

# Upcoming Evaluation: EBRD Local Currency Financing (2016-23)



Information Sheet  
August 2024

The Independent Evaluation Department (IEvD) of the European Bank for Reconstruction and Development (EBRD) is conducting a thematic evaluation of the EBRD Local Currency Financing. This document provides its outline.

## What does IEvD do?

IEvD is an independent department within the EBRD charged with assessing whether the Bank's products and services are achieving the results expected of them – in short, what worked, what didn't and why?

IEvD reports directly to the EBRD Board of Directors to ensure the objectivity in its work. IEvD assesses performance, identifies lessons and makes recommendations to improve future performance of EBRD.

Each IEvD evaluation is guided by an approach paper, which spells out the scope of the evaluation, the questions it proposes to answer, methods to be employed, and sources of information.

Further information on IEvD's work is available at [www.ebrd.com/evaluation](http://www.ebrd.com/evaluation)

## The evaluation rationale and scope

Local currency (LCY) lending is crucial for reducing exchange rate risks and fostering the development of local money markets, especially in developing economies. By providing local currency financing, the EBRD enhances project creditworthiness and contributes to financial stability. Recent economic turbulences, including increased inflation, tightening monetary policy, and regional conflicts, have underscored the need for resilient economies. This has heightened the focus on LCY financing to mitigate foreign exchange imbalances and support economic recovery.

This evaluation aims to identify the merits of EBRD's local currency operations, focusing on their relevance, additionality, effectiveness, and efficiency.

This evaluation will contribute to the understanding of the factors that influence the success of LCY financing.

The evaluation's goals are:

- To enhance both accountability and learning. It will assess past operations to ensure they met expectations, thus supporting institutional accountability.
- To provide insights and lessons to inform the design and implementation of future operations, fostering institutional learning.

The subject scope of the evaluation covers the three key pillars of LCY promotion: Lending, Funding and Policy activities related to Local Currency.

The geographic scope of the evaluation covers countries included in the SME LCY Programme or eligible for inclusion, outside of the EU.

The time scope of this evaluation covers the period of 2016-23.

## Evaluation approach

The overarching evaluation question is:

*To what extent have EBRD's local currency activities contributed to enhancing the resilience of clients and financial markets in its countries of operations?*

The evaluation focuses on three questions:

- ▶ EQ1: *To what extent have EBRD activities in LCY financing been additional and adapted to the needs of countries of operations?*
- ▶ EQ2: *To what extent have EBRD LCY activities contributed to the expansion of LCY use in COOs and to the sustainable development of domestic money markets?*
- ▶ EQ3: *To what extent have EBRD LCY activities been efficiently executed and*

*delivered value for EBRD and its counterparts?*

The evaluation follows a mixed methods theory-based design. This approach combines quantitative and qualitative data collection methods to provide a comprehensive understanding of the performance of the operations and the underlying causal mechanisms. Country reviews are conducted together with more in-depth country case studies (Armenia, Kazakhstan, Morocco).

By triangulating data from various sources, the evaluation aims to validate the theory of change and identify contextual factors that may have influenced the achievement of outcomes.

## Timeline

IEvD issued the Approach Paper in August 2024. It is available on request.

The Final Report is expected to be presented to the Audit and Risk Committee of the EBRD Board of Directors in May 2025. Publication of the Final Report on the EBRD website is expected in June 2025.

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