



<b>SESSION NUMBER &amp; TITLE</b>
<b>Parallel session 9:</b> Boosting young, innovative firms with equity and quasi-equity support: Evaluation insights from EIB, EBRD and ADB
<b>SESSION TAKE AWAY</b>
Equity and quasi-equity instruments enable MDBs to reach young, financially constrained firms with high growth potential, and when implemented properly, they can be highly additional and deliver tangible economic impact in terms of employment and innovation.
<b>SUBTHEME</b>
Inclusive Partnership
<b>ORGANIZATION/S</b>
European Investment Bank (EIB) European Bank and Reconstruction Development (EBRD) Asian Development Bank (ADB)
<b>PANELIST/DISCUSSANT #1: [Aron Gereben, Evaluation Expert, EIB (FOCAL PERSON)]</b>
<b>KEY MESSAGES</b>
<ol style="list-style-type: none"> <li>1. EIF's (indirect) equity support helped implementing best market practice, improving governance and reporting, strengthening fund management teams, and providing opportunities to new teams to enter the market. In absolute terms, the bulk of the equity investments targeted the more developed EU countries. Yet, relative to private investors, the EIF overweighted the less developed member states. EIF has also contributed to policy contribution against financial performance. EIF supported firms grow, and innovate as much as firms receiving private equity funding.</li> <li>2. Key lessons learned for the EIF's (direct) equity support include: <ol style="list-style-type: none"> <li>a) Serving a niche market need <ol style="list-style-type: none"> <li>i) EIB quasi-equity/venture debt operations are targeting a particular, underserved segment of the European market.</li> <li>ii) In the absence of the EIB quasi-equity financing the supported projects would have either been reduced in scale, or delayed.</li> </ol> </li> <li>b) Stretching the limits of corporate culture <ol style="list-style-type: none"> <li>i) EIB procedures are not well-suited for venture debt clients.</li> <li>ii) Time to signature and disbursement longer than the market standard and increased over the last years.</li> </ol> </li> </ol> </li> </ol>
<b>PANELIST/DISCUSSANT #2: [Alper Dincer, Principal Evaluation Manager, EBRD]</b>
<b>KEY MESSAGES</b>
<ol style="list-style-type: none"> <li>1. The venture capital investment programme had and still has a valid rationale: (i) relevance, (ii) contribution to the development of VC ecosystems; and (iii) addressing sizeable VC financing gaps.</li> <li>2. The venture capital investment programme has been financially successful so far but had limited impact on innovation: (i) performance on par with venture funds from the same</li> </ol>

vintage years -but depends on two successful exits, (ii) limited evidence of impact on innovation.

3. The venture capital investment programme can optimise the balance between market orientation and integration in the Bank: (i) difficulty to acquire and keep skills; and (ii) potential for enhanced additionality and impact through internal synergies

**PANELIST/DISCUSSANT #3: [Gloria Paniagua, Senior Evaluation Specialist, IED, ADB]**

**KEY MESSAGES**

1. Private equity is an increasingly important source of capital in Asia and ADB can play a role in key market niches.
2. Financial returns for Direct Equity investments significantly outperformed Private Equity Funds (PEFs). Recent portfolio trends point to a shift towards investments at IPO and the targeting of more established large funds.
3. The development performance and results of direct equity investments fared much better than PEFs. Overall only half of equity investments succeeded developmentally.
4. ADB's organization for delivery hinders its ability to source, add value, and exit equity investments. ADB lacks an overall business plan for private equity investments at a time when headroom has been dramatically increased due to the ADF/OCR merger.

**MODERATOR: [Marvin Taylor-Dormond, Managing-Director, CEIU, AIIB]**

**KEY MESSAGES**

Private sector eval has its own characteristics, assessing corporations in which public sector money has been put to finance private sector operations. The test in evaluation follows different criteria as opposed to the traditional structure. Some of the requirements in declaring the success: (a) Rationale for using public sector money to finance private sector, what are the market failures? (b) Additionality – what is the extra value that you are bringing? (c) Profitability – how profitable? (d) Results testing

Experiences of EIB, EBRD and ADB:

EIB focuses on associative financing firms. Additionality looks at market failures. MDBs establish governance and information structure. MDBs can put up quality standpoint on investment funds. MDBs enable knowledge transfer within the region. Distribution of return is uneven, diversification is key. Fund size should also be factored in. Results include generating employment

EBRD works on venture capital to address lack of skills in the region in assessing risks. EBRD aims to demonstrate profitability and commercial viability. Confidence in investments occurs with the involvement of EBRD. For results, EBRD looked at the performance of companies, impact on job creation and looked at fundraising

ADB focuses on counterpart funding. Was ADB able to catalyze funds from other sources? ADB helped improve project design, and ESG. Direct equity investments were more successful than private equity funds as they focused more on good markets, which include the energy sector. Private equity funds focused more on less developed markets. Some of the challenges include selection of poor fund managers, and inconsistency in approaches. Results include catalytic and demonstration effects. More linkages in direct equity investments.

## Q&A SUMMARY

### How do you measure innovation and impact, and ensure as evaluator take the notion of risks?

- Measuring innovation and impact is a difficult task. Number of payments is an obvious indicator. Different indicators for sectors like health, ITC, etc. Include questions on innovations in surveys. Innovation in early stage firms is very strong.
- Scaling up and increase audience are important but not overperform private investors

### Impact improving environmental and social goals, are we quipped as evaluators to assess?

#### Did you consider environmental and social aspects in these interventions?

- ADB incorporates assessing environmental and social safeguards in evaluating private sector interventions.

### Can you provide one thought about private sector evaluation?

- Equity and venture capital are the usual interventions. There is a bunch of datasets and data sources for reference. This should give evaluators a better understanding of the market for credibility.

### Limitations

- Getting access to company data or financial information. Comparing information with other institutions is not fully available
- In IFC, evaluations are not given to board members due to private sector proprietary information

## SESSION COORDINATOR

Bryan Noel Lazaro