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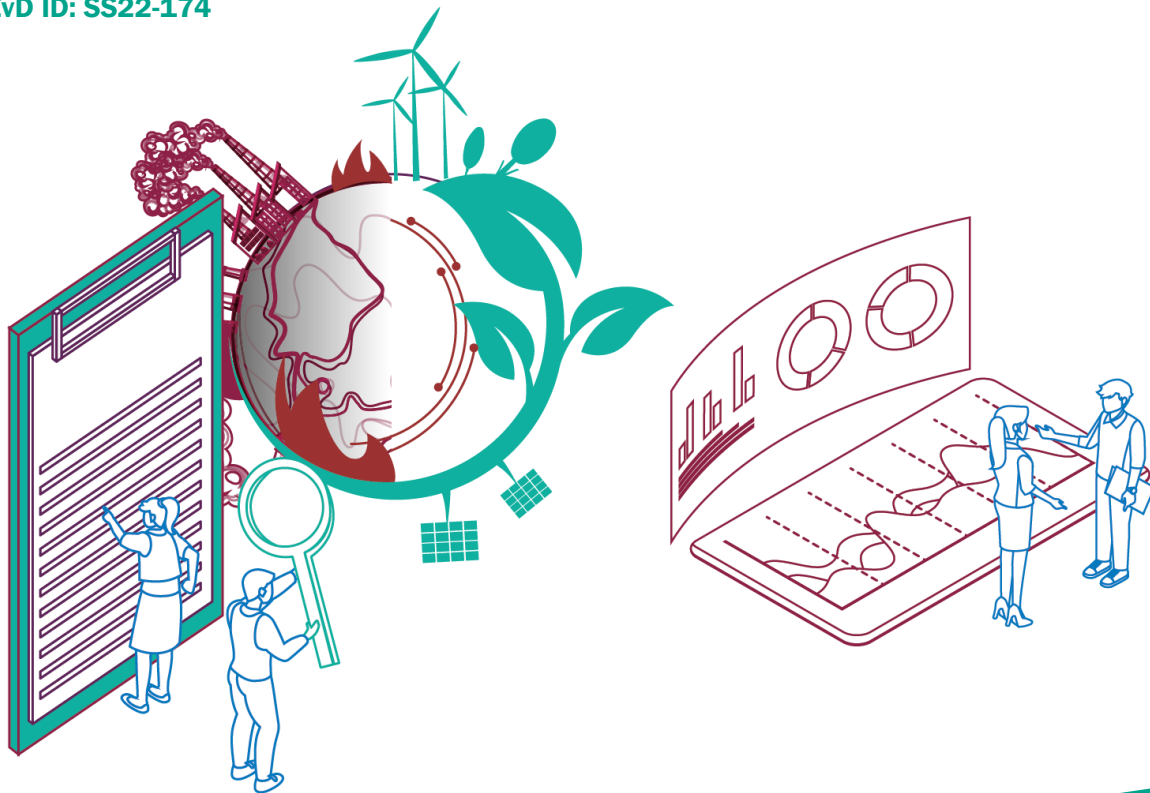Independent
Evaluation

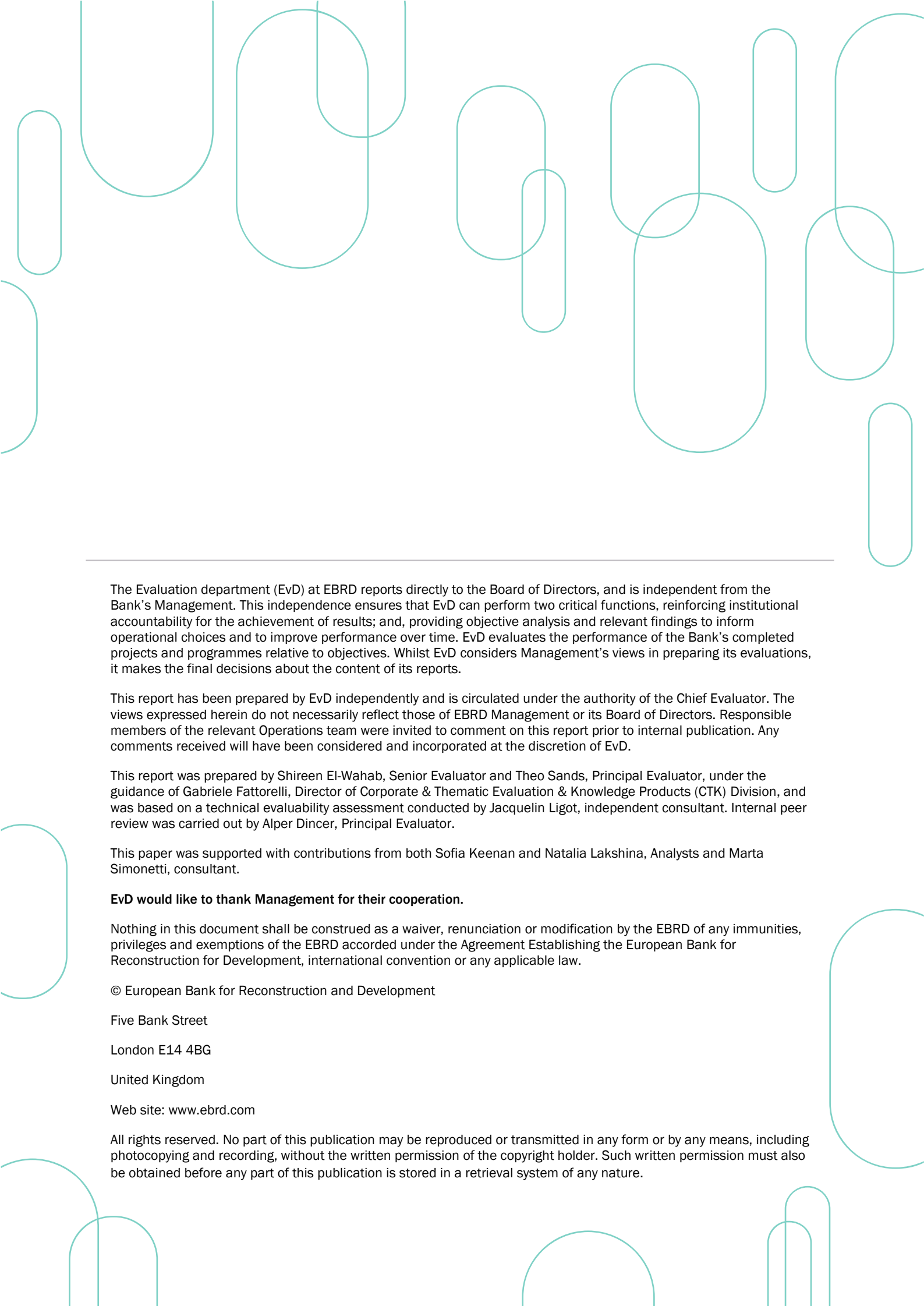# Improving evaluability to improve impact, is the EBRD on track?

Phase 1: Evaluability Assessment of the EBRD's Green Economy Transition

EvD ID: SS22-174

The Evaluation department (EvD) at EBRD reports directly to the Board of Directors, and is independent from the Bank's Management. This independence ensures that EvD can perform two critical functions, reinforcing institutional accountability for the achievement of results; and, providing objective analysis and relevant findings to inform operational choices and to improve performance over time. EvD evaluates the performance of the Bank's completed projects and programmes relative to objectives. Whilst EvD considers Management's views in preparing its evaluations, it makes the final decisions about the content of its reports.

This report has been prepared by EvD independently and is circulated under the authority of the Chief Evaluator. The views expressed herein do not necessarily reflect those of EBRD Management or its Board of Directors. Responsible members of the relevant Operations team were invited to comment on this report prior to internal publication. Any comments received will have been considered and incorporated at the discretion of EvD.

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EvD would like to thank Management for their cooperation.

Contents

Abbreviations

ABI	Annual Business Investment (the sum of Bank commitments in any given year)	GCF	Green Climate Fund
		GEF	Global Environmental Facility
CIF	Climate Investment Funds	GEFF	Green Economy Financing Facility
CoO	Country of Operation	GET	Green Economy Transition
CSD	Climate Strategy and Delivery	KPI	Key Performance Indicator
DAC	Development Aid Committee	MDB	Multilateral Development Bank
DCF	Donor Co-Financing	MRV	Monitoring Reporting and Verification
EA	Evaluability Assessment	OECD	Organisation for Economic Cooperation and Development
ESD	Environment and Sustainability Department		
ESSD	Environmental and Social Due Diligence	SEFF	Sustainable Energy Financing Facility
		SIG	Sustainable Infrastructure Group
EvD	Evaluation Department	TCO$_2$-equ.	Tonnes of carbon dioxide equivalent
FI	Financial Institutions Group	UNFCCC	United Nations Framework Convention on Climate Change
FRM	Final Review Memorandum		

Evaluability messages

Evaluability is essential in helping EBRD contribute effectively to fight climate change.

Effective monitoring of results and progress will help the EBRD tell its green finance story clearly and credibly.

- In the context of mounting concerns about irreversible damages that climate change is bringing about to the planet and its ecosystems, and other forms of environmental pollution, the EBRD has taken a strong position to help fight the climate change crisis and become a "green bank."

- With the risk of "green washing" on everybody's mind, it is essential that EBRD makes a special effort to monitor and evaluate its activities and results and that these results are seen as credible meaningful.

- The focus of this evaluability assessment is on providing suggestions to improve evaluability of the Bank's approach to Green Finance and is intended to support the EBRD's efforts in improving its ability to tracking its green commitments.

Evaluability #1

The EBRD's Green Economy Transition (GET) approach, supported by the post-signing Monitoring, Reporting and Verification system (MRV), is a very positive and welcome step forward to ensure more scrutiny on the impact of the EBRD's contribution to building green, low carbon and resilient economies.

- The EBRD is a pioneer among IFIs in building a first-ever comprehensive MRV system; it represents an opportunity to strengthen evaluability and facilitate tracking progress against specific key corporate commitments (GET, Paris Agreement, Climate Risk).

- The creation of the post signing MRV for Green finance positions the Bank well to respond to increasing demand from the market and from donors for ex-post information, and to improve internal learning loops.

Evaluability #2 (in principle)

The GET 2.1 is innovative and geared towards "systemic change"; however that is not yet fully translated into well-articulated and defined objectives and targets.

- The Bank's approach to Green Finance does not rely on an explicit Theory of Change (ToC). From an evaluability perspective, a ToC would be critical in providing a shared understanding of how the Bank expects to deliver.

- The overarching indicator used to understand the Bank's green performance is the ex-ante GET ratio. That is an important incentive mechanism within the Corporate Scorecard but there is limited linkage between achieving the GET ratio and delivering upon the wider GET objectives. For instance, the GET Approach emphasises the importance of policy work and systemic change, neither of which is captured within the GET ratio calculation.

- The ex-post MRV system is part of a broader system architecture; therefore it does not address nor is it designed to address the lack of targets or clear programme objectives with which it is possible to benchmark performance.

Evaluability #3 (in practice)

Capturing ex-post data is an integral component of evaluability, and an effective MRV system would significantly expand the Bank's capacity to assess performance and understand what is and what is not working.

However, maximising its value will depend on how well it is implemented.

- While the MRV system is being rolled out, questions remain unanswered in terms of the feasibility of its implementation, and the perception that there are multiple, similar additional new processes that banking teams now face will make the approach to implementation more important.

- Fully implementing the ex-post MRV system for climate adaptation projects is a complex undertaking. Due to evolution of the tracking methodologies, for the time being only physical implementation of climate resilience improvements will be monitored. The climate adaptation methodology will undergo revision in 2023 in compliance with the Joint MDB climate adaptation tracking methodology.

- It remains to be seen if adequate resources will be available to fully operationalise the ex-post MRV system as intended, given the significant increase in green project components to be tracked post signing and the digitisation challenges.

Evaluability #4 (in use)

The overall GET reporting remains limited, both internally and externally; currently there is lack of clarity on how ex-ante measures and ex-post data will be articulated and reported.

- There is much potential that ex-post data collected through the MRV system can offer (i.e. analytical purposes, in communication with donors, Treasury bond investors, etc.)

- Similarly green ex-post data may be used to identify lessons learned, assess effectiveness of various green interventions and overall enhance green impact.

- Finally, currently there is a lack of clarity on how MRV data will be used either internally or externally.

Evaluability #5: Suggestions

The GET 2.1 and the ex-post MRV offer a good basis for measuring Bank's GET impact, though its evaluability may be further strengthened:

- The Bank's approach to Green Finance would gain from being grounded in a more explicit programme Theory of Change and better linked to the EBRD's mandate of "systemic change"

- Developing a comprehensive set of physical impact and systemic change indicators, as part of the performance benchmarks for the GET approach, would improve evaluability.

- Continued learning from others, particularly on measuring adaptation, is essential to maximize the MRV value-added and enhance further progress data collection.

- A strategic, comprehensive and transparent approach about how to use the ex-post data, both internally (i.e. how ex-post data may inform the future project design, mechanism of incentives, etc.) and externally (i.e. reporting integrated green ex-ante and ex-post data, etc.) is key to ensure evaluability.

- Reviewing the use of the ex-post MRV and integrating it within the future revised EBRD Environmental and Social Policy that guides the EBRD's commitment to promoting "environmentally sound and sustainable development" in the full range of its investment and technical cooperation activities would substantially improve the overall evaluability of the Bank's Green Finance approach

Introduction - A phased-approach

1. The EBRD is currently evolving to meet its climate-related environmental targets; full alignment with the goals of the Paris Agreement by YE-2022, and a majority of financing in direct support of the Green Economic Transition (GET) by 2025.

2. This is a complex and evolving topic, and in order to maximise usefulness EvD is taking a phased approach towards evaluating the Bank's efforts:

Phase 1 – Evaluability Phase

- Evaluability Assessment of Green Finance Part 1 – focused on GET 2.1 and ex-post Monitoring, Reporting and Verification (MRV) System (1H:2023)
- Evaluability Assessment of Green Finance Part 2 – focused on Green Transition Impact (2H:2023)

Phase 2 – Evaluation Phase

- Rapid Assessment of the Bank's Paris Alignment (2024)
- Evaluation of the GET 2.1 Approach (2025)

Figure 1: A phased approach towards evaluating the Bank's green commitments
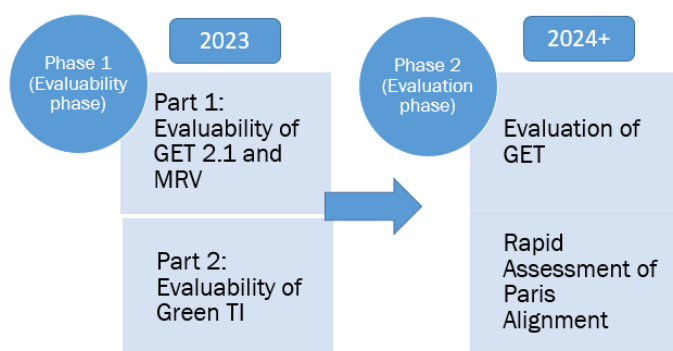
Source: EvD construction

3. Phase 1 covers evaluability, an important pre-requisite for future evaluation (Phase 2). At this point during Phase 1, it is too early to assess the outcomes or results of Bank's green commitments. However, it is the critical point at which the Bank has an opportunity to put in place the systems, frameworks and processes which will enable performance assessment during Phase 2 later on.

4. Green Finance is used in this report as a synonym of GET finance, meaning finance in line with the principles and criteria set out in the GET 2.1 and the GET Handbook[1]. This definition is consistent with how the term green finance is used in the Green Economy Transition Approach 2021-2025 (BDS20-082), which broadly follows the *EU taxonomy for sustainable activities.*

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1 The GET Handbook is an interdepartmental, regularly updated, EBRD Operations Committee approved guidance document for the Bank. The Handbook includes two documents: i) the main body, which contains the general principles and criteria; and ii) the annexes, providing guidance for specific sectors. The 2022 version reflects provisions of the updated joint MDB Methodology for climate mitigation, updates several of the existing chapters and annexes, and includes new annexes linked to emerging GET themes such as: "the methodology for tracking and reporting enabled GET investments", "GET finance for funds" or "blue economy projects".

1. Context and Background – What is evaluability and why is it important

1.1. Rationale

5. **Evaluation reports have together with Internal Audit emphasised the need to look closely at how the Bank monitors and reports on green finance, with a particular focus on the use of ex-ante estimates and the lack of ex-post results.**

6. EvD's *Evaluation of Sustainable Infrastructure Operations in Advanced Transition Countries (SS20-158)* highlighted that "the current practice of using ex-ante GET data to report on aggregate ex-post results is wholly inappropriate". An *Internal Audit of Bank-funded Green Economy* came to similar conclusions (see Box 1).

Box 1: Selected findings of Internal Audit of Bank funded Green Economy (2020 CS/AU/20-10)
Insufficient monitoring and ex-post verification of GET investments   • **Issue:** Currently, reporting is done on ex-ante GET indicators only… a 'light-touch' post-signing monitoring is done on a selective basis, based on information received from the clients via Banking OLs…**No other post-signing verification is conducted in a systematic way.**   • **Risk:** Considering the growing public interest in green issues and demand for verifiable results of actions, the Bank's current approach to monitoring and ex-post verification of GET investments which is ultimately driven by available resources and budgets - may no longer be sufficient.   [This issue was self-reported by management]

7. In response, the Bank has made notable efforts since 2020 to improve the results framework of GET, most recently through rolling out a post-signing Green Monitoring Reporting and Verification (MRV) system which became operational in the second half of 2022.

8. It is within this context that the Board of Directors have asked the independent Evaluation Department of EBRD (EvD) to conduct an independent evaluation of the EBRD's Green Commitments, to be undertaken in the coming two-three years.

9. As a first step (Phase 1 – Part 1) towards that, this report looks at the evaluability of the GET 2.1 and the MRV system in an attempt to provide an independent view of how the EBRD is improving its ability to tell its "green story".

1.2. Objective, scope and limitations

10. The objective of this report is to examine the evaluability of the Bank's GET approach and of the MRV system in order to provide suggestions aimed at enhancing the Bank's approach to measure the impact of its green financing.

11. The scope of this Evaluability Assessment Part 1 covers the GET 2.1 approach, with a focus on the use of ex-post data generated by the green MRV system. It aims to provide an in-depth understanding of how performance can be assessed using data from the green MRV.

12. This evaluability assessment offers suggestions for Management's consideration on how to further improve the evaluability of the Bank's approach to Green Finance and maximize the usefulness of ex-post data generated by the MRV.

13. Finally, it is also important to recognize the limitations of this exercise. In particular, a significant tool in evaluating the Bank's green finance commitments is data generated from the TI monitoring system, and particularly data from projects contributing to the Green Transition Quality (TQ).

14. However, there is an ongoing revision of the TQs and TI monitoring system, which is not yet at the stage where evaluation can provide a meaningful assessment of how the 'new' system will strengthen evaluability[2]. This element will be considered in the subsequent evaluability work.

1.3. Evaluability Methodology

15. Evaluability refers to the extent to which the results of an intervention are verifiable. A focus on evaluability supports learning, transparency and helps align incentives with results.

Box 2: What is Evaluability?
• The Evaluation Cooperation Group (ECG) defines evaluability as **"the extent to which the value generated or the expected results of an intervention are verifiable in a reliable and credible fashion"**.
• The OECD Development Assistance Committee (DAC) says that through an evaluability assessment: **"the feasibility of an evaluation is assessed… it should be determined whether or not the intervention is adequately defined and its results verifiable, and if evaluation is the best way to answer questions posed by policymakers or stakeholders."**

16. The methodological approach taken in this report uses evaluability assessment best practices based on the "Davies' framework", considering evaluability in principle, in practice, and in use. The framework is based on a literature review of Evaluability Assessments commissioned by the UK Department of International Development (DFID) in 2012 and published as a DFID Working Paper (Davies 2013).

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2 To feed into that process, EvD is preparing a separate synthesis report on the EBRD approach to Transition Impact Measurement (ETI/PTI & ATQs) through an evaluation lens

Evaluability Framework	Evaluability Dimensions
Evaluability in principle	High-level vision and setting objectives • Is there a clear vision for the programme? • Are there clear underlying objectives setting out what the programme is intending to do? Developing a Theory of Change • Is there a plausible Theory of Change connecting the Bank's activities with the vision? Setting targets to measure performance against objectives • Are there clear targets, enabling an assessment of what constitutes success? • Do targets correlate with actual objectives and performance, thereby incentivizing the right activities?
Evaluability in practice	Indicators and Data Collection • Are baselines and indicators clearly defined? • Is it feasible to collect data against indicators at impact-outcome-output level? • Are there processes in place to support data collection? Governance and Resources • Is there a governance system and resources in place to maximise robustness and usefulness?
Evaluability in use	Performance assessment • How is ex-post data used to assess programme effectiveness (e.g. the performance of the GET 2.1 Approach)? Results reporting (including to Donors) • How is ex-post data used in internal and external reporting, including through comparison of ex-ante estimates with ex-post verified data? • How is the Bank using ex-post green data in its reporting to donors? Drawing lessons and learning loops • How is data from the ex-post MRV system used to develop feedback loops and to learn? Ongoing project management • How is data from the ex-post MRV system used in pro-active project management (e.g. when a project does not comply with reporting, or if indicators are substantially below targets) Green Incentive • How is ex-post data used in internal incentive mechanism (e.g. the GET ratio)?

2. Understanding the big picture of the Bank's Green Commitments – do no harm and do good

2.1. The EBRD's Climate Commitments

17. EBRD has made two major green commitments in recent years: 1) to allocate at least 50% of its annual financing (commitments) to green projects by 2025; and 2) to align all its activities with the goals of the 2015 Paris Agreement by end-2022.

18. In addition, the Bank has green commitments related to 3) the Bank's Environmental and Social Policy, 4) Climate Risk appraisal, and 5) addressing the Green Transition Quality.

Figure 2: What is the landscape of the Bank's climate commitments?

Landscape of the Bank's climate commitments			
Every project is appraised for:	**The purpose of each exercise is to:**	**Ex-ante appraisal are conducted by:**	**Results are validated ex-post by:**
Environmental and Social Policy	Check compliance with the Bank's Environmental and Social Policy	ESD landing on due diligence	Project monitoring through portfolio
Climate risk	Assess Carbon Transition (CT) Risk and Physical Climate (PC) Risk	Climate Risk team using in-development climate risk methodologies	**Ex-post Green MRV** Only for projects with conditionalities related to climate risk
Paris alignment	Check alignment of financing flows with the Paris Agreement	Led by CSD and signed off by ESD using Paris Alignment methodology	Only for projects where Paris compliance is conditional
GET	Assess whether financing supports green economic transition, calculate GET ratio	Led by CSD and signed off by ESD using GET Handbook methodology	Only for projects where at least some financing is GET
Green TQ	Assess whether contributes towards addressing gaps in the Green Transition, calculate ETI	Impact using TI methodology	Transition impact monitoring through TIMS – only for projects where Green is a primary or secondary TQ

Source: EvD Elaboration based on available EBRD documentation

19. **Each of these 5 pillars has its own unique function, and a system for ex-ante and ex-post assessments.** In particular, whilst there is a close relationship between GET, Paris Alignment, and contribution towards addressing the Green TQ, there are also clear differences in how each is defined and what systems are used to record ex-post data:

- The Paris Agreement Alignment concept means that all of the Bank's activities and financing operations must be aligned with the goals of the 2015 Paris Agreement. As of 1 January 2023 the EBRD is fully Paris-compliant, meaning that every new project financed by the Bank has been assessed as in line with the goals of the Paris Agreement. This assessment means that at appraisal the project is not incompatible with a pathway towards low greenhouse gas emissions and climate resilient development (see Box 3). Ex-post verification of Paris Alignment is only implemented for the small subset of projects where Paris Alignment is conditional, with verification through the green MRV system.

20. GET refers to the labelling of the commitment of finance flows towards specific climate and environmental objectives as outlined in the GET 2.1 approach. The GET ratio is calculated as a percentage of committed financing where the use of proceeds are clearly directed towards addressing GET objectives. A project can receive anywhere between 0-100% GET attribution, depending on different use of proceeds within a project.

- Green TQ projects are projects which have been tagged as contributing to Green TQ as their primary or secondary transition quality. As projects can only have two transition qualities, there is not a complete overlap between GET projects and Green TQ projects. In 2021, for example, circa 25% of financing labelled as GET derived from projects which did not have Green as a primary or a secondary TQ.

Box 3: Paris Alignment Article

- **The Paris Agreement aims to strengthen the global response to the threat of climate change**, in the context of sustainable development and efforts to eradicate poverty, including by:

  o Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

  o Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; *and*

  o Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

2.2. Focusing on GET 2.1 and the ex-post MRV system

21. The GET 2.1 (Box 4) is a flagship five-year programme covering the period 2021-2025 and aimed at supporting the transition to a green, low-carbon and resilient economy in the EBRD's Countries of Operations. Progress towards this objective is tracked within the Bank's corporate scorecard using a quantitative target of % ABI for GET investments (commitments).

Box 4:   GET 2.1. – An innovative approach

- GET 2.1, the successor to GET Approach (2016-2020) is the Bank's flagship climate and environment programme, and a key element of the Paris Alignment process, although the latter is broader (all Bank operations and activities should be aligned).

- It is divided into the three main GET categories: i) climate change mitigation; ii) climate change adaptation and iii) other environmental activities.

- The GET 2.1 emphasises a "systemic change" approach, which means that "the Bank should seek to further increase its impact both through the increased scale of its operations and through achieving impact beyond its own financing by creating green market opportunities pursued by a range of other economic players".

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22. The GET finance attribution is primarily based on the ex-ante assessment of the use of proceeds 3 of individual projects financed by EBRD. This is guided by joint MDB principles and EBRD methodology as recorded in the GET Handbook. The attribution of the GET label and share of total finance[4] to projects follows a three-stage process :

1. identifying projects or project components that meet the GET principles and criteria and are on the positive lists of activities qualifying for GET;

2. assessing the expected (ex-ante) physical environmental benefits of the GET projects and project components; and

3. confirming the proportion of GET finance and GET benefits of a project and explaining how this fits into the GET strategy, as well as examining other contributing factors and total GET benefits.

23. Yet, while the ex-ante system for GET financing has been in place since inception, until recently the EBRD did not have a systematic process of tracking and reporting on verified ex-post post signing results and impacts.

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[3] For intermediated financing and general corporate financing, some other criteria apply

[4] This is one of the three or four mandatory "green assessments" to which each EBRD project is subject at appraisal stage (other than being compliant with the Environmental and Social Policy (ESP) of the Bank): Paris Agreement alignment determination; GET finance attribution; climate-related financial risk screening; and for projects with significant greenhouse gas emissions are subject to an Economic Assessment.

2.2.1. The post signing Green MRV system

24. **The Green MRV defines the internal processes related to post-signing (ex-post) monitoring, review and confirmation of results that reflect the implementation of any green commitments by clients in projects financed by the Bank.**

25. The stated objective of the green MRV is to "ensure consistent and credible monitoring and reporting of GET objectives"[5].

26. Green commitments covered in the Green MRV process include not just GET investments (GET eligible investments as part of the Bank's disbursed GET-eligible Use of Proceeds, and associated climate and/or environmental impacts), but also:

- Any conditionalities related to alignment with the goals of the Paris Agreement;

- Any conditionalities related to Climate Risk (both Physical Climate Risk as well as with Counterparty Transition Climate Risk).

27. Governance arrangements for the ex-post Green MRV are complex and involve a number of actors.

28. Roles of key actors include:

- **Banking and CSD** draw up the Green Project Monitoring Plan (GPMP), which specifies the GET/PA/Climate Risk post-signing reporting requirements, including how they will be tracked and reported by the clients and how and where they will be included in the legal documentation. It also specifies the date and frequency of reporting.

- **Clients** are responsible for reporting on any green data as agreed in the legal documentation signed with the Bank.

- **Banking teams** manage the implementation of the green reporting requirements. Banking informs ESD via Monarch (once fully functional) when green MRV reporting becomes available.

- **ESD** reviews the draft GPMP prepared by Banking and CSD, and is in charge of verifying results and archiving Green MRV data (initially in the centralised MRV database[6].) When the data is reported by clients according to the Green Project Monitoring plan, it will be reviewed by ESD against the metrics of the ex-ante assessment.

29. ESD manages the green MRV database, with the intention that the data will then be made available to any interested internal counterparty.

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5 Green Monitoring, Reporting, and Verification Procedures (Post-Signing), RiskCom Submission Presentation, September 2022. Available from: https://intranet.ebrd.com/ESD/Post-signing-Green-Monitoring-Reporting-and-Verification-Procedures-all.pdf
6 Monarch is an online platform to process investment projects, advisory projects and relationships in one place. The aim is to improve efficiency, enhance data quality and deepen the understanding of EBRD's portfolio. Monarch is expected to accommodate all green data requirements – with an expected date of by mid-2023, with a dedicated MRV Tracker developed as a temporary solution until Monarch becomes fully operational in the course of 2023.

30. The post signing monitoring procedures begin immediately after a project's signing date, continue throughout the physical implementation of the project and the beginning of commercial operations, until complete repayment of the loan or divestment of the equity in full.

31. Importantly, in order to assist with the Green MRV process, TC funded support for the client may be provided on certain projects. Both ex-ante and post-signing processes will rely on an integrated data management tool implemented through Monarch (starting in the course of 2023).

3. Emerging findings from the evaluability assessment - On the right track, and in "pole position", but still a way to reach the finish

3.1. Evaluability in principle – the building blocks of evaluability

32. The objective of the Green MRV system is to "ensure consistent and credible monitoring and reporting of GET objectives". However, this requires there to be evaluability "in principle", with a clear understanding of what the GET objectives are, and how the Bank aims to reach GET objectives. Without these 'evaluability in principle' building blocks in place, the green MRV system will not be able to meet its stated objective of consistent and credible reporting of GET objectives.

33. The evaluability assessment "in principle" focuses on the clarity of the EBRD approach to Green Finance and its objectives. This includes, for instance, whether there is a Theory of Change articulating how and under what conditions intervention activities influence causal mechanisms, and whether targets and objectives are clearly specified.

Evaluability Framework	Evaluability Insight
Evaluability in principle	**High-level vision and setting objectives** • The Bank's Green Economy Transition (GET 2.1) is a positive step forward to building green, low carbon and resilient economies. It is a comprehensive approach built around systemic change, which recognises the importance for the Bank of "achieving impact beyond its own financing by creating green market opportunities pursued by a range of other economic players"[7]. • However, there are currently limited clear and explicit specific objectives for the underlying GET thematic areas. **Developing a "Theory of Change:** • The GET 2.1 Approach does not include an explicit Theory of Change. The absence of a Theory of Change means the GET 2.1 Approach lacks a key framework for results management and evaluation, and suggests potential weaknesses in how programme strategy is communicated and operationalised. **Setting targets to measure performance against objectives:** • The Bank's approach to setting targets for the GET 2.1 Approach is centred on the GET ratio. This provides an incomplete picture, as the GET ratio does not capture systemic change, behavioural change, or the results of policy dialogue. • The use of indicators within the green MRV system will reflect this focus on the GET ratio, implying it will not capture data related to systemic change. Given that

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the GET 2.1 explicitly aims to take a "systemic approach", this means that the green MRV system will not be able to fulfil its objective of monitoring and reporting of GET objectives without being able to capture systemic changes.

- The GET 2.1 Approach includes a "performance dashboard", which could provide a more comprehensive assessment of the Bank's performance.

  However, the use of the performance dashboard remains limited and its utility is weakened by the fact that it does not contain targets. Given that it is not in use, there has also been limited application on how data from the green MRV system could feed into and be aggregated within the GET 2.1 performance dashboard (see section 3.3).

Interaction with the Green MRV system:

- The objective of the green MRV system is to ensure consistent and credible monitoring and reporting of GET objectives. It does not address, and nor is it designed to address, evaluability in principle issues. However, without developing evaluability in principle, the green MRV system will not meet its objective of being able to consistently and credibly report on GET objectives.

i. The GET 2.1 and the new MRV are a positive and welcome step forward towards becoming a "green Bank"

34. **GET 2.1 outlines a comprehensive approach to how the EBRD will help support the development of green, low-carbon and resilient economies.** The Green MRV system is a welcome initiative to provide a feedback process mechanism to follow-up on the Bank's performance.

35. **The GET 2.1 emphasises a "systemic change" approach.** This approach provides a wide mandate for the Bank to focus both on enhancing green impact through the increased scale of EBRD activities as well as by creating green market opportunities pursued by a range of other economic players. This approach is combined with a long-term overarching vision for GET: "*the transition to a green, low-carbon and resilient economy*".

36. **Objective-setting at the thematic level is less clear.** The GET 2.1 Approach distinguishes 10 "thematic areas" (e.g. greening financial sectors), but these thematic areas do not have clear and explicit objectives. This reduces evaluability by creating ambiguity as to what results the Bank is intending to catalyse.

ii. The Theory of Change underpinning the GET is at best implicit, at worst absent

37. **GET 2.1 does not have an explicit Theory of Change (ToC), clearly articulating how and why "systemic change" is expected to happen.** A ToC would help understand the Bank's green performance by highlighting the processes and causal chains through which the Bank expects to achieve its green finance objectives.

38. **Without an overarching explicit Theory of Change and Theories of Change specifically for each of the thematic areas, the Bank loses a useful tool for implementation and evaluability.** Qualitative evidence suggests that the practice of developing Theories of Change is not ingrained in "the Bank's DNA", and is still widely perceived as a burden despite its merits as a management tool for effective implementation.

39. **Interview respondents highlighted that in their view there was an 'implicit' Theory of Change – a common and shared understanding amongst colleagues of how the Bank was delivering on the GET approach.** However, from an evaluability perspective, a Theory of Change provides a clearer framework with which to assess performance. There is also increased implementation risk in using an implicit rather than explicit Theory of Change, with greater scope for a lack of a common understanding between teams on how to deliver

iii. GET ratio and GHG emissions are two important programme-level targets, but their link with wider green objectives remains limited

40. **GET 2.1 sets only two programme-level targets: the GET ratio reaching 50% by 2025, and the outcome-level range for overall GHG emissions reductions.** There are no other quantitative targets. There is no clear substantiation on how these 'macro' targets were set, which undermines their usefulness as benchmarks with respect to assessing performance.

41. **The GET ratio is a clear target, which provides a high-level benchmark to assess performance. However, there is poor link between achieving the GET ratio and delivering upon the GET objectives.**

42. The divergence between the GET ratio targets and the GET objectives is driven by two principal factors:

i. The GET ratio is calculated on financial commitments linked to use of proceeds. It is not able to capture systemic change, policy dialogue, or behavioural changes, even though GET places significant emphasis on moving to a "systemic change" approach.

ii. The GET ratio is calculated based on commitments, rather than disbursements (see Box 5)

Box 5: The difference between commitments and disbursements – project example

- The ex-ante GET ratio is calculated on the basis of intended use of commitments at project appraisal. If a project is subsequently cancelled without any disbursements, this clearly does not represent progress towards the GET 2.1 objectives, but the Bank's original financial commitments are still captured within the GET ratio.

- As an illustration, the Tashkent DH – Tashteploenergo project was signed in 2018, as a USD 100mn loan to the Government of Uzbekistan to rehabilitate district heating infrastructure. It was rated as 100% GET financing. Following a change in government policy after signing, the project was cancelled without a single disbursement ever having been made. However, the project is technically still included within the calculation of the GET ratio for 2018.

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43. **Mismatches between targets and objectives matter. These limitations undermine the utility of the GET ratio as a guide for selecting projects that have the most potential for systemic change.** As an incentive mechanism, there is a risk that it sets up skewed incentives by encouraging the wrong type of project, such as projects without systemic change components.

44. **The second target relates to net greenhouse gas emission reductions over the GET 2.1 period.** This is clearly a critical high-level indicator, which reflects the Bank's overarching objective of addressing the climate crisis. However, it is not a comprehensive target, meaning that it does not capture the environmental benefits of all of the activities under the GET 2.1, particularly with respect to climate adaptation projects.

45. As a target, it is also not clear if targets related to GHG emission reductions always incentivize the 'right' activities[8]. If the EBRD's overarching ambition is to hit this target, then the most effective mechanism would be to fund gas-flaring projects and the replacement of old coal power plants with modern gas power plants, rather than more challenging, systemic, long-term investments.

46. **In addition, the GET 2.1 includes a "performance dashboard", which may have utility in providing a more comprehensive approach.** This dashboard consists of a range of indicators included in the GET Handbook and Compendium of Indicators, while those for the 10 thematic areas were to be defined subsequently.

47. **However, at this stage, the performance dashboard does not contain any targets with which it is possible to benchmark performance. It also does not appear to be in use** (see section 3.3).

48. It should be noted that the ex-post MRV system cannot be expected to alleviate the challenges around imprecise objectives, the divergence between the GET ratio and GET objectives, and the absence of a Theory of Change. As a tool, it is not designed to address evaluability in principle limitations. However, with an overarching aim of consistent and credible monitoring and reporting of GET objectives, the green MRV system is in turn affected by evaluability in principle weaknesses.

3.2. Evaluability in practice – first mover to look ex-post, but important to understand limitations

49. The assessment of evaluability "in practice" looks at the Bank's Green Finance measurement approach, tools and indicators to reflect performance and results achieved. **This evaluability assessment focuses on the metrics part of the Green MRV, and whether it is feasible to collect data on them, including the processes to support data collection, and the operational structure of the system.**

50. A full assessment of whether the green MRV system is fit for purpose is not yet possible. The MRV only started in June 2022 on a pilot basis. There are also ongoing initiatives to transfer green MRV processes onto Monarch, which have not yet been fully implemented. However, at this point it some initial observations can be made about the quality and credibility of the data that the green MRV system will produce.

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8 This has been highlighted by several EBRD colleagues interviewed by EvD.

Evaluability Framework	Evaluability Insight
Evaluability in practice	Indicators and Data Collection • The introduction of the ex-post MRV makes the ex-ante GET attribution an evaluable claim. In the MDB community, this is pioneering and usefully contributes to the Bank's accountability and learning. • However, the robustness of verification provided by the MRV system may vary significantly across the portfolio. For example, verification of climate adaptation projects is inherently more challenging, as is verification of results from sub-projects under the Bank's green finance intermediated credit lines. • An additional challenge is identifying appropriate baselines for key project-level indicators. • Tracking impact and collating quality data remain challenging in practice; the benefits of Monarch remain to be seen. Governance and Resources • The governance of the different green commitments, including GET, is still an ongoing process in terms of raising awareness amongst different and multiple teams as to what the process is. • The ambition of the Green MRV creates additional pressure on the Bank's internal resourcing, the extent of which is still being realised.

i. The green MRV systems make a substantial positive contribution to the overall evaluability of the Bank's approach to Green Finance

51. The green MRV system marks a significant step forward towards establishing evaluability in practice for the Bank's green finance. Prior to the introduction of the MRV system, measurement of the results from green finance was inconsistent and incomplete; whilst some relevant data was generated through the Transition Impact Monitoring System (TIMS), this data was not comprehensive across all green finance projects (e.g. it did not produce useful data for green finance projects without green as a primary or secondary transition quality), and was not directly linked to the calculation of the GET ratio. Similarly, data on green finance was produced to demonstrate results for donors, but this was implemented on a project-by-project basis and in accordance with specific donor needs.

52. In comparison, the green MRV system will be implemented across all green finance projects (albeit with varying levels of robustness), using a standardised process, and in alignment with how the GET ratio is calculated. It also aims to capture a complete set of green MRV data in one place that is accessible across different departments in the Bank and aims to provide verified results, effectively giving the Bank the ability to substantiate claims made ex-ante as well as make

improvements via lessons learned. This will have a major positive impact on the Bank's evaluability in practice of green finance operations.

ii. Measuring mitigation is comparatively straightforward, but measuring adaptation is much more challenging

53. **Most indicators related to <u>mitigation</u> are standard, straightforward, and measurable**, e.g. MW installed of new renewable energy generation capacity, GJ/year of primary energy saved, kt/year CO2-equ. abated, cubic meters/year of water saved. These are quantifiable and measurable metrics which can be directly linked to use of proceeds (e.g. energy generation from a renewable energy installation).

54. **Indicators related to <u>adaptation</u> are much more challenging.** Indicators for climate adaption outcomes such as the preservation of ecosystems or the reduction in weather related disruption and damages tend to be less quantifiable and measurable, and more difficult to attribute to the Bank's financing.

Box 6: Measuring mitigation versus measuring adaptation

The examples provided in the Green Project Monitoring Plan Guidance Note illustrate the differences in measurement between mitigation and adaption projects. The mitigation project uses as an example an equity investment in a portfolio made up of several renewable energy projects. Three GET impact indicators are defined:

- Renewable energy capacity installed (MW) – greenfield or expansion of existing capacity

- Renewable energy generated in MWh

- GHG emissions reduction in CO2kt eq. indicating grid carbon factor used

These indicators are all easily quantifiable, measurable, and directly linked to the Bank's financing. There are also no major assumptions that underpin the first two indicators – renewable energy installation and generation, whilst the guidance sets out that the assumption that underpins the third indicator (grid carbon factor used) should be clearly stated, and the assumption can be independently calculated and verified.

In comparison, the suggested indicators for the adaptation finance case study (a road project) were as follows:

- The Client will confirm (Y/N) if climate resilience provisions have been incorporated in the design

- The Client will confirm (Y/N) if climate resilience measures have been implemented

The use of binary, yes/no indicators reflects the fact that as the Green Project Monitoring Plan Guidance Note states, "climate resilient outcomes are complicated to measure and calculate".

However, as data indicators, they are neither quantifiable, nor easily measurable. They are also lower down the causal chain – at output rather than outcome or impact level.

55. This is not a problem unique to EBRD. Measuring adaptation is widely recognised as a much more challenging exercise, and there are ongoing initiatives and research, which the EBRD contributes towards, in the adaptation community to develop indicators. However, it is still worth highlighting that the quality of data entering the system under mitigation-related indicators is likely to be significantly more robust than the quality of data for adaptation projects. The data that the system generates will not be consistent in terms of its level of credibility and data quality, with some data sources relying upon significant assumptions or being simple binary indicators.

iii. The post signing Green MRV will not apply equally to all GET projects.

56. **The green MRV system does not apply for legacy projects, i.e. all projects signed before June 2022**. In practice, this implies that the system will not be producing data for a significant share of operations supported under the GET 2.1 Approach.

57. **The green MRV system is also not being applied for climate adaptation investments supported via intermediated finance.** This subset of projects combines two complexities which the MRV system struggles with – adaptation finance, and intermediated finance (see below).

58. **More widely, the MRV data collection and verification system follows a different process for intermediated finance projects (e.g. sub-projects financed by the Bank's GET credit lines, such as the Green Economy Financing Facility)**. It is inherently more challenging to measure the impact of sub-projects funded via financial intermediaries, as the Bank does not have a direct relationship with the sub-borrower (or investee companies in the equally applicable case of equity funds in which the Bank invests). Furthermore, sub-projects financed under GET credit lines are much smaller than the Bank's typical operation, with corresponding smaller clients and less capacity to collect and report monitoring data.

59. **As a result, intermediated finance projects will continue to rely upon ex-ante estimates (at the sub-borrower level) rather than ex-post data within the green MRV system.** Intermediated green finance projects do rely upon verification consultants to ensure that the use of proceeds is in line with the Bank's eligibility criteria, but this verification process is not currently part of the green MRV system and does not involve ESD.

60. Tracking the real results of sub-borrowers from intermediated finance loans is an ongoing industry-wide challenge, with no feasible nor cost-effective way to collect extensive data across large portfolios of indirect clients. Potential mitigation strategies could involve representative sampling of sub-projects. Going forward, there is a risk that without careful communication there could be misinterpretations of whether data from financial intermediary projects reflects real results or estimates.

iv. The determination of baselines represents a challenge, in particular for carbon mitigation projects

61. The process for determining baselines is likely to lead to systematically overestimating project results, particularly for climate mitigation projects which rely upon calculations of greenhouse gas emission reductions.

62. As an example, for renewable energy projects calculations for greenhouse gas emission reductions are typically based on renewable energy generated, and prevailing carbon grid intensity. However, this calculation uses a static baseline, which presupposes that the carbon grid intensity does not change from year-to-year. In reality, in many of the countries where the EBRD works, the increased emphasis on renewable energy and on decarbonisation means that the carbon grid intensity is declining, and so the degree to which renewable projects abate greenhouse gas emissions declines each year too.

63. The alternative would be to develop dynamic baselines, which are updated regularly as the carbon grid intensity changes. However, the additional analysis that dynamic baselines imply would have significant resource implications.

v. The Bank's covenant system, and by extension its enforcement of collection of green MRV data, is predicated on client reporting rather than quality of data coming in

64. The EBRD uses covenants to ensure that clients report data. However, covenants do not safeguard the quality of data that clients report.

65. There are processes in place to review data and to provide feedback to Banking teams and clients. This should mean that the Bank will be able to assist where necessary in improving the quality of reporting and ensuring data consistency.

66. However, without covenants, the Bank has limited formal enforcement mechanisms if clients consistently submit poor quality data. **Organisational processes for storing data and integrating green MRV data with other processes are** still in development and require careful monitoring

67. Data collected under the green MRV system overlaps with data collection for assessing transition impact (particularly with respect to the Green TQ), as well as E&S monitoring data. The intention is to use Monarch as a platform in the future to develop a single integrated database covering these different data sources, ensuring consistency between different databases and reducing the risk of process duplication.

68. This roll-out is still in process, and currently it is not possible to assess how Monarch is storing and integrating this data, nor the ease by which data can be retrieved and used from the Monarch system. From an evaluability perspective, EvD will require full access to the relevant Monarch modules in order to enable evaluations of the Bank's green finance commitments.

69. **Furthermore, the ambition of the Green MRV will need to be matched with adequate resources to operationalize it.** This will require careful monitoring during the early period of implementation of the green MRV, with respect to both internal staff resources as well as TC needs (e.g. to support clients in collecting data for the GPMPs).

3.3. Evaluability in use - needs a clearer plan

70. The focus of the evaluability in use assessment is on how Green Finance data would be used, by examining the 'use-case' for these data, and whether there are clear processes in place to maximize its usefulness.

Evaluability Framework	Evaluability Insight
Evaluability in use	• Performance assessment - There is no practical use yet of data derived by the green MRV as a management tool (e.g. within the GET performance dashboard). • Results reporting – There is a lack of clarity about internal and external reporting of green data (i.e. on what will be reported, when, by whom and for what purpose and use) and integration and articulation of ex-ante and ex-post data. • Donor Reporting – Donors require ex-post green data, but currently it is unclear whether the MRV system will be able to fully address donor demands. • Drawing lessons and learning loops - The ex-post MRV system has significant potential as a platform to generate data for learning. However, there is no evidence of feedback loops that have been put in place to reflect on data generated by the green MRV system. • Monitoring and proactive project management – Questions remain on how the Bank will deal with any lack of green compliance, though requirements to report Green Project Monitoring Plan data will be covenanted in loan documentation. • Incentive - How data from the green MRV system will be integrated into the current incentive systems related to GET financing remains unclear

i. Performance assessment: evidence suggests that the GET performance dashboard, for all its merits, is not used practically as a management tool.

71. Green MRV data has a clear use case in enabling assessments of how the Bank is performing with respect to its green finance commitments. Through generating data on whether the Bank is providing support and what results it is catalysing, the Green MRV system provides the empirical foundation for monitoring and measuring progress towards GET 2.1 objectives.

72. **This requires a process of aggregating data, and a framework or dashboard to track results**. The GET 2.1 Approach does have a performance dashboard for this purpose. However, it does not appear to be in use, and there is no systematic reviews of it (e.g. as part of the SIP process, or through Board Information Sessions).

73. **Given that the GET 2.1 performance dashboard is not being used, data from the Green MRV system is not being used to populate it.** It is therefore not currently clear how data generated by the

green MRV will be employed for performance assessment. This represents a potential missed opportunity, given the extent of data generated by the green MRV system.

ii. Results reporting (internal and external): It is not clear to what extent and how the Bank will use/report on ex-post green data, either internally or externally.

74. **The Bank recognizes the importance of transparency and reporting on green MRV data.** The Green MRV system will enable the Bank to compare ex-ante predictions, such as the GET ratio, with ex-post actual data, and report on the extent of whether the EBRD is meeting its own climate commitments. However, there is limited clarity on what reporting mechanisms, both internal and external, will look like in practice. There is an intention to produce an Impact report (to be prepared by the Impact Team), although it is not clear if this report will cover the green MRV results.

75. **It is also not clear what extent the MRV data will be used to retroactively revise (ex-ante) ABI GET ratio achievements.** Qualitative evidence suggests that it is unlikely that there would be retrospective revisions, even when the MRV system highlighted that a component of the project critical for the GET calculation has been cancelled. Any formal revisions to GET ratio achievements might be challenging to implement in practice, but equally part of the value of the green MRV system is in establishing the credibility of the Bank's GET ratio calculations by comparing ex-ante estimates with ex-post results.

iii. Drawing lessons and developing feedback loops: There is no evidence of feedback loops that have been put in place to reflect on data generated by the green MRV system

76. **Green MRV data can support learning about what is and what is not working with respect to the Bank's green financing.** This requires thinking about the internal feedback loops – how to use data which shows success, or failure, and how that data is used in ongoing operations and in decision-making.

77. As EvD's recent *Connecting the Dots on Climate Finance[9]* pointed out, one of the nine key lessons from previous climate finance evaluation is that "Enhancing measurement and monitoring can help to incorporate climate change considerations into project design and appraisal for greater impact."

78. However, at this point in time, there is no clear plan on how to use data to generate useful learning loops that would allow the Bank to learn from its past experience. There is widespread recognition of the potential learning value of data from the green MRV, but realising that value will require structured learning and feedback processes and wider dissemination of useful lessons.

iv. Reporting to donors: There is clear demand for reliable ex-post from donors. However, it is not yet clear whether the MRV can respond to all donor demands

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9 Connecting the Dots Nov 2021: What does a decade of evaluation reports say about the future of International Finance Institutions' interventions in climate finance?

79. **EBRD donors have already been demanding verification of results of their programs, along the lines of their own indicator needs.** This has necessitated bespoke data collection processes on a project-by-project and donor-by-donor basis to fulfil these data requests.

80. **Having a universal system for collecting green data could be very helpful for donors.** However, it would be unreasonable to expect the MRV system to be fully aligned with the reporting requirements of all donors at all times given their diversity of demand. It not yet clear the extent to which the new MRV system will be able to respond to demand from donors, or if it will, inversely, make it more difficult for the Bank to continue the more ad hoc verification taking place for each donor.

v. Monitoring and ongoing project management: Questions remain on how the Bank will deal with any lack of green compliance, though requirements to report Green Project Monitoring Plan (GPMP) data will be covenanted in loan documentation

81. The requirements to report Green Project Monitoring Plan (GPMP) data will be included in the financing agreement. Triggering enforcement under the finance agreement would be the last resort after other measures have been applied and exhausted and therefore in the event of non-compliance, Banking, with the support of CSD, might work with the client, possibly with TC to help it in meeting its monitoring obligations. The potential resource implications of this should be assessed in this pilot phase.

82. This underlines the importance of securing strong client buy-in when establishing the GPMP and making sure that the client has or plans to have the systems and the ability more generally to deliver the expected (and covenanted) data. When relevant, ensuring that the client can benefit from collecting and sharing data about its compliance for its own monitoring and communication could be an incentive.

vi. Relationship to incentives: how data from the ex-post MRV system will be integrated into the current incentive/performance assessment remains unclear

83. The GET ratio is a powerful incentive for Banking teams. It provides an important part of how performance is rated within the Bank on an individual and team basis.

84. However, whether data from the Green MRV system will be integrated into the current incentive/performance assessment mechanism seems to be an open question – e.g. if differences are seen between ex-ante GET estimations and the ex-post Green MRV data, it is unclear currently if or how this would affect a team's performance assessment.

4. Suggestions stemming from the findings above to improve the evaluability of the Bank's approach to Green Finance

85. The Green MRV system significantly strengthens the evaluability of the Bank's green financing. Addressing some of the (potential) issues raised, either immediately or as part of the design of the next generation of GET, would enhance its evaluability —"*the extent to which the expected result of the EBRD's Green Finance are verifiable in a reliable and credible fashion*".

86. Further, the follow up EvD technical paper looking specifically at systemic change and how similar concepts are used and operationalised in other MDBs or funds might raise useful insights for GET. This will also take the issues raised in this paper and look at how they might be seen in the context of Green TI architecture, and pertinently, the nexus between GET 2.1 and Green TI when it comes to concepts, assessment and monitoring.

87. Suggestions regarding evaluability in principle aim to improve the clarity of EBRD approach to Green Finance and its objectives and its ability to monitor progress against them:

i. **The EBRD's approach to Green Finance (GET) would gain from being grounded in a more explicit programme Theory of Change linked with GET's "systemic change" approach**

ii. **Evaluability may be strengthened by considering a combination of physical impact and systemic change objectives with targets as part of the performance benchmarks for the GET approach.**

88. Suggestions regarding evaluability in practice aim at developing a better understanding of how to fully unlock the potential of the MRV system:

iii. **Resource implications of a fully functioning and effective MRV system - with respect to TC and internal human resources i.e. for what concerns data collection and analysis - need to be fully assessed during the first phase of implementation to avoid inefficiencies and to maximise value of the MRV.**

iv. **Continued learning from others, particularly on measuring adaptation, might help further progress EBRD data collection and evaluability in practice. Careful communication of the limitations of some green MRV data (e.g. on adaptation) may also be required to establish credibility**

89. And finally, suggestions regarding evaluability in use concern how to further clarify thinking on making use of the data to maximise its usefulness:

v. Evaluability may be strengthened by developing a strategic, comprehensive and transparent approach about how to use the ex-post data generated by the Green MRV system, both internally (i.e. how ex-post data may inform the future project design, mechanism of incentives) and externally (i.e. reporting integrated green ex-ante and ex-post data).

vi. Reviewing the use of the green MRV and integrating it within the revised EBRD Environmental and Social Policy that guides the EBRD's commitment to promoting "environmentally sound and sustainable development" in the full range of its investment and technical cooperation activities could support enforceability of data collection requirements and harmonization of different environment-related internal processes

Annex – Comparative analysis of how MDBs monitor green finance

This section offers a summary of the processes that are taking place in a small number of selected institutions, with the main intent of exploring some examples that could provide additional learning for the EBRD. The summary is based on both desk research and consultations. The institutions are the Asian Development Bank, whose statute is similar to that of the EBRD; the European Investment Bank, with similar commitments in climate finance, seeking to be "one of the world's main financiers of climate action and environmental sustainability"; and the Green Climate Fund, which by its very nature of delivering climate impacts as the financial mechanism of the UNFCCC, has developed a comprehensive and multi-level integrated results-based management framework which is applied by its accredited entities.[10] The aim of this section is to provide additional ideas to extract strengths and weaknesses of the various approaches, and determine whether these approaches, in part or totality, can be relevant for the Bank.

The Asian Development Bank

The most relevant guide is the **Monitoring and Evaluation of ADB's Climate Change Operational Framework 2017–2030** (published in July 2022) [11] which in its last review introduced several recommendations to simplify and reduce the number of indicators being collected (currently 45). Some indicators are also shared with other functions (sustainability related indicators).

Areas of inquiry	Asian Development Bank
Corporate pledges for / adoption of international environmental agreements and other corporate commitments (Paris Agreement, MDBs Climate Finance Tracking, Green Finance / Green Economy Transition equivalent, climate risk disclosures, GHG accounting, SDGs, ESS policies)	*Paris Agreement:* In July 2021 ADB committed to become Paris-aligned, achieving full alignment of its sovereign operations by 1 July 2023. Alignment of its non-sovereign operations will reach 85% by 1 July 2023 and 100% by 1 July 2025. *Adaptation to climate change:* As part of the post-Covid recovery for Asia and the Pacific, ADB also announced to scale up investments in adaptation and resilience, resulting in cumulative financing of USD9 billion for the period 2019–2024. *Climate Finance Tracking:* ADB is part of the WG for the MDB Climate Finance Tracking. Data (in Excel and CSV) on climate finance is publicly available https://data.adb.org/dataset/climate-change-financing-adb. Assessment is based on ex-ante analyses at project / programme preparation stage. *Climate-related Financial Disclosure:* ADB declared its support for the Task Force on Climate-Related Financial Disclosures (TCFD) in

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10 EBRD is a multilateral accredited entity at the GCF.
11 See: https://reliefweb.int/report/world/monitoring-and-evaluation-adbs-climate-change-operational-framework-2017-2030

	November 2021, reaffirming its commitment to building a more resilient financial system, increasing transparency, and safeguarding against risks from climate change through enhanced disclosure. SDGs: ADB is fully committed
How is Paris alignment conducted? What are the key criteria / indicators you are using?	Refinement on methodology ongoing. ADB will begin monitoring and reporting on "Paris-aligned" and "non-aligned" finance flows. This will be based on assessing if projects are consistent with the different countries' low-emissions development pathways, and if they are compatible with the overall climate change mitigation objectives of the Paris Agreement. With regards to adaptation, ADB will continue to manage climate change risks and identify opportunities to make ADB operations more adaptive and resilient against the impacts of climate change. Non-aligned projects can still be financed, but in those cases developing member countries must in place long-term strategies and accelerate the transition to low-emissions and climate-resilient development pathways.
Main Results Management System	The *ADB Results Management Framework*: In 2008, ADB introduced its first Corporate Results Framework (CRF) aligned with its long-term strategic framework, Strategy 2020. Since then, ADB has periodically revised the CRF to ensure its continued relevance, efficiency, and effectiveness as a performance management tool. The current CRF, covering 2019–2024, was approved in 2019 to align with ADB's Strategy 2030. It assesses overall development progress in Asia and the Pacific and ADB's effectiveness in delivering development results. The structure of *the ADB Results Framework* The Strategy 2030-aligned results framework *contains 60 indicators arranged in a two-section, four-level structure* as follows: Section I, consisting of level 1, tracks the collective regional development progress made by ADB's developing member countries throughout Asia and the Pacific. These indicators are aligned with the Sustainable Development Goals. Section II, consisting of levels 2, 3, and 4, measures ADB's performance in executing Strategy 2030 to maximize its development effectiveness. Level 2 focuses on the results of ADB operations that supported the seven Strategy 2030 operational priorities (this area includes tracking of environmental and climate indicators). Level 3 tracks ADB's performance in selecting, designing, financing, and implementing operations. Level 4 examines ADB's performance in managing the internal resources and processes that support its operations.

	The CRF indicators are complemented by 156 tracking indicators that enable ADB to monitor progress using a wider set of information. ADB makes these data and analyses publicly available.12 Specific to climate, ADB also has the Climate Change Operational Framework 2017–2030, comprising 45 performance indicators, including indicators on greenhouse gas (GHG) emissions, climate change adaptation, capacity building, and climate finance, as well as indicators to track progress in creating mechanisms to mainstream climate change into business processes and operations.
Which methodology do you follow for green and sustainable finance?	For *climate change adaptation and mitigation,* assumption is using the MDBs Climate Finance Tracking Methodology. *For other non-climate components* (circularity, pollution), the existence of a methodology (comparable to the 'green assessments' of the EBRD and associated process) was not obvious from desk research. For *climate risk*, ADB has a bespoke Climate risk management framework that is applicable to ADB projects. www.adb.org/publications/climate-risk-management-adb-projects This document describes the process for climate risk profiles and how a full Climate Risk and Vulnerability Assessment (CRVA) informs project design.
Are estimates of impacts (climate impacts, sustainability impacts etc) made ex-ante? Interim assessments? Ex-post?	Ex-ante
What are the key elements of the internal monitoring and evaluation policy (at project level)?	https://www.adb.org/sites/default/files/institutional-document/32509/guidelines-preparing-dmf.pdf
Is there an external (independent) evaluator and if so, what type of work have they undertaken in green / climate / sustainable finance?	Yes. The evaluations take place across all different sectors of the activities of the Bank. Recently, EvD finished a comprehensive evaluation on climate (www.adb.org/sites/default/files/evaluation-document/640341/files/te-climate-change.pdf)
Is there any difference in M&E if the transaction is donor-contributed or not?	Yes, a bespoke reporting system (e.g., GCF log-frame) can be considered.
What are the key elements of your current MRV? Is	Climate related No other 'green' determination, e.g., circularity.

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12 See https://www.adb.org/who-we-are/development-effectiveness/adb-results-framework#:~:text=In%202008%2C%20ADB%20introduced%20its,as%20a%20performance%20management%20tool.

there a bespoke 'green MRV'?	
Do you follow a Theory of Change /Impact Chain model when designing the structure of a project / programme and its reporting framework?	Yes, the guidelines for M&E frameworks in project details the impact chain. https://www.adb.org/sites/default/files/institutional-document/32509/guidelines-preparing-dmf.pdf
What is the internal governance to report on climate and Paris alignment commitments (who does what where)?	For PA and climate finance, through the Sustainable Development and Climate Change Department (SDCC). For data collection, in 2022, new recommendation on streamlining collection.

The European Investment Bank

Areas of inquiry	European Investment Bank
Corporate pledges for / adoption of international environmental agreements and other corporate commitments (Paris Agreement, MDBs Climate Finance Tracking, Green Finance / Green Economy Transition equivalent, climate risk disclosures, GHG accounting, SDGs, ESS policies)	The **Climate Bank Roadmap**13 details EIB's commitment to support investment in climate action and environmental sustainability of €1 trillion in the 2021 to 2030. 11 key areas of green finance (focus areas): i. Building greater resilience to climate change ii. Making homes energy efficient iii. Promoting green energy iv. Smarter more sustainable transport v. Greener industry vi. Eliminating pollution vii. Protecting nature viii. Farm to fork ix. Sustainable cities and regions x. Greening the financial system xi. Leading the green change globally Another critical element of the **EIB project interventions is the Additionality and Impact Measurement (AIM) framework14,** which was adopted in 2020. It replaces the 3-Pillar assessment (3PA) for projects inside the EU

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13 https://www.eib.org/attachments/thematic/eib_group_climate_bank_roadmap_en.pdf
14 https://www.eib.org/en/projects/cycle/monitoring/aim.htm

	and the Results Management framework (ReM) for projects outside the EU. The framework rests on three Pillars which are accompanied by project results indicators: • Why – the EIB should ensure alignment with EU policies and address less than optimal investment situations that result from market failures. • What – the EIB should lessen these sub-optimal investment situations and constructively shape investments in terms of scale, scope, structure, quality and/or time. • How – the EIB should contribute financial and non-financial support to the project that complements support from other organisations and sources.
How is Paris alignment conducted? What are the key criteria / indicators you are using?	EIB Board has committed to "align all its financing activities with the principles and goals of the Paris Agreement by the end of 2020". Drawing on the Agreement, this implies that financing activities need to be aligned with the Paris Agreement temperature and adaptation goals, and "consistent with pathways towards low-carbon and climate-resilient development pathways. 6 Building blocks (same as all MDBs). See Path Framework.
Which methodology do you follow for green and sustainable finance?	(For climate change adaptation and mitigation, assumption is using the MDBs Climate Finance Tracking Methodology) Path methodology
Are estimates of impacts (climate impacts, sustainability impacts etc) made ex-ante? Interim assessments? Ex-post?	Ex-ante only EIB is considering a similar approach as the one being proposed by the EBRD. Next year EIB will be carrying out an assessment of their *Climate Bank Roadmap*, looking at how the new strategy has achieved the objectives it has set and how it is possible to assess Paris alignment. Specific questions / areas that will be considered, are: 1) Formulate the ambitions to become a green bank – what does it mean? 2) How has it been put into practice? Looking at different streams to determine what change has happened, what new 'green' product development has taken place. 3) How can EIB measure this evolution?

	4) Will there be ex-post assessment to evaluate contributions to climate assessments? EIB introduced the issue of the costs of collecting all these data and asking the clients to keep comprehensive MRV systems compared to the increased (perhaps marginal) knowledge that it is generated. They are unsure as to whether this is justified or not. Potential risks: costs and representing a technical obstacle for the client. In their current M&E framework, EIB applies ex ante estimation of the AIM framework for additionality and impact measurement. It is possible to evaluate approx. 20 projects per year. To comprehensively evaluate all projects, track how they are performing against baselines, recalibrate their milestones and metrics, it is too costly.
Is there an external (independent) evaluator and if so, what type of work have they undertaken in green / climate / sustainable finance?	Yes. A recent evaluation is the **Evaluation of EIB support for Climate Change Adaptation (2015-2020)**, carried out in 2021 *https://www.eib.org/en/publications/evaluation-eib-support-for-climate-action-change-adaptation* There is also frequent informal involvement, e.g., to translate climate strategy into a results framework.
Is there any difference in M&E if the transaction is donor-contributed or not?	Yes, when EIB works with donors, it can be done bespoke (for that specific donor, not for all)
What are the key elements of your current MRV? Is there a bespoke 'green MRV'?	Yes Establishment of an integrated climate, environment and social risk management tool (at project level) (ii) Development of Climate and Environmental, Social and Governance (ESG) risk scores (portfolio and counterparty level) (iii) Development of social impact indicators (iv) Integration of relevant externalities and appropriate baselines into the economic appraisal (v) Adoption of life cycle assessment methodologies in the design, production and use of products and assets, where applicable (vi) Refinement and enhancement of tools, indicators, criteria and methodologies for the

	calculation, estimation and reporting of both GHG emissions of investments, projects, sectors, and where needed also of Short-Lived Climate Pollutants (SLCPs), and of climate-resilience metrics
Do you follow a Theory of Change /Impact Chain model when designing the structure of a project / programme and its reporting framework?	As part of the AIM framework, there is a fourth pillar that lists different outputs and outcomes that each project expected to achieve. This is what has been used. At the level of the roadmap, there was a logframe.
What is the internal governance to report on climate and Paris alignment commitments (who does what where)?	Shared responsibilities here - Check with the results management teams; there are a mix of

Green Climate Fund

There are several pillars underpinning the full monitoring and evaluation framework at the Green Climate Fund. These pillars, described below, include the Evaluation Policy; the Integrated Results Management Framework; the eight results (or impact) areas, four in mitigation and four in adaptation to climate change; the theory of change. The GCF logical framework brings these dimensions together in the logical framework ('log-frame). The full analysis and details on the GCF systems are in Annex 2.

Key advantages:

- ➢ The GCF is a relatively new fund, properly operational since 2013; it has therefore absorbed some of the latest thinking on evaluations and effectiveness and efficiency of public-contributed resources.
- ➢ The logical framework is aligned with the theory of change, which in turns details the chain of impacts between activities and overall objectives.
- ➢ GCF provides for core indicators (all projects must have); and additional indicators (based on projects).
- ➢ GCF also consider developmental co-benefits.

Potential disadvantages:

- ➢ GCF key interventions are focused on climate change mitigation and adaptation – as such, it could be said that the context is simpler than, for instance, that of EBRD transactions.
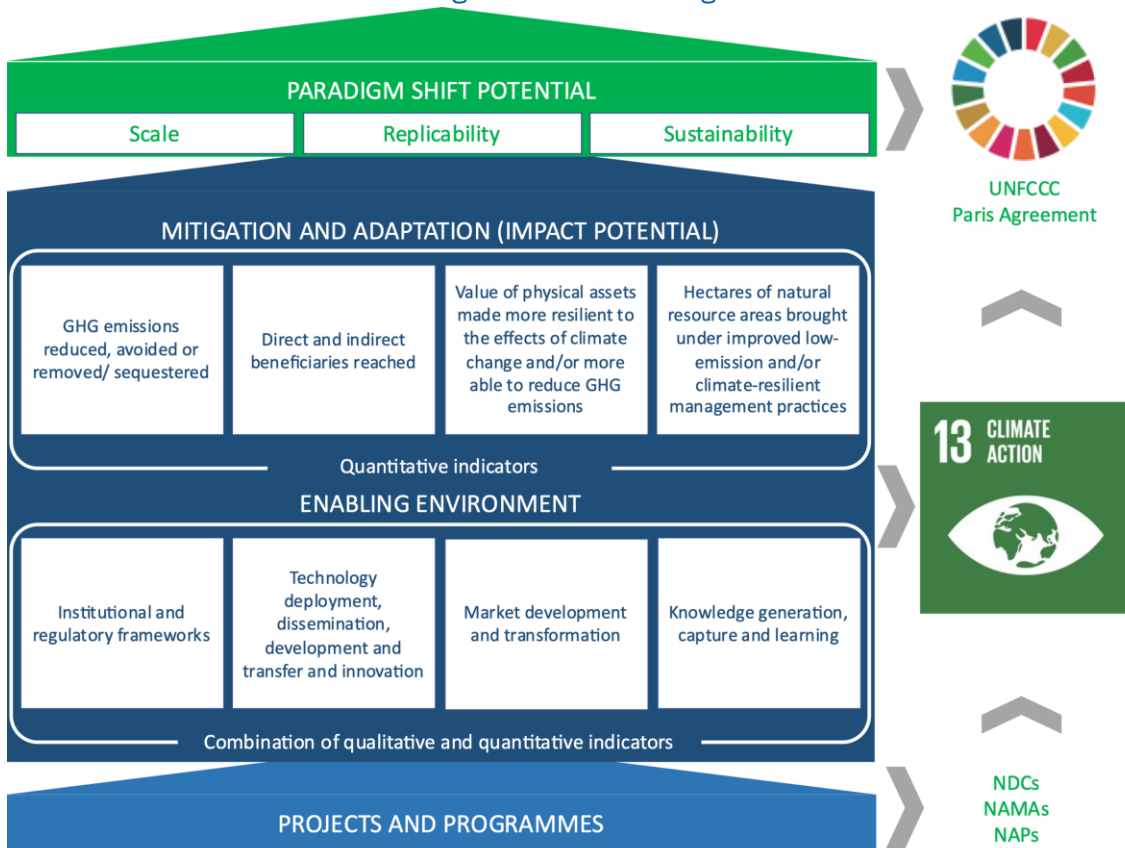
The GCF Integrated results management framework (IRMF)

The GCF IRMF sets out the approach to assessing how investments deliver climate results and how results contribute to the overall objectives of Fund. The IRMF is designed to be fully aligned with the three key investment criteria (paradigm shift, sustainable development and impact potential) of the initial investment framework, which define the project and programme eligibility and selection criteria.

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Table 1: Overall structure of the integrated results management framework

Source: GCF