



| SESSION NUMBER & TITLE |
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| Parallel Session 8: Are MDBs ready to promote innovation for sustainability and private sector development? |
| SESSION TAKE AWAY |
| <p>MDBs are under a lot of pressure e.g., SDGs are off-track, there is an urgent need to have transformational changes, and that puts a lot of pressure. MDBs and the evaluations that they do could be the driving force to achieve actions on transformational impact. MDBs need to adopt suitable approaches and methodologies so that they are better equipped and fit for purpose to evaluate innovations.</p> <p>The session talked a lot about early engagements, emphasis on the learning loop, capturing systemic impact of innovations, ESGs, the notion of uncertainty but also on how MDBs can focus on the demonstration effect of portfolio perspective.</p> <p>Overall, collaboration among MDBs and other stakeholders remains to be crucial, especially at an early stage without compromising independence and without conflict of interest.</p> |
| SUBTHEME |
| Innovation |
| ORGANIZATION/S |
| European Bank for Reconstruction and Development (EBRD) Asian Infrastructure Investment Bank (AIIB) ADB Ventures Asian Development Bank (ADB) |
| PANELIST/DISCUSSANT #1: Daniel Hersson, Senior Fund Manager, ADB Ventures* |
| <p>ADB Ventures is a very new initiative which in itself is an innovation. ADBV invests in early stage tech startups around the world. ADBV is still in the early stage of investing and learning. ADBV was set up in recognition that innovation is critical for development and innovation needs specialized financing tools as opposed to traditional tools e.g., flexible financing, patient financing. ADB has a role to support existing investors, of bringing traditional venture capital investors into more impactful investors. ADBV helps professionalize some of the companies it support so that they can absorb more institutional capital. ADBV creates a window towards the market. MDBs have a role but more of complementary to the other investors out there.</p> <p>On the role of evaluation, this is important as not one size fits all. The impact of technology, the risks we are taking are very different from a normal infrastructure project. We hope that evaluation can provide that bigger picture for ADBV.</p> |



PANELIST/DISCUSSANT #2: Faraz Kazmi, Senior Evaluation Specialist, ADB

There are three things that MDBs can learn from the private sector e.g., commercial banks, they are:

1. Commercial organizations (COs) are often just by design are in a constant state of reinvention and innovation as they're looking to grow, to survive, to meet their commercial objectives. That culture sort of moves through the COs, the urgency to get things done, to do things a little bit differently, a little bit better.
2. COs by the way that they are set up, tend to have a primary focus on their commercial sustainability and secondary focus on corporate social responsibility, on environment, and other aspects whereas MDBs are a little bit more nuanced as they need to look at development impact, they need to look at financial sustainability of the particular business, they also need to look at various other metrics. For a CO practitioner, it's a little bit easier to be more focused on what you're looking to do.
3. COs especially the large ones tend to crack performance well. They have systems in place. They have diverse KPIs. They quantify things. That's something that certain MDBs could develop. If MDBs can give their operational teams clarity in terms of vision, in terms of sense of urgency through their KPIs and then crack that performance more robustly it should help drive innovation and better performance.

Moderator: *On your second point, in commercial banks or in the private sector there was less of a need to evaluate or to measure success. Is that changing? Is that changing because of external pressure or because there is now also for impact funds or there is much scrutiny from clients or from the public? Is that happening?*

There has been a gathering pace especially on the environmental side, on social metrics, on gender metrics but I do feel that the primary purpose amongst financial institutions is commercial success but also taking these things into account.

PANELIST/DISCUSSANT #4: Alper Dincer, Principal Evaluator, EBRD

Moderator: *Give us key insights from the EBRD evaluations on venture capital investment program (VCIP), PPPs in Turkey but maybe go a little bit on the VCIP.*

The VCIP was launched in 2011 and is a direct financial capital investment instrument. The bank started to experiment with that in the last decade and then we did the evaluation of that work. From that I would like to highlight one painpoint—innovation is fast and it happens very quickly. Those innovators, companies they have to be very adaptive or if not they will die, in the same manner MDBs need to be quick to change if they really want to be functional in that space.

- Evaluation in MDBs are not that fast as what the venture capitalist ecosystem requires which was a major bottleneck for EBRD to proceed. There was a perception that



evaluation was a burden but this was resolved later on but this required a lot of engagement with management.

- MDBs are disciplined and structured, and this has a positive aspect. I think we can be fast by being disciplined and structured.
- On the richness of KPIs in the private sector, MDBs has a rich data but they are siloed, separated from each other. MDBs need to manage its data to innovate within the Bank.

Moderator: *Innovation by definition is to try things to fail and to try again, and then to succeed. It's a process and for evaluators it's difficult because it's a moving target and it's also measuring failure as part of the success, did you find it as a challenge in your evaluation?*

It was challenging but also a very good experience for EBRD to measure innovation. Management had an intention to measure the same which was a good starting point but because of problems on data, we don't have a credible data to validate those claims. We did our own research on how we can measure innovation at the project level or within a portfolio. From there we came with a set of indicators which was recommended as part of our evaluation.

PANELIST/DISCUSSANT #3: Irene Bain, Head, Learning and Development, CEIU, AIB

Moderator: *What evaluation practices have you been putting to promote innovation in AIB?*

When we developed our learning and evaluation policy, we surveyed the private sector, other MDBs with sovereign-backed financing. We also looked at NGOs because we saw that within philanthropy, impact investment was also growing. It was very interesting when you look across the field you sometimes find that the Banks are sometimes not the most innovative. Talking to lawyers, and working on various systems of jurisdictions, there's a lot of things happening and you need to raise your eyes above.

(started referring to OECD-DAC Manuals: (i) 2015 Frescati Manual which cites 5 criteria for innovation, that the activity be novel, creative, uncertain, systemic, transferable or reproducible; and (ii) 2019 Oslo Manual's guidelines for collecting and reporting data on innovation, "innovation is based on a learning process that draws on multiple inputs and requires ongoing problem solving")

Both of these manuals are talking about intentional learning, that innovation is an intention to do something different. Based on its nature, it carries uncertainties and risk and so it requires consistent risk management because as we all know innovation is the result of something but until you get the result and decide it's successful, what you're actually talking about is risk management.



As we are a new Bank, we don't have post evaluations yet of our projects because they are just coming to fruition so we borrow the learnings from other institutions. We have initiated the following:

1. Partners Dialogue, where we invite people from the Bank who are operationally facing an issue and we invite speakers from peer MDBs to talk on areas where we want to innovate about their evaluations and what they have found, and
2. For our post-independent, post-evaluation we have set up a scoring matrix that uses OECD-DAC criteria plus a criteria for Bank work quality

MODERATOR: Veronique Salze-Lozac'h, Chief Evaluator, EBRD

Evaluation for innovation cannot be a business-as-usual. We need to adapt, we need to be equipped to understand what we measure

We as evaluators have to push back when our colleagues say it's private sector and they don't care about evaluation, we really need to push back and fight.

Maybe the main risk that I can see is the risk that evaluation using its toolkit will not be well equipped to understand and measure the risk as part of the success.

Q&A SUMMARY

How to become more agile and responsive?

Daniel: I came from the venture capital industry. I came from outside the ADB. I've worked in the venture capital industry for the last 15+ years. Somehow, I was naïve that we can do it in ADB and just to show what it took for us to set it up, how much innovation we had to deal on the ADB side. First one, we decided to raise our capital outside of ADB because if we take ADB capital we will be constrained by some of its existing policies—that was a major innovation in itself. We had to go out to fundraise, but that is one way to create a more ring-fenced capital but also allows us some more flexibility. We created an external investment committee that understands the nature of these investments so we can move fast and understand the trade-offs e.g., what is material risk, what is not material risk. These are leading venture capitalists from Asia. Without that I don't think we might have the credibility in the industry but also we would not be able to evaluate the lessons quickly enough. And we have created our own processes. There is a notion that innovation means less processes, but I think we have more processes than in many other parts of ADB but different processes. We have an extremely well-functioning CRM System. Everyone wants to try to use our CRM, we use it daily. Every year we assess 2,000 companies. It's very process driven but it's a different process. Then we also have to hire a team of people who came from the venture capital industry, former entrepreneurs who understand because it's an extremely client-centric business. When you're a venture capitalist, you need to understand what they need. You need to be their friend, you need to know what their needs. That's how it works. We had to do all of that, and we had to challenge the ADB system. You need both protection and patience to get there. These people that we have are not the traditional ADB professionals which



means they need our protection. There's a lot of small things that you need to make this work, and we constantly fight to make us agile and responsive. Some of the best conversations we have had in the ADB around understanding the bigger picture of patience is with people from our own evaluation department, because I think that's where people see what goes on the conversation and that takes a lot.

Alper: I can speak about how evaluation helped EBRD to learn from its own venture capital investment program. Essentially the processes that ADBV put in place wasn't in place in EBRD in 2011 when we launched the program. We didn't have a project selection process in place which was suitable for venture capital investment; initially EBRD tries to use its own internal processes for project selection and then approval, this is why for three years we couldn't do many deals and could not disburse; the program wasn't active. The program then put in place an external advisory committee, which is essentially the committee that Daniel was referring to, that was in 2013. They simplified the procedures; they created new procedures and they started to invest in alignment with market practice. The problem was that till the evaluation that was very much isolated from the rest of the bank, although this was like a window opening at the future e.g., looking at future products, innovation, the rest of the bank could have learned from it. After the evaluation itself, we managed to unpack the whole system, and we managed to demonstrate that both to the rest of the bank and the board. Currently, restructuring is happening, so that all these practices could be integrated to other departments that are suitable. In that sense our role has really been beneficial for the institution, but I also believe that risk management element that Irene mentioned, because risk management is fundamentally different in Venture Capital Team but indeed in the whole equity department which is much larger from VC side could learn a lot from it. Until our evaluation that was much more of a black box, and so we managed to transfer that information.

To what extent is the rational and the success of MDBs intervention in terms of innovation depends on the geographical and economic context? Innovation is an important driver of growth in developed economies where we are the technological frontier, but for the developing world, isn't there a lot of low hanging fruits (LHFs) to harvest from an updatation? Also, when it comes to venture capital and these kinds of instruments, a certain level of markets, financial market development is necessary to make this function, do you have some thoughts about where are the geographies and how much on it depends on the economic context and whether MDBs should engage into supporting innovation in certain country or area?

Faraz: I just want to make a comment on the broader point that even if there is LHF, things are still different, somebody still needs to capitalize on it. Somebody has to be there to identify, evaluate and make those investments. But absolutely I agree with the broader point that yes it does change from geography to geography.

Irene: When we think about innovation, it is important to think about the scale we are looking at. You are absolutely right that it may not be innovative at a global scale, but it's still an innovation' within that context because the nature of context being different and something that we see in the sovereign sector that perhaps still has relevance that when we look at



some countries or economies that don't want to borrow or need to borrow anymore for the money but they are looking to MDBs to carry the political risk of innovation. I don't know to what degree that extends across from the sovereign to the nonsovereign sector particularly if you are moving TA for upstream things that need to occur to create space for an innovation to come in.

In the previous session, Patricia talks about systematization as a key component of innovation, or way of doing innovation as we need to systematize. To what extent is systematization done across the different banks, and especially jointly? Towards what is being innovated? How can we replicate innovation? What are the lessons learned? How can we take them forward? How can we expand in certain areas? What can we learn from each other? And then to draw what kind and level of investments are needed to take forward?

and

This relates to the earlier question that was asked, to what extent is market failure, the issue that you are trying to address, what are the market failures and what efforts to support innovation of venture capital address the root causes of these market failures?

EBRD: The argument that EBRD management made in terms of market failure was almost solely on financing gap—they claim that in the number of markets that we operate there are bunch of entrepreneurs, and they are not able to access capital headboard. In the evaluation itself, we build to manage data, especially in the early phases of the investment program, as an institution EBRD was all by yourself. There was no single entity in the market. That observation that we had was consistent with the EBRD management's argument. In that sense, I believe them. I believe that there was a financing gap—Eastern Europe, Turkey, Russia at that point in time while EBRD was still investing in Russia. But based on the readings that I did during the evaluation, I believe there are also fundamental issues like policies in terms of entrepreneurship, one of them that we see is intellectual property rights. These are like innovators, they innovate especially like we don't see much startups in hardware for instance. Here, if you want to invest in Turkey for example, it is better you move to the US. In EBRD we are not addressing that at the policy level at this point in time. We are only addressing the financing gap.

On systematization, in my opinion there is no cohesive approach. In the markets that we operate, there is another comparable program for bilateral/multilateral institutions. We are in competition, it is not cooperation, but this is a space where a lot can be systematized. I think how we can measure innovation at the project level is not something very challenging, but I think that even our Board is not aware of that, they still believe that innovation is an elusive concept that is hard to capture. In my opinion it is not, and I think we have a very good understanding of how innovation occurs through the entrepreneurs and how it could be monitored and tracked. There is lot of potential but, I think at this point in time, I don't see any intention for coordination. I hope these are exigencies.



ADB: Perhaps it comes at the systemization point a little bit differently; yes, by definition when we talk about these innovations which means new things that people will need to think through and then sort of work forward. So both for the operational side perhaps, systems will come into play and putting on the evaluator hat, as the evaluation department comes to terms with the broader topic that we are discussing which is how do you evaluate these innovative things, you don't necessarily evaluate on an individual basis but as a portfolio it needs to be taken to address the fact that certain things will inevitably fail. So, the systematization will follow by definition because it is something new and innovative.

ADB Ventures: First of all, it is not all about technology, a lot of things are from business model innovation, partnership innovation, process innovation. There's a lot of inefficiencies in Asia that can be solved by a combination of these things. And so, it's not necessarily the same type of innovation but the more inefficiencies you have the more opportunities you can do things differently. I think there is no shortage of the need for innovation but it might just be different in Asia. The other thing is, I believe from a market failure point of view, there is a lot of capital in Asia. I don't think the world at least even for startups there is a significant funders gap, there is, but that is not the major problem. The major problem is that to be an entrepreneur is extremely risky. It is an extremely bad investment of your life, to be a tech entrepreneur in Asia. You put several years in usually highly educated people, and you put maybe 5-6 years to do something, to bootstrap yourself it might give some social and financial perks, but putting their lives at risk which is well not understood, the risk that they are taking. And so, what I think where the market failure is the ability to support and de-risk these entrepreneurs which requires a combination of right capital but with the right support. Right support without the right capital is no skin in the game. But the fundamental failure is that we are not making life easy for these entrepreneurs.

On the MDB things, I really appreciate EBRD reaching out as part of their project evaluation. I learned so much from EBRD. I learned a lot from the IFC and others. It has been extremely useful when we designed the ADBV. We took all those learnings into account. We missed a few things because we don't have the experience as we are still learning but we were able to build on this experience from the IFC, EBRD but also from the private sector. So, I would really welcome a practitioners' group within the MDBs just comparing notes around on how we can think better to support innovation.

AiIB: I think just very briefly on jointness. I agree with what Daniel just said at least for the MDBs working sovereign and non-sovereign space, I think we haven't grappled enough with the private sector, we've come in under the call for blended finance to put our shoulders to the task but we are still coming with, in many cases a sovereign lens. Now that is not necessarily a bad thing because our social and environmental safeguards comes out of that system and many of our other anti-corruption processes and so forth but thinking deeply about what is common between the two sides of the coin for those banks which have both and how they can fertilize each other. Recently, together with our legal department, we had a practitioners' dialogue on the issue of greenwashing and that interestingly looking at what's shifting in the legislative space around the sort of agreements that you're maybe familiar with the equator's principle for the private sector. You can see a rising wave particularly in the European jurisdiction that is going to require companies of the nature of their existing to



disclose certain information whether they've had complaints against them from project affected people to disclose information about how to make complaints to disclose more environmental information and that is going to have a hard incentive of being legally binding whereas in the sovereign space we do a lot of training, a lot of extension of our environmental and social policy. In some cases, as somebody touched on earlier, the private sector leapfrogs and brings in hardened, binding requirements that will actually help our sovereign financing areas even to move forward in the evaluations of those policies.

What is your perspective of evaluation? What would be the key messages that you would like to give to the Evaluator?

ADB Ventures: I would like evaluation to get involve earlier in the design of these things because the learnings from previous evaluations from other MDBs and so on is critical on how we design this project but that's also how we get protection potentially like saying maybe ADB Ventures should be evaluated this in the future. So, it's not just becomes like looking back and exposed kind of evaluation but actually more of a strategic partnership around, what should be the KPIs, what should be the frame within ADB Ventures that should be evaluated. So, I think that's more of a partnership that I think we're really valuable rather than a one-off evaluation because this kind of misses the collective experience that I do think exists within the evaluation community.

One last thing, picking up under the impact I mean I think the private sector is moving really fast around understanding impact methodologies and new ways of measuring impact. There is a significant risk that it would be ADB Ventures, maybe the MDB is more generally becomes an impact laggard and of course I think that would be unfortunate given that development is kind of part of you. So, there's really something important that making sure that the impact framework is at the forefront and not lagging as what the industry is doing.

For EBRD, share with us your experience on how the VCIP was perceived by the evaluatees. What are the challenges faced?

EBRD: We conducted the evaluation in 4 months but before kickstarting the evaluation we have already in communication with Management for about 5 months, so the whole process was about 9 months. Having that communication with Management and then establishing the right protocol for clients and the co-investors and it took a lot of time and to me that was new and that was a fundamental challenge. Overall, especially at the onset of the evaluation, we have been perceived as EBRD bureaucracy and lots of additional burden for the small companies that we are investing in and potential threat or disruption for EBRD's business. With continuous engagement we addressed those problems. but I felt that throughout that period was extreme. I do not think that will happen again this is why I agree with what Daniel said that the standard evaluation framework needs some adjustment for venture capital settings. But in terms of capturing the systemic impact on innovation I think there are standard tools to look at what type of indicators are available and there you will see that when you want to talk about innovation, you look if the company has or the founder has any scientific publications or any kind of linkages to the academe; do they have patents and in what fields. During the evaluation, we realized on the field especially while bank companies or



investors referred to innovation, it is about this innovation of business models that's Daniel mentioned but other than that there was this very heavy emphasis on serial entrepreneurship. So, it is essentially how that spirit of entrepreneurship is and like it is contagious and that there are certain individuals that carry that spirit across the ecosystem and they create lots of spinoffs. And with the data itself we are looking, focusing on Poland and Turkey. We have seen that the companies that we have invested created lot of innovations if they are sister or brother companies. I would say they have many graduates, maybe you know about Trendyol is one example. It's a Turkish e-commerce platform that is acquired by Alibaba. It had 64 graduates, former employees who went on to establish their own companies, and raised capital which is 22 times more than what Trendyol raised. These are in the scale of billions. On the field, when people refer to innovation that was the angle they had, they didn't care about patents or scientific publications. So that information itself we managed to use in the evaluation itself, and then we managed to document those spinoffs and that was I think that managed to do this systemic impact that we create at least in a number of markets that we operated. But again this wasn't the case for each one, in others nothing happened but in some with small investment in startups you managed to create a lot.

Tell us more how evaluation can be more useful in the private sector and give us some elements of how to approach it to make it useful.

ADB: While the private sector doesn't necessarily have a specific evaluation department, I think that broader role is played overall perhaps more so by senior management and the way that organizations are set up to the extent that it's possible for senior management to play that role but more broadly and that independent objective viewpoint would be welcomed. Whether it's through a specific department or whether its through other structures in the organization, I think private sectors like everyone could benefit from that.

I also did want to build a little bit on what we were just discussing before which was around how do you evaluate innovation. I think there are a few things that we can do right. For one, we always discuss with the evaluatees like how things should be different so these thoughts can be captured. We could take certain aspects, for instance the demonstration effect of that particular intervention or we could rate development impact higher depending on what the intervention is like what Irene was saying; learnings and how they contribute more broadly could be taken into account, and also if projects are failing individually, they could be viewed or probably should be viewed from a broader portfolio perspective. Probably the same toolset but applied a little bit differently but with different weightages.

Can you tell us more about your experience in creating the evaluation unit in AIIB and trying to nurture evaluative thinking. Also, on how you try to strengthen this evaluation culture especially around innovation.

AIIB: While we were a new bank, it took us sometime to realize that we are not a blank sheet of paper because everyone who joined our bank came from somewhere else. One of the first things I realized was my role may not be so much about promoting learning as de-learning because when I'd speak to people in the corridors about evaluation from some people I might as well have said the Black Death you know they were backing away from me. So, when we



came to make our learning and evaluation policy, we added some important wording. First, we talked about mutual learning. Second, we said that learning and evaluation is bank-wide responsibilities that is shared but with distinct roles. We had one more thing that we put in our evaluation principles, the first six is the same as all the other MDBs but we specifically added a seventh one for collegial engagement. Now having the words there does not entirely take away the fear and sometimes we have to give hard messages and you watch people's faces and maybe it's like Sigmund Freud said the little child with the report card in school and I wanted five gold stars comes out trembling and it's really hard to take that off the table so the very first thing we did around building the culture before we come to the post evaluation was and I hope you've all had a chance to pick up one. We use the OECD-DAC evaluation criteria underpinned by our own criteria of bank work quality. So when I train in the bank, we have a bank-wide training program twice a year for new staff and then an advanced level for staff whose done with the initial training, I use this card and say everybody let's go term by term and consider in the bank whether you are public or private sector, how do you consider relevance, sustainability, bank work quality and the reason we are thinking about it now is for two aspects, one because we will talk to you about evaluability and if what you've designed is not evaluable you've got a problem, but that problem isn't because of us, it's because you're not able to tell a clear story about what you're trying to do because the money you're spending on private sector projects is still maybe public money, and because we're public institutions we're accountable for that. Also, we find it helpful to deal with an ongoing challenge that private sector people in many banks and particularly in our bank because it's new or under enormous pressure to get money out of the door and learning can be seen as a luxury and so the work that I'm doing with HR around recognition and awards is essential because if you are going to be intentionally innovative and this is where we haven't succeeded so far. It's a long term challenge, if your project is going to be intentionally innovative how did you build in a learning plan at the start that walks along the road with you. Do you need somebody else that is embedded in your team or do you have the time to do it yourself. In our bank because we are very client oriented, it may be the client who has to do that. Have you put that in the legal agreement. Is it understood what will be collected. How will it be discussed. I think that is a big area for all of us to grapple with. We all say to our Boards when projects go for approval. Yes, we will learn but we don't put anything in place to carry the learning. There are no donkeys walking along the road. Thank you.

What would you suggest would be the area to focus on to look at innovations and how MDBs are supporting innovation? Any word of caution?

EBRD: Within the venture capital system, there are different points, different chains of steps of financing, markets are very mature so I think in terms of marginal value to development impact I think we have to focus much more on programs that are seed or maybe pre-seed stage using concessional, blended finance which could be much more impactful at that stage. The risk is that when using these tools, it slows down the process as we will have to deal with internal approval processes in order to mobilize that financing and then it will not fit well if operations are still in pre-seed or seed stage.

ADB Ventures: It's a bit tricky but one thing is that you know the market is out there and we're serving customers in the market. I think there's a lot of information from how the market



perceives us, that should be part of evaluation. We are selling something customer-centric then why not talk to co-investors and I think startups has been managed appropriately but I think that can be done. I think getting that market signal should be a key part of evaluation and then sometimes it's not only quantitative, a lot of it is qualitative, bringing in people from the corporate world you tend to have groups that assess whether a project is innovative or not. Not everything can be measured in KPIs and that should be okay. The final point is that it's okay not to know exactly what evaluation will look for something that is still evolving, just like it's okay not to know exactly what product a startup is selling, you might not know up to three years, same goes for some of these initiatives, we don't know exactly what our product and our value added will be, but it doesn't mean that it will not be evaluated, so it's okay to have some flexibility built in the system.

ADB: One quick point, that this may be true for all evaluations but whoever is taking a look at something innovative like venture capital should have an appreciation of private sector operations and how these businesses work because that would also be key to evaluation.

EBRD: I just forgot to mention one in my opinion a critical risk that we have partially evaluated is the implementation of environmental and social performance requirements in venture capital and then for instance we are investing on a software platform that matches patients with doctors and all that information is highly confidential and then all that information. I mean we are operating in Eastern European markets and these are like subject to GDPR. To what extent these small companies are able to those rules and then its AI, and how these companies are using AI data is still in alignment with GDPR. For the evaluation that we did, this wasn't a problem. One thing also is labor issues as well, when these companies started there were 30, 40 people but at the time of evaluation there were 12,000 employees and 5,000 subcontractors and so these 2 companies they are subject to 2 fundamentally different environmental and social performance requirements. At what point do we need to basically make that switch so this is why I think for instance why this board representation and I am being able to monitor the company at the board level something critical so that is why I think that shouldn't be given away.

AiIB: I think there was a question that we didn't entirely address and now is actually a better time to talk about it and it was about Ricardo's question around jointness. I've been thinking a lot recently about joint evaluations. The traditional definition is that you go together to do the evaluation. I increasingly hear from the covert coalition is perhaps we should unpack the idea of jointness and to say what parts of evaluation benefit from jointness and I was thinking from the past AEWs that I have attended this may be the first non-sovereign panel that I can recall and it goes to Daniel's point that where does non-sovereign gets a voice and be part of the dialogue of evaluations because I've tended to assume that they were too busy getting money out the door or they worked in an entirely different way but if we're to do blended finance shouldn't we be having this dialogue together and that's why I noticed that more and more I hear about evaluations on green bond. We had a very interesting practitioner dialogue on energy efficiency and you realize if all behavioral change is with small businesses and households it's extremely hard for governments to do and more of those things where you need people who work primarily in the private sector in the same room thinking the issue. I'm



not sure if we've done that well enough yet so I would wish to congratulate EBRD on the vision of this panel to bring the private sector into the room.

What impacts are we looking at? For the evaluator, to what extent does transformation play a role as a concept, so do we innovate towards achieving transformation? For the practitioners, where are those transformational experiences that we want to look at?

and

I'm wondering how far the products of the banks across ADB, EBRD and AIIB take into account ESG? I wonder if we could actually do more of knowledge sharing and experience to come up with standards or guidance that could be something to which all of these MDBs, independent evaluators, national evaluators could subscribe up to in various jurisdictions, there could be jurisdictional differences but there could always be principles and commonalities that we can actually embed in such frameworks or guides.

ADB Ventures: Transformation is a pretty big topic. On the second topic, it would be great to have these things and we realize you do need different financial products for different types of SMEs too, so we have ADB Ventures for more innovation focused, but Dominic who set up ADB Ventures together with me just created something called the Frontier Fund which is how we support fast growing SMEs in the Maori markets which needs different kind of products. So I think we need to be very cognizant around of what the market really needs. There's learning there across institutions. On the transformation you don't really know exactly, these things take time and the general saying is that venture capital is the art of the upside. There's tons of risks, that's not the problem it's how big something could be if it goes right and how big an impact and the start that you have to address a big problem. If you're not addressing a big problem, it can't be that transformative, but how that actually happens if you know only the entrepreneurs.

ADB: I think on transformation the only thing that I need to add is that one of the ways venture capital was, what looks out for transformation is you invest in many different companies and then hopefully you've identified one that is the next big thing addressing a big problem. I suppose that's one way of looking at it in the crystal ball.

EBRD: I will start with the ESG, in EBRD all those venture capital investments are subject to EBRD's environment and social performance requirements. They have to comply. There is no exception to that. At the time we invest and one year later, these are like qualitatively different companies. There is an issue there and then how this will be addressed I don't know. Our evaluation will soon be published and we are making that point in the evaluation.

On having a joint platform or common way to speak about how to evaluate this type of initiatives, everybody lives in his own world, we are very much like disconnected I think at the time these questions are asked so I don't believe that it would be a priority of IFC, EBRD or any other entity.



On transformational change, I think there are two elements. One is the impact of the transformation we create at the company level; at the system level I agree with Daniel and Faraz, I think those who are willing to intentionally transform the ecosystem, they have to invest in every stage plus they have to think much more about the policy as well as to support the entrepreneurial ecosystem. At this point in time in EBRD, we are much more focused on financing.

AIIB: I actually that in our Bank we were similarly too busy in our private sector to raise the head and talk to other people. Then I realized that our private sector teams were actually going on a number of visits ADB PSOD, and so on and so forth. I think sometimes, we don't see because that's not what we're used to looking for. I wondered if the private sector engages in a different way and that was a comfortable way to join yourself up through those visits. On the ESG point, we have an environmental and social policy that governs sovereign and nonsovereign. Why did I touched on the shifts of some of the legal jurisdictions is because I think in the nature of the history of those environmental and social policies they came out from the sovereign sector. They were initially in the 1970s and were a response to overlooking poorly designed activities like the Mamada Dam. So systems were put in place for sovereigns. Now as we move to have sovereign and nonsovereign, the challenge for those policies is how to cover both, that's why I floated the balloon to keep an eye on what's happening in the true legal regulation of the private sector that's emerging around ESG and in some of the jurisdictions.

SESSION COORDINATOR

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