



Thematic

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Approach Paper

Early-Stage Evaluation of EBRD's Digital Approach (2022-2024)

EBRD INDEPENDENT EVALUATION DEPARTMENT •
December 2024

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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 IEvD.

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1. Introduction and rationale

Digital technologies and internet connectivity are transforming lives, creating opportunities, and advancing economic development around the world. For businesses, digital technology can for instance improve decision-making, increase efficiency, facilitate innovation, and expand markets.¹ On the other hand, despite the potential of digital technologies to create immense socioeconomic benefits, their uneven deployment, adoption, and use have created “digital divides” across individuals, businesses, and countries. The benefits and risks of digitalisation are interconnected and reflect its trade-offs and complexity.²

EBRD's Transition Report 2021-2022 noted that large digital divides had emerged across countries. The gap between the EBRD regions and advanced economies was particularly striking for advanced technologies. This report found that underdeveloped digital skills are the main constraint impeding digital upgrades to economic systems in many EBRD regions.

The EBRD's ambition is “to play a key role in narrowing the digital divide in terms of access, affordability, and skills across its investee economies and to improve economic opportunities for underserved groups”.³ The DA adds that the ambition is to **support clients leverage the benefits of digital technologies to achieve transition goals**. The current challenge is vital, as economies that are unable to embrace the opportunities or manage the risks of the digital transition, are in danger of being trapped behind a new “Silicon Curtain” dividing the online world from the offline one.⁴

To start collecting evidence-based information on how EBRD is performing in this area, the Independent Evaluation Department (IEvD) is conducting an early-evaluation of EBRD's approach to accelerating the digital transition (Digital Approach) as part of its 2025-2027 Work Programme. The Programme was determined after consultations with the Bank's Board and Management. It is aligned with the Bank's institutional priorities, including accelerating the digital transition that is one of the three cross-cutting themes of the SCF 2021-2025.

EBRD's operational delivery in this space is currently still at the very early stages. Following the adoption of the Digital Approach, the Digital Hub was established in 2022 to coordinate EBRD's digital work: “by 2025, the Bank will have [...] launched comprehensive and coherent activities to help countries of operations leverage the digital transition as an enabler of transition across all sectors”.

The early evaluation of implementation of the commitments of the Digital Approach 2021-2025 is designed to feed into the development of the Digital Approach 2.0, to be presented in Q4 2025. This Approach Paper outlines the objective, scope and methodology proposed by IEvD for this early evaluation. The timeline is set to provide insights, lessons, and recommendations to the Digital Hub to inform the next stage of the Digital Approach.

¹ Liu, Yan; Qiang, Zhenwei. Digital Progress and Trends Report 2023 (English). Washington, D.C.: World Bank Group. <http://documents.worldbank.org/curated/en/099031924192524293/P180107173682d0431bf651fded74199f10>

² Ibid.

³ <https://www.ebrd.com/ebird-digital-offering.html>

⁴ <https://intranet.ebrd.com/Corporate-Strategy/EBRD-digital-approach-2021-25.pdf>

2. EBRD Digital Approach

2.1. Strategic Context

EBRD's SCF 2021 – 2025⁵ references the Transition Report 2018-19 on EBRD's countries of operations generally lagging in their ability to reap the benefits of the digital transition and fourth industrial revolution's wave of innovation. Consequently, one of the goals in this SCF period is for the Bank to work with countries and clients to leverage the digital transition in pursuing transition impact (Annex 1).

The Transition Report 2021-2022 introduced a new index of digital transformation and found large digital divides across economies in the Bank's regions. The economies with the highest levels of digitalisation are Estonia, Lithuania, and Slovenia. Those with the lowest are Tajikistan, Turkmenistan and the West Bank and Gaza. The report concluded that most economies in the EBRD regions lag far behind the average level of digitalisation seen in advanced economies (Annex 2).

The Transition Report 2023-24⁶ carries over the digitalisation theme and its importance. The report highlights that governments should invest in robust digital infrastructure; economies should invest in digitalisation to leverage the expansion and reshaping of cross-border exports of services, digitalisation facilitates a greener economy; and access to internet services and digital skills drives inclusion TQ scores. In terms of gaps, it notes that Information and Communication Technologies (ICT) skills have declined in West Bank and Gaza; and significant gaps in digital infrastructure remain in Central Asia (Annex 3).

Digital solutions are a component in achieving progress against other strategic themes of the SCF including Bank's efforts to reduce carbon emissions on one hand and foster equality of opportunity on the other:

- **The Green Economy Transition approach (GET 2.1)⁷** proposes that one of the ways that EBRD will support the acceleration of the transition to a green, low-carbon and resilient economy is to scale up investment by innovating across a set of specific environmental and climate mitigation and adaptation thematic areas such as green digital solutions.
- **The Strategy for the Promotion of Gender Equality 2021-25⁸** argues that digitalisation can offer important opportunities; to ensure a gender equal future, it is essential that its application is responsible and its use accessible.
- **The Equality of Opportunity Strategy 2021-2025⁹** intends to enable the development of new types of investments targeted to promote digital skills. These investments are to focus on areas where skill gaps remain large and address mega trends such as digital.

⁵ Strategic and Capital Framework 2021-2015 (BDS20-30 (Final)). Annex 2 summarises the references to digitalisation in the SCF 2021 – 2025.

⁶ Digitalisation in the Transition Report 2023-24: Transitions big and small (SGS23-265). Annex 4 summarises the references to digitalisation in the Transition Report 2023-24.

⁷ Green Economy Transition Approach 2021-2015 ((BDS20-082) (Final)).

⁸ Strategy for the Promotion of Gender Equality ((BDS21-133 (Final)).

⁹ Equality of Opportunity Strategy (2021-25) (BDS21-134(F)).

The SCF 2021 – 2025 underscores that the Bank's commitment to accelerate the digital transition is new whereas the Bank already worked, at least to some extent, in other areas of strategic emphasis; mainstreaming work on both accelerating the digital transition, and on equality of opportunities is less advanced, compared to its well-developed approach to supporting a green, low-carbon transition.

The SCF 2021 – 2025 ambition for digital transition is that “by 2025, the Bank will have [...] launched comprehensive and coherent activities to help countries of operations leverage the digital transition as an enabler of transition across all sectors”.

The SCF 2021 – 2025 identified digital technology as an enabler of transition impact across the EBRD's transition qualities, rather than an end (objective or goal) in itself. The SCF expectation was that after conducting further analysis, the Bank would develop an approach paper setting out how it would take this crosscutting strategic theme forward and would discuss it with the Board of Directors in 2021. This Approach was ultimately delivered at the end of 2021, as detailed in the next section.

2.2. EBRD's Digital Approach

The Board approved EBRD's approach to Accelerating the Digital Transition, 2021-2025 (Digital Approach) at the end of 2021. This document is not a strategy, but rather sets up a framework for delivering on the digital SCF commitment.

The Digital Approach recognises this to be EBRD's first step on a new digital journey and is the first time the Bank has set out a comprehensive digital approach. It highlights nonetheless that the Bank is not starting from scratch. Several of the EBRD's private-sector clients and economies in which it invests have already adopted technological solutions, often with EBRD support and financing. Since 2013, the Bank's Knowledge Economy Initiative emphasised both the potential for ICT and the need to promote a broader innovation ecosystem. The Approach references an informal mapping, which showed that at that point, EBRD had delivered around 200 projects with a digital dimension in recent years.

The Digital Approach presents how the Bank would launch comprehensive and coherent activities to help clients and countries of operations leverage digital technologies in support of their overall transition ambition. The expected target for the Digital Approach to deliver on its intentions is by Q4 2025.

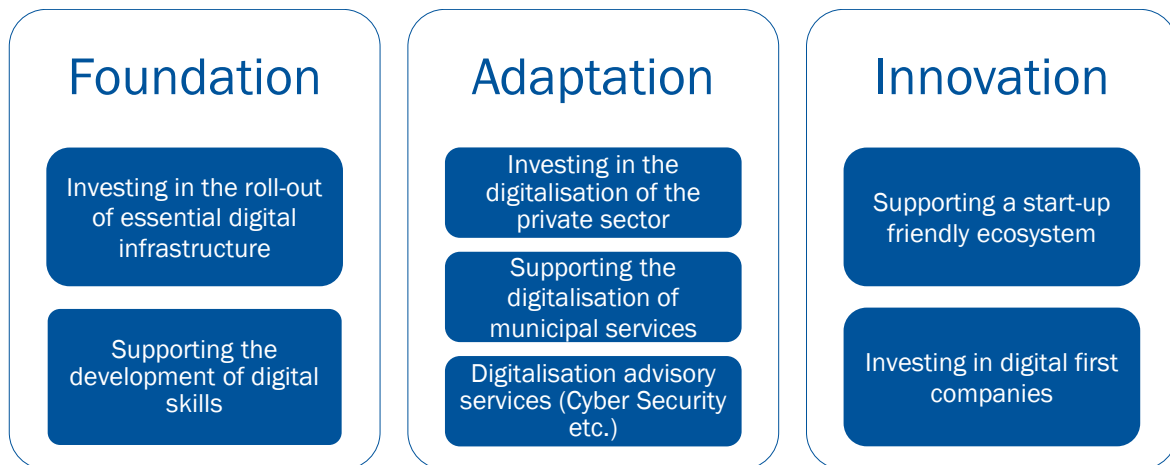
The Bank set up the Digital Hub to support the implementation of the Digital Approach in 2022¹⁰. It is a team of dedicated digital specialists with a mandate to coordinate the EBRD digital work, track progress and provide support and guidance to the relevant teams, including on managing associated donor funds. The Digital Hub also takes the lead on external engagement and outreach.

¹⁰ The Hub is embedded in Policy Strategy & Delivery within VP3, and reports to its MD.

The Digital Hub's work is structured around the three areas of focus of the Bank's Digital Approach (Figure 1).

- **Foundations** of a sustainable and inclusive digital economy by promoting appropriate policies and regulation, access to connectivity through infrastructure and a skilled workforce.
- **Adaptation** of organisations by providing access to finance, technical cooperation and advisory services that support the digitalisation of services, assets, business processes and value chains.
- **Innovation** and sustainable growth among digital-first clients through an ecosystem of policy and advisory services, as well as debt financing and direct and indirect equity investments.
- Roll-out of **cybersecurity** support activities for projects featuring digital components (digital project).

Figure 1: EBRD's Digital Approach (Areas of Focus)



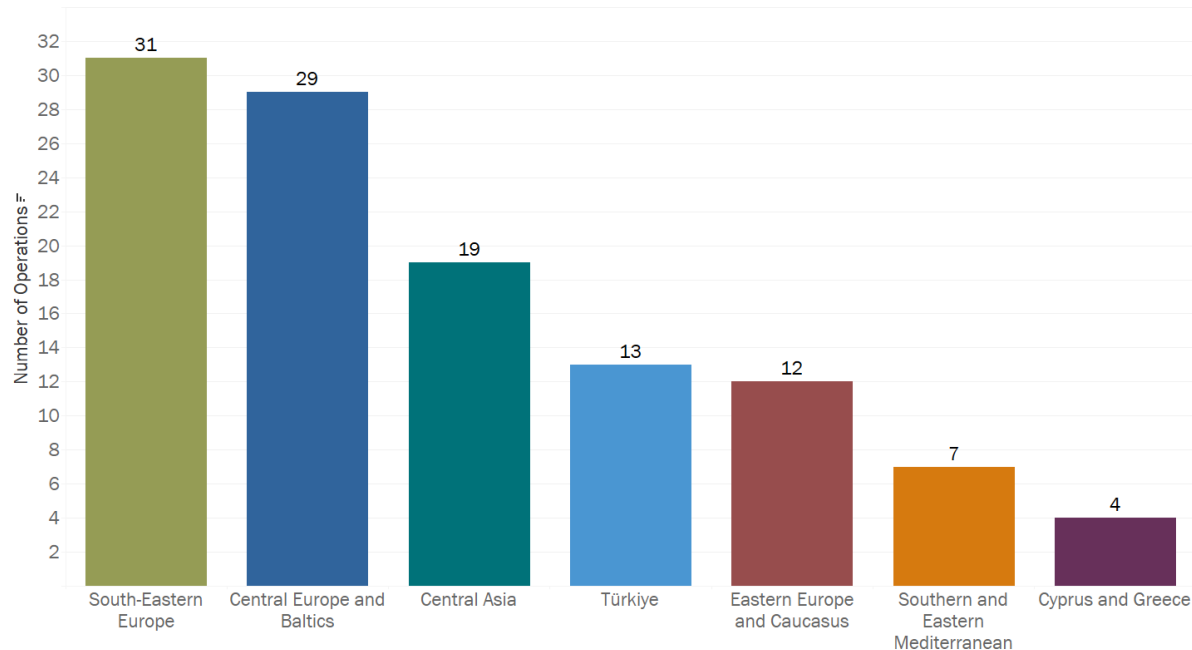
The Digital Hub launched a new process in May 2022 to track EBRD investments that feature **digital as an enabler of transition**. This represented the first cross bank effort to systematically track the Bank's digital activities. The Hub "tags" projects that are considered aligned with the goals of the Digital Approach, i.e. those that comprise components that deliver on the areas of focus and that contribute to the investment's expected transition impact.

The Digital Hub has performed the digital tagging for projects approved in 2022 onwards. It applies this tracking methodology to investment projects only.

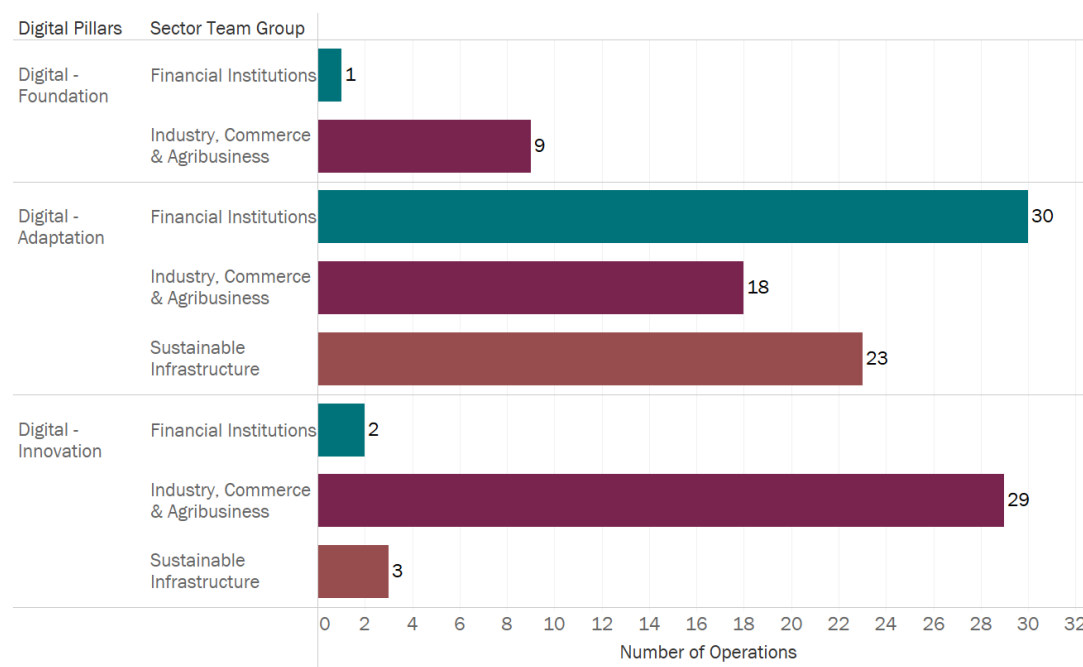
2.3. Portfolio Snapshot

Since 2022, new operations and existing projects with new tranche disbursements have been tagged. These projects constitute the tagged portfolio (also called “the digital projects” in the rest of this document). A preliminary portfolio analysis of EBRD’s digital projects conducted at the time of this approach paper draft, covering 2022-Q2 2024 shows:

- **Instruments:** The portfolio comprises investment projects and transactional TCs. In some cases, the TC is the element that renders a project digital, but a project can have both a digital component (CAPEX investment) and a TC with a digital component.
- **Overall volume:** The Bank’s digital-tagged portfolio consists of 115 projects. It is not possible to provide a sense of the digital activities’ investment volume as the available data does not disaggregate amounts by project component. Exhibiting ABI figures would considerably overstate the investments in digital.
- **Maturity of the portfolio:** The digital-tagged portfolio is not mature. Most projects are fairly young, having only recently been approved, signed, or just started disbursing.
- **Digital implementation:** The Bank’s available information on operation status applies to the entire project. There is no specific information on the implementation status of the digital components within each project. For instance, a project may become largely advanced in its execution, but the digital component may not have started. A project may also reach the status of “completed” without having implemented the digital component if operation changes arose along the way.
- **Regional Concentration:** In terms of EBRD regions (Figure 2), the South-eastern Europe (SEE) and Central Europe and Baltic (CEB) States regions comprise over half the total number of digital-tagged projects (Figure 2). At the country level, the highest number of projects were Regional (17), with the majority located in Central Asia (11). Türkiye as a single country had the most projects (13).

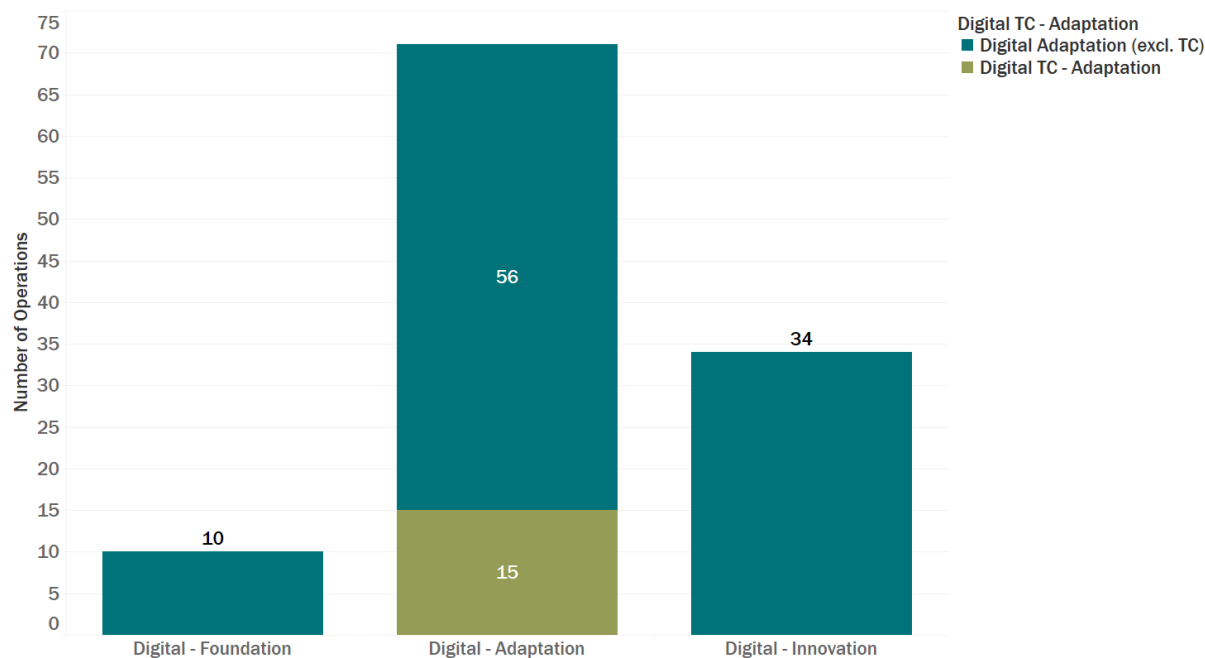
Figure 2: Number of digital-tagged projects across EBRD regions.

- Sector Concentration:** In terms of sectors (Figure 3), almost half of the digital-tagged projects (56) fall under Industry, Commerce & Agribusiness (ICA), of which 50% belong to the Telecommunications, Media and Technology (TMT) sector team. Financial Institutions (FI) account for just under a third of digital-tagged projects (33), of which 75% are in the Depository Credit (banks) subsector. Finally, 23% of operations are in the Sustainable Infrastructure Group (SIG), of which roughly 40% belong to the Energy team (10).

Figure 3: Digital-tagged projects across Sectors

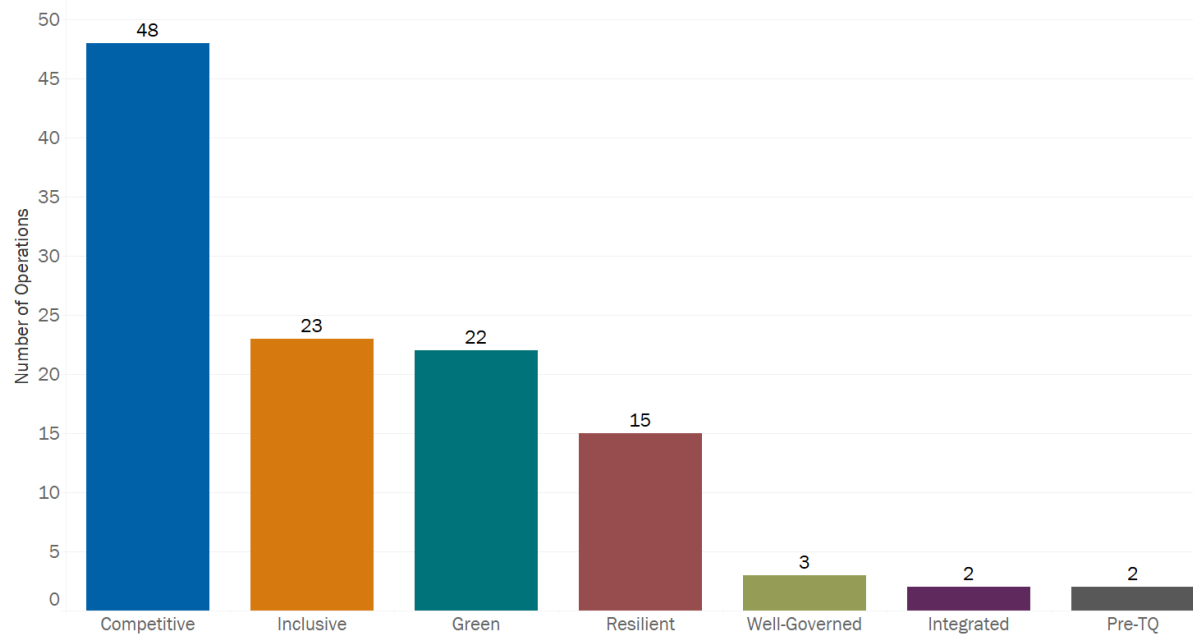
- Distribution across areas of focus:** Figure 4 shows that only 9% of projects are considered aligned with the Foundation area of focus. The lion's share of projects tagged as digital are considered to have the potential to deliver on Adaptation, with the largest number located in the SEE region. Almost a third of the tagged projects are in line with the area of Innovation, with the CEB region possessing the largest number of these.

Figure 4: Digital-tagged projects across digital areas of focus



- Transition Qualities:** Just over 40% of the projects tagged as digital have Competitive as their primary TQ, with over half of them signed in the SEE and CEB regions. Inclusive and Green as primary TQs follow behind with approximately 20% of projects each. Well-Governed (3) and Integrated (2) are the TQs with the fewer projects aligned to the digital areas of focus.

Figure 5: Digital-tagged projects – Primary Transition Qualities across digital areas of focus



- Portfolio Class:** Eighty-two percent of the digital portfolio is classified as private sector, with the balance categorized as state (21). More than half of the state projects have green as their primary TQ. Over 56% of private sector projects and 85% of state operations intend to deliver on the Adaptation area.

3. Evaluation Methodology

3.1. Objective and scope

This thematic evaluation intends to provide an early assessment of the implementation of the EBRD's Digital Approach so far, recognizing that target for realising its commitments concludes in Q4 2025.

The evaluation will look at the efforts in implementing the Digital Approach through the lens of the projects that have been tagged as “digital” as catalysers of transition impact (i.e. where the leverage effect has been or can be maximised). The evaluation recognises that implementing the Digital Approach is a Bank-wide endeavour (including the portfolio tagged as digital according to the tagging methodology, along with other digital interventions such as non-transactional technical cooperations and donor-funded ASB activities), with a portfolio of projects that pre-dates the Approach. It focuses on the digital-tagged portfolio when looking at projects, with the understanding that these projects materialise the concept of digitalisation as an enabler of transition impact. The evaluation will cover the 2022-2024 period, i.e. the timeframe since the adoption of the Digital Approach.

Given this relatively young portfolio, assessing delivered results or the effect of digitalisation on transition impact would not be adequate for this evaluation at present. Evaluating the effectiveness and impact of digitalisation as an enabler of transition impact will potentially be feasible after the first stage of the Digital Approach closes at the end of 2025. Throughout Digital Approach 2.0, a larger number of projects with digital components will have likely reached sufficient maturity¹¹. However, early evidence of results will be captured and reported as possible within the scope of this evaluation.

3.2. Other relevant work

Findings, lessons, and recommendations from this evaluation will benefit from other IEvD products, completed or forthcoming. IEvD provided preliminary comments to the Digital Approach draft in Q4 2021 and presented its perspective on outstanding questions. This assessment will build on the upcoming operation evaluation of the technical cooperation to Support for the Digitisation of Custom Procedures in Moldova. It will also take advantage of the work undertaken in the Case Study of the Kafr El-Sheikh Wastewater Expansion Project¹². As this evaluation will focus on investment projects, it will complement the IEvD's coverage of advisory services of the Evaluation of the Small Business Initiative (SBI) - Phase 1, policy engagements under the

¹¹ Indeed, IEvD is currently conducting an operation evaluation with a digital component. No projects under the Digital Approach are evaluation ready. Mature enough digital interventions predated the Approach, and thus an older operation was ultimately selected. Likewise, an IEvD knowledge product on digitalisation faced the same predicament, and looked at a project which precluded the SCF 2021-2025 digital ambition.

¹² Understanding. Digitalisation: Case Study of the Kafr El-Sheikh. Wastewater Expansion. Project. <https://www.ebrd.com/documents/evaluation/understanding-digitalisation-case-study-of-the-kafr-elsheikh-wastewater-expansion-project.pdf>

forthcoming Evaluation of the EBRD's policy engagement: performance and results (2017-2023), and innovation in the Evaluation of the Venture Capital Investment Programme I. A synthesis of the relevant findings of these pieces is presented in Annex 4.

EBRD's Internal Audit recently conducted an assessment of the Management's approach to the delivery of the SCF cross-cutting strategic priority around accelerating digital transition (February 2024), as referenced to in the introduction. At its design stage, there were consultations between Internal Audit and IEvD on the areas covered by the assurance audit, so that the scopes of the assessments remain complementary.

Box 1: Areas covered by the Internal Audit Report on SCF Digital priority implementation

Scope: The report assessed the design of key controls around measuring success, roles and responsibilities, monitoring and reporting to ensure successful implementation of the SCF Digital priority, as specified in the Digital Approach.

Areas assessed	Areas out of scope
Measuring success: Whether the Digital Hub has developed a Digital Approach delivery method underpinned by specific targets, timelines and actionable steps.	Resources: Appropriateness of resources needed for Digital Approach implementation.
Roles and responsibilities: whether the roles and responsibilities for the Digital Approach delivery have been clearly defined and communicated within the Bank.	Outcomes: The adequacy of the progress and quality of outcomes achieved to date.
Monitoring and reporting: whether the Digital Hub effectively monitors and reports on Digital Approach progress to identify and flag emerging risks and issues early and adjust the plan as necessary.	Strategic Alignment: Whether the Digital Approach approved by the Board of Directors (which also benefited from IEvD inputs) is aligned with the SCF Digital Strategic Directive, which was taken as a baseline for the current audit.

Source: Internal Audit Report IAR 23/02

This exercise will not duplicate the Internal Audit's assessment on SCF Digital Priority Implementation and will complement its findings. These were presented to the Audit and Risk Committee in February 2024. Box 2 summarises the key findings.

Box 2: Findings of the Internal Audit Report on SCF Digital priority implementation

Management engaged in multiple activities under the SCF Digital strategic umbrella without defining a robust structure for ensuring success. Consequently, it is difficult to determine if the Bank is on track, ahead or behind to achieve the desired level of ambition by the end of SCF in 2025.

[..] for the next phase, the Digital Hub needs to adopt a robust approach to planning delivery of the Digital Approach, which should include clear timelines, deliverables and roles and responsibilities and,

hence, adequate grounds for monitoring and reporting on the Digital Approach progress. This would reduce current ambiguity in assessing progress with the SCF Digital priority implementation and ensure the effectiveness of the Digital Hub's strategic direction.

[...] this issue stems from the lack of strategic direction supported by adequate capacity/capability needed to take the EBRD's Digital Approach from the initial 'start up' phase to the next implementation phase of this new/incremental strategic priority.

Source: Internal Audit Report IAR 23/02

Findings from the Internal Audit's assessment on the SCF Digital Priority Implementation will inform the evaluation, which will aim to complement areas the audit did not cover (e.g. Strategic Alignment).

3.3. Evaluation Questions

The overarching question for this evaluation is: **To what extent has the EBRD launched comprehensive and coherent activities to help countries of operations and clients leverage digitalisation as an enabler of transition across all sectors?**

This question cascades into the sub-questions below that will guide the evaluation work. The sub-questions correspond to the OECD-DAC criteria of relevance, coherence, and effectiveness and efficiency. EQ1 will review the Approach's fitness of purpose, design, alignment with EBRD strategies, and internal coherence with other EBRD work. EQ2 will cover the effect on relevance, design of projects, additionality, and external coherence. EQ3 will be about the broader corporate perspective, looking at the implementation of the Approach internally, integration in internal processes and common understanding, and the potential effect on the portfolio.

EQ1. Is the EBRD's Digital Approach "fit for purpose" to help the Bank meet its digital strategic priorities? [Relevance; Internal Coherence]

"Fit for purpose" refers to being well suited for a designated purpose. The evaluation will review the extent to which the intervention logic and design of the Approach propose a plausible means of fulfilling the SCF ambition, considering both its scope and context. The assessment will focus on the Approach itself and in particular:

- the soundness of its design logic against EBRD's priority actions to accelerate transition as presented in the SCF 2021-2025;
- its evaluability; and
- the adequacy of identification and incorporation of the lessons of past experience.

The evaluation will look at how the Approach and its activities align with the Bank's mandate and key strategic objectives. IEvD will examine whether and how well the Approach and its activities integrate into Country Strategies, Country Diagnostics, Sector Strategies, and origination of projects.

EQ2. Is the Digital Approach adding to EBRD's relevance for clients and partners? [Relevance, External Coherence]

A critical assumption underlying digitalisation as an enabler of transition impact is that it brings additional value into EBRD's operations. This question will test this specific assumption. This will be done at different levels:

- The evaluation will review whether the projects' digital components respond to the digital needs of clients and/or contribute to closing digital gaps at the national or regional levels.
- The evaluation will examine whether digitalisation is operationalised in the projects in a way that strengthens the Bank's additionality claims.
- Finally, the evaluation will assess the complementarity between the EBRD digital priorities, Approach, and definitions of digitalisation with those of national governments, other IFIs, and supranational organisations such as the EU taxonomy and the New EU digital operational Resilience ACT.

EQ3. How and to what extent has the EBRD's Digital Approach been implemented? [Effectiveness/Efficiency]

The evaluation will look at the extent to which the Digital Approach has achieved, or is expected to achieve, its commitments. It will provide an early assessment (one year ahead of the target deadline) of the progress and achievements. The evaluation will assess progress against proposed results in the Approach, possibly reconstructed (more details in the section below on methodology). The evaluation will also review what comparator institutions are doing in the digital space to identify practices. It will examine different dimensions of implementation:

- The evaluation will investigate if and how effectively the digital ambitions have translated into operational processes and capacity building so far. This will include if and how digitalisation has been integrated into the TQ and incentives systems (e.g. scorecard targets, etc). It will also review how the digitalisation is integrated in the tagging methodology. In addition, it will assess if concepts of digitalisation, enabling and accelerating of digital transition are understood, shared and embraced by Bank staff, clients, and other stakeholders.
- The evaluation will also assess the potential effect of the Approach on the portfolio. It will analyse sectoral distribution in terms of projects, project components, and objectives. It will analyse the prioritisation of areas of focus, countries, regions, sub-sectors and clients. It will also assess if and how the distribution aligns with identified gaps in transition, and if concentration was prioritised in the countries or regions with the wider gaps.

The evaluation will provide an initial (and tentative) perspective of resources vis-à-vis the SCF and Digital Approach ambitions and their expected timelines. Contingent on the availability of information, the evaluation will provide an early opportunity to assess whether implementation progress so far is consistent with the level of resources allocated and utilised under the Digital Approach to date. An examination of how well the Digital Approach implementation has been so far managed will provide insights on operational efficiency.

These evaluation questions and their relevant evaluation methods are tabulated in detail in the Evaluation Matrix (Annex 5).

3.4. Evaluation Methods

IEvD plans to reconstruct a results framework against which to evaluate the Approach's objectives, based on the available information. The Approach presents a “stylized theory of change: digitalisation for greater impact on EBRD TQs” (Annex 6) and a performance dashboard for digital transition (Annex 7). IEvD will prepare a preliminary indicative logical model to illustrate how digitalisation activities contribute to a chain of results leading to “catalysing” intended or observed impacts.

The evaluation will employ a mixed-methods approach. It will utilise a range of techniques for data collection and analysis, drawing from both qualitative and quantitative sources of evidence. The findings will be systematically validated and triangulated to ensure their accuracy and reliability. The evaluation methods IEvD will use to conduct this assessment include:

Data analysis and document review: From internal and external sources:

- EBRD documentation on the Digital Approach, Digital Hub, EBRD strategic documents, EBRD diagnostics.
- EBRD data on digital-tagged portfolio sourced from both the Bank's datasets and the Digital Hub's. Project-level documentation, including approval and monitoring reports.
- External data sourced from global reports on digitalisation, digital competitiveness, and digital strategies and evaluations from other IFIs, supranational directives and reports on digitalisation.

To the extent possible, the evaluation will explore the use of AI tools for systematic review of specific aspects of project design in response to EQ2 in particular.

Semi-structured interviews: They will inform EQ1, EQ2, and EQ3 and include representatives from all relevant entities, including but not limited to:

Internal:

- EBRD Digital Hub
- EBRD Sectors
- EBRD Banking Operations
- EBRD Resident Office
- EBRD Impact Team

External:

- EBRD clients
- IFIs working in Digital Transformation
- Government Ministries responsible for digital transformation
- Local think tanks, business associations invested in the digital themes
- Civil Society

Case Studies: these will be country case studies. The evaluation will look at the project-level documentation of a sample set of digital-tagged operations and individually assess the digital components and how they correspond to EBRD's strategic objectives. IEvD will conduct field visits

to investigate concretely the added value of digitalisation in tagged projects, EBRD activities in the digital space, and the overall coherence of EBRD's approach with partners. Case studies will contribute mainly to respond to EQ2.

The selection of country case studies will follow predetermined criteria:

- **Transition relevance:** Countries presenting significant gaps in digital infrastructure and overall larger transition gaps¹³. IEvD analysed the assessment of transition qualities (ATQ) scores and related digital indicators, both presented in the Structural Reform chapter of the EBRD transition report, as a starting point. The Transition Report 2021-2022 introduced a new index of digital transformation and highlighted digital divides across and within countries.
- **Sectoral distribution:** Distribution analysis of digital-tagged projects across sectors and subsectors.

The evaluation will undertake up to three country case studies. The sample will cover at least one country from the regions presenting larger gaps, and may include one advanced comparator country. Based on the preliminary documentation and portfolio analysis, three countries are envisaged for case studies, Kazakhstan, Morocco and Poland.

The selection of case studies will be confirmed once the evaluation work begins, specifically after a thorough analysis and deep-dive of the digital portfolio, and consultation. This analysis will be based on the updated reconciled dataset for the 2022-2024 period, which is expected to be provided by the Digital Hub. The digital portfolio does not indicate which or how many components are identified as digital. IEvD will gather this necessary information to focus and refine the selection. It will also consult with the Digital Hub, banking sector teams and portfolio colleagues (both in Head Quarters and Resident Offices) leading on potential sample projects. These preliminary considerations are subject to change as the evaluation work develops.

3.5. Risks and Mitigation Actions

This evaluation is the first of the recently established Digital Approach and Digital Hub. There are risks that may impact the conduct of the evaluation to varying degrees. IEvD identifies the following challenges and the actions to mitigate them.

The availability and quality of information, comprising project portfolio and digital components. The dataset for digitally tagged projects does not specify the digital components in each project identified as digital. The digital component's implementation status is not indicated nor separated from the projects' implementation statuses.

The amount of investment of the digital components is not indicated nor separated from the project's ABI, or disbursement.

The complexities of both separating and reconciling digital component nested within larger projects may represent a heavy burden on the evaluation team. The evaluation team is building

¹³ The Transition Report 2023-24 indicates that under the Integration TQ, economies in the EBRD regions continue to lag behind advanced comparators. In most Central Asian economies there are significant gaps in digital infrastructure.

productive relations with the Digital Hub colleagues and intends to do the same with the operation leaders of the case studies' projects. Ensure mutual trust and understanding will facilitate requesting the assistance in procuring additional data that may represent additional work for these counterparts.

The evaluation team will also rely on data collected from clients to triangulate the information on the projects' components.

Quality of monitoring and reporting of the implementation progress of digital components.

There is a risk that this information is not available or is not of sufficient quality. Substantial time and effort on behalf of the evaluation team to gather primary data, including from Banking teams and clients may affect conducting the assessment. Access to all project data and information through various systems, such as DTM and ProjectLink will be crucial to manage this risk, as well as close engagement with the banking and portfolio teams.

Small main counterpart team. It is composed of only three full-time staff, supported by some donor-funded resources and secondments. The risk is that the team may not have a lot of time to engage with IEvD and support the evaluation. The evaluation team has already started to develop a cooperative relationship with the Digital Hub colleagues. It has consulted with them to introduce the work to be performed, highlight the importance of the evaluation for the Board, Management, and beneficiaries, and underscore how the findings can be useful (and used) to them, especially for the development of the Digital Approach 2.0. A good working relationship has been established, and IEvD intends to continue building and managing productive relations.

4. Administrative Arrangements

4.1. Evaluation Team

The evaluation team is composed of Alejandra Palma, Principal II, Evaluation Manager, Karin Becker, Principal II, Evaluation Manager, Bilgehan Kayalar, Principal I, Evaluation Manager, and Sofia Keenan, Analyst, under the supervision of Samer Hachem, Director of the Sector, Country, and Project Division.

To bolster this evaluation, the team will be supported by an expert in digitalisation and development digital transition, an independent consultant, and a junior consultant.

An internal IEvD peer reviewer and an external reviewer will be confirmed at a later stage.

4.2. Management Counterparts

The key management counterpart for this evaluation is the EBRD Digital Hub team. IEvD will also consult with teams from across Banking leading digital-tagged operations, as well as Policy Strategy and Delivery (PSD), and Advice for Small Businesses (ASB) Teams. IEvD will also liaise with Management focal points including the Impact team.

4.3. Deliverables and Dissemination Plan

The main deliverable of this evaluation is a report of up to 30 pages with findings, lessons, and recommendations. IEvD will also prepare and deliver a presentation of the evaluation to the Board's Audit and Risk Committee.

IEvD will also prepare and disseminate in coordination with its Evaluation Knowledge Management unit:

- Evaluation summary one-pager
- Flyer
- Presentations to the relevant EBRD teams
- Intranet Blog
- Social media posts, including LinkedIn
- Circulation communication to evaluation networks, including EvalNet and ECG

4.4. Indicative Timeline

Milestones	Delivery
Launch	May 2024
Draft Approach Paper circulated to Management	August 2024
Approach Paper approved and finalised	December 2024
Consultants recruited	December 2024
Evaluation work (interviews, desk review, field visits, portfolio analysis)	December 2024 – May 2024
Draft cleared by Chief Evaluator and shared with Management for comments	May-June 2025
Review of Management comments and final report approved by Chief Evaluator	June 2025
Final report distributed and presented to the Board (ARC discussion)	Q3 2025
External publication of the report	Q3 2025
Communication of evaluation results across networks and through social media	Q3 2025
Dissemination event(s)	Q3 2025 onwards

ANNEXES

Annex 1. Digitalisation in the Strategic and Capital Framework 2021-25

Box 3: Digitalisation in the Strategic and Capital Framework 2021-2025

Across its three sectors, the Bank will focus on three strategic themes that respond to major forces shaping transition opportunities in countries of operations. The crisis has heightened the relevance and importance of these themes:

1. Transition to a green, low carbon economy
2. Equality of opportunity
3. Accelerating the digital transition, recognising that technology can be a key enabler of transition progress within countries of operations across the six transition qualities. The Bank has some emerging expertise in this area, such as in the application of technology in infrastructure. A comprehensive Approach to strengthen the Bank's activity will be prepared for discussion with the Board of Directors in 2021.

Based on the strategic directions of the SCF, by 2025, the Bank will have launched a comprehensive and coherent activities to help countries of operations leverage the digital transition as an enabler of transition across all sectors. (p. 18)

The Transition Report 2018-19 showed that the EBRD's countries of operations are generally lagging in their ability to reap the benefits of [the digital transition and fourth industrial revolution] wave of innovation. Consequently, the goal for the SCF period is for the Bank to work with countries and clients to leverage the digital transition in pursuing transition impact to avoid countries of operations falling on the wrong side of the digital divide, while mitigating and managing new risks that are emerging. (p. 31)

Digital technology is an enabler of transition impact across the EBRD's transition qualities and is not an end in itself. (p. 31)

The digital transition also introduces new risks and challenges. Data protection, cybersecurity, client protection and privacy are among the most important. Government capacity to leverage the digital transition is generally weak, though there are a few positive outliers in EBRD's countries of operations. (p. 32)

Following further analysis, an Approach paper setting out how the Bank will take this crosscutting strategic theme forward will be developed and discussed with the Board of Directors in 2021. (p. 34)

Source: Report of the Board of Directors to the Board of Governors: Strategic and Capital Framework 2021-2025 (BDS20-030 (Final)).

Annex 2. Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend

Box 4: Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend

Building on extensive sources of data, this Transition Report introduces a new index of digital transformation and provides an overview of digital divides across and within countries.

It finds that some digital divides had narrowed over five years: economies with medium levels of digitalisation – such as those in eastern Europe and South Eastern Europe (SEE) – had made large gains and closed some of the gap relative to advanced economies. However, other economies – such as those of Central Asia and the southern and eastern Mediterranean (SEMED) – had seen only limited improvements in the area of digitalisation, despite starting from a low base, and were thus falling further behind.

The report noted that digitalisation was affecting the world of labour across the EBRD regions. While the effect was limited, occupations that were more exposed to automation through the use of artificial intelligence had seen more job losses. Consequently, upskilling to support workers' transition to higher-skill, less automatable occupations remained a key policy challenge. More generally, this report found that underdeveloped digital skills were the key constraint holding back digital upgrades to economic systems in many parts of the EBRD regions.

Despite improvements in internet infrastructure over 15 years, many economies in the EBRD regions were still lagging behind western European comparators, especially when it came to faster 4G and broadband technologies. As digital technologies helped the best-run companies to improve their productivity, digitalisation had also been contributing to increased divergence of performance across firms – a trend that had been further amplified by the Covid-19 crisis.

The new digitalisation index looked at economies in the EBRD regions and a number of comparator economies. This index, which compared the situation in 2015 and 2020, was informed by a number of existing indices with different areas of focus and differing coverage in terms of countries: EIB (2019) focuses on firms; European Commission (2020c) focuses on households; and World Bank (2016) focuses on the supply of digital technologies. The index aggregates 22 different measures, capturing both (i) preconditions for the use of digital technologies (enablers) and (ii) the use of digital technologies by individuals and firms (outcomes). The enabler pillars of the index cover key areas that facilitate the application of digital technologies by households and firms: infrastructure, skills, regulation and digital provision of government services.

Annex 3. Digitalisation in the Transition Report 2023-24: Transitions big and small

Box 5: Digitalisation in the Transition Report 2023-24

Given the shift towards high-skilled jobs, governments should invest in robust digital infrastructure. Doing so can actively encourage activities aimed at extending internet connectivity to underprivileged regions, which would foster equal opportunities to work. In addition, labour-market policies that actively help people to obtain digital skills can facilitate employment security, and thus mental health, as economies become more service based (p. 24).

In order to leverage the expansion and reshaping of cross-border exports of services, economies can invest in digitalisation and reduce administrative barriers to trade in services. Exports of commercial ICT services per capita tend to be higher in economies with less restrictive trade in services (as measured by an OECD index) and higher levels of digitalisation (including better digital infrastructure and more sophisticated regulations governing the provision of digital solutions and the use of digital technology by firms and individuals) (p. 45).

The move towards a greener economy has been facilitated by rapid digitalisation. For instance, smart technologies and data analytics have increasingly been integrated into energy management, waste reduction and resource optimisation (p. 65)

Inclusive scores fell in the West Bank and Gaza over the 2016-2023 period, while the quality of trade and transport infrastructure has declined. The gender gap in labour force participation has also widened, and the percentage of the population with standard ICT skills has declined (p. 106).

Over the period 2016-23, nearly all economies in the EBRD regions have improved their inclusion scores, with the most significant improvements being seen in Albania, Estonia, Kazakhstan, Latvia, Mongolia and Montenegro. In Albania and Montenegro, those increases have been driven primarily by greater access to internet services and digital skills (p. 107)

Under the Integration transition quality, economies in the EBRD regions continue to lag behind advanced comparators. In most Central Asian economies there are significant gaps in digital infrastructure, especially when it comes to mobile internet coverage (p. 109).

Source: Digitalisation in the Transition Report 2023-24: Transitions big and small (SGS23-265)

Annex 4. IEvD products linked to the evaluation

Understanding Digitalisation: Case Study of the Kafr El-Sheikh Wastewater Expansion Project

November 2023

Arab Republic of Egypt

IEvD ID: SS22-178

This paper examined the digitalisation components of the Kafr El-Sheikh Wastewater Project, in light of EBRD's Approach to Accelerating the Digital Transition. The objective was to highlight lessons from the Bank's experiences with digitalisation, to support the ongoing implementation of the Digital Approach.

It focused on the installation of a SCADA system at the Motobas WWTP, which lies within the Kafr El-Sheikh governorate, as part of their upgrade plan. It also focused on the development of the Mobile 125 application.

Six lessons were identified:

Digitalisation can deliver economic and environmental benefits, but only if organisations respond to financial incentives.

1. Digitalisation can deliver economic and environmental benefits, but only if organisations respond to financial incentives
2. Digitalisation changes the labour requirements and structure of implementing organisations, which may not match the local context.
3. Digitalisation can improve the visibility and transparency of monitoring processes
4. The 'digital readiness' of implementing organisations is a critical success factor
5. To support the Bank's clients and partners through the digital transition, the EBRD needs to have its own internal capacity and expertise
6. The sustainability of digital systems should not be taken for granted and local champions should be identified where possible

Evaluation of the Venture Capital Investment Programme I (VCIP) (2012-2019)

June 2023

CS/ARC/23-39

IEvD ID: SS21-168

This evaluation covered all projects that the Bank implemented under the Venture Capital Investment Programme I. The programme was considered a tool for accelerating the digital transition within the EBRD context.

The envisaged response in EBRD's Approach Paper to Accelerating the Digital Transition about digital-first companies mainly built upon the Bank's experience with its VCIP. This approach paper

indicated that the VCIP would leverage such investments, amongst other equity instruments: “EBRD will enhance its capabilities in technology equity investing across the growth cycle. By using a range of instruments at different points, the Bank can play an important role in supporting the development of digital first companies across our region with potentially global reach.”

VCIP was one of several operational responses that the Bank rolled out under the Knowledge Economy Initiative. The overarching objective of all VCIP frameworks was the development and commercialisation of innovative technologies and attracting top venture capital funds investors to EBRD economies.

The evaluation findings include that the Bank’s experience with the VCIP I demonstrates that its design and objectives were and remain valid in terms of expected contribution to addressing the financing gap and the development of the venture capital ecosystem in EBRD economies. It added that EBRD contributed to the stark change in the landscape of available venture capital financing in some EBRD economies. In addition, the financial success of the portfolio contributed to the development of the venture capital ecosystems. However, its impact on innovation was limited because by design the programme did not assume any technology risk. The VCIP I investment strategy led to a portfolio of companies that clustered around two sectors: business enterprise software and online marketplaces. The evaluation found that there was an opportunity for the VCIP to invest in a wider range of sectors that could directly support competitiveness and innovation in EBRD economies.

Evaluation of the Small Business Initiative (SBI). Phase 1

September 2024

CS/ARC/24-48

IEvD ID: SS24-212

The objective of this evaluation is to provide evaluative evidence on the efficiency of delivery of planned changes and evolution of the Bank’s SME-related activities with respect to its coherence with Bank strategy and relevance to its stakeholders. The evaluation covers the Bank’s interventions of indirect and direct financing and business advisory.

Findings related to digitalisation include that the consolidation under the Financial Intermediaries Framework facilitated coherence with Bank priorities overall, with digitalisation still lagging. Indirect Financing’s contribution to digitalisation has been very limited. The Bank launched a new programme (Go Digital) in the Western Balkans in 2022 to support digitalisation, automation, and modernisation of SMEs. At the time of the evaluation, there have been only six transactions with total volume of €40 million.

The evaluation also found that projects under Co-financing and Risk Sharing and Direct Financing had elements of digitalisation as well as of gender and economic inclusion. The Bank achieved this mainly by offering advisory services with relevant components.

The evaluation key insights include the role of advisory services during times of crisis was particularly appreciated by external parties including donors. During crisis periods, advisory

services have significantly enhanced the focus on digitalisation, access to finance, and to a green economy all while aiding economic recovery from the COVID-19 pandemic.

Finally, it found that the consolidation helped the Small Business Initiative increase its coherence with the Bank's Strategic and Capital Framework priorities. Between 2015-23, emphasis on Green, Inclusion and Digitalisation increased.

Republic of Moldova: Support for the Digitisation of Customs Procedures

Forthcoming

Projects signed after the adoption of Digital Approach and tagging methodology have not yet started executing the digital components or are only in the very early stages of implementation. They are not yet mature enough for an outcome-focused evaluation. Therefore, a non-transactional TC which predates the Digital Approach, but with more advanced levels of implementation of digital components was selected as the subject of this evaluation.

This evaluation aims to assess the performance and results of TC project assignments with an emphasis on digitalisation, capturing potential synergies between digitalisation and TC project outcomes, and providing insights on the progress achieved. It aims to provide evidence-based lessons and recommendations that can guide the preparation and implementation of the next Digital Approach 2.0.

Moving the wheels of change: EBRD's policy engagement: performance and results (2017-2023)

December 2024

CS/ARC/24-60

IEvD ID: SS23-200

The evaluation focuses on performance of policy engagement (regarding how the Bank organises itself to deliver policy engagement), and results (regarding the contributions to the Bank's mandate of fostering transition).

Early findings indicate that there is some evidence, through the case studies, of policy engagement leading to transition outcome directly, without being tied to investment creation. Regarding Digital, engagement in Kyrgyz Republic on strengthening the rule of law produced successful output results on increasing protection of business rights through a digital system for enforcement of court decisions on debt and training for enforcement officers.

In terms of SCF priorities for policy engagement, policy dialogue workstreams in Serbia have been highly relevant for digitalisation covering e-delivery, e-inspections and use of technology for bankruptcy supervision.

The positive results of policy engagement were mainly to contribute by providing technical advice and support to move forward with digitalisation through e-governance, strengthen rule of law

through development of implementation mechanisms, and improved efficiency of state management of water services and land for agricultural production.

Annex 5. Evaluation Matrix

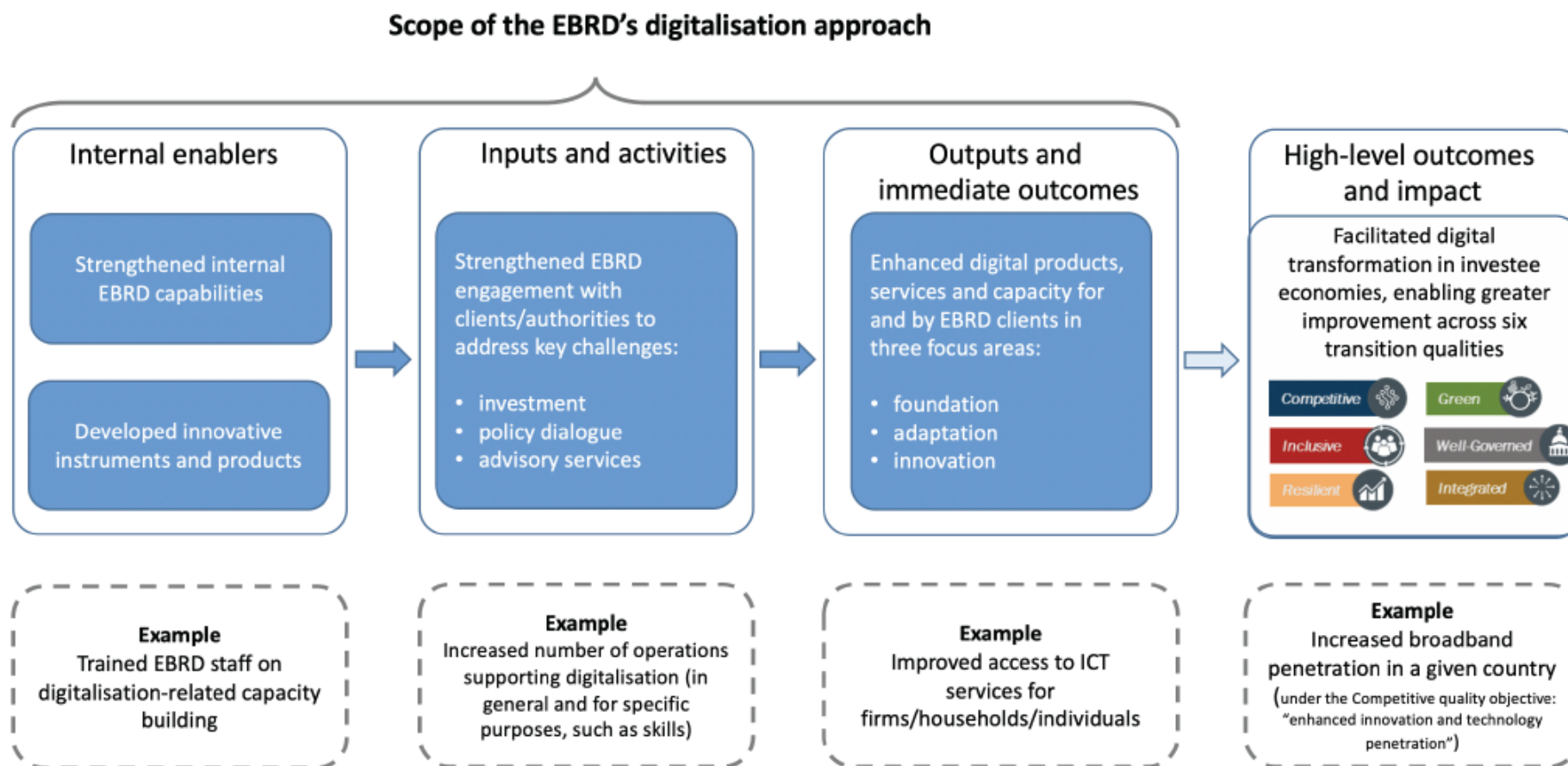
OECD-DAC Criteria	Evaluation Question	Judgement Criteria	Methods and Sources
Relevance Internal Coherence	EQ1. Is the EBRD's Digital Approach “fit for purpose” to help the Bank meet its strategic priorities?]	<p>The intervention logic and design of the Approach propose a plausible means of fulfilling the SCF ambition:</p> <ul style="list-style-type: none"> • design logic against EBRD's priority actions to accelerate transition is sound. • design is evaluable. • lessons of past experience are identified and incorporated. <p>The Approach and its activities are aligned with the Bank's mandate and key strategic objectives.</p>	<p>Assessment of the Approach's activities against SCF digital priorities.</p> <p>Assessment of the Approach against an ex-ante results framework</p> <p>Evaluability exercise</p> <p>Content analysis of the Digital Approach Document.</p> <p>Review of the Bank's documentation: SCF 2021-2025, Policies, Country Strategies, Sector Strategies, Country Diagnostics, EBRD initiatives.</p>
		<p>The projects that have been tagged as “digital” are catalysers of transition impact.</p> <p>Projects that leverage the effect of digitalisation are tagged.</p>	Review of the digital-tagged portfolio, project digital components, and indicators.
		The Approach and its activities are aligned with practices in the digital space.	Review of the work of comparator institutions in the digital space.

OECD-DAC Criteria	Evaluation Question	Judgement Criteria	Methods and Sources
			Identification of practices.
Relevance External Coherence	EQ2. Is the Digital Approach adding to EBRD's relevance for clients and partners?	<p>Digitalisation as an enabler of transition brings additional value into EBRD's operations.</p> <ul style="list-style-type: none"> Digital projects' digital components respond to the digital needs of clients and/or contribute to closing digital gaps at the national or regional levels. Operationalisation of digitalisation in the digital projects strengthens the Bank's additionality claims. 	<p>Client interviews</p> <p>Review of Clients' strategic documents</p> <p>Review of national plans, national digital strategies/initiatives.</p> <p>Government officials interviews.</p> <p>Think tank and business associations interviews</p> <p>Review of global/country digitalisation and digital gaps information, datasets, and indicators.</p> <p>Review of digital projects' documentation.</p> <p>Analysis of the digital components of the digital projects.</p> <p>Non-financial additionality assessment.</p>

OECD-DAC Criteria	Evaluation Question	Judgement Criteria	Methods and Sources
		<ul style="list-style-type: none"> EBRD digital priorities, Approach, and definitions of digitalisation are complementary with those of national governments, other IFIs, and supranational organisations. 	<p>Review of national plans, national digital strategies/initiatives.</p> <p>Government officials interviews.</p> <p>Review of other IFI's digital strategies, investments, initiatives, portfolio.</p> <p>IFI counterpart interviews.</p> <p>Review of supranational documentation and directives on digitalisation and digital transformation.</p>
Effectiveness/Efficiency	EQ3. How and to what extent has the EBRD's Digital Approach set-up phase been implemented?	<p>There are progress and achievements in the early implementation of the Digital Approach's :</p> <ul style="list-style-type: none"> Digital ambitions have translated into operational processes and capacity building: <ul style="list-style-type: none"> Digitalisation has been integrated into the TQ and incentives systems (e.g. scorecard targets, etc). Concepts of digitalisation, enabling and accelerating of digital transition are understood, shared and embraced by Bank staff, clients, and other stakeholders. 	<p>Interviews with the Digital Hub, Banking staff, RO staff, Impact team.</p> <p>Review of operational processes.</p> <p>Review of dedicated learning opportunities on digitalisation for staff and their uptake.</p>

OECD-DAC Criteria	Evaluation Question	Judgement Criteria	Methods and Sources
		<ul style="list-style-type: none"> The Approach has an effect on the portfolio: <ul style="list-style-type: none"> Digital-tagged projects sectoral distribution. Distribution of projects with digital components aligns with and responds to identified gaps in transition. Concentration is prioritised in the countries or regions with the wider digital gaps <p>Implementation progress is consistent with the level or resources allocated and utilised to date.</p>	<p>Portfolio analysis.</p> <p>Interviews with the Digital Hub.</p> <p>Interviews with Banking</p> <p>Interviews with Clients</p> <p>Analysis of SCF and Digital Approach ambitions and their expected timelines.</p> <p>Review of the utilisation and allocation of resources.</p> <p>Interviews with the Digital Hub.</p>

Annex 6. EBRD's Digital Approach: Stylized theory of change



Annex 7. EBRD's Digital Approach: Performance Dashboard

PERFORMANCE AND RESULTS	ILLUSTRATIVE TRACKING INDICATORS
Internal enablers	
Strengthened Internal EBRD capabilities to enhance its support for digitalisation	
• Strengthened Internal EBRD capabilities	No. of digitalisation-related capacity-building activities delivered to EBRD staff
	No. of EBRD staff trained on digitalisation-related capacity-building
• Developed Innovative Instruments and products	No. of new EBRD digitalisation-related Instruments and products
INPUTS AND ACTIVITIES	
Strengthened EBRD engagement with clients and partners to address key challenges	
• Increased investment, policy and advisory services to support digitalisation, specifically: ◦ ICT Infrastructure Improvements ◦ skills development ◦ legal and regulatory improvements	No. of [Investments/policy engagements/advisory services] signed that are tagged as digital, of which: ◦ supporting ICT Infrastructure Improvements ◦ supporting skills development Supporting legal, regulatory and Institutional Improvements
• Increased Investments, policy and advisory support in countries with the largest gaps	No./share of [Investments/policy engagements/advisory services] tagged as digital signed in countries lagging on digital development (SEMED, Central Asia and Western Balkans)
• Increased Investments in fintech and other innovative firms	No. of [equity/VCIP/venture capital/tech fund] Investments signed with digital-first companies
• Increased partnerships to support digitalisation	Volume of donor financing raised on digitalisation
	No. of digitalisation-related external partnerships
• Increased digital-related knowledge products for clients	No. of digitalisation-related knowledge products disseminated
OUTPUTS AND CLIENT-LEVEL OUTCOMES	
Enhanced digital products, services and capacity for and by EBRD clients in three focus areas	
Establishing the foundations of a sustainable and inclusive digital economy	
• Improved capacity and digital skills of firms and end users	No. of [firms/households/individuals] trained in digital skills
• Increased number of end users with access to ICT Infrastructure	No. of [firms/households/individuals] with improved access to ICT-related services
• Improved legal and regulatory framework supporting digitalisation	No. of Improved legal, institutional or regulatory frameworks enabling digitalisation
Incentivising adaptation by firms and organisations	
• Increased number of firms and public-sector entities using digital services	No. of [firms/governments/public sector organisations] using digital platforms
Targeting innovation and sustainable growth among digital-first firms	
Increased number of firms that use digitalisation to improve processes and product sales	No. of clients introducing digital-related process, organisational or marketing innovations
Increased number of firms with innovative product offerings that capitalise on digitalisation	No. of clients introducing digital-related product innovations