector.**

MEI Croatia

The financial additionality of the Bank's presence in the MEI sector in Croatia has been diminishing over the evaluation period and is currently low due to sufficient local availability of finance for EU grants co-financing for municipal companies. Justifications of financial additionality for projects in the evaluation portfolio were based on the provision of finance directly to utility companies without 'full' city guarantee. The value of this arrangement for the municipalities decreased in the later years, when borrowing for the purpose of the co-financing of EU funds was exempted from counting towards the limits on municipal borrowing. Most of EBRD additionality therefore stems from non-financial additionality, especially in the form of donor-funded technical cooperation. The expected results of technical cooperation also formed a large part or all of the expected transition impact of the projects. Technical cooperation aimed at various aspects of institutional strengthening and corporate governance can set the value of EBRD wide apart from anything that commercial banks may be able to offer. Transition related conditionalities have however not been enforced where not implemented, demonstrating the uneasy trade-off between financial and non-financial additionality. This concerned primarily the commitments to enact tariff increases or tariff equalisation on water sector projects, which was commonly not implemented.

Transport Hungary

The regional framework for secondary PPPs argued the Bank's additionality based on three interrelated aspects of its value – sector expertise, lowering risk perception, and development of benchmarks. All of these elements supported the common objective of

attracting new, especially institutional, investors in the PPP refinancing. The overall projections of EBRD additionality in the secondary PPP market in the region appear exaggerated overall, given the under-utilisation of the framework headroom. With the benefit of the hindsight, EBRD's presence in the PPP refinancing was lower than originally expected; the framework was under-utilised by about a half at its closure. While the Bank explored its potential presence in about seven additional projects, these did not materialise for various reasons, including low additionality. Since the framework approval there was excess liquidity in the market which meant that institutional investors required higher returns than local commercial lenders. In some cases deals were repriced with existing lenders rather than refinanced with international investors. Bond market was also less vibrant than was expected at the approval of the framework. Nevertheless, in the sub-operations that materialised, there is evidence of EBRD additionality. In Hungary in both cases EBRD's presence provided comfort to new investors; equity in case of M6 and institutional (non-bank) investors in the case of Budapest airport. While these transactions take place in the private sector, there is some evidence of EBRD facilitating the communication with the government in support of the M6 deal.

Energy Poland

In Polish Energy, most projects in the evaluation portfolio shared a common additionality rationale, rooted in the diminishing confidence of commercial lenders in the context of policy uncertainty. EBRD's financial additionality was weaker in the first half of the evaluation period when Poland experienced strong private investment in the sector with many investors seeking to finalise their projects in this period to be eligible for the support of the out-going Green Certificate support system. The Bank's role increased in around 2015 due to intensified withdrawal of commercial banks; EBRD however followed them soon after and halted its RE investments between 2016-2018. The main sources of EBRD financial additionality were drawn from the provision of project finance with limited recourse and promoting partial exposure of projects to market risks. This was an approach that was unusual in the context of the relatively generous support to renewables based on mandatory off-takes by utilities, and aimed to promote the expansion of competitive markets. Non-financial additionality manifested itself in the period of distress the Bank provided support to projects, accompanied by intensified policy dialogue with the authorities.

Commercial mobilisation was also an increasing source of additionality over the evaluation period, with reported AMI rising on Energy projects from about 2013. In projects under the IAPR, financed 2014-2015, the Bank's presence was conducive to attracting commercial banks to the projects given the late stages of the discussions on the changing RESS, when long-term fixed revenues were not possible to be secured.

With renewed regulatory stability and return of the confidence of private investors the additionality of the Bank in the sector may however be decreasing. While the financing of new windfarm projects in 2019 could be seen as the Bank facilitating the return of the sector to 'normality' continued presence based essentially on 'longer tenor' argument in an advanced transition market with abundant private investment activity may require further justification.

Mobilisation of private finance

- **All reported mobilised finance (AMI) related to the projects in the evaluation portfolio originated in Polish Energy operations. Seven projects in this group reported total AMI of over €360m, all of which was in the form of parallel loans in windfarm investments.**
- **There are some indications of other contributions to investor participation by providing comfort and lowering risk perception, especially in the secondary PPP market transactions.**

Mobilisation of private finance was not a feature of **MEI operations in Croatia**. None of the projects in the evaluation portfolio reported any private finance mobilisation under Annual Mobilised Investment (AMI) figures. This was largely due to the priorities being chosen to leverage available financing of EU grants in the sector. The bond participation project came perhaps closest to having a claim to catalysing private finance for municipal investments, yet contribution is difficult to establish and expectations of replication (demonstration effects) have not materialised yet.

Likewise **Transport operations in Hungary** did not report any mobilised finance (AMI). Neither of the Hungarian sub-operations was reported as contributing to the Bank's AMI. However, related to the above discussion of the Bank's additionality, there is evidence that the Bank's presence provided comfort to co-investors, some of whom reportedly conditioned their presence on the Bank's participation.

In **Polish Energy** commercial mobilisation was an increasing source of additionality over the evaluation period, with reported AMI rising on Energy projects from about 2013. In projects under the IAPR, financed 2014-2015, the Bank's presence was conducive to attracting commercial banks to the projects given the late stages of the discussions on the changing RESS, when long-term fixed revenues were not possible to be secured. Two windfarm projects reported commercial mobilisation pre-IAPR, together with all the IAPR windfarm projects.

What results and transition impacts can be identified from these operations?

This section presents findings on results and transition impacts along three dimensions, with each summarised separately:

- Adequacy of design for results and results reporting
- Operational results and transition impact
- Effective learning

Adequacy of design for results and results reporting

- **The review of operations within the three case studies demonstrated in practice a number of previous evaluation findings about the Bank's results architecture. Reporting on the sector level progress of transition has been systematically flawed for all the sectors in the evaluation portfolio.**

- The revision of Transition Impact concept in 2016 introduced TQ Green and related physical indicators in its operationalisation. This allows for a practically assured TI achievement, as well potential for renewed transition relevance in Advanced transition countries. However, for this shift to be credible in terms of the Bank's contribution to transition, a monitoring and reporting system needs to be put in place. The current practice of using ex-ante GET data for aggregate results reporting is wholly inappropriate.
- The shift to TQ Green physical indicators to represent transition also raises new questions about the Bank's representation of its contribution to these results.

The most substantial findings of this evaluation relate to the design for results and results monitoring and reporting. These are also the most pertinent issues from the perspective of learning and recommendations for future operations, as they directly influence the Bank's ability to understand its contribution to transition and substantiate its transition narrative.

These findings are not new; on the contrary, a number of EvD reports in recent years highlighted systemic issues in results architecture and transition reporting. These findings as presented in this section (and in more detailed discussion in the individual case studies) however highlight the issues on specific examples relating to concrete operations in real contexts. Illustrating the findings with specific examples of how they affect the Bank's understating of its contribution to transition may be a valuable extension to the more technical discussion of results architecture parameters. Box 1 presents some of the previously reported findings, all of which remain fully valid.

Box 1: Relevant findings of previous evaluation studies

- Country strategies do not provide any specificity of what success would look like at country/ sector/ TQ level. With the absence of strategic ambition to measure progress against, any reporting consists only of bottom-up aggregation of Bank's activity. Country strategy objectives are broad and not calibrated by any targets. (EBRD Country strategies, EvD 2019)
- There is no reporting tool for country/ sector results. CSDRs provide an activity-oriented recount of new projects over the last year. The annual transition performance report does not provide a country perspective. Transition impact is still recognised as bottom-up aggregation of project-level results with little analysis of their combined effects. (EBRD Country strategies, EvD 2019)
- Evaluation quality is constrained by the quality of self-evaluation, the evaluability of operations and the limitations of EBRD's results monitoring systems. This makes it difficult to validate EBRD claims regarding transition impact. (Independent External Evaluation of EBRD's Evaluation System ('Kirk report'), 2019)
- There are no measures to assess the wider impact of the Bank's transactions or link the EBRD contribution to country progress; A systematic approach to transition targeting and measurement is lacking; Systematic ex-post results/ performance reporting on transition accomplishments is lacking. (Evaluability Assessment of Transition Qualities: Context, Background and Key Findings, EvD 2020)
- Policy work and technical cooperation activities are responsible for a substantial amount of predicted transition effects. Yet these remain outside the TQ Framework and are not

meaningfully integrated into key parts of the results architecture. (Evaluability assessment of EBRD's Transition Qualities, EvD 2020)

The system remains unable to capture and meaningfully report above-project level and medium-term outcomes of the Bank's activities. The 'missing middle' of results management is a long-standing issue whereby transition impact is defined and understood as systemic change yet it is monitored only at project level. There is little possibility in the system to recognise medium-level and medium-term results. There is no system to capture cumulative, synergic, or 'critical mass' effects of operations beyond simple bottom-up aggregation of outputs – even though these effects are in principle often claimed. There is little opportunity to plan, execute and take credit for sector-level and policy-driven work that (especially in the state sector) would often be the driver of transition claims. Policy and reform work is only TI-rated when attached to individual projects, which are often not the right vehicle for it. Integrated Approaches, which were intentioned to tackle this issue, are not widely implemented due to lack of incentives; frameworks largely base their transition indicators on the bottom-up aggregation of project-level results, therefore not alleviating the problem. Sector and country-level transition results reporting does not exist in any meaningful way.

Reporting on sector level progress of transition has been systematically inadequate for all the sectors in the evaluation portfolio. All three case study sectors had transition objectives that were articulated in broader frameworks that relied on a critical mass of investment (secondary PPP framework) or combination of investment, TC and policy dialogue (C2CF framework in MEI Croatia, Integrated Approach to Polish Renewables). Yet, the overall transition results of none of these efforts were reported back to the Board.

- The Board was informed about the creation of the €200m C2CF framework and its transition expectations in terms of facilitating water sector reform on no fewer than five occasions in Country strategies and Country strategy updates. Yet the framework's eventual lack of success and its closure with close to no implementation was never reported.
- The €650m framework for secondary PPPs in the ATC region was explicitly set up to facilitate a critical mass of investment deemed necessary to have transition impact. Yet, after its completion there was no reported assessment of the region's progress in the development of secondary PPP market and the framework's operations' cumulative contribution to it. The Transition performance report's 'case study' dedicated to '*Developing capital markets and access to finance in EBRD's EU COOs*' was silent on the framework.
- The Integrated Approach in Poland was a planned combination of €550m investment, €500k technical cooperation and policy dialogue. Due to adverse regulatory developments it had to be fully revised – investment to new RE projects, was temporarily halted, TC was cancelled and policy dialogue intensified. After closure, no completion report was presented, which would take account of the achievements of the IA in the context of the developments in the sector and present a reasoned discussion of the Bank's contributions.

It is important to reiterate that Country Strategy Delivery Reviews (CSDRs) are neither intended nor designed to provide insights into the transition results of the Bank's operations. They provide an account of new activity in COOs in the previous year. Therefore, for the above frameworks CSDRs would make references to the signing of new sub-operations or to 'continued policy dialogue'. They are however not the place to find a discussion of transition achievements. The Country Strategy Results Frameworks (CSRFs) are largely an aggregation of project outputs which in many cases have not even materialised yet (see below discussion on GET indicators). Assessment of qualitative indicators is reported completely devoid of any context or discussion on where they come from or what they mean.

- For example in CSDR 2020 for Croatia, the CSRF reports '*Very good/ Satisfactory progress*' in improvement of financial and operational performance of utilities since the start of the strategy. Taking into account that the Country Strategy explicitly assumed the C2CF implementation, which expected 10-15 sub-operations, there would have to be close to no progress on that point relative to the CS expectation. However, the RF only aggregates 'bottom-up' from what is actually being implemented rather than relating to CS expectations, so even one project's implementation can mean good progress at country reporting level.

Despite the work done and claims made to date on strengthening results architecture, and on countries being the unit of accountability against which transition progress is measured, results reporting at this level is almost entirely absent. While the CSDRs brought a more streamlined, visually interesting format compared to their predecessor (Country Strategy Updates, CSUs), their content value in terms of a focussed discussion of results within the country context actually decreased.

Long-standing deficiencies in the Bank's approach to monitoring demonstration effects as transition driver was evident in the projects assessed. In the previous (pre-2016) operationalisation of the transition concept, the objective of demonstration effects was often used to underpin the wider, systemic changes brought forward by supporting novel approaches in various sectors. While sound in principle as a theory of change, its monitoring and reporting was always problematic, relying mostly on reporting of new instances and considering contribution/ causality as given. In the case of Polish wind farms the rationale for demonstration effect was that commercially successful wind farm investments will attract more investors into the sector despite the context of regulatory uncertainty. This was commonly monitored in TIMS at project level via two benchmarks representing the desired causality: i) commercial success of project; ii) instances of new similar investments. The key issues with this approach can be summarised as follows:

- There was rarely any discussion beyond the ticking of the achievement (or the lack of) of the two benchmarks, which would attempt to substantiate the causality between them. It may not be possible to fully evidence the contribution but it would be possible to discuss the main external factors that contribute to the decisions on new developments, and how significant these factors are in relation to the Bank's presence.
- Possible negative demonstration effects were ignored in the transition reporting; for example, that a project put on hold implementation of half of its expected

capacity due to concerns about regulatory environment could send negative signal to potential investors is not considered at all.

- The monitoring also at times undermined its own rationale for transition; when new projects with the specified parameters were not observed, TIMS ascribed this to the context of regulatory uncertainty and notes that investment should resume when the situation is resolved – clearly, the rationale for the demonstration effect was to attract investment into regulatory uncertainty in the first place. Similarly, when TIMS acknowledged the non-achievement of commercial success, it still considered demonstration effect objective ‘partially achieved’ based on other windfarm projects happening – undoing its own rationale that the demonstration was supposed to come from commercial success.

Overall, these issues with the assessments of demonstration effects have long been known, and eventually were dealt with by removing this type of objective from the new operationalisation of TI (post-2016). However, the prior long period during which demonstration effects were central to transition claims in the infrastructure space no doubt had the effect of crowding out any efforts to gain and learn from deeper insights.

Policy dialogue and TC activities are not well integrated in results reporting. The case studies for Croatia and Poland include accounts of the problematic TC reporting. Overall, they confirm the picture gained in many previous evaluations – the TC system is disconnected from operations and TI reporting, lacks quality control and provides little value to its users. Without exchanges with operation teams in Croatia and Poland it would not have been possible to establish even some basic parameters of some of the TCs based on the information present in the system. Reporting on policy dialogue is even less available where these activities are not connected to any TC budget but performed as part of operation teams’ regular activities. Annual Priority Policy Objectives (PPO) and their reporting provide little enlightenment; for example for 2019 the PPO for Polish Energy was formulated as ‘*Conduct of new renewable auctions (min. 1GW of new capacity)*’ and its reporting stated ‘*Fully achieved; Key policy achievements: Large scale renewable auction has been conducted in December. Based on partial results it is expected that over 2GW capacity is awarded support.*’ – it is notable that neither the PPO nor its reporting actually indicate any policy change or contribution that the Bank was aiming at and achieved. It is of course highly unlikely that without the Bank’s policy dialogue there would be no RE auctions held in the country, so it would seem essential that the reporting would describe in what ways the Bank might have facilitated that happening.

The revision of Transition Impact concept in 2016 introduced TQ Green and related physical indicators in its operationalisation. These indicators allow for new projects’ TI to be based solely on physical implementation. The introduction of TQ Green allows the transition rationale of new projects to be based solely on achievement of outcomes relating to physical implementation (e.g. Water saved; Renewable capacity installed; Renewable electricity produced; CO2 emissions reduced). This is in contrast to the previous TI concept where transition was sought from improving market structures or institutions. This shift allows for two important developments with regards to sustainable infrastructure projects:

- **It practically guarantees TI achievement.** In the past the achievement of TI expectations was linked to systemic changes in the sector or market, which were

subject to a variety of external factors, and were therefore often either not fully achieved or the contribution to their achievement was not appropriately evidenced (see demonstration effects above). Physical implementation however is practically always successful. Where TI is linked to indicator inherent in physical implementation, it can be predicted to be almost universally achieved as well as relatively easily monitored and evidenced.

- **Foundation in green transition can provide a renewed rationale for operations in advanced countries.** In these countries the remaining (former) transition gaps in market structures and institutions were either small or proven beyond the capacity of the Bank to address. Their municipal water treatment however not yet be in line with EU regulations or their energy production mix may still be some way from targets – these can now therefore be relatively straightforward TI contributions to tackle.

However, for this shift to be credible in terms of the Bank’s contribution to transition, a monitoring and results verification and reporting system for the delivery needs to be put in place. Importantly, the use of GET reporting data for the purpose of transition/ results reporting is wholly inappropriate and should be discontinued. The Bank’s GET reporting system registers ex-ante commitments for green financing as well as related expectations in terms of physical indicators. Whatever the merits of the GET reporting system both on finance and on physical indicators, it is not designed as a results reporting system and cannot credibly function as such. The data are nothing more than ex-ante estimates at signing; they are not corrected when projects are scaled back, cancelled or their design has changed. The data is not suitable to be used for results reporting or for evidencing contribution of transition. Yet, in the absence of another system underpinning the TQ Green transition results, the GET system has been widely used in that way in aggregate reporting at country level.

- For example, the most recent Croatia Country strategy (2017): “*Projects signed in Croatia from 2013 to December 2016 resulted in Greenhouse Gas (GHG) estimated emissions reduction of 145 ktCO₂ per year, while total energy savings from 2013 to 2016 are estimated at 1,623,059 GJ/y*”. These figures represent ex-ante estimates of GET indicators for all (not only MEI) projects signed in Croatia in those years. Five of these projects are part of this evaluation portfolio. These projects had certainly not ‘resulted’ in any of the aforementioned outcomes by 2017, and some of them not even by now due to delays. Some have also experienced changes in design or cancellations in the meantime, so their results are lower than what was expected at signing. The Country Strategy however does not provide any context on where these numbers come from, that they are solely ex-ante expectations, and that indeed they had not been achieved yet.
- The 2015 Country strategy update for Poland indicated “*Wind farm projects supported by the Bank together added 150 MW of wind energy generation capacity*” – this refers to the expectations of the three wind farm projects signed the previous year (Orla, Darlowo, Radzyn) as reported through GET. However, the latter two projects actually scaled back the installed capacity compared to expectations, so the actual installed capacity from these projects was 135MW.
- The 2020 CSDR for Croatia, the figure of *1,137,000 m³/yr* is placed in the reporting on the Country Strategy Results Framework strategic indicator of Total Water

saved. This is provided with no further context or explanation. This figure comes from the GET reporting of the Zagreb County water project, which was only signed in the previous year. It is important to realise that:

- At the point of reporting this figure as a result in the CSDR, not even the first disbursement on the loan had been made, much less any physical implementation started;
 - The figure is an ex-ante expectation, and will not be changed in the GET system even in cases where changes are made to the design of the project, or where the project is partially or fully cancelled;
 - The figure represents an expectation for the whole of project investment implementation, not only EBRD contribution; in cases of EBRD co-financing with EU grants that difference is great – in this case the whole project value is €111m, out of which only €9m (or 8%) is EBRD co-financing.
- This applies likewise to the use of the GET aggregated figures in the annual Transition performance reports, where these newly established expectations from the previous year in terms of physical GET indicators are presented as ‘results’ in regional overview tables. Given that these represent new projects signed in the previous year, the physical implementation in the majority of these projects would have barely started, let alone be completed to deliver on these expectations. These cannot be considered ‘results’ in any common understanding of the term, and certainly should not be part of transition performance reporting.

If TQ Green physical indicators are to be reported as results or supporting evidence for transition impacts, a serious system of monitoring, verification needs to underpin such reporting. This means especially:

- Verifying results as actually achieved and delivered including any changes to design compared to ex-ante expectations;
- Reporting on results only after they have been actually delivered;
- Reporting in the context of the Bank’s contribution to those results.

The GET system data do not fulfil any of these requirements and should not be used for results reporting at sector, country or TQ level.

The shift to TQ Green physical indicators to represent transition raises new questions about the Bank’s representation of its contribution to these results. In the previous (pre-2016) TI system, the expectations and substantiation of transition impact at project level was often based on elements that the Bank was uniquely suited to deliver or was the only party that was delivering them. These could be objectives in private sector participation, competitive markets, sector reform, tariff reform, governance of utility companies, etc. Many of these objectives would be supported by TC or policy dialogue. While complex transition objectives like these might not always have been achieved fully, to the extent that they were achieved the Bank’s contribution to them was not related to the proportion of the Bank’s financing in the project. However, with TQ Green transition indicators being fully tied to physical implementation, the Bank should consider ways to responsibly represent its contribution to these achievements.

- In the above-mentioned Zagreb County water project, the Bank makes claim to 1,137,000 m³/yr of water saved, while contributing €9m of the €111m finance for the project. The majority of the finance is provided by an EU grant. The financial additionality of the Bank's presence is not such that the project would not materialise without it. The volume of water saved is presented in CSDRs entirely without any context highlighting the Bank's contribution (setting aside that it is being presented as a result before it has been actually delivered).
- Increasing number of new projects are approved with GET as their sole transition rationale and physical indicators as their only transition monitoring. For example the first Croatia MEI project approved after this evaluation's scope (March 2020), Zadar Wastewater project, is a €4.5m loan in an investment programme of nearly €80m, will be reporting its transition achievements based on only two physical indicators. Likewise in Poland, new windfarms approved in 2020 (Quadran, Debsk, Taaleri, WKN) have transition expectations tied exclusively to physical indicators.

While aggregating and presenting substantial figures from large investment projects may provide for feel-good reporting, it is questionable that this is the best way to illuminate the Bank's contribution to transition. Especially in projects where significant volume of the finance comes from other public sources and grants, the reporting on the green outcomes should be provided with more nuance and context.

Operational results and transition impact

Inputs & Outputs

- **Activity and realised investment largely underperformed expectations in all three sectors.**
- **In Croatia MEI mainly due to the non-implementation of the large C2CF framework only about a fifth of Board-approved amount was realised in investment. Hungary represented the biggest share of the framework operations and was the only country with multiple projects. The framework overall underperformed expectations in terms of investment volume. In Polish Energy operations amounted to investment volume of over €850m. There was however a significant slowdown in the latter years due to the Bank's temporary disengagement from the sector following adverse regulatory developments.**
- **In Croatia MEI physical outputs were largely delivered where implemented albeit sometimes with considerable delays. TC was delivered at client level, while sector-level TCs associated with the framework have largely not been implemented. In Poland, the Bank co-financed twelve windfarm projects and two investments with electricity distributors. Planned TC was largely cancelled.**

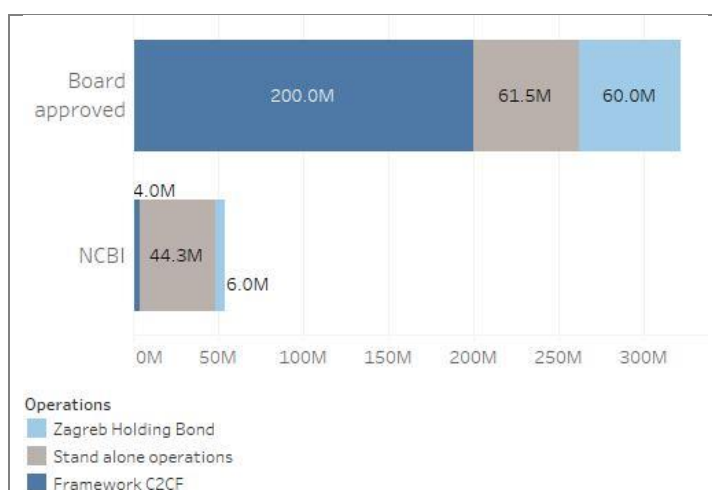
Activity and realised investment largely underperformed expectations in all three sectors. EBRD country strategies avoid providing any projections or targets to outline expectations in terms of the Bank's presence, or any specific expression of what success would look like. This way, any implementation under a priority or objective outlined in the strategy can be considered as delivering on the strategic objectives. However, looking only at signed operations and the aggregate ABI or NCBI can conceal the shortfall to expectations where they existed. In all three country-sectors combinations reviewed for this

evaluation, there were larger frameworks in place, which provided a more accurate picture of the volume of investment that was expected to take place.

MEI Croatia

In MEI Croatia the largest shortfall came from **the cancellation of the C2CF framework**. This was approved in 2014 for up to €200m, and expected 10-15 sub-operations. In reality, only one sub-operation materialised before the framework was cancelled in 2018. The investment in Zagreb Holding bond was scaled back to 10% of its approved amount, due to oversubscription by investors. In addition, many of the stand-alone operations in the sector were also reduced with cancellations both pre and post signing. Overall, from over €320m brought to the Board for approval in the evaluation period, only under €55m (or 17%) can be thought of as realised investment. **The reason for this underperformance can be seen in the combination of strategic orientation and local context.** As a matter of strategy the Bank placed its priority in the sector in leveraging EU funds. However the absorption of EU funds in the sector was slow due to initial inexperience of municipalities and utility companies in implementing large investment projects under EU rules, procurement issues, and stalled sector reform. Therefore, the large framework approved to support the sector level reform did not find sufficient pipeline of projects, and the Bank's policy dialogue lacked the clout to create reform momentum.

Figure 4: Croatia MEI – Amount Board approved vs. NCBI (€)



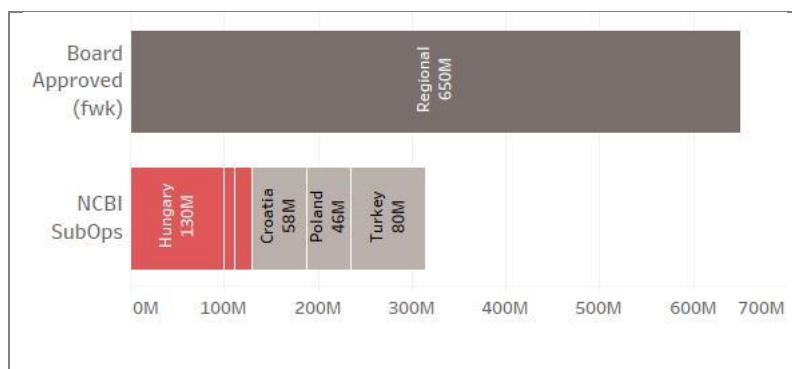
Where implemented, physical outputs have mostly been delivered albeit sometimes with considerable delays. In the water and wastewater sector, where most projects were implemented, physical outputs were mostly delivered or are in the process of being so. In district heating only one project was implemented, and its expected outputs were largely not delivered due to the cancellation of significant share of the planned investment. In urban transport, delivery was likewise somewhat mixed, with one investment cancelled about half, while in the other projects all outputs were delivered albeit with considerable delay. **Technical cooperation projects at client level have mostly been delivered as expected; sector-level TCs associated with the framework have largely not been implemented.** All projects with the exception of the bond issue have been associated with technical cooperation projects. At client level this comprised of pre-signing due diligence/feasibility type studies, mostly financed from the Bank's own budget, and of post-signing

donor/ SSF funded consultancies aimed mostly at financial and operational improvements and corporate governance.

Transport Hungary

Hungary represented the biggest share of the investment which materialised under the regional framework for secondary PPPs and was the only country with multiple projects. The regional framework overall underperformed expectations in terms of number of projects (six signed vs. benchmark of seven at the level of framework) and total investment volume (€314m vs. framework headroom €650m). The framework approved headroom was €650m, of which only about half was utilised at the framework's closure in 2019. One contributing factor to this underutilisation was the reliance of the initial pipeline for the framework on sub-operations in Turkey, where contextual developments later prevented wider activity. **Hungary emerged as the largest country of the framework's operations**, both in terms of number of transactions (3 out of 6), and in terms of investment volume (41% of total framework NCBI). It also registered the single largest sub-operation (Budapest airport).

Figure 5: Secondary PPPs fwk – Amount Board approved vs. NCBI (€)



Operations in Hungary were the only sub-operations with equity refinancing within the framework (M6) as well as loans (Budapest Airport). The expectations in terms of the composition of the sub-operations, which were set at the level of the framework, were not met overall. The expectations of the framework transition in terms of the development of capital markets were also translated into the composition of the type of operations the framework would support. In Hungary, there was a combination of instruments used with equity refinancing as well as loan-to-loan. At the framework level, by number of sub-operations the largest share was supposed to be in loan-to-bond transactions (40%), while loan-to-loan and equity-to-equity refinancing were to comprise 30% each. In implementation the framework was skewed towards loan-to-loan sub-operations; these represented 50% in terms of number of operations (and almost 2/3 of EBRD NCBI under the framework). Loan to bond refinancing did not actually take place. The final sub-operation in the framework (Mersin port Turkey) was a bond participation but represented refinancing of an existing earlier bond – one issued in 2013 with EBRD participation. Budapest Airport foresaw loan to bond refinancing in a second phase within two years (with potential EBRD participation) but this did not occur to date.

Energy Poland

Projects approved in the Energy sector in Poland amounted to **investment volume of over €850m**. There was however a **significant slowdown in the latter years due to the Bank's disengagement from the sector following adverse regulatory developments**. This led to under-investment under the IAPR compared to expectations – investments to renewable energy generation (windfarms) under the IAPR amounted to under €136m, compared to planned €400m. In the post-IAPR period, the Bank restarted approvals of new investments in 2019 with two wind farm projects approved, amounting to Bank investment of €59m.

Figure 6: Poland Energy – Amount Board approved vs. NCBI (€)



Physical implementation of projects was completed largely within expected timelines and budgets. Pre-IAPR, there were five wind farm projects financed with cumulative 326MW newly installed wind capacity. In addition, there was an investment for the refinancing and further extension of a biomass co-firing facility. On the other hand, project for the construction of an gas-fired unit was unsuccessful and did not achieve physical completion (commissioning) before its prepayment in 2017. The Bank also contributed to the financing of a large (€1.3bn) investment programme of an electricity distributor, for an upgrade and extension of the distribution network, including new lines for RE connections and smart metering installations. In the framework of the IAPR, four further wind farm investments were made, totalling 252MW newly installed wind capacity. In addition, an investment was made into a capital investment programme of an electricity distributor, addressing connection capacity for new RE sources, reduction of losses, and modernisation. In the post-IAPR period by the end of 2019 two new windfarms commenced physical implementation, with total of 258MW installed capacity.

The technical cooperation project planned under the IAPR was largely cancelled, with only one assignment out of four implemented (ca. 17% of original budget). The TC assignment implemented delivered a report by an external consultant on the interpretations of the new RE law. It was aimed at providing appropriate communication to auction participants about the new system.

Outcomes & Transition Impacts

- **In Croatia MEI, the sustained strategic priority of the Bank in the sector – to increase the absorption capacity for EU funds – was not achieved.**

Environmental outcomes were inherent in projects once physical implementation was successfully completed. In terms of transition impacts, differing results were achieved with respect to expectations at client and sector levels. Client-level expectations in institutional strengthening and formalisation of contractual arrangements were often met, with the exception of tariff equalisation which was universally not achieved. Impacts in terms of sector reform have however not been achieved. The sector reform stalled and the Bank did not have sufficient clout to enable systemic change where local context was not the prime mover.

- For the regional framework for secondary PPPs, the results and transition impacts of the framework were tied to the delivery of critical mass of sub-operations and their composition in terms of type of instruments. From the perspective of operations in Hungary, what can be considered critical mass for the local market was delivered in high profile transactions with some unique features including the presence of non-bank institutional investors. The level of activity registered in Hungary was not matched in other countries in the ATC region, and overall the critical mass of sub-operations was not implemented. The most prized instrument in terms of local capital markets development – new local bond issues for infrastructure – did not materialise. Regional effects are difficult to establish – this is due to the lack of original analysis together with the expectations of ‘replication’ at the level of the whole region where causal effects would not be feasible to credibly argue.
- In Poland Energy operations resulted in positive environmental outcomes in the cumulative installed RE capacity, RE electricity produced and corresponding CO2 savings. While the Bank supported projects financed limited recourse basis and partially exposed to market risks, some of which might not have happened otherwise, there is little evidence that this activity generated additional such projects through demonstration. The Bank has promoted the expansion of competitive markets in keeping with its transitional mandate. The Bank contributed to increased private sector participation in RE generation both directly through the co-financing of windfarm projects and indirectly through increasing distributors’ capacity for RE connections. There was active policy dialogue conducted throughout the evaluation period, which contributed to the overall transparency of the new auction system and its successful implementation, and to the reversal of estate tax on windfarms in 2018.

MEI Croatia

In Croatia MEI the **sustained strategic priority of the Bank in the sector – to increase the absorption capacity for EU funds – was not achieved.** The absorption of EU funds in the sector lagged behind expectations, and correspondingly also the Bank’s presence in the sector was much diminished to what it had projected. While the Bank certainly was ready and willing to co-finance investments and support clients further with technical cooperation funds and promote sector reform, it did not have the means to become the instigator of reform where local context was not the prime mover. **Environmental outcomes of operations are likely but for most of the period these were not part of results/ transition monitoring and reporting.** Projects in the MEI sector have practically

self-evident environmental benefits once physical implementation is successfully completed. However, as these outcomes were not considered the source of transition impacts for most of the evaluation period, the quantification of these outcomes and ex-post monitoring, verification and results reporting was limited. **Client level results, mostly stemming from TC support for delivery, have been achieved in institutional strengthening and formalised relationships between utility companies and municipalities.** Most projects implemented a Financial and Operational improvements programme and reported at least partially on the implementation of the recommendations in the areas of financial management, operation efficiency or customer relations. While there is evidence of results having been achieved from TCs, **in some areas the expected outcomes have not materialised – this was especially true for tariff equalisation in the water sector, and for private sector participation.** The theme of tariff equalisation was a constant in the water sector throughout the period – the cross-subsidisation of tariffs between customer was identified as a transition gap and targeted in all water sector projects. However, in no case this was actually implemented, and where covenants existed these were waived by EBRD. Increased private sector participation was only targeted in one urban transport project. While TC support was delivered, no progress on the actual private sector participation was made to date. Transition of the sector in terms of regional consolidation of water sector utilities has not been achieved. Although the process of utility regionalisation was initiated by the government already in 2010, the implementation of the reforms stalled. **While the EBRD intended to support the reform, most prominently by approving its €200m framework in 2014, its policy dialogue did not make sufficient headway for the reform to move forward and the framework remained unimplemented.**

Transport Hungary

The **results and transition impacts of the framework for secondary PPPs were tied to the delivery of critical mass of sub-operations and their composition in terms of type of instruments.** The emphasis was on the critical mass that had to be achieved for cumulative effect to generate enough visibility and traction for a demonstration effect to take place. The right composition of instruments was to ensure that new ways of financing were demonstrated as viable – this meant that especially bond placements were seen as valuable for the development of capital markets and were supposed to represent 40% of the framework sub-operations. **From the perspective of operations in Hungary, what can be considered critical mass for the local market was delivered in high profile transactions with some unique features including the presence of non-bank institutional investors. The level of activity registered in Hungary was not matched in other countries in the ATC region, and overall the critical mass of sub-operations was not implemented. The most prized instrument in terms of local capital markets development – new local bond issues for infrastructure – did not materialise.** Regional effects are difficult to establish – this is due to the lack of original analysis together with the expectations of ‘replication’ at the level of the whole region where causal effects would not be feasible to credibly argue. While the framework put its weight behind the ‘critical mass for demonstration’ rationale, it is not quite clear where the estimate of what the sufficient critical mass for the region should be came from. It appears that the expectations were based on the pipeline of identified maturing PPPs in the region. Aside from the two M6 projects in Hungary, which were presented to the Board for approval

together with the framework, none of the rest of projects materialised as sub-operations of the framework. The Bank reportedly explored its participation in about seven additional sub-operations, mostly outside of the original pipeline list as well; these eventually did not materialise. In some cases, the Bank's presence was not needed (low additionality) – these would represent market functioning without public intervention. In some cases the Bank could not take part due to its own standards not being met. The lack of success in public bond placements points perhaps to over-optimistic projections of the bond market. One reason were also the developments in Turkey as the most prominent market on the pipeline of projects, where political instability and ensuing rating downgrade meant that only one project eventually materialised in the country and that was a refinancing of an existing bond. In the case of Budapest Airport the sources of transition impact were relying on the second phase of refinancing through bond; eventually this has not materialised either. The potential impact on the development of primary PPPs is likely only a minor contributing factor. There were expectations of the framework contributing to the reenergising of primary PPP markets based on i) the developers' ability to 'recycle' the freed-up equity back into new infrastructure projects; and ii) more interest of investors in PPP projects if they see a viable exit route via a well-functioning secondary market. While this rationale is in principle sound, it is likely that the operations of the framework are only a minor contributing factor in the development of primary PPPs.

Energy Poland

In Poland Energy the operations **resulted in positive environmental outcomes in the cumulative installed RE capacity, RE electricity produced and corresponding CO2 savings**. The nature of the projects was such that their physical implementation was inherently connected to these environmental outcomes. The reporting of the specific achievements by each project is not systematic, leading to aggregate reporting relying on the GET database, which is inaccurate. Installed RE capacity is the most reliably available and verifiable indicator – the Bank co-financed windfarm projects with a total of installed capacity of 578MW prior to 2016; additional two windfarms approved in 2019 are under construction with a combined capacity of 258MW.

While the Bank supported projects financed limited recourse basis and partially exposed to market risks, some of which might not have happened otherwise, there is little evidence that this activity generated additional such projects through demonstration. The context of regulatory uncertainty was consistently emphasised as the key driver of the need for EBRD presence throughout the period. The somewhat counterintuitive underlying rationale of attracting investors into the context of government-generated regulatory uncertainty was never quite discussed in the project documents; it was rather taken as a given that the promotion of RE is the only obvious solution in the context of high carbon intensity of the existing generation and inevitable Europe-wide climate action targets. It is however not clear that demonstration was needed in the period pre-2015 overall, the sector registered not insignificant investment inflows, overwhelmingly from private sources. Given the uncertainty of the upcoming system of support, rather than retreating from the sector investors were aiming to finalise projects to make them eligible for the Green Certificates-based incentives of the out-going renewables support system. The projects' own monitoring indicators, based on a simple observation of new projects

with certain characteristics being closed in the sector, did not return much success to underpin any expectations of demonstration effect.

The Bank has promoted the expansion of competitive markets in Green Certificates and electricity, in keeping with its transitional mandate. The volatility of prices leading to some off-take contract cancellations facilitated further market participation. Most windfarm projects included elements of selling outputs through off-take contracts with traders or at market prices. From about 2015 the significant decreases in prices in both GCs and electricity compare to projections started to cause financial difficulties even for projects with secured off-take contracts as these off-take agreements were being challenged. Some of the projects had to rely on the Sponsor's support during this time and the Bank facilitated restructurings, some of which increased the exposures to market prices. The reduction of fixed off-take contracts therefore led to additional participation in competitive markets as projects were forced to sell their output directly. Electricity prices recovered after 2018 and projects likewise regained financial stability. Support through GCs is being phased out and new projects are no longer eligible for it.

The Bank contributed to increased private sector participation in RE generation both directly through the co-financing of windfarm projects and indirectly through increasing distributors' capacity for RE connections. The IAPR eligibility for supporting new RE investments was only for private sector companies as independent energy producers, and the Bank was also promoting market-based elements in the projects. In addition to financing new RE installations, two large projects with electricity distributors were supported to alleviate the bottlenecks in grid access and capacity. However, due to the break in private investments in the sector in 2015-2017 the market share of private producers overall did not grow at a pace to achieve the objective of below 20% of state controlled RE generation. The project's self-assessment in 2019 reported that the state-controlled market share was at about 40-50% due to the limited additional investments by private entrants.

The **transition objectives in skills transfer were not achieved** due to the cancellation of the planned technical cooperation. Transfer of skills was an integral part of the expected transition impact of the IAPR. It envisaged capacity building activities for both the energy regulator (ERO) and the distribution companies. These TCs were cancelled due to the Bank's disengagement from the sector post 2016.

There was active policy dialogue conducted throughout the evaluation period, with strengthened focus under IAPR and intensifying after 2016. The Bank's initial focus was to ensure the incorporation of a transition period for projects under construction, and to protect the renewable energy sector from retroactive changes when new RESS is implemented. Retroactive changes were envisaged in the early proposals of the new RESS. The TC implemented under the IAPR in 2017 provided legal interpretations of the new RESS prior to the new auctions being held. This contributed to the overall transparency of the new auction system and its successful implementation. Despite the policy engagement with the government and relevant stakeholders adverse and retroactive regulatory changes to the sector were implemented in 2016. The Bank responded by intensifying policy engagement combined with the withdrawal of further investment as well as TC cancellations. One of the main outcomes of the policy dialogue was the contribution to the reversal of the real estate tax on windfarms in 2018. This change among other

developments led to the return of confidence and strong increase of private investment to the sector.

Effective learning

Internal reporting and results monitoring systems do not effectively support learning. As discussed in the section on results reporting, the current systems do not provide adequate tools especially for reporting and discussing progress on medium term objectives. Transition monitoring through TIMS is solely project focused and in addition often confuses the achievement of set benchmarks with the achievement of transition objectives. Transition objectives in sector reform, which transcend the scope of individual projects, have no outlets for systematically discussing or reporting progress or achievements. Neither CSDRs nor transition performance assessment reports provide any meaningful insights – CSDRs report the activity of previous year, while the transition performance report lists selective ‘highlights’ often without appropriate context or evidence.

There are limitations in transferring knowledge and experience across COOs due to local circumstances. In Croatia MEI the example of regionalisation of utilities in Romania was cited as a learning experience and a model for the same reform process in Croatia. The Croatian C2CF framework followed the template of the Romanian *Regional EU Cohesion Funds Water Co-financing Framework (R2CF)* approved in 2010 and extended in 2012 for a total headroom of €330m. Under this framework eventually 24 regional operating companies received loans for co-financing investments with EU structural funds, and the framework was almost fully utilised. The framework was assessed as broadly successful. However, its ‘copy’ in Croatia was unable to achieve the same – this was largely due to local context where insufficient political drive hindered the regionalisation reform and the Bank’s policy dialogue was unable to overcome that. It is likely that EBRD can facilitate and support reforms and transfer of knowledge where there is a willing recipient; but in an EU country the Bank does not possess sufficient clout to make reforms happen.

EBRD has been developing significant internal expertise on PPPs and promotes formal and informal learning in this area. EBRD has established a specialised PPP advisory unit (SI3P) operating the PPP window of the Bank’s Infrastructure Project Preparation Facility (IPPF). The unit i) provides independent PPP advisory services until the project’s financial close after the public-private partnership agreement signing; ii) conducts PPP origination and identification as exploratory exercises; and iii) provides support to preparation and implementation, and capacity building for Bank-originated-and-implemented PPPs. IPPF also comprises a Policy Dialogue window. Further PPP knowledge work is performed in the framework of the Legal Transition Programme (LTP). Recent evaluation of LTP found that the legal team performs a significant amount of work in relation to setting international standards and assessing country-level gaps, including on PPPs. Finally, as part of its internal knowledge management EBRD has established a Community of Practice on PPPs. The Community develops and disseminates a variety of learning products on demand of its members, including policy papers, discussion papers, analysis of PPP project experiences, and others; it also organised events such as policy academy and PPP certification training.

4 Recommendations

The recommendations of this study stem from the findings related to results management and reporting. Some findings of the evaluation in this area echo many previous findings of other studies. While these are still valid, this evaluation does not reiterate recommendations that already exist. This relates especially to the inadequacy of the TC and Policy dialogue monitoring and reporting systems and the lack of their integration to the broader results architecture of the Bank.

Recommendations focus specifically on two important outstanding elements of results architecture –reporting on the ‘missing middle’ and reporting on GET physical indicators.

Recommendation 1: At the closure of all frameworks and integrated approaches, management should circulate to the Board a final report presenting results and transition achievements of the framework/ IA, supported by a balanced discussion of these achievements, and a review of lessons for future operations.

The ‘missing middle’ of results management in the EBRD is a long-standing issue. In essence the issue is that transition impact is defined and understood as systemic change but only presented and (partially) monitored at project level. Redesigned country strategies did not alleviate the issue as the strategies only contain broad objectives and no specificity about expected results. Frameworks and integrated approaches partly fill in this gap, at least in principle, because they contain a transition case for a large volume of investment, often combined with framework level TC and policy dialogue, sector context analysis, and sector-level transition objectives. One striking finding in the course of the evaluation was the virtually complete absence of the reporting of transition achievements of large frameworks to the Board. Filling this void would go a fair way towards addressing the missing middle problem, while providing space for telling the stories of transition.

The management’s quest for a perfect set of indicators that will just ‘measure’ the medium-level results will not be successful. Indicators can and should be developed to substantiate the discussion of achievements at that level. But the achievements at this level will never be fully evidenced by them. They will not replace a reasoned balanced discussion that takes into account contextual developments and external factors influencing those indicators, and that places the Banks totality of operations including TC and PD within that context.

The objective is not to create large reports recounting the number of operations, volumes invested or workshops organised, this information already exists. The objective would be to provide an account of the progress on the transition objectives in the framework’s sector and to highlight the Bank’s contribution to it.

Recommendation 2: Using the GET database for aggregate reporting of on the achievement of physical indicators should be discontinued.

The introduction of TQ Green allows the transition rationale of new projects to be based solely on achievement of outcomes relating to physical implementation (e.g. water saved; renewable capacity installed; renewable electricity produced; CO2 emissions reduced). This is in contrast to the previous TI concept where transition was sought from improving market structures or institutions.

However, while in principle relatively easily verified and monitored, the achievement of these outcomes in aggregate has relied on data provided by the GET database. The Bank's GET reporting system registers ex-ante commitments for green financing as well as related expectations in terms of physical indicators. The data in this system are ex-ante expectations at signing and are not corrected when projects are scaled back, cancelled or their design has changed. The data is not suitable to be used for results reporting or for evidencing contribution of transition.

If TQ Green physical indicators are to be reported as results or supporting evidence for transition impacts, a serious system of monitoring and verification needs to underpin such reporting. This means especially:

- Verifying results as actually achieved and delivered including any changes to design compared to ex-ante expectations;
- Reporting on results only after they have been actually delivered;
- Reporting in the context of the Bank's contribution to those results.

The GET system data do not fulfil any of these requirements and should not be used for results reporting at sector, country or TQ level.

ⁱ CS/AU/18-48: EvD Transport Sector Strategy Review
ⁱⁱ CS/AU/20-28: EvD Special Study: Projects Supporting Cross-Border Connectivity (Regional Integration)
ⁱⁱⁱ BDS10-020 (Final): Capital Resources Review 4: 2011-2015
^{iv} BDS15-013 (Final): Report of the Board of Directors to the Board of Governors: 2015 Annual Meeting – Strategic and Capital Framework 2016-2020
^v BDS15-230 (Rev 2): Strategy Implementation Plan: 2016-2018
^{vi} BDS16-190 (Final): Strategy Implementation Plan: 2017-2019
^{vii} BDS17-148 (Final): Strategy Implementation Plan 2018-2020
^{viii} BDS18-160 (Final): Strategy Implementation Plan 2019-2021
^{ix} BDS19-169 (Final): Strategy Implementation Plan 2020-22

ANNEXES

Annex 1. External Expert Opinion

External expert opinion on this evaluation was provided by Andrew Kilpatrick, Consultant (EBRD, ADB and World Bank Group) and former Executive Counsellor to the Chief Economist at the EBRD.

Sustainable Infrastructure Operations in Advanced Transition Countries

Introduction

This ‘cluster’ study, covering three ATCs, looks at 27 projects in three Sustainable Infrastructure sectors – Water¹ (part of MEI) in Croatia, (Renewable) Energy in Poland and Transport in Hungary. The latter has broader coverage since it deals with secondary market financing of PPPs (SMIP).

Included in the mix are three large frameworks, one in each sector, which provide a valuable additional dimension to the analysis.² The period covered (2011-19) also includes some changes in Bank reporting methodology. The project selection³ is well chosen and the cluster approach is particularly suitable since it drills down into what the EBRD was able to achieve in more advanced countries and the barriers to progress.

The evaluation is very thorough with plenty of insights, and offers an interesting read. It makes good use of available evidence from project documents, sector and country strategies and related reports (such as CSDRs, ARTPs) as well as from interviews and external information. The wealth of detail on each sector in a series of Case studies leaves no stone unturned and aids understanding.

The report presents a clear picture of what the EBRD was aiming to do in each area, the way sector teams approached the objectives, the problems that arose, efforts made to address them and the results that ensued.

Starting with reviews of the strategic context for each case the report is structured – in line with the approach paper – around two key questions: how relevant were the operations and what results were achieved. Relevance is considered against the EBRD’s mandate, including the revised interpretation of the transition concept, and additionality; while results are seen through the sequence of inputs/ outputs/ outcomes/ impacts in keeping with evaluation practice.⁴

Findings

There are two aspects to the findings: what can be deduced from the individual clusters and commonalities that arise from looking at the whole picture.

¹ Some other MEI projects are also included.

² The framework in Poland is a €550m Integrated Approach (IAPR). The two others are the €200m C2CF and €650m SMIP.

³ It covers about half of the total number of SI projects in ATCs, and all in these sectors.

⁴ Other evaluation criteria, such as efficiency, are not central to the purpose here.

Clusters

The evidence presented suggests the EBRD's efforts were relevant to its mission and appropriately targeted at remaining transition gaps in these ATCs:

- Water and wastewater treatment in Croatia lagged EU norms and EU membership from 2013 put an onus on speeding up progress, especially to access EU funds.
- Poland needed to shift away from coal towards sustainable energy solutions. As a highly energy intensive country and a long way from EU requirements the Bank was well placed to support a push, especially by the private sector, towards renewable energy.
- The regionally-based SMIP had a capital markets' dimension but was relevant to attracting institutional investors and building a more robust financing system for PPPs.

In showing how the Bank was relevant in these areas the report demonstrates that well-targeted operations in ATCs can still add value. The assessment of additionality concurs - the Bank was additional in reducing risk perceptions by providing comfort and expertise and through its policy work. TC, while patchy in its disbursement, also contributed. And, where investments went ahead they generally resulted in positive environmental outcomes.

The picture on results is less comforting. The detailed sector studies show that many projects were delayed, scaled back or cancelled. Less than half of what was approved translated into NCBI. The three core frameworks did not deliver as hoped: C2CF was cancelled with only one project signed, against an expectation of 10-15 projects, the SMIP failed to launch any loan-to-bond transaction or new local infrastructure bonds, and although the IAPR managed five signings the goal of inducing further projects with non-recourse financing or exposure to market risk produced mixed results.

Commonalities

It is here that the evaluation makes a key point, as part of its drawing out common themes. One might have expected – especially since some failings were successfully addressed – the Bank to have disseminated some form of high level retrospective sector assessments in these important areas which could support knowledge and learning across the organisation. The report makes clear these do not exist.⁵ For example, while the C2CF was lauded in successive country strategies and updates, no paper was produced to explain its demise. Similarly, no assessment of the €550 million IAPR was presented to the Board after it closed.

EvD see the lack of sector level reporting as a systematic, not a one-off, problem. They further argue that recent innovations do not cut the mustard: CSDRs only flag the previous year's activities and the ARTP has not so far provided a suitable perspective on this. Country strategies, which sometimes consider past achievements, are prepared only every five years or so, with sector strategies even more intermittent. The view that

⁵ In the case of Poland, an OPA covering a number of wind farms was produced. However, OPAs are internal documents, normally narrow in scope, and not widely circulated or discussed.

sector-level reporting is “systematically inadequate”⁶ seems well-founded. Recommendation 1 is the logical conclusion.⁷

The problem does not stop there, according to the report. Framework aggregation of project level data (as in TIMS) fails to provide a comprehensive picture of the Bank’s efforts to influence the sector level. The report rightly notes that policy work and TC activities are not well integrated in results reporting – even though integrated approaches were designed with this more holistic purpose in mind.

In practice, client- and policy-level activities are increasingly combined to effect greater leverage at sector level. Recent developments, like PPOs, reflect this. But, as the report says, there is as yet no coherent information-gathering effort that allows a comprehensive assessment of sector progress and the Bank’s contribution to it.

The IAPR, detailed in Annex III, provides an instructive example. It ran into trouble because of significant policy changes, forcing a sudden stop in renewables investments. Long-standing efforts on policy engagement (on auction design) allowed the Bank to engage actively to try to rectify matters. This became a good news story a few years later when tax and other barriers were lifted and investments restarted.

Instead of what might be portrayed from a narrow viewpoint as a relative failure (e.g. the IAPR), proper reporting of the Bank’s policy effort and critical interventions would explain its contribution to the turnaround. This would be instructive. One lesson here mentioned by the evaluation, noting that the EBRD was a small party with a vested interest, is the benefit from working with others, especially the European Commission, to bring about policy success.

Methodological Points

The evaluation draws attention to some methodological issues arising from the refresh of the transition concept where transition gaps became based on six qualities of a sustainable market economy.⁸ Projects in the study were affected by this change mostly through the application of the ‘green’ quality.⁹ Two aspects are raised: the adoption of physical outcome targets and the diminished role of systemic measures, such as demonstration and critical mass effects.

The report correctly notes that demonstration and critical mass effects have always presented problems for measuring impact. Examples are given from the cluster analysis where such hoped-for effects did not appear.¹⁰ It goes on to say that the change towards physical outcomes removed the focus on systemic change, by obviating the need for catalytic measures in exchange for those like ‘water saved’. It suggests this is a weakness of the new system and illustrates the point by claiming physical

⁶ Main Report, p.17.

⁷ “At the closure of all frameworks and integrated approaches, management should circulate to the Board a final report presenting results and transition achievements of the framework/ Integrated Approach (IA), supported by a balanced discussion of these achievements, and a review of lessons for future.” (Recommendation 1.)

⁸ Previously they were based on market structures and institutions measured at sector level.

⁹ This was not the case with secondary market PPPs.

¹⁰ For example, in the IAPR and SMIP.

implementation means targets like reduced emissions are easy to meet - “practically guarantees TI achievement”.¹¹

There are some issues for debate here. The new system does not remove the idea of systemic change – for example targets may be set for tariff reform or regulatory change – nor, in principle, demonstration effects. Under GET, emissions’ reduction contributes to low carbon transition and supports systemic change for that reason. Furthermore, by the report’s own admission (e.g. Case study III, p.16-17) projects get scaled back, cancelled or otherwise changed so predicted emissions’ reductions are not automatically delivered.

That said, the report is correct that concentrating solely on the direct physical outcomes of a project risks losing sight of wider, indirect and systemic consequences of important structural enhancements that strong operations can deliver. The Bank would be well advised to take note.

The evaluation draws attention to an important corollary of the current GET measurement approach: that it is unsatisfactory to use ex ante expectations as a proxy for results. Estimates of what may transpire appear to have percolated widely in the Bank’s results reporting. *Actual* outcomes require a reporting and verification system that is currently lacking. This is a significant omission and clearly needs attention. The language used here risks being misunderstood: what is needed is a new, or extended, data collection system for observed GET results.¹²

Concluding Remarks

Following the global financial crisis, the EBRD saw improvements to market institutions as critical to private sector development and emphasised that policy engagement should go hand-in-hand with investments. The Croatia and Poland cluster analyses illustrate this requirement. What the evaluation demonstrates is that the Bank’s reporting methods have some way to catch up.

Given the sensitivities surrounding ATCs, and the graduation debate, this high-quality report demonstrates the potential value of similar cluster evaluations. They target zones where the EBRD’s impact is most likely to be felt. It must be hoped, therefore, not only that sector level reporting improves but that more of these types of reports are forthcoming. If so, this evaluation will have done the Bank a valuable service.

¹¹ Main Report, p.20.

¹² This is set out clearly on p.21 of the Main Report.

Annex 2. ATQs overview of Advanced transition countries

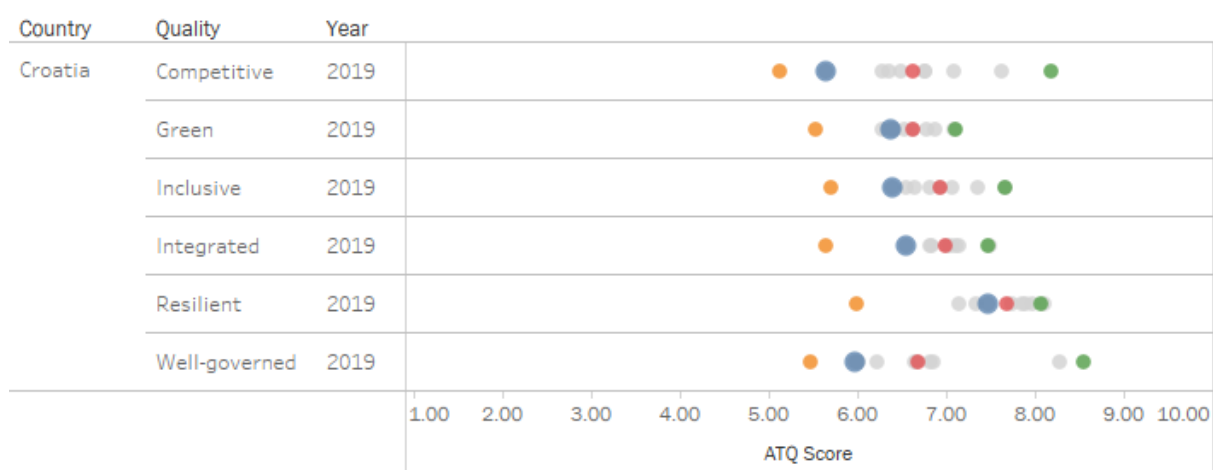
NB: All data in this annex originates from the EPG 2019 ATQs as available on the EBRD intranet.

The following charts presents the assessment of transition qualities (ATQs) for the advanced transition countries (ATCs) of EBRD operations, together with EBRD average and the average of advanced comparator countries outside of the Bank's operations.

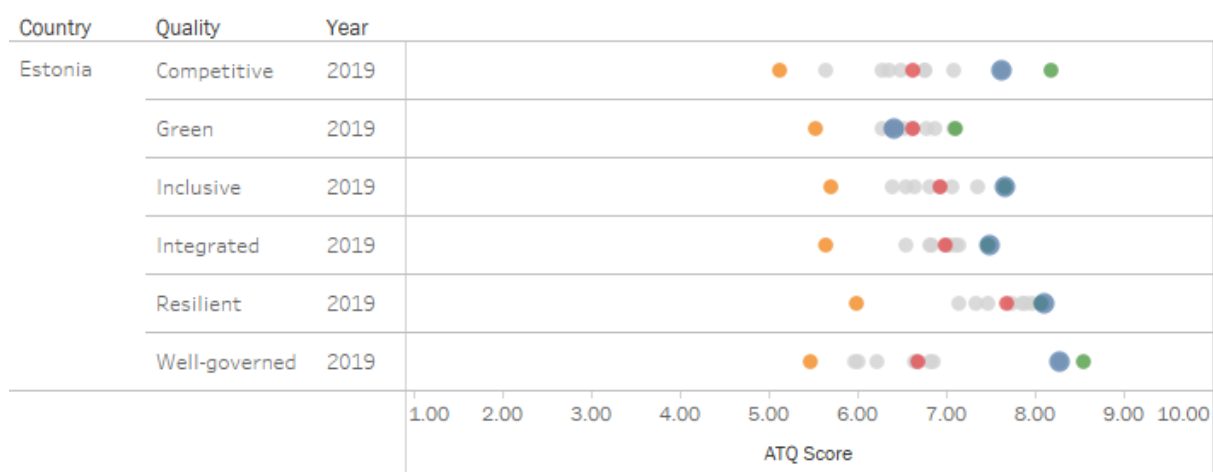
Colour legend for all charts: Blue denotes the data point, grey points represent the other ATC countries, while green, orange and red represent comparator points as per the below list:

- Comparators average
- EBRD average
- Regional average

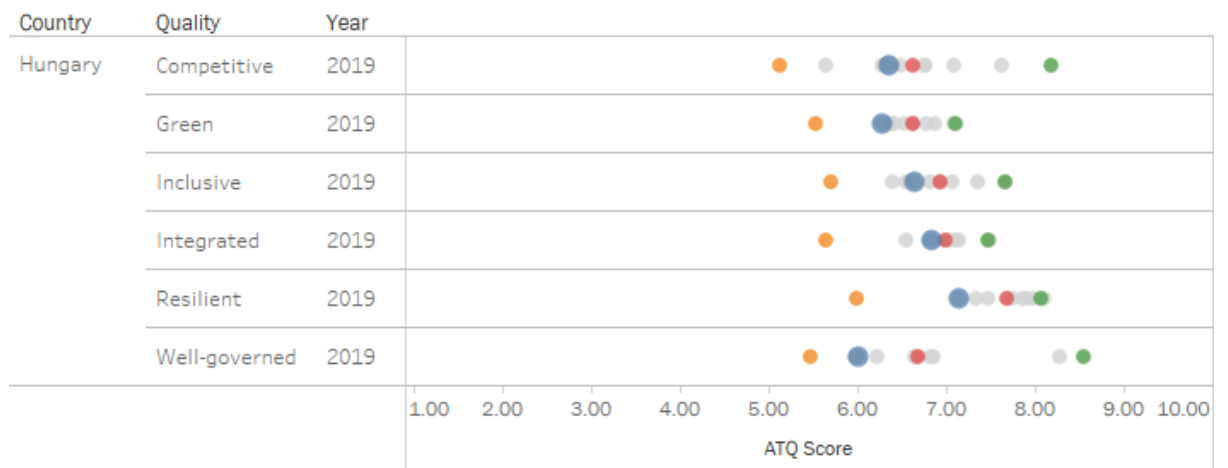
Croatia



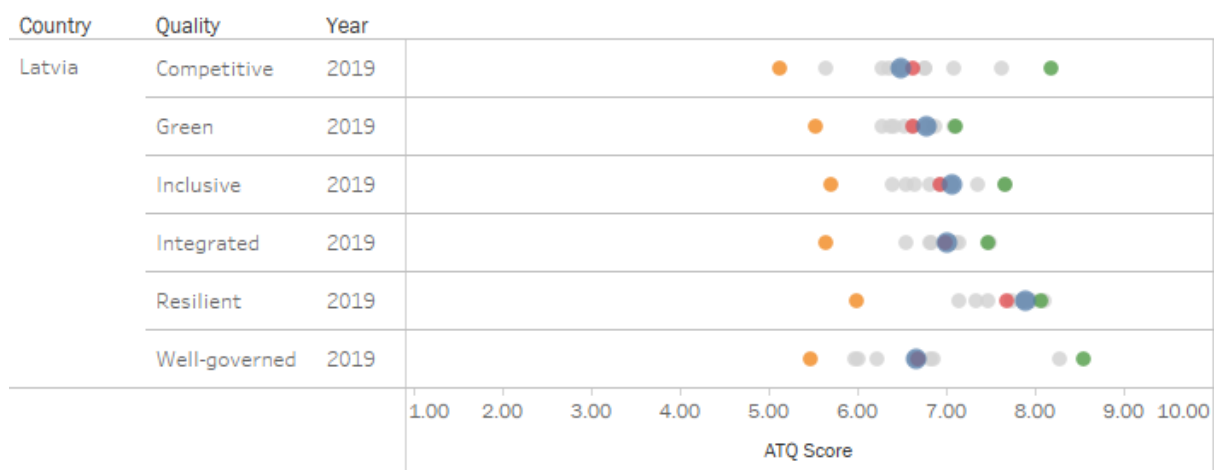
Estonia



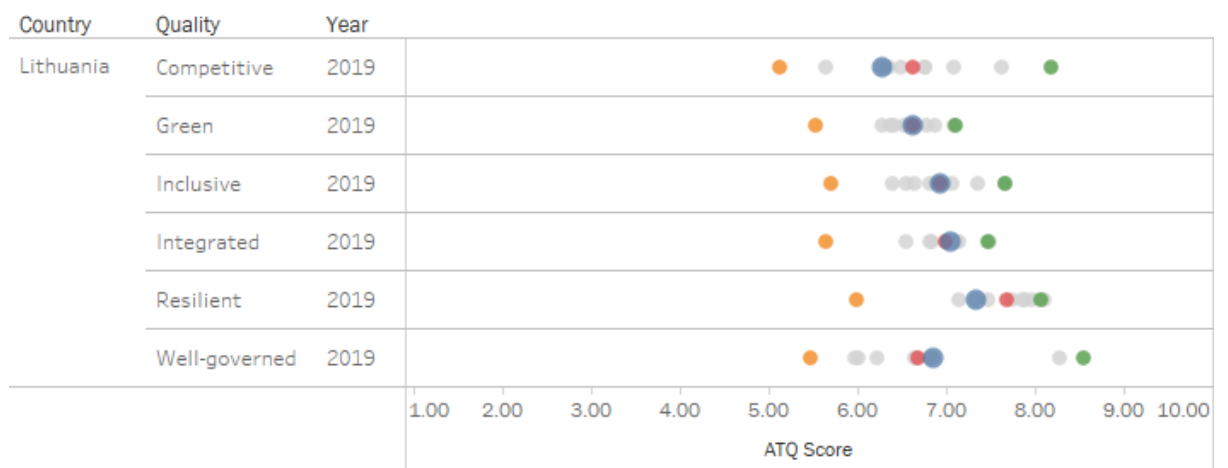
Hungary



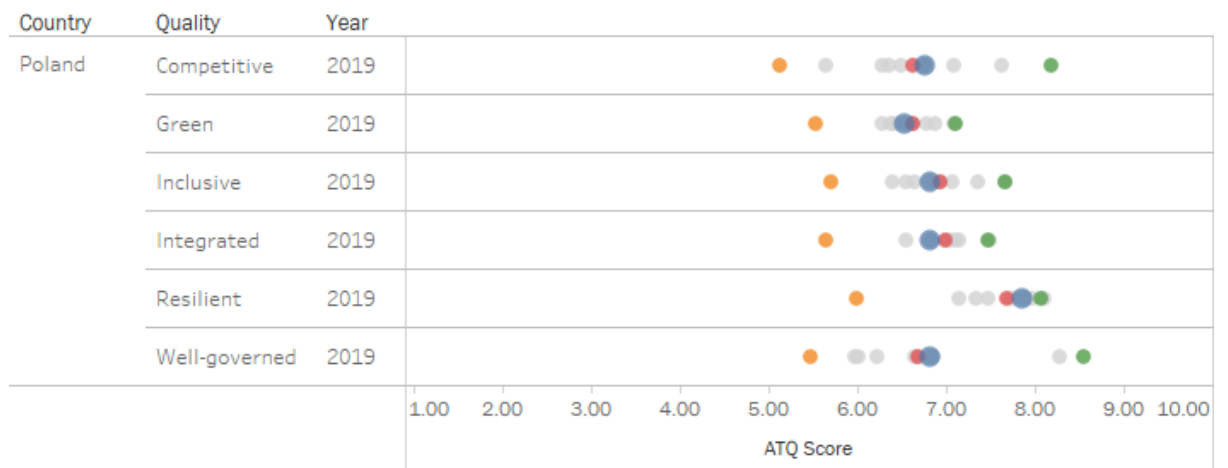
Latvia



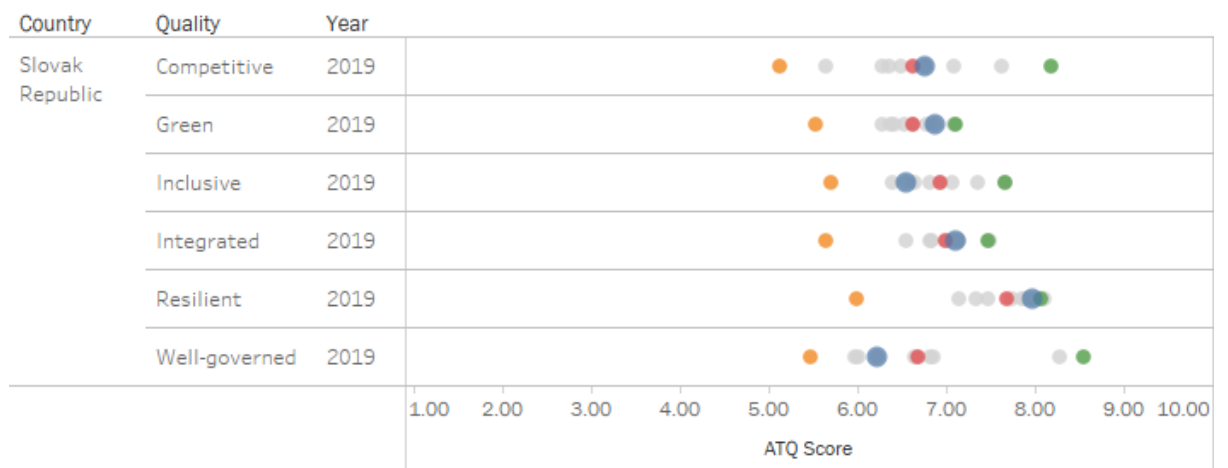
Lithuania



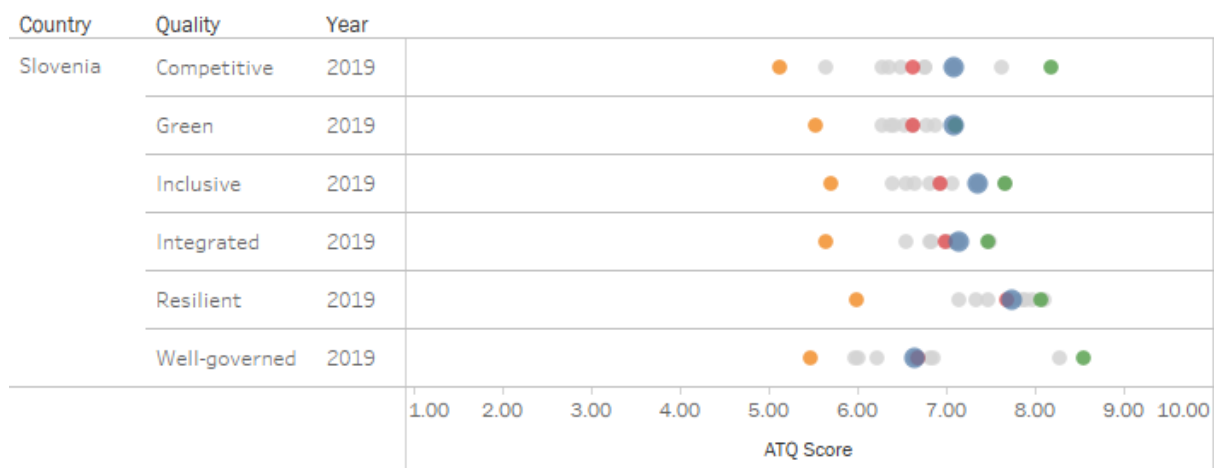
Poland



Slovak Republic



Slovenia



ATQs 2019 overview for ATCs

	Quality	Rank EBRD	Rank Region	Score	EBRD average	ATCs average	Comparators average
Croatia	Competitive	14	8	5.64	5.11	6.62	8.17
	Green	7	7	6.38	5.53	6.62	7.10
	Inclusive	12	8	6.39	5.69	6.93	7.66
	Integrated	11	8	6.54	5.65	7.00	7.47
	Resilient	6	6	7.47	5.99	7.69	8.06
	Well-governed	14	8	5.97	5.47	6.68	8.55
Estonia	Competitive	1	1	7.63	5.11	6.62	8.17
	Green	6	6	6.42	5.53	6.62	7.10
	Inclusive	1	1	7.66	5.69	6.93	7.66
	Integrated	2	1	7.49	5.65	7.00	7.47
	Resilient	1	1	8.11	5.99	7.69	8.06
	Well-governed	1	1	8.27	5.47	6.68	8.55
Hungary	Competitive	7	6	6.36	5.11	6.62	8.17
	Green	9	8	6.27	5.53	6.62	7.10
	Inclusive	8	6	6.65	5.69	6.93	7.66
	Integrated	8	6	6.84	5.65	7.00	7.47
	Resilient	8	8	7.15	5.99	7.69	8.06
	Well-governed	13	7	6.01	5.47	6.68	8.55
Latvia	Competitive	6	5	6.48	5.11	6.62	8.17
	Green	3	3	6.77	5.53	6.62	7.10
	Inclusive	3	3	7.07	5.69	6.93	7.66
	Integrated	6	5	7.00	5.65	7.00	7.47
	Resilient	3	3	7.89	5.99	7.69	8.06
	Well-governed	5	4	6.66	5.47	6.68	8.55
Lithuania	Competitive	8	7	6.27	5.11	6.62	8.17
	Green	4	4	6.63	5.53	6.62	7.10
	Inclusive	4	4	6.94	5.69	6.93	7.66
	Integrated	5	4	7.05	5.65	7.00	7.47
	Resilient	7	7	7.34	5.99	7.69	8.06
	Well-governed	3	2	6.85	5.47	6.68	8.55
Poland	Competitive	3	3	6.76	5.11	6.62	8.17
	Green	5	5	6.52	5.53	6.62	7.10
	Inclusive	6	5	6.81	5.69	6.93	7.66
	Integrated	9	7	6.81	5.65	7.00	7.47
	Resilient	4	4	7.86	5.99	7.69	8.06
	Well-governed	4	3	6.82	5.47	6.68	8.55
Slovak Republic	Competitive	3	3	6.76	5.11	6.62	8.17
	Green	2	2	6.87	5.53	6.62	7.10
	Inclusive	10	7	6.54	5.69	6.93	7.66
	Integrated	4	3	7.10	5.65	7.00	7.47
	Resilient	2	2	7.97	5.99	7.69	8.06
	Well-governed	9	6	6.21	5.47	6.68	8.55
Slovenia	Competitive	2	2	7.09	5.11	6.62	8.17
	Green	1	1	7.08	5.53	6.62	7.10

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Inclusive	2	2	7.35	5.69	6.93	7.66
Integrated	3	2	7.14	5.65	7.00	7.47
Resilient	5	5	7.73	5.99	7.69	8.06
Well-governed	6	5	6.65	5.47	6.68	8.55

Annex 3. Sustainable Infrastructure operations in ATCs – portfolio analysis

NB: All data in this annex originates from DW_Banking_Operational dataset as available on the EBRD Tableau server as of June 2020. Analysis by EvD.

Annual business volumes

Between CRR4 and SCF, the ABI of SIG in ATCs has fallen in terms of absolute volume, as well as a proportion of both SIG ABI and ATC ABI.

Over the first strategic period (CRR4), the annual SIG investment remained relatively flat, both in terms of absolute volume and as a share of total EBRD ABI. This was at about €3bn annual ABI and 35% of the Bank's ABI. Over the SCF, there has been a slight growth on both of these measures, averaging €3.6 annual ABI and 38% of annual Bank ABI.

This trend however was not true for SIG in ATCs. While over CRR4 SIG in ATCs fluctuated but was on average around €400m and 14% of SIG ABI, in SCF period SIG activity in ATCs decreased noticeably to about €250m ABI on average and about 7% as a share of SIG ABI. The last two years (2018, 2019) were particularly low on SIG ABI in ATCs, comprising only 3% and 5% of SIG ABI. (Figure 7 & Table 2)

Figure 7: ATC SIG ABI in relation to SIG ABI

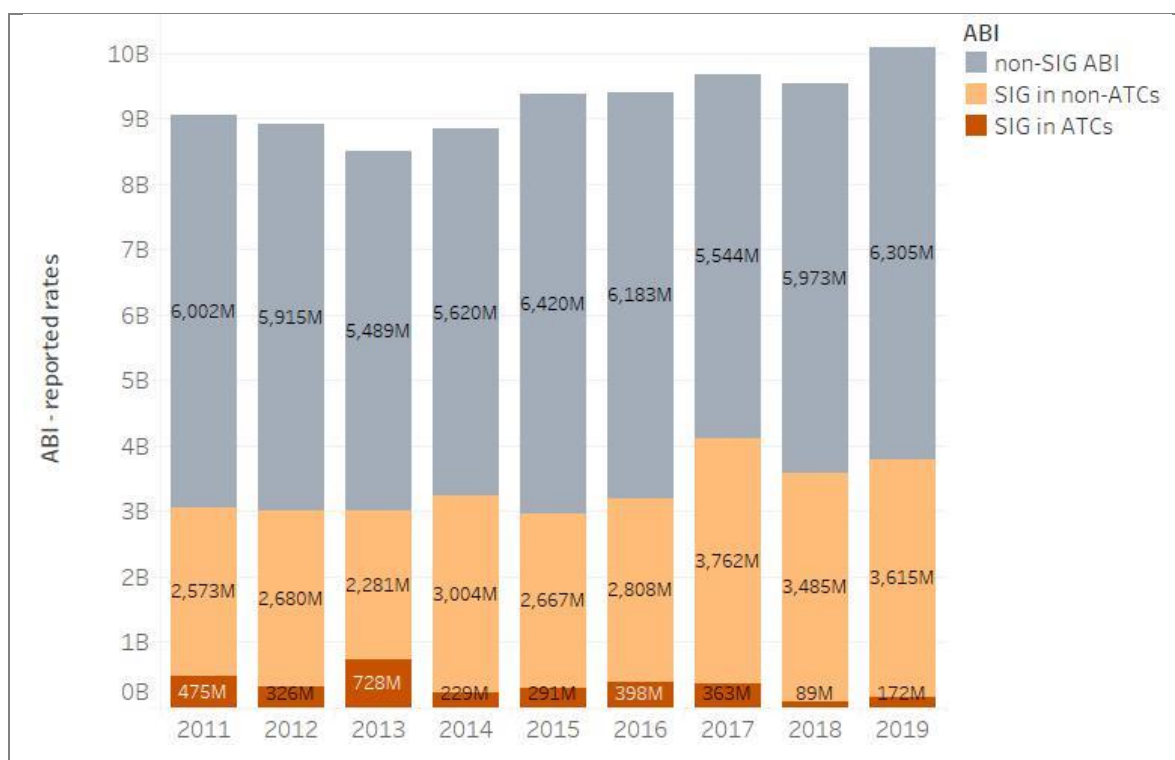


Table 2: ATC SIG ABI in relation to SIG ABI

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	CRR4					SCF			

ABI total	9,051M	8,920M	8,498M	8,853M	9,378M	9,390M	9,670M	9,547M	10,092M
SIG of total ABI	34%	34%	35%	37%	32%	34%	43%	37%	38%
avg	34%					38%			
SIG in ATCs of SIG ABI	16%	11%	24%	7%	10%	12%	9%	3%	5%
avg	14%					7%			

Levels of ABI in ATCs remained relatively flat as a share of overall ABI, comprising on average 15% in CRR4 and 14% in SCF, on average about €1.3bn annually over both periods. The proportion of that volume attributed to SIG however fell dramatically between CRR4 and SCF. While in CRR4 SIG represented on average 30% of ABI in ATCs, over SCF this figure dropped to 19%. In the last two years (2018, 2019), SIG ABI represented only 7% and 12% of the ABI in ATCs. (Figure 8 & Table 3)

Figure 8: ATC SIG ABI in relation to ATC ABI

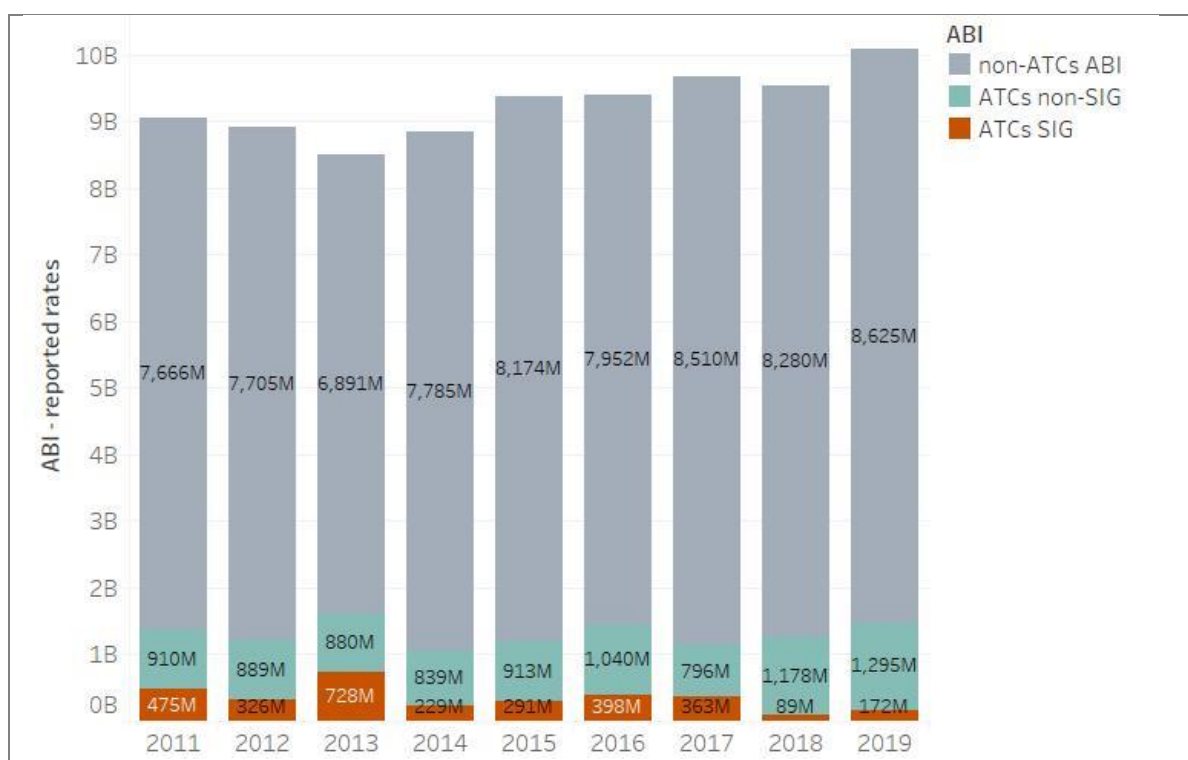


Table 3: ATC SIG ABI in relation to ATCs ABI

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	CRR4					SCF			
ABI total	9,051M	8,920M	8,498M	8,853M	9,378M	9,390M	9,670M	9,547M	10,092M
ATCs of total ABI	15%	14%	19%	12%	13%	15%	12%	13%	15%
avg	15%					14%			
SIG of ATCs ABI	34%	27%	45%	21%	24%	28%	31%	7%	12%
avg	30%					19%			

The overall decrease in reported SIG ABI in ATCs was reflected in all three SIG subsectors – Energy, MEI and Transport – over the 2011-2019 period.

While reported ABI fluctuated for all three subsectors between individual years, the overall trend was decreasing. This was perhaps most marked in Energy investment, where the average ABI dropped from €240m in the CRR4 period to just under €80m over the SCF. Transport average ABI nominally rose between CRR4 to SCF, from €130m to €155m. This however needs to be considered in the light of several underlying realities: i) Transport reported ABI maximum in 2016 of €348m was in fact due to the signing of two large volume projects, which were however approved by the Board already in 2015, i.e. in the previous strategic period; ii) €90m of one of these projects was later cancelled¹³ – this did not reflect in the ABI figure but the actual investment (NCBI) was reduced by 90% on this project; and iii) from 2016 onward, Transport ABI in ATC decreased significantly. The least present sub-sector in terms of ABI was MEI over both strategic periods – over CRR4 the average ABI was just €40m, which was reduced by almost half over SCF to an average of €21m. (Figure 9 & Table 4)

Figure 9: SIG sub-sectors ABI in ATCs, 2011-2019

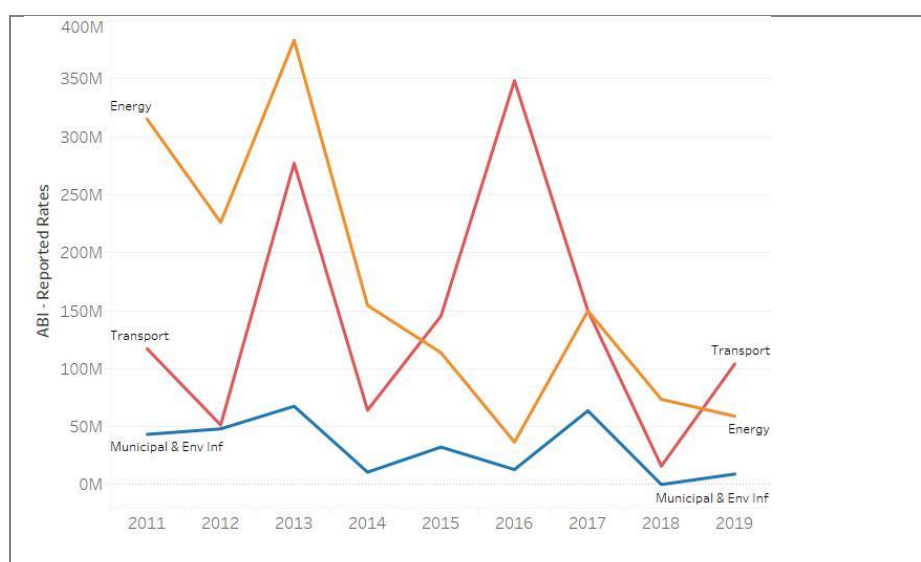


Table 4: SIG sub-sectors ABI in ATCs, 2011-2019

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	CRR4					SCF			
Energy	315.1M	226.2M	383.3M	154.5M	113.7M	36.6M	149.8M	73.5M	58.9M
avg.	238.5M					79.7M			
MEI	43.3M	48.0M	67.5M	10.7M	32.3M	12.9M	63.6M	0.0M	9.0M
avg.	40.3M					21.4M			
Transport	117.0M	51.3M	277.2M	64.1M	145.4M	348.4M	150.0M	15.9M	104.0M
avg.	131.0M					154.6M			

¹³ 47951 PKP Cargo, Poland

Mobilisation

In terms of non-EBRD finance the Bank distinguishes between different categories of external financing depending on its level of involvement in facilitating the presence of the finance in the operation:

- External finance is the finance included in the Project Finance Plan, investing alongside the EBRD that occurs independently and without reliance on EBRD involvement;
- Co-finance is classified as such if the EBRD was instrumental in bringing the financier to the project; the threshold of being 'instrumental' and especially its verification is not clear and likely rests only on the self-assessment of the operations team, in contrast to Mobilised finance (below); and
- Mobilised finance represents the commitments from entities other than the Bank made available to the client due to EBRD's direct involvement in mobilising external financing. For commitments to be classified as Mobilised finance and enter into the Bank's Annual Mobilised Investment (AMI) account, some level of evidence must be provided ascertaining the EBRD's direct involvement in the mobilisation. Mobilised finance is generally a subset of co-finance.

With respect to mobilisation of investment of SIG operations, between CRR4 and SCF the AMI of SIG in ATCs decreased both in absolute volume and as a proportion of both SIG AMI and ATC AMI.

The decrease in absolute volume of SIG AMI in ATCs is in line with the decrease of ABI volumes between the two periods. While over CRR4 the AMI of SIG in ATCs widely fluctuated, it was on average at 94m€, while in SCF period this dropped to 48m€.

Between the two strategic periods the proportion of SIG generated AMI of overall Bank AMI grew significantly (from 35% in CRR4 to 62% in SCF); this is despite the fact that the relative share of SIG on the Bank's ABI did not increase much between the two periods. In other words, at Bank level, SIG has been a strong driver of AMI volumes. This did not however translate to SIG AMI in ATC countries. Together with overall decline of ABI, its share of AMI also dropped significantly between the two periods – while ATCs represented 19% of SIG AMI in CRR4, this dropped to only 6% in the SCF period. (Figure 10, Table 5)

Figure 10: SIG AMI in ATCs in relation to SIG AMI

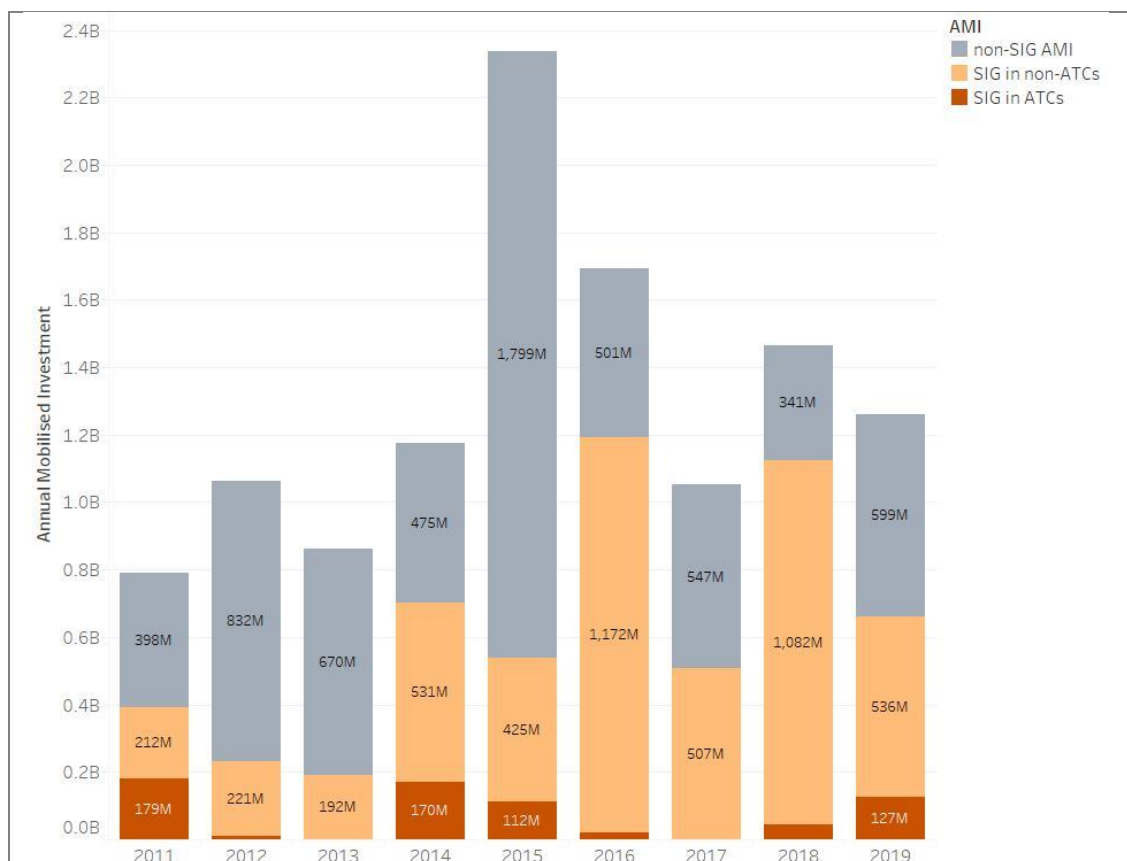


Table 5: ATC SIG AMI in relation to SIG AMI

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	CRR4					SCF			
AMI total	789M	1,063M	862M	1,177M	2,336M	1,693M	1,054M	1,467M	1,262M
SIG of total AMI	50%	22%	22%	60%	23%	70%	48%	77%	53%
avg	35%					62%			
SIG in ATCs of SIG AMI	46%	5%	0%	24%	21%	2%	0%	4%	19%
avg	19%					6%			

The share of SIG on AMI in ATCs also decreased between the two strategic periods, from representing 55% on average in CRR4 to 36% in SCF. This however fluctuated widely due to relatively low volumes of AMI in ATCs overall; for example in 2019 SIG AMI actually delivered all of the AMI in ATCs (100%). (Figure 11 & Table 6)

Figure 11: ATC SIG AMI in relation to ATC AMI

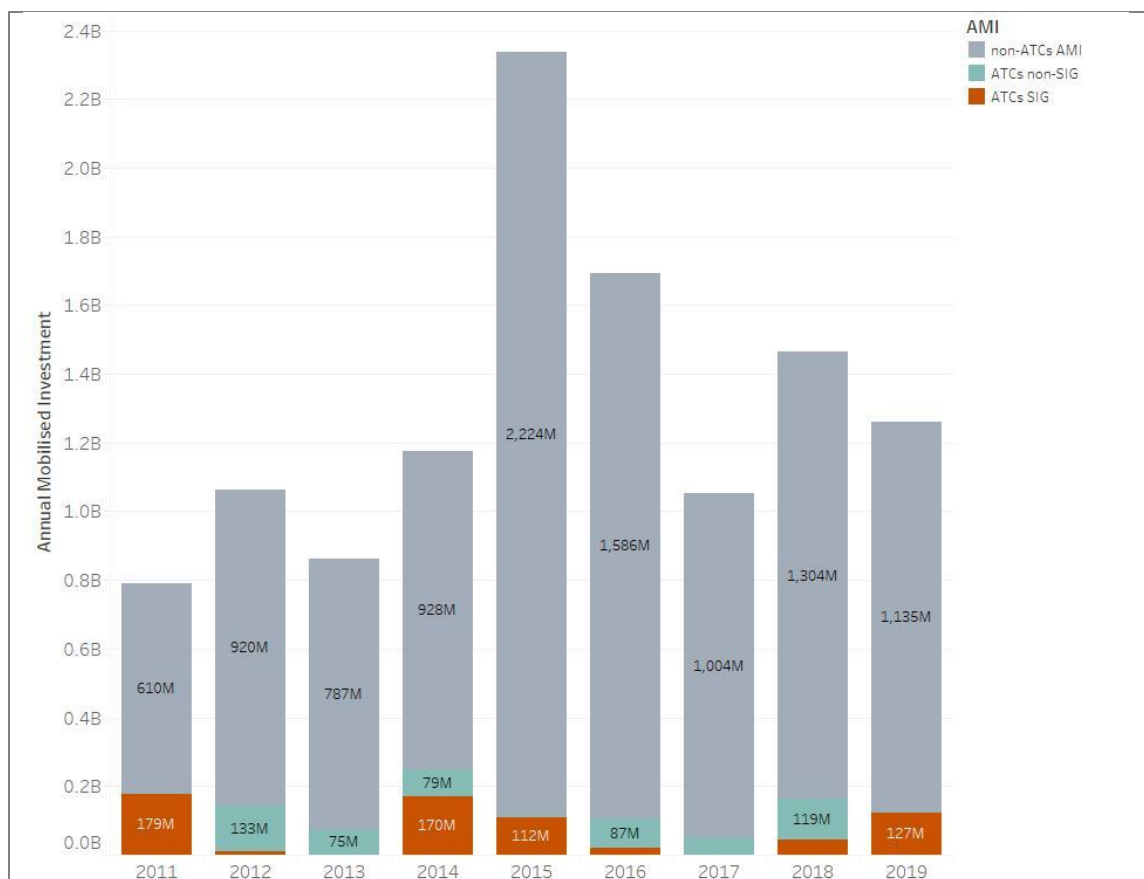


Table 6: ATC SIG AMI in relation to ATCs AMI

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	CRR4					SCF			
AMI total	789M	1,063M	862M	1,177M	2,336M	1,693M	1,054M	1,467M	1,262M
ATCs of total AMI	23%	13%	9%	21%	5%	6%	5%	11%	10%
avg	14%					8%			
SIG of ATCs AMI	100%	7%	0%	68%	100%	19%	0%	27%	100%
avg	55%					36%			

In terms of SIG subsectors, practically all SIG AMI in ATCs was delivered by Energy. While there was some AMI by MEI in the CRR4 period, this vanished in SCF (together with most of MEI ABI), and Transport did not deliver any AMI in ATCs over either of the strategic periods. (Figure 12 & Table 7)

Figure 12: SIG sub-sectors AMI in ATCs, 2011-2019

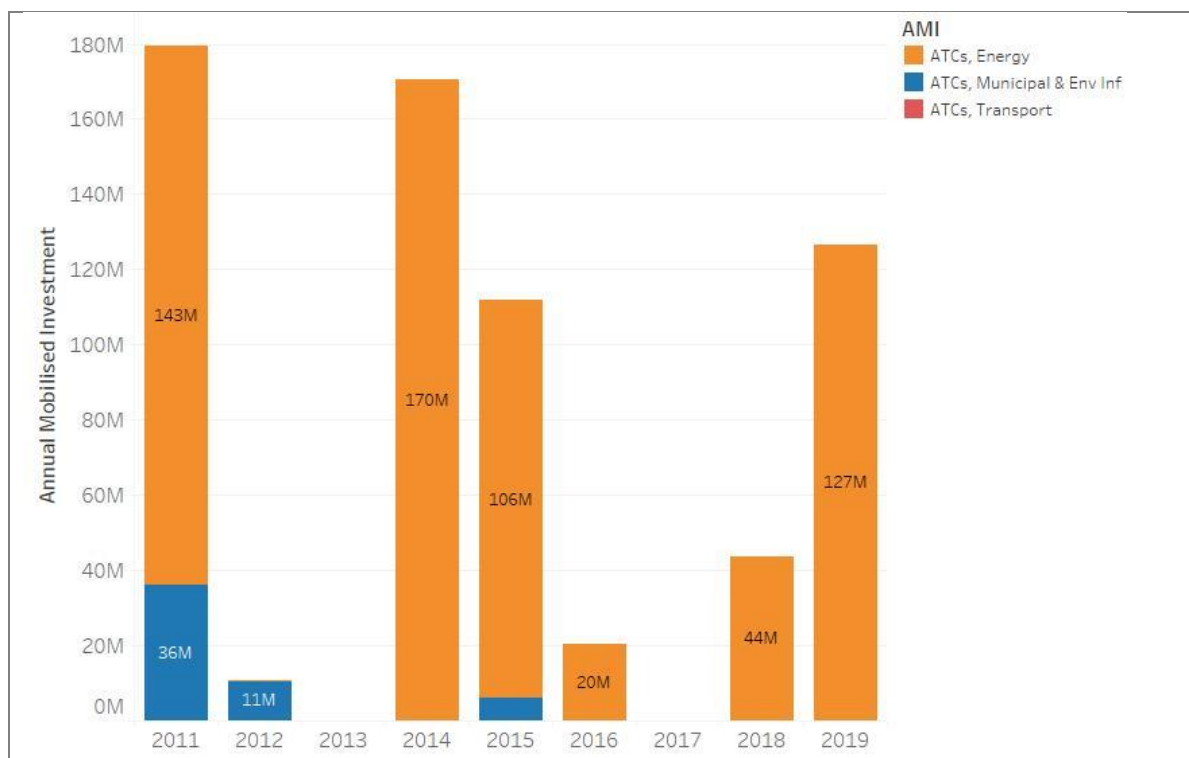


Table 7: SIG sub-sectors AMI in ATCs, 2011-2019

	2011	2012	2013	2014	2015	2016	2017	2018	2019
	CRR4					SCF			
Energy	143.2M	0.0M	0.0M	170.4M	106.1M	20.3M	0.0M	43.5M	126.6M
avg.	83.9M					47.6M			
MEI	36.2M	10.6M	0.0M	0.0M	6.0M	0.0M	0.0M	0.0M	0.0M
avg.	10.6M					0M			
Transport	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M	0.0M
avg.	0M					0M			

Investments

Based on the initial parameters this evaluation identified 56 individual operations in the SIG in ATCs portfolio.

The filtering parameters applied to the *DW_Banking_Operational* dataset were as follows:

- Year of Board approval 2011-2019
- Status: Active & Complete
- Type: Stand alone and Sub-operations
- Country RA: ATCs¹⁴
- Industry group: SIG

¹⁴ Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia

While the initial set included Regional projects that had allocations in ATCs countries, these were individually reviewed and those with only minimal ATC presence were manually removed from the set.

The set includes two projects Board approved in 2019, which were not signed in 2019, therefore there was no ABI or NCBI associated with them by the end of 2019 – 51126 Enefit Green (Estonia, Poland), 51175 Velebit (Croatia), both in Energy.

There were a number of frameworks approved or active in the period under review, which were applicable to the ATC region. Not all of these frameworks actually had active sub-operations in this period. (Table 8)

Table 8: Overview of SIG ATC frameworks, 2011-2019

Op Id	Framework	Country	Industry Sector	Operation Name
42469	FW	REGIONAL	MEI	Mota Engil Parking PPP Framework
45769	FW	CROATIA	MEI	Croatia Cohesion Funds Co-Financing Water & WW
46289	FW	POLAND	Energy	IA: Integrated Approach to Polish Renewables
47488	FW	REGIONAL	Transport	PPP Second Market
47547	FW	REGIONAL	MEI	Street Lighting Framework (SLFW):Baltics and CSEE
50674	FW	REGIONAL	MEI	Green Cities 2 - Window II

The cumulative investment (NCBI) made by the Bank over these 56 projects was predictably not evenly distributed, neither in terms of countries nor in terms of sectors.

The largest investment went to Poland, with over €1bn over 22 projects; over 80% of this was in Energy. The second largest country was Croatia, with over €520m in cumulative SIG investment. Majority of this investment was in Transport, which registered the largest single project of the whole SIG ATC portfolio – €250m sovereign guaranteed loan for the restructuring of HAC, the Croatian Motorways company. Slovak Republic is the third largest country in the portfolio, despite the implementation of only one SIG project over the entire period – this was the D4/R7 Highway PPP project with investment of over €148m. (Table 9)

In terms of sectors, Energy investments cumulatively account for just over half of the portfolio (over €1bn), while Transport accounted for over 40% and MEI for just under 8% of the portfolio. (Table 10, Figure 13, Figure 14)

Table 9: SIG in ATCs cumulative investment by country, projects approved 2011-2019

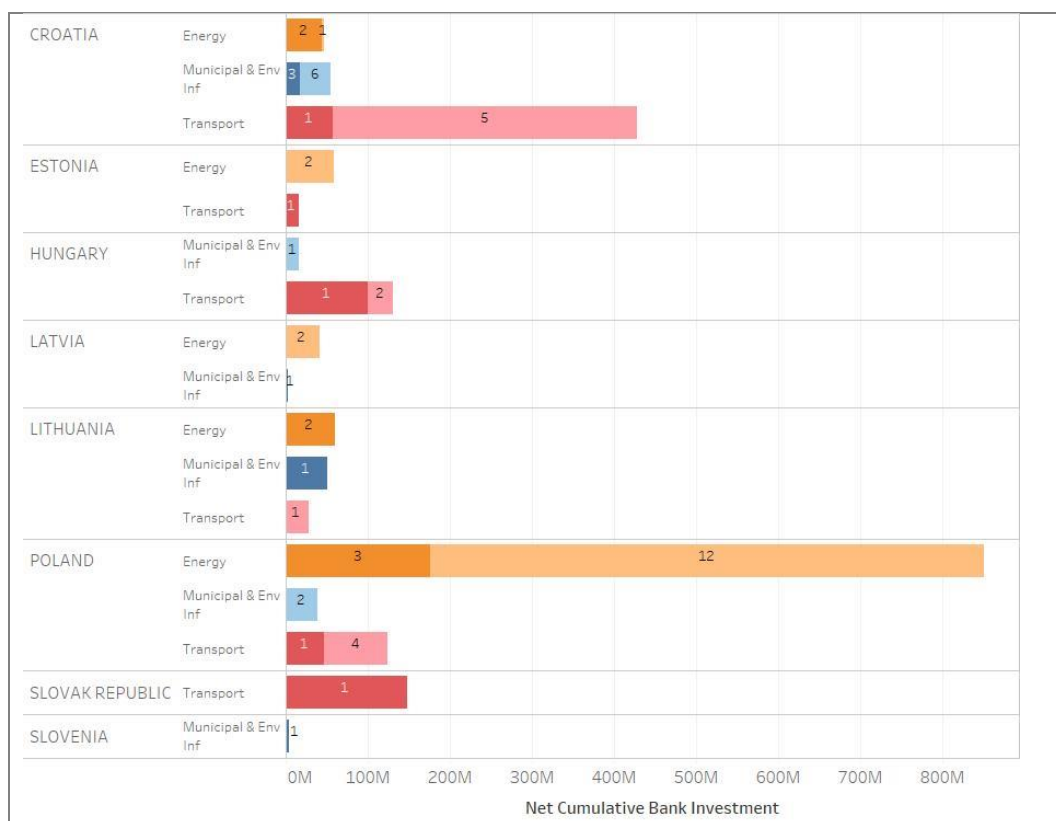
	Nr of projects	NCBI (€)
POLAND	22	1,013,123,301
Energy	15	850,284,286
MEI	2	39,088,767
Transport	5	123,750,247

CROATIA		18	529,196,049
Energy	3		47,250,000
MEI	9		54,285,778
Transport	6		427,660,271
SLOVAK REPUBLIC		1	148,427,539
Transport	1		148,427,539
HUNGARY		4	146,322,538
MEI	1		16,262,467
Transport	3		130,060,071
LITHUANIA		4	137,500,000
Energy	2		60,000,000
MEI	1		50,000,000
Transport	1		27,500,000
ESTONIA		2	57,895,000
Energy	1		42,000,000
Transport	1		15,895,000
REGIONAL		2	34,400,000
Energy	2		34,400,000
LATVIA		2	26,000,000
Energy	1		24,000,000
MEI	1		2,000,000
SLOVENIA		1	4,500,000
MEI	1		4,500,000
TOTAL		56	2,097,364,427

Table 10: SIG in ATCs cumulative investment by sector, projects approved 2011-2019

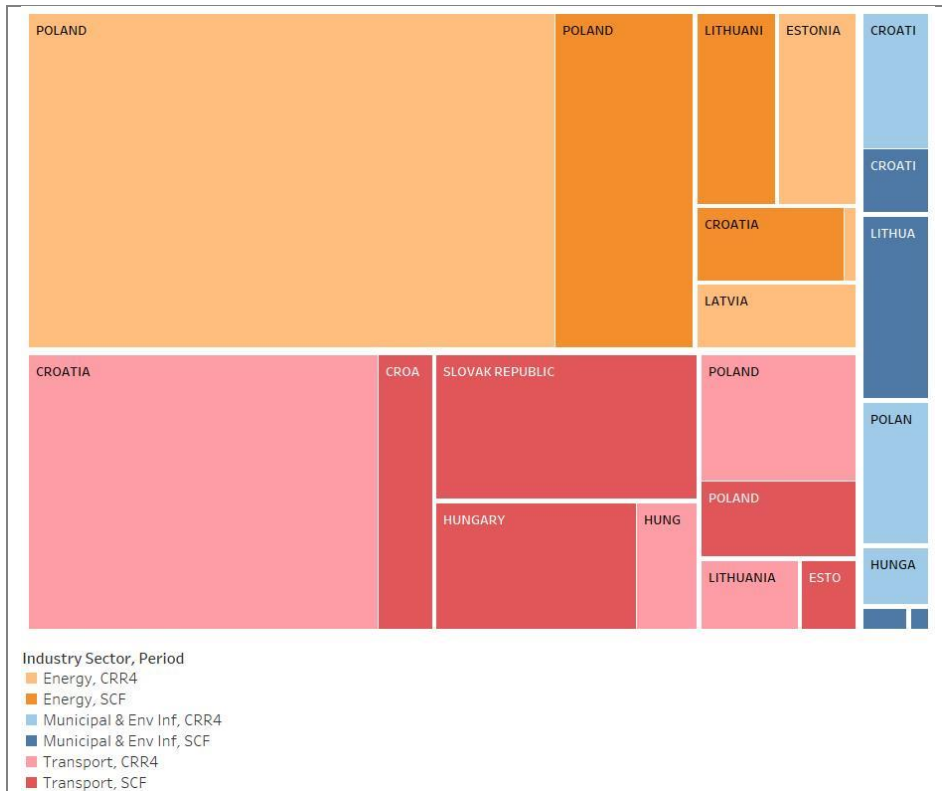
		Nr of projects	NCBI (€)
ENERGY		24	1,057,934,286
Poland	15		850,284,286
Lithuania	2		60,000,000
Croatia	3		47,250,000
Estonia	1		42,000,000
Regional	2		34,400,000
Latvia	1		24,000,000
TRANSPORT		17	873,293,128
Croatia	6		427,660,271
Slovak Republic	1		148,427,539
Hungary	3		130,060,071
Poland	5		123,750,247
Lithuania	1		27,500,000
Estonia	1		15,895,000
MEI		15	166,137,013
Croatia	9		54,285,778
Lithuania	1		50,000,000
Poland	2		39,088,767
Hungary	1		16,262,467
Slovenia	1		4,500,000
Latvia	1		2,000,000
TOTAL		56	2,097,364,427

Figure 13: NCBI per country and sector, 2011-2019



Note: Light shade – CRR4, Dark shade – SCF; Allocation of investment (NCBI) to strategic periods is based on the year of project approval; Number on bar signifies number of projects

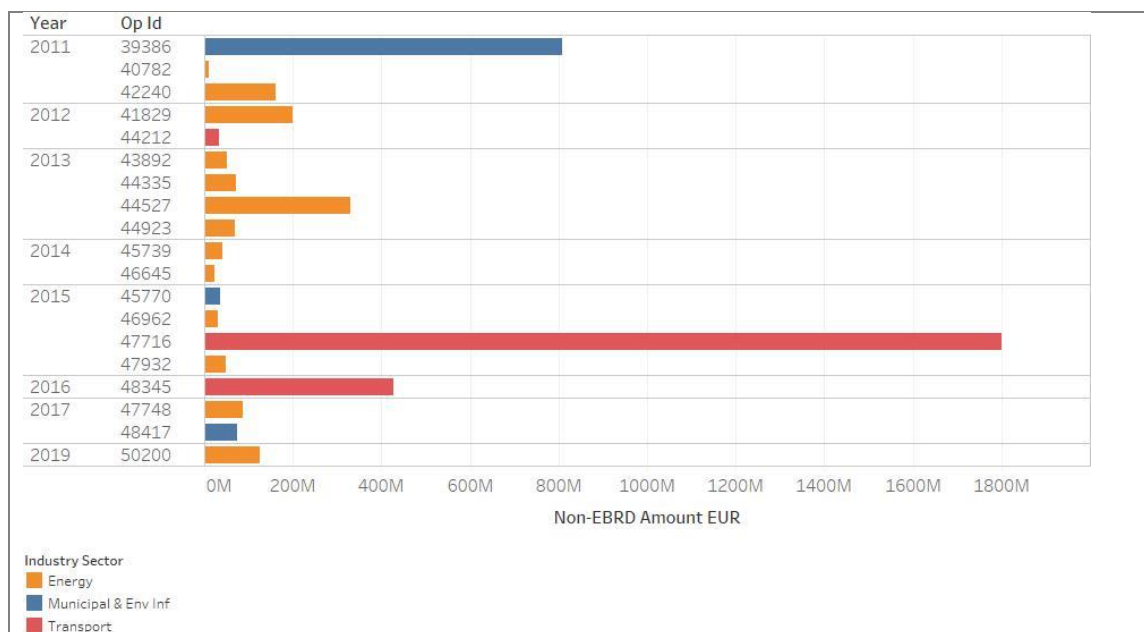
Figure 14: Shares of SIG investment (NCBI) in ATCs by country and strategic period, 2011-2019



NB: Allocation of investment (NCBI) to strategic periods is based on the year of project approval

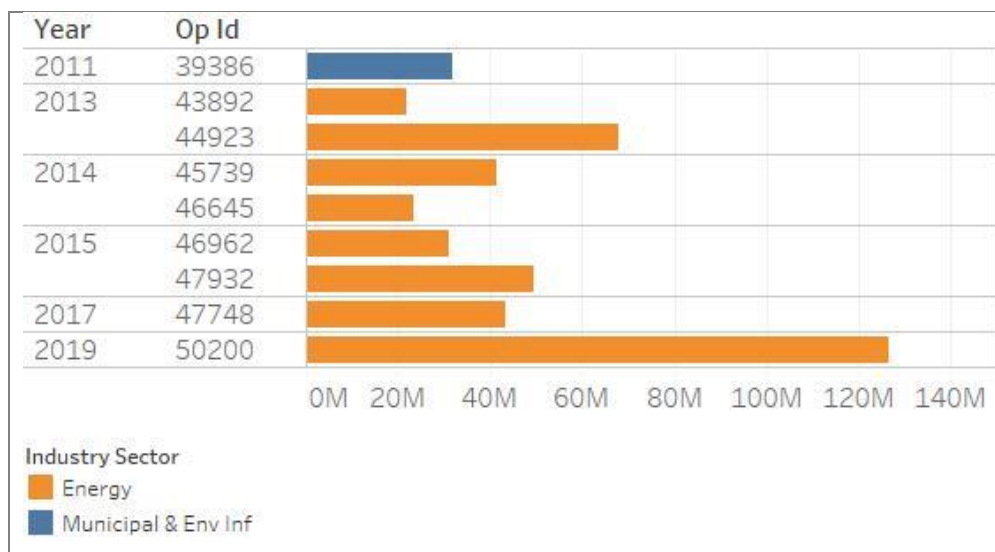
From the portfolio of 56 SIG operations in ATCs 2011-2019, a third (19) registered some level of co-financing; of these, only nine registered mobilisation (AMI). The AMI total for both CRR4 and SCF operations was over 430m€. Of the nine operations, only two so far have been approved under SCF. In terms of sectors, Energy dominated and delivered most AMI, with MEI delivering some in CRR4. Transport operations did not register any mobilisation in either period. (Figure 15, Figure 16)

Figure 15: Co-financing of SIG ATCs operations, 2011-2019



NB: Allocation of co-financing to years is based on the year of project approval
 The largest co-financing in 2015 for OpID 47716 originates from World Bank €1.8bn guarantee on financing to HAC

Figure 16: Mobilisation (AMI) of SIG ATCs operations, 2011-2019



NB: Allocation of mobilised finance (AMI) to years is based on the year of project approval

Technical cooperation

Projects in the portfolio were in a number of cases supported by technical cooperation (TC) funds, in many instances financed by donor grants. Unlike banking operations, the establishment of the portfolio of TC operations is made difficult by inadequate internal systems. While in principle transactional TCs are linked to banking operations' ID numbers, in reality this information is often missing or incorrect. In addition, there is no accessible system to extract information on TCs financed from the Bank's budget (as opposed to the SSF or donor funds). Therefore, the portfolio of TCs with

relevance to the above described banking operations was established on best effort basis by cross-checking project documents (BDS) with TCRS database information. It should be noted that performing this task at aggregate level requires laborious manual inputs. This is indicative of a system that is not appropriately set up to allow for systematic and comprehensive accountability of TC operations. The full TC overview was presented in the annexes of the Approach Paper for this evaluation. In this final report, relevant TC projects are reviewed in the respective case studies.

Overall, about a third (19) of the investment projects in the portfolio appear to have TC operations associated with them. In terms of sectors, TC was most used in MEI operations, where 13 out of the 15 banking operations had some form of TC operations. Only five out of 17 operations in transport had TC, and these were mostly located in Croatia (4). Energy, while the largest sector in the portfolio with 24 banking operations, only had three associated with TC. However, in addition to these transactional TCs, there was a TC package of €500,000 approved to accompany the Integrated Approach to Polish Renewables, consisting of four TC projects. Based on the information available, these IA associated TCs were largely not implemented and only €65,000 of the package was disbursed.

There is no available system to establish the portfolio of policy dialogue activities related to SIG in ATCs. Only one of the TCs in the portfolio is classified as Policy Dialogue (linked to the Integrated Approach to Polish Renewables), but it is possible that policy activities, including stand alone, non-budgeted, or Bank-budget activities in policy were taking place in other areas too. Priority Policy Objectives (PPOs), annual set of milestones in policy, were only established in 2018, and do not represent the full PD activity of the Bank. Policy dialogue activities are discussed as relevant in the respective case studies of this evaluation.

Table 11: List of SIG operations in ATCs, 2011-2019 (by yr of approval)

Country	Industry Sector	Year approved	Operation Name	Op Id	Type	Portfolio class	Instrument Type	Sovereign Risk	NCBI (€)	
CROATIA	Energy	2011	WeBSEDF: Pelet Group biomass power plant	42076	SO	PRIVATE	Debt	Non-Sovereign	3,750,000	
		2017	EL TO Zagreb Upgrade Project	47748	SA	STATE	Debt	Non-Sovereign	43,500,000	
		2019	Project Velebit	51175	SA	STATE	Debt	Non-Sovereign	0	
	MEI		2012	North Western Regional Waste Water Project	39990	SA	STATE	Debt	Non-Sovereign	5,950,000
			2012	Sibenik Wastewater Investment Programme	42125	SA	STATE	Debt	Non-Sovereign	10,000,000
			2013	Rijeka Water and Wastewater Investment Project	44336	SA	STATE	Debt	Non-Sovereign	12,155,833
			2013	Rijeka District Heating	45213	SA	STATE	Debt	Non-Sovereign	2,275,893
			2014	Sisak Urban Transport	46218	SA	STATE	Debt	Non-Sovereign	2,406,762
			2015	C2CF Porec water and wastewater sub-project	45770	SO	STATE	Debt	Non-Sovereign	4,000,000
			2016	Pula Bus Renewal project	48246	SA	STATE	Debt	Non-Sovereign	2,500,000
			2016	Zagreb Holding Bond Issuance (f. Project Sava)	48519	SA	STATE	Debt	Non-Sovereign	5,997,290
			2018	Zagreb County Water Project	48933	SA	STATE	Debt	Non-Sovereign	9,000,000
			Transport		2011	Croatia Control ATM Modernisation Project	42754	SA	STATE	Debt
	2012	Port of Split Infrastructure Rehabilitation Project			42542	SA	STATE	Debt	Sovereign	23,273,429
	2013	Croatia: HZ Infrastructure Modernisation			44467	SA	STATE	Debt	Sovereign	40,000,000
	2015	DFE: Luka Ploce-Liquid cargo terminal			46695	SO	PRIVATE	Debt	Non-Sovereign	9,600,000
	2015	HAC Restructuring Project			47716	SA	STATE	Debt	Sovereign	250,000,000
2018	Project Gateway	50391			SA	PRIVATE	Debt	Non-Sovereign	57,786,842	
ESTONIA	Energy	2015	Graanul Invest Phase III	47509	SA	PRIVATE	Debt	Non-Sovereign	42,000,000	
	Transport	2018	Port of Tallinn (f. Project Lighthouse)	50111	SA	PRIVATE	Equity	Non-Sovereign	15,895,000	
HUNGARY	MEI	2013	Budapest Automated Fare Collection	44630	SA	STATE	Debt	Non-Sovereign	16,262,467	
	Transport	2015	M6 Duna Zrt (f. Project Pannonia - Duna)	47490	SO	PRIVATE	Debt & Equity	Non-Sovereign	18,940,002	
		2015	M6 Tolna Zrt (f. Project Pannonia Tolna)	47530	SO	PRIVATE	Debt & Equity	Non-Sovereign	11,120,069	
		2017	Budapest Airport Financing (f. Project Shuttle)	49046	SO	PRIVATE	Debt	Non-Sovereign	100,000,000	

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LATVIA	Energy	2013	Graanul Invest Phase II	45395	SA	PRIVATE	Debt	Non-Sovereign	24,000,000
	MEI	2016	DFF - Latvian Baltic Energy Efficiency Facility	48668	SO	STATE	Debt	Non-Sovereign	2,000,000
LITHUANIA	Energy	2017	Lietuvos Energija Green Bond	49433	SA	STATE	Debt	Non-Sovereign	30,000,000
		2018	Lietuvos Energija Green Bond 2	50268	SA	STATE	Debt	Non-Sovereign	30,000,000
	MEI	2017	VIPA Energy Efficiency Structured Loan	48417	SA	PRIVATE	Debt	Non-Sovereign	50,000,000
	Transport	2012	Baltic Transhipment	44212	SA	PRIVATE	Debt	Non-Sovereign	27,500,000
POLAND	Energy	2011	Golice Wind Project	40782	SA	PRIVATE	Debt	Non-Sovereign	18,486,201
		2011	Patnow II refinancing - Konin Biomass	42240	SA	PRIVATE	Debt	Non-Sovereign	80,000,000
		2012	EC SW - CCGT	41829	SA	STATE	Debt	Non-Sovereign	35,994,648
		2012	Kukinia Wind	43819	SA	PRIVATE	Debt	Non-Sovereign	65,085,215
		2013	Orla Wind Farm	43892	SA	PRIVATE	Debt	Non-Sovereign	21,714,634
		2013	Pawlowo Wind Farm	44335	SA	PRIVATE	Debt	Non-Sovereign	70,660,594
		2013	ENERGA smart grid	44527	SA	STATE	Debt	Non-Sovereign	93,901,122
		2013	PEPSA Wind Portfolio	44923	SA	PRIVATE	Debt	Non-Sovereign	152,296,995
		2014	Darlowo Wind	45739	SA	PRIVATE	Debt	Non-Sovereign	41,240,639
		2014	Radzyn Wind Farm	46645	SA	PRIVATE	Debt	Non-Sovereign	22,147,981
		2015	Polenergia Wind Portfolio	46962	SA	PRIVATE	Debt	Non-Sovereign	25,678,522
		2015	Banie Wind Farm	47932	SA	PRIVATE	Debt	Non-Sovereign	46,754,901
		2017	Grid Enhancement for Renewables	48064	SA	STATE	Debt	Non-Sovereign	117,376,403
		2019	Potegowo Wind	50200	SA	PRIVATE	Debt	Non-Sovereign	49,086,812
		2019	Szymankowo Windfarm	51031	SA	PRIVATE	Debt	Non-Sovereign	9,859,618
	MEI	2011	Warsaw Metro	39386	SA	STATE	Debt	Non-Sovereign	31,741,005
		2011	Wroclaw Parking PPP	42414	SO	PRIVATE	Debt	Non-Sovereign	7,347,763
	Transport	2013	PKP Cargo (former Project Tamarind)	45507	SA	PRIVATE	Equity	Non-Sovereign	37,151,318
2014		DCT Gdansk expansion	45805	SA	PRIVATE	Debt	Non-Sovereign	24,633,914	
2015		InPost S.A. (Project Rocky)	47432	SA	PRIVATE	Equity	Non-Sovereign	5,749,758	
2015		PKP Cargo (formerly project Moravia)	47951	SA	PRIVATE	Debt	Non-Sovereign	9,965,257	
2019		Second Market PPP - Project Felicjan	50798	SO	PRIVATE	Debt	Non-Sovereign	46,250,000	
REGIONAL	Energy	2011	Graanul Invest	42202	SA	PRIVATE	Debt	Non-Sovereign	34,400,000
		2019	Enefit Green	51126	SA	PRIVATE	Debt	Non-Sovereign	0
SLOVAK REPUBLIC	Transport	2016	D4/R7 Highway PPP project (f. Project Falcon)	48345	SA	PRIVATE	Debt	Non-Sovereign	148,427,539
SLOVENIA	MEI	2017	DIF - Javna Razsvetljava Street Lighting	48275	SO	PRIVATE	Debt	Non-Sovereign	4,500,000

Annex 4. List of people interviewed

Name	Position (at time of interview)	Unit
Bulot, Maxime	Analyst	Infra Europe, SIG
Burghoff, Joel	Associate Banker	Energy EMEA, SIG
Chmielewska, Anna	Associate Director, Senior Banker	Warsaw (Poland – Energy coordination)
Cronenberg, Carel	E2C2 Associate Director, Lead	Monitoring, Reporting and Verification
Goeransson, Susan	Director, Head of Infra Europe, SIG	Infra Europe, SIG
Jazvic, Hrvoje	Principal Banker	Zagreb (Croatia)
Kiseleva, Elena	Principal Banker	Infra Europe, SIG
Kurbiel Auleytner, Katarzyna	Principal Portfolio Manager, Poland	Warsaw (Poland – Infra coordination)
Le Bris, Guillaume	Associate Director	Infra Europe, SIG
Lee, Keuno	Principal, Knowledge Management	Economics, Policy & Governance
Martinez Garcia, Marcos	Associate Director, Sector Specialist	SI3P PPP Advisory Unit
Matic, Ana	Analyst	Zagreb (Croatia)
Milicic, Ivana	Principal Banker	Zagreb (Croatia)
Mishaxhiu, Donald	Associate Director, Senior Banker	Infra Europe, SIG
Panjkovic, Vedran	Associate Director, Senior Banker	Zagreb (Croatia)
Storchak, Igor	Associate Director, Senior Banker	Infra Europe, SIG
Zhelyazkov, Ognyan	CCT Position	Economics, Policy & Governance

Annex 5. Management Comments

Executive Summary

- Management would like to thank EvD for this comprehensive cluster evaluation containing a substantial analytical underpinning and rigour. Management also appreciates preparation of the detailed case studies appended to the cluster evaluation – they provide deeper information and insight into specific aspects of EBRD’s work in sustainable infrastructure (SI) projects across different country contexts and environments.
- Management generally views the findings and recommendations made by the cluster evaluation to be useful and in line with work underway in the Bank, in particular on improving self-evaluation function and evaluability, as well as enhancing post - signing monitoring and verification of Green Economy Transition-related results data.
- Management acknowledged the issues related to monitoring, assessing and reporting on the indirect and wider impact and Bank’s contribution to sector or country level transition progress. It has also recognized the role of frameworks and integrated approaches in supporting wider, beyond the project level change, and strived to measure these indirect, effects, the “missing middle” that link EBRD contribution to wider, systemic impact. As the cluster evaluation correctly notes, the past efforts to measuring these higher-level demonstration effects (and attributing them to EBRD) during a regular monitoring process has not been effective and therefore discontinued since 2016. Management believes that the analysis of these effects needs to be done through a more comprehensive assessment which would be most relevant as part of a self-evaluation of frameworks. Management notes that the coverage of frameworks for a deeper analysis through self-evaluation depends not only on their value for learning but also on [the availability of resources](#).
- Management recognizes the need to use the monitored and verified data for GET physical indicators for results reporting, and has already embarked on building a comprehensive Monitoring, Reporting and Verification (MRV) system to accomplish that, with the concept approved by Operations Committee in July 2021. Management believes that while the monitored and verified GET data should form the basis for reporting the achieved results, the ex-ante estimated GET data has its value and audience, and will still be used for ex-ante assessment, tracking and reporting the Bank’s expected green outcomes.
- Management welcomes the cluster evaluation’s findings as regards the high relevance of SI operations to sector needs and vis-à-vis remaining transition gaps in the advanced transition countries, as well as its financial and non-financial additionality. While the report notes a decreasing financial additionality in these countries, Management expects that the Bank’s additionality, in particular non-financial, will remain for the immediate future as the market structure in Poland, and other ATCs, develops and ultimately becomes more complex. Projects are likely to be exposed to increasing amounts of market risk, more frequently need to identify potential credit worthy offtakers, and sign complex power purchase agreements to balance risks. The Bank will continue trying to crowd in new sources of private finance to these types of investment while also developing our own capacity to manage risk in these circumstances.
- Management notes that assessment of the relative success of SI frameworks in achieving transition results needs to be seen in the context of the complex environment in which EBRD had to operate and external factors affecting delivery of policy and other outcomes.

Management’s response to the cluster evaluation’s recommendations is provided below. Further detailed comments on the study analysis and findings were provided at the draft stage of this study. Management thanks EvD for considering the suggestions and incorporating the corrections proposed in the final version of the cluster evaluation.

1. Study Recommendations:

- **Recommendation 1:** *At the closure of all frameworks and integrated approaches, management should circulate to the Board a final report presenting results and transition achievements of the framework/ Integrated Approach (IA), supported by a balanced discussion of these achievements, and a review of lessons for future operations.*

Management partly agrees with this recommendation. Management fully acknowledges the need to improve assessment, measurement and reporting of indirect effects, including for frameworks and integrated approaches where such assessment would be relevant. Several work streams underway are addressing this issue as part of the follow-up to the Kirk report. In particular, these relate to identifying and measuring wider impact of the Bank's operations, improving evaluability of transition qualities through a more explicit theory of change and enhancing the self-evaluation function in the Bank.

Management notes that the frameworks are currently monitored against the objectives and indicators set out at the design stage, and regular reporting is provided to the Board. In addition to a summary provided in the Board Online Information platform, progress on the implementation of frameworks has been provided to the Board when a new sub-operation under, or an extension to, an existing framework is submitted for Board approval.

However, as noted by the report, monitoring the indirect effects at market level, "missing middle" results, (e.g. those related to demonstration effects and spillover/externalities) during transition impact monitoring process (TIMS) has been discontinued in 2016 as it proved very difficult to collect the information and practically impossible to verify the data and discuss the Bank's contribution to these results.

Management believes that such assessment of indirect effects would be best implemented as part of the self-evaluation system that is being designed in response to the Kirk report and is planned to be launched in 2022-2023. Cluster self-evaluations would be able to consider the totality of operations under a framework including TC and policy dialogue within the broader context and taking into account external factors. These self-evaluations, focused on activities that generate the most learning, would be aligned with theories of change for relevant transition qualities and provide an in-depth analysis of higher-level effects observed at the completion of a framework and formulate lessons learned. Such findings would then be disseminated to all the relevant stakeholders for learning, and Management would report to the Board on the implementation of its self-evaluation programme including the assessment of frameworks and the key findings.

Management's partial agreement relates to the recommendation suggesting a full coverage of all frameworks. Management notes that this undertaking and a comprehensive coverage of frameworks through self-evaluation would require adequate resources to implement. The extent of coverage and necessary prioritisation would be part of the envisaged annual work plans based on the resources allocated for self-evaluation.

- **Recommendation 2:** *Using the GET database for aggregate reporting on the achievement of physical indicators should be discontinued.*

Management agrees with this recommendation. Management recognises the need to introduce monitoring and verification of GET results data, and notes the work already underway to address this. As reflected in the GET approach for 2021-25 and the action to address the findings of the internal audit report on GET activities, Management (led by ESD and GECA) prepared a revised approach and methodology to monitoring and verification of both GET finance and GET outcomes. The concept was approved by OpsCom in July 2021. A green finance MRV infrastructure is being set up, for direct lending projects initially, with a view of covering all projects with GET investments in 2022. As part of this development, the existing GET Database of ex-ante assessments will be extended with an additional set of post-signing data. Consequently, EBRD's reporting capabilities will be enhanced, building up a rigorous monitoring, verification and reporting system and allowing for gradual transition from reporting on ex-ante GET assessments only, to systematic

reporting on updated post-signing GET data as well. Management notes that while the work on implementing these improvements will be underway shortly, achieving a good extent of coverage of the current portfolio and generation of ex-post verified data will take some time.

The monitoring and verification processes will be integrated in the existing post-signing monitoring activities of the Bank and operated through Monarch (once operational). This is subject to additional resources and with due consideration of additional requirements imposed on clients. The Bank is also going through an extensive review of the management processes of climate data, which will cover and optimise all databases currently available, which cover climate related data.

While Management agrees that the estimated GET outcomes data should not be used for reporting on achieved results, the current system of using the data on expected green outcomes is beneficial for establishing the aspirations of newly signed investments, and as such remains a valid communication tool to the Board, impact investors and other stakeholders. Hence, the estimated green outcomes will continue to be used with clear reference to these as “expected green outcomes” and not “achieved results”. Finally, Management would like to emphasise that the GET physical outcomes are not the only metrics used by EBRD to measure projects’ contribution to achieving results related to Green transition quality – introducing innovative products and delivering policy improvements in climate governance are also important elements, among others.