MULTILATERAL DEVELOPMENT BANKS' FINAL REPORT ON VALUE FOR MONEY

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ABBREVIATIONS

AfDB	–	African Development Bank Group
AsDB	–	Asian Development Bank
DfID	–	Department for International Development
EBRD	–	European Bank for Reconstruction and Development
EIBG	–	European Investment Bank Group
EIB	–	European Investment Bank
EIF	–	European Investment Fund
IDA	–	International Development Association
EU	–	European Union
GAAP	–	Generally Accepted Accounting Principles
IDB	–	Inter-American Development Bank
IDBG	–	Inter-American Development Bank Group
IFC	–	International Finance Corporation
IFI	–	International financial institutions
IFRS	–	International Financial Reporting Standards
INTONSAI	–	International Organization of Supreme Audit Institutions
IT	–	Information technology
MDB	–	Multilateral development bank
MIGA	–	Multilateral Investment Guarantee Agency
NIA	–	net income allocations
NSOs	–	Nonsovereign operations
PIN	–	Preliminary Information Note
PPP	–	public–private partnerships
S&P	–	Standard & Poor's
SDGs	–	Sustainable Development Goals
SOs	–	Sovereign operations
VfM	–	value for money
WBG	–	World Bank Group

MULTILATERAL DEVELOPMENT BANKS' REPORT ON VALUE FOR MONEY

I. INTRODUCTION

1. Multilateral Development Banks (MDBs) play a critical role in supporting the delivery of the 2030 Agenda for Sustainable Development. The MDBs agreed to develop a common framework on value for money (VfM) including a harmonized VfM tools, definitions, methodologies and metrics, taking account of different MDB business models, as well as the different contexts and different types of decisions for which a VfM perspective may be sought."

2. While this calls for more harmonization on the comparability of MDBs, it also underscores the complementarity of MDBs as a system, to maximize their collective impact on inclusive and sustainable growth, and on financial stability. It is imperative that MDBs coordinate to foster greater cohesion and responsiveness to ensure that the delivery of the system as a whole is greater than the sum of its parts, requiring a balance between the collective endeavors of MDBs while retaining their individual strengths.

3. Demonstrating VfM of MDBs' work to shareholders, and importantly also to clients, has been a well-established priority of MDBs. Individual institutions have developed tools to satisfy the concerns of stakeholders through their own governance arrangements, which respond to the specificity of their mandates and business models. However, there is merit as well in strengthening a more common approach.

4. MDBs had already been coordinating on VfM over the past few years. Six MDBs (hereafter the MDBs) have taken this work forward: the African Development Bank Group (AfDB); the Asian Development Bank (AsDB); the European Bank for Reconstruction and Development (EBRD); the European Investment Bank Group (EIB Group), including the European Investment Fund (EIF); the Inter-American Development Bank Group (IDBG), including IDB Invest and the Multilateral Investment Fund; and the World Bank Group (WBG), including the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

5. The work accomplished by these MDBs over the past year has established a strong foundation of a common approach to VfM. In particular, for the very first time, MDBs have:

a. defined a common VfM conceptual framework for MDBs which provides a systematic basis for assessing VfM within the MDBs,
b. mapped institution-specific metrics to this common VfM framework,
c. developed a system to classify the degrees of commonality in indicators that measure the MDBs' approaches to VfM, and
d. provided a basis for exploring whether scope exists for the development of further common indicators.

6. Differences in the nature of the MDBs, their practices, and in some cases even their policies, mean that a fully comprehensive, harmonized set of indicators on VfM across all MDBs is not feasible. However, there is considerable room for making progress, taking a pragmatic approach to develop indicators that entails building on those areas where degrees of commonality already exist and identifying what steps might be taken towards further harmonization. This approach takes into account the need to balance the costs, as well as the benefits, of extending a common framework.

7. However, as a result, the indicators set out in this report give a partial picture and provide only one tool amongst several for stakeholders to assess MDBs' VfM. Only by being combined with other tools, can these indicators assist stakeholders in gaining a nuanced appreciation of MDBs'

delivery. Even where common indicators do exist, straightforward benchmarking would be misleading. Rather, results which highlight differences between MDBs provide a starting point for discussion and further analysis. Differences in mandate, function, geographic and sector focus and the differing business models through which the MDBs satisfy shareholders' aspirations mean that comparison of raw data does not always reveal the full extent to which VfM is delivered. This is particularly relevant in articulating the comparative advantages of MDBs in the generation of development knowledge as a global public good, in standard-setting, in supporting policy reform, in convening and connecting partners across regions and countries, and catalyzing action on regional initiatives and global agendas.

8. The final report produced by this working group:

i) recaps the context for the MDBs' joint work on VfM and the process they have followed in developing a common VfM approach and framework;
ii) presents the MDBs' common framework and value proposition and outlines the classification system of different indicators that measure the MDBs' approaches to VfM, within which there is a presentation of indicators with commonality, management analysis to understand essential differences in the underlying formulation of the indicators, and steps needed to overcome the current barriers to harmonization; and
iii) includes appendixes in which the MDBs highlight their institutional approaches to VfM, including MDB-specific VfM indicators mapped to the common framework.

II. CONTEXT AND BACKGROUND

9. Delivering VfM is at the heart of the MDBs' operating models. The VfM concept is central to how they carry out the mandates set by their shareholders and use shareholder capital and other resources responsibly and sustainably to achieve the best development results for their borrowing member countries and clients. Sharpening resource-use policies, tools, processes, and performance is a permanent, ongoing task on the agenda of the MDBs' Management.

10. The MDBs have all moved actively in recent years to generate higher VfM. They have optimized balance sheets, applied VfM in procurement policies and practices, reviewed and reformed expenditures, simplified operations, streamlined processes, stepped up resource mobilization and improved how it is measured, and introduced more robust and finely tuned monitoring and assessment of development effectiveness.

11. Each MDB has its own set of VfM approaches. MDBs' lexicons also differ, but whether they attach the formal "VfM" label to what are clearly VfM efforts, all MDBs' management, monitoring, evaluation, and reporting systems include procedures and instruments that are aligned with and support the VfM concept.

12. VfM analysis became popular in public sector auditing in the second half of the last century.[1] Development institutions adopted it after the United Kingdom's Department for International Development (DFID) designed a VfM framework based on the "3Es". These were economy (the cost of inputs), efficiency (the rate of conversion of inputs into activities), and effectiveness (the extent of successful delivery of intended outcomes). To reflect the importance of inclusion and reaching broad ranges of beneficiaries, some institutions add a fourth "E," for equity. The

[1] According to INTOSAI, a VfM (or performance) audit is "an independent, objective and reliable examination of whether government undertakings, systems, operations, programs, activities or organizations are operating in accordance with the principles of economy, efficiency and effectiveness'' (INTOSAI, 2016).

Organisation for Economic Co-operation and Development has used the 3Es framework for the past decade to identify administrative systems by which central governments boost VfM—that is, the delivery of "better services at lower costs for the taxpayers".[2]

13. The MDBs recognized the usefulness of developing a shared understanding of VfM concepts and applications several years ago. Seeking to draw on existing approaches and exchange VfM-related experiences and lessons, they created an informal MDB VfM working group in 2014. The aim of the working group was to create a collective conceptual framework for assessing and reporting on VfM in the future. The group included the AfDB, the AsDB, the EBRD, the IDBG, the WBG, and the International Fund for Agricultural Development (IFAD), and came together in a mid-2015 meeting. The group also commissioned a study (the Mokoro Report) that considered the utility of applying the VfM concept and common metrics to the MDBs' distinctive and often different development operations.[3] The 2015 G20 Action Plan to Optimize Balance Sheets added momentum to the MDBs' progress on the VfM agenda throughout 2016. All this work provided a good foundation on which the MDBs have built in the working group.

14. As well as establishing a sound basis for this report, the MDBs' previous joint work on VfM highlighted the challenges of identifying measures that are appropriate and relevant to all MDBs, given their different mandates, business models, and geographies. Such challenges include the following:

i) VfM measurement methods continue to evolve, with current MDB assessments often covering individual projects and activities. It is generally difficult to aggregate or translate these VfM results to the institutional level, even though institutional level measures may be the most instructive to both Management and shareholders alike.
ii) Even at the project level, applying VfM measurement tools is not always straightforward in practice or comparable across MDBs, given the different methodologies and tools used to measure project impact, the distinct geographies in which MDBs operate, and distinct MDB business models.
iii) Interpreting the results of common VfM indicators across MDBs requires the utmost care to avoid erroneous conclusions based on oversimplification and misleading comparisons. Comparing results from individual projects or operations, even when executed by the same MDB or in the same country, risks ignoring the specific nature of each intervention and locality. MDBs tailor their interventions to the country and even community contexts (and, in the case of private sector interventions, to the specific customer needs). This further complicates the task of deriving a reliable VfM assessment over wide areas of their activities. When many actors work in the same field at the same time, issues of attribution may arise.
iv) Special factors can apply when assessing the interplay between cost and development results or value at both the institutional and project levels. For example, some MDBs have had the full support of shareholders for important reforms to their procurement policies that affect this equation at the project level. These reforms have involved a move from an implicit lowest-cost bias toward more consideration of quality, post-sales support, and total life-of-project value.

15. The MDBs are far from a homogeneous group, nor are they perfect substitutes for each other, which inevitably creates difficulties in reliably interpreting results across institutions—and in

[2] Value for Money and International Development, Organisation for Economic Co-operation and Development, Paris, 2012.

[3] The Mokoro Report proposed an approach grounded in cost–benefit analysis at the level of individual projects and activities, in line with the evaluation vocabulary used by the Development Assistance Committee of the Organisation for Economic Co-operation and Development.

identifying and designing meaningful, comparable common framework indicators. The MDBs operate in different regions, countries, sectors, and subsectors. The economic, financial, capacity, social, political, and development contexts in which they do business often vary greatly. Their institutional structures, expertise, the nature of their work, and their objectives can differ too, reflecting the diversity in their shareholder-established mandates, product lines, client and stakeholder needs and demands, specialization over time and unique positions within the global development finance architecture.

16. These roles, moreover, are not static. Over time, MDBs' respective shareholders and the global community at large have to varying degrees asked individual institutions to take on more and different tasks and functions, including ones that, unlike straight financing, do not have a clear, direct income stream. Due to their incompatible balance sheet structures, even their standardized financial metrics can defy legitimate comparison. Some MDBs conduct some business lines through separate entities as part of a larger group. Others consolidate some or all activities, ranging from equity to concessional lending, in one balance sheet. Overall, in fact, the MDBs can be as unlike one another in some ways as they are alike in others. This means gaps in any results captured by VfM measures will often reflect these differences rather than provide real insight into the institutions' efforts and success in delivering VfM.

III. COMMON VALUE FOR MONEY FRAMEWORK AND MDB'S VALUE PROPOSITION

17. To overcome these challenges and develop a common VfM framework, the MDBs have identified organizational functions and activities that reflect core VfM principles across all six institutions. The framework (below) is anchored on three organizational categories that together capture the main aspects of VfM the MDBs provide, and eight components—each mapped to one of the main organizational categories—that are sufficiently broad to accommodate the variety in their purposes and functions. The framework highlights the areas of commonality and relative comparability across the six institutions.

A. Financial Capacity and Resources: *Optimizing and Prudently Managing MDB Resources*
- i) Resource optimization and financial sustainability
- ii) Corporate cost management

B. Operational Delivery: *Deploying Resources in line with Mandates and Priorities*
- iii) Strategic alignment of resources
- iv) Management of operations
- v) Standards
- vi) Knowledge, policy dialogue, and convening

C. Results: *Achieving and Measuring Development Results*
- vii) Results
- viii) Mobilizing finance

18. Although no single indicator or set of indicators can capture the development results each institution generates in full, this framework provides a balance between the actual overall value the MDBs deliver and the money with which they are entrusted. It advances a common understanding of how they strive for VfM and provides the flexibility needed to allow each MDB to present a complete picture of its distinct value proposition. The common framework by the six MDBs is complemented by the individual MDB value propositions that follow in the appendixes, which offer important insights into the practice and progress of VfM within the scope of development work at each institution and list each MDB's own VfM-related framework indicators.

19. An MDB's value goes beyond the pure provision of financing: it is determined by the extent to which it fully executes the mandate assigned to it by its shareholders while making the best possible use of its resources and comparative advantages. Some factors in the MDB VfM equation

are generally quantifiable. Input costs can be calculated, as can certain cost ratios and many of the immediate concrete outputs and results of completed activities. But development value is often cumulative, catalytic, multifaceted, and not readily captured in full through quantitative metrics, especially when the outcomes of MDBs' work may be in the form of global public goods beyond the more targeted intended impact of a project. Even qualitatively, the overall impact of MDB operations is measurable only over time. The proposed framework's three organizational categories and eight components, discussed below, summarize some of the ways that most or all the MDBs deliver VfM by balancing the needs for economy and efficiency in resource use with the imperative of effectively delivering the intended development outcomes.

A. Financial Capacity and Resources: *Optimizing and Prudently Managing MDB Resources*

i) Resource optimization and financial sustainability

20. This component reflects the extent to which the MDBs mobilize and manage resources to finance development.

21. Shareholder capital is the basis for MDB funding. To varying degrees for different institutions, this capital is supplemented by donor contributions, including trust funds. Private resource mobilization, discussed under the mobilizing finance component, is also an effective supplement of shareholder capital, particularly for private sector interventions. MDBs use treasury funding operations and own-revenue generation to leverage their shareholder capital and the other available funds into the significant capital base that underpins their wide variety of financial and knowledge products. In doing so, the MDBs multiply the development financing and effect of shareholder equity and donor contributions for global development to levels several times greater than can be achieved through direct grants only. By reforming their balance sheets, MDBs have recently increased this leverage on their capital resources at no cost to financial sustainability.

22. The proceeds from MDB operations are reinvested in development operations. Risk management is rigorous and a cornerstone of the MDBs' business models. MDB credit ratings are high, enabling them to provide their support on favorable terms and to take on the additional risk sometimes necessary to play a leading-edge development role and to respond when client needs spike, as they did during the global financial crisis.

ii) Corporate cost management

23. This component reflects the MDBs' management of administrative and operating costs, as well as the savings and efficiencies this generates.

24. Because these savings can accumulate over time and augment their financing capacity, MDBs plan, design, lend, invest, manage, and execute as economically and efficiently as they can while remaining effective in delivering their mandated results. A cost-control and VfM orientation permeates strategy and operations from the project to the corporate level. The policies that underlie major cost drivers are closely managed. Costs are tracked and analyzed; budget-making and management fine-tuned and reformed; operations and processes monitored, evaluated, and streamlined to raise internal productivity. Some MDBs limit administration budgets based on income. All regularly adjust procedures for recruiting, retaining, and retraining staff to shape and deploy their human resources and skills with maximum efficiency and effect.

25. Changes in administration cost ratios may reflect episodic increases in operational growth and pipeline building—such as those enabled by balance sheet optimization or new strategic

directions—or adjustments necessary to raise effectiveness. Savings and cost containment sometimes demand investments to upgrade technology and modernize systems and business processes.

26. Procurement methods and tools are calibrated to reflect the risk that poor quality from low-price bidders will delay execution, break budgets, impair final outputs and outcomes, and drive up a development client's future operating and maintenance costs. MDBs monitor and act systematically to pre-empt corruption.

B. Operational Delivery: *Deploying Resources in line with Mandates and Priorities*

iii) Strategic alignment of resources

27. This framework component reflects the extent to which MDBs allocate resources in line with their strategic priorities and goals.

28. All MDBs have long-term strategies, goals, and priorities endorsed by their shareholders that guide the planning and budgeting processes. Most MDBs also develop country strategies and frameworks to guide programs at the country level. These in turn guide resource allocation. An MDB's strategic operational focus, resource allocation, and delivered results evolve as it responds to the shifts in the emphasis placed by its shareholders on specific global or regional priorities—for example, promoting gender equality, supporting fragile states, and addressing climate change. Moreover, the Sustainable Development Goals (SDGs) encompass the international development agenda adopted by the community of nations in 2015 and MDBs are recognized as having a key role in helping countries to achieve these goals by 2030.

29. Through their agility, broad reach, and operational discipline, MDBs provide VfM by prioritizing what their shareholders and clients agree is the best use of their expertise and available resources in the development landscape. MDBs target their financing, investment, technical assistance, and policy support to their prevailing overall corporate strategies and to country programs that reflect these strategies and the formal objectives of their national or other clients. Operating policies, budgets, and rolling work programs are shaped and adjusted accordingly, as are skills and human resource management. Each MDB carefully tracks its performance on strategic alignment.

30. The challenges to sustaining this alignment include sudden changes in national priorities. Because responsiveness to developing member needs and sustaining country ownership are fundamental principles to MDB missions, this can disrupt strategically guided work plans, as can natural disasters and economic shocks that require urgent, if generally short-term, MDB reaction. In the important work some MDBs perform through the private sector, client demand sometimes may not fully accord with an institution's corporate strategy. In all these cases, MDBs must keep one eye on strategic discipline and the other on remaining as nimble and flexible as possible in meeting evolving client needs.

31. Common elements in the MDBs' strategic planning and goals include addressing the global climate agenda through raising minimum targets for operations that promote clean energy, stem greenhouse gas emissions, and support climate change adaptation. Climate change is now mainstreamed throughout MDB policy-making, budgeting, and project preparation and execution processes. Climate resilience is a factor in operations from concept and design to post-completion evaluation.

32. Initiatives to help women and girls gain greater and more equal rights, education, jobs, and economic opportunities are now similarly entrenched. MDB projects regularly promote equal social and legal protection, access, participation, and power for women. The benefits have been wide. MDBs operations contributed toward large increases in primary and secondary school attendance by girls, the opening of previously male-dominated work areas, proper land titles to help female entrepreneurs get loans, and support to help women start or expand small businesses.

33. Some MDBs have the broad experience and the innovative know-how to help countries deal with and recover from conflict and extreme fragility. Standard approaches often do not work in these contexts. Yet failure by the global community to address the challenges of fragility and conflict may lead to a worsening or spread of deep-seated problems and major short- and long-term human, social, economic, and security costs. MDBs apply lessons learned and context-tested flexibility to tailor their operations to the specific issues faced by each client and help achieve development progress even in conditions marked by fragility and recent or even ongoing conflict.

iv) Management of operations

34. Operations, whether at the project or program level, are the primary means through which MDBs transform inputs of finance, technical assistance, policy support, and knowledge into development outputs and outcomes. This component reflects the VfM provided by the MDB policies, processes, and systems that support the selection, preparation, execution, and evaluation of operations.

35. MDBs intervene where they can add the most value, and strictly consider the requirement of additionality for all private sector operations. They have formal systems to screen, assess, and review operations at several stages before approval to ensure that they are technically, financially, and economically sound and meet their high social and environment standards. Quality at entry is monitored and now often bolstered by advanced procurement and detailed design and engineering work. This speeds start-up, execution, and disbursements and heads off implementation issues. Project and portfolio progress is tracked, and problems are flagged and addressed. MDBs are reinforcing their responsive supervision of ongoing operations, including by increasingly decentralizing staff and decision-making from their headquarters to resident national missions and regional hubs.

36. While remaining prudent and fully cognizant of client capacity issues, most MDBs have mechanisms to continually monitor the performance of business policies and processes and outcome delivery and reporting in their operations. Based on this evidence, they undertake periodic reforms to innovate, streamline, and fine-tune where needed. Their technical assistance and advisory and knowledge support help do the same at the development client's end. These mechanisms build greater VfM and make MDB planning, design, execution, and outcome delivery more efficient, effective, and faster. Ongoing scrutiny and reform of internal processes continues to shape and strengthen the MDBs' organizational structures, cost management, budget efficiency, procurement procedures, and human resources programs.

v) Standards

37. This component reflects the rigorous standards the MDBs apply to produce the highest-quality and sustainable development results and is naturally difficult to quantify given that all projects that are approved are required to meet these standards.

38. MDBs add value to global development efforts through strict fiduciary controls and comprehensively monitored procurement and governance standards that ensure that their

operations, meant to enhance social and economic well-being and achieve regional and global goods, do not infringe on basic rights or produce adverse social or environmental spillovers that are not addressed. They generally apply and oversee financial management, governance, and procurement guidelines throughout their portfolios. They pre-assess operations for potential weakness and incorporate mitigation strategies when risks exist. A fit-for-purpose methodology, which aims for the best possible on-budget outcomes, has become the dominant procurement approach. Risk-based screening can streamline the overall procurement process when capacity is good. The MDBs maintain high international standards against corruption, money laundering and financing of terrorism, which are revised and strengthened periodically.

39. Mandatory standards meant to protect people and the environment from an operation's potential or actual collateral impacts guide the MDBs' selection, due diligence, design, implementation monitoring, and post-completion evaluations of public and private sector projects. Plans are required before implementation begins to identify, mitigate, manage, and when relevant, compensate for such effects as involuntary resettlement, loss of land or livelihood, injury to the interests of indigenous peoples, and risks of ecological damage or a negative influence on the environment or climate. MDBs invest in ongoing, regular monitoring of all projects to maintain these standards. Public consultation is often part of the design and execution of these plans, as is the monitoring and reporting by civil society that acts as a check to ensure that any needed mid-course adjustments are made. The MDBs make themselves open and accountable through their adoption of international-standard practices in transparency, information access, and disclosure. Responsive participation and complaint mechanisms provide the incentive and feedback for MDBs to constantly improve their performance.

40. The overall value of these high MDB standards is magnified by the fact that, by example and through hands-on project practice, their operations help build institutional and human capacity in client countries and agencies for acceptance, creation, improvement, and effective application of the same or similar environmental, social, governance, fiduciary, and procurement standards and systems.

vi) Knowledge, policy dialogue, and convening

41. MDBs are uniquely well-positioned within the global financial architecture to help inform and influence client governments on a broad range of development policy issues, bring disparate stakeholders together for common planning and execution of development action, and gather and widely share new development lessons learned, information, and best practices. This component, while difficult to quantify, reflects the value MDBs add for shareholders and global development in these and other ways through policy dialogue, convening, and knowledge work.

42. MDB platforms exist within countries to coordinate country efforts, and at a global level on global systemic and sectoral issues. They lay the groundwork for finding complementarities, fostering synergies, and providing advisory services for successful public–private partnerships (PPPs) in countries where the PPP potential is still severely underdeveloped and the MDB presence is significant. This frequently involves important reform work to lay the foundation for future similar ventures in a variety of sectors. MDBs leverage the value of their development finance and work through high-level dialogue with policymakers. Policy engagement and advice is generally informed by analytical and capacity-building work in the client country. These activities can lead to the introduction of best practices and needed reforms and institutional change, which in turn can have major socioeconomic and development impacts. The advisory services of the MDBs' private-sector arms provide similar value through support for transactions and policy and institutional reforms that encourage private investment.

43. The MDBs' widespread presence and activities and their multinational nature enable them to convene a broad array of stakeholders for policy dialogue, thereby adding value to discussions of development at the country and sector levels. In doing so, they make a significant contribution to global public goods. As conveners, the MDBs play a role in reaching and implementing agreements on national and international norms, standards, and regulations. They also provide a platform for collective action on complex development issues. Achievements include the convening work and central participation by some MDBs in building sub-regional cross-border cooperation on international transport and economic corridors, trade integration, and transnational social and health issues.

44. MDBs add value by generating and disseminating new knowledge and evidence-based findings on the processes of development and the policies that enhance it. They undertake their own policy- and operations-related research, draw lessons and experience from the results, evaluations and studies of their projects, learn from their systematic interaction with policymakers, and make full use of the research of others.

C. Results: *Achieving and Measuring Development Results*

vii) Results

45. This component, a measure of effectiveness, reflects the extent to which MDBs demonstrate their achievement of results. Rigorous systematic monitoring, measurement, analysis, and reporting of the actual results of their operations against targeted outputs/outcomes is an integral part of how MDBs optimize the link between operations and development outcomes, thereby delivering the best VfM possible.

46. Each MDB manages comprehensive results management systems to assess and rate operational and overall performance corporately, strategically, regionally, and by country and project. MDBs produce and publish detailed performance scorecards and reports at all these levels. Each operation is evaluated and scored on completion, often independently, based on its achievement of multiple specific, measurable, time-bound indicators and targets set in detailed results frameworks before approval. At every level, including in country results frameworks, indicators and targets relate not only to the immediate objectives of the MDB and client in an operation but also to fulfilling longer-term MDB and client strategies. MDBs make themselves fully accountable in this way for the degree to which their activities achieve the intended quantifiable output targets and outcomes effectively, sustainably, and in a cost-effective and strategically relevant way.

47. The systematized self-examination and learning through analysis of results informs ongoing MDB reforms including the streamlining of operational design, project preparation implementation and quality control procedures, internal processes and organization, policy dialogue and interaction with clients, and results frameworks and reporting. MDBs also learn what has and has not worked well, and what would likely work better in future operations from client and stakeholder feedback. The MDBs' deeply embedded and transparent results-based cultures enforce a high degree of self-discipline, ensure agile responses to emerging issues and evolving conditions, and add to the value that their long operational experience and institutional memory offer shareholders and clients. MDBs bring these results focus to their work in their respective fields and under their individual mandates in support of the global development agenda.

viii) Mobilizing Finance

48. The Addis Ababa Action Agenda on Financing for Development called for expanding finance beyond primarily public resources to meet the large investment requirements of client countries. This component reflects the MDB efforts in mobilizing this financing, including the direct and indirect mobilization of private sector financing of both domestic and international resources, that the international community has increasingly prioritized as a way to help fill the large global development investment gap.

49. The MDBs are well-suited to this task. The value they add to the effort includes their financial and reputational strength (as recognized inter alia by rating agencies), their convening role in international development activities, their long country and sector relationships and experience, and their broad project planning and management expertise. Aside from the direct loans, grants, and guarantees that sound leveraging of shareholder contributions makes possible, MDBs are scaling up both the volume and reach of long-standing operations that mobilize additional financing for clients from traditional and new private and public sector sources as well as help create and deepen local capital markets. They are expanding public resource mobilization through stepped-up coordination with their traditional co-financing partners; the exploration of new links with institutional investors, such as sovereign wealth funds, and private development financing; and administration of purpose-driven development trust funds that underline the value donors see in MDB expertise, experience, and positioning. This trend should accelerate in response to the new global agenda's special emphasis on using international public finance to catalyse more private and public development resources.

50. The private sector investments that MDBs leverage with their own loans, equity investments, and guarantees—as well as with their reputations and the additionality their participation provides— often move projects forward that would not otherwise go ahead. These projects, targeted for their clear development ends, include scalable models that lead to larger, privately financed replication. By helping their public and private clients build institutions and capacity and undertake legal and regulatory reforms, MDBs also indirectly catalyse greater private investment in small, medium-sized, and large businesses. Expanding access to credit and banking services, particularly in impoverished areas, serves a similar purpose. So, indirectly, does MDB support for PPPs, which enhances clients' enabling environments and includes special assistance platforms to help them identify, plan, package, negotiate, and complete sound PPP deals. MDBs have a full range of risk-sharing instruments in place to mobilize outside investments.

IV. THE TIER SYSTEM FOR VALUE FOR MONEY INDICATORS

51. Using the common conceptual VfM framework and cross-analyzing each MDB's approach to VfM, the MDBs have developed a system to start classifying the degrees of commonality in indicators that measure the MDBs' approaches to VfM. The resulting three-tier system is as follows:

i) Tier 1: Fully Common Indicators for All—indicators with harmonized methodologies and measurements.
ii) Tier 2: Indicators Measured and Reported by All[4]—indicators that are measured and reported by all six MDBs, although with differences in definitions, methodologies, and measurements.
iii) Tier 3: Indicators Measured and Reported by Most[5]—indicators that are reported by four or five of the six MDBs, though with differences in definitions, methodologies, and measurements.

[4] "Reported" includes currently published and/or published for the purposes of this VfM exercise.
[5] "Reported" includes currently published and/or published for the purposes of this VfM exercise.

52. What follows is a presentation of the common indicators identified by MDBs. Other indicators are used by fewer MDBs with differences in definitions, methodologies, and measurements. Each MDB presents its own value proposition in their appendix which includes further VfM indicators outside the three tiers of common indicators. Furthermore, in the MDB-specific Appendix section of this report, MDBs have mapped their indicators to the common VfM Framework reflecting each MDB's own strategies, business models, measurement tools, clients, investments in global/regional public goods, geographic reach, and convening roles.

Table 1 – The Tier System

Tier 1 - Fully Common (4 indicators)	**Tier 2 – Measured and Reported by All** (3 indicators)	**Tier 3 – Measured and Reported by Most** (6 indicators)
A. Financial Capacity and Resources: Optimizing and Prudently Managing MDB Resources (5)		
Resource optimization and financial sustainability (3 indicators)		
• Debt to equity ratio (DER)	• Return on equity (RoE)	• Portfolio / Capital
Corporate cost management (2 indicators)		
		• Cost to Income • Costs to Portfolio
B. Operational Delivery: Deploying Resources in line with Mandates and Priorities (5)		
Strategic alignment of resources (3 indicators)		
• Climate Finance	• Support for Fragile Situations	• Gender Equality
Management of operations (2 indicators)		
	• Processing Time indicator (from Concept Note approval to First Disbursement)	• Quality during Implementation
C. Results: Achieving and Measuring Development Results (3)		
Results (1 indicator)		
		• Success Rates (Quality at Completion/Maturity)
Mobilizing finance (2 indicators)		
• Private Direct Mobilization • Private Indirect Mobilization		

53. The process of developing a common VfM framework, and mapping indicators from each MDB to the framework, has fostered a deeper and shared understanding among the MDBs of the variety of approaches in measuring VfM in our institutions. Where possible over the course of this Working Group, MDBs have taken steps towards harmonization: this is seen in the presentation of new data such as processing time, and work in fragile states, where these indicators have been calculated for the purposes of this report. However, dialogue within organizations to form the consensus to harmonize further often takes time and is not without cost.

54. For indicators that are potentially meaningful for comparison across MDBs, the types of barriers range from the small and straightforward, to those that are complex and would take significant effort to overcome. Some low barriers to harmonization require technical dialogue between the MDBs to reach agreement on a common way of measuring a particular indicator.

However, coming to agreement on seemingly straightforward issues can also take time and resources, to reach a consensus across the diverse group of MDBs.

55. Other barriers are far more challenging. Harmonization may require some MDBs to alter their business processes, reconfigure their IT systems, and change their policies and procedures. Some of these processes, policies and procedures may be deeply rooted in the organizations, having developed over time with strategic priorities, as well as Board priorities and preferences, making a strong case for continuing with the current approach. In these cases, multi-year efforts may be required and the resource implications for MDBs are likely to be substantial to develop harmonized indicators. Finally, some harmonization may require Board decisions, including around allocation of resources. In these cases, the power to harmonize is no longer with MDB Management and rests with the shareholders. MDBs have also reached the conclusion, enabled by the knowledge shared in the Working Group, that there are sometimes firm limits to harmonization where measurement differences cannot be realistically addressed. Differences in accounting standards for example, are not likely to be harmonized. The Generally Accepted Accounting Principles (GAAP) and the International Financial Reporting Standards (IFRS) result in key metrics such as income and cost being calculated in different ways. Since the GAAP and the IFRS are often embedded in the mandate of the organization, or the geographic location of their headquarters, perfect harmonization is not realistically possible.

A. Tier 1 – Fully Common Indicators for All

56. Tier 1 indicators are fully common. Most Tier 1 indicators are the result of extensive processes undertaken by dedicated working groups to fully harmonize the reporting. A comparison of the values generated by the Tier 1, fully aligned indicators provides insights into the differences among MDBs which may be observed with reference to, for example, their business models and geographic coverage. For example, in the Tier 1 indicators of Private Direct Mobilization and Private Indirect Mobilization, EIBG values are significantly higher, reflecting increased mobilization due to a higher proportion of operations in high-income countries (i.e. EU countries.) One of the Tier 1 indicators, the debt to equity ratio, is reported here using Standard & Poor's (S&P) data. MDBs may not report in their financial statements using the same calculations as S&P, but this indicator has been adopted here where S&P data are reasonable to demonstrate VfM.

1. Debt to Equity Ratio

Why It Is Value for Money

57. This measure indicates how much debt MDBs leverage to finance their assets, including operations, relative to the value of shareholders' equity. This ratio measures financial leverage. Monitoring this ratio is useful to ensure it remains consistent with each institution's capitalization level, business model, policies, and overall risk in its operations.

58. The MDB Working Group agreed to use S&P data as published annually in S&P's *Supranationals Special Edition* report. Some MDBs report this figure in their own financial reports with different values, and this is due to a different basis for the calculation of debt: S&P uses debt evidenced by certificate, but some MDBs include all borrowings for their reporting.[6]

[6] There is a time lag in reporting. The S&P data for each institution are as of the end of the 2016 fiscal year. For the World Bank Group, the fiscal year ends on 30 June. For all other institutions, the fiscal year ends on 31 December.

Table 2 – Debt to Equity Ratio

Institution		Definition	Unit	2016
AfDB		**S&P harmonized indicator** - Debt to equity ratio is measured by dividing gross debt over the adjusted common equity.	X times	3.1
AsDB				4.3
EBRD				2.3
EIBG				7.1
IDBG	**IDB**			3.1
	IDB Invest			1.0
WBG	**IBRD**			4.9
	IFC			2.4

Note: 2017 data will be available in October 2018.
Source: Standard & Poor's 2016. Supranationals Special Edition (October 2017).

2. Climate Finance

Why It Is Value for Money

59. In recognition of the paramount importance of addressing the impact of climate change (highlighted by the Paris Agreement on Climate Change resulting from the 21st Conference of the Parties [COP 21] and the many SDGs related to climate change), MDBs are engaged across the spectrum of the climate agenda through policy advice, global advocacy, technical assistance including capacity building and lending/investment operations. This indicator, reflecting MDBs' commitments on a key shareholder and global development priority, is the result of a multi-year effort by MDBs to harmonize the common metric of Climate Finance. The Joint Report on Multilateral Development Banks' Climate Finance is a collaborative effort to report publicly on MDB climate finance embedded in their development finance operations in developing countries and emerging economies on an annual basis, together with a clear explanation of the joint methodologies for tracking climate finance.

60. Since the first Joint Report in 2011, the report is based on the application of two distinct methodologies: i) a three-step climate change adaptation finance tracking methodology (context, intent, activities) and ii) a "positive list" of key sectors and sub-sectors which reduce greenhouse gas emissions, which guides the identification of climate change mitigation finance tracking. These methodologies are developed as a joint exercise by the MDB climate finance tracking group. In 2015, the MDBs and the International Development Finance Club agreed the application of common principles for climate finance tracking. The methodologies themselves have been gradually updated and detailed and the working group has also embarked on a discussion regarding metrics for climate resilience to better capture the results and outcomes of their development finance.

Table 3 – Climate Finance

Institution	Definition	Unit	2016	2017
AfDB	**MDB harmonized indicator** - Amounts committed to finance climate change mitigation and adaptation activities in the development projects they undertake in developing economies and emerging economies in	$ billion	1.061	2.347
AsDB			4.437	5.234
EBRD			3.495	4.601

Institution	Definition	Unit	2016	2017
EIBG	transition. Climate finance includes commitments from the MDBs' own accounts, and from external resources channelled through and managed by the Banks.		4.266	5.477
IDBG			2.689	4.348
WBG			11.494	13.213

Source: 2017 Joint Report on Multilateral Development Banks' Climate Finance.

3. Private Direct Mobilization

Why It Is Value for Money

61. Private direct mobilization reflects mobilization from a private entity on commercial terms due to the active and direct involvement of an MDB.

62. In light of the gap between needs of borrowers and the capital available for lending, the need for MDBs to evolve from direct lenders to providers of comprehensive financial solutions, particularly through mobilization of public and private sector resources, continues to grow. Pursuant to the MDBs' shared pledge to mobilize development finance "From Billions to Trillions", the MDBs[7] developed a joint framework and methodology to measure private investment mobilized by the MDBs as well as a set of definitions and methodology to jointly report on direct mobilization and co-financing from private investors and other institutional investors.[8]

Table 4 – Private Direct Mobilization (PDM)

Institution	Definition	Unit	2016	2017
AfDB	**MDB harmonized indicator** - It is the financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment or other validated or auditable evidence of an MDB's active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing.	$ million	1,088.4	474.7
AsDB			459.5	1,168.8
EBRD			1,479.6	801.8
EIBG*			36,502.7	36,776.5
IDBG			703.3	1,923.3
WBG			8,706.3	9,605.4

Source: 2016 and 2017 Joint Report on Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions.

4. Private Indirect Mobilization

Why It Is Value for Money

63. Private Indirect Mobilization reflects financing from private entities provided in connection with a specific activity for which an MDB is providing financing. In this case, the MDB is not playing an active or direct role that leads to the private financing commitment, but it can bring value by

[7] African Development Bank (AfDB), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (SIBEIB), Inter-American Development Bank (IDB), Inter-American Investment Corporation (IIC) (now IDB Invest), Islamic Corporation for the Development of the Private Sector (IsDPS), Islamic Development Bank (IsDB), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), New Development Bank (NDB) and World Bank (WB).

[8] See http://documents.worldbank.org/curated/en/495061492543870701/pdf/114403-REVISED-June25-DocumentsPrivInvestMob-Draft-Ref-Guide-Master-June2018-v4.pdf, p. 4.

attracting other investors to development projects that otherwise may not have provided financial support for the project.

Table 5 – Private Indirect Mobilization (PIM)

Institution	Definition	Unit	2016	2017
AfDB	**MDB harmonized indicator** – It is the financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. PIM includes sponsor financing, if the sponsor qualifies as a private entity.	$ million	820.5	1,796.5
AsDB			8,535.5	2,758.2
EBRD			8,470.8	11,524.8
EIBG*			53,853.8	63,458.6
IDBG			952.5	3,812.3
WBG			29,607.1	19,678.7

Source: 2016 and 2017 Joint Report on Mobilization of Private Finance by Multilateral Development Banks and Development Finance Institutions.

B. Tier 2 – Indicators Measured and Reported by All

64. Tier 2 indicators are measured by all but are based on different calculations, definitions or methodologies as developed over time within institutions. The MDBs assessed each Tier 2 VfM indicator in detail to identify how they are alike and where they differ. Barriers to harmonization are explained in the following section: differences may reflect the variety of business models, or different global accounting systems and standards, and therefore may require changes to systems that would require approval by senior management and/or Boards of Directors.

1. Return on Equity

Why It Is Value for Money

65. The Return on Equity ratio, expressed in percentage, measures a Bank's profitability by comparing how much profit the Bank generates with the usable equity. It also provides insight into each institution's financial sustainability as well as its ability to grow its capital base in order to serve its mandate. These aspects are particularly relevant for MDBs, which deliver on public policy goals on the basis of sustainable business models.

Management Analysis

66. MDBs use different measures of income (net income, operating income, net profit) in the context of this metric. This would entail, for instance, a different treatment of unrealized gains and losses and/or transfer to concessional windows.

67. This measure for return is compared to a measure for total (shareholder) equity, comprising paid-in (called-up) capital invested by shareholders and retained earnings (reserves) accumulated over time. For this purpose, AfDB uses the total equity at the end (closing) of the current reporting period, EBRD chooses to apply total equity at the start (opening) of the current reporting period,

i.e. the closing balance of the previous period. All other institutions use Average Capital, defined as the average of the current and previous reporting period.[9]

Table 6 – Return on Equity

Institution		Numerator	Denominator	Accounting Standard	Data Source	2016	2017
AfDB		Net income (net operational income less other expenses before distributions approved by the Board of Governors)	Paid in capital plus reserves	IFRS	Audited Financial Statements	1.8	3.6
AsDB		Operating Income	Average Equity	Management reporting/US GAAP	Annual Financial Report Management's Discussion and Analysis	2.8	1.64
EBRD		Net profit (total closing members' equity before net income allocations and capital subscriptions accounted for during the year minus total opening members' equity)	Total opening members' equity (equity = paid-in capital plus reserves and retained earnings)	IFRS	Financial Report	7.0	5.1
EIBG	**EIB**	Net profit	Average Own Funds. Own funds (shareholders equity) are the sum of called-up capital and reserves and profit for the financial year.	European Accounting Directives	Financial Report	4.4	4.2
	EIF	Net profit	Average Own Funds	IFRS	Annual Report	6.6	5.7
IDBG	**IDB**	Operating income	Average Equity	US-GAAP	Financial Statements	4	3.4
	IDB Invest	Operating income	Average Equity	US-GAAP	Financial Statements	1.7	1.2
WBG	**IFC**	Net income, excluding unrealized gains/losses on investments	Paid-in share capital and accumulated earnings before	Non US-GAAP	Financial Statements	1.8	4.9

9 It is worth noting that S&P does report on this metric across the MDBs. However, there are two differences in the S&P calculation which are different to the internal reporting of many MDBs, which are relevant to VfM considerations. S&P calculates net profits (or loss) after net income allocations (NIA), rather than movements in total reserves before NIA. In addition, in the denominator, some MDBs assess return against opening total members equity rather than average adjusted common equity. The MDBs have agreed that each institution should choose the best way to report their business performance in the context of this VfM report, rather than relying on the S&P calculation which is a better reflection of financial strength than overall business performance.

Institution		Numerator	Denominator	Accounting Standard	Data Source	2016	2017
		accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial instruments.	certain unrealized gains/losses and excluding cumulative designations not yet expensed averaged for the current and previous fiscal year.				

Barrier Assessment

68. MDBs report under different accounting standards, and this prevents a full harmonization of the calculation of return on equity.

69. Further steps towards harmonization of the indicator, within the limits posed by different accounting standards, would require more extensive expert analysis and agreement among all institutions on a comparable calculation of return/net profit/operating income and its components as well as the calculation of (average) capital. For some institutions, a harmonized formula may deviate markedly from purposefully chosen accounting principles and could therefore be challenged for not reflecting key institutional specificities.

2. Processing Time

Why It Is Value for Money

70. Processing time shows how quickly new operations are designed and processed from inception to financing actually reaching the client implementing the operation/investment.

Management Analysis

71. Through this Working Group, the MDBs have identified two sensible points in the life cycle of a project to calculate a near-common indicator. Differences in processing time reflect the MDBs' different business models. This is particularly true for sovereign operations where there is tremendous variation in how MDBs disburse to governments and implementation arrangements. Dissimilarities in typical portfolio composition also undermine comparison. For example, the share of equity within the MDB portfolios, the share of sovereign projects, and the average project size affect volatility on this metric over time and confound differences in results across institutions. Further, some MDBs are more actively involved in project implementation and, in the case of sovereign operations, they disburse only when the finance is ready to reach the end beneficiary, rather than the sovereign client entity. This can drastically influence their processing time. Not all MDBs currently report and publish this indicator or track it for their own internal purposes; nonetheless all MDBs have decided to report it for the purpose of this exercise.

Table 7 – Processing Time

Institution	Indicator	Definition	Unit	2016	2017	NSOs vs SOs
AfDB	Processing time - Time from concept note to first disbursement	Lapse of time between the concept note and the project's actual first disbursement is calculated by summing the averages	months	20.2	18.9	Sovereign only

Institution		Indicator	Definition	Unit	2016	2017	NSOs vs SOs
			for all public sector investment projects that have reached their first disbursement in the past 12 months.				
AsDB		Sovereign operations processing time (from concept paper approval to first disbursement)	Average time, in months, from the approval of concept paper by the Director-General/Vice-President for Operations concerned to the first disbursement of sovereign operations in a given year (Jan-Dec)	months	32.0	32.9	Sovereign only
		Nonsovereign operations processing time (from concept review form approval to first disbursement)	Average time, in months, from approval of concept review form by the Concept Review Committee to first disbursement of nonsovereign operations in a given year (Jan-Dec)	months	15.2	14.8	Non-sovereign only
EBRD		Processing time for all projects (Sovereign and Non-Sovereign)	Median value of the time, in months, from the approval of the concept review to first disbursement.	months	9.8	9.1	All projects with first disbursement in a given year
EIBG		From Preliminary Information Note (PIN) to first disbursement	Processing time runs from MC approval date of the Preliminary Information Note (PIN) to the first disbursement of the first signature.	months	18.7	19.4	Combined data (SOs=Sov. & public operation; NSOs=corporate & banks)
IDBG		Time elapsed from project profile to first disbursement (months)	Average time, in months, from approval of the project profile to the first disbursement for all SG loans receiving the first disbursement in a given calendar year.	months	15.4	11.7	Sovereign only
WBG	**WB**	Concept Note to first disbursement	Average number of months from Concept Note approval to the First Disbursement for World Bank projects that have either obtained Board approval or become effective or had a first disbursement during the previous 12 months.	months	27.7	25.4	Sovereign only

Institution		Indicator	Definition	Unit	2016	2017	NSOs vs SOs
	IFC	Mandate to disbursement	Number of calendar days between Mandate Letter Date and First Disbursement Date for all Long-Term Finance projects that have a Mandate Letter Date and First Disbursement during the reporting period.	median days	310	280	Non-sovereign only

Barrier Assessment

72. The primary barriers to fully harmonizing the processing time indicator are differences in data disaggregation and definitions. All MDBs can measure the processing time from concept note approval to first disbursement, but from that point on their approaches vary. AsDB and WBG report separate data for sovereign operations (SOs) and nonsovereign operations (NSOs). AfDB and IDBG do not provide results on this indicator for NSOs at this time. EBRD and EIB can provide separate data for SOs and NSOs but given their mandate and portfolio it is more appropriate and relevant to report combined data when reporting on this indicator. In addition, the EBRD's and EIB's definitions of SOs and NSOs differ from those of AfDB, AsDB, IDBG, and WBG.

73. To harmonize their reporting on this indicator, the MDBs would have to agree on whether to report SO and NSO processing times separately or as a combined value. Reporting as combined, particularly for MDBs with significant shares of both sovereign and non-sovereign operations, does not add value. Separate reporting would require the MDBs to address current differences in their definitions of SO and NSO lending. They would also need to reach agreement on whether they should report their average or median processing times and whether these should be measured in days or in months. Care would need to continue to be exercised in interpreting a harmonized indicator on the basis of different business models and involvement in implementation of a project.

3. Support for Fragile Situations

Why It Is Value for Money

74. Fragility and conflict are critical development challenges that threaten efforts to end extreme poverty, affecting both low- and middle-income countries. The progress in fragile and conflict affected situations forms a key part of the global development agenda. Supporting fragile situations is one measure of the work that MDBs do in these situations, it should be treated with caution given the nature of the judgement in defining the boundaries of what a fragile and conflict-affected situation is, and the fluidity with which countries can move in and out of being defined as fragile, alongside the longer-term nature of MDB support.[10]

Management Analysis

75. It should be kept in mind that the judgments used to define a fragile and conflict affected situation can be subject to different metrics and produce different outcomes. This is seen in the differences between, for example, the WBG harmonized list of fragile situations compared to the OECD DAC list of fragile contexts.

[10] The OECD States of Fragility report recognizes the need to allow for complexity in measurement.

76. Countries may enter or leave various lists but MDB involvement reflects longer-term engagement in countries, including through transition periods where a country may no longer be deemed fragile according to harmonized lists but still requires a fragility-sensitive approach. There are also sub-national fragile situations. These situations are not likely to be included in the data below. Moreover, many MDBs run programs in non-fragile countries that address spillovers from fragile and conflict situations: for example, packages to support refugees in host countries. There is also a recognition by the international community of a need for a broader view of conflict and fragility that emphasizes contributing to conflict prevention and acting early in countries that are at risk of conflict and fragility. Many MDBs support operations that seek to address the key conflict drivers in those countries. All these programs are not necessarily captured in the data presented in the table.

77. Standard approaches to these situations often do not work and therefore MDB engagement is specialized. Broadly, MDB engagement in fragile situations can be characterized by a special and sensitive focus on the risk profile and context-specific needs of the situation. This might include special work on the human, social, economic and security aspects of a situation, perhaps through special risk instruments, the use of blended finance, and dedicated advisory work. Not all instruments or work done is captured in the data below. Furthermore, the cost of operating in such situations is often significantly higher due to, for example, security expenses or incentives to attract talented staff.

78. For some MDBs, particularly regional MDBs, the mandated regions draw natural limits to their ability to work in regions where there is a higher proportion of fragile and conflict affected situations. Regional priorities and business models of different MDBs affect the focus of reporting on work in fragile situations. Several MDBs (AfDB, AsDB, and EIB) have harmonized their list of fragile and conflict-affected countries with the WBG list. The IDBG reports based on its established list of small and vulnerable countries in its region. In EBRD, the focus of lending is the transition toward sustainable market economies, and so there has been a focus, since 2004, on “early transition countries”, which are countries still facing significant transition challenges. Not all MDBs currently report and publish this indicator or track it for their own internal purposes; nonetheless all MDBs have decided to report it for the purpose of this exercise.

Table 8 – Support to Fragile Situations

Institution	Indicator Name	Unit	2016	2017	Source
AfDB	Operations supporting activities in fragile situations (Share of operations approvals/total level of approvals)	%	8.8	9.2	WBG harmonized list
AsDB	Share of operations (by number of commitments) supporting FCAS - Overall	%	12.5	12.1	AsDB list based on MDB harmonized approach
	Share of operations (by number of commitments) supporting FCAS - Concessional OCR loans (COL)	%	14.0	15.6	
	Share of operations (by volume of commitments) supporting FCAS - Overall	%	5.0	6.8	
	Share of operations (by volume of commitments) supporting FCAS - Concessional OCR loans (COL)	%	18.5	11.3	

Institution		Indicator Name	Unit	2016	2017	Source
EBRD		Share of annual projects signed in a given year in Early Transition Countries, compared to EBRD total projects signed	%	30	28	EBRD's 10 Early Transition Countries are those still facing the most significant transition challenges
EIB		Share of operations signatures in FCS/ total level of signatures outside of the EU/EFTA	%	3	9	WBG harmonized list
		Total investment signatures in FCS	EUR M	229.62	656.62	
IDBG	**IDB**	Lending to small and vulnerable countries.	%	37	34	Countries as defined in the Report on the Ninth General Capital Increase (IDB-9)
	IDB Invest		%	37	23	
WBG	**IDA**	Share of WB IDA lending that goes to FCS	%	14	25	WBG harmonized list
		Share of WB Portfolio in IDA countries	%	20	28	
	IFC	Share of IFC advisory program in FCS	%	21	20	
		Share of IFC advisory program in IDA	%	65	63	
		IFC Total investment commitments in FCS	US$ million	971	886	
		IFC Total investment commitments in IDA	US$ million	5,478	4,590	
	MIGA	Share of MIGA Portfolio in FCS	%	10	10	
		Share of MIGA Portfolio in IDA countries	%	45	37	

Barrier Assessment

79. Barriers to harmonization of reporting on this metric include changes to calculating on the same basis according to the same lists and ensuring consistency of numerator and denominator (for example, all MDBs would need to use lending business per year rather than percentage of total portfolio). For some MDBs that do not currently report on work in fragile states or use different lists, this would constitute changes to existing reporting, or new reporting.

C. Tier 3 – Indicators Measured and Reported by Most

80. Tier 3 indicators are measured by most, but not all institutions and also present differences in definitions, methodologies and measurement. Below, the differences in institutional reporting and the reasons for not reporting on these indicators are presented, as well as steps that would need to be taken to harmonize further. Data for these indicators for those institutions that do report on them are included in individual annexes.

1. Portfolio / Capital

Why It Is Value for Money

81. This indicator is essentially a multiplier showing the ability of MDBs to leverage the shareholders' capital to grow their portfolio and thus further expand their operations and development impact to beneficiary countries. On the one hand, MDBs manage to grow their portfolio and on the other hand they continuously add to their capital through retained earnings, continuously optimizing their capacity to deploy capital toward their operations.

Table 9 – Portfolio / Capital

Institution	Indicator	Definition	Unit
AfDB	Lending volume / paid capital (stock/flow)	The level of Bank's lending compared to the Bank's paid capital.	%
AsDB	Portfolio (development related assets) / capital (stock)	Ratio between the gross development-related assets at year-end divided by total equity as per the institution's financial statements. For the purpose of this ratio, development-related assets include loans, equity investments, guarantees, and those financial products that are specifically used to fund development projects.	%
EBRD	Portfolio (development related assets) / capital (stock)	Portfolio / Available capital, defined as portfolio divided by available capital, where portfolio is defined as the total amount (stock) of the outstanding commitments and available capital is equivalent to members' equity (i.e. paid in capital plus reserves and retained earnings).	%
EIB	Outstanding loans, equity and guarantees to own funds:	Outstanding loans and guarantees to own funds is defined as the aggregate amount outstanding at any time of loans and guarantees granted by the Bank divided by its own funds. Own funds (shareholders equity) are the sum of called-up capital and reserves and profit for the financial year.	%
IDBG	Portfolio (development related assets) / capital (stock)	Gross development-related assets at year-end divided by total equity as per the institution's financial statements. For this ratio, development-related assets include loans, equities, guarantees, and those financial products that are specifically used to fund development.	%

Barrier Assessment

82. Further harmonization would require MDBs to identify a common definition for the numerator, between development-related assets and lending volumes, as well as their components. With regards to the denominator, MDBs would need to agree on using total equity or only some of its components, like paid capital.

83. WBG does not track this metric to monitor its performance. While IFC did include the indicator of portfolio to paid-in-capital in the WBG Appendix, as a multiplier showing how the current paid-in-capital has been turned into IFC's portfolio, this indicator is conceptually different from what other MDBs are computing, since they generally include retained earnings in the denominator. Therefore, in the absence of a common definition across MDBs, it is difficult for WBG institutions to compute this metric in a comparable way.

2. Cost to Income

Why It Is Value for Money

84. The cost to income ratio is a key financial measure commonly used by financial institutions, including most MDBs, to assess operational efficiency as well as monitor and influence the factors which impact long term financial sustainability. This metric shows an organization's cost in relation to its income, hence providing insight on how efficiently it is being managed. Typically, it measures the operating costs (administrative and fixed costs, such as salaries and property expenses) as a share of the operating income.

85. Below is a summary comparison of components that make up the cost to income ratio across MDBs. The unit of measure is percentage.

Table 10 – Cost to Income

		AfDB [(3)]	AsDB	EBRD	EIB	IDBG
Operating income [(1)] (before administrative costs)	Operating income	√	√	√	√	√
	Unrealised MtM movements	X	X	√	X	√
Administrative costs	Core [(2)]	√	√	√	√	√
	Depreciation	√	√	√	√	√
	Pension	√	√	√	√	X
	Other (e.g. EFO[(4)])	√	√	√	√	X

(1) Operating income is defined as income net of borrowing costs.
(2) Administrative costs excluding depreciation, pension and other costs (e.g. EFO in the case of World Bank)
(3) Excludes other financing window
(4) Externally Financed Output - an instrument for receiving external contributions to support the Bank's work program.

Barrier Assessment

86. Further harmonization across all MDBs would require agreement on how to treat the unrealized market movements in equity valuations - i.e. "fair value basis" calculation of operating income - to ensure better comparability across MDBs when it comes to the magnitude and volatility of this ratio.

87. Moreover, not all MDBs include unrealized mark to market movements in equity valuations as part of their definition of operating income. This is primarily a consequence of the differences between IFRS and GAAP. This difference may result in a greater impact on the magnitude and volatility of the ratio for MDBs such as EBRD or IFC whose business models imply a larger share of equity business in line with their focus on private lending.

88. There is no indicator labeled Cost to Income that is reported by the WBG. The WBG does use a specific internal measure to track the financial sustainability of its administrative budget, the 'Budget Anchor'. At the essence of this measure is a reaffirmation of efforts to maximize cost efficiency to ultimately redeploy and direct resources to strategic priorities in support of development effectiveness. For example, IFC uses a specific internal measure to track the financial sustainability of its administrative budget, the "Admin Budget as percentage of net loan and fees revenues". The metric was developed to inform the dialogue with the Board on the financial sustainability of the institution, demonstrating how its Administrative Budget is covered by specific controllable income items. While this indicator might seem similar to a typical cost-to-income ratio,

it conceptually serves a different purpose tied to the specificity of the institution's budgeting practices.

3. Cost to Portfolio

Why It Is Value for Money

89. The cost to portfolio indicator provides useful insight into the administrative costs that MDBs incur to manage their portfolios. Theoretically, a lower ratio may indicate a higher level of efficiency. However, costs are influenced not only by how efficient MDBs are but also by important aspects of their development missions, such as generating and disseminating knowledge, reaching small and vulnerable countries, and applying social and environmental safeguards. Monitoring this ratio is useful to ensure it remains within a healthy range determined by each institution's business model.

Table 11 – Cost to Portfolio

Institution		Indicator Name	Numerator	Denominator	Unit
AfDB		Cost (administrative expenses) to total development assets under administration (Sov, NSO)	Operating costs include employee expenses (salaries and benefits), general administrative expenses and amortization of fixed assets.	Total development assets under administration—including the operations portfolio	%
AsDB		Cost to assets	Total administrative expenses. Costs include retirement plan costs and depreciation.	For the purpose of this ratio, development-related assets include loans, equity investments, guarantees, and those financial products that are specifically used to fund development projects.	%
EBRD		Cost to portfolio ratio	Total administrative expenses. Costs include retirement plan costs and depreciation.	Year-end total portfolio. Portfolio includes operating assets and undrawn commitments, including guarantees.	%
EIBG		Costs to assets ratio	Operating costs, which is defined as: total administrative costs (staff costs + other administrative costs) + depreciation.	Total assets	%
IDBG	**IDB**	Cost to development related assets ratio	Total administrative expenses in a given year, excluding the pension expense	Gross monthly average development-related assets in the year. For this ratio, development-related assets include gross loans, equities, guarantees, and those financial products (e.g., securities, trade receivables) that are specifically used to fund IDB's development projects	%

Institution		Indicator Name	Numerator	Denominator	Unit
	IDB Invest		Total administrative expenses in a given year (includes the costs to manage the IDB's NSG portfolio plus other expenses), excluding the pension expense	Average gross development related assets beginning and ending year end balances. For this ratio, development related assets include gross loans, equity investments, guarantees, and those financial products (e.g. securities, trade receivables) that are specifically used to fund development projects. IDB Invest's development related assets calculation includes the combined total IDBG NSG portfolio to match the corresponding costs incurred to manage both IDB Invest's development related assets and IDB's NSG portfolio.	%

Barriers Assessment

90. Because of the differences in operating models, lines of business, and geographies among MDBs, there is no single definition of costs or of portfolio that could be applied uniformly across all MDBs and provide meaningful insight into value for money. For example, harmonization of the numerator would require agreement across MDBs on such issues as whether depreciation should be included and the treatment of pension costs (net pension benefit costs). Harmonization of the denominator would require an agreement on which types of assets should be included (e.g., own assets vs. assets under administration, total assets vs. development-related assets). Furthermore, the WBG does not track this metric to monitor its performance as it is not representative of its efficiency, given that it is a global institution that provides investment, advisory and knowledge/standard-setting services, and that has proprietary due diligence and approval mechanisms for each project to ensure quality.

4. Gender Equality

Why It Is Value for Money

91. As part of the global development agenda, gender equality has been recognized as being fundamental to the fulfillment of human rights, and a social and economic imperative. The economic returns of investing in women and girls' health and education, and the productivity gains of providing equal opportunities for economically marginalized populations, are critical for sustainable and resilient economies.

92. Reflecting the investments needed to improve gender equality, MDBs are delivering on initiatives to help women and girls gain greater and more equal rights, education, jobs, and economic opportunities. MDB projects regularly promote equal social and legal protection, participation, and women's empowerment. The benefits have been substantial. MDBs' operations contributed toward large increases in primary and secondary school attendance by girls, opening of previously male-dominated work areas, addressing safety concerns on public transport to enable women to feel safe travelling to work, and introducing proper land titles to help female

entrepreneurs get loans and start or expand small businesses. Outcomes of the focus on MDBs' work on gender equality are difficult to quantify, but most MDBs measure, in some form, the number of new projects that include a gender component.

Table 12 – Gender Equality

Institution		Indicator	Definition	Unit
AfDB		New operations with gender-informed design	Share of all projects going through the Readiness Review that have a satisfactory rating on gender-informed design.	%
AsDB		Operations supporting gender mainstreaming	Number of committed operations that support gender mainstreaming in the last 3 years as a percentage of the total number of operations committed during the same period.	%
EBRD		Number of projects with gender focus or component	Number of projects signed in a given year with gender component and gender focus. A gender focused project is where the primary objective of the financing is gender related. A project with a gender component is an EBRD project with a different primary objective, but which has an activity linked to it that is related to gender.	Number
IDBG		New approvals aligned with gender equality and diversity (% of lending and TC volume)	Percentage of new lending and technical cooperation operation approvals (by volume in US$, total approval amount) that strategically align to gender equality and diversity as recorded at project approval.	%
WBG	**IBRD**	Gender Tag	The WB developed and launched a new Tag in FY17 to identify those operations that meaningfully narrow gaps between males and females in the four key pillars of the WB Gender strategy: human endowment gaps, jobs gaps, asset gaps, and women's voice and agency.	%
	IFC	Advisory Services Gender Flag	Share of new projects approved that include a gender flag.	%

Barrier Assessment

93. Harmonization on this indicator would require MDB agreement on the categorization and criteria for measuring whether an operation or project is achieving benefits for women and progress toward gender equality. An MDB Working Group on gender (with a slightly different composition of MDBs than this VfM working group) is looking at issues relevant to tracking and reporting on MDB work on gender. For example, some MDBs measure all projects with a gender-informed design, while others measure projects with a gender focus, and others again measure advisory services on gender. The determination of whether a project meets these criteria would vary depending on the context of each project and the institution. It is worth noting that some MDBs have recently agreed with their shareholders on a process for classifying projects with a gender equality angle.

There would also need to be agreement on the unit of measure—percentage shares or numbers of gender-related operations[11].

94. Five of the six MDBs measure gender equality as an at-entry, ex ante marker. Although EIB has no gender equality classification at entry, the first EIB Group Strategy on Gender Equality and Women's Economic Empowerment was approved in late 2016, and a gender action plan that will guide implementation of the strategy was endorsed in January 2018. EIB aims to roll out a flexible, tailored approach to measuring gender-specific results, predominantly at the outcome level, but also impact where feasible. It is anticipated that this new approach, expected by the early 2020, will include a system to tag and track operations that contribute to gender equality and women's economic empowerment by input as well as impact and outcome level results. EIB plans to improve tracking of its gender-specific results will include sex-disaggregated data, specific outcome-level indicators where relevant, and will explore the use of methodologies for estimating gender impacts, as needed.

5. Quality during Implementation

Why It Is Value for Money

95. Quality of operations during implementation is a systematic process that is monitored at the sector, country and regional level. It contributes to the timely delivery of development outcomes and outputs. A range of issues during implementation are addressed such as the development objectives, procurement, disbursement, risk assessment – as well as how individual projects are reflecting certain corporate and global priorities such as gender, climate, fragility and mobilization of private capital.

Table 13 – Quality during Implementation

Institution	Indicator	Definition	Unit
AfDB	Quality during implementation	The indicator reflects the quality of project implementation, taking into account key dimensions from the Implementatio Progress and Results Report prepared during supervision, including: performance status, risks, results reporting and reliance on procedures and financing mechanisms.	Scale 1-4
AsDB	Quality during implementation (Sov/NSO)	Performance of sovereign operations at implementation rated satisfactory: Percentage of ongoing sovereign operations rated satisfactory at cut-off date. The portfolio performance rating system uses the following five key performance indicators to rate the status of ongoing operations: technical, procurement, disbursement, financial management, and safeguards. Performance of non-sovereign operations at implementation, credit rated satisfactory: Number of non-sovereign operations facilities not under workout as a percentage of the total number of facilities. Facilities refer to signed legal agreements evidencing ADB's investments.	%
EBRD	Projects on track – Share of projects facing implementation	This indicator measures the number of active loans and grants facing start-up, procurement or disbursement delays divided by the total number of active loans and grants in the portfolio at the end of the year. It also	%

[11] An MDB Working Group on Gender is currently coordinating to strengthen harmonization of gender priorities.

Institution		Indicator	Definition	Unit
		challenges and delays	includes projects that face delays before signature, effectiveness and first disbursement.	
EIBG		Impaired loans (as a % of risk portfolio)	To monitor the quality of its lending portfolio from a credit risk perspective the EIB has implemented a comprehensive loan grading system supporting the assessment of credit risk in lending operations, as well as the quantification of expected loss estimates. The loan grading system is also used to decide which loans are included in the watch list (i.e. EIB internal early-warning system with regard to the development of the loan portfolio) and which loans are classified as impaired and need provisioning. The implementation of projects financed by the EIB is followed up by regular Project Progress Reports (PPRs) that the project promoter needs to submit at a predefined frequency. Depending on the complexity, risk and size of the project PPRs are requested on a quarterly to biennial base. Each promoter PPR is converted in a structured EIB PPR, through which project progress and risks are systematically fed into a database.	%
IDBG	IDB	Active operations with satisfactory performance classification	This reflects the number of operations that have satisfactory validated performance classification in the Progress Monitoring Report (PMR) divided by the total number of operations that receive a performance classification.	%
	IDB Invest	Active operations with satisfactory performance classification	This reflects the percent of NSG loans and equity in the active (outstanding) portfolio that have satisfactory performance in a given year as rated by the Development Effectiveness, Learning, Tracking, and Assessment (DELTA) tool.	%

Barrier Assessment

96. There are significant barriers to harmonization for this indicator given that it is dependent upon each institution's unique progress monitoring tools and processes, which currently differ in terms of such areas as the dimensions covered and rating scales used.

97. The WBG is not included in the table as it does not measure this indicator, since quality of operations during implementation is seen as a systematic process monitored at the sector, country, region and corporate levels. A range of issues over the implementation cycle of any operation are monitored through a combination of quantitative indicators and qualitative assessments, such as whether the project is on track in achieving key development objectives, disbursements, environmental and social safeguards, transparency of procurement and financial management. However, there are no single combined indicators reported by the WBG that are specifically tagged as 'Quality during Implementation'.

6. Success Rates (Quality at Completion/Maturity)

Why It Is Value for Money

98. All MBDs internally assess the success of their operations either at completion (for sovereign operations) or at maturity (for the non-sovereign operations), with variation in what is

publicly disclosed. At the core, this Tier 3 indicator reflects how well projects/investments performed against key dimensions of effectiveness in terms of achieving stated outputs, outcomes and impact.

99. While all MDBs have at least one or more indicator measuring quality at completion/maturity, there is variation across (and in many cases within) MDBs on exactly what dimensions of effectiveness is being assessed, how it is being assessed (e.g., rating scale), and who is doing the assessment (e.g., self or independent). Most MDBs use a success rating validated by their Independent Evaluation unit. The independent assessment primarily follows the OECD DAC evaluation criteria using either a 4-point scale or a 6-point scale from highly successful/satisfactory to highly unsuccessful/unsatisfactory. AsDB, IDBG, and WBG have separate indicators for sovereign and non-sovereign operations; the EBRD indicator combines sovereign and non-sovereign; AfDB for only sovereign. There is variation in how data is currently reported - some MDBs report the data annually while some on a 3-year rolling basis to minimize the influence of fluctuation created by year to year changes in portfolio size/composition (within some MDBs, there have been changes in reporting format).

Table 14 – Success Rates (Quality at Completion/Maturity)

Institution	Assessment by sovereign and non-sovereign	Rating scale	Independent validation	Scope of validation	Reporting
AfDB	Sovereign	4 point	Y	100%	Annual
AsDB	Y	4 point	Y	100%	3-year rolling
EBRD	Combined	6 point (for the overall rating)	Y	Sample validation based on purposefully selected sample	Annual 2017 (3-year rolling previously)
EIBG	Combined	4 point	N	N/A	Annual
IDBG	Y	6 point	Y	100%	Annual
WBG (WB, IFC)	Y	4 point (WB), 6 point (IFC)	Y	100% (WB); Sample validation based on a representative sample (IFC)	3-year rolling

Barrier Assessment

100. Overall, there are major institutional barriers to harmonization of this indicator. Currently AfDB only reports ratings for (100% independently validated) sovereign operations. Internally, AfDB does use the Expanded Supervisory Reports (XSR) at the project completion stage to account for the results of its non-sovereign operations. The XSRs focus on four areas, one of which is development outcomes. However, AfDB does not aggregate ratings to provide a single measure of success for the non-sovereign operations. Given AfDB does not report on ratings of non-sovereign operations, harmonization across MDBs has to be narrowed down to sovereign operations only.

101. The EIB's ReM (for operations outside the EU) and 3PA (inside the EU) frameworks serve to show how EIB operations generate outputs, enabling outcomes and leading, over time, to impacts which are in line with the Bank's mandated objectives. The relevant framework is

completed ex ante at project appraisal stage, as part of the EIB's due diligence process. At that time, appropriate results indicators are identified, and baselines and expected values estimated for economic, social, and environmental outputs and outcomes of the operation. The ReM and 3PA frameworks were launched in 2012 and 2013, respectively, and the EIB publishes quality at entry ratings regularly (in the Group Operational Plan). The achievement against expected output and outcome indicators is followed up once a project is completed, and a quality at completion rating is compiled for internal purposes.

102. Furthermore, even if EBRD and EIB were to report separately on sovereign and non-sovereign operations (currently combined), EIB currently does not report independently validated ratings. EBRD has a small purposeful sample that is independently validated. We would then end up comparing a sovereign indicator with a mix of 100% validated ratings (AfDB, AsDB, IDBG, WBG), purposeful samples of validated ratings (which might not be statistically representative, as in the case of EBRD), and self-rating (EIB).

103. While rating scale (6 or 4 point) or reporting format (3-year rolling or Annual) might appear as minor technical barriers, they have significant implications on interpretation of data comparison across MDBs (even within some MDBs there are changes in scale and reporting format over time).

V. CONCLUSION

104. The theory of VfM is varied and has evolved over time, with conceptual foundations grounded in economics to public sector management, applied at the project to organizational level, encompassing principles of accountability to development effectiveness. Similarly, the role of MDBs has been varied and is evolving to adapt to the growing multipolarity of the international financial and development system. More than ever, there is a multiplicity of international players across global and regional institutions. With rapidly changing global and regional priorities, there is a need to foster greater coherence and complementarity between different parts of the system, aimed at maximizing the collective impact of MDBs on inclusive and sustainable growth, and on financial stability.

105. MDBs have stepped up to this challenge and are already coordinating across a range of issues. For example, MDBs are making collective progress on mobilizing finance for climate actions, maximizing private sector finance for development, scaling investment in infrastructure, and measuring development results. While fostering greater coordination, it is also imperative that MDBs retain and continue to build upon their unique strengths in order to deliver overall VfM for shareholders and clients alike. Leveraging the comparative advantages of MDBs—be it based on business models, or regional or sectoral expertise—is critical in responding to the demand for global public goods such as addressing global issues, including pandemics, climate change, and migration, convening different partners and catalyzing action on regional initiatives and global agendas. Strengthening MDB harmonization on VfM highlights the value proposition of broader MDB achievements. It is also an opportunity to identify priority areas to make further collective progress.

106. For the first time MDBs have articulated and agreed upon a common VfM conceptual framework. The VfM framework, articulates the VfM proposition of the MDBs around three main categories: (i) financial capacity and resources, (ii) operational delivery, and (iii) results. The framework sheds light on the many ways in which MDBs deliver VfM, creating a shared understanding between shareholders and the MDBs that can be used as the basis for further discussion and analysis.

107. MDBs have mapped their institution-specific VfM metrics to this common framework, highlighting both the collective and individual approach to VfM in line with this common conceptual framework. Individual institutional appendices include MDB-specific VfM indicators, definitions and data in accordance with each MDB's own strategies; business models; measurement tools; clients; investments in knowledge; and global or regional public goods, geographic reach, and convening roles.

108. MDBs have begun the process of harmonizing common VfM indicators where it makes sense and articulating challenges moving forward. Using the common VfM framework and cross-analyzing each MDB's approach to VfM, the working group has developed a system to start classifying the degrees of commonality in indicators that measure the MDBs' approaches to VfM. Comparing MDBs across indicators that have been already harmonized in methodology and measurement, provides insights into how the differences between MDBs in terms of, for example, business models, or relative focus on global/regional public goods are reflected in the indicator values. However, when comparing MDBs across indicators which have yet to be harmonized, it is difficult to ascertain whether the differing indicator values are due to differences in business models, or due to differences in definitions, methodologies and measurement.

109. The comparability of MDBs as highlighted in the benchmarking exercise, combined with the rich and varied complementarity of MDBs articulated in the institution-specific narratives and metrics, underscores that the collective value of MDBs to the international financial system is greater than the sum of its parts. Moving ahead, building on the foundation of this working group, dedicated working groups could focus on harmonizing select indicators—when the case for harmonization provides clear benefits—and as prioritized through a broad-based consultative process, as well as on improving the articulation of the value added by MDBs as a system.

APPENDIXES

APPENDIX 1: AFRICAN DEVELOPMENT BANK VALUE FOR MONEY PROPOSITION

A. AfDB approach and metrics

1. This note provides an overview of AfDB's approach to Value for Money in the context of the Multilateral Development Bank Working Group on Value for Money. It includes a brief introduction to the Bank's mandate and VFM principles, followed by its approach and metrics in each category falling under the VFM framework agreed upon by MDBs. Annexes provide data against key indicators with their definitions.

B. AfDB Presentation

2. The African Development Bank Group is a multilateral development bank whose shareholders include 54 African countries and 26 non-African countries. The AfDB Group's primary objective is to contribute to the sustainable economic development and social progress of its regional member countries through its Ten-Year Strategy 2013-2022 with the twin goals of it's of reaching inclusive growth and transitioning to green growth in Regional Member Countries (RMCs). To accelerate the implementation of the TYS and to enhance its development impact, the Bank in 2015 articulated five high priority areas, known as the High 5s: Light up and power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve the quality of life for the people of Africa. To this end, the Bank finances a broad range of development projects and programs through public sector loans, including policy-based loans, and through private sector loans and equity investments; by providing technical assistance for institutional support projects and programs; by making public and private capital investments; by assisting countries with development policies and plans; and by supplying emergency assistance. It relies on the African Development Fund to provide concessional financing to low income countries. The Bank has five regional hubs and is present in 36 countries including fragile states.

C. AfDB's VfM Principles

3. Providing better value for money is central to the Bank's mandate. This means adopting a business model that delivers the best development value for clients and stakeholders. To this end, the Bank needs to ensure that it is both effective in achieving its development objectives and efficient in making good use of its resources in doing so. The African Development Bank has committed to a series of foundational reforms as part of its Development Business and Delivery Model (DBDM) that will transform the Bank as an institution, and drive up value for money in our use of resources to transform Africa. This includes:

(i) Concentrating and scaling-up our resources behind the 'High 5' development goals, to accelerate Africa's transformation.
(ii) Moving our operations closer to our clients through a new regional delivery model.
(iii) Reconfiguring HQ to support the regions to deliver better outcomes.
(iv) Attracting and retaining the right staff, and create a stronger performance culture.

(v) Streamlining business processes to promote efficiency and effectiveness.
(vi) Improving financial performance and enhance income.
(vii) Increasing development impact for all Africans.

4. These overarching objectives to improve operations effectiveness and organisational efficiency are at the core of each of the eight VFM themes jointly identified by MDBs. Separately, the AfDB is designing its own VFM framework tailored to its specific needs.

D. AfDB's Value for Money Proposition

1. Resource optimization and financial stability

5. To increase impact on development and the SDGs through the High 5s, the Bank needs to optimize its financial resources. The Bank's income model is designed to ensure that decision-making is anchored in long-term financial sustainability. This model has served the Bank well in striking a balance between an ambitious approach to supporting Regional Member Countries and ensuring financial solidity. Various prudent financial management measures have been undertaken, including strengthening reserves and an increase in loan pricing, to allow better coverage of expenses. The Bank has a sound financial profile maintaining an AAA rating while working in a challenging operating environment.

6. Actively managing balance sheets is a key area where the AfDB works with MDBs and other partners to mobilize additional financial resources and as a result generates more lending volume. When development banks worked together in 2015 to optimize balance sheets, exposure exchanges created $10 billion headroom for the Bank. This approach, including managing prudential limits, implies taking forward the following initiatives: exposure exchange transaction, synthetic securitization, insurance of the financial sector portfolio, and asset sales. It involves assessing the benefits of this approach in reducing risks against the relative margin reduction which comes as a cost to the Bank. While these options strengthen the balance sheet in the short term, they need to be complemented with increased capital to sustain the Bank's projected lending program.

7. The DBDM sets out a clear plan to improve financial performance and mobilise additional resources. Under this plan, the Bank aims to make an efficient use of existing capital, increase revenues from private sector investments, speed up loan execution and mobilise income and resources for business development.

2. Corporate cost management

8. The Bank's effective use of administrative budget remains a cornerstone of its business model to increase development results. It is scaling up decentralization and increasing its effectiveness by maximizing country resources and capacity. This approach makes the Bank nimbler and more responsive to client country needs. Putting more expertise and decision-making authority into the regional and country offices will help the Bank tailor its products and services to countries' needs, and generate additional business. Other reforms are also at play, including optimizing travel expenses and renegotiating service contracts with a bid to improve organizational efficiency.

9. The Bank prioritizes the optimal use of existing resources and implements cost saving measures and trade-offs to moderate budget growth. While it has doubled its lending from 2010

to 2017, its administrative budget increased by only 36%. Analysis shows that the Bank remains cost-effective with low administrative expenses to average common equity ratio as well as cost to income ratio. In managing its administrative cost, the Bank strives at identifying the right level of resources that allows for effective and quality project preparation and supervision.

10. With respect to human resources, the Bank needs a skilled, committed and motivated workforce that best responds to clients' needs. In reaching this objective, the Bank — of which its headquarters are located in Sub-Saharan Africa — remains agile and adaptable to change in order to source, manage, motivate and retain talent. Most importantly, the Bank is strengthening the performance culture of its staff, empowering them to innovate and manage for results.

11. Key measures are to improve performance management by clarifying role descriptions, realigning Key Performance Indicators (KPIs) with the Bank's priorities, and revitalizing performance contracts. With these changes, the Bank strengthens its performance culture, moving towards "a new way of doing business" that puts it in a better position to deliver the High 5 priorities. It will emphasize the need to have operations staff with a direct impact on portfolio growth and client value proposition. Finally, it will ensure that staff works together across the five regional directorates and new sector complexes for enhanced delivery.

3. Strategic alignment of resources

12. Achieving Africa's transformation is possible only if adequate attention is given to the development areas that cut across all of the priorities of the Ten-Year Strategy 2013-2022—gender equality, governance and accountability, fragility and climate change. The Bank addresses these cross-cutting and strategic areas through its five high priority areas, the High 5s: Light up and power Africa, Feed Africa, Industrialize Africa, Integrate Africa and Improve the quality of life for the people of Africa.

13. Paying close attention to cross-cutting areas will help sustain Africa's economic growth and reduce inequality. For the Bank, this means, for instance, engaging with countries to address gender issues directly through our operations and indirectly by placing special emphasis on mainstreaming gender throughout all our activities. It means supporting reforms that improve public administration and financial management, enhancing voice and accountability, and addressing governance for improved service delivery. In terms of financing, it also implies dedicating a significant share of its private sector operations to low income countries and scaling up climate finance investments to reduce emissions and mitigate the impacts of climate change. In implementing its operations, the Bank continues to champion interventions that are fragility-proofed. It applies a "fragility lens" to guide its strategic and operational engagement. The Bank is also aligning all its operations to national objectives to ensure full country ownership.

4. Management of operations

14. The AfDB manages an active portfolio of more than 850 ongoing operations, representing $32 billion in investment across the continent. Actively managing this portfolio of operations is critical in ensuring that the Bank's resources—human, technical and financial—are fully mobilized and put to good development use. In summary, strong portfolio performance helps reduce costs and increase the efficiency of the use of the Bank's resources. The Bank's objective is to continue maintaining a high level of performance of its portfolio, with resources used effectively and in a timely manner. It means having a portfolio that disburses on time, with limited risk and more flexibility; and at times it means realigning the portfolio to the evolving context. The quality of the

design and supervision of an operation is also one of the most important factors in an operation's success and the integrated project quality rating system served the Bank well, with a focus on evidence and results. In summary, the Bank aims to make sure that all of its operations meet the highest international standards for quality and are executed in a timely manner.

15. The Bank exercises selectivity in supporting operations. It is making considerable efforts to improve the quality of the pipeline and streamline the project cycle to accelerate delivery. Resources are made available to facilitate project readiness, timely implementation, effective portfolio oversight and risk management. These efforts respond to the impetus for accelerated delivery included in the 2015 Presidential Directive and additional efficiency measures which set ambitious targets to disburse swiftly after approval and reduce the time to project signature. Key drivers to achieve these objectives include the preparation of advanced procurement packages, feasibility studies and awareness raising with parliament in RMCs.

16. The Bank has been progressively building an enhanced results culture across the organization including systems for tracking, reporting and evaluating, at project, sector and country level. The Bank Group's 2016-2025 Results Measurement Framework is instrumental in ensuring the delivery of the High 5s and increasing the Bank's impact on development. It sets out targets and milestones, against which performance is tracked, with the analysis set out in the Bank's Annual Development Effectiveness Review (ADER). The ADER examines Africa's development performance across a range of sectors and thematic areas and assesses how the Bank has contributed through its lending operations and other activities. It also assesses the health of the AfDB portfolio and how well we are developing as an organization. The Bank now intends to roll out a set of tools, including a Delivery Dashboard to provide real time updates on the preparation of new lending and the performance of the active portfolio. Tracking progress in this way is expected to accelerate delivery and lead to better and timelier results and development impact. The Bank is also taking measures to track development results in real time with its Results Reporting System.

5. Standards

17. Guided by the objective of achieving value for money, the Bank adheres to the highest international standards in terms of procurement, financial management, environment and social safeguards. It is doing so in a challenging operations environment, working with client countries with limited institutional capacity, which impacts the time taken meet safeguard, procurement and financial management standards.

18. The Bank ensures that its operations have effective mitigation measures to address environmental or social challenges. Its Integrated Safeguard System (ISS) is the cornerstone of the Bank's strategy to promote growth that is socially inclusive and environmentally sustainable. Safeguards are a powerful tool for identifying risks, reducing development costs and improving project sustainability, thus benefiting affected communities and helping to preserve their environment. The Bank is equipped to address emerging environmental and social development challenges, with a system that not only promotes best practices in these areas but also encourages greater transparency and accountability. This clear, integrated package of policies and procedures uphold the voices of people and vulnerable communities and help promote their well-being and livelihoods.

19. The Bank relies on a dynamic procurement policy which seeks the achievement of value for money by borrowers based on a differentiated fit-for-purpose approach to procurement

transactions. This is achieved using processes and procedures that are competitive, fair and transparent. This procurement framework includes the full use of borrower procurement systems for certain contracts, as well as customized methods and procedures for more complex ones, while using a risked-based approach in particular for fragile situations.

20. AfDB is also deepening its support in Africa by optimizing its financial management approach to bring about financial and economic benefits from an investment. It provides assurance on the use of Bank resources and helps countries improve their performance on public financial management.

6. Knowledge, policy dialogue, and convening

21. The Bank's client countries are increasingly demanding that, in addition to finance, the Bank must provide knowledge solutions and advisory services to address their most pressing development needs. At the same time, the Bank itself needs high-quality research and feasibility studies to ensure that projects are well designed so that they can achieve their intended development impact. The Bank's goal is to become Africa's premier knowledge institution, providing knowledge and advisory solutions to Africa's development challenges in the priority areas defined in the TYS and the High 5s.

22. In line with the Bank's Knowledge Management Strategy (2015-2020), the Bank aims at strengthening the quality and impact of the Bank's policy dialogue and advisory services. The Bank is providing customized technical advice, policy advice, analytical and diagnostic work, impact evaluation, project implementation support, knowledge sharing and peer learning. Under its 2017 Roadmap for Knowledge and Economic Governance, the Bank aims to leverage the best analytical capacity to strengthen the Bank's operational effectiveness, mobilize research and capacity development to support development impact, provide a combination of knowledge and technical support to strengthen governance and strengthen partnerships with think tanks and research institutions.

23. This ensures that the AfDB maintains its position as a leader in the generation, dissemination and utilization of knowledge for the transformation of economies and livelihoods in Africa. Cultivating world-class capacity building and professional development for the Bank's country economists and sector specialists will also enhance the Bank's knowledge and policy convening and leveraging capabilities, making the Bank a key partner of choice in policy analysis, dialogue and technical assistance.

7. Results

24. The African Development Bank measures its performance as a development institution by its development impact—how it improves Africans' lives, rather than by how much money it spends or how many projects it implements. Measuring these changes and, more specifically, the Bank's impact on development is a complex undertaking. Development has many inter-related dimensions — economic, social, environmental and political — and is determined by many different factors, many of which are not within the control of the Bank. To track the Bank's impact on development, the 2016-2025 Results Measurement Framework focuses on the development effectiveness of the operations the Bank funds. The Bank's goal is to make sure that its operations— loans, grants, technical assistance and advisory work — achieve their intended development outcomes in a timely and sustainable manner. To do so, the Bank tracks how well

the project delivered on its development objectives and its independent evaluation office conducts a review of achievements.

25. Operational knowledge and learning of why operations succeed, or fail is equally important. This work is central to the Bank's ability to improve its performance and effectiveness, so it is critical that completion reports draw important lessons for future operations.

26. Measuring our development impact is not enough: Africa's needs are many and urgent, so we need to seek constantly to increase our impact on development. To boost its impact on development, the Bank is taking major actions within the scope of the Results Measurement Framework. It increases its strategic focus on five of the Ten-Year Strategy's priority areas with clear logics of intervention, supports the implementation of a more effective delivery model, and better measures its development impact and support to jobs in Africa. Finally, the Bank is improving the way it assesses the private sector's contribution to development and increases its attention to gender equality. All this represents a significant commitment not only to better track results, but also in deepening its impact and understanding.

8. Mobilization of finance

27. The Bank aims to increase its impact on development by mobilizing additional resources to achieve its development targets from both the public and private sector. To help meet the financing gap on the continent and strengthen the private sector, the Bank is increasingly providing its financial support to the private sector in the form of guarantees, grants and loans. In addition, it seeks to mobilize resources from private sector entities. This means measuring active resource mobilization—in which the Bank takes a lead role in attracting investments and resources—in addition to what financing the Bank obtains through project co-financing by likeminded institutions. For sovereign operations, the Bank complements resources made available from the African Development Fund replenishments with an expanding portfolio of partnerships and trust funds.

28. Mobilizing third-party resources to meet clients' needs is a fundamental strategic component of the Bank's new business model. The Bank aims to deepen and broaden its use of innovative financial instruments to catalyze additional funding from strategic partners, including development finance institutions and the private sector, and will produce soft knowledge products to underpin investment operations for the Bank. This includes efforts aimed at identifying partners such as sovereign wealth and pension funds, depending on industrial areas and regions. The Bank systematically explores and promotes blended finance opportunities. With heightened goals of ramping up risk transfer transactions and synthetic securitization, and increasing loan syndication, the Bank launched the revision of guidelines and guarantee policy, as well as its suite of financial products. In addition to catalyzing public and private finance, the Bank contributes to improving Africa's investment and business climate. It fast tracks investments through the upcoming Africa Investment Forum, where capital meets bankable projects.

AfDB KEY VFM INDICATORS

Indicator	Unit	2014	2015	2016	2017
Resource Optimization and Financial Stability					
Lending volume / paid capital (stock | flow)	%	0.9 | 11	1.2 | 15.6	1.6 | 21.7	1.1
Return on equity	%	2.53 | 0.70	1.48 | 0.40	1.82 | 0.44	3.6
Debt to equity	rate	236	253	313	327
Administrative expenses over average adjusted common equity	%	2.19	2.17	2.16	NA
Corporate Cost Management					
Increase the Bank's administrative cost-efficiency					
Cost to income ratio	%	39.15	41.4	34.5	41.9
Costs to total development assets under administration	%	0.93	0.89	0.82	0.8
Move closer to clients					
Share of operations staff based in country offices and regional hubs	%	50	40.6	42	58
Projects managed from country offices	%	51	60	65	76
Strategic Alignment of Resources					
Increase the volume of loan approvals					
Climate change—Climate-related Bank commitments	$ billions	1.9	1.4	1.1	2.3
AfDB private sector engagement with LIC	%	30	50	84	64
Operations supporting countries in fragile situations	%	8.1	8.4	8.8	9.2
Mainstream gender and climate-change priorities					
Gender—New operations with gender-informed design	%	89	75	70	84
Climate change—New operations with climate-informed design	%	75	75	80	70
Management of Operations					
Prepare high-quality operations and country strategies					
Quality of Country Strategy Papers	scale, 1-4	3.0	3.0	3.1	3
Quality of new operations	scale, 1-4	3.2	3.3	3.1	3.1
Ensure timely execution of operations					
Processing time—Time from concept note to first disbursement	months	NA	21.9	20.2	18.9
Quality during implementation		3.07	3.04	3.06	3.2
Standards					
Operations with satisfactory environmental/social risk mitigation measures	%	72	87	78	90

Indicator	Unit	2014	2015	2016	2017
Time for procurement of goods and works	months	9.2	8.5	8.2	8.2
Procurement contracts using national system (% of value)	%	NA	0	3.5	14.3
Knowledge, Policy Dialogue, and Convening					
Number of knowledge outputs—New ESW and related papers	number	NA	122	168	252
Results					
Operations that achieved planned development outcomes	%	94	90	91	89
Completed operations delivering sustainable outcomes	%	82	90	91	91
Mobilization of Finance					
Resources mobilised from public sector entities	UA billions	NA	3.5	3.5	4.8
Private direct mobilisation	$ millions	NA	NA	1088.4	474.7
Private indirect mobilisation	$ millions	NA	NA	820.5	1796.5

AfDB DEFINITION OF INDICATORS

This annex lists all indicators according to the structure of the framework prepared by the MDB Working Group on Value for Money. The definitions give additional information on the rationale for selecting the indicator and how it contributes to tracking progress towards the Bank's corporate objectives.

RESOURCE OPTIMIZATION AND FINANCIAL STABILITY

Lending volume / paid capital (stock/flow)

This indicates the level of our lending compared to the Bank's paid capital.

Source: AfDB **| Unit:** percentage

Return on equity

This measure evaluates how effective the Bank is in managing the capital entrusted by its shareholders. The return on equity ratio measures the Bank's profitability by comparing how much profit the Bank generates with the money shareholders have invested.

Source: AfDB **| Unit:** percentage

Debt to equity

This measures indicates how much debt the Bank is using to finance its assets, including operations, relative to the value of shareholders' equity. This ratio is calculated by dividing the Bank's total liability by its shareholders' equity and helps measure the Bank's financial leverage.

Source: AfDB **| Unit:** rate

Administrative expenses over average adjusted common equity

This indicator measures the amount of administrative expenses over the adjusted common equity as a mean to demonstrate the Bank's efficiency.

Source: Standards & Poor 2017 Supranationals Report **| Unit:** percentage

CORPORATE COST MANAGEMENT

Cost to income ratio

This indicator measures the efficiency by comparing what it costs to operate the income generated by operations of the AfDB only, not of other financing windows. Operating costs include employee expenses (salaries and benefits, general administrative expenses and amortization of fixed assets, while operating income amounts to net interest incomes to which is added net fees and commissions, and market related revenues.

Source: AfDB **| Unit:** percentage

Costs (administrative expenses) to total development assets under administration (Sov, NSO)

This measures the ratio of total development assets under administration — including the operations portfolio — against administrative expenses.

Source: AfDB **| Unit:** percentage

Share of operations staff based in country offices and regional hubs

The indicator measures the extent to which the Bank has improved its ability to respond rapidly and effectively to regional member countries' needs by equipping the field offices with professional staff. The indicator is calculated as the ratio of operational professional staff in field offices to all Bank operational professional staff at post.

Source: Annual Development Effectiveness Review **| Unit:** percentage

Projects managed from country offices

The indicator assesses the extent to which the Bank has devolved management responsibilities from HQ to country offices. It is calculated as the ratio of ongoing projects task-managed from field offices to all ongoing Bank projects.

Source: Annual Development Effectiveness Review **| Unit:** percentage

STRATEGIC ALIGNMENT OF RESOURCES

Climate change—Climate-related Bank commitments

The indicator measures financing invested annually using ADB and ADF resources to address climate change, because large-scale investments are required to significantly reduce emissions. Climate finance is equally important for adaptation, for which significant financial resources will similarly be required to allow countries to adapt to the adverse effects and reduce the impacts of climate change.

Source: Annual Development Effectiveness Review **| Unit:** $ billions

ADB private sector engagement with LIC

This is an indication of the Bank's direct investments as well as those channelled through financial intermediaries in low income countries as a proportion of the total level of approvals of sovereign operations.

Source: AfDB **| Unit:** percentage

Operations supporting countries in fragile situations

The indicator measures financing invested annually using ADB and ADF resources targeting countries in situations of fragility. This indicator measures the share of operations approvals targeting situations of fragility in relation to the total level of approvals within a year.

Source: AfDB **| Unit:** percentage

Gender—New operations with gender-informed design

The indicator measures how well the Bank takes gender aspects into account in the design of new operations. It builds on five dimensions: sector-specific gender analysis, a gender-equality-related outcomes statement, a gender-equality-related baseline, specific activities to address gender gaps, and adequate budgets and human resources to implement the activities. The indicator is measured as the share of all projects going through the Readiness Review that have a satisfactory rating on gender-informed design.

Source: Annual Development Effectiveness Review **| Unit:** percentage

Climate change—New operations with climate-informed design (%)

The indicator measures how well the Bank takes climate aspects into account in the design of new operations. Projects are classified into three categories: (i) very vulnerable—which requires a detailed evaluation of climate change risks and adaptation measures; (ii) vulnerable—which requires a review of climate change risks and adaptation measures; and (iii) not vulnerable—no further action is required. The indicator measures the share of projects that have included satisfactory actions to protect development initiatives from the negative impacts of climate change, climate variability, and extreme weather events.

Source: Annual Development Effectiveness Review **| Unit:** percentage

MANAGEMENT OF OPERATIONS

Quality of Country Strategy Papers

This indicator draws from the Bank's Readiness Review mechanism to measure the quality of Country Strategy Papers (CSPs) taking into account four dimensions: contextual diagnostic and strategy design rationale, alignment and ownership, positioning and strategic selectivity of programme design and monitoring, and results and risk assessment. It measures the average rating of all CSPs produced in the past year.

Source: Annual Development Effectiveness Review **| Unit:** scale, 1-4

Quality of new operations

The indicator reflects the quality of project design, taking into account eight dimensions: alignment and strategic fit, lessons learnt from prior operations, rationale and ownership, focus on results and risk assessment, implementation arrangements, financial management/procurement, environmental and social considerations, and gender. It measures the average rating of all operations approved in the past year on the 4-point scale used in the Readiness Review process.

Source: Annual Development Effectiveness Review **| Unit:** scale, 1-4

Processing time—Time from concept note to first disbursement

The lapse of time between the concept note and the project's first disbursement is often a critical aspect of delay in project implementation that affects the disbursement ratio. It may be an indication of the quality of project design and dialogue with the client, but it may also be due to external factors. The indicator shows how quickly new operations are designed and processed from inception to approval and effectiveness for first disbursement, until the actual first disbursement. It is calculating by summing the averages for all public sector investment projects that have reached their first disbursement in the past 12 months.

Source: Annual Development Effectiveness Review **| Unit:** months

Quality during implementation

The indicator reflects the quality of project implementation, taking into account key dimensions from the Implementation Progress and Results Report prepared during supervision, including: performance status, risks, results reporting and reliance on procedures and financing mechanisms.
Source: AfDB **| Unit:** scale, 1-4

STANDARDS

Operations with satisfactory environmental/social risk mitigation measures
The indicator measures the share of operations for which adequate mitigation measures to address environmental or social safeguards have been built in and implemented. It is calculated as the number of operations reporting satisfactory safeguard measures over all operations classified in safeguards categories 1, 2, and FI.
Source: Annual Development Effectiveness Review **| Unit:** percentage

Time for procurement of goods and works
The indicator measures the average time procurement takes from bid reception to contract signature. A diligent yet speedy process is critical to implement projects on time and contribute to a reasonable disbursement ratio.
Source: Annual Development Effectiveness Review **| Unit:** months

Procurement contracts using national system
The indicator measures the percentage of procurement value using national systems for procurement related to projects approved since 2015. It demonstrates the Bank’s support to strengthening country systems and oversight institutions.
Source: Annual Development Effectiveness Review **| Unit:** percentage of value

KNOWLEDGE, POLICY DIALOGUE, AND CONVENING

Number of knowledge outputs—New ESW and related papers
Reflecting the scope of the Bank’s knowledge activities, the indicator shows the number of economic and sector work (ESW) and knowledge products the Bank produces in a year. This includes books, policy briefs, working papers, reports and journal articles.
Source: Annual Development Effectiveness Review **| Unit:** number

RESULTS

Operations that achieved planned development outcomes
The indicator measures the share of projects that are rated satisfactory or above at completion. It reflects how well projects performed against the key dimension of effectiveness in terms of achieving stated outputs and outcomes.
Source: Annual Development Effectiveness Review **| Unit:** percentage

Completed operations delivering sustainable outcomes
This indicator measures the percentage of closed projects reviewed by the Independent Evaluation function (BDEV) that are rated Moderately Satisfactory, Satisfactory, or Highly Satisfactory on overall performance against the total number of projects closed over the past year.
Source: Annual Development Effectiveness Review **| Unit:** percentage

MOBILIZATION OF FINANCE

Resources mobilised from public sector entities
Volume of public sector resources mobilised by AfDB in support of its development mandate. It includes two components: (i) *active mobilisation*, or public sector funds entrusted to the Bank for a development activity or purpose; this includes funding for the Bank’s trust funds and special funds; and (ii) *co-financing*, or public sector resources provided by entities other than the AfDB made available to a client as part of an AfDB-funded project.
Source: Annual Development Effectiveness Review **| Unit:** $ billions

Private direct mobilisation
Volume of part of the private sector resources mobilised by AfDB in support of its development mandate. The indicator focuses on *active mobilisation*, or financing mobilised on commercial terms as a result of the Bank’s active and direct involvement in raising resources, including (a) funds mobilised on arranger mandate at financial close: syndicated loans, parallel loans, etc., and (b) funds entrusted to the Bank by private sector donors for a development purpose.

Source: MDB Joint Report on Mobilization of Private Finance **| Unit:** $ millions

Private indirect mobilisation

Volume of part of the private sector resources mobilised by AfDB in support of its development mandate. The indicator focuses on *co-financing*, or financing on commercial terms provided by private entities other than the AfDB made available to a client as part of an AfDB-funded project.

Source: 2016 MDB Joint Report on Mobilization of Private Finance **| Unit:** $ millions

APPENDIX 2: ASIAN DEVELOPMENT BANK VALUE FOR MONEY PROPOSITION

1. The Asian Development Bank (AsDB) provides value for money (VfM) by carrying out business in line with its Charter and in the most efficient, effective, and sustainable ways it can.

2. On the money side of the VfM calculation, ADB is prudent but innovative in maximizing its use of all available resources. It earns healthy returns on equity and income assets. It tracks and optimizes its budget efficiency and the administrative costs of its growing business. To manage better and work faster and smarter, it reviews and reforms on a regular basis. It pursues both quality and economy in procurement. It leverages its own financing and a half century of expertise and close relationships in its region to mobilize additional development assistance. It scores itself comprehensibly, independently, and rigorously on its corporate, country-level, and project-by-project performance. It acts on the results to make its operations more financially and economically efficient, more developmentally effective, and more likely to have benefits that will last.

3. The broad nature of the value ADB seeks to deliver is determined by its development mandate and overall strategy. These are set or agreed on by its 67 members, including 48 from the region and 19 from North America and Europe. ADB's corporate vision is an Asia and Pacific freed from poverty. Its mission under its current long-term strategic framework—Strategy 2020—is to help its developing member countries (DMCs) reduce poverty and improve the quality of life of their people. ADB currently concentrates on three complementary strategic agendas—inclusive economic growth, environmentally sustainable growth, and regional integration. More than 80% of its operations during 2008–2017 were in Strategy 2020's five core areas—infrastructure, environment, regional cooperation and integration, finance sector development, and education. Infrastructure operations dominate.

4. ADB partners with the DMC governments, independent specialists and other financial institutions on projects that deliver measurable socioeconomic development results. It provides loans, technical assistance, and grants. It amplifies the impacts of these operations through parallel policy dialogue and advisory services and by mobilizing additional official, commercial, and other cofinancing.

5. In July 2018, ADB's Board approved a new long-term strategy—Strategy 2030—that sets the course for ADB to respond effectively to the region's changing needs and will guide ADB's operations to 2030. It commits ADB to sustain its efforts to eradicate extreme poverty and expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. As was the case under Strategy 2020, the value ADB provides for money will be largely a function of how well and to what extent ADB's operations and assistance to its DMCs advance these goals.

A. Delivering Value for Money at AsDB

6. Generating VfM is a core objective in all ADB's strategic frameworks, policies, and processes, as well as a strategic priority under ADB's 2014 Midterm Review of Strategy 2020

(MTR).[1] The MTR noted that ADB has performed well on MDB metrics used to assess VfM and laid out a road map for further improvements in its efficiency, effectiveness, and institutional economy.

7. ADB makes VfM a core principle in procurement. This principle, as defined by its 2017 Procurement Policy, allows "*the borrower to obtain optimal benefits through effective, efficient, and economic use of resources, by applying, as appropriate, the Core Procurement Principles and related considerations, which may include life-cycle costs and socioeconomic and environmental development objectives of the borrower. Price alone may not sufficiently represent value for money.*"[2]

B. AsDB's Value for Money Proposition

1. Resource optimization and financial stability

8. ADB has maximized its use of resources without sacrificing financial sustainability. Its financing capacity grew dramatically in 2017 through the innovative merger of its concessional Asian Development Fund (ADF) lending operations with its ordinary capital resources (OCR) balance sheet. This almost tripled OCR equity. Prudent leveraging will expand overall ADB assistance by up to 50% in the coming years as a result. With increases of 70%, lower-income DMCs will benefit most. As annual lending and grant approvals rise toward $20 billion by 2020, ADB has been expanding its operations pipelines and working to make its projects more efficient and effective each year.

9. On a management reporting basis, ADB's rates of return on equity and its earning assets improved in 2016 from 2015, mainly due to higher capital gains on the sale of equity investments. Returns on loans and investments for liquidity purpose and the cost of borrowings increased, mainly due to rising US dollar interest rates, but the margin between return on loans and cost of borrowings remained stable at 0.64% in 2016 and 2015.

2. Corporate cost management

10. ADB tracks budget efficiency and adequacy through the ratio of its internal administrative expenses (IAE) to its disbursements and the share of operational expenses used to manage its portfolio. Optimal VfM requires ADB to balance (i) ongoing efforts to improve budget efficiency with the need for its operations to be adequately resourced, and (ii) the work of processing of new operations for approval with the work of supervising their implementation afterwards. Slowing growth in IAE and faster increases in disbursements reduced ADB's IAE per $1 million disbursed by 25% to $47,300 in ADB's three-year 2015–2017 reporting period from $63,100 during 2011–2013.

11. The lowered IAE ratio is a sign that recent ADB reforms have heightened operational efficiency. Savings from enhancements to staff productivity and budget flexibility, among other steps, have more than offset the added costs of expanding ADB's overall development business. In 2016, ADB moved to manage staff services, business travel, and consultant costs more prudently. Year-to-year growth in gross IAE averaged 9.4% during 2011-2013 but dropped to 2.9% in 2014-2016.

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[1] ADB. 2014. *Midterm Review Strategy 2020: Meeting the Challenges of a Transforming Asia and Pacific*. Manila.
[2] ADB. 2017. *ADB Procurement Policy: Goods, Works, NonConsulting and Consulting Services*. Manila.

12. The share of operational expenses going to portfolio management declined in 2017, but this reflected accelerated spending to expand the project pipeline for the scaled-up operations made possible by ADB's 2017 balance sheet consolidation. The ratio was down to 52.0% from 54.6% in 2016. Preparation expenditures rose in part because ADB's approvals overshot its work program target. This was also due to new reforms aimed at achieving better quality at entry—and, ultimately, higher development values at completion—by making projects more design- and procurement-ready at approval.

3. Strategic alignment of resources

13. Strategic alignment is an ADB strongpoint. ADB's Strategy 2020 was approved by its shareholders in 2008 and set the goals it should pursue, the roles it is particularly and sometimes uniquely suited to play, and the directions it should take to best support socioeconomic development in its region. The better its operations pursue these development goals and adhere to these strategic roles and directions, the more value they provide to ADB shareholders and stakeholders alike. ADB's 2017 results scorecard showed that operations during 2015–2017 continued to line up well with Strategy 2020 and the 10 strategic priorities of the Strategy 2020 midterm review.

14. Faster growth in its operations will demand that ADB pay special attention to maintaining its solid track record in this area. To do so, ADB plans to augment its preparation processes during the operational expansion to ready additional operations for its pipeline in each area of strategic focus and support for the 10 midterm review priorities. If one is held back by unavoidable difficulties or delays, a similarly aligned operation can take its place.

15. Three examples of areas where ADB's strategic alignment—and the strategies themselves—provide special value to shareholders and the region's stakeholders are discussed below.

i) **Climate change mitigation and/or adaptation**. Strategy 2020 made action on climate change part of its environmentally sustainable growth agenda and integral to one of its five core areas of operations. In light of serious environmental challenges both globally and in the region, the midterm review called for stepping up climate adaptation support and maintaining ADB's substantial assistance for mitigation through clean energy, energy efficiency, and sustainable transport projects. The share of ADB operations supporting climate change mitigation and/or adaptation rose to 49% during the 2015–2017 period from 44% in 2012–2014. This support accounted for a 21% share of overall ADB financing during 2015–2017, , and reached new highs in 2017 of $4.20 billion for climate change mitigation and $0.95 billion for adaptation. ADB remains on track to meet a commitment to $6 billion in climate change-related assistance by 2020—$4 billion for mitigation and $2 billion for adaptation. Climate finance from external funds in 2017 totaled $643 million.

ii) **Gender mainstreaming.** Strategy 2020 deems gender equality and the empowerment of women fundamental to achieving ADB's strategic agenda of inclusive growth. The midterm review noted that ADB has surpassed its target for the operational mainstreaming of gender equity consistently. Nonetheless, it prescribed steps for more robust gender plan implementation and direct investment in education, training, and access to productive assets for women and girls to narrow gender disparities, particularly in areas of the region where these are widest and most deeply entrenched. In 2015–2017, sovereign commitments that supported gender mainstreaming accounted for 48% of ADB's operations. The gender-responsive designs that ADB builds into its operations promote safety, equal access, employment, and equitable roles and participation for women. Some have been crafted specifically to help women break into male-dominated job areas.

iii) **Fragile and conflict-affected situations.** As of 2017, nine of the ADB's DMCs faced what it categorizes as fragile and conflict-affected situations (FCAS). Mainline development assistance, policies, principles, and operation designs often do not work in these complex situations, leaving problems to fester, grow, and/or spread. Based on FCAS experience, the guidance of the midterm review of Strategy 2020, and ADB's FCAS operational plan, ADB works to deliver results in these situations by fully understanding the national or local context, committing for the long term, ensuring country ownership, and meeting distinctive FCAS challenges with flexibility. FCAS interventions have increased steadily over the past five years, from 8.1% in 2014 to 12.1% in 2017 of the total number of ADB committed operations for the year.

4. Management of operations

16. A culture of review and reform produces regular improvements to VfM at ADB by improving operational management. The midterm review of Strategy 2020 resulted in an action plan to boost both effectiveness and efficiency. All 192 items on the action list have been implemented and most of them completed. These included, for example, steps to streamline business processes and minimize transaction costs for the DMCs.

17. ADB delivers value through expertise as well as financing. To do this better, it is strengthening its skills and knowledge base. Aside from helping DMCs learn to plan and carry out development projects on their own, ADB promotes innovative know-how across its region. This requires it to constantly update, upgrade, consolidate and make full use of its specialist knowledge internally as well. ADB established seven sector groups and eight thematic groups in 2014 to further this objective. They are also helping elevate ADB's performance in conceiving and implementing operations. The expert groups now collaborate with ADB's five regional departments and the Private Sector Operations Department from the time operations are chosen and designed. They are also now helping to review and upgrade ADB's project documents.

18. The sound VfM delivered by ADB's evolving operational management practices should improve further as ADB works on implementing its operations faster and better. Operations completed without delays and the cost overruns and scope reductions that can result, deliver the high levels of effectiveness, efficiency, and stakeholder benefits crucial to development VfM. Decentralization is key to this effort. More staff have been posted to resident missions in the DMCs where implementation problems can be solved more quickly. These missions now have more authority to approve procurement and thus speed it up.

19. Reforms to unclog bottlenecks in ADB's internal processes will cut procurement time too, as will a decision to make more use of national procurement procedures rather than international ones. For swifter project start-ups and smoother implementation afterwards, ADB now uses a special facility, technical assistance loans, and early tranches of multitranche financing facilities to have detailed engineering designs in place and ready for use by the time some projects are approved. Greater emphasis on quality in consultant and contractor selection will reduce delays and raise standards in project execution.

5. Standards

20. **Procurement.** A procurement policy and procurement framework adopted in 2017 added quality and VfM to the original four core principles of economy, efficiency, fairness, and transparency. The change allows ADB to customize procurement methods and support high-tech development solutions. The reform has meant deeper market assessments in ADB-financed procurement and a more intense focus on high value and complex transactions, using a risk-based approach. The policy change introduced a new complaints mechanism to foster greater accountability.

21. **Financial management.** ADB develops and applies policies, frameworks, and guidelines to support, assess, and monitor the adequacy and effectiveness of country-, sector-, program- and project-related financial management systems.

22. **Safeguards**. ADB's safeguards policy adds value by ensuring that its operations do no or little peripheral harm in pursuit of their principal economic and development goals. Safeguards are a cornerstone of ADB's support for growth that is inclusive, environmentally sustainable, and respectful of the marginalized, the powerless, and the left-out. The value in safeguards compounds through the fact that the examples of ADB projects help the DMCs build their own capacity to avoid, minimize, or mitigate adverse impacts on the environment, society, and people and their rights.

23. The value provided by ADB safeguards has grown since its Safeguard Policy Statement (SPS) went into effect in January 2010. The SPS built on and consolidated ADB's three previous safeguard policies regarding the environment, involuntary resettlement, and indigenous peoples. ADB works with borrowers through project review, supervision, and capacity development to apply SPS principles and requirements in each of its operations. The SPS also provides a platform for affected people and other stakeholders to participate in project design and implementation.

6. Knowledge, policy dialogue, and convening

24. Knowledge solutions hold a central place in ADB's development tool box and magnify the value of its other work. ADB committed to becoming a learning organization under its strategic framework for 2000–2015 and was successful under a 2009–2011 action plan in building new knowledge tools, techniques, and approaches that have advanced its mission and strategy in the region. In 2013, it began offering clients combinations of attractive financing, strategic partnerships, and high-quality knowledge in effective development packages it calls Finance ++. The aim is to prioritize and implement knowledge solutions; enrich DMC development knowledge capabilities; and expand ADB's knowledge solutions by enhancing its knowledge assets, resources, information systems, and communications. ADB established a multidonor high-level technology trust fund in 2017. It provides grants to apply high-tech innovations in identifying and implementing solutions to specific DMC public and private sector development challenges.

7. Results

25. ADB has managed for corporate-level performance and development results since 2008 through a corporate results framework and an annual performance scorecard. The scorecard currently rates ADB's performance on 85 framework indicators. The results, published annually in ADB's Development Effectiveness Review for full accountability, drives decision making and ADB's work planning and budgeting process.

26. ADB results frameworks incorporated in its country and regional partnership strategies allow it to manage the ongoing performance of its country and sector operations and deliver the intended outcomes. ADB refined its country and sector results frameworks in 2016 to ensure alignment with country development priorities and improve planning, monitoring, and reporting.

27. All ADB operations are designed, approved, and implemented with a comprehensive framework that sets SMART (specific, measurable, achievable, realistic, and time-bound) indicators and targets against which results are scored and rated after completion. ADB makes sure that the projects it finances are carried out in line with quality results frameworks through regular assessments of the DMC implementing agencies involved in its operations and project management training and coaching for their staff and managers.

28. To generate the fullest VfM possible from its development efforts and further its strategy and mission, ADB's interventions need to be successful. Their benefits also need to last. ADB evaluates and rates each operation after completion. Success is scored on its relevance to DMC and ADB development goals, efficiency (primarily financially and economically), its effectiveness (mainly in delivering intended, on-time, up-to-ADB standards results), and an estimate of the likelihood that the outcome and benefits can be sustained. Development interventions focusing on poverty reduction, inclusion, and many other intractable socioeconomic problems are challenging by their very nature. ADB is constantly learning from its evaluations and ratings what works and what may not in the many types of operations it undertakes and in the many complex contexts and environments in which it does business. These lessons inform the regular adjustments and reforms it makes to raise its overall success rates and plan for the expansion of its portfolio and new directions in the years ahead.

29. ADB success rates were up in the scorecard of the 2017 annual Development Effectiveness Review. The overall trends in the numbers of operational successes are tracked through rolling 3-year averages. The success rates reached 75% for sovereign projects during 2015–2017 and 74% for policy-based operations. Strong, steady results in energy helped lift the sovereign operations average. So did finance operations, which benefitted from improvements in the performances of finance sector development projects in 2017. ADB is intensifying supervision of its ongoing sovereign portfolio to head off threats to individual project success earlier in the implementation period. Because results show that implementation difficulties often start with an operation's design, it instituted a new quality review process in 2016 to catch and fix such issues in projects scheduled for approval.

30. The success rate for ADB's nonsovereign operations was down by nine percentage points in 2015–2017 from 67% in the previous period. To raise it, ADB has adopted new measures for nonsovereign finance sector operations, which make up two-thirds of the nonsovereign total. ADB's Office of Risk Management will now review such investments before concept approval. Screening by ADB's investment committee has been made more rigorous, and ADB has introduced rating and pricing models for lending projects and enhanced its credit assessments. New ADB strategy guidelines set in 2015 aim to improve the financial returns and development impacts of ADB's investments in private equity funds.

8. Mobilizing of finance

31. ADB is escalating its efforts to mobilize growing amounts of cofinancing. Cofinancing improves VfM by leveraging ADB's experience, track record, comparative advantages, and deep presence and long DMC relationships in the region. It also reflects the stark reality that fulfilling

its mission and executing its strategic agendas require far more resources than it alone can provide.

32. Cofinancing is a well-established tool in development. Donors, multilateral institutions, and development agencies agree to come together to assist developing countries and improve their people's lives. Done well, cofinancing makes the best use in a project or program of the best of what each partner can offer in funding, knowledge, and expertise. ADB works jointly in these arrangements with international development agencies, multilateral and bilateral institutions, the private sector, and other emerging development partners. ADB's commercial cofinancing is particularly effective for projects and programs that private sector partners would consider too risky without the comfort ADB involvement affords. In 2017, ADB augmented its own financing in the DMCs by catalyzing a record amount of $11.8 billion direct value-added cofinancing.

AsDB KEY VFM INDICATORS

This annex benchmarks performance for each of the clusters of indicators of the Value for Money framework shared across MDBs.

Indicator	Unit	2014	2015	2016	2017
Resource Optimization and Financial Stability					
Portfolio (development related assets) / capital	$ billion	3.45	3.68	4.11	2.08
Debt to equity ratio (DER)	%	370	379	433[3]	174
Debt to equity (S&P: Gross debt/adjusted common equity)	X times	-	-	4.33	-
Annual approvals	$ billion	13.5	16.3	17.4	19.1
Total assistance to Developing Member Countries (DMCs)	$ billion	22.9	26.9	31.7	32.2
Operating income	$ million	571	343	521	725
Return on equity (ROE)	%	3.12	1.89	2.80	1.64
Rate of return on average earning assets	%	0.71	0.40	0.56	0.57
Annualized return on average Loans	%	1.12	1.18	1.63	1.96
Corporate Cost Management					
Cost to Income	%	61.65	111.66	74.86	79.72
Cost to Assets	%	0.60	0.60	0.55	0.55
Internal administrative expenses per $1 million disbursement	$'000	60.6	53.7	47.6	47.3
Share of operational expenses for portfolio management	%	59.8	56.9	54.6	52.0
Strategic Alignment of Resources					
Operations supporting climate change mitigation and/or adaptation	%	44	45	45	49
Financing for climate change mitigation and/or adaptation	%	21	19	19	21
Financing for climate change mitigation and/or adaptation	$ billion	2.6	2.6	3.7	4.5
Climate Finance (MDB harmonized)	$ million	2.856	2.917	4.437	5.234
Operations supporting gender mainstreaming	%	54	57	48	48
Operations aligned with country results frameworks	%	98	100	100	n.a.
Share of operations (by number of commitments) supporting FCAS - Overall	%	8.1	8.6	12.5	12.1
Share of operations (by number of commitments) supporting FCAS - Concessional OCR loans (COL)	%	16.7	2.3	14.0	15.6
Share of operations (by volume of commitments) supporting FCAS - Overall	%	3.0	3.6	5.0	6.8

[3] The MDB working group agreed to use the S&P data for this indicator. AsDB reports this figure with exactly the same value reported by S&P.

Indicator	Unit	2014	2015	2016	2017
Share of operations (by volume of commitments) supporting FCAS - Concessional OCR loans (COL)	%	13.8	2.9	18.5	11.3
Management of Operations					
Processing time type indicator (Sov/NSO)					
• Sovereign operations processing time (from concept paper approval to first disbursement)	months	32.48	27.45	31.97	32.95
• Nonsovereign operations processing time (from concept review form approval to first disbursement)	months	12.55	16.31	15.23	14.81
Quality during implementation (Sov/NSO)					
• Performance of sovereign operations at implementation rated satisfactory (%)	%	95	93	95	92
• Performance of nonsovereign operations at implementation, credit rated satisfactory (%)	%	99	99	99	99
Knowledge, Policy Dialogue, And Convening					
Web-distributed knowledge solutions	# of downloads	530,000	550,000	558,000	672,000
Level of engagement on social media: active engagement	Number (#)	36,000	332,000	1,833,000	2,653,000
Results					
Success rates					
• Completed country strategies and assistance programs rated successful	%	63	64	71	69
• Completed sovereign operations rated successful: Projects	%	74	74	78	75
• Completed sovereign operations rated successful (%): Policy-based operations	%	68	69	74	74
• Completed nonsovereign operations rated successful (%)	%	67	67	67	58
ADB's contribution to Development Results					
• Greenhouse gas emission reduction	tCO2-equiv/year	736,000	2,365,000	1,954,000	4,133,000
• New household connected to electricity	# of HHs	70,000	n.a.	490,000	2,683,000
• Roads built or upgraded	kilometer	7,200	10,000	6,400	7,100
• Households with new or improved water supply	# of HHs	735,000	166,000	1,886,000	205,000
• Students educated and trained under improved quality assurance system	no. of students	19,149,000	7,545,000	3,464,000	7,000,000
Mobilizing Finance					
Direct value-added cofinancing	$ billion	8.6	10.1	11.9	11.8
Commercial net direct value-added cofinancing	$ billion	4.3	3.7	5.6	5.8
Official direct value-added and other concessional cofinancing	$ billion	4.3	6.4	6.2	6.1
Private Direct Mobilization	$ million	n.a.	n.a	459.5	1,168.8
Private Indirect Mobilization	$ million	n.a	n.a	8,535.5	2,758.2

AsDB DEFINITION OF INDICATORS

This annex lists all indicators according to the structure of the framework prepared by the MDB Working Group on Value for Money. The definitions give additional information on the rationale for selecting the indicator and how it contributes to tracking progress towards the Bank's corporate objectives.

RESOURCE OPTIMIZATION AND FINANCIAL STABILITY

Portfolio (development related assets) / capital (stock)

Portfolio (development related assets) / capital (stock) is the ratio between the gross development-related assets at year-end divided by total equity as per the institution's financial statements.

For the purpose of this ratio, development-related assets include loans, equity investments, guarantees, and those financial products that are specifically used to fund development projects.

Source: ADB Financial Report 2017, 2016 and 2015 **| Unit:** $

Debt to Equity ratio

Debt-to-Equity ratio (DER) is the financial ratio indicating the relative proportion of total equity and debt used to finance assets.

Source: ADB Financial Report 2017, 2016 and 2015 **| Unit:** $

Annual Approvals

An investment approved by the Board of Directors of the Asian Development Bank (ADB)

Source: 2017 DEfR **| Unit:** $ billion

Total ADB assistance to its DMCs

Approvals and cofinancing.

Source: ADB Financial Report 2017, 2016 and 2015 **| Unit:** $ billion

Operating income

This indicator is defined as statutory net income before unrealized gains or losses and the Asian Development Bank's proportionate share in unrealized gains or losses from equity investment accounted for under the equity method.

Source: ADB Financial Report 2017 and 2016 **| Unit:** $ million

Return on Equity

This indicator is defined as the ratio between Operating Income and Average Equity

Source: ADB Financial Report 2017 and 2016 **| Unit:** percentage

Rate of Return on average earning Assets

This indicator is defined as the ratio of Operating Income over average Operating Assets, including Investments, Loans, Equity Investments.

Source: ADB Financial Report 2017 and 2016 **| Unit:** percentage

Annualized return on average Loans

This indicator is defined as the ratio of Loan Income over average Loans Outstanding

Source: ADB Financial Report 2017 and 2016 **| Unit:** percentage

CORPORATE COST MANAGEMENT

Cost to Income

Cost to income measures the administrative expenses associated to ADB Ordinary Capital Resources (OCRs) divided by the OCR operating income.

Source: ADB Financial Report 2017**| Unit:** percentage

Costs to Assets

This indicator measures the total costs divided by the total development assets. (see development assets definition in Indicator 1.1)

Source: ADB Financial Report 2017, 2016 and 2015**| Unit:** percentage

Internal administrative expenses per $1 million disbursement

Total internal administrative expenses in the last 3 years divided by the total amount of regular and concessional OCR and Asian Development Fund (ADF) grants disbursed during the same period.

Source: 2017 and 2016 DEfR **| Unit:** $'000

Share of operational expenses for portfolio management

Total operational expenses attributable to portfolio management in the past year as a percentage of total operational expenses attributable to portfolio management and processing of operations.

Source: 2017 and 2016 DEfR **| Unit:** percentage

STRATEGIC ALIGNMENT OF RESOURCES

Operations supporting climate change mitigation and/or adaptation

Number of operations that support climate change mitigation and/or adaptation in the last 3 years as a percentage of the total number of operations approved during the same period.

Source: Annual DEfR **| Unit:** percentage

Financing supporting climate change mitigation and/or adaptation

Volume of approved operations that support climate change mitigation and/or adaptation in the last 3 years as a percentage of total volume of operations approved during the same period.

Source: Annual DEfR **| Unit:** percentage

Financing supporting climate change mitigation and/or adaptation

Volume of approved operations that support climate change mitigation and/or adaptation.

Source: Annual DEfR **| Unit: $**b

Climate Finance (MDB harmonized)

Amounts committed to finance climate change mitigation and adaptation activities in the development projects they undertake in developing economies and emerging economies in transition. Climate finance includes commitments from the MDBs' own accounts, and from external resources channeled through and managed by the banks.

Source: 2017 Joint Report on Multilateral Development Banks' Climate Finance **| Unit**: $ billion

Operations supporting gender mainstreaming[1]

Number of committed sovereign operations that support gender mainstreaming in the last 3 years as a percentage of the total number of sovereign operations committed during the same period.

Source: Annual DEfR **| Unit:** percentage

Operations aligned with country results framework

Percentage of ADB operations (by number), sovereign and nonsovereign, where results and indicators in the project's design and monitoring framework can be linked to government statements of results, goals, objectives, or targets.

Source: Annual DEfR **| Unit:** percentage

Share of operations (by number of commitments) supporting FCAS – Overall

Number of operations that support Fragile and Conflict-Affected Situations (FCAS) countries as a percentage of the total number of operations signed during the year.

Source: Annual DEfR **| Unit:** percentage

Share of operations (by number of commitments) supporting FCAS - Concessional OCR loans (COL)

[1] ADB's projects gender categorization system is 4 tier system to design, measure, count and report on implementation of the gender targets in ADB projects. There are 4 gender categories "at entry": Gender equity theme (GEN), Effective gender mainstreaming (EGM), some gender elements (SGE) and no gender elements (NGE). Only GEN and EGM are counted and reported as gender mainstreaming.

Number of operations that support Fragile and Conflict-Affected Situations (FCAS) countries as a percentage of the total number of Concessional OCR loans (COL) signed during the year.

Source: Annual DEfR **| Unit:** percentage

Share of operations (by volume of commitments) supporting FCAS – Overall

Volume of operations that support Fragile and Conflict-Affected Situations (FCAS) countries as a percentage of the total volume of operations signed during the year.

Source: Annual DEfR **| Unit:** percentage

Share of operations (by volume of commitments) supporting FCAS - Concessional OCR loans (COL)

Volume of operations that support Fragile and Conflict-Affected Situations (FCAS) countries as a percentage of the total volume of Concessional OCR loans (COL) signed during the year.

Source: Annual DEfR **| Unit:** percentage

MANAGEMENT OF OPERATIONS

Sovereign operations processing time (from concept paper approval to first disbursement)

Average time, in months, from the approval of concept paper by the Director-General/Vice-President for operations concerned to the first disbursement of sovereign operations in a given year (Jan-Dec).

Source: ADB's Procurement, Portfolio and Financial Management Department **| Unit:** months

Nonsovereign operations processing time (from concept review form approval to first disbursement)

Average time, in months, from approval of concept review form by the Concept Review Committee to first disbursement of nonsovereign operations in a given year (Jan-Dec).

Source: ADB's Private Sector Operations Department **| Unit:** months

Performance of sovereign operations at implementation rated satisfactory

Percentage of ongoing sovereign operations rated satisfactory at cut-off date. The portfolio performance rating system uses the following five key performance indicators to rate the status of ongoing operations: technical, procurement, disbursement, financial management, and safeguards.

Source: Annual DEfR **| Unit:** percentage

Performance nonsovereign operations at implementation, credit rated satisfactory

Number of nonsovereign operations facilities not under workout as a percentage of the total number of facilities. Facilities refer to signed legal agreements evidencing ADB's investments.

Source: Annual DEfR **| Unit:** percentage

STANDARDS

KNOWLEDGE, POLICY DIALOGUE, AND CONVENING

Web distributed knowledge solutions

Number of downloads in the reporting year of all knowledge solutions in digital format including working papers; books; flagship publications; research; presentations; special reports; articles; training materials; and sector, economic, or thematic briefs and technical notes.

Source: Annual DEfR **| Unit:** number

Level of engagement on social media

Level of ADB-related engagement on social media in the reporting year.

Source: Annual DEfR **| Unit:** number

RESULTS

Success rates

- **Completed country strategies and assistance programs rated successful**

Country partnership strategies (CPSs) with successful or highly successful ratings prepared as a percentage of total CPSs evaluated in the last 3-year report period (1 July-June 30). CPSs are assessed against five criteria: relevance, efficiency, effectiveness, sustainability, and development impacts.

Source: Annual DEfR **| Unit:** percentage

- **Completed sovereign operations rated successful: Projects**

Number of project completion validation reports (PVRs) prepared by the Independent Evaluation Department (IED) with successful or highly successful ratings as a percentage of the total number of PVRs issued for project or program completion reports (PCRs) circulated during the last 3-year report period (1 July to 30 June).

Source: Annual DEfR **| Unit:** percentage

- **Completed sovereign operations rated successful: Policy-based operations**

Number of project validation reports (PVRs) prepared by IED with successful or highly successful ratings as a percentage of the total number of PVRs issued for PCRs circulated during the last 3-year report period (1 July to 30 June).

Source: Annual DEfR **| Unit:** percentage

- **Completed nonsovereign operations rated successful**

Extended annual review report (XARR) validation reports (XVRs) prepared by IED for XARRs that were circulated in the last 3-year report period (1 July–30 June) with successful or highly successful ratings as a percentage of the total number of XVRs.

Source: Annual DEfR **| Unit:** percentage

ADBs contribution to Development Results

- **Greenhouse gas emission reduction**

The avoided carbon dioxide (CO_2) equivalent emission as a result of a clean energy project or component of a project.

Source: Annual DEfR **| Unit:** tCO_2-equiv/year

- **New households connected to electricity**

Number of new households given an electricity connection.

Source: Annual DEfR **| Unit:** number of households

- **Roads built or upgraded**

Length of expressways and national highways (i.e., fully access-controlled roadways) and provincial, district, and rural road networks (i.e., roads without full access control) built or upgraded.

Source: Annual DEfR **| Unit:** kilometer

- **Households with new or improved water supply**

All additional households that benefit from projects offering piped or non-piped water supply systems that are of a higher order than the system that the households used before (non-piped supply may include standpipes); and households that are already connected to a piped system but are provided with improved service, e.g., longer hours of service and/or increased pressure

Source: Annual DEfR **| Unit:** number of households

- **Students educated and trained under improved quality assurance system**

Total number of students benefiting from improved quality assurance systems under the project.

Source: Annual DEfR **| Unit:** number of students

MOBILIZING FINANCE

Direct value-added cofinancing

Total net direct value-added (DVA) cofinancing in the last year. DVA cofinancing refers to any transaction-specific arrangement under which funds or risk-sharing capacity provided by a third party is associated with ADB funds, guarantees, or other financial instruments.

Source: 2017 DEfR **| Unit:** $ b

Commercial net direct value-added cofinancing

Commercial cofinancing in the last year. Commercial cofinancing includes parallel loans, B loans, uncovered portions of loans guaranteed by ADB, cofinancing arising out of the Trade Finance Program and the Supply Chain Finance Program, parallel equity, and additional lending capacity arising from risk-transfer arrangements.

Source: 2017 DEfR **| Unit:** $ b

Official direct value-added and other concessional cofinancing

Official and other concessional cofinancing in the last year. Official and other concessional cofinancing mobilizes loans and investment grants and technical assistance grants.

Source: 2017 DEfR **| Unit:** $ b

Private direct mobilization

Private direct mobilization is financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement include mandate letters, fees linked to financial commitment or other validated or auditable evidence of a MDB's active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing.

Source: MDB Joint Report on Mobilization of Private Finance**| Unit**: $ millions

Private indirect mobilization

Private indirect mobilization is financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. PIM includes sponsor financing, if the sponsor qualifies as a private entity.

Source: MDB Joint Report on Mobilization of Private Finance**| Unit**: $ millions

European Bank
for Reconstruction and Development

APPENDIX 3: EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT VALUE FOR MONEY PROPOSITION

A. Mission statement

1. The EBRD's mandate, according to the Agreement Establishing the Bank (AEB), is to foster "transition towards open market-oriented economies and to promote private and entrepreneurial initiative in […] countries committed to and applying the principles of multiparty democracy, pluralism and market economics". In pursuing this objective of building well-functioning, sustainable market economies, the EBRD supports countries to improve the quality of their economies in six areas to become competitive, resilient, well-governed, inclusive, integrated, and green.

2. Operationally, the EBRD combines investments (debt and equity), focused policy engagement and capacity building to achieve its goals. The Bank has a strong commercial orientation operating mainly in the private sector substantially above the 60 percent minimum required by the AEB. The Bank also works with public sector clients to increase market discipline and enhance conditions for private sector development. In this context, the Bank has a strong track record of working at the sub sovereign level. Green objectives are mainstreamed through all operations, with a commitment that 40 percent of its annual business investment will be green by 2020.

3. The EBRD has 69 shareholders and is active in 38 economies in three continents.

4. The EBRD's focus on building sustainable market economies is entirely consistent with the international development aims set out in the Sustainable Development Goals and the Addis Ababa Action Agenda.

B. Supporting VfM principles

5. The EBRD places a high priority on efficiency and effectiveness in how it delivers its operations in countries of operations as well as how it manages its own institutional activities.

6. EBRD's strategic planning process provides the framework for its approach to VfM. The following key strategic planning documents and frameworks serve as a basis for the EBRD's approach to VfM:

i. The five-year *Strategic and Capital Framework (SCF),* approved by the of Board of Governors, sets high-level strategic orientations, reviews the capital capacity to pursue the EBRD's priorities, and sets a number of control parameters for delivering transition impact, capital utilisation and resource efficiency. These control parameters define prudential limits which the Bank should work within.

ii. The SCF is made operational through an annual rolling three-year *Strategy Implementation Plan (SIP)* which considers goals, activities together with medium term operational, financial and capital projections as well as a resource framework, taking account the economic and risk environment.

iii. The SIP provides the background to the Board of Director's consideration and approval of two annual planning documents:

- The *Corporate Scorecard* which set the targets for a given year, providing the basis for internal incentives and driving the activities of EBRD during the year, in line with longer-term SIP and SCF objectives. The corporate scorecard covers effectiveness and efficiency measures across four components: transition impact, operational, financial and organisational performance. The scorecard's metrics are cascaded to departments, supported by the necessary processes and procedures, to ensure accountability for delivery on corporate objectives.
- The *Annual Budget* which provides the resources for supporting the delivery of these corporate objectives. The development of the Budget is supported by a rigorous process of scrutiny and prioritisation across the Bank as whole to match resources to objectives.

7. The targets in the corporate scorecard and the implementation of the budget are scrutinised quarterly by the Board of Directors in a joint meeting of the Board's Audit and Budget and Administrative Affairs Committees.

8. This overall framework is supplemented by the Bank's country strategies which set out what the Bank intends to achieve. Delivery against the results framework in each strategy is reviewed annually.

C. EBRD's Value for Money Proposition

1. Resource optimization and financial sustainability

9. Securing the Bank's **financial sustainability** over the medium term whilst fulfilling its transition mandate is captured through the overall objectives to:

- Sustainably grow capital to support transition and operational objectives, provide a buffer against shock events and to allow for net income allocations to support the Bank's operational priorities; and

- Maintain prudent levels of capitalisation and liquidity and demonstrate sound financial management to support the Bank's triple-A credit rating.

10. In order to support the delivery of these objectives, the Bank has developed tools, policies and approaches over recent years that together form a coherent system for assessing, monitoring and influencing the factors which impact on long term financial sustainability**.** The components of this system are:

- **Prudent capital policies** – the Statutory Capital Policy and the Capital Adequacy Policy – to ensure appropriate capitalisation levels to withstand unexpected losses and support the triple-A rating;

- An appropriate **Provisioning Policy** which ensures adequate coverage of expected losses;

- A reinforced **Liquidity Policy,** incorporating stress scenarios for the sizing of the Bank's liquidity buffers for severe events;

- New **metrics to monitor the profitability of the Bank's business** notably, the **return on required capital** (RoRC) to capture performance at the Bank-wide level and which will be used as the measure for the financial objective in the Corporate Scorecard in 2018; and **metrics to assess debt performance through risk-adjusted return on capital**. These allow the assessment of annual portfolio returns as well as projected returns on new projects through a new Investment Profitability Model implemented in 2016.
- The methodical use of **stress test techniques** annually to assess the resilience of the Bank's overall portfolio;
- The articulation of a risk appetite through a **Risk Appetite Statement** introduced during 2016, including a quantification of the risks associated with the Bank's business plan through Financial Loss Tolerance Thresholds; and
- The use of a **Framework for Net Income Allocation Proposals** to guide the formulation of net income allocation proposals

11. EBRD continuously works to expand the range of financing approaches and instruments for crowding-in private sector investors, as per its mandate and founding agreement. In recent years, the Bank also secured record levels of donor funding which strengthens further its capacity to support transition.

2. Corporate cost management

12. The Bank has a well-established and effective annual budget process through which costs are managed and priorities appropriately resourced. Implementation of departmental budgets is carefully scrutinised within Management and subject to internal challenge. Implementation of the budget is reported to the Board quarterly.

13. In addition, EBRD has undertaken a major bank-wide Operational Effectiveness and Efficiency Programme with a view to the thorough modernisation of the Bank's processes, procedures and practices. The purpose is to strengthen the Bank to become more responsive to clients; deliver greater impact and value for money for all shareholders. Initiated in 2016, the programme has started to yield concrete benefits, realising savings of £9.1 million in the first year of implementation (£13.1 million in a full year basis).

3. Strategic alignment of resources

14. The overarching goal for the Bank during the 2016-2020 SCF period is to support countries of operations in re-energising transition.

15. This goal is made operational through the development and implementation of country strategies which identify those areas where the Bank is capable of making the greatest difference. The choice of areas reflect the six qualities of a sustainable market economy and the EBRD works closely with the countries in which we operate to define priorities at the national level, and tracks projects to ensure that each operation aligns with these nationally-defined priorities.

16. Strategic alignment of resources at EBRD is tightly managed, measured and controlled by tracking performance at two levels. Progress against country strategy objectives is assessed annually through Country Strategy Delivery Reviews which are reviewed and discussed by Directors. Secondly, performance on progress on all six qualities is assessed at the institutional

level through the Composite Performance Assessments which are included in the Corporate Scorecard. These assessments are a combination of quantitative and qualitative measures.

17. As part of this process the Bank also assesses cross cutting issues. These notably include tracking financing volumes and the percentage share of operations supporting Green Economy Transition, the latest manifestation of the Bank's long standing commitment to environmental sustainability, reflected in team's and institutional scorecards. Further the Bank tracks and reports on the number of projects with a gender focus or component, in view of the commitment in its Gender Strategy to mainstream gender across its operations. For countries that are facing significant transition challenges (known as the Early Transition Countries (ETCs[16]), there is a special focus on engaging through smaller projects in larger numbers, with specialized or adjusted financing and advisory techniques forming a basis of work to improve the investment climate and stimulate markets in these countries.

18. The Bank's specific mandate to support sustainable market economies is fully aligned with the goals of shareholders as expressed through the SDGs. Examples of our projects delivering on the SDGs include:

- Gender Equality (SDG-5): The Bank supports the creation of economic opportunities specifically targeting women, improving their access to finance and services, and enhancing the quality of, and opportunities within, employment. Further the Strategy for the Promotion of Gender Equality commits to "mainstreaming" gender into the Bank's operations by 2020.
- Clean Water and Sanitation (SDG-6): The Bank a well-established programme of investments in water infrastructure to provide safe drinking water and sanitation.
- Affordable and clean energy (SDG-7): We offer Green Economy Financing Facilities (GEFFs) to finance much-needed energy efficiency upgrades in homes and businesses across our regions.
- Industry, innovation and infrastructure (SDG-9): Many of our countries of operations have ageing, inefficient infrastructure and facilities. EBRD supports improvements to transport networks and to a range of municipal and environmental services. We work to support projects that are focused on climate change adaptation, with investments in technologies to improve their resilience, therefore building sustainable infrastructure for the long term.
- Sustainable Cities and Communities (SDG-11): The EBRD has developed the Green Cities Programme, representing over €700 million and 800,000 tonnes of CO2 mitigated annually and multiple local environmental benefits.
- Climate Action (SDG-13): More than €500 million in climate adaptation finance has been channeled into climate resilience upgrades of municipal infrastructure since 2011. We also finance climate resilience investments in the power, transport and agribusiness sectors. In line with its commitments to the 2015 Paris Climate Agreement, the EBRD had stepped up its investment in the green economy, achieving new climate finance targets, originally set for 2020, three years ahead of time.

19. The framework, while providing focus and discipline to deliver on the Bank's mandate, also allows for sufficient flexibility to enable EBRD to respond effectively to rapidly changing circumstances: for example, EBRD scaled up operations in new countries of operation as part of the refugee crisis response, supporting host communities in Turkey and Jordan.

[16] Azerbaijan, Armenia, Belarus, Georgia, Kyrgyz Republic, Moldova, Mongolia, Turkmenistan, Tajikistan, Uzbekistan

4. Management of operations

20. As at mid-2018, the Bank currently has 1,931 active operations for a portfolio of over €41 billion.

21. In deciding upon new activities in pursuit of its mandate, the Bank is guided by three main operating principles:

i. Transition impact: (Article 1 of the Agreement Establishing the Bank) individual projects are assessed taking into account their expected impact on transition toward a market economy that is competitive, resilient, inclusive, well-governed, integrated, and green. Specific investment and policy decisions are made within the context of country strategies, which in turn are developed following country diagnostics and the EBRD's cross-country Assessment of Transition Qualities (ATQs) analysis. Incentives are in place to ensure alignment of project selection with country strategy priorities.
ii. Sound banking: Article 13 (i) of the Agreement Establishing the Bank states that 'the Bank shall apply sound banking principles to all its operations.' This is assessed for each individual project.
iii. Additionality: Additionality can be both financial and non-financial in nature, and is also assessed for each individual project, as per Article 13 of the Bank's agreement stating that 'the Bank shall not undertake any financing, or provide any facilities, when the applicant is able to obtain sufficient financing or facilities elsewhere on terms and conditions that the Bank considers reasonable.' Considerations of the Bank's additionality are also relevant, however, at the sector or country level and are discussed in the context of setting country strategy priorities.

22. In addition, Article 2 of the Agreement Establishing the Bank requires the Bank to promote environmental sustainability in all of its operations, which is implemented inter alia by applying the EBRD's Environmental and Social Policy. Naturally, to complement these key criteria for project assessment stressed in the Bank's founding charter, there are also a whole host of policy and strategies that guide decisions on projects.

23. Throughout project implementation, progress in achieving transition objectives, compliance with covenants, including environmental, and other key requirements of the financing documents are regularly monitored and evaluated. Formal reviews of ongoing debt operations are carried out once per year and of ongoing equity operations on a semi-annual basis. Any material risks (credit standing, transition and environmental) to operations are closely monitored, identified/flagged, categorized, mitigated to the extent possible and escalated. Remedial actions are considered and executed with the support of all relevant teams. EBRD has recently strengthened its portfolio management by creating a team dedicated to establish more effective and streamlined monitoring through better use of data and resources.

5. Standards

24. In all its operations the EBRD follows the highest standards in corporate governance and sustainable development.

25. **EBRD's Environmental and Social Policy (ESP),** and the Performance Requirements included therein, translate the Bank's charter requirement to promote "environmentally sound and sustainable development". The ESP contains comprehensive and appropriate safeguards for

ensuring that projects financed by EBRD are environmentally and socially sustainable, respect the rights of affected workers and communities, and are designed and operated in compliance with regulatory requirements and good international practice.

26. EBRD assesses the environmental and social risks and impacts of all of its potential investments, both to help the Bank decide if the project should be financed, as well as to devise how environmental and social issues should be addressed and mitigated in the planning, implementation and operation of approved projects. Implementation of specific mitigation measures is covenanted in the financing agreement. EBRD monitors project performance through client reporting and on-site supervision as required and implements a key performance indicators system to track and report on projects' compliance with Performance Requirements. The Bank discloses environmental and social information on projects in Project Summary documents on its website and reports on its environmental and social activities in an annual Sustainability Report. EBRD operates an accountability mechanism - a Project Complaints Mechanism - to provide independent recourse for stakeholders. The mechanism is currently being reviewed.

27. The concept of value for money is central to the EBRD's **procurement policies and rules**. The EBRD's Procurement Policies and Rules (revised in 2017) are based on the fundamental principles of non-discrimination, fairness and transparency. They are designed to promote efficiency and effectiveness and to minimise credit risk in the implementation of the Bank's lending and investment operations. At the operational level, EBRD's procurement oversight mechanism provides advice and support to clients and monitors adherence to the agreed procedures. Furthermore, EBRD provides capacity building in procurement to its countries of operations to support implementation of national procurement frameworks. For this purpose, EBRD has set up cooperation frameworks with UNCITRAL and the WTO GPA secretariat.

28. The Bank is committed to promoting **integrity, good corporate governance and high ethical standards** in all business operations. The EBRD's Office of the Chief Compliance Officer promotes good governance and ensures that the highest standards of integrity are applied to all activities of the Bank in accordance with international best practice. Financial integrity and due diligence are integrated into the Bank's normal approval of new business and the monitoring of its existing transactions.

29. With regard to transparency, the **EBRD's Public Information Policy (PIP)** (2014) sets out how the EBRD discloses information and consults with its stakeholders so as to promote better awareness and understanding of its strategies, policies and operations. The PIP distinguishes between information which is to be made publicly available, and information that may not be disclosed for confidentiality reasons, for example client information, or information on a project which may be commercially sensitive. Since 2015, the Bank has also published information on its operations in line with the International Aid Transparency Initiative's template for Development Finance Institutions. The policy is currently under review.

6. Knowledge, policy dialogue, and convening

1.EBRD has continuously worked to strengthen its policy engagement for supporting private sector development in its countries of operations. Policy engagement is focused at the country level, where policy priorities are developed as part of the country strategy process alongside investment priorities. As a result, there is stronger internal alignment of operations and policy delivery, as well as milestones and incentives on specific policy objectives. This new approach was supported by an organizational restructuring of resources where the vice presidency for policy and the vice presidency for banking are together in the Client Services Group. The deployment of economists and political counselors in resident offices has further led to significant improvements in delivery of policy engagements on the ground. This includes stronger policy support to integrated approaches, investments with stronger policy components and more systematic and strategic engagements with governments led by resident offices along key policy objectives in line with country strategies. At the same time, EBRD is also striving for directing policy engagement efforts towards increasing investment activities in the countries, through supporting the improvement of investment climate and facilitating private sector participation in the economies. EBRD also collaborates closely with other IFIs, the EU and bilateral institutions in pursuit of advancing structural reforms in its countries of operations.

2. Throughout the years, EBRD has gained an extensive body of knowledge, experience, and lessons learned from its investments, policy engagement, and analytical work. This experience is shared in a multitude of ways among EBRD staff and management, clients, and the broader community of stakeholders including other IFIs, civil society, and think tanks. EBRD produces country diagnostics to understand the barriers of private sector investment and inform our investment directions. EBRD publishes an annual Transition Report to share with it partners and the broader public a deep analysis of the process of transition to an open market-oriented economy. EBRD also issues technical publications such as ‘Law in transition’ – featuring work on legal reform and trade finance activities- as well as working papers by its research department. Thematic interviews with EBRD experts are broadcasted regularly as part of the Pocket Economics, a podcast launched in 2016 featuring leading economists and experts discussing the ideas that shape key development challenges in our regions and beyond. The EBRD implements also the Business Environment and Enterprise Performance Survey (BEEPS) and the Life in Transition (LiT) surveys in partnership with the World Bank. The two surveys examine the quality of the business environment as determined by a wide range of interactions between firms and the state and assess the impact of transition on people, respectively. Data are publicly available.

3. EBRD has recently launched a Knowledge Management (KM) Initiative and is in the process of becoming a member of the global knowledge management initiative led by the World Bank. The KM initiative aims to gather more systematically lessons learnt from operations or best practices and to encourage staff to share knowledge and best practices internally including through a dedicated KM sharing platform and the Communities of Practice (CoP). The initiative has completed a first phase focused on taking stock of key lessons learnt in some of EBRD’s strongest areas of expertise, including the privatization of large corporates, bank and energy privatizations as well as bank restructuring. EBRD is currently at our second phase of creating a more robust knowledge management framework based on Communities of Practice – networks of experts across the Bank working on clearly identified subject areas where strong synergies can be built using collaboration tools that can leverage multi-disciplinary expertise to build and share knowledge within the institution. The view is to strengthen internal capacity to collect, share knowledge –including through a dedicated Policy Academy training in partnership with a world class provider of executive education- and channel it more efficiently thought operations and policy engagement. EBRD has set up three CoPs last year, including PPPs, privatization, and state capacity building, which generated a number of knowledge products that can improve the Bank’s understanding of subjects that are critical to the delivery of investments and policy. Three additional COPs are in the process of being established this year. Starting from the end of last year with the delivery of the first policy academy module, five policy academy modules have been completed so far.

7. Results

4. EBRD's activities at project, country and sector levels are subject to results frameworks that formalise their objectives in terms of transition qualities and the metrics used to track progress against them. Monitoring frameworks set the timing and format for gathering and presenting activity level results.

5. EBRD sets internal incentives to fulfill its transition mandate though a measure called Expected Transition Impact (ETI). ETI reflects an ex-ante assessment of the ambition of project objectives (i.e., the potential transition impact) with the likelihood of success (i.e., takes into account risk).The Portfolio Transition Impact (PTI) tracks the evolution of ETI across the life of the project and is updated based on the project monitoring review from the first year after signing onwards, including the ex-post transition actually achieved at the end of the project. Both ETI and PTI are control parameters and are included in the Corporate Scorecard and are then cascaded down into teams' scorecards and fed into bankers' performance assessment.

6. Projects are also self-evaluated by the banking teams once they are mature and a sample of projects is further reviewed by the Evaluation Department. Results are regularly reported to the Board through Quarterly Performance Reports as well as through progress report on the delivery of country strategies.

8. Mobilization of finance

7. The mobilisation of private financing is at the core of EBRD's mandate, as stated in its charter. From its inception, the EBRD has successfully attracted funds from private co-financiers to its countries of operations. For 2017 alone, the EBRD mobilised a total of EUR 11.9 billion from private investors. The EBRD continuously strives to expand the range of financing approaches and instruments for crowding-in private sector investors. For instance, the EBRD closed its first Equity Participation Fund in 2016, mobilizing long-term global institutional investors to participate for the first time in the EBRD's direct equity investment programme. In partnership with MIGA, the Bank has set up a risk enhanced facility to mitigate the political and operational cash flow risk to attract new bond investors into infrastructure projects. The objective of mobilisation is hard-wired in the EBRD's systems. To ensure that internal incentives are aligned toward this goal, the EBRD's corporate scorecard contains specific targets for amounts of annual mobilised investment which is accounted for using a robust and well-defined methodology. This target is set at individual team level and makes up an important part of the evaluation of overall team performance.

EBRD KEY VFM INDICATORS

This annex benchmarks performance for each of the clusters of indicators of the Value for Money framework shared across MDBs.

Indicator	Unit	2014	2015	2016	2017
Resource Optimization and Financial Stability					
Portfolio / Members' equity (i.e. Available capital)	%	274	285	271	256
Return on members' equity (i.e. Available capital)	%	-3.8	5.6	7.0	5.9
Return on required capital					
- Annual rate	%	-5.3	6.7	8.8	6.7
- 3 year rolling average	%	4.7	3.7	3.4	7.4
ABI -reported rates	€ million	8,853	9,378	9,390	9,670
ABI / Members' equity	%	63	64	61	60
Debt to equity (S&P: Gross debt/adjusted common equity)	X times	-	-	-	2.30
Corporate Cost Management					
Cost to income ratio (financial statement view-5 years rolling)	%	28	31	42	36
Cost to portfolio ratio	%	0.9	1.0	1.1	1.0
Administrative expenses (incl. depreciation)	€ million	355	431	467	421
Nominal budget growth (5 year rolling average)	%	7.7	7.8	7.3	5.0
Staff costs to total costs (5 year rolling basis)	%	66	67	66	66
Strategic Alignment of Resources					
Climate finance (Volumes)	€ million	3,383	2,961	3,310	3,838
Green Economy Transition (GET) Financing/ABI	%	34	30	33	43
No. of projects with gender focus/component	Number	18	21	31	29
Standards					
Knowledge, Policy Dialogue, And Convening					
Management of Operations					
Median project preparation time (All)	months	9.1	9.7	9.8	9.1
Median project preparation time (Non-Sovereign)	months	8.7	8.9	8.8	8.4
Median project preparation time (Sovereign)	months	32.5	29.4	21.3	37.7
Non-performing loan ratio (Non-sovereign)	%	6.6	6.8	6.6	4.7
Undrawn commitment ratio	%	29	30	28	29
Projects on track	%	78	78	79	80
Results					
Expected Transition Impact (ETI)	scale, 0- 220	65.2	66.8	66.7	67.7
Portfolio Transition Impact (PTI)	scale, 0- 220	67.6	69.6	70.6	70.4
Share and number of projects independently reviewed ex post and rated 'satisfactory or better'	%	66.7 (40)	78.6 (55)	57.4 (27)	-
Mobilization of Finance					
Private direct mobilization	€ million	-	-	1,401	669
Private indirect mobilization	€ million	-	-	8,021	11,244
Annual Mobilised Investment	€ million	1,177	2,336	1,693	1,054

EBRD DEFINITION OF INDICATORS

This annex lists all indicators according to the structure of the framework prepared by the MDB Working Group on Value for Money. The definitions give additional information on the rationale for selecting the indicator and how it contributes to tracking progress towards the Bank's corporate objectives.

1. RESOURCE OPTIMIZATION AND FINANCIAL SUSTAINABILITY

1.1 Portfolio (development related assets) / capital (stock)

EBRD specific definition: Portfolio / Available capital, defined as portfolio divided by available capital, where portfolio is defined as the total amount (stock) of the outstanding commitments and available capital is equivalent to members' equity (i.e. paid in capital plus reserves and retained earnings).

Source: [Portfolio and members' equity are both disclosed in the financial statements] **| Unit:** %

1.2 Return on Equity

EBRD specific definition: Return on members' equity (or Available capital) (%), defined as total closing members' equity minus total opening members' equity divided by total opening members' equity, where total closing members' equity is before net income allocations accounted for during the year.

Source: [Financial statements] **| Unit:** %

1.3 Return on required capital (%)

Return on Required Capital (RoRC) was introduced in 2016 to support assessment of the EBRD's financial sustainability. The numerator captures overall financial performance under IFRS, with the denominator representing required capital used to deliver that financial performance. This is currently not reported externally.

Source: [Numerator is growth in capital as per financial statements after adjusting for the impact of net income allocations; denominator is computed based on Bank's Capital Adequacy Policy. RoRC is reported to the Board in the Quarterly Performance Report] **| Unit:** %

1.4 Annual Bank Investment (ABI)

Annual Bank investment (ABI) is defined as the volume of commitments during the year. Annual Bank Investment includes: new commitments (less any amount cancelled or syndicated within the year), restructured commitment, amounts issued under the Trade Finance Programme (TFP) during the year and outstanding at year-end.

Source: [Annual Report] **| Unit:** EUR millions

1.5 ABI / Members' equity

Annual Bank investment (ABI) divided by available capital, where ABI is defined as the volume of commitments made during the year and members' equity is paid in capital plus reserves and retained earnings.

Source: [ABI and members' equity are both reported in the financial statements] **| Unit:** %

1.6 Debt to Equity ratio - S&P harmonized indicator - Debt to equity ratio is measured by dividing gross debt over the adjusted common equity.

Source: [S&P Supranationals special edition report] **| Unit:** X times

2. CORPORATE COST MANAGEMENT

2.1 Cost (administrative expenses) to income ratio

EBRD specific definition: Cost to income ratio (financial statement view), as defined by EBRD is total administrative expenses including depreciation divided by total operating income before provisions for impairment but including all fair value movements in both Banking and Treasury investments. Costs include all costs, including retirement plan expense in contrast to reference definition.

Source: [Financial statements] **| Unit:** %

2.2 Cost (administrative expenses) to portfolio ratio

EBRD specific definition: Cost to portfolio ratio (%), defined as total administrative expenses divided by year-end total portfolio. Costs include retirement plan costs and depreciation. Portfolio includes operating assets and undrawn commitments, including guarantees.

Source: [Costs and portfolio are both reported in the Financial statements] **| Unit:** %

2.3 Administrative expenses (incl. depreciation) (€m)

General administrative expenses including depreciation as presented in Bank's annual financial statements

Source: [Financial statements] **| Unit:** EUR millions

2.4 Nominal budget growth (5 year rolling average)

% increase defined as the difference between current year budget and prior year budget, divided by the prior year budget to be reported on a 5-year rolling basis.
Source: [Strategy Implementation Plan] **| Unit:** %

2.5Staff costs to Total costs (%)

Defined as all staff costs (irrespective of contractual basis) divided by total costs (consistent with the treatment in the Cost to Income ratio.
Source: [This ratio is reported in the Quarterly Performance Report] **| Unit:** %

3. STRATEGIC ALIGNMENT OF RESOURCES

3.1 Climate finance (Volumes)

Reference definition: the term "MDB climate finance" refers to the amounts committed by MDBs to finance climate change mitigation and adaptation activities in development projects. Tracking of MDB climate finance is based on harmonised principles and jointly agreed methodologies. Total MDB climate finance includes commitments from the MDBs' own account, and from external resources channelled through and managed by the banks.
Source: [Joint Report on Multilateral Development Banks' Climate Finance] **| Unit:** EUR millions

3.2 GET share of ABI– Share of Green Economy Transition-related Bank commitments

The percentage of EBRD's Annual Bank Investment (ABI) supporting Green Economy Transition (GET) approach to mitigate and/or build resilience to the effects of climate change and other forms of environmental degradation.
A Green Economy is defined at EBRD as a market economy in which public and private investments are made with a specific concern to minimise the impact of economic activity on the environment and where market failures are addressed through improved policy and legal frameworks aiming at accounting systematically for the inherent value of services provided by nature, at managing related risks and at catalysing innovation.
Source: [Corporate scorecards] **| Unit: %**

3.3 *Gender—Number of projects with gender focus or component*

EBRD specific definition: Number of projects signed in a given year with gender component and gender focus. A gender focused project is where the primary objective of the financing is gender related. A project with a gender component is an EBRD project with a different primary objective, but which has an activity linked to it that is related to gender.
Source: [Internal] **| Unit:** Number

4. MANAGEMENT OF OPERATION

4.1 Processing time—Time from concept note to first disbursement

Processing Time (from concept review to first disbursement) is the median value of the time, in months, from the approval of the concept review to first disbursement of Non-Sovereign operations. An operation is classified as Sovereign if it involves financing of entities owned (Sovereign Direct) or guaranteed (Sovereign Guarantee) by sovereign governments. With this, governments Guarantee that an obligation will be satisfied if the primary Obligor defaults. In most cases, as EBRD undertakes the implementation of sovereign projects, this implies first disbursement to be the time when the finance reaches the client, not the sovereign. For non-sovereign operations, this is the same definition but for operation without sovereign government involvement or recourse.
Source: [Internal indicator] **| Unit:** month

4.2Non-Performing Loan Ratio — operations at risk

The non-performing loan ratio is defined as the share of non-sovereign loan operating assets meeting one of the following conditions: the borrower is more than 90 days past due on payment to any material creditor; or the Bank considers the counterparty is unlikely to pay its credit obligations in full, without recourse by the Bank to actions such as realising security (if held).Non-Performing Loan ratio - this is reported to the Board on a quarterly basis and presented in EBRD financial statements.
Source: [Financial statements] **| Unit:** %

4.3Undrawn Commitment Ratio

The percentage of the legal commitment amount unutilised. Calculated by dividing the unutilised amount by the commitment amount. Guarantee facilities are excluded from the calculation as they remain undrawn until the guarantee is called at which point they are rebooked as an impaired loan.
Source: [Results Measurement Framework] **| Unit:** percentage

4.4Projects on track – Share of projects facing implementation challenges and delays

This indicator measures the number of active loans and grants facing start-up, procurement or disbursement delays divided by the total number of active loans and grants in the portfolio at the end of the year. It also includes projects that face delays before signature, effectiveness and first disbursement.
Source: [Results Measurement Framework] **| Unit:** percentage

5. STANDARDS

6. KNOWLEDGE, POLICY DIALOGUE AND CONVENING

7. RESULTS

7.1 Expected Transition Impact (ETI)

The indicator reflects the quality of project design in terms of its expected contribution to transition toward a green, inclusive, competitive, resilient, integrated and well-governed market economy. The ETI is a score to measure the likely ultimate transition impact of an individual new project. This includes both the transition impact potential and the risk of not achieving that potential to give a combined score between 0 and 100 according to a matrix (e.g. 60 is assigned to an individual investment that has “Good” impact potential and “Medium” risks to achieve that potential).
Source: [Quarterly Performance Reports] **| Unit:** scale, 0- 220

7.2Portfolio Transition Impact (PTI)

The PTI is a score to measure the performance of projects in the EBRD’s portfolio in delivering expected transition objectives as set out ex-ante. PTI is equal to ETI at the time of signing. It changes during project implementation as projects in the Bank’s portfolio progress towards achieving their transition objectives (i.e. risks decrease).
Source: [Quarterly Performance Reports] **| Unit:** scale, 0- 220

7.3Number and percentage of projects independently reviewed ex post and rated ‘satisfactory or better

Number and percentage of projects independently reviewed ex post in the reporting year and rated ‘satisfactory or better’ with respect to achievement of transition impact – based on Evaluation Department’s work. EvD purposefully identifies projects with Management from a pool of evaluation ready projects for a full-scale operation evaluation. These may be individual projects or small clusters of projects related thematically, by sector, or on the basis of particular features from which useful insights may be expected. Note: this is reported by all MDBs as part of COMPAS.
Source: [Internal, based on data from the Annual Evaluation report] **| Unit:** Number; %

8. MOBILIZING PRIVATE FINANCING

8.1 Private direct mobilization

Reference definition: Private direct mobilization is financing from a private entity on commercial terms due to the active and direct involvement of a MDB leading to commitment. Evidence of active and direct involvement include mandate letters, fees linked to financial commitment or other validated or auditable evidence of a MDB’s active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing.
Source: [MDB Joint Report on Mobilization of Private Finance] **| Unit:** EUR millions

8.2Private indirect mobilization

Reference definition: Private indirect mobilization is financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity’s finance. PIM includes sponsor financing, if the sponsor qualifies as a private entity.
Source: [MDB Joint Report on Mobilization of Private Finance] **| Unit:** EUR millions

8.3Annual Mobilised Investment

Annual mobilised investment (AMI) is defined as the volume of commitments, from private and public entities other than the Bank, made available to the client due to EBRD’s direct involvement in mobilising external financing during the year.
Source: [Annual Report] **| Unit:** EUR millions

APPENDIX 4: EUROPEAN INVESTMENT BANK GROUP VALUE FOR MONEY PROPOSITION

A. Mission Statement

1. The **EIB Group** consisting of the European Investment Bank (EIB) and the European Investment Fund (EIF) is the financial partner of the European Union (EU) in implementing its policy objectives inside and outside the EU. The Group provides finance and expertise (i.e. advising) for sound, sustainable investment projects and operations in support of EU policy goals, with funding being delivered directly to sovereigns, sub-sovereigns and corporates or indirectly through a range of intermediary banks, microfinance institutions and equity funds that provide loans, equity finance and guarantees to beneficiaries. Financing of relevant investment projects by the EIB Group is achieved through own resources and/or in conjunction with EU budgetary resources through various mandates granted by the EU. Although the bulk of its activities are inside the EU (circa 90%), the Group is also active outside the EU all around the world.

2. As the EU Bank, the **EIB** is driven by the priorities of the EU and of its shareholders, the Member States (MS) of the EU. The EIB is at the same time an EU body and a bank and is hence governed by both public and corporate governance principle. The EIB is the world's largest multilateral borrower and lender. The mission of the EIB inside the EU is to contribute towards the integration, balanced development and economic and social cohesion of the EU MS. Outside of the EU, the EIB's role as the banking arm of EU development policy is firmly anchored in Treaty of the Functioning of the EU and the EIB has pledged its support for the new European Consensus on Development which aims at delivering on the 2030 Agenda for sustainable development, i.e. the Sustainable Development Goals (SDGs).

3. The **EIF** is the subsidiary of the EIB. It has a public-private shareholding structure with its shareholders being the EIB (58.5%), the EU (29.7%), represented by the European Commission (EC), and a wide range of public and private banks and financial institutions (11.8%). The EIF is the EU's main provider of risk financing for small and medium-sized enterprises (SME) and mid-caps and its central mission is to facilitate their access to finance. The EIF designs and develops venture and growth capital, guarantees and microfinance instruments which specifically target this market segment and, in this role, the EIF promotes EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment.

B. Supporting VfM Principles

4. **The concepts of VfM are part of the EIB Group management culture and strategy and are inherent in all activities, policies and processes of the Group**, with different directorates within the two institutions focusing on different aspects of VfM relevant to their responsibilities and objectives.

5. Over the past years, to respond to the economic and financial crisis, the EIB had to scale up its activities in terms of volume and risks, developed new initiatives and products and strongly increased its number of staff. This has been driving changes all across the institutions, expanding and refining policies and processes which are still an on-going process.

C. EIB Group's Value for Money Proposition

1. Resources optimization and financial sustainability

6. The EIB and the EIF must **respect their own available resources and risk bearing capacity**, so as not to endanger their AAA rating which is at the very core of their business model and is the fundamental basis of their ability to lend or provide guarantees at favourable conditions. As such capital considerations are at the heart of their operational strategy, including through risk-sensitive pricing policies that are integrated with net income objectives.

7. The EIB operates on a non-profit making basis and aims at generating an income that shall enable it to meet its obligations, to cover its expenses and risks and to build up a reserve fund. For that purpose, the EIB aims to achieve operational excellence and cost efficiency. It does not pay dividends and the annual surplus is fully retained to build up a high level of reserves and hence contributes to the (organic) growth of own funds in support of the Bank's long-term financing and risk-bearing capacity.

8. The EIF, by taking SME risk, pursues two main statutory objectives: (1) fostering EU objectives, notably in the field of entrepreneurship, growth, innovation, research and development, employment and regional development; (2) generating an appropriate return for EIF's shareholders, through a commercial pricing policy and a balance of fee and risk based income. The profit generated by EIF is for a large part (80% to 90%) retained to build up its reserves. The remaining part (10 to 20%) is distributed to EIF shareholders.

9. Over the past years the EIB Group has strongly reinforced its risk management in terms of processes, procedures and staff. It has developed an EIB Group Risk Management Charter which sets out the overarching principles at the Group level.[17] The following principles are the fundamentals of the Group's risk management culture and policies: (1) The Group aims to comply with relevant EU banking directives and **best banking practice** applicable to it although it is not subject to prudential supervision;[18] (2) The Group promotes a **sound risk-based culture** in the performance of its activities; (3) **Proactive, adaptive and on-going risk management** as it continuously identifies analyses and assesses the risks inherent to its activities, products, funding sources and transactions; (4) The EIB and the EIF plan their capital on a forward looking basis in accordance with their operational plan and risk appetite, which ensures that risk taking activities are adequately covered by available capital. Moreover, the EIB **risk appetite framework** (RAF) aims to align the Bank's risk taking with its strategy and comprises of a high-level risk appetite statement which is further cascaded down into measurable risk appetite boundaries aiming to keep the Bank's risk profile in line with its risk appetite. Hence it provides a coherent overview of the EIB's risk-taking capacity and provides the tools and metrics to allow the EIB's governing bodies to deploy the Bank's capital efficiently to business lines and activities, ensuring that the capital is used to its full potential, while safeguarding AAA credit rating; (5) The Group sets **specific risk management policies, processes and procedures**, commensurate with the statutes and activities, in compliance with the principles under the Group Risk Management Charter.

[17] The oversight of risk at Group level performed by the EIB.
[18] This aspect has been retained in the Bank's Rules of Procedure, specifying that the Audit Committee shall verify that the activities of the bank conform to best banking practice applicable to it.

10. To further **optimise its balance sheet** and to leverage third party funds for the benefit of the real economy, the Group is using a comprehensive range of innovative instruments to mitigate and/or share risks with private investors and public institutions, including private equity participations, structured finance and guarantees. Recent examples of such innovation include the Investment Plan for Europe, InnovFin, the SME Initiative and the Economic Resilience Initiative. The EIB is also participating in the EUEU External Investment Plan. Lastly the EIB has been working together with other MDBs on the "MDBs action plan to optimize balance sheets".

11. The optimisation of EIB's balance sheet and sustainability is also ensured by the Asset-Liability management (ALM) framework which aims at ensuring the self-sustainability of the Bank's business by obtaining a stable flow of earnings and therefore a regular growth of its own funds while limiting the volatility of the economic value of the capital. Thus, the Bank's ALM strategy is driven by medium to long term objectives and not influenced by any short-term views on trends in interest rates.

12. Treasury management has the dual role of ensuring that the Bank has the capacity to continually meet its financial commitments and of implementing the Bank's asset and liability policy. Moreover, within the context of EIB's access to Eurosystem's liquidity facilities, the Central Bank of Luxembourg performs liquidity assessments on EIB periodically, aiming at monitoring its liquidity position and liquidity risk management activities.

2. Corporate Cost Management

13. In the EIB's **budget process** focus is given to budget control via identification and optimisation of synergies, realistic streamlining where feasible and through recognition and response to budget interdependencies. Hence budget requirements are subject to a strict scrutiny with the aim of assessing business proposals and promoting redeployment of resources, in addition to maintaining comparability of proposals and clarity of budget allocations. Actual expenditure is closely tracked and reported and cost optimisation initiatives are pursued by the Bank's various services. In addition, the Bank's cost-accounting system provides calculations of EIB products and services' operating costs and hence offers an additional perspective on operating costs, i.e. "what money is spent on" or "what drives the costs", complementary to the budget perspective, i.e. who spends the money" and "what kind of costs are incurred".

14. The EIF applies a similar process with the budget process being centralised in one team, reporting directly to the Chief Executive, which is producing regular management accounts to track actual expenses against budget. In addition, as the EIF is mainly an asset manager, this team ensures the profitability ex-ante and ex-post of the different business lines. A permanent working group is looking at improving and streamlining EIF processes. Finally, as part of the Group synergies, most of the facility management, HR and Communication services are centralised at the EIB.

3. Strategic Alignment of Resources

15. Since 2010, EIB's activities have been aligned to two over-reaching **EU policy goals/objectives** related to EU **social and economic cohesion and climate action** plus the four primary public policy goals of **Innovation, SMEs and Mid-cap Financing**, **Infrastructure, Financing**, **Infrastructure, and environment**. Outside the EU, EIB activities are focused on delivering the SDGs and in particular supporting small businesses, infrastructure financing, and providing essential environmental and climate funding. The EIF, by providing risk financing for

SMEs and mid-caps, promotes EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment

16. Climate action is a key priority for the EIB and it has committed that at least 25% of its lending flow should be dedicated to climate change mitigation and adaptation activities and has further committed to raising this figure to 35% in developing countries by 2020. The EIB **Climate Strategy** adopted in September 2015 is structured around three strategic action areas that serve as compass points for the Bank's future climate action: reinforcing the impact of EIB climate financing, increasing resilience to climate change, and further integrating climate change issues across all of the Bank's standards, methods and processes. Moreover, the EIB is the world's largest issuer of Green Bonds – labelled Climate Awareness Bonds (CABs).[19]

17. The new EIB Group **Gender Strategy** was approved by the Board of Directors in December 2016. It will strengthen the gender informed design of operations and aims at embedding gender equality and specifically women's economic empowerment in the Group's activities. The strategy is structured around three pillars: (1) Protect: protection of women's right within the due diligence framework and in the requirements for our clients and promoters; (2) Impact: increasing our operations' positive impact on gender equality; (3) Invest: targeted promotion of women's economic empowerment, including women's increased access to employment and to credit/financial services, as well as support for female entrepreneurship. The Gender Action Plan provides a roadmap for implementation of the strategy, including measures to improve the EIB Group's approach to measuring its impact on gender equality and gender specific results.

18. As a core EU institution, EIB has a long-standing record of investing in countries affected to various extent by conflict and fragility. It has been less engaged in contexts of large-scale warfare or insecurity but in countries of high structural inequalities and limited ability of governments to resolve grievances non-violently. In 2016-2017, 6 percent of total EIB's volume outside the EU supported socio-economic development in 7 fragile states.[20] In 2015, EIB developed **a conflict sensitive approach** that is applied in relevant operations in fragile states. The approach calls for: i) analysis and mitigation of conflict risks to EIB investments; ii) avoidance of negatively impacting conflict dynamics or aggravating existing conflicts; and iii) whenever possible, contribution to conflict prevention, recovery and peacebuilding efforts through EIB investments. In 2017, EIB launched a Conflict Sensitivity Helpdesk, which is a technical support mechanism, designed to help EIB staff translate the principles of conflict sensitivity into action by advising them on tailored approaches to operations in fragile states.

19. The strategy of the EIB, as a policy-driven public bank with the mission of contributing to the attainment of the aforementioned EU's policy objectives/goals, is developed and implemented through its operational priorities, risk management, financial and budgetary planning and internal activity and processes. At the highest level, **the Group Operational Plan (OP) formulates and quantifies these priorities and goals** over three years on a yearly rolling-basis. All along the year, the Bank tracks the achievement of its strategic and operational objectives which includes among other monitoring the alignment of resources with objectives, the quality and standards of projects and/or operations as well as their implementation, monitoring of credit, financial and compliance risk and the budget utilization.

[19] CABs are specifically tailored bonds, where the money raised in capital markets may exclusively be invested in projects that benefit the environment and hence offer investors a transparent link to the renewable energy and energy efficiency projects that benefit from the proceeds of the Green Bond issues.

[20] Based on the WBG harmonized List of Fragile Situations:
http://www.worldbank.org/en/topic/fragilityconflictviolence/brief/harmonized-list-of-fragile-situations

20. The EIF as a core subsidiary of the EIB is contributing to the Group OP. In parallel, the EIF prepares a more in-depth report presenting EIF's strategic objectives over three years on a yearly rolling-basis. It includes quantification of EIF priorities that EIF will track on a regular basis throughout the year.

4. Management of Operations

21. A major guiding principle for the EIB as a policy-driven public bank is to maximize the "value added" of its operations and as such it applies high standards in its project appraisal to ensure that its investment are economically and technically sound and comply with stringent environmental and social requirements. **The EIB conducts a thorough due diligence process which ensures high loan quality, with strict eligibility criteria applied to all projects**. The EIB's Results Measurement (ReM, for operations outside the EU) and 3 Pillar Assessment (3PA, for EU countries) frameworks serve to show how EIB operations generate outputs, enabling outcomes and leading, over time, to impacts which are in line with the Bank's mandate objectives. The relevant framework is completed ex ante at project appraisal stage, as part of the EIB's due diligence process. At that time, appropriate results indicators are identified, and baselines and expected values estimated for economic, social, and environmental outputs and outcomes of the operationReM and 3PA frameworks were launched in 2012 and 2013, respectively, and the EIB publishes quality at entry ratings regularly (in the Group Operational Plan). The achievement against expected output and outcome indicators is followed once a project is completed, and a quality at completion rating is compiled for internal purposes.

22. **The results measurement framework**[21] **is structured around the principle of three ex-ante evaluation pillars covering the key dimensions of the assessment of an operation and is complemented by three categories of results monitoring indicators**. The 3 pillars are the following: (1) Pillar 1 – Contribution to EU policy for inside/outside EU assesses the consistency/alignment of the project with EU/EIB objectives and is linked to the EIB's Corporate Operational Plan. Hence it checks the eligibility criteria for operations; (2) Pillar 2 – Quality and soundness of the project assesses among others the economic interest, the promoter capability, the environmental and social sustainability and the employment, technology and other benefits; (3) Pillar 3 – EIB technical and financial contribution focusses on the value originated by the Bank itself, offering financial and non-financial benefits in support of the project.

23. Operations are monitored from the signature of the contract until the physical completion and early commissioning phase of the project or end of the contractual relation with the financial intermediaries.[22] Feedback from implementation and monitoring are also fed into operational processes to enhance future quality and delivery. The purpose of physical **monitoring during implementation** is to pro-actively and cost-effectively follow up on the implementation of projects and programmes financed by the EIB or the EIF and ensure that the deployment is aligned with initial plan. It allows for identifying potential problems, eligibility issue in a timely manner, so that corrective actions can be taken where applicable and to ensure a successful delivery of results. Physical monitoring includes the verification of compliance with contractual conditions, investment

[21] Operations within the EU are rated according to the EIB 3 Pillar Assessment framework, while for operations in non-EU countries, the Results measurement framework is applied.
[22] e.g. final/early repayment, end of guarantee period, private equity fund life or writing off the loan

costs and the technical description. During implementation, the EIB keeps track of the physical and the financial[23] monitoring of its portfolio of projects through **Project Monitoring Reports**, **Project Progress Reports** and the number of **Project Completion Reports** expected in the current year.

24. To **monitor the quality of its lending portfolio from a credit risk perspective** the EIB has implemented a comprehensive loan grading[24] system supporting the assessment of credit risk in lending operations, as well as the quantification of expected loss estimates. The loan grading system is also used to decide which loans are included in the watch list (i.e. EIB internal early-warning system with regard to the development of the loan portfolio) and which loans are classified as impaired and need provisioning.

25. The EIF has developed a similar approach to assess its transactions and monitor its guarantee and equity portfolios. For each new transaction the EIF assigns a rating/grading to quantify either the expected losses (guarantee) or the expected performance (private equity) of its transactions.

5. Standards

26. An integral part of the due diligence and monitoring process is to ensure the application of **Environmental and Social (E&S) standards**. Hence the EIB has an integrated E&S framework[25] on the E&S Principles of the EU Treaty and EU Charter of Fundamental Rights. It aims to maximize the E&S benefits and to minimize the E&S costs of the projects that it finances through appropriate screening, avoidance, mitigation and compensation measures for negative environmental, social and climate impacts on the environment and human-wellbeing. Such considerations are taken into account at all stages of the project cycle. Climate action[26] is taken into consideration throughout the assessment and monitoring of all projects.

27. A revised EIB Group **Transparency Policy**[27] was adopted in 2015 which sets out the Group's general approach to transparency and stakeholder engagement and aims at making the Group more open and engaged. Openness/transparency on how the Group makes decisions and implements EU policies ultimately strengthens its credibility and accountability to citizens and also contributes to increasing the effectiveness and sustainability of the Group's operations, its zero tolerance approach on corruption, and enhancing engagement and dialogue with external stakeholders. Moreover, since 2013 the EIB has also joined the International Aid Transparency Initiative, a voluntary, multi-stakeholder initiative that seeks to make information about aid and development finance easier to access, use and understand.

28. The EIB Group **Stakeholder engagement** through which it engages with civil society and builds cooperative relations with its representatives[28] has three levels: (1) Annual meetings which

[23] i.e. financial monitoring of projects and promoters.

[24] A loan grading is a symbol or letter, ranging from A (best) to F (worst) summarizing a large amount of information with the purpose of establishing a relative raking of the loan's credit risk.

[25] The EIB's E&S Standards are also informed by international good practice and have been, to a large extent, harmonised with its MDB peers.

[26] The Bank calculates and reports the carbon footprint, in absolute and relative terms, for all directly financed projects that have material emissions. In addition, an economic price of carbon is incorporated into the accounting for environmental externalities.

[27] The Transparency Policy is a core institutional policy firmly anchored within the EIB's Corporate Responsibility and it fully takes into account and complies with the relevant EU legislative framework on transparency and public disclosure. The EIB publishes information and documents on its website on a continuous basis.

[28] E&S Standards include a specific standard on stakeholder engagement which requires that promoters uphold an open, transparent and accountable dialogue with all project-affected communities and relevant stakeholders in an effective and appropriate manner.

give the opportunity to civil society organisations to discuss policy orientations with the EIB's governing bodies; (2) Public consultations which give stakeholders an opportunity to shape the EIB's key policies; (3) At project level, EIB specialists meet with project-affected people and local stakeholders in the context of the due diligence and/or ongoing monitoring of a project.

29. The EIB Group attaches high importance to **Compliance and Integrity** which is integral to the Group's ethical, professional and business approach. The compliance function remit is "to identify, assess, advise on, monitor and report on the **compliance risk** of the EIB Group" – i.e. the risk of legal or regulatory sanctions, financial loss, or loss to reputation that the Bank or a staff member may suffer as a result of non-compliance of the Bank, its decision-making bodies or its staff members with all applicable laws, rules, regulations, policies and standards of good practice.

30. Compliance due diligence and monitoring processes are put in place to protect the Group against the **risks related to money-laundering and financing of terrorism** (ML/FT). The EIB Group AML-CFT Framework is in line with the EU AML-CFT Directives. The Compliance function issues its formal opinion summarizing integrity concerns to allow the Governing Bodies to make an informed decision on compliance risks associated with a project or a counterparty, supported by in-house developed risk scoring tool, which ensures a holistic assessment of the risk factors. Moreover the EIB carries out an enhanced due diligence on operations with potential links to **Non-Compliant Jurisdictions**.[29] In view of recent developments in the area of taxation[30], the EIB has further enhanced its due diligence process with the aim that the risk-based tax assessment identifies potential tax avoidance risk indicators.[31] Finally the Compliance function also ensures regular monitoring and evaluation of **procurement** rules, it reviews rigorously procurement processes and it guarantees their full compliance with the applicable rules and standards. It also raises awareness for compliance risks and that non-compliant actions will be subject to challenge and administrative sanctions. Compliance checks are thoroughly applied in the context of both Corporate and Technical Assistance procurements. Value for Money is about achieving the optimal outcome within budgetary limits. In public procurement this translates into purchasing goods and services that are "fit for purpose" while not exceeding the budget. It can be achieved using economies of scale and taking into consideration efficiency and effectiveness of procurement procedures. Compliance checks constitute a strong tool to achieve this goal.

31. The three independent functions within EIB Group's Inspectorate General - evaluation, fraud investigations, complaints - operate under EIB Board approved policies and mandates as well as under international best practices. Under its **Anti-Fraud Policy**, the EIB Group has a zero-tolerance policy on fraud, corruption and other forms of prohibited conduct whether occurring in connection with projects, loans or equity financed by the Group or perpetrated by its own staff. This is supplemented by robust investigation procedures followed by the Fraud Investigations Division whose mission also includes conducting proactive integrity reviews in areas of increased risk and providing lessons learned from reviews and investigations in order to improve the effectiveness and efficiency of the EIB Group's operations and activities. The Group's **Complaints Mechanism** (CM) is an accountability mechanism that enables stakeholders to raise concerns. Complaints can be made about actions or decisions that stakeholders feel an entity of the EIB Group has carried out incorrectly, unfairly or unlawfully.

[29] Non-Compliant Jurisdiction is a jurisdiction classified by one or more Lead Organizations as not aligned to international standards in connection with prohibited activities such as money laundering, financing of terrorism, tax fraud and tax evasion and harmful tax practices.

[30] This includes the OECD Base Erosion and Profit Shifting project and the European Union Anti-Tax Avoidance Package.

[31] In this regard, the EIB is currently testing additional internal tools and further developing expertise to better identify operations with tax concerns calling for tax disclosures and extended due diligence.

32. When performing its mandate management activities, the EIB can temporarily hold liquidity not used for the main purposes of a mandate. The financial management modalities are stipulated within the Delegation Agreements, whereby the mandator entrusts the financial management of such liquidity to the EIB, with the latter either (a) investing on behalf of the mandator and in accordance with pre agreed asset management guidelines, investment guidelines or through investment in dedicated vehicles, or (b) commingling mandator funds with its own treasury and agreeing on a periodic interest remuneration. The **fiduciary standards** of the Bank require that the EIB performs its obligations as set forth in the Delegation Agreements with the requisite professional degree of care, efficiency, transparency and diligence, as it applies to the discharge of its own affairs. In so doing, and in accordance with the terms of the delegation agreements, EIB applies its own rules, policies and procedures, good banking practices and appropriate monitoring, control and audit measures.

6. Knowledge, policy dialogue, and convening

33. The EIB has constant interactions with the EU institutions[32] and within the family of EU institutions, to optimize shareholders resources, there is a clear division of tasks and responsibilities between the EIB and the EC, with the EIB concentrating on banking functions. As such the EIB does not directly engage in the policy dialogue with countries, which is the role of the EC. Hence, EIB Group operations rely on the EC's strategic and continuous policy dialogue with the countries while **the EIB Group knowledge generation and advisory services build on and focus on its extensive accumulated experience in providing banking functions and designing financial instruments, in thorough project due diligence and high standards as well as policy and applied research in the field of investment dynamics, needs and constraints.**

34. Through the implementation of EU Financial Instruments, the Group is engaged in the institutional and policy dialogue with other EU institutions. Based on its market-driven logic of intervention, its knowledge of market failures and sub-optimal investment situations as well as its capacity to crowd-in private and public co-investors, the Group can support the EC in **designing financial instruments and an investment-friendly regulatory environment**. This market-sounding broad role of the EIB Group is providing value to EU institutions during the legislative and regulatory process.

35. **Advisory activities** constitute the third pillar of the Lending, Blending, Advising strategy pursued by the EIB Group. These activities make available the Group financial and technical expertise to project promoters and local authorities to enhance their institutional capacity, strengthen project preparation and implementation and improve the efficient use of EU funds. The advisory programs among others aim to support strategic infrastructure and resource efficiency investments and to improve access to finance, as well as to support innovation and skills. Moreover, in September 2015 as part of the Investment Plan for Europe, the European Investment Advisory Hub[33] was launched. It is a tool to strengthen Europe's investment environment and improve the quality of investment projects and is designed to act as a single point of entry to a comprehensive offer of advisory services and technical assistance.

[32] The European Commission, the Council of the European Union and the European Parliament.

[33] It aims to improve the quality of investment projects by offering tailored advisory support to European project promoters and builds on the expertise of the EC, the EIB Group, National Promotional Banks and Institutions and EU Member States' managing authorities.

36. To deepen **knowledge about investment dynamics, needs and constraints** and hence to support the Bank delivering of its policy objectives and to better inform the policy debate, the EIB has launched (and participates in) several main initiatives: (1) The EIB Group Survey on Investment and Investment Finance which is an EU-wide survey that gathers qualitative and quantitative information on investment activities by both SMEs and larger corporates, their financing requirements and the difficulties they face; (2) The MENA Enterprise Survey conducted jointly with the EBRD and the WBG; (3) The EIB annual Investment report which serves as a monitoring tool providing a comprehensive overview on the developments and drivers of investment and its finance in the EU; (4) The EIB has launched a new network on investment research with other MDBs and the EC to work together on topics related to investment in Europe.

37. The EIB is a co-initiator and co-manager, along with the EC, EBRD, IMF and WB, of the **Vienna Initiative** which seeks to safeguard the stability of the financial sector in central, eastern and south-eastern Europe. It is a forum in which international private and public sector actors take coordinated decisions.

38. Within the Group, the **EIB Institute** supports initiatives for the common good in Europe, primarily in the EU MS. The aim of the Institute is to contribute to reducing inequalities and enhancing knowledge, innovation and competitiveness. Initiatives of this type strengthen the sense of community and cohesion among our partners that lies at the core of the European idea.

39. The EIB is co-founder with the IFC of the Global Emerging Market (GEMs)[34] database which is a comprehensive **database of credit risk information relating to emerging market operations** of MDBs and DFIs. In a time where calls for international cooperation between MDB's are increasing, GEMs is at the forefront collaboration among international organizations which ultimate goal is the development of the financial markets in emerging countries, as well as the promotion of best industry practices in risk management.[35] This database, will allow users that do not have abundant data and observations in emerging markets, to leverage on risk parameters that are statistically significant when making their lending decisions, and hence enable more private sector crowding-in in these markets, indirectly through MDBs balance sheet securitisation or directly through co-financing, which is a necessary condition to move from the "billions to trillions" to finance the SDGs. In a similar vein, the EIB, the Long Term Investors Club, and OECD have tabled proposals to the G20 to work on the creation of an **Infrastructure Database Initiative** (IDI) calling, for a collective effort.[36] The G20/OECD Task Force on Institutional Investors and Long-term Financing mandated the OECD in cooperation with EIB and GIH to develop a plan for the launch of the project including the creation of a standard template of information for gathering data on infrastructure projects. This initiative would complement the GEMs database and create a centralised repository on historical data on infrastructure at an asset level[37] which will hopefully support the constitution of infrastructure as an asset class, making it easier for institutions to invest in private infrastructure and PPS.

[34] Originally established by the EIB and IFC in 2009, the GEM consortium now includes all the world's major MDBs and DFIs.
[35] It has been/is also used as a platform for cooperation and discussion forum for different topics that impact the MDB's and DFI's similarly.
[36] In this effort the EIB has worked closely with the Global Infrastructure Hub, the OECD and the Long-Term Infrastructure Investors Association together with the Long Term Investors Club members to further analyse the best way forward.

40. Among another new initiative exploiting synergies between IFIs, the EIB recently signed an agreement with the IMF to establish a **joint Development Platform for capacity building in Partner Countries** which will develop training and capacity building initiatives for selected target groups on topics of special operational interest to the Bank and where the IMF has strong technical capacity.

41. Finally, unlike most other IFIs, the EIB is active both in advanced EU economies as well as in emerging and developing markets. As such the Bank is therefore uniquely placed to **transfer knowledge, standards and experience from its European operations to countries outside the EU**.

7. Results

42. At the **institutional level**, the Group Operational Plan (OP) formulates and quantifies the Bank priorities and goals over three years on a yearly rolling-basis. All along the year, through its **corporate results framework** the Bank tracks the achievement of its strategic and operational objectives against targets through **key performance indicators** (KPI) that focus attention on the objectives and processes the Bank deems most critical.

43. At the **project/operation level**, the **results measurement framework**, EIB's **ReM** (for operations outside the EU) and **3PA** (inside the EU) frameworks (see 4. management of operations) serve to show how EIB operations generate outputs, enabling outcomes and leading, over time, to impacts which are in line with the Bank's mandate objectives. The achievement against expected output and outcome indicators is followed up once a project is completed, and a quality at completion rating is compiled.

44. Moreover, to further assess the impact of the EIB activities beyond its direct effect, additional research activities are conducted, among which: (1) In collaboration with the Joint Research Centre of the EC a macroeconomic model has been developed to assess the growth and employment effects of the Group supported investments in Europe[38]; (2) The EIB is currently developing ex post microeconomic level assessment of lending policies, including focusing on its lending operations to SMEs; (3) For lending activities under the special impact financing envelop for Africa", under a new training and mentorship programme - in close collaboration with the Global Development Network - a group of local researches is trained every year in rigorous impact assessment methodologies, which are applied to select EIB operations to gain a deeper insight into the impact on the ground and draw lessons for future operations. The EIF, for its part, also conducts research analysis to assess the impact of its activities. This further allows it to identify possible improvements and to support its strategic decision-making and future product development.

45. The quality of EIB Group operations and its internal processes are assessed by the **independent Operations Evaluation** Division of the Inspectorate general. It evaluates issues of current relevance and strategic importance to the Group through thematic evaluations on the basis of a sample of operations. It evaluates both public and private sector operations (primarily ex-post) supported by all types of financial resource, policies and strategies. Evaluation has two aims: (1) Accountability: assess whether activities are in line with what is required by the policies and the strategies derived from them, and whether these activities have been achieved their

[38] The new methodology developed allows assessing the macroeconomic impact of EIB supported lending, versus a scenario with no EIB lending. The methodology and the results have been endorsed by the EU Council Finance Committee.

expected objectives; (2) Lessons learned: identify areas for improvement of the EIB Group's activities, to increase performance in the future. The Division issues thematic evaluation reports, makes recommendations for direct implementation, and reports on the Bank's progress in implementing evaluation recommendations to the Management Committee and to the Board of Directors.

8. Mobilization of finance

46. The mission of the EIB is to support EU policies through the provision of finance, usually on a long-term basis, crowding in private and public sector finance. As the EIB originates the bulk of its business with own resources and does not, in general, finance more than 50% of a project, to deliver as large an impact as possible, the EIB works closely with others in financing relevant operations and hence aims to mobilise additional funds from other parties. In this catalysing role, the Bank thereby creates a multiplier effect as the EIB co-financing share aims at unlocking viable projects and at crowding in co-investors.

47. Moreover, to further leverage third party funds for the benefit of the real economy, the EIB and the EIF have developed innovative instruments, which use EC or MS guarantees to cover losses arising from investments financed by the EIB group. Recent examples of such innovation include the Investment Plan for Europe, InnovFin, the SME Initiative, the EU External Investment Plan and the Economic Resilience Initiative (ERI) which is a migration-focused response in the Southern Neighbourhood and Western Balkans region. On behalf of the EC and MS, EIB implements worldwide the EU's External Lending Mandate, the ACP Investment Facility, and grants acquired through the EU Regional Blending Facilities. Moreover, the ERI launched by the EIB also includes a substantive fund raising process of the Bank from the donor community to blend with EIB financing. Furthermore, the EIB has also developed various forms of cooperation with national Development banks and Institutions within the EU and outside the EU with International Financial Institutions to increase co-financing and also to promote further cooperation and coordination among institutions. Project preparation and advisory services, establishment of investment platforms that facilitate the co-investment of third parties both in the EU and outside, risk-sharing and equity instruments as well as knowledge sharing and information dissemination through the Global Emerging Market and Infrastructure Database Initiatives are further means that enable the EIB Group to mobilize third party funds. In addition, as the issue of mobilizing private sector resources is paramount to achieving the SDGs, the MDBs are also working together to better measure their contribution to this and ensure that more private sector funding is mobilized.

EIB KEY VfM INDICATORS

This annex benchmarks performance for each of the clusters of indicators of the Value for Money framework shared across MDBs.

Indicators	**Unit**	**2016**	**2017**
Outstanding			
Total assets	EUR bn	***573.2***	***549.5***
Assets held on behalf of third party	EUR bn	***14.2***	***14.3***
Loans portfolio (signed)	EUR bn	***568.7***	***567.9***
of which disbursed	EUR bn	*455.4*	*455.0*
of which to be disbursed	EUR bn	*113.3*	*112.9*
Guarantees (signed)	EUR bn	6.8	*9.1*
Borrowed funds	EUR bn	***470.9***	***449.6***
Own funds and subscribed capital			
Own funds	EUR bn	66.2	69.0
Called capital	EUR bn	21.7	21.7
Subscribed capital	EUR bn	243.3	243.3
Called to subscribed capital	%	9%	9%
Risk metrics			
External rating		AAA	AAA
Basel III capital adequacy ratio	**%**	26.40	28.50
Leverage ratio	%	742	667
Statutory gearing ratio	%	208	208
Outstanding loans & guarantees to own funds	%	869%	836%
Total liquidity ratio	**%**	**74.7**	**74**
Resources raised			
Borrowing	EUR bn	66.4	56.4
of which Green Bonds	EUR bn	3.9	4.3
Balance sheet optimization measures			
Capital efficiency	Y		
Exposure exchanges	N		
Concessional windows	not applicable		
Non-sovereign guaranteed risk transfer and mobilization	Y		
Net income measures	Y		
Profitability			
Net profit	EUR bn	2.9	2.8
YoY % growth of Own Funds	%	4.6%	4.3%
Return on Own Funds (= Return on Equity)	%	4.4%	4.2%
Return on Assets	%	0.5%	0.5%
Corporate costs management			
Cost to income ratio	%	22.96	25.71
Cost to assets ratio	%	0.14	0.17
Strategic alignment of resources			
Disbursements (own resources)	**EUR bn**	60.1	58.4
of which inside EU	EUR bn	54.1	52.1

Indicators	Unit	2016	2017
of which outside EU	EUR bn	6.0	6.3
Signatures (own resources)	**EUR bn**	74.6	69.9
of which inside EU	EUR bn	67.1	62.6
of which outside EU	EUR bn	7.6	7.3
Signatures (own resources) by public policy goals			
Innovation	**EUR bn**	***13.5***	***14.0***
of which inside EU	EUR bn	13.2	13.8
of which outside EU	EUR bn	0.3	0.2
SMEs & Midcap finance	**EUR bn**	***24.6***	***20.3***
of which inside EU	EUR bn	21.3	18.2
of which outside EU	EUR bn	3.2	2.2
Infrastructure	**EUR bn**	***19.7***	***18.0***
of which inside EU	EUR bn	18.1	16.5
of which outside EU	EUR bn	1.6	1.4
Environment	**EUR bn**	***16.8***	***16.6***
of which inside EU	EUR bn	14.4	13.8
of which outside EU	EUR bn	2.4	2.7
EIB signatures by transversal indicators (% of total)			
Economic and Social Cohesion & Convergence (within EU, EFTA and Pre-Accession)	%	29.5	30.1
Climate Action (EIB total)	%	26.1	28.1
Special activities / higher risk operations (signatures)	**EUR bn**	***13.9***	***17.9***
Management of operations			
Rating of operations at approval (% of operations in higher rating classes)			
Inside EU			
pillar 1: contribution to EU policy (EU)	%	86	90
pillar 2: Quality and soundness of the project	%	94	95
pillar 3: EIB technical and financial contribution to the project	%	52	48
Outside EU			
pillar 1: contribution to EU policy (EU)	%	100	98
pillar 2: Quality and soundness of the project	%	97	89
pillar 3: EIB technical and financial contribution to the project	%	86	91
Monitoring of operations			
processing time indicator			
Average number of days between PIN and first disbursement	# days		
Credit risk			
% of operations on the watch list (as a % of risk portfolio)	%	1.23	0.9
% of impaired loans (as a % of risk portfolio)	%	0.3	0.3
Results			
Rating of operations at completion (% of operations in higher rating classes)			
Inside EU			
pillar 1: contribution to EU policy (EU)	%	N/A	N/A

Indicators	Unit	2016	2017
pillar 2: Quality and soundness of the project	%	N/A	N/A
pillar 3: EIB technical and financial contribution to the project	%	N/A	N/A
Outside EU			
pillar 1: contribution to EU policy (EU)	%	N/A	N/A
pillar 2: Quality and soundness of the project	%	N/A	N/A
pillar 3: EIB technical and financial contribution to the project	%	N/A	N/A
Mobilization of finance			
Private mobilization	EUR bn	58.9	100.2
of which private direct mobilization	EUR bn	18.3	36.8
of which private indirect mobilization	EUR bn	40.6	63.5
Climate finance	EUR bn	4.3	5.5

EIB DEFINITION OF INDICATORS

This annex lists all indicators according to the structure of the framework prepared by the MDB Working Group on Value for Money. The definitions give additional information on the rationale for selecting the indicator and how it contributes to tracking progress towards the Bank's corporate objectives.

Own funds (shareholders equity) are the sum of called-up capital and reserves and profit for the financial year.

Basel III Capital Adequacy Ratio (CAD) measures a bank's capital position and is expressed as a ratio of own funds to risk weighted assets. The ratio's calculation is subject to strict regulatory rules defined in the Capital Requirements Directive and Regulation (CRD IV and CRR). The Bank calculates the CAD ratio in accordance with the Advanced Internal Ratings Based approach. **The Basel III Own Funds** represent the accounting own funds less regulatory adjustments. They consist entirely of Common Equity Tier 1 items.

The leverage ratio is a debt to equity ratio and is defined as gross debt (long and short term) divided by adjusted shareholders' equity which consist of EIB own funds less the EIB's participation in EIF capital.

The Statutory **Gearing Ratio** is defined as the aggregate amount outstanding at any time of loans and guarantees granted by the bank divided by its subscribed capital, reserves, non-allocated provisions and profit and loss account surplus. The latter aggregate amount shall be reduced by an amount equal to the amount subscribed (whether or not paid in) for any equity participation of the bank. This ratio is used to limit the excess leverage and shall not exceed 250%.

Outstanding loans and guarantees to own funds: This ratio is defined as the aggregate amount outstanding at any time of loans and guarantees granted by the bank divided by its own funds.

The **Total Liquidity Ratio** is defined as the ratio of the total net treasury (cash, operational money market, operational bond and investment portfolios, less short -term borrowings with residual maturity of less than 90 days) to the next 12 months projected net cash outflows related to balance sheet items not related to treasury assets and liabilities represented in the numerator (mainly loan disbursements and debt servicing, net of loan servicing). The Total Liquidity Ratio must be at all times higher than 25%.

Green bonds labelled Climate Awareness Bonds are specifically tailored bonds, where the money raised in capital markets may exclusively be invested in projects that benefit the environment and hence offer investors a transparent link to the renewable energy and energy efficiency projects that benefit from the proceeds of the Green Bond issues.

Balance sheet optimization measures. The G20 Action Plan for MDB Balance Sheet Optimization is part of a wider global agenda on resource mobilisation for supporting SDGs. The plan called for the MDBs to work through their respective Boards to consider five measures that could increase lending through balance sheet optimization. In June 2017, MDBs produced the "Second Report to the G20 on the MDB Action Plan to Optimize Balance Sheets" which synthetizes the work undertaken over the past year. The G20 Finance Ministers in Chengdu endorsed the report and called for continued action on balance sheet optimization and further updates. The 5 measures identified: 1) Capital efficiency; 2) Exposure exchanges; 3) Concessional windows; 4) Non-Sovereign Guaranteed Risk Transfer and Mobilization; 5) .Net Income Measures.

Net profit is the net surplus after provisions and extraordinary incomes/charges.

Return on equity is defined as the net profit in a given year divided by average equity (i.e. average equity at the beginning and end of the year).

Return on assets is defined as the net profit in a given year divided by average assets (i.e. average assets at the beginning and end of the year).

CORPORATE COST MANAGEMENT

Cost to income ratio is defined as operating costs divided by operating revenues. Operating income is defined a as: net banking income + commissions and similar revenues + other operating income and charges + net result from RCR and EREM equity operations + result on investment fund. Operating costs is defined as: total administrative costs (staff costs + other administrative costs) + depreciation.

Cost to assets ratio is defined as operating costs (see definition above) divided by total assets.

Special activities are operations that carry higher risk than the EIB's usual activities.

MANAGEMENT OF OPERATION

Rating of operations at approval and at completion. At appraisal stage, results indicators are identified, with baselines and targets that capture expected economic, social, and environmental outcomes of the operation. Achievement against these specified performance benchmark is monitored throughout the project life and reported at project completion and post completion. The measurement framework[39] is structured around the principle of three ex-ante evaluation pillars covering the key dimensions of the assessment of an operation, and is complemented by three categories of results monitoring indicators. The 3 pillars are the following: (1) Pillar 1 – Contribution to EU policy for inside/outside EU assesses the consistency/alignment of the project with EU/EIB objectives and is linked to the EIB's Corporate Operational Plan,. Hence it checks the eligibility criteria for operations; (2) Pillar 2 – Quality and soundness of the project assesses among others the economic interest, the promoter capability, the environmental and social sustainability and the employment, technology and other benefits; (3) Pillar 3 – EIB technical and financial contribution focusses on the value originated by the Bank itself, offering financial and non-financial benefits in support of the project. The % in the table shows the % of operations in higher rating classes for each pillar and separately for inside and outside the EU.

Processing time indicators: Average number of days between the pre-appraisal preliminary information note (PIN) to the proposal to the management committee to endorse the financing proposal and to authorise negotiation (AFS: appraisal fact sheet). Average number of days between the AFS to signature.

% of operations on the watch list (as a % of the risk portfolio): The watch list comprises own risk operations requiring special (high or moderate) credit risk monitoring or intensive care because there may be difficulties meeting payments on schedule. Loans are placed on the Watch List subject to an internal loan grading threshold or an occurrence of a significant credit event. It is defined as comprising operations graded at D- or below, with exceptions applying to those originally approved special activities. Special activities operations will be included in the watch list as a result of a material credit event leading to a deterioration of the loan.

MOBILIZATION OF FINANCE

Private co-financing is computed based on the agreed common methodology across MDBs as defined in the report on "Mobilization of private finance", namely: **private direct mobilization** is financing from a private entity on commercial terms due the active and direct involvement of a MDB leading to commitment; and **private indirect mobilization** is financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance.

[39] Operations within the EU are rated according to the EIB 3 Pillar Assessment framework, while for operations in non-EU countries, the Results measurement framework is applied.

EIF KEY VFM INDICATORS

Indicator	Unit	2016	2017
Outstanding (EUR bn)			
Total assets	*EUR bn*	2.3	2.5
Assets held on behalf of third party	*EUR bn*	32.4	37.5
Outstanding Commitments (incl 3rd party)	*EUR bn*	26.2	31.4
of which guarantees	*EUR bn*	14	16.6
of which Private Equity	*EUR bn*	12.2	14.4
Own funds and subscribed capital (EUR bn)			
Own funds	*EUR bn*	1.878	1.96
Called capital	*EUR bn*	0.8764	0.90
Subscribed capital	*EUR bn*	4.382	4.50
Called to subscribed capital	*%*	20%	20%
Financing activity (EUR bn)	*EUR bn*	9.5	9.3
of which Equity	*EUR bn*	6.3	6.0
of which Guarantees	*EUR bn*	3.2	3.3
Resources optimization and financial sustainability			
Risk metrics			
External rating		AAA	AAA
SCAP (Stand Alone Credit Profile)		AA+	AA+
S&P RAC ratio (S&P RWA / S&P OF)	**%**	36.5%	33.0%
Gearing (statutory) ratio			
Equity	**%**	43.0%	53.8%
Guarantee	**%**	49.6%	49.7%
Outstanding loans & guarantees to own funds	%	366.7%	377.6%
Balance sheet optimization measures			
Capital efficiency	Y		
Exposure exchanges	not applicable		
Concessional windows	not applicable		
Non-sovereign guaranteed risk transfer and mobilization	not applicable		
Net income measures	Y		
Profitability			
Net profit	EUR bn	0.1	0.1
YoY % growth of Own Funds	%	1.3%	4.2%
1.1 Retained Earnings	%	-53.2%	14.5%
1.2 Dividend	%	0.0%	2.6%
1.3. New Capital subscription and New EUR Member subscription	%	2%	3%
Return on Own Funds (= Return on Equity)	%	6.57%	5.74%
Return on Assets	%	5.3%	4.6%
Corporate costs management			
Cost to income ratio	%	50%	51%
Cost to assets ratio	%	4.7%	5.2%

Indicator	**Unit**	**2016**	**2017**
Strategic alignment of resources			
Signatures by public policy goals (EUR bn)			
Innovation	*EUR bn*	3.8	4.3
SMEs and Midcap finance (incl. Innovation)	*EUR bn*	9.6	9.3
Mobilization of finance			
Signatures (EUR bn)			
Own account & 3rd party	*EUR bn*	9.6	9.3
Private mobilization	*EUR bn*	42.7	66.4

EIF DEFINITION OF INDICATORS

This annex lists all indicators according to the structure of the framework prepared by the MDB Working Group on Value for Money. The definitions give additional information on the rationale for selecting the indicator and how it contributes to tracking progress towards the Bank's corporate objectives.

Own funds (shareholders equity) are the sum of called-up capital and reserves and profit for the financial year.

Basel III Capital Adequacy Ratio (CAD) measures a bank's capital position and is expressed as a ratio of own funds to risk weighted assets. The ratio's calculation is subject to strict regulatory rules defined in the Capital Requirements Directive and Regulation (CRD IV and CRR). The Bank calculates the CAD ratio in accordance with the Advanced Internal Ratings Based approach. **The Basel III Own Funds** represent the accounting own funds less regulatory adjustments. They consist entirely of Common Equity Tier 1 items.

The leverage ratio is a Private equity and guarantee exposure to equity ratio and is defined as gross debt (long and short term) divided by adjusted shareholders' equity which consist of EIB own funds less the EIB's participation in EIF capital.

The Statutory **Gearing Ratio** is defined as the aggregate amount outstanding at any time of loans and guarantees granted by the bank divided by its subscribed capital, reserves, non-allocated provisions and profit and loss account surplus. The latter aggregate amount shall be reduced by an amount equal to the amount subscribed (whether or not paid in) for any equity participation of the bank. This ratio is used to limit the excess leverage and shall not exceed 250%.

Outstanding loans, equity and guarantees to own funds: This ratio is defined as the aggregate amount outstanding of equity and guarantees granted by the EIF divided by its own funds.

Balance sheet optimization measures. The G20 Action Plan for MDB Balance Sheet Optimization is part of a wider global agenda on resource mobilisation for supporting SDGs. The plan called for the MDBs to work through their respective Boards to consider five measures that could increase lending through balance sheet optimization. In June 2017, MDBs produced the "Second Report to the G20 on the MDB Action Plan to Optimize Balance Sheets" which synthetizes the work undertaken over the past year. The G20 Finance Ministers in Chengdu endorsed the report and called for continued action on balance sheet optimization and further updates. The 5 measures identified: 1) Capital efficiency; 2) Exposure exchanges; 3) Concessional windows; 4) Non-Sovereign Guaranteed Risk Transfer and Mobilization; 5) .Net Income Measures.

Net return is the net surplus after provisions and extraordinary incomes/charges.

Return on equity is defined as the net profit in a given year divided by average equity (i.e. average equity at the beginning and end of the year).

Return on assets is defined as the net profit in a given year divided by average assets (i.e. average assets at the beginning and end of the year).

CORPORATE COSTS MANAGEMENT

Cost to income ratio is defined as operating costs divided by operating revenues. Operating income is defined a as: net banking income + operating revenues - accrued interest on pension plans + other operating income + result on venture capital operations + result on investment fund. Operating costs is defined as: total administrative costs (staff costs + other administrative costs) + depreciation.

Cost to assets ratio is defined as operating expenses (see definition above) divided by total assets.

MOBILIZATION OF FINANCE

Private co-financing is computed based on the agreed common methodology across MDBs as defined in the report on "Mobilization of private finance", namely: **private direct mobilization** is financing from a private entity on commercial terms due the active and direct involvement of a MDB leading to commitment; and **private indirect mobilization** is financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance.

APPENDIX 5: INTER-AMERICAN DEVELOPMENT BANK GROUP VALUE FOR MONEY PROPOSITION

1. The Inter-American Development Bank (IDB) Group (IDBG)[40] provides financial and technical support to Latin America and the Caribbean (LAC), through the public and the private sector, to reduce poverty and inequality and achieve sustainable growth. The IDBG is focused on consistently delivering value and demonstrating results, helping LAC countries achieve their development goals as effectively and efficiently as possible. The IDBG institutions have been continuously working on multiple fronts: to refine their results measurement frameworks, place increased emphasis on their evaluation agenda to bring additionality to their interventions and ensure learning from what works and what can be improved, and strengthen their financial, budgetary, and human resource management frameworks to foster a results-oriented culture and ensure cost-efficiency of resources invested.

2. Many important reforms to enhance IDBG's VfM were carried out as part of the broad commitments in IDB's Ninth General Capital Increase ("IDB-9") in 2010, the IDBG consolidation of non-sovereign guaranteed activities under IDB Invest (the "Merge-Out") in 2016 and the Renewed Vision for the Private Sector (the "Renewed Vision") underpinning the Merge-Out, as well as a number of more recent decisions by the Boards of Governors, the Boards of Executive Directors for IDB and IDB Invest, and the IDBG management team. Over the years, these reforms have helped keep VfM at the forefront of institutional planning and decision-making. Recognizing the value of developing a shared understanding of VfM among MDBs, this annex focuses on the eight components of VfM in the common MDB framework, while also highlighting the relationship of each to the three "Es" often associated with VfM (i.e., effectiveness, efficiency, and economy) as well as other IDBG strategic pillars and guiding principles broadly aligned with the three "Es".[41]

3. The adoption of the Update to the Institutional Strategy (UIS) and Corporate Results Framework (CRF) covering the entire IDBG in 2016 was a key milestone in ensuring an IDBG-wide approach to addressing the region's development needs and shared metrics in tracking progress. A key element of the strategy is a set of operational principles that guide how IDBG institutions work to ensure VfM —these range from focusing on client needs and striving for effectiveness and efficiency to building effective partnerships and promoting knowledge and innovation.

A. IDBG's Value for Money Proposition

1. Resource optimization and financial sustainability

4. Resource optimization and financial stability are core considerations for the IDBG, which contribute to the VfM concept of economy. Given its separate financial structures, this component of VfM is addressed distinctly at IDB and IDB Invest.

[40] Composed by the IDB, IDB Invest (as the Inter-American Investment Corporation was rebranded in 2017) and the Multilateral Investment Fund (MIF).
[41] As stated in paragraph 12 of this report, effectiveness refers to the extent of successful delivery of intended outcomes, efficiency refers to the rate of conversion of inputs into activities, and economy refers to the cost of inputs.

5. At **IDB**, reforms in these areas were introduced following the IDB-9 and included the Income Management Model (IMM) and annual Long-Term Financial Projections (LTFP) exercise —to provide decision-makers with an integral 10-year view of the IDB's finances. More recently, the IDB has also implemented concrete actions on all proposals of the G20 MDB Action Plan to Optimize Balance Sheets. Specifically:

- Increased capital efficiency: the IMM and LTFP are assessing potential capital efficiency gains, providing suitable assurances to IDB management and shareholders that its AAA ratings would not be put at risk. The IMM is a rules-based approach that links ordinary capital's revenue sources and uses in a long-term planning horizon through the LTFP and marks a departure from previous IDB loan pricing practice by requiring that loan charges cover 90% of administrative expenses. This approach and requirement is unique among MDBs and places IDB's earnings capacity as a key driver in maintaining capitalization levels consistent with an AAA rating.[42]

- Addressing concentration risks: the IDB has entered into Exposure Exchange Agreements (EEAs) with the African Development Bank (AfDB) and the World Bank (WB) to exchange portfolio exposures that reduce risk and increase lending space. Entering into EEAs provides good value for money for IDBG clients and shareholders in a number of ways. For example, the two executed EEAs freed US$1.7 billion in capital at the IDB —an amount equivalent to IDB-9— while not requiring any administrative and transaction costs aside from legal and rating agency assessment fees for the initial setup of the new financial instrument (about US$150,000). Furthermore, the IDB is partnering with interested donors —such as the Swedish International Development Cooperation Agency— to pilot the use of De-Linked Portfolio Guarantees. Through these instruments, the partner would provide the IDB with a guarantee that would cover a fixed amount of Sovereign Guaranteed (SG) country exposure with high concentration, with which the IDB would in turn be able to use the resulting increase in lending capacity to take on additional exposure in countries (or sectors) with lower concentration.

- Financial innovations using the concessional windows: In 2017, IDB took forward Management's plan to transfer the Fund for Special Operations (FSO) into the IDB's Ordinary Capital, which included a capital transfer that strengthened IDB's balance sheet in a decisive way with an infusion of US$5 billion. In addition, it helped ensure further growth of concessional lending because this is now supported by the IDB's Ordinary Capital window while keeping the original FSO conditionality terms and conditions intact. In this way, no further replenishments of the concessional window will be needed in the near future, beneficiaries will see no change in their access to increased concessional funds, and IDB's balance sheet became stronger.

- Net income measures: Since 2008, the IDB has adopted more stringent constraints on concentration, term, duration, rating, maturity and issuer limits on its investment portfolio. Likewise, optimization in the management of costs and other operational efficiencies are impacting positively the net income of IDB. These measures are explained in detail in the next section.

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[42] In fact, IDB-9 objectives of this approach (document AB-2764, § 4.17 and Annex 2) are (i) preservation of the Bank's AAA rating; (ii) enhancement of the Bank's financial discipline and self-sustainability; (iii) use of the Bank's capital to support the maximum prudent lending levels; (iv) possible provision of countercyclical lending to Latin America and the Caribbean; and (v) competitive loan pricing.

- Evaluation of instruments to share risk in Non-Sovereign Guaranteed (NSG) operations with private investors: Due to the cross-booking between the IDB and IDB Invest of non-sovereign operations, private capital mobilization milestones are presented together in the section "Resource mobilization at IDBG."

6. These types of measures provide good value for money because they strengthen IDB's financial capacity by freeing up resources and lending space, and they do not imply a large cost for IDB shareholders. These measures are constantly being monitored through quarterly (internal) and annual (public) reports with standard financial ratios. Credit Rating Agencies have welcomed these actions. In fact, the financial benefit to date is even larger than originally calculated at the time of the EEA transactions due to changes in the credit ratings of the underlying countries.

7. At **IDB Invest**, the second General Capital Increase (GCI-II) is expected to increase the capital base of the organization by US$2.03 billion between 2016 and 2025, of which US$1.3 billion will inflow from new shareholders contributions and US$725 million is to be funded by capital transfers from the IDB on behalf of its shareholders. IDB Invest's portfolio is expected to grow in the next decade due to the GCI-II and gains of efficiency in the organization's cost structure allowing the institution to take important steps towards implementing the action plan recommended by the G20. In 2017, IDB Invest (i) developed a 10-year Long Term Financial Plan to optimize capital efficiency and maximize lending; (ii) approved a new Risk Management framework to guide portfolio growth; and (iii) implemented a Sustainable Budget Envelope to harmonize cost growth and earning capacity. Below are the recent actions regarding resource optimization, and their relationship to the action plan:

- Increased capital efficiency: In 2017, IDB Invest implemented a comprehensive long-term financial planning framework to guide the financial development of the institution given the pace of capital growth during the capitalization period and beyond. The framework is designed to allow for an increase in IDB Invest leverage over time, as well as simulate different financial scenarios and stress situations. The introduction of the Risk Appetite, Capital Adequacy, and Liquidity policies[43] were important milestones to provide financial metrics for financially sustainable growth, consistent with its risk appetite and rating mandate.

- Net income measures: Maintaining profitability requires a careful balance between risk management and cost control, while preserving existing sources of revenue and identifying new ones. IDB Invest implemented a new version of the Financial Contribution Rating tool, which takes into consideration the Risk Adjusted Return on Capital to evaluate profitability at the project level, assuring that the institution is financially sustainable from the onset of its operations. IDB Invest also introduced the Sustainable Budget Envelope, a new resource management concept developed to link the administrative budget growth to the institution's earning capacity. The concept is explained in greater detail in the next section.

8. In 2017, the credit rating of IDB Invest was reaffirmed by Fitch, Standard and Poor's and Moody's (AAA, AA, and Aa1 respectively), and Fitch assessed IDB Invest's risk management policies as 'excellent'. The positive response from Credit Rating Agencies attests to the quality of the balance sheet of the institution, and the importance of the institution's business strategy in the region.

2. Corporate cost management

[43] Approved in December 2017.

9. The IDBG prioritizes corporate cost management and continues to seek out ways to decrease operating costs and promote the VfM pillar of economy. IDB and IDB Invest each monitor how much of their respective incomes finance their administrative expenses as well as their cost to development-related assets, which provides insight into the cost to manage their portfolios. Across IDBG, considerations of efficiency and cost management are balanced with IDBG's development mission. That is, IDBG doesn't strive to minimize costs at the expense of achieving sustainable development results, but rather to maintain its cost ratios in a healthy range. IDBG's cost-to-income and cost-to-development-related-assets ratios are healthy and the IDBG continues to seek out opportunities to decrease its operating costs without compromising development results.

10. Efforts to reduce corporate costs are wide-ranging across the IDBG. For example, IDB invested in an important technology platform to handle loans from inception through final disbursement, consolidating many disparate systems that had been used previously into a single point of access. For its part, MIF's new business model incorporates efficiency measures, including optimizing the workforce, simplifying processes, and outsourcing certain functions to other IDBG departments through service-level agreements. IDB Invest's latest business plan contains the introduction of the Sustainable Budget Envelope concept to balance key institutional initiatives with the expected development of the balance sheet and overall long-term financial plan. The Sustainable Budget Envelope focuses on the origination of new business and the costs associated with the administration of the current portfolio and also contemplates a component related to costs associated with investing in activities that aim to improve institutional efficiency.

3. Strategic alignment of resources

11. Strategic alignment of resources is a key aspect of how IDBG aims for both efficiency and effectiveness in its use of resources. The IDBG tracks the alignment of each new approval to the strategic priorities laid out in its institutional strategy, which include addressing the region's key development challenges of social inclusion and equality, productivity and innovation, and economic integration and addressing the cross-cutting areas of climate change and environmental sustainability, gender equality and diversity, and institutional capacity and rule of law. Furthermore, its Corporate Results Framework contains targets for lending to small and vulnerable countries as part of IDBG's commitment to supporting the smallest and most vulnerable countries in the region. Alignment of each operation to the IDBG Country Strategies and the SDGs is also monitored.

12. To promote alignment to its strategic priorities, IDBG has dedicated action plans and approaches in a number of areas. For instance, in 2017, IDBG approved its first group-wide climate change action plan, which outlines actions to reach IDBG's 30 percent climate financing goal by 2020 and systematically mainstream climate change into operations. Similarly, IDB's gender action plan establishes lines of action for direct investment in gender equality, mainstreaming gender into operations throughout the IDB and ensuring adequate safeguards are in place for operations with gender-based risks. As another example, in 2017, IDB Invest approved a dedicated approach for increasing operations in small island economies and has grown the presence of its investment officers to 23 of the IDBG's 26 borrowing member countries.

13. Strategic alignment of resources goes beyond how we allocate resources to operations to also include the alignment of how IDBG allocates both budgetary and human resources internally with achieving strategic objectives. The IDBG has introduced improvements in its business

planning cycle to allow for a more direct link between the status of our Corporate Results Framework indicators and the formulation of strategic priorities for annual work programs both at IDB and IDB Invest. **IDB** uses Results-Based Budgeting (RBB) to support better-informed programming and resource allocation decisions. The usefulness of RBB in terms of its decision-making value underpins the importance of accurate activity-based costing, of which the IDB's time recording system—in place for more than two decades—is the centerpiece. In addition, the IDB has begun work to determine a more strategic and effective budgeting methodology, a multi-year framework in line with the principles of RBB and improving the effectiveness of its cost-management framework, both of which have been in place since 2011. This work also aims to continue identifying areas where administrative cost efficiencies may be realized and opportunities where costs may be avoided. **IDB Invest** follows a triennial business planning cycle, while following the longer arc of implementation of the Renewed Vision during the GCI-II capitalization period and the institutional strategy. The annual budgetary exercise of IDB Invest is linked to the annual update of the business plan. On the human resources side, IDBG's Human Capital Strategy 2020 aims to optimize talent and diversify skills to address regional needs and engage in mechanisms for greater flexibility in resource allocation to meet its dynamic business needs.

14. Finally, the IDBG also promotes strategic alignment of resources by working as a group to identify, generate and amplify public-private synergies. In fact, identifying and realizing strategic and operational synergies within the IDB Group is a fundamental design principle of the IDB Group private sector consolidation. This includes synergies at the strategic level, fully integrating the public and the private sector angles in the Group's institutional, country and sectoral strategies and frameworks; synergies in knowledge products (e.g., the IDB Group's joint Development Effectiveness Overview); synergies in operations (e.g., by identifying concrete cross-collaboration opportunities at the transaction level, or creating a single PPP window); and organizational synergies (e.g., having joint country offices and sharing a single IDB Group representative in each borrowing member country).

4. Management of operations

15. **IDB** manages an active portfolio of 594 ongoing SG loan projects (at the close of 2017), representing $53.8 billion in investment in the region. Managing these operations effectively and efficiently throughout their lifecycle is essential to maximize the impact of IDB's work. In the development of new operations, IDB has a target timeframe to prepare specific types of operations. Over the past several years, increasing percentages of operations have been approved within this target timeframe, facilitating the initiation of activities in a timely manner. Overall, the median preparation timeframe declined from 6 months in 2014 to 4.4 months in 2017. Throughout a project's execution period, the IDB also monitors project performance to ensure projects are executing as anticipated with respect to time and cost and to proactively address project risks. This information is tracked along with project results through the IDB's Progress Monitoring Report (see Section 7 for more information). The percentage of operations with satisfactory performance classification was 82% in 2017, representing an increase over previous years.

16. **IDB Invest** continues its actions to optimize the client experience by improving its capacity to promote development in the LAC region and attract the best partners. The Operational Excellence initiative was launched in 2017 and includes concrete actions along five areas — (i) voice of the client; (ii) process efficiency; (iii) management processes; (iv) organization and skills; and (v) mindset and behaviours. The implementation phase has started through multiple work-

streams. In the process, IDB Invest has established Client Transactions Units, which involve cross-functional members who work together on several operations in the same field to maximize coordination and facilitate communication. As of the close of 2017, IDB Invest was managing an active portfolio of 378 operations, representing $7.1 billion in investment in the region, including $1.1 billion IDBG development related assets on IDB Invest's books, and $6.0 billion IDB NSG assets administered by IDB Invest. Additionally, IDB Invest administers other third-party funds for $5.4 billion for a total portfolio under supervision of $12.5 billion. See Section 7 for details on how IDB Invest monitors its portfolio and evaluates performance and results.

5. Standards

17. As part of IDBG's commitment to effectiveness, both IDB and IDB Invest focus on implementing appropriate safeguards and standards to understand and mitigate environmental, social and governance risks associated with their activities. IDBG's safeguards cover environmental concerns, resettlement issues, disaster risk management, gender equality, indigenous peoples, and access to information —all with an aim of improving the value of projects for all stakeholders and enabling clients to meet international practices and standards. This includes identifying environmental and social risks, developing plans to manage and mitigate risk, monitoring the implementation of these measures, and striving for continued improvement. In addition to environmental and social risks, the IDBG has standards regarding development effectiveness that are strictly monitored through IDBG's Development Effectiveness Framework and discussed in Section 7 below.

18. In 2017, the IDBG institutions worked to strengthen their environmental, social and governance due diligence, supervision and mitigation processes: **IDB** developed a new environmental and social risk management framework to strengthen the management of these risks throughout the project lifecycle and support the allocation of resources for supervision according to the level of risk. In addition, IDB launched a multi-year safeguards knowledge and learning plan to increase regional capacity to manage environmental and social risks and requirements. Likewise, **IDB Invest** has worked to establish strong environmental and social review procedures that include a robust ex-ante risk analysis as well as rigorous supervision guidelines and processes, emphasizing more complex infrastructure projects. IDBG operations have consistently performed well in terms of the mitigation of environmental and social risks, with 80 and 92 percent of high risk operations at IDB and IDB Invest, respectively, performing satisfactorily in the implementation of mitigation measures in 2017.

6. Knowledge, policy dialogue, and convening

19. Another aspect of how IDBG promotes effectiveness involves going beyond specific project interventions to play a catalytic role in addressing the region's development challenges on a broader scale by building partnerships, generating and disseminating knowledge and expertise, and shaping policy in the region. Generating knowledge on what works and what does not and sharing this knowledge with countries, clients, and the broader public is a key part of the value IDBG brings to development in Latin America and the Caribbean.

20. IDBG facilitates strategic dialogue in the region, including through its Regional Policy Dialogue, which promotes knowledge-sharing between high-level government officials and experts in key development areas in order to identify common solutions to the most pressing development issues. IDB also plays an active role in public-private fora, such as ConnectAmericas, the first social network for businesses in the Americas and the American Business Dialogue which is driven by the private sector to foster high-level public-private policy

dialogue among the business and government leaders of the hemisphere. Furthermore, the IDBG is committed to sharing knowledge through online and face-to-face courses as well as open educational resources. Its series of Massive Open Online Courses will reach a million registered users in 2018.

21. As a knowledge-based institution, since 2008 the IDBG has been working to strengthen project evaluation capacity in Latin America and the Caribbean and has mainstreamed the practice of conducting impact evaluations and other rigorous studies into its operational cycle. Impact evaluations are not only important for accountability reasons, but foremost they are important knowledge generation tools that are essential to ensuring the smart allocation of limited development resources to those programs and projects that are most likely to succeed.[44]

22. IDBG tracks metrics related to the reach of its knowledge work, including the number of downloads of key publications and the number of unique blog visitors in each year, which has been continuing to rise. More important than the reach, however, is its impact on the audience. While challenging to quantify the impact of knowledge work, stakeholder surveys can provide insight into the value these provide. For example, a 2015 AidData study found that IDB “punches above its weight” in terms of its influence on the reform agendas of partner countries as compared to each dollar committed, ranking second of 46 organizations assessed.[45] Beyond surveys and measuring the downloads of IDBG knowledge products, IDBG is also exploring new metrics that will provide greater insight into the impact of this work.

7. Results

23. The IDBG understands that maximizing the effectiveness of development interventions requires rigorous analysis at all stages of the project lifecycle —from design to implementation to completion. As such, the IDB, IDB Invest, and MIF each have a set of tools and processes forming part of their Development Effectiveness Framework (DEF) aimed at enhancing the quality and impact of operations and monitoring as well as evaluating their performance and results (see Table 1 below). Achieving development impact requires both the selection of investments that are likely to yield results in priority areas (such as climate change or gender equality), as well as the effective design, execution and evaluation of these investments. Therefore, the DEF includes tools to support the investment process from beginning to end.

Table 1 - IDB, IDB Invest, and MIF Development Effectiveness Framework Tools

[44] With an aim of building knowledge of effective development strategies as well as optimizing the use of resources dedicated to impact evaluations, IDB Invest launched a new Impact Evaluation Strategy in 2016. This strategy defines quality standards for all impact evaluations and provides guidance on how to select evaluations, prioritizing those that cover innovative solutions as well as those that have higher levels of representativeness with respect to IDB Invest’s business lines and relevance with respect to the size of its anticipated impact and its potential to inform the public debate.

[45] Custer, Samantha, Zachary Rice, Takaaki Masaki, Rebecca Latourell and Bradley Parks. 2015. Listening to Leaders: Which Development Partners Do They Prefer and Why? Williamsburg, VA: AidData. Accessed at http://aiddata.org/listening-to-leaders.

	IDB	IDB Invest	MIF
At origination/ At entry	The **Development Effectiveness Matrix (DEM)** is used to rate all loans to ensure that they adequately diagnose the relevant development challenges, incorporate evidence-based solutions, safeguard resources by including an ex ante economic analysis, and allow for proper measurement of results throughout the life of the project.	The **Strategic Selectivity Scorecard** is a tool for ex-ante identification of areas with the highest potential development impact. It is tailored to IDB Invest's business segments, reflects corporate and institutional targets, and feeds into and is informed by IDBG country strategies. The **Development Effectiveness Learning, Tracking and Assessment (DELTA)** is used to score all IDB Invest investments in terms of their development impact and level of IDB Invest additionality (project score). It also ensures the investment's alignment with the strategic priorities of the IDBG and IDB Invest (alignment assessment). Finally, the DELTA assesses the quality of the design at entry for the proper measurement of results throughout the life of the investment. The **Financial Contribution Rating** (FCR) complements the DELTA by measuring the financial contribution of each transaction to IDB Invest, based on the Risk-Adjusted Return on Capital (RAROC).	The **iDELTA** (rolled out in 2018) scores all MIF projects in terms of their development impact, innovation level, scale potential, and resource mobilization (project score). It will also ensure project alignment with strategic IDBG and MIF priorities. Finally, the iDELTA will assess the quality of the design at entry for the proper measurement of results throughout the life of the project.
During execution	The **Progress Monitoring Report (PMR)** captures results generated during project execution on a semi-annual basis as well as project costs over time.	The **DELTA in supervision** tracks the achievement of project results during execution on an annual basis. It measures progress against targets, identifies opportunities to take corrective action as needed, and provides information about project performance. The **Development Effectiveness Analytics (DEA) system** systematizes development effectiveness data collected throughout the project cycle to produce relevant portfolio-level insights and analytics for IDB Invest stakeholders. Data analytics are based on the DELTA Project Score and key project indicators, and also include aggregate analyses at the portfolio level to inform strategic decision-making. The DEA also	The **Project Supervision Report** or **PSR** (grants) and the **Project Status Update** or **PSU** (loans and equity) capture the progress of project execution, achievement of milestones, completion of project objectives, and financial performance in the case of investments. In addition, **mid-term evaluations** are deployed to provide sector expertise needed to realign or redesign projects that are off track.

	IDB	IDB Invest	MIF
		includes an online lessons learned repository.	
After completion/ At maturity	The **Project Completion Report (PCR)** is used to evaluate completed loans in terms of the extent to which the project was effective in achieving results, efficient, relevant to local needs, and sustainable.	The **Expanded Supervision Report (XSR)** is used to evaluate projects once they reach operating maturity. It assesses the extent to which the project was effective and efficient in achieving results that are relevant to local needs and sustainable. The report for projects approved after 2016 will include a DELTA at maturity.	The **Final Project Supervision Report (FSR)** is used to evaluate projects at completion. It is the main tool for reporting on project implementation and results, providing early evidence of replication and scaling, and offering lessons learned.
	Impact evaluations are used to estimate the causal effect of projects, particularly in areas where knowledge gaps exist.		

24. Over the past decade, the IDBG institutions have undergone a series of organizational changes to continue to enhance their focus on driving towards development results and continue to refine the tools to ensure project evaluability, systematically monitor project performance, and assess project results. For example, all projects are required to meet a minimum evaluability threshold (*i.e.* score) before being submitted for Board approval. In 2016, IDB Invest launched a new DEF tailored for non-sovereign guaranteed operations with the mandate of adding value and knowledge beyond financing. IDBG project closeout reports carried out at project completion/maturity were also revamped to provide for an objective, evidence-based look into projects' effectiveness, efficiency, relevance, and sustainability, strengthening institutional learning that can be used in the design of new projects. Measures implemented as part of the DEF have resulted in a significant increase in the *ex-ante* evaluability of projects and associated improvements in project monitoring and evaluation.

8. Mobilization of finance

25. Mobilization of resources in support of development objectives is an increasingly critical aspect of IDBG's work as it aims to address the gap between the needs of borrowers to deliver on their development objectives (including the SDGs) and the capital available for lending.

26. The **IDB** has several partnership modalities in place to mobilize financial resources, which in many cases complement IDB's Ordinary Capital financing and are part of IDB's constant review and update of its portfolio of products and instruments. For SG operations, the IDB is in the process of designing incentives and training for Team Leaders to evolve from a focus on lending

to mobilization, with new guidelines released in 2017 to record private investment mobilization happening in SG operations.

27. In the private sector, **IDB Invest** has also made significant headway in its resource mobilization efforts. By attracting private resources to projects that contribute to development and that would not otherwise have been possible, IDB Invest supports environmentally and commercially sustainable projects. Core mobilization has been incorporated into the Key Performance Indicators monitored by Management. IDB Invest is developing new instruments to broaden the investor base, including A/B-Bond structures, to increase resource mobilization to address the region's infrastructure financing needs. To date, three B-bonds have been successfully executed, and IDB Invest remains the only MDB deploying this product.

28. Complementing IDBG's long-term financial sustainability framework and in line with collective MDB commitments to maximize development finance, the IDBG institutions harmonized their internal co-financing guidelines with MDB-agreed definitions and methodologies to track and account individual and collective private investment mobilization (including climate finance) for both Sovereign- and Non-Sovereign Guaranteed lending. In addition, the IDBG has a dedicated unit to reach out to other partners and donors, including multi-nationals and philanthropies, and is increasing interventions which unlock and mobilize domestic resources from borrowers.

Final Remarks

29. Value for money continues to be at the heart of everything IDBG does. The IDBG institutions constantly strive to achieve the best development impact in each country and topic area in which they work. An attention to efficient use of resources and streamlined processes is crucial to achieving this. IDBG's efforts and results in favor of value for money have also been recognized by many external assessments. As part of IDBG's continued focus on meeting the region's development needs effectively and efficiently, it will present an updated Institutional Strategy and Corporate Results Framework in 2019 to reflect emerging challenges in the region and a constantly-evolving approach to addressing these in a way that is tailored to each country's unique needs.

IDBG KEY VFM INDICATORS

This annex benchmarks performance for each of the clusters of indicators of the Value for Money framework shared across MDBs.

Indicator	Unit	2014	2015	2016	2017
Resource Optimization and Financial Stability					
Portfolio (development related assets) / capital (stock)*	%	IDB: 3.15	IDB: 3.12	IDB: 3.10 IDB Invest: 86.7	IDB: 2.76 IDB Invest: 70.5
Return on equity*	%	IDB: 2.8	IDB: 2.9	IDB: 4.0 IDB Invest: 1.7	IDB: 3.4 IDB Invest: 1.2
Debt to equity (S&P: Gross debt/adjusted common equity) *	%	IDB: 3.3	IDB: 3.2	IDB: 3.1 IDB Invest: 1.0	Not available Not available
Capital freed through exposure exchange agreements	$ billion	NA	NA	IDB: 1.7	NA
Corporate Cost Management					
Cost to income ratio*	%	IDB: 40.3	IDB: 37.3	IDB: 33.1 IDB Invest: 44.7	IDB: 37.1 IDB Invest: 46.2
Cost-to-development-related-assets ratio*	%	IDB: 0.84	IDB: 0.83	IDB: 0.79 IDB Invest: 1.0	IDB: 1.03 IDB Invest: 1.3
Strategic Alignment of Resources					
Lending to small and vulnerable countries (%)*	%	NA	NA	IDB: 37 IDB Invest: 37	IDB: 34 IDB Invest: 23
Climate finance according to the joint MDB approach*	$ billion	2.461	1.744	IDBG: 2.689	IDBG: 4.348
New approvals aligned with at least one challenge or cross-cutting issue of the Update to the Institutional Strategy (% of lending and TC volume)	%			IDBG: 99.4	IDBG: 99.8
• Social inclusion and equality				47	43
• Productivity and innovation				56	65
• Economic integration:				22	31
• Gender equality and diversity*				17	12
• Climate change and environmental sustainability				32	45
• Institutional capacity and rule of law				36	40
Management of Operations					
Operations meeting target preparation time	%	IDB: 83	IDB: 87	IDB: 88	IDB: 92
Processing time (project profile to first disbursement)*	months	IDB: 21.9	IDB: 18.8	IDB: 15.4	IDB: 11.7
Active operations with satisfactory performance classification*	%	IDB: 69	IDB: 69	IDB: 76	IDB: 82 IDB Invest: 64
Standards					
Operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures	%	IDB: 88	IDB: 89	IDB: 82 IDB Invest: 91	IDB: 80 IDB Invest: 92
Knowledge, Policy Dialogue, and Convening					

Indicator	Unit	2014	2015	2016	2017
Total IDBG blog readership	No. in million	IDB: 2.1	IDB: 4.6	IDBG: 2.8	IDBG: 3.2
Results					
Operations with satisfactory development results at completion*	%	IDB: 78	IDB: 89	IDB: 88 IDB Invest: 66	IDB: 54** IDB Invest: 58**
Percent of stakeholders that say IDB Group is effective in supporting sustainable development	%	NA	NA	IDBG: 93***	NA
Mobilization of Finance					
Private direct mobilization*	$ million	NA	NA	IDBG: 703.3	IDBG: 1,923
Private indirect mobilization*	$ million	NA	NA	IDBG: 952.5	IDBG: 3,812

* Common indicator among MDBs

** The percentage of projects with satisfactory development results at completion in 2017 is based on the validation by the Office of Evaluation and Oversight. Reporting for previous years was based on Management's assessment. For more information, see the IDBG's 2018 Development Effectiveness Overview.

*** Based on the percentage of respondents to the Global Perception Survey responding that IDB Group was "very effective" "effective" or "somewhat effective" and excluding those who answered, "don't know / not applicable."

IDBG DEFINITION OF INDICATORS

This annex lists all indicators according to the structure of the framework prepared by the MDB Working Group on Value for Money. The definitions give additional information on the rationale for selecting the indicator and how it contributes to tracking progress towards the Bank's corporate objectives.

RESOURCE OPTIMIZATION AND FINANCIAL STABILITY

Portfolio (development related assets) / capital (stock)*: At IDB, Gross development-related assets at year-end divided by total equity as per the institution's financial statements. For this ratio, development-related assets include loans, equities, guarantees, and those financial products that are specifically used to fund development projects. At IDB Invest, Development related assets is defined as gross loans outstanding, equity investments, debt securities and guarantees and those financial products (e.g. securities, trade receivables) that are specifically used to fund development projects divided by Total capital. Total capital is equal to Total equity and is defined as Total paid-in capital (Subscribed capital plus Additional paid-in-capital minus Receivable from members) plus Retained earnings minus Accumulated other comprehensive (income) loss.

Source: *IDB Information Statement and IDB Invest Financial Statements* **|** ***Unit:*** *%*

Return on equity: For IDB, return on equity reflects net income divided by average equity as per the IDB's financial statements. At IDB Invest Return on equity is defined as Net income divided by average equity. Average Equity (12 months) is equal to Paid-in capital (Subscribed capital plus Additional paid-in-capital minus Receivable from members), Retained earnings and Accumulated other comprehensive income/(loss).

Source: *IDB Information Statement and IDB Invest Financial Statements* **|** ***Unit: %***

Debt to equity: Gross debt divided by adjusted common equity. Gross debt includes short-term as well as medium- and long-term debt. Adjusted common equity is equivalent to shareholders' equity.

Source*: Standard and Poor's Supranationals Report* **|** ***Unit:*** *X Times*

***Capital freed through exposure exchange agreements**: The amount of additional capital that would be needed to provide the same positive impact on the IDB's capital ratios as the exposure exchange agreements.

Source*: IDB Strategic Risk Management Unit* **|** ***Unit:*** $ billion

CORPORATE COST MANAGEMENT

Cost to income ratio: At IDB, this ratio reflects the total administrative expenses in a year, excluding the pension expense (net pension benefit cost) as a percentage of the income in the year (as defined below), consistent with the IDB's year-end audited financial statements (FS). For this ratio, income is defined as total revenues (excluding investment securities gains and losses) of the IDB, net of borrowing expenses.

At IDB Invest, this ratio reflects the total administrative expenses, excluding the costs related to managing IDB's non-sovereign guarantee (NSG) portfolio that are not development related assets on IDB Invest's balance sheet. It also excludes the pension expense (net pension benefit cost) as a percentage of the income in the year, consistent with IDB Invest's year-end audited financial statements (FS). For this ratio, income is defined as total revenues of IDB Invest (excluding the income related to managing IDB's NSG portfolio), net of borrowing expenses.

Sources*: IDB Information Statement, IDB Invest Financial Statements.* **|** ***Unit: %***

Cost to development-related assets ratio: At IDB, this ratio reflects the total administrative expenses in a given year, excluding the pension expense (net pension benefit cost) as a percentage of the gross monthly average development-related assets in the year (as defined below), consistent with IDB's year-end audited financial statements (FS). For this ratio, development-related assets include loans, guarantees, and those financial products (e.g., securities, trade receivables) that are specifically used to fund development projects.

At IDB Invest's, this ratio reflects the total administrative expenses (administrative expenses include the costs to manage the IDB's NSG portfolio plus other expenses) excluding the pension expense (net pension benefit cost) as a percentage of the average gross development related assets beginning and ending year end balances. For this ratio, development related assets include gross loans outstanding, equity investments, guarantees, and those financial products (e.g. securities, trade receivables) that are specifically used to fund development projects. IDB Invest's development related assets calculation includes the combined total IDBG NSG portfolio to match the corresponding costs incurred to manage both IDB Invest's development related assets and IDB's NSG portfolio.

Sources: *IDB Information Statement, IDB Invest Financial Statements* | ***Unit:*** *%*

STRATEGIC ALIGNMENT OF RESOURCES

Lending to small and vulnerable countries: The total dollar amount of IDBG lending approvals in a given year dedicated to small and vulnerable countries, as defined in IDB-9, divided by the total dollar amount of lending approvals in the year. This includes all operations dedicated to benefiting one or more of the following small and vulnerable countries: Barbados, Bahamas, Belize, Bolivia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Nicaragua, Panama, Paraguay, Suriname, Trinidad and Tobago, and Uruguay. The calculations are based on the total approval amount (USD) for each loan. This indicator does not cover Technical Cooperation operations.

Sources: *Development Effectiveness Overview (DEO)* | ***Unit:*** *%*

Climate finance according to the joint MDB approach: Dollar amount of all IDBG activities (operations or operation components), that contribute to climate change mitigation and/or adaptation, according to the Joint Multilateral Development Banks' Approach for Climate Finance Tracking. The Joint MDB Approach defines the following three steps for adaptation activities: (i) setting out the climate vulnerability context of the project; (ii) making an explicit statement of intent to address climate vulnerability as part of the project, and (iii) articulating a clear and direct link between the climate vulnerability context and the specific project activities. For mitigation, the Joint MDB Approach establishes a typology of activities. This includes all operations with reimbursable or non-reimbursable resources, utilizing IDBG or external resources.

Sources: *MDB Climate Finance Report* | ***Unit:*** *%*

New approvals aligned with at least one challenge or cross-cutting issue of the Update to the Institutional Strategy: The strategic alignment indicators measure the percentage of new lending and technical cooperation operation approvals (by volume in US$, total approval amount) that strategically align to at least one challenge or cross-cutting theme of the UIS as recorded at project approval. This will allow the IDBG to assess the allocation of its financial resources according to the UIS priorities overall and to each UIS challenge and cross-cutting theme. The strategic alignment classification is a binary classification (either yes or no) for all areas except for climate change. In the case of climate change, only the percent of the project's total approval amount that contributes to climate change is considered.

Sources: *Development Effectiveness Overview (DEO)* | ***Unit:*** *%*

MANAGEMENT OF OPERATIONS

Operations meeting target preparation time: The percent of SG loans approved during the year that were prepared within the target preparation time. This refers to the target (maximum acceptable) number of months between the date when the loan is approved and the date when the project profile is approved.

SG loans that do not require a project profile (such as Supplementary loans) are not included in the calculation. The target preparation time is 12 months or less for SG investment loans and 6 months or less for Policy-Based Loans. Other SG loan types are not reflected in this indicator.

Sources: *Development Effectiveness Overview (DEO)* | ***Unit: %***

Processing Time (project profile to first disbursement): Average time, in months, from approval of the project profile to the first disbursement for all SG loans receiving the first disbursement in a given calendar year.

Sources: *IDB* | ***Unit:*** *Months*

Active operations with satisfactory performance classification: For SG operations, this reflects the number of operations that have satisfactory validated performance classification in the Progress Monitoring Report (PMR) divided by the total number of operations that receive a performance classification. For NSG operations, this reflects the percent of NSG loans and equity in the active (outstanding) portfolio that have satisfactory performance in a given year as rated by the DELTA tool.

Sources: *Development Effectiveness Overview (DEO)* | ***Unit: %***

STANDARDS

Operations with high environmental and social risks rated satisfactory in the implementation of mitigation measures: Percentage of active SG and NSG operations with high environmental and social risks rated satisfactory in implementation of mitigation measures. For SG and NSG projects, the classification of "high environmental and social risks" is based on the operation's categorization according to its potential adverse environmental and associated social impacts and risks, and the rating of satisfactory is based on the progress achieved in the implementation of the environmental and social mitigation measures and requirements included in the legal documentation (e.g. loan agreement), as reflected in the most recent environmental and social supervision reports available for the operation. High risk operations include operations that have received an environmental and social classification as Category A, those higher risk Category B operations, and high risk financial intermediary operations (FI-1).

Sources: *Development Effectiveness Overview (DEO)* | ***Unit:*** *%*

KNOWLEDGE, POLICY DIALOGUE, AND CONVENING

Total IDBG blog readership: Total number of blog page views for IDBG blogs during the calendar year. Page views are measured by unique clicks on the blog page.

Sources: *Development Effectiveness Overview (DEO)* | ***Unit:*** *Number in million*

RESULTS

Operations with satisfactory development results at completion: For IDB operations, this reflects the number of operations with a Project Completion Report (PCR) approved during the year that had satisfactory achievement of development objectives, divided by the total number of operations with a PCR approved during the year. For IDB Invest operations, this reflects the number of projects that reached Early Operating Maturity (EOM) during the year and received a "Mostly Successful", "Successful," or "Highly Successful" rating in the six-point project development outcome classification range in the Expanded Supervision Report (XSR), divided by the total number of projects that reached EOM during the year. EOM refers to operations that meet a set of objective criteria defined by the Good Practice Standards for Private Sector Evaluation (4th edition) of the Multilateral Development Banks (ECG-MDB). Since 2017, both IDB and IDB Invest report on this indicator based on the validated ratings by the Office of Evaluation and Oversight.

Sources: *Development Effectiveness Overview (DEO)* | ***Unit: %***

Percent of stakeholders that say IDB Group is effective in supporting sustainable development: The percentage of respondents to the Global Perception Survey responding that IDB Group was “very effective” “effective” or “somewhat effective” and excluding those who answered, “don’t know / not applicable.”

Sources: *Development Effectiveness Overview (DEO)* | ***Unit: %***

MOBILIZING PRIVATE FINANCING

Private direct mobilization: financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement include mandate letters, fees linked to financial commitment or other validated or auditable evidence of a MDB’s active and direct role leading to commitment of other private financiers. Private direct mobilization does not include sponsor financing.

Sources: *MDB Mobilization of Private Finance Report* | ***Unit:*** *$ million*

Private indirect mobilization: financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity’s finance. Private indirect mobilization includes sponsor financing, if the sponsor qualifies as a private entity.

Sources: *MDB Mobilization of Private Finance Report* | ***Unit:*** *$ million*

APPENDIX 6: WORLD BANK GROUP VALUE FOR MONEY PROPOSITION

A. Institutional Mandate

1. With 189 member countries, the World Bank Group (WBG) is a unique global partnership comprised of five closely associated institutions: the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA); the International Finance Corporation (IFC); the Multilateral Investment Guarantee Agency (MIGA); and the International Centre for Settlement of Investment Disputes (ICSID). *Partnering with Governments* – IBRD and IDA form the World Bank (WB), which provides financing, policy advice, and technical assistance to governments of developing countries. IDA focuses on the world's poorest countries, while IBRD assists middle-income and creditworthy poorer countries. *Partnering with the Private Sector* - IFC, MIGA, and ICSID focus on strengthening the private sector in developing countries. *One World Bank Group* - while the five institutions have their own country membership, governing boards, and articles of agreement, the WBG works as one to serve partner countries. Through these institutions, the WBG provides financing, technical assistance, political risk insurance, credit enhancement, and settlement of disputes to private enterprises (including financial institutions). Collectively, the WBG has two Twin Goals: to end extreme poverty by 2030 by decreasing the percentage of people living on less than $1.90 a day, and to boost shared prosperity by fostering income growth for the poorest 40 percent in every country.

B. Commitment to Value for Money

2. The WBG is cognizant that achievement of the 2030 development agenda requires the best possible use of limited resources. The Forward Look, endorsed by shareholders in 2016, crystallized a shared vision for how the WBG can help its clients achieve the Twin Goals (ending poverty and boosting shared prosperity) delivering sustainable and inclusive growth, investing in human capital, and strengthening resilience through four pillars: providing services to all clients; scaling up mobilization, while expanding the use of private sector solutions; taking stronger leadership on global issues; and building a more efficient and effective business model.

3. In that endeavor, the WBG continues to emphasize core principles of Value for Money (VfM) in its operations and policies, its strategy and organizational structure, its use of balance sheet and financial instruments – ultimately reflected in development results supported along with the knowledge and learning shared across countries and regions, delivered through projects, country programs, and regional and global engagements. The WBG has also been actively coordinating with MDBs to harmonize on VfM principles, along with key metrics such as Private Capital Mobilized and Climate Co-Benefits. The following sections highlight how core WBG VfM principles are mapped to the VfM Conceptual Framework agreed upon by the MDBs. Metrics mapped to the VfM Conceptual Framework are included in WBG Annex 1 (and indicator definitions in Annex 2).

C. WBG's Value for Money Proposition

I. Financial Capacity and Resources: *Optimizing and Prudently Managing MDB Resources*

1. Resource optimization and financial sustainability

4. The ability to use shareholder capital to leverage and raise more money via capital markets (through issuing bonds) which in turn amplifies lending to clients, is a key feature of MDBs. The WBG is a highly efficient financial leverage institution that delivers extraordinary returns for shareholders: IBRD and IFC have turned US$19 billion of paid-in capital into over US$900 billion, or US$1.5 trillion in real terms, in financing for clients, nearly US$50 billion of reserves and retained earnings, and US$28 billion of grants mostly to the poorest countries, and catalyzed almost US$1 trillion of private sector investments.

5. The Treasury department plays a vital role in managing the Bank's assets, generating sustainable income for the Bank, raising funds, managing investments held by trust funds and by MIGA, managing assets on behalf of an increasing number of third-party clients, and leveraging its expertise to deliver Banking and Advisory services to clients. A review of Treasury's historical performance indicates consistent excess returns over benchmarks which, in turn, optimizes available funds for development financing. Treasury has efficiently managed growing assets under management (AUM) and continues to enhance the Bank's reputation in global financial markets. The Bank is also increasingly playing an important role in IDA's Capital Market access in contributing to securing AAA rating for IDA and preparing IDA for its first bond issue. Investors around the globe seized the opportunity to invest in this triple A-rated bond and support life-changing investments in the world's poorest countries. The bond, which marks the launch of IDA's borrowing program in the global capital markets and improves IDA balance sheet optimization, raised US$1.5 billion to address some of the most pressing development issues. Besides Treasury, there are other units in the World Bank, such as Development Finance, which plays a critical role in leveraging financial resources including external funds to support operations and knowledge engagement.

6. Institutions that lend to/invest in the private sector on commercial terms face an effective test that ensures a market discipline ingrained in value for money. IFC has demonstrated its ability to leverage its paid-in capital to grow its committed portfolio and further expand operations to beneficiary countries to sustain their private sector development. By striving for profitability, IFC continuously adds to its capital through retained earnings and optimizes the capacity of IFC to deploy capital in its investments. IFC also leverages external resources to optimize its capital, mobilizing other sources of investment alongside IFC including via the Managed Co-Lending Portfolio Program (MCPP), the Asset Management Company (AMC), B-loan syndications, and other funding mechanisms. In addition to spearheading mobilization efforts, IFC Treasury has made significant strides in developing local capital markets by providing over $21 billion-equivalent in local currency financing solutions to clients in 74 currencies. Treasury also contributes as a member of the Joint Capital Markets Program (J-CAP) in conjunction with other WBG teams, to bring integrated solutions for capital markets development to selected J-CAP countries.

7. Additionally, IFC's Advisory Program draws on a diversified pool of resources consisting of donor contributions, client contributions and IFC internal funding. IFC's internal funds are used to complement Development Partners and Clients' funds to show IFC's strong commitment to Advisory. An example is the creation of the CMAW (Creating Markets Advisory Widow) funding mechanism which aims to support creating markets initiatives in the most challenging countries. External partnership-building and fundraising efforts span governments, institutional/multilateral partners, corporations, foundations and NGOs. This coordinated approach allows for flexible and

quick deployment of funds to the areas and markets with the greatest development needs that require funding the most.

2. Corporate cost management

8. In 2013, the WBG committed to $400 million in savings through an Expenditure Review (ER). The ER is part of a package of measures that enhance the WBG's financial sustainability through reducing costs of doing business, meeting Budget Anchors, and support efforts to maximize cost efficiency to ultimately redeploy and direct resources to strategic priorities in support of development effectiveness. The WBG's ability to deliver on its Twin Goals is predicated on its financial strength. To increase its future lending capacity, the Bank adopted a new financial sustainability framework in FY15 to improve the institution's margins for maneuver over the medium-term and strengthen its long-term financial capacity. The framework consisted of a package of measures aimed to increase IBRD loan spread revenues, reserve accumulation and lending capacity, increased cost recovery from external funds, along with a targeted reduction of the WBG's overall annual administrative expenditures by $400 million dollars successfully achieved in FY18.

9. As part of this framework, the WB adopted a policy objective of budget sustainability as a replacement for the flat real budget paradigm that had governed the sizing of the net administrative budget since FY06. The new sustainability rules have brought financial discipline to administrative expenses with the Board approved objective of bringing the budget anchors under 100% by FY18. IDA budget anchor has remained close to 100%, and the IBRD anchor percentage fell to fall 93% in FY18 through a combination of declining administrative expenses and increasing loan margins, with medium term projections continuing this trend. MIGA's budget anchor has also been continually improving and is expected to be 43% in FY18. Since FY18 WB has introduced a dashboard of indicators on budget sustainability, budget strategic alignment and budget efficiency.

10. The WB and IFC conduct systematic cost of doing business analysis to inform budget planning. For example, IFC's FY18 Budget Paper introduced an assessment of the Cost of Doing Business (CODB) for Investment Operations, with the objective to make cost dynamics more transparent and inform efficiency decisions. This analysis helps predict future resource requirements and provides insight into operating costs for management decisions. The CODB exercise also allows to review resources deployed in relation to project volume outcomes in each business area.

11. IFC's anchor shows a prudent use of resources and administrative costs well below income from operations. Between FY14-FY18, IFC set Expenditure Review (ER) savings targets to drive efficiency in administrative spend and redeploy scarce resources toward strategic focus areas. IFC exceeded its ER target of US$68m by 7% in FY18. IFC is committed to additional efficiencies now that the ER is concluded, as part of the capital increase package.

II. Operational Delivery: *Deploying resources in line with mandates and priorities*

3. Strategic alignment of resources

12. The WBG committed in 2016 to *The Forward Look*, 'A Vision for the World Bank Group in 2030'. The Forward Look describes how the WBG will deliver on its Twin Goals and other priorities. The Forward Look calls on the WBG to provide services to increasingly diverse client

segments, scale up mobilization of private sector solutions, take stronger leadership on global issues, and build a more efficient and effective business model.

13. The WBG's yearly strategic planning, budget, and performance review ("W") process ensures that corporate priorities are adequately resourced in the short to medium term to deliver on long-term development goals in an efficient manner. The "W" process capitalizes on the WBG institutions' core capabilities of global breadth, country depth, financial base, and strong knowledge generation and sharing, and builds on two main considerations: (i) development interventions with the likely highest impact on WBG goals in an environmentally and socially sustainable manner, and (ii) areas in which WBG has the best comparative advantage and the greatest capacity to achieve impact.

14. The WBG has set out an ambitious strategy to support the achievement of the 2030 development agenda to follow the strategic directions set forth in the Forward Look and for achieving the Sustainable Development Goals (SDGs). With the successful completion of the IDA18 replenishment in 2017, which includes the unprecedented transformation of IDA's financial model, the capacity of the WBG to support Low Income Countries (LICs) is significantly strengthened. To ensure that the WBG is able to support the development challenges of a growing number of Middle Income Countries (MICs), and to deploy private sector solutions at scale in both MICs and LICs, as well as deliver on the global public goods (GPG) agenda, the WBG has articulated a transformative package of capital measures and integrated policy reforms for both IBRD and IFC. This was strongly supported by WBG shareholders as reflected in the April 2018 commitment towards a US$13 billion paid-in capital increase, consisting of US$7.5 billion for IBRD and US$5.5 billion for IFC.

15. This IBRD and IFC capital package will be transformative as it will set the WBG on a sustainable path to reach the ambitious global objectives set by the Forward Look. It will transform WBG's engagement to assist all clients, lead on global issues, and create markets to maximize finance for development. The package also aims to increase the effectiveness of WBG operations, including through mutual leveraging of the delivery channels of all of its institutions. The combined impact of the capital package measures will transform how the WBG enhances, calibrates and delivers development services to its diverse membership. The package also introduces a range of new efficiency measures and policy commitments including managing salary growth and workforce growth, corporate procurement, as well as administrative simplification and agile approaches and other expense control measures.

16. Furthermore, IDA continues to be the single largest source of concessional finance for the world's poorest countries. Shareholder recognition of the important role IDA plays in supporting the world's poorest countries is reflected under the historic IDA18 Replenishment and IDA18 Strategy highlighting the thematic areas of Jobs, Gender, Climate, Fragile, Conflict and Violence (FCV) and Governance. For IDA18, 60 donor and borrower governments have agreed to dramatically scale up the fight against extreme poverty with a record $75 billion of commitment for IDA.

17. In addition, through leveraging resources, knowledge and the private sector, the WBG is championing the global call for unlocking new opportunities to mobilize greater resources for more effective development impact. The IDA18 Private Sector Window – US$ 2.5 billion allocation for IFC and MIGA (of which US$ 2 billion for IFC) will enhance coordination within the WBG and crowd in private sector investment in IDA and FCS (fragile and conflict affected situation)

countries and sustain capital market development. The IDA PSW include four facilities: Risk Mitigation, Blended Finance, Local Currency and MIGA Guarantee Facilities.

18. Recognizing that an effective response to fragility requires strengthened collaboration, innovative partnerships are continually explored with a range of development partners (e.g., other MDBs, UN). There continues to be significant increase in WBG resources for FCS countries in response to a sharp rise in the number of poor and vulnerable people projected to live in FCS countries by 2030, and severe economic and social costs which often spill over to neighboring countries.

19. IDA18 doubles resources to address fragility, conflict and violence (more than US$14 billion), and offers additional financing for refugees and their host communities (US$ 2 billion). Fragility is not only a low-income problem (OECD's 2016 fragility list of 56 countries includes 29 MICs), and hence the WBG is engaging with member countries across the income spectrum to address FCV concerns.

20. The private sector has an important role to play as well. Besides the IDA18 Private Sector Window, IFC has established a dedicated unit to provide strategy and operations support to help scale up IFC's operations in FCS and IDA countries, especially in light of IFC's aim to reach up to 40% of all IFC commitments in IDA FCS countries by 2030. The following special tools and instruments contribute to these efforts:

- FCS Risk Envelope – a US$ 700 million allocation for investment projects in FCS and Low-Income IDA countries to enable IFC to undertake projects outside standard risk/return profile.
- Blended finance programs: Using concessional funding from Development Partners to blend with its own commercial financing, IFC invests in private sector projects that would not take place otherwise, with the aim to catalyze private financing in developing countries. Other than the IDA PSW Blended Finance facility, IFC manages several other blended finance programs, such as Blended Finance Climate facilities, the Global Agriculture and Food Security Program (GAFSP) private sector window, the Global SME Facility and the Women Entrepreneurs Finance Initiative (We-Fi).
- Creating Markets Advisory Window (CMAW) – dedicated funding mechanism for upstream work and capacity building for the private and public sectors.
- CASA & FCS Africa Program – a donor funded advisory work in 13 African countries, FCS Africa focuses on supporting investments in all FCS countries.

21. While there are several priority areas of focus for the WBG, two specific priorities agreed upon by the MDBs are highlighted below:

a. Gender

22. In December 2015, the WBG approved a new Gender Strategy (2016 – 2023): *Gender Equality, Poverty Reduction, and Inclusive Growth*. This strategy and its ambitions are aligned with SDG 5 on gender equality, and positions the WBG to be a more effective actor in tackling specific gender gaps between males and females in education and health, employment, assets (land, housing and finance), and in reducing gender-based violence. The new strategy laid the foundation for eight results-oriented IDA policy commitments that flow from the pillars of the strategy reflecting: human endowment; removing constraints for more and better jobs; control

over assets with a focus on financial inclusion; enabling country-level action; and voice and agency.

23. Global Practices (operational units of the WB) have produced business plans for implementing the strategy in their lending and knowledge engagement portfolios. All Regions have updated their regional gender action plans (and adopted country plans in some regions), and the IFC has produced department level implementation plans, with the aim of quadrupling annual financing dedicated to women and women-led SMEs by 2030. Furthermore, a Gender 'tag' was developed and launched in FY17 to identify those WBG operations that meaningfully narrow gaps between males and females in the four key pillars of the strategy (human endowment gaps, jobs gaps, asset gaps, and women's voice and agency). The gender tag incentivizes a move towards identifying early on relevant gaps between males and females that can be closed through all investment and advisory operations, with a results chain that links analysis, actions, and relevant indicators tracking progress in the results framework. Gender is also embedded in the new Anticipated Impact Measurement Monitoring (AIMM) system that IFC has rolled out in FY18.

b. Climate

24. The WBG is the leading MDB on the climate agenda through policy advice, global advocacy, and lending/investment operations, in line with SDG 13. The WBG has also been actively coordinating with MDBs on harmonizing measurement and reporting on Climate Co-Benefits. Furthermore, the WBG's *Climate Action Plan* aims to accelerate efforts over the next five years, committing to (a) help countries shape national policies and leverage private sector investment; (b) expand IFC's climate investments to US$ 3.5 billion a year and lead on leveraging US$ 13 billion a year in private financing by 2020 ,increasing climate investments to 35% of commitments by 2030; (c) mobilize US$ 25 billion in commercial financing for clean energy over the next five years; (d) green the financial sector; (e) bring early warning systems to 100 million people across 15 developing countries; (f) help put a price on carbon pollution; (g) quadruple funding over five years to make transport systems more resilient; and (h) develop climate-smart agricultural investment plans. While poor countries have the most at stake, engaging with MICs ("follow the carbon") is especially important to meet climate stabilization objectives.

25. The WBG is instrumental in shaping the global debate through its analytical work and furthering ambition through partnerships with different organizations and client countries across the world. The *Shockwaves* and *Unbreakable* reports shed light on the disproportionate effects that climate change will have on the poor, and the IFC *Climate Investment Opportunity* report demonstrate the opportunities that exist in US$ 23 trillion worth of climate-smart investments in emerging markets between 2015 and 2020. Moreover, the WBG supports governments and private sector clients on widening, deepening and connecting carbon markets via the Carbon Pricing Leadership Coalition (CPLC), the Stiglitz-Stern High-Level Commission on Carbon Prices, and the Partnership for Market Readiness (PMR). The WBG also works with planning ministries globally to integrate climate considerations into national budget and planning processes through the Climate Action Peer Exchange (CAPE).

4. Management of operations

26. Portfolio management of WB operations takes place at different levels starting with individual country management units and Global Practices. At the next level, Regions and Practice Groups (cluster of Global Practices) meet on a quarterly basis to manage the delivery of the pipeline and the portfolio of active operations. Also, every quarter, the Vice President (VP) of

Operations Policy and Country Services (OPCS) unit of the WB chairs an Operations Council meeting to take stock of the pipeline, review the portfolio and discuss issues that require corporate attention. Subsequently, a meeting of VPs chaired by the WB Chief Executive Officer (CEO) takes place to discuss operational issues that require senior management attention. A range of issues are addressed, such as disbursements, risk assessment, client feedback and findings from independent external evaluations. Periodically, certain corporate priorities such as gender, climate, fragility and mobilization of private capital are specifically addressed.

27. IFC also has a robust system in place to guide the selection, execution and management of operations. An accountability framework clarifies the roles and responsibilities in operations, establishes clear success metrics, reflects staff performance and aligns incentives and business goals. To achieve joint accountability for business selection, both Region and Industry departments need to provide expectations of additionality, development impact and profitability for each project and agree on if and how to proceed with the transaction, and with what conditions. In addition, the Vice Presidency Unit for Economics and Private Sector Development applies a measure of anticipated development impact for the transaction, and this is incorporated in the performance evaluation of projects and business units. The approval of Advisory projects also follows a robust approval process, during which projects are evaluated for their results framework, expected impact and strategic relevance. Progress towards identified results, including the use of funds, is monitored throughout the entire project cycle and aggregated on a portfolio level. IFC also conducts an annual satisfaction and feedback survey with active investment and advisory service clients.

28. IFC was first among MDBs to implement a systematic portfolio-wide monitoring and results measurement system for private sector operations. This started with the introduction in 2005-06 of the Development Outcome Track System (DOTS), which provides a framework to monitor the performance and track the direct development results of IFC's clients. In 2017, IFC introduced a new ex-ante development impact framework to the existing results measurement system – Anticipated Impact Measurement and Monitoring (AIMM). The objectives of AIMM are to i) integrate systematic considerations of development impact in the investment decision-making process alongside financial considerations; ii) identify which IFC investments contribute to creating markets and envision the support needed to achieve it through advisory services and WBG collaboration; and iii) enhance IFC's portfolio approach. At the project level, the robust process of due diligence, project preparation and AIMM assessment will reinforce the quality at entry of Investment projects, to better provide an "end-to-end" approach to results measurement throughout the project cycle. The ex-ante estimates will be monitored through a portfolio AIMM score. MIGA will also introduce its own ex-ante impact measurement mechanism in FY19.

5. Standards

29. In 2016 the WB Board of Executive Directors approved the new *Environmental and Social Framework* for protecting people and the environment in WB financed investment projects, marking the end of a four-year review process. The safeguards review is an example of multilateralism at work - international organizations, governments, civil society, the private sector and active citizens collaborating and working alongside each other in flexible and innovative ways to build the next generation of environmental and social protections.

30. This framework will boost protections for the environment and for the world's poorest and most vulnerable people; drive sustainable development through capacity- and institution-building and country ownership; and enhance efficiency for both the Borrower and the Bank. The framework makes important advances in areas such as transparency, non-discrimination, social

inclusion, public participation, and accountability – including expanded roles for grievance redress mechanisms. In addition to strengthening environmental and social safeguards in operations, the new WB Procurement Framework (NPF) which became effective in 2016 explicitly incorporates VfM as a central guiding principle and aims to optimize the relationship between resources and outcomes by modernizing the approaches to procurement in public-sector WB-financed operations.

31. IFC also actively manages Environment, Social and Governance (ESG) risk and leverages ESG standards to shape sustainable and inclusive markets, support clients through capacity building and innovative solutions, and help them grow the business, while protecting IFC's reputation and bottom-line. ESG standards are critical for IFCs' customers, surrounding communities, broader stakeholders, and the environment, and therefore ESG performance is assessed and supported for all clients. IFC's ESG policies, guidelines, and tools are widely adopted as market standards and embedded in operational policies by corporations, investors, financial intermediaries, stock exchanges, regulators and countries. For example, they inspired the *Equator Principles* and the Sustainable Banking Network adopted by Financial Institutions across the world. This helps emerging markets raise their ESG standards and level the playing field.

6. Knowledge, policy dialogue and convening

32. The strength of the WBG derives from: (1) both global and local depth that allows diffusion and customization of best practices and technologies from anywhere in the world to the local context; (2) a combination of deep analytical skills, hands-on experience, and knowledge embedded in financing; and (3) a multi-disciplinary and multi-sector approach, and ability to work with both the public and private sectors. Due to its global expertise and reach, the WBG is often called upon to convene diverse actors, connect partners across regions and countries, and catalyze action on global agendas.

33. Besides WBG leadership in the global development arena, the WBG has also expanded its support for regional initiatives. Regional integration aims at integrating goods, services and factor markets, thus facilitating the flow of trade, capital, energy, people and ideas. The WBG continues to work with regional entities, other development partners and the private sector to help build the connective infrastructure in areas such as transport, Information and Communication Technologies (ICT) and energy.

34. By combining analytical support with financing operations, the WBG plays a critical role in informing policy dialogue with client, of convening and sharing development knowledge with a wide range of global stakeholders. While analytical support is embedded in the World Bank's operational and country engagement model, the WB is unique among MDBs in investing in a dedicated department to push the frontiers of development knowledge. By generating policy-relevant, high-quality research, researchers in the Development Research Group (DEC) seek to shape the frontiers of development thinking as a global public good. Given this mandate, DEC's audience is not only internal to the WB, but also to other researchers, national policy makers, and the broader development community.

35. DEC seeks to reach this wide audience through academic publications, books, conferences, blogs, and other social media channels. Both research and data work in the WB have a long tradition of openness, with much of the research conducted jointly with outside academics and developing-country partners, findings debated publicly in a wide variety of external

forums, and with Bank-generated datasets freely available and widely used and scrutinized by the broader development community. This openness is integral to ensuring quality and rigor in research and data outputs, and it underlies the WB's broader "Open Data and Open Knowledge" policy.

36. Moreover, as analytical and computational tools used in development policy analysis have become more sophisticated, WB researchers have been at the forefront of developing tools to facilitate high quality analytical work by researchers in the developing world. The WB enjoys a convening power that is based on its role as a leader in generating new development knowledge. DEC both contributes to and leverages this convening power by regularly bringing together economists, policy practitioners, and representatives of governments and international institutions to share new research, debate policy, identify emerging issues, and set the direction of future knowledge production.

37. IFC also provides high quality, tailored solutions to clients that include investment, advice, capacity building, and regulatory reform. To this end, the new analytical instruments of Country Private Sector Diagnostics (CPSDs) and sector "deep dives" are meant to enhance IFC participation in the development of WBG Country Partnership Frameworks. Improved focus and selectivity of Advisory engagements are also critical to create conditions conducive for investment and to prepare projects in the most challenging markets. In addition to the new tools, IFC continues to deliver proven solutions that support private sector clients and build markets, including: strengthening the capacity of private sector clients (e.g. to help them enter new markets and improve supply chains); enabling Public-Private Partnerships in infrastructure; building standards; and helping governments implement reforms that encourage private investment.

III. Results: *achieving and measuring development results*

7. Results

38. Measuring and reporting on development effectiveness has been a major priority for the WBG. The WB's IDA Results Measurement System (RMS) was the first framework established among MDBs to monitor and aggregate development results. IDA RMS and WBG Corporate Score Cards (CSC), as well as individual institutions' scorecards, have become an integral part of the Group's effort to improve focus on results and harmonize with the SDGs. Besides, IDA RMS and the CSC, every individual operation and every Country Partnership Framework (CPF) which guides the WBG's engagement on the Twin Goals at the country level has a results framework. All CPFs and embedded results frameworks are now informed by a Systematic Country Diagnostic (SCD), a rigorous empirical analysis informed by consultations with national authorities and other stakeholders.

39. IFC has introduced its IFC Development Goals (IDGs), high-level three-year targets for the incremental reach that IFC aims to achieve. With each investment and advisory commitment, IFC works with clients to estimate targets for the IDGs and additional reach indicators, that are tracked in IFC's results measurement system on a yearly basis. Assessment of performance for IFC Investment projects is done at early operating maturity based on a self-evaluation of development and investment outcomes and on work quality. The overall development outcome rating, now evolving through the AIMM mechanism, is a synthesis of client's performance in four areas: financial, economic, environmental & social, and broader private sector development. For Advisory Services, the overall development effectiveness rating is evaluated at project completion, and is a synthesis of the overall strategic relevance, effectiveness (as measured by

project outputs, outcomes, and impacts), and efficiency of services. All ratings are independently validated on a representative sample by the WBG's Independent Evaluation Group (IEG). Beyond individual projects, IFC conducts strategic evaluations at the sector level to provide evidence of larger impact. These evaluations generate useful lessons that inform industry strategies.

8. Mobilization of finance

40. To deliver on the SDGs it is critical that the WBG mobilizes the private sector as a financier, operator, or service provider, bringing solutions that reduce poverty and boost shared prosperity in a sustainable manner. With its leading strengths in both the public and private sectors, the WBG is uniquely placed to create markets and maximize finance for development by implementing systematically the Cascade Approach that prioritizes private sector solutions, particularly in the most challenging settings such as IDA countries and FCS. Creating markets to help achieve the SDGs involves exploiting synergies among IDA, IBRD, IFC, and MIGA for (1) linking policy reform, advisory, investment and mobilization activities to deliver "solution packages"; (2) developing frameworks that promote competition, set standards, and enable markets to function efficiently; (3) enabling demonstration effects, replication, and new productive networks; and (4) building capacity and skills that open new market opportunities.

41. The WBG is currently in the process of institutionalizing a paradigm shift towards mobilizing private capital, embodied in the *Maximizing Finance for Development* (MFD) framework. MFD is an approach which incentivizes operational units in the WBG to help countries maximize their development resources by drawing on private financing and sustainable private sector solutions to provide value for money and meet the highest environmental, social, and fiscal responsibility standards – which reserves scarce public financing for those areas where private sector engagement is not optimal or available. This represents an opportunity for the WBG to demonstrate intellectual and practical operational leadership, by turning this framework into action on the ground. The WBG has actively coordinate with MDBs on harmonizing measurement of private capital mobilized (direct and indirect). In addition to existing measurement of private capital mobilized (direct and indirect), there will be documentation of "MFD-enabling projects" which address binding constraints to enable sustainable private sector solutions for development projects within three years of the project's closing date.

42. In this endeavor, IFC is uniquely equipped to mobilize financing for the private sector via numerous financial instruments. In the 1950s IFC pioneered the creation of the *B Loan structure*, a primary source of syndications. On an annual basis, syndications account for more than 50% of total mobilization volume, while total mobilization represents 35-40% of total commitment volume. In the last 10 years alone, IFC has introduced additional products such as Parallel Loans, the Asset Management Company (AMC, that raises and manages funds for third-party investors), the Managed Co-Lending Portfolio Program (MCPP, a loan portfolio for third-party co-investors that mimics IFC's own future portfolio), A Loan Participations (ALPs), and Unfunded Risk Participations (URPs) - with the objective of catalyzing additional private finance into development outcomes. Advisory Services serve as an additional instrument to help IFC mobilize private financing through public private partnerships (PPPs), helping governments structure PPPs, developing projects to international standards and ensuring transparent bidding processes.

WBG KEY VFM INDICATORS

This annex benchmarks performance for each of the clusters of indicators of the Value for Money framework shared across MDBs.

Indicator	Unit	FY 2016	FY 2017
Resource Optimization and Financial Stability			
Corporate Cost Management			
IDA Anchor - Administrative expenses as a share of operational revenues (IDA net loan revenues) WB	%	94	97
IBRD Anchor - Administrative expenses as a share of operational revenues (loan spread revenue) WB	%	135	107
Administrative Budget as a share of net loans and fees revenues IFC	%		76
Bank Budget to Lending Volume Ratio	$ million	54	61
Bank Budget to Portfolio Volume Ratio	$ million	12	11
Committed portfolio to Paid-in Capital IFC	$ billion/ $ billion	20.3	21.4
Return on average capital (non-GAAP basis) IFC	%	1.8	4.9
Development Partner Commitments, Client Contributions and Funding to Advisory Services IFC	$ million	367.4	390.5
MIGA Anchor - Administrative Expenses as a share of operational revenues (Net Premium Income)	%	56	55
Strategic Alignment of Resources			
Gender Tag WB	%	**	50
Advisory Services Gender Flag IFC	%	22	32
Commitments with Climate Co-Benefits (harmonized MDB methodology) WBG	$ billion	10.4	12.8
Share of WB IDA lending that goes to FCS	%	14	25
Share of WB Portfolio in IDA countries	%	20	28
Share of IFC advisory program in FCS	%	21	20
Share of IFC advisory program in IDA	%	65	63
IFC Total investment commitments in FCS	$ million	971	886
IFC Total investment commitments in IDA	$ million	5478	4590
Share of MIGA Portfolio in FCS	%	10	10
Share of MIGA Portfolio in IDA countries	%	45	37
Management of Operations			
% of staff outside of HQ WB	%	*	40
% of staff outside of HQ IFC	%	55	56
Client feedback on WB responsiveness and staff accessibility WB	Scale 1-10	7.1	7.1
Client feedback/satisfaction on IFC investment operations IFC	%	83	86
Client feedback/satisfaction on IFC Advisory Services IFC	%	90	88
Mandate-to-disbursement IFC	Median days	310	280
Standards			
Projects with beneficiary feedback indicator at design WB	%	96	90

Indicator	Unit	FY 2016	FY 2017
Clients with an environmental and social risk rating (ESRR) of 2, Satisfactory, or better IFC	%	84	81
Knowledge, Policy Dialogue, and Convening			
Downloads per Paper via RePEc WB		See report below	See report below
Downloads per Paper via SSRN WB		See report below	See report below
Geographical Distribution of Research by Country Income Classification WB		See report below	See report below
Agreements (Private and Public Partnership) signed facilitated by Advisory IFC	Number	13	6
Reforms facilitated by Advisory Services IFC	Number	94	116
Results			
Satisfactory outcomes of WB operations	%	70.6	74.3
Satisfactory outcome of IFC Investment Services Operations IFC	%	54	50
Client feedback on WB effectiveness and impact on results WB	Scale 1-10	7.2	7.1
Satisfactory outcomes of MIGA operations MIGA	%	63	61
Mobilization of Finance			
Private Capital Mobilized, Direct WBG	$ billion	8.7	9.6
Private Capital Mobilized, Indirect WBG	$ billion	29.6	19.7
Financing mobilized through PPPs IFC	$ million	793	1,248

* To be updated

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6.1 Downloads per Paper via RePEc

Figure 2.1: Downloads per Paper via RePEc

Source: RePEc, accessed September 29, 2014, http://logec.repec.org/scripts/seriesstat.pf.

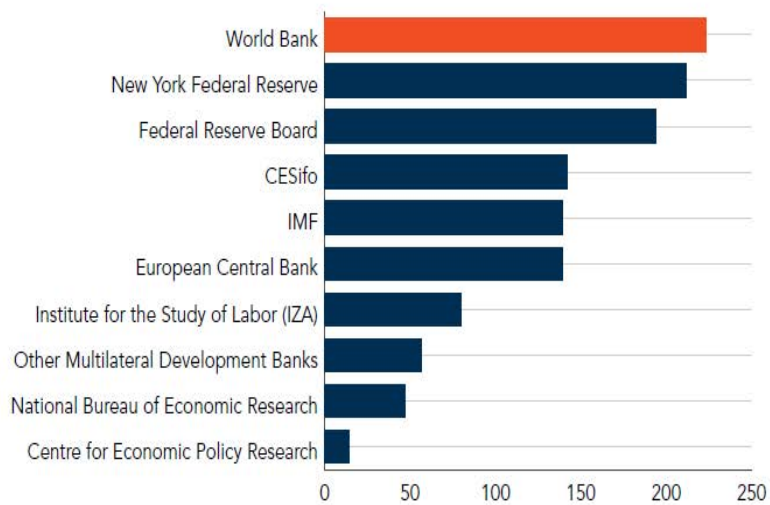
Note: Based on lifetime downloads of all items in each working paper series. Includes only series with 1,000 or more working papers. RePEc directs site visitors to copies of Policy Research Working Papers hosted on the World Bank's website. The numbers reported in this figure reflect only downloads generated via RePEc-generated requests.

6.2 Downloads per Paper via SSRN

Figure 2.2: Downloads per Paper via SSRN

Source: SSRN, accessed September 29, 2014, http://www.ssrn.com/en/index.cfm/rps/.

Note: Based on lifetime downloads of all items in each working paper series. Includes only series with 1,000 or more working papers. The category "Other Multilateral Development Banks" is composed of the Inter-American Development Bank and the Asian Development Bank.



6.3 Geographical Distribution of Research by Country Income Classification

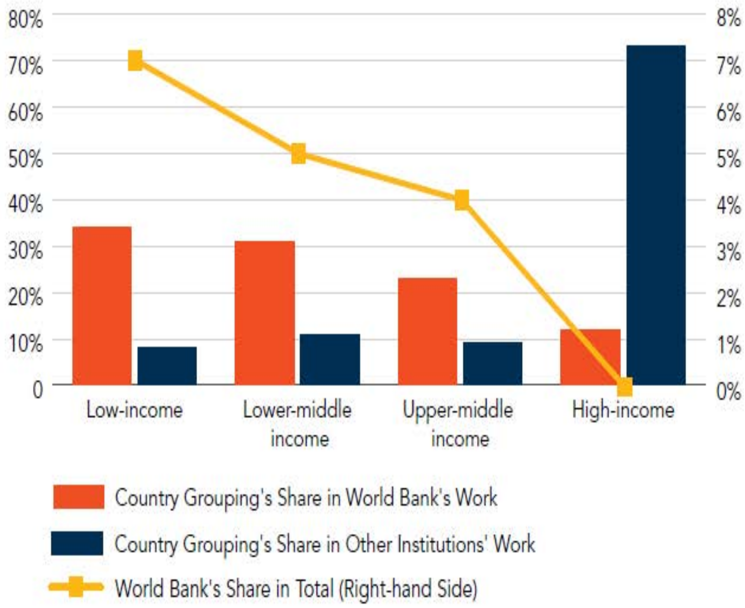


Figure 2.6: Geographical Distribution of Research by Country Income Classification

Source: Authors' own calculations based on Das, Do, Shaines, and Sowmya, 2013.

Note: World Bank country income classification is as of 2000.

WBG KEY VFM INDICATOR DEFINITIONS

This annex lists all indicators according to the structure of the framework prepared by the MDB Working Group on Value for Money. The definitions give additional information on the rationale for selecting the indicator and how it contributes to tracking progress towards the Bank's corporate objectives.

RESOURCE OPTIMIZATION AND FINANCIAL SUSTAINABILITY

CORPORATE COST MANAGEMENT

IDA Budget Anchor

Administrative expenses (numerator) over IDA net revenue (denominator).

Administrative expenses include "Total net non-interest expenses" (as presented in the Financial statements) and adjusted for Pension and EFO to arrive at administrative expenses used for allocable income purposes.

IDA Net revenue includes: Service charges and interest income on concessional and non-concessional credits (including future gains/losses on hedges), commitment fees/guarantee fees/front end fee, and total debt expense that includes projected coupon and amortization expense for CPL and borrowing costs.

IBRD Budget Anchor

Administrative expenses (numerator) over Loan spread revenue (denominator).

Administrative expenses include "Total net non-interest expenses" (as presented in the Financial statements) and adjusted for Pension and EFO to arrive at administrative expenses used for allocable income purposes.

Loan spread revenue includes: Contractual loan spread includes contractual interest spread, maturity premium, commitment fee, amortized net front-end fee, guarantee fees, standby fees on DDOs, risk premium on IFL fixed loans and the lag effect of lending rate.

IFC Administrative Budget as a share of revenues

Administrative Budget as a share of revenues.

Numerator is Administrative Budget, as approved by the Board. Denominator includes income from loans and guarantees, (provision) release of provision for losses on loans & guarantees, income from debt securities, charges on borrowings (debt only), other income (service fees only).

Bank Budget to Lending Volume Ratio

Total Administrative Budget (BB) per US$ billion loan approved (US$ million)

Bank Budget to Portfolio Volume Ratio

Total Administrative Budget (BB) per US$ billion portfolio under supervision (US$ million)

Committed portfolio to Paid-in Capital

Own Account Committed portfolio (own account + syndicated loans). Paid-in capital from Financial Statements.

Return on average capital (non-GAAP basis)

Net income, excluding unrealized gains and losses on investments accounted for at fair value, income from consolidated VIEs and net gains/losses on non-trading financial investments, as percentage of the paid-in share capital and accumulated earnings (before certain unrealized gains/losses and excluding cumulative designations not yet expensed) averaged for the current and previous fiscal year.

Development Partner Commitments, Client Contributions and Funding to Advisory Services

Total amount of funding to and source of Advisory Service programs spending.

MIGA Budget Anchor

Administrative expenses as a share of revenues.

STRATEGIC ALIGNMENT OF RESOURCES

Gender Tag

The WB developed and launched a new Tag in FY17 to identify those operations that meaningfully narrow gaps between males and females in the four key pillars of the WB Gender strategy: human endowment gaps, jobs gaps, asset gaps, and women's voice and agency.

Advisory Services Gender Flag

Share of new projects approved that include a gender flag

Commitments with Climate Co-Benefits

Harmonized MDB methodology.

Share of WB IDA lending that goes to FCS

Percent of total WB IDA lending devoted to countries classified as fragile and conflict-affected situations (FCS). FCS countries are specified according to WBG harmonized list.

Share of WB Portfolio in IDA countries

Percent of total WB lending devoted to countries classified as eligible for IDA loans.

Share of IFC advisory program in FCS

Share of IFC Advisory Services Program portfolio in FCS.

Share of IFC advisory program in IDA

Share of IFC Advisory Services Program portfolio in IDA.

IFC Total investment commitments in FCS

Amount of long-Term Investment Total Commitments in FCS.

IFC Total investment commitments in IDA

Amount of Long-Term Investment Total Commitments in IDA.

Share of MIGA Portfolio in FCS

Share of MIGA financing devoted to FCS countries.

Share of MIGA Portfolio in IDA countries

Share of MIGA financing devoted to IDA countries.

MANAGEMENT OF OPERATION

% of staff outside of HQ

Percentage of WB staff who are based outside of WB Headquarters in Washington, DC USA.

% of staff outside of HQ

Percentage of IFC staff who are based outside of IFC Headquarters in Washington, DC USA.

Client feedback on WB responsiveness and staff accessibility

Client surveys conducted by WB's external communication unit.

Client feedback/satisfaction on IFC investment operations

Share of IFC investment clients surveyed reporting satisfied and very satisfied with IFC's services.

Client feedback/satisfaction on IFC Advisory Services

Share of IFC advisory services clients surveyed reporting satisfied and very satisfied with IFC's services.

Mandate-to-disbursement (IFC)

Number of calendar days between Mandate Letter Date and First Disbursement Date for all LTF projects that have a Mandate Letter Date and First Disbursement during the reporting period.

STANDARDS

Projects with beneficiary feedback indicator at design

Percentage of WB projects which incorporate beneficiary feedback into projects design.

Clients with an environmental and social risk rating (ESRR) of 2, Satisfactory, or better

Share of active investment projects with a rating of 2, Satisfactory, or better on IFC ESRR rating. ESRR is an index indicating Client's capability and/or management of E&S issues in accordance with IFC's Sustainability Framework.

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Downloads per Paper via RePEc

RePEc (Research Papers in Economics) is a collaborative effort of hundreds of volunteers in 96 countries to enhance the dissemination of research in Economics and related sciences. The heart of the project is a decentralized bibliographic database of working papers, journal articles, books, books chapters and software components. Over 1,900 archives from 96 countries have contributed about 2.3 million research pieces from 2,800 journals and 4,500 working paper series.

Source: RePEc; http://logec.repec.org/scripts/seriesstat.pf

Downloads per Paper via SSRN

The Social Science Research Network (SSRN) is a website devoted to the rapid dissemination of scholarly research in the social sciences and humanities. In January 2013, SSRN was ranked the top open-access repository of social science research in the world. http://www.ssrn.com/en/index.cfm/rps/

Geographical Distribution of Research by Country Income Classification

Geographic distribution of research conducted by WB's Development Research Group (DECRG).

Agreements (Private and Public Partnership) signed facilitated by Advisory

A measure of achievement of PPP AS project that results in the client (government) and the private selected operator sign a PPP contract.

Reforms facilitated by Advisory Services

Changes facilized by Advisory Services in legal, policy, administrative, procedural, etc., that leads to an implementation on the ground which can be verified through impact on the private sector.

RESULTS

Satisfactory outcome of WB operations
Share of WB operations assessed as satisfactory (Highly Successful, Successful, or Mostly Successful) by WBG's Independent Evaluation Group (IEG).

Satisfactory outcome of IFC Investment Services Operations
Share of IFC investment projects rated by the WBG's IEG independent evaluation group with Highly Successful, Successful, or Mostly Successful Development Outcome ratings.

Client feedback on WB effectiveness and impact on results
Client surveys conducted by WB's external communication unit.

Satisfactory outcomes of MIGA operations
Percent of MIGA operations assessed as satisfactory (Highly Successful, Successful, or Mostly Successful) by the WBG's IEG.

MOBILIZING PRIVATE FINANCING

Private Capital Mobilized, Direct
Harmonized MDB methodology.

Private Capital Mobilized, Indirect
Harmonized MDB methodology.

Financing mobilized through PPPs
Total amount of private investment (both loan and equity) mobilized to implement projects over the duration of the contracts