

ANNUAL EVALUATION REVIEW 2016



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European Bank
for Reconstruction and Development

The Evaluation Department (EvD) at the European Bank for Reconstruction and Development (EBRD) reports directly to the Board of Directors, and is independent from the Bank's Management. This independence ensures that EvD can perform two critical functions: reinforcing institutional accountability for the achievement of results; and providing objective analysis and relevant findings to inform operational choices and improve performance over time. The Department evaluates the performance of the Bank's completed projects and programmes relative to objectives.

This report has been prepared by EvD under the authority of the Chief Evaluator. The views expressed herein do not necessarily reflect those of EBRD's Management or its Board of Directors. Responsible members of the relevant operations teams were invited to comment on this report prior to internal publication. Any comments received will have been considered and incorporated at the discretion of EvD. While EvD considers Management's views in preparing its evaluations, it makes the final decisions about the content of its reports. Annual Evaluation Reviews are discussed by EBRD's Audit Committee and approved by the Board.

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Preface

Public institutions such as the European Bank for Reconstruction and Development (EBRD) are provided by their shareholders with powerful assets in order to address challenges that are both complex and critical. Objective and timely feedback on EBRD's institutional performance relative to its mandate and commitments is critical to preserve its public legitimacy and support, and to improve its operational methods and effectiveness. EBRD's future relevance and effectiveness depends fundamentally on a clear understanding of what's working, what isn't and why.

A dedicated Evaluation Department (EvD) has been a critical contributor to institutional accountability, learning and performance improvement since EBRD's creation more than 25 years ago. Reporting independently to the Executive Board since 2005 has enabled EvD to evolve into a unique source of evidence-based and objective analysis and advice across a wide range of operational and strategic matters.

This Annual Evaluation Review provides a summary of EvD's mandate and operational priorities, and an overview of its activities and accomplishments in 2016. Highlights include important findings and recommendations on: the effectiveness of support for policy dialogue, small business and sustainable energy; the role of field offices and subsidies; a new approach to country strategies; and the EvD leadership of the premier multilateral evaluation group. Self-evaluation by project teams continues to be strengthened, and surveys show this has become highly valued. Important contributions were made to strengthen operational focus on results, performance metrics, reporting and Management follow-up on EvD recommendations. Individually these are valuable contributors to an improved institutional-level results focus. In combination, and with strong engagement and support from both the Board and Management in recent years, they are a major advance toward more demonstrable institutional performance.

The content of EvD's work programme and its product mix has been changed significantly in recent years, with strong Board support, in order to focus better on the highest-value activities and products. The results of years of change, adaptation and innovation are now clearly emerging, even while resources have remained essentially unchanged.

EvD is committed to delivering relevance, value and impact in everything it does. Our professional team has been refreshed, and is stronger and more highly motivated than ever. Our own learning and improvement will continue in 2017, as will our commitment to rigour, objectivity and candour. We look forward to another year of contribution and progress.



Joseph B. Eichenberger
Chief Evaluator

Abbreviations

CA	Central Asia: Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan
CEB	Central Europe and Baltic states: Croatia, Czech Republic ¹ , Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia
EBRD	European Bank for Reconstruction and Development
EEC	Eastern Europe and Caucasus: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
ENE	energy: natural resources and power and energy sectors
EU	European Union
EvD	Evaluation Department
FIN	financial institutions
ICA	industry, commerce and agriculture: agribusiness, equity funds, information and communication technologies, manufacturing and services, and property and tourism sectors
IFAD	International Fund for Agricultural Development
IFI	international financial institution
INF	infrastructure: municipal and environmental infrastructure and transport sectors
MFI	multilateral financial institution
OECD	Organisation for Economic Co-operation and Development
OECD-DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
OPA	operation performance assessment
RUS	Russia
SBS	small business support
SEE	South-Eastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Cyprus, Greece, Kosovo, FYR Macedonia, Montenegro, Romania, Serbia
SEFF	sustainable energy financing facility
SMEs	small and medium-sized enterprises

¹ The Czech Republic is no longer a Country of Operation for EBRD but is included in this review's summaries of historical trends.

Defined terms

Additionality

Additionality is one of three key principles governing the operations of the Bank, jointly with sound banking principles and transition impact. The notion of additionality is based on the statement in the Agreement Establishing the Bank:² “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” (Article 13, vii).

Evaluability

The extent to which the value generated or the expected results of a project are verifiable in a reliable and credible fashion.

Ex-ante

Expectations or forecasts calculated or existing before a particular event based on assumption and being essentially subjective and estimative.

Ex-post

Results rather than forecasts based on knowledge and retrospection and being essentially objective and factual.

Impact

The positive or negative long-term effects produced by an intervention, directly or indirectly, intended or unintended; an impact generally results from a series of causal factors of which the project is but one.

Indicator

A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a specified entity.

Outcome

The short- and medium-term effects consequent to delivering the intervention's outputs.

Output

The products, capital goods and services that result from an intervention – its deliverables.

Result

The output, outcome or impact (intended or unintended, positive or negative) of an activity or intervention

Temporariness

A principle permitting the use of subsidies, grants or related support mechanisms only on a temporary basis in private sector development projects with the purpose of supporting but not distorting nascent markets.

Transition concept

EBRD's new concept of assessing transition impact, introduced in 2016 and being implemented in 2017, based on six qualities of a modern market economy: competitive, well governed, green, inclusive, resilient, integrated.

Transition impact

The likely effects of a project on a client, sector or economy that contribute to their transformation from central planning to well-functioning, market-based structures (not everything that is good about a project is necessarily transition impact).

² www.ebrd.com/documents/comms-and-bis/pdf-basic-documents-of-ebrd-2013-agreement.pdf



Executive summary

85%

of projects in
2011-13 rated
satisfactory or
better in overall
performance

67

project validation
reports

11

major
evaluations

2016

EvD chairs
Evaluation
Cooperation
Group

This Annual Evaluation Review 2016, published by the Evaluation Department (EvD) of the European Bank for Reconstruction and Development (EBRD), summarises the Bank's evaluation activities, findings and results. It provides evidence-based operational insights and accountability for results, principally to the Bank's shareholders, Management and other stakeholders that contribute to the Bank's continued institutional improvement.

Major **thematic evaluations** completed in 2016 produced important insights on the Bank's performance and results in a wide variety of sectors and contexts – from wind energy and small business support to the use of subsidies and the Bank's crisis support for Greek bank subsidiaries. More than 120 **self-evaluations** by project teams in 2016 provided supporting data for themes that have emerged from evaluations in recent years. Together, EvD's thematic evaluations and independent project-level evaluations provide direct feedback for operations teams, and strategically useful insights and results for Board Directors and Senior Management.

The Bank's Evaluation Policy³ gives EvD primary line responsibility for the effective design and performance of the Bank's overall evaluation system in addition to delivery of high-quality evaluations. In 2016 this work included:

- informal contributions to formulating the new transition concept
- a new approach to internal knowledge management
- contributions to the redesign of country strategies
- use of results frameworks at the project level
- recommendations to streamline project metrics and monitoring.

Externally, EvD chaired the Evaluation Cooperation Group in 2016, resulting in substantial advances in shared approaches to gender evaluation, self-evaluation and communities of practice.

2016 also saw major adaptations to further strengthen the strategic relevance and value of EvD's work within existing resource constraints. The Department piloted and successfully implemented a new performance rating and self-evaluation system which included the use of results frameworks for validation reports. A Bank-wide client survey and dedicated focus groups with Management about EvD products and methods provided valuable inputs for major changes in the Department's product design and selection and project evaluation selection process.

3 www.ebrd.com/what-we-do/evaluation-policy.html

This Review:

- recaps **EvD's activities** in 2016: delivery and completion of work programme, evaluations produced, use of evaluation products and departmental staffing (section 1)
- presents a statistical view of **aggregate organisational performance** based on ratings from validation reports and a comparison of ratings in EvD-produced validations and self-evaluations (section 2)
- summarises the major **findings and recommendations** from thematic evaluations, operation evaluations and validation reports (section 3)
- reviews EvD's role as host of the **Evaluation Cooperation Group** (section 4)
- considers the outlook for 2017 – key expectations, challenges and advances including the major studies approved in the 2017-2019 Work Programme (section 5).

In line with EBRD's green values, the methodological and statistical Annexes to this Review are published online at www.ebrd.com/evaluation.

Aggregate organisational performance

The most recent evaluation data show a pattern of continued post-crisis improvement similar to that seen in 2015. Evaluated projects approved in 2011-13 had an 85 per cent success rate overall, higher than both the 2009-11 success rate (71 per cent) and the long-term average for 1991-2013 (58 per cent). Of evaluated projects approved in 2011-13, 81 per cent achieved a satisfactory or better financial performance and 79 per cent achieved a satisfactory or better transition impact, roughly the same as the 78 per cent satisfactory or better transition impact assessed for the full period 1991-2012.

Major findings and recommendations from evaluations

Findings and recommendations for each of 2016's major studies are summarised in section 3. The

following themes are seen consistently across the body of evaluation work in 2016.

Need for results frameworks and evaluability

A need for results frameworks and measurable indicators was the most consistent theme across all evaluations conducted in 2016. Evaluations of the Small Business Support Programme 2011-2015, Supply Chains and Backward Linkages, and the Almaty Transport Integrated Approach all touched on defining results measurement in order to understand what EBRD has achieved, and EvD has noted strong Management progress in this area. The Bank is undertaking country diagnostics and putting together country results frameworks, and will review delivery over time. In response to the need for clearer project transition impact ratings, Management is working to streamline ratings and harmonise monitoring indicators through a new transition concept and an accompanying rating and reporting system.⁴ The effectiveness of these new initiatives will be an important focus of evaluation work in the future.

Clearer specification of policy dialogue objectives and implementation

Policy dialogue with governments, regulatory authorities and other international institutions is an increasingly important component of EBRD's work. When a project is approved, the objectives, activities and resources for policy dialogue should be specified to improve project results. This theme was reflected in the evaluations of Four Wind Energy Projects, Almaty Transport Integrated Approach, and the Crisis Response to Greek Bank Subsidiaries. Management's commitment to a strengthened approach to policy dialogue has been welcomed by the Board and will be an area of keen interest going forward.

Subsidies often long-term despite principle of temporariness

The EBRD generally supports a policy of using subsidies on a temporary basis. This issue was discussed in the evaluation of Use of Subsidies, and was relevant to the Four Wind Energy Projects evaluation. The Evaluation Department found that use of subsidies was frequently longer term, raising questions about sustainability and market expectations. Other EvD work (evaluation of the Shareholder Special Fund) raised broader questions about the use of and reliance on concessional funds to support core private sector operations.

⁴ 'Project Christopher', EBRD's new computer-based system for assessing transition impact.

Additionality needs greater ex-ante evidence

A frequent and important element of project-level additionality is the value of EBRD's unique characteristics and expertise. However, evidence of this added value can be weak; for example, political risk mitigation claimed where the political risk was negligible, or providing local sector expertise for expansion in cases where the client's demonstrated business model is based on its international practices. The attributes dimension of additionality needs close and careful review, especially given the great challenge to EBRD financial additionality in the current low-interest environment.

Importance of a committed sponsor

The EBRD frequently lends to subsidiaries or investees of larger companies active in the Bank's Countries of Operation. Where subsidiaries have financial or operational weaknesses, active support of the parent organisation is critical. This support goes beyond loan guarantees and risk mitigants to active sponsorship of business growth, improving corporate governance, providing resources for innovation, and emphasising inclusion and energy efficiency, among others. Evaluations confirm that active commitment from a strong corporate sponsor can support project success even in difficult environments.

Overestimating government commitment to reform even with successful projects

Several evaluations noted the need for political commitment to reform. The prospects for reform success are tenuous at best, even when the investments and use of proceeds fare well. The timetable for reform may be longer than the timetable for operational objectives. Individual transition objectives encounter political resistance particularly when they concern restructuring and redundancies. It is essential to gauge and accurately assess the level of commitment and delivery capacity prior to project approval.

Outlook for 2017

The Evaluation Department enters 2017 with considerable positive momentum and is well placed to build on the foundations of recent years' effective performance. Important milestones for 2017 are:

- changing from random selection of projects for self-evaluation to purposeful selection
- implementing a Management-led system for follow-up on EvD recommendations

- progressing toward country strategy evaluation
- enhancing the self-evaluation process after the initial pilot
- embarking on a new set of major evaluations including transport and energy sector strategy evaluations
- providing inputs to corporate initiatives related to the new transition concept, organisational effectiveness and efficiency, and knowledge management.

Departmental performance

The Evaluation Department's completion and delivery record continued to be strengthened in 2016. The move to a three-year rolling work programme in 2016 has enabled EvD to time evaluation deliveries better, link products more strategically, and respond more effectively to Board needs and priorities.⁵ Highly capable staff are critical, and on this score EvD is significantly stronger. A combination of active recruitment, promotion and performance management has resulted in a more engaged, empowered and diverse staff, providing an excellent basis for sustained superior performance. Cooperation from Management is also a vital contributor and this too has strengthened significantly from years past.

⁵ The Department submitted single-year work programmes prior to 2014, and two-year rolling work programmes from 2014 to 2016. A rolling work programme is a multi-year programme that indicates activities and budget for a specified number of years. As each programme year is completed a new programme year is added, and activities and budget for years already in the programme are updated.



1 EvD's year in review

New rating methodology and OPA template better aligned with OECD-DAC guidance

Customer survey and focus groups contribute to more strategic and thematic work programme

Evaluations related to crisis response, integrated approach, and strategic initiatives

Presentations of evaluation results to EBRD staff

In 2016 EvD completed one of its most challenging and rewarding years. The year marked a change in the methodology of the Department's performance rating system; the delivery of important evaluations such as the Experience with Resident Offices and Small Business Support Programme 2011-2015; consultations with and presentations to Management; and chairmanship of the Evaluation Cooperation Group. This section recaps EvD's activities, performance against the work programme, and achievements in 2016.

Our products and services

The Evaluation Department's range of products and services contributes to institutional learning and accountability, and thus to institutional performance and results.

Products

- **Thematic evaluations (special studies):** In-depth evaluations organised around a theme, strategy or sector, providing detailed analysis of design, structure and results. Their objective is to identify strategy and performance issues and provide timely, relevant and actionable recommendations for the Board of Directors and Senior Management.
- **Operation evaluations:** Comprehensive evaluation of a single project or (more commonly) a group of thematically related projects based on deep research and field work. Design and execution are assessed and performance is evaluated against objectives and opportunities. Key findings and recommendations directed to both learning and accountability are provided to the Board and Management.
- **Project validations:** Desktop evaluation reports using self-evaluations produced by Management and independent EvD analysis. Analysis and findings tend to focus on design, execution, operational results and strategic relevance. Individual evaluations may be clustered by sector or themes where possible in order to present a wider and more useful body of evidence.
- **Corporate reports:** Reports about EvD's operation and activities submitted to the Board and/or Management, both for information purposes and as an instrument of EvD's own accountability.
- **Additional papers:** Synthesis papers of related previous evaluations, short information notes, comments on selected issues and brief reports on subjects of particular interest to the Board.

All original evaluation papers are commented on by EBRD Management and shared with the Board of Directors. Thematic evaluations and operation

evaluations are also discussed in detail at Audit Committee meetings. The EBRD staff and Board Directors can access all products through the Evaluation Library.

Services

- Informal advisory or consultation with Board and/or Management on questions of methodology or wider institutional practice relating to performance metrics, monitoring and evaluation.
- Informal advisory or consultation on implementation of recommendations.
- Performance system design and monitoring.
- Training operations teams in headquarters and the field to improve capacity and performance in areas such as project self-evaluation and project monitoring.

Work programme delivery

2016 was among EvD's most ambitious and productive years. As well as producing the largest number of validation reports to date and delivering numerous thematic and operation evaluations (see '2016 at a glance', opposite), EvD piloted a new rating methodology and self-evaluation template.

There has also been substantial progress on two major thematic evaluations identified in the 2016 work programme: Investment Climate Support Activities and Credit Line Operations, and an evaluation of multiple operations with a private bank. An operation evaluation of an ICT company with multiple EBRD transactions is scheduled for Audit Committee discussion in the second quarter of 2017. Work on a major study related to transition results has been on hold due to an extended medical leave.

Presentation and review of EvD products

All EvD evaluations are distributed to the Board and Management. Major evaluations are presented to the Audit Committee and available in full to Bank staff on the EBRD intranet. Audit Committee discussion, which involves an active exchange between Board members,

2016 at a glance

The Department completed the following studies and reports in the calendar year 2016:

8

thematic
evaluations/
special studies

3

operation
evaluations

3

corporate
reports

129

reviews of operation
performance assessments
(OPAs) completed by
Management

67

OPA validations
(independent EvD
evaluations of
individual projects)⁶

Thematic evaluations presented to the Audit Committee:

- Country Strategy Update – Interim Review
- Experience with Resident Offices
- Russian Rail Sector Operations
- Small Business Support Programme 2011-2015
- Supply Chains and Backward Linkages
- Sustainable Energy Finance Facilities
- Transactions with State-Owned Enterprises
- Use of Subsidies

Operation evaluations presented to the Audit Committee:

- Four Wind Energy Projects
- Crisis Response to Greek Bank Subsidiaries in Southeast Europe
- Almaty Transport Integrated Approach

Corporate reports presented to the Audit Committee:

- Annual Evaluation Review 2015
- Evaluation Department Work Programme and Budget 2017-2019
- Follow-up on EvD Recommendations 2015

⁶ This report includes validations completed through February 2017.

EvD and (generally) Management, provides an essential institutional mechanism for presentation, absorption and uptake of evaluation findings and recommendations. Audit Committee discussions in 2016 provided valuable feedback and guidance to both EvD and Management. Following Committee discussion, final circulation and removal of any sensitive or proprietary information, evaluations are posted on the EBRD website.

A key part of the project process – both self-evaluation by Management teams and independent ex-post evaluation by EvD – is the identification and distillation of lessons aimed to improve future performance. These lessons may relate to the design, structure, terms, management or other aspects of a project and reflect what EBRD did well so the behaviour or actions can be replicated, and/or what EBRD did not do well so the behaviour or actions can be modified. These lessons are accessible to all Bank teams through a lessons investigation application developed by EvD. There were 283 unique users of the lessons application in 2016, a small increase over 268 in 2015 (which in turn represented a 40 per cent increase over

2014). Therefore the attention paid to EvD's lessons has been on a positive trend.

Likewise, the Evaluation Library, an online repository of EvD reports accessible to the Board and staff on the intranet, is also on a positive trend. In 2015 the library was accessed by 340 unique users, and in 2016 by 401.

New rating methodology and operation performance assessment template

In 2015 EvD developed a new rating methodology intended to:

- ensure the self-evaluation process captures the first-hand knowledge of Bank teams on the ground more fully and effectively
- conform more closely to global good practice standards⁷

⁷ The new template conforms more closely to the global good practice established in the OECD-DAC guidance on evaluation: www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm

EvD 2016 timeline

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
Transactions with State Owned Enterprises evaluation released	Four Wind Energy Projects evaluation released	Follow-up on EvD Recommendations Report released	Participation in OECD Evalnet meeting	Annual Evaluation Review approved	Supply Chains and Backward Linkages evaluation released
Sustainable Energy Finance Facilities evaluation released	Russian Rail Sector Operations evaluation released	Participation in OECD conference on Improving Women's Access to Leadership	Presentation to EBRD staff on Russian Rail Sector Operations study findings	Participation in EBRD Annual Meeting	Interim Country Strategy Review released
Evaluation and Gender workshop with EBRD Gender team and European Investment Bank	Incorporating Gender into Evaluation workshop with World Bank Group's Independent Evaluation Group	Incorporation of ex-ante results frameworks developed ex-post for validation reports			Evaluation Cooperation Group meeting chaired by EvD and hosted by EBRD
Incorporation of new rating methodology and self-evaluation templates					Contribution to Evaluation Cooperation Group's stocktaking report on gender
Operation performance assessment training for EBRD staff					Department for International Development (UK) briefed on Supply Chains and Backward Linkages evaluation

- increase the internal consistency, transparency and comparability of ratings.

In 2016 this system was successfully piloted and implemented. The new system focuses on measuring the **relevance, effectiveness** and **efficiency** of projects. Ratings for these criteria are now calculated on the basis of more specific, fixed sub-criteria including additionality, output/outcome/impact results, financial performance, profitability/investment return, etc. All ratings are determined by calculated formulae and are based on evaluator-assigned scores. The ratings are then aggregated into an overall project rating.

A new OPA template was introduced to capture the data needed to employ the rating methodology and to provide a more evidence-based approach to project evaluation. For self-evaluations that result in a validation report being produced by EvD, Department staff create an ex-ante results framework based on project documents issued at the time of project approval. Management contributed significantly to the development of the new template, and responded in 2016 with an excellent output of completed self-evaluations. Department members provided OPA familiarisation training to operations leaders and portfolio managers responsible for completing OPAs.

Following the 2016 pilot year, EvD will be making some revisions to the rating sub-criteria and OPA template based on analysis of results, Management feedback and evaluator assessment. This fine tuning will reduce the burden of work on banking teams and contribute to the Bank's Operation Efficiency and Effectiveness Initiative.

The basic methodology and OPA template format will remain intact.

Survey and focus groups

In 2012 EvD commissioned a survey to collect information regarding the Department's performance, respondents' perceptions of EvD, etc. This was followed up by a new survey in 2016 to understand where EvD stands today and what progress has been made since 2012. In addition, EvD conducted three focus groups with banking and non-banking staff. The focus groups proved highly enlightening and provided rich qualitative data to supplement the survey results. Along with results from a Management-led survey on the self-evaluation process, conducted earlier in 2016, EvD plans to present the results to the Audit Committee in 2017.

Headline results confirm that EvD is now better at:

- balancing accountability and learning
- identifying useful findings (positive and negative)
- accommodating banking's workload through more tailored methods.

The survey also identified important areas for improvement which EvD has taken on board, including:

- shorter reports
- less technical terminology in the self-evaluation process
- briefer self-evaluation (OPA) templates

JULY

EvD Perception Survey

Crisis Response to Greek Bank Subsidiaries in Southeast Europe evaluation released

AUGUST

Comments on draft strategic approach and civil society framework delivered

SEPTEMBER

Almaty Transport Integrated Approach evaluation released

Participation in European Evaluation Society conference

IFAD's Corporate Evaluation on Decentralisation peer reviewed

Focus groups conducted with EBRD staff about EvD performance

OCTOBER

EBRD's Experience with Resident Offices evaluation released

Small Business Support Programme 2011-2015 evaluation released

Participation in European Week of Regions and Cities conference

Participation in Annual Meeting of OECD-DAC Network on Gender Equality

Inputs into inclusion strategy delivered

NOVEMBER

Use of Subsidies evaluation released

Presentation to EBRD staff on findings from Use of Subsidies evaluation

Presentation at African Development Bank's Evaluation Week on good practices and strategies

Participation in Czech Ministry of Regional Development Evaluation Conference

DECEMBER

Evaluation Department 2017-19 Work Programme and budget approved by Board

Evaluation Cooperation Group meeting chaired by EvD and hosted at EBRD

Presentation to IFAD of Experience with Resident Offices evaluation

Participation in International Francophone Evaluation Forum

Pilot of Management-directed reporting on follow-up of EvD recommendations

Consultation with EBRD Management to select 2017 projects for evaluation

- better follow-up on recommendations
- evaluations more consistently directed to a strategic, thematic and/or cross-sectoral level
- evaluations better timed for maximum value and uptake.

Staff of EBRD also indicated that EvD should be more visible and provide methods of learning other than reports – such as talks, meetings and succinct presentations.

The 2017-2019 Work Programme (see section 5) reflects results from the survey. Evidenced in 2016 and emphasised in 2017, the evaluations now produced by EvD are more strategically orientated and discuss larger themes or groups of projects. The Department has moved away from in-depth evaluation of individual projects unless those projects provide significant strategic value or are of particular interest to the Board.

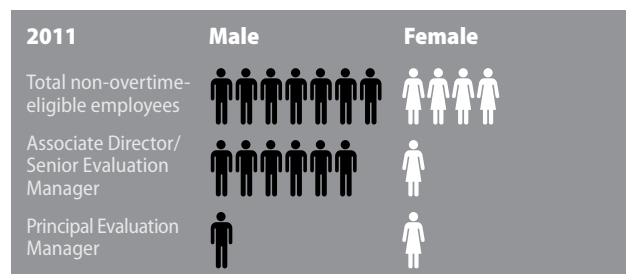
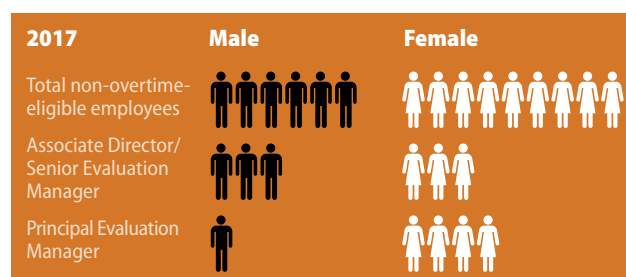
Training

The Evaluation Department provides training to operations staff assigned to complete OPAs. A training presentation on evaluation is one of the first sessions of EBRD's Banking Academy, a week-long training course for new bankers. The Department also participates in 'Exploring EBRD', a familiarisation class for new joiners and 'Project Monitoring', a prerequisite class for the Banking Academy.

Departmental matters

Current staff

Major staffing changes in EvD over the past six years have produced a more balanced team profile, especially in the more senior ranks. The graphic illustrates the gender and grade-level picture approved for 2017 in comparison with 2011 when EvD's repositioning began.



The Evaluation Department is fully staffed at the time of this report. A new Deputy Chief Evaluator was appointed in June 2016 via an internal promotion after a competitive search. EvD's talent pool was expanded at senior level through recruitment of an Associate Director/Senior Evaluation Manager.

In March 2017, three Principal Evaluation Managers were promoted to Senior Evaluation Manager. Two other Principals will be Acting Senior Managers for part of this year under a new programme allowing temporary replacement of absent senior staff. And two additional Managers have been promoted to Principal.

Staff development

In January 2016 EvD participated in a week-long training session on qualitative methods and complex evaluations. Due to budget constraints and an intense workload, a similar exercise is not planned for 2017 but a mid-year training day on knowledge brokering is scheduled. Language training continued as EvD staff undertook lessons in French, Polish, Romanian and Russian.

A staff member returned to EvD in 2016 after a six-month secondment to the Inter-American Development Bank in Washington, DC, where he participated in a major evaluation of financial intermediation projects.

The Department also sent a significant delegation to the European Evaluation Society meeting, and presented at numerous other leading evaluation conferences.



2

Aggregate performance

"Satisfactory or better" in 2011-13:

85%

additionality

81%

financial
performance

79%

transition impact

The Evaluation Department's overall assessment of the performance of Bank operations draws on a combination of project-specific self-evaluations done by banking teams and project-specific independent evaluations prepared by EvD, using the same criteria and ratings system. All mature projects receive a thorough self-evaluation using a standard template for operation performance assessments (OPAs). A representative sample of these, selected randomly by EvD, is given a rigorous quality review and validated independently by EvD.⁸ Management is invited to comment on the resulting OPA validation with independent performance ratings, but no endorsement or agreement is requested or given. The EvD ratings thus derived contribute to the Department's depiction of institutional performance.

How operations are evaluated in the EBRD

Each year, unevaluated EBRD operations are examined to identify those that are evaluation-ready through a review of individual operational and transition status. The OPAs are completed by operations teams for all evaluation-ready projects. The Department advises bankers on preparation of the OPA, reviews all such self-evaluations in draft form and suggests amendments that would improve the quality of the self-evaluation. It is up to the team preparing and approving the OPA whether or not to incorporate EvD's comments.

Once the population of evaluation-ready projects has been identified, EvD takes a random, representative sample of sufficient size to establish, for a combined three-year rolling sample, performance rates at the 95 per cent confidence level, with sampling error not exceeding plus or minus 5 percentage points, for key performance indicators. The Department evaluates these projects, mostly through an OPA validation. This takes the form of a desk study with a review of the project file and consultation as necessary with the operation leader and other Bank staff.

The OPA validation report also provides an opportunity for EvD to comment more formally on the quality of the OPA and suggest improvements for future reports. Some of the operations in the sample are evaluated in greater depth through an operation evaluation. The Department also selects a small number of operations from outside the sample for full, independent evaluation through an operation evaluation or special study, following completion of the self-evaluation process. Operations for full evaluation are chosen purposefully by EvD based on their potential to produce operationally useful findings or to serve as inputs to a broader study such as a sector strategy evaluation.

⁸ Seeking to present a shorter and greener document, the methodological and statistical annexes are available online. Full explanation of EvD's methodology and sample selection may be found online in Annex 1 at www.ebrd.com/evaluation

The findings presented in this section are based on EvD's evaluation results for the representative sample of randomly selected operations.⁹ First we consider the overall performance of evaluated projects; the following three subsections review the three EBRD operating principles: **additionality**, **sound banking** (financial performance) and **transition impact**. These criteria are incorporated in the templates for the self-evaluation (OPA), OPA validation and independent operation evaluation reports. The charts focus on the success rate of EvD operations for those operations attaining a rating of successful/satisfactory or better in the major ratings categories (overall performance, financial performance, additionality and transition impact). Annex 2 offers a more complete set of data encompassing all the ratings and a broader set of ratings categories.

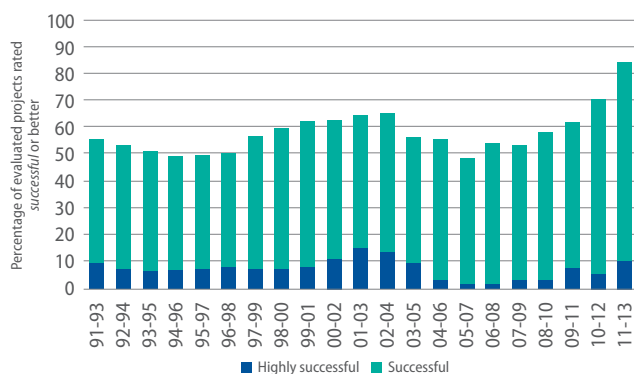
Overall performance

The proportion of evaluated projects rated *successful* or better since the Bank's establishment has varied between about 50 and 70 per cent. Chart 1 shows overall project performance by year of approval using a three-year rolling average.¹⁰ The two main observable departures from trend reflect the two major financial crises that have affected the Bank's region, namely for operations approved before the 1998 Russian crisis and before the 2007-08 financial crisis. Most evaluation criteria measure performance against expectations at appraisal, thus the lowest ratings tend to be observed in the wake of negative shocks to projections.

⁹ Annex 2 presents additional supporting data forming the basis of the text and analysis in this chapter (www.ebrd.com/evaluation).

¹⁰ Projects evaluated in any given year may have been approved over several years and each AER presents the latest aggregate results. Therefore aggregate results from earlier approval periods (e.g. 2009-11, 2010-12) will have changed compared with the results presented in the 2015 Annual Evaluation Report. There is a potential positive bias in the results for recent approval years as projects that achieve their intended objectives quickly are likely to be identified as ready for evaluation sooner than those that experience delays. Annex 1 contains more detail on the selection process and possible biases.

CHART 1. OVERALL PERFORMANCE BY APPROVAL YEAR (ROLLING THREE-YEAR SAMPLE)

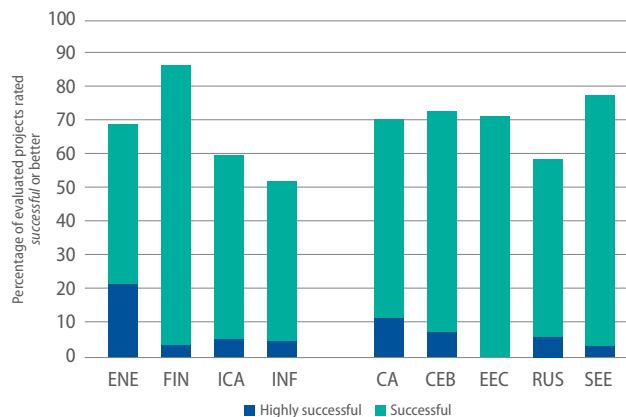


The most recent approval years for which sufficient results are available are 2011-13: 85 per cent of those projects were rated *successful* or better at evaluation, including 10 per cent rated *highly successful*. These results are considerably above the 1991-2003 average of 58 per cent of EBRD projects rated *successful* or better at evaluation. The most recent evaluation data also represent a sharp increase in the success of evaluated projects when compared with those approved in the immediately preceding periods (2009-11 and 2010-12), which were found to be rated *successful* or better in 71 per cent and 62 per cent of cases. These results continue a longer-term pattern of improving overall performance of Bank projects subsequent to the most recent financial and economic crisis.

Breakdown of overall performance by sector and region

A comparison of overall performance by industry sectors (Chart 2) also shows performance generally in line with previous trends. Of financial (FIN) sector projects approved in 2009-13, 70 per cent were rated *successful* or better; energy (ENE) and infrastructure (INF) achieved *successful* or better overall performance ratings in 70 and 60 per cent cases, respectively. However, only 52 per cent of industry, commerce and agriculture (ICA) projects approved over the period were evaluated as *successful* or better. The Department has noted in previous reviews that this may be due to ICA projects being overwhelmingly private sector and thus exposed to direct competition and challenges in the economic environment to a greater extent than, for example, ENE and INF sector projects, a higher proportion of which are in the public sector or in regulated utilities.

CHART 2. OVERALL PERFORMANCE BY SECTOR (LEFT) AND BY REGION (RIGHT), PROJECTS APPROVED 2009-13¹¹



A regional comparison of overall performance, though consistent with long established patterns, shows a lower degree of variation across the EBRD regions than in the past. Historically, projects in the Central Europe and Baltics (CEB) states and South-Eastern Europe (SEE) regions have been the highest performing in terms of overall performance ratings, followed by those in Russia (RUS) and Eastern Europe and the Caucasus (EEC), with Central Asia (CA) lagging behind the other regions. Of projects approved in the five years between 2009 and 2013, 78 per cent of those in SEE achieved an overall performance rating of *successful* or better, followed by 73 per cent of projects in CEB, 71 per cent in EEC and CA, respectively, and 58 per cent of projects in RUS. Factors affecting projects in Russia may include the impact of sanctions on the Russian economy; the effect of the current status of EBRD operations in Russia (inability to approve follow-on operations, possible change in the nature of relationships); and/or a substantial transfer of EBRD staff and resources from Russia to other countries.

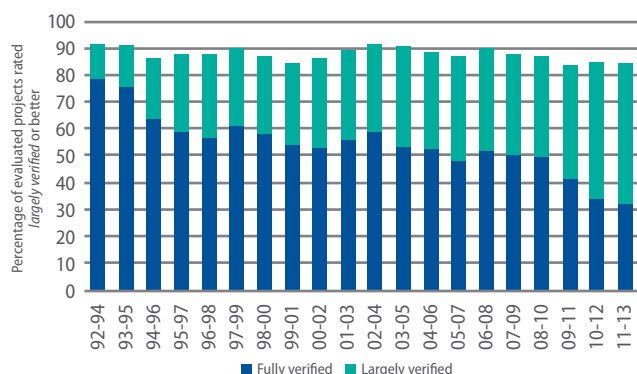
Additionality of Bank projects

Chart 3 shows the extent to which the additionality of Bank projects was verified at evaluation. The additionality of Bank projects has generally been rated *largely verified* or better in over 80 per cent of cases although with some variations in particular periods. The data for the most recent period show that 85 per cent of projects approved in 2011-13 had additionality that was *largely verified* or better while the share rated most highly – *fully verified* – fell to 32 per cent. The corresponding data for the preceding period (2010-12) were that 85 per cent of projects had additionality that

¹¹ ENE: Energy; FIN: Financial Institutions; ICA: Industry, Commerce and Agriculture; INF: Infrastructure; CA: Central Asia; CEB: Central Europe and Baltics; EEC: Eastern Europe and Caucasus; RUS: Russia; SEE: South-Eastern Europe. For details of regions and sectors see Abbreviations (page iii).

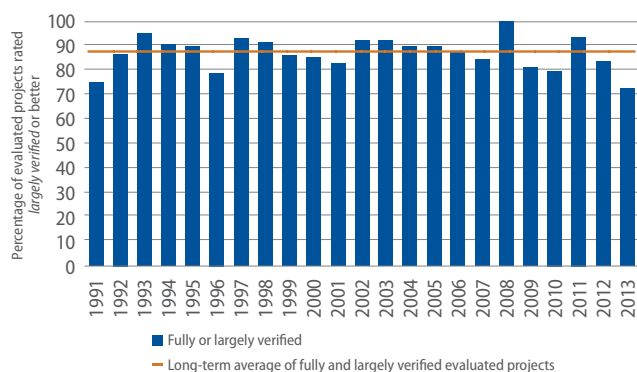
was largely verified or better, of which 35 per cent were fully verified.

CHART 3. ADDITIONALITY BY APPROVAL YEAR (THREE-YEAR ROLLING SAMPLE)



Nevertheless, while rolling three-year averages smooth annual fluctuations, they can also mask more detailed trends. Additionality performance data broken down by approval year (Chart 4) show two noteworthy trends. Rather than closely tracking the long-run averages, the year-on-year figures show an emerging trend of a deteriorating proportion of the Bank's projects being found to have largely verified or better additionality at evaluation. Of the most recently approved and evaluated operations, only 73 per cent were found to have largely verified additionality or better. Though it is important to bear in mind that the most recent approval year data (2013) are based on fewer observations (22), it is also true that Bank projects have been found to have overall below average additionality in five of the seven approval years since 2007. Excess liquidity and low interest rates in EBRD's Countries of Operation over recent years affect EBRD's additionality. The Evaluation Department plans to carry out a special study in 2017 dedicated to exploring the additionality of EBRD projects, which may help to unearth some of the underlying factors driving these trends.

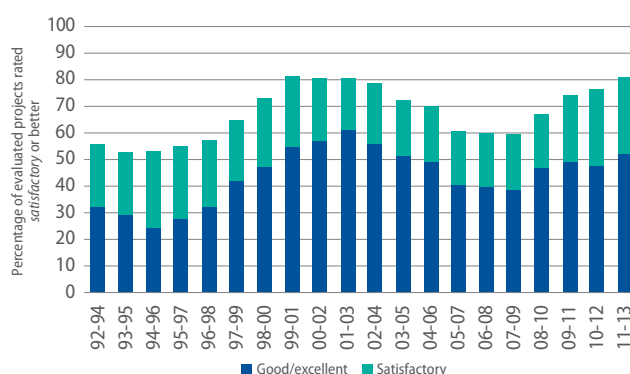
CHART 4. ADDITIONALITY BY APPROVAL YEAR (YEAR ON YEAR SAMPLE)



Financial performance of Bank projects and clients

Financial performance is one measure of the effectiveness of Bank projects, and is closely correlated with overall performance. Chart 5 depicts financial performance by approval year and shows a pattern closely matching that of overall performance (see Chart 1). The most recent evaluation data display a similar pattern of continued post-crisis improvement, with 81 per cent of projects approved between 2011 and 2013 achieving satisfactory or better financial performance.

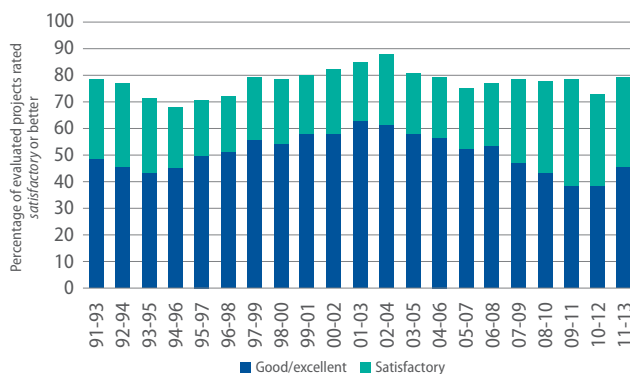
CHART 5. FINANCIAL PERFORMANCE BY APPROVAL YEAR (THREE-YEAR ROLLING SAMPLE)



Transition impact of Bank projects

Chart 6 presents the performance ratings for transition impact. This score is an important indicator as it demonstrates the extent to which the Bank has been delivering on its core mandate. The EBRD has modified its transition concept, and the new concept will be reflected in future evaluation ratings. In the most recent period (projects approved 2011-13), 79 per cent of evaluated projects were rated satisfactory or better for transition impact. This is a notable increase on the preceding period (projects approved 2010-12), which had 73 per cent rated satisfactory or better

CHART 6. TRANSITION IMPACT BY APPROVAL YEAR (THREE-YEAR ROLLING SAMPLE)



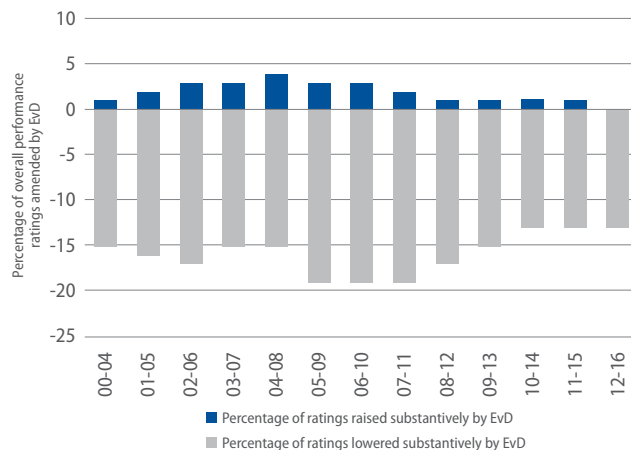
for transition impact. However, that period appears to be a blip as the most recent 2011-13 performance is more in line with historical trends, being almost equal to both the long-term average (78 per cent) and the performance of projects approved 2009-11 (79 per cent).

Ratings gap in investment operations

The ratings gap, often referred to as the disconnect ratio, presents the difference between evaluation ratings from EvD reports such as OPA validations and operation evaluations, and ratings from self-evaluations produced by operations teams. Chart 7 shows the differences in ratings between the two using the binary ratings gap – the proportion of ratings that EvD changed from broadly positive (*successful or highly successful for overall performance*) to negative (*partly successful or unsuccessful for overall performance*), or vice versa.¹² The Department expects the greater attention given to self-evaluation and the increased communication between EvD and bankers to be reflected both in improved quality of self-evaluation and in less divergent views on project performance.

Chart 7 shows the gap reaching a high point in the period 2004-08, with a gradual reduction since then. The overall binary ratings gap has diminished steadily over the past 5-10 years. The chart also shows that this decline has continued in the most recent evaluation period (2012-16), though largely due to a fall in the number of ratings raised by EvD.

CHART 7. OVERALL PERFORMANCE BINARY RATINGS GAP BETWEEN SELF-ASSESSMENT AND EVALUATION – CHANGE OVER TIME



¹² The use of an even number of rating categories is good practice as established by the Evaluation Cooperation Group, as it allows a clear separation of those operations “above or below the line” thus creating two categories of projects: those that are generally successful; and those that are generally less than successful.



Findings and follow-up

Most consistent finding across all EvD's evaluations is the need for ex-ante establishment of defined results with measurable indicators, preferably using a results framework

Upfront specifications = Understanding results

Organisation making strong progress but still work to do

At the heart of EvD's work is objective analysis producing findings that promote accountability and learning, leading to improved institutional performance over time. This section presents key findings from EvD evaluations completed in 2016: both major thematic evaluations and project-level evaluations (operation evaluations and OPA validations). Following a synopsis of individual findings from key studies, this section highlights some common issues emerging from these evaluations. Findings from studies delivered in early 2016 and discussed in the Annual Evaluation Review 2015 are not included here.

Findings from major evaluations

Small Business Support Programme 2011-2015

The Small Business Support (SBS) study was a strategic-level evaluation of the implementation of the Small Business Support Strategic Plan 2011-2015.¹³ The evaluation assessed whether SBS strategic planning was aligned with the EBRD's evolving SMEs strategic

13 http://www.ebrd.com/downloads/tambas/sbs_strategic_plan.pdf

agenda and the needs of SMEs in the Countries of Operation; if the programme delivered demonstrable and sustainable results; and if SBS governance and management design effectively supported expectations of donors and the EBRD.

Selected findings

- Small Business Support planning is driven strongly by donor priorities, reflecting its funding dependency. Despite growing use of the

Spotlight on the Experience with Resident Offices evaluation

A major thematic evaluation completed in 2016 covered the Bank's Resident Offices system. A corporate evaluation of this size and scope was an important first for EvD. The EBRD established a field presence in its early days, and has grown it both consistently and substantially; however, there is little documentation on Resident Offices, and the only formal Management review of the system dates to 1999. The Department was aware that comparable organisations have conducted internal review and independent evaluation of their field systems and found this to be both warranted and useful; and EvD's extensive contact with Resident Offices confirmed that many similar issues are present. Thus EvD proposed and the Board endorsed an evaluation anticipating findings that would contribute to effectiveness and efficiency gains.

The principal findings of the evaluation are as follows.

- The Bank has a substantial field presence (27 per cent of total staff in 54 offices in 34 countries as of December 2015) but there is limited delegated authority and unexploited value as deep local knowledge is often disconnected from decision-making.
- The number of staff in the field has grown substantially (77 per cent from 1999 to 2015) but the proportion of total staff in the field is unchanged from 2000 to 2015 – as the field presence has grown

so has the number of staff in HQ, thus there has been no de-concentration of staff.

- Many local-hire staff in Resident Offices perceive their status as second class relative to HQ staff.
- The Bank does not have comprehensive accessible basic data on its field presence, thus it is not possible to conduct any efficiency analysis or to decide on resource allocation and office openings and closings on the basis of good cost information.
- The Bank lacks a formal strategy on decentralisation to guide growth, contraction, resource allocation and reallocation, distribution of functions and expected results.
- Resident Offices are effective in supporting the banking function, but less so in terms of policy dialogue and managing for outcomes and impacts. Resident Office staff are essentially banking staff – only 39 of 824 field staff are non-bankers.
- There are many unresolved staff-related issues affecting all who serve in Resident Offices.
- Heads of Office are constrained in their ability to manage as, on average, only 46 per cent of staff in Resident Offices report to the Head of Office. Nor can Heads effectively manage the country portfolio since most operational authority rests with the sector teams.

Shareholder Special Fund for SBS projects and staff, there seems to be little change in processes to reflect EBRD institutional priorities in addition to those of donors.

- Small Business Support and overall EBRD strategic planning and prioritisation at the country level over the period under evaluation were essentially independent, though no conflicts in priorities were observed.
- The greatest achievements of the SBS Programme in the period under evaluation have been at client level in terms of contributions to growth and competitiveness.
- While improving clients' access to finance was not a primary objective of SBS, its importance grew as SBS moved toward closer integration with EBRD banking.
- Project-level monitoring, evaluation and learning focused mainly on advisory services supplied and generally produced dense, highly detailed reports fragmented by funding source. There was a lack of qualitative treatment of contributions at the market level, contextual analysis, risk analysis and mitigation measures, which limited the ability of SBS to ascertain results at market and sector level. While there was evidence of achievement in developing local business advisory markets, goals were rarely specified and market analysis was often superficial.

Principal recommendations

- Planning and fundraising for SBS should be rooted in EBRD country-level transition priorities and results frameworks, and country-level outcomes should be evaluated periodically.
- The country-level assessment should lead to better reporting to the Board and donors to allow a more comprehensive view on activities and outcomes at the country level and through the lens of SBS strategic priorities.
- Expected synergies from joint SBS–banking products should be identified clearly at the design stage to integrate programmes and products in order to assure effective monitoring, accountability and execution.

Use of Subsidies

The Use of Subsidies, Phase 1 evaluation completed a first comprehensive mapping of subsidy use and assessed the alignment of subsidy use with Bank policies and principles. The study sought to assess

how EBRD was able to apply its principles regarding use of subsidies, as well as justifying their use. The Department examined 60 projects and facilities defined as non-technical cooperation grants in four forms – investment grants, concessional loans, incentives and risk sharing.

Selected findings

- Donor priorities drive the overall pattern of use, and they differ markedly. Allocation and management of large European Structural and Investment Fund grants, particularly in the municipal and environmental infrastructure sector and the transport sector, reflect donor decision-making with limited EBRD participation.
- Established principles for use of subsidies are clear, coherent and flexible. Use of subsidies generally, but not always, follows principles.
- However, the principle of temporariness – to utilise subsidies for a limited duration – is applied unevenly. Subsidies are sometimes used repeatedly but are often scaled down or followed by subsequent subsidy instruments or facilities.
- Subsidies function mainly as enablers of operations and often lack specific objectives that are distinct from operational objectives. Assessing the effectiveness of subsidies requires judging the counter-factual rather than analysing the intended effects ex-post. As a result, clear evidence on the effectiveness of most subsidies is difficult to identify.

Principal recommendations

This evaluation was the culmination of phase 1 of a two-phase study, thus no formal recommendations were proposed. The second phase is scheduled to commence in 2018.

Four Wind Energy Projects

A clustered project evaluation assessed four wind farm projects (five operations in total) in Poland, Bulgaria, Estonia and Mongolia to identify common design, execution and performance issues, and to extract useful lessons.

Selected findings

- Renewable energy is dependent on pricing set outside the marketplace. Governments are increasingly trying to reduce their support to renewable energy investors as investment costs are reduced and targets are reached. Countries achieving or approaching 2020 renewable energy

targets are likely to reduce their support most aggressively, even including retroactive changes.

- All projects were adversely affected by policy changes or gaps resulting in financial underperformance.
- Policy dialogue was mostly unplanned but there was quick reaction to proposed policy changes and active dialogue. The initial focus of the policy dialogue was protecting clients and EBRD by preventing retroactive changes. Later the dialogue expanded to wider policy aspects and enabling legal arrangements.
- Most transition impact benchmarks were missed but the impact appeared stronger when policy dialogue was embedded. Efforts were more effective at the project level.

Principal recommendations

- The EBRD should identify policy gaps and discuss all intended policy dialogue activities and objectives with policy-makers up front.
- If other multilaterals are involved, close coordination is important, particularly with the European Union (EU), which leads renewable energy policy dialogue in Member States.
- Success boosters include important sector analyses presented in Board reports: stress-testing of regulatory assumptions; impact of alternative renewable energy technologies; cross-border connections and creditworthiness of transmission companies; and disclosure of pricing other than market pricing, e.g. affordability, lifeline or discriminatory pricing.
- Where a subsidy is present, a path to market pricing should be discussed.

Crisis Response to Greek Bank Subsidiaries in Southeast Europe

The Department evaluated EBRD's Crisis Response to Greek Bank Subsidiaries in Southeast Europe comprising 11 debt transactions totalling €490 million with subsidiaries of the four systemic Greek banks in Albania, Bulgaria, Romania and Serbia. All loans were repaid in full and on time, although a second tranche of €490 million was cancelled. The use-of-proceeds targets were 50 per cent SME lending, 50 per cent existing corporate customers. The objectives of the project were to maintain lending in the real economy; prevent rapid, heavy deleveraging; and reduce parent bank funding. The projects were part of the IFI Joint Action plan under the Vienna Initiative.

Selected findings

- The signal to the marketplace was regarded as the most important aspect of this project. Generally viewed as positive and important by bankers, regulators and IFIs, the project had a limited impact on Greek parent banks' balance sheets and was relatively small from the subsidiaries' financial perspective. Nonetheless, the signal that EBRD was willing to invest proved helpful.
- Policy dialogue under the Vienna Initiative and other projects served as an agent to increase the impact of the crisis response. The EBRD led the effort to coordinate activity among south-eastern Europe's central bankers. The EBRD's policy dialogue helped attract funds from other IFIs, and its assessment and policy papers were used by the Bank of Greece in its own assessment.
- Opinions among stakeholders may differ on the risk of a subsidiary with a weak parent. At the time of the project, the risk associated with the parent banks in Greece was high, which led in part to the cancellation of the second €490 million tranche. Yet the subsidiaries believed they were sufficiently capitalised, ring-fenced, and independently regulated and managed. The subsidiaries felt that the risk associated with the Greek parents reflected unfairly on them.

Principal recommendations

There was no formal recommendation associated with this project due to its unique nature and circumstances. Advice was offered relating to the cancellation of the second tranche regarding proper notification in terms of timing and method. Many of the subsidiaries were surprised by the sudden cancellation days before the expected disbursement.

Almaty Transport Integrated Approach

An integrated approach was intended to support transition in urban transport sector in Almaty: by combining multiple investments, extensive technical cooperation and policy dialogue.

Selected findings

- Investments and technical cooperation were fairly well specified but policy dialogue was often mentioned in vague terms and conflated with technical cooperation. Evidence of results from the investments and associated technical cooperation was established, but none with respect to the policy dialogue.

- Projects were heavily dependent on technical cooperation to achieve transition impact rather than a broader combination of technical assistance, policy dialogue, Bank expertise and the investment itself.
- A significant number of technical cooperation projects were not realised or performed poorly, resulting in significantly less transition impact than expected.

Principal recommendations

- A structured and systematic approach to policy dialogue should be presented at approval with clear identification of problems to be addressed, actions to be taken and objectives to be reached.
- Projects under an integrated approach should specifically identify the transition impact contribution expected from the different operational components (e.g. investments, technical assistance, policy dialogue, client commitment). This is especially important when most expected transition impact is derived from technical assistance to be provided largely by consultants.

Supply Chains and Backward Linkages

In retail food and automobile industry projects the projected contribution to more efficient and competitive supply chains is a common element of project-level transition impact scoring, and is often integral to their claimed demonstration effects or larger impact in the marketplace. The Supply Chains and Backward Linkages evaluation assessed these expectations and effects in selected projects in these sectors. Overall, the evaluation found little evidence that these projects promoted change at the local supplier level.

Selected findings

- Large clients tended to work mainly with a few suppliers with which they had well-established relationships. In the case of supermarkets, market power can become consolidated in the hands of fewer suppliers rather than expanding supply chains.
- Supermarkets rarely provided structured training to local suppliers because their relationships tend to be short term and transactional.
- In the auto projects, research and development transfer was often a project component, but little was observed. Advanced process engineering techniques were transferred in some cases, but not design of new major auto parts.

- Some automotive parts producers had little flexibility to source locally as most suppliers were designated by their original equipment manufacturer (OEM) clients and many were foreign-owned. Even if contractually possible, the cost of new supplier entry is high due to the need to retool production. Thus switching suppliers is often economically unjustified even if the new supplier offers a much lower price.
- Poor infrastructure, insufficient storage or inadequate roads can be a major barrier to greater procurement from local suppliers, yet this is rarely an element in project design or analysis.

Principal recommendations

- Significant ex-ante work is needed to ensure appropriate implementation, monitoring and evaluation of intended supply chain effects such as resource requirements in project documentation and clear operational guidelines for project elements, including use of project-level results frameworks outlining specific objectives and benchmarks.

Recurring themes

Clearer specification of policy dialogue objectives and implementation necessary

A major recurring theme was the ex-ante planning, resourcing, monitoring and reporting of policy dialogue activity. This theme was present in the evaluations of Four Wind Energy Projects and Almaty Transport Integrated Approach. A more focused approach to policy dialogue, including expected outputs, outcomes and impacts along with performance indicators, should lead to improved results. In the case of the Crisis Response to Greek Bank Subsidiaries evaluation, the crisis project was assisted by a focused and sustained policy dialogue effort led by the EBRD even if it was only related to the project, not a specific element of the project.

The EBRD is making substantial progress in defining how EvD's 2014 Policy Dialogue in Ukraine special study can contribute to substantial changes in the way the Bank performs policy dialogue.¹⁴ Since the study's publication, the Bank has:

- increased technical cooperation resources for policy dialogue and country diagnostics

¹⁴ www.ebrd.com/documents/evaluation/policy-dialogue-in-ukraine-2014.pdf

- placed more economists based in countries
- launched the knowledge management initiative and created the first community of practice under the Investment Climate and Governance Initiative
- integrated political economy assessment in country strategy preparation/country diagnostics
- conducted regular training in political economy for staff performing policy dialogue.

The Department claims no attribution for the aforementioned achievements but believes there is a contributory relationship, which has been acknowledged by Management.

As demonstrated in the most recent country strategies, the EBRD has become more explicit in its planning and implementation of policy dialogue and more responsive to EvD recommendations. As the Bank's strategy places greater emphasis on policy dialogue to achieve greater transition impact, EvD continues to emphasise this theme.

Subsidies often long-term despite principle of temporariness

Bank guidelines indicate that all non-technical cooperation grants are to be no greater than necessary and are to be temporary. The Use of Subsidies evaluation explored in detail the use of subsidies as a temporary measure to promote investment. Subsidies comprise 1 per cent of annual Bank investment at EBRD and blended finance is becoming increasingly important because of excess liquidity in the financial marketplace. The Four Wind Energy Projects evaluation noted that fixed tariffs serve as a subsidy as market prices are not yet in place. In order to meet renewable energy targets, governments are hesitant to allow market pricing for renewable energy. While these renewable energy subsidies are not of EBRD origin, they do affect EBRD's transactions. In both cases removal of subsidies may cause uncertainties in the market. The Department finds that subsidies are often not temporary but long term and increasingly an integral component of Bank operations. As EBRD's strategy evolves to work more closely with public actors, continued review of EBRD's policy and guidelines related to subsidies is necessary to discuss whether projects are in line with policy, or if the policy needs to change. With the second phase of the Use of Subsidies study, EvD will contribute to that review.

Project level findings

Looking across nearly 70 OPA validation reports too numerous to summarise here, a number of findings developed and converged around larger themes, a selection of which are listed below.

The attributes dimension of additionality needs better ex-ante evidence

The EBRD is committed to the concept of additionality. One of the major elements of additionality is the attributes that the Bank brings to the table as an IFI with unique characteristics and expertise. These attributes include in-depth knowledge and experience, and the ability to influence changes in clients' behaviour that are beneficial not only to the organisation but also to the market. This dimension of additionality is sometimes not readily apparent at project inception, but is critically important as EBRD's financial additionality and deal terms are challenged by the sustained low interest-rate environment. Thus evidence of the attributes dimension should be present at project inception.

- An agribusiness project presented the Bank's added value as its substantial knowledge of the sector. In reality the chosen strategy for entering the region as described in the Board document was based on the company's own model. The result, which was wholly inadequate for the local context, led to substantial underperformance compared with projections.
- A manufacturing project included a "political risk carve-out" and "dialogue with federal and local governments" as part of its additionality justification for a €6 million investment in an EU country. Normally a private sector investment of this size in the manufacturing and services sector would not be seen as high risk. No political risks were identified in the risk analysis, and no need for political/policy dialogue was discussed anywhere else in the approval documentation.

Establishing this attributes dimension is not easy. In the case of a food retail client, the company began a long-term client relationship with EBRD as a small client that was steadily growing and in need of EBRD investment to feed its growth. For the company's most recent transaction with EBRD, the company had strong market share, was ready for initial public offering and was able to attract less expensive finance from commercial banks, and as a result it prepaid the EBRD loan.

Part of the role of an IFI is being successful in preparing clients to access capital in the private sector. In cases where the financial additionality is unclear it

is important to demonstrate strong non-financial attributes. In 2017 the EBRD will begin work on a study of the additionality concept that assesses its applicability and realisation over time.

Committed sponsors are important

A common theme among OPAs is the importance of a committed sponsor. The EBRD frequently lends to subsidiaries or investees of larger companies active in the Bank's Country of Operation. The subsidiary may have financial or operational weaknesses, but may also have the support of the parent organisation as a committed sponsor – not only as loan guarantor and risk mitigant but as active support for business growth, improving corporate governance, providing resources for innovation, emphasising inclusion and energy efficiency, etc.

- A local financial institution operating in a difficult environment was able to achieve its project objectives – improvement of risk management, centralisation of decision-making process, separation of front- and back-office functions, implementation of management information systems, and implementation of a new customer service model – because of continued effort by the parent institution.
- In a cross-border automotive project that expanded the presence of a sponsor to a neighbouring country, the sponsor's knowledge of introducing and expanding similar operations nearby led to robust technical implementation and sales growth.

When projects are risky, if the sponsor is not strong it may not be able to provide the support necessary to bring success.

- For projects associated with the unbundling of state-owned enterprises in the power sector, successful unbundling, a form of restructuring, requires the appropriate institutional and market environment. There are considerable risks associated with reforms that are difficult to mitigate, and continued political commitment to a sector reform programme when governments change is even more difficult. Even after unbundling, the power sector is highly interdependent and results have a cascading effect. In one particular project, because the client was unable to generate enough revenue to pay its bills and the sponsor was weak, there was a negative impact on the entire power sector, which became illiquid and required balance sheet restructuring support from EBRD and other IFIs.

Government commitment to reform can be overestimated even with successful projects

Several self-evaluations and their validations noted the need for political commitment to reform. Without political commitment the prospects for successful reform are tenuous at best even when the investments and use of proceeds fare well.

- In a largely successful road project that achieved major milestones, including legislation in cooperation with the government and the client road agency, one of the main transition objectives was not achieved: restructuring the state-owned road maintenance agency and introducing open competitive tendering for routine maintenance in accordance with the new law. Despite the other successes, the EBRD and its client counterpart underestimated political resistance to this change, which entailed restructure and possibly collective redundancy in the large state-owned entity.

Several projects indicated that even where projects may be successful in achieving operational objectives, the timetable for government reform is often longer than the project.

Organisational need for results frameworks and evaluability

The most consistent finding across all EvD's evaluations is the need for ex-ante establishment of defined results with measurable indicators, preferably utilising a results framework. To understand better the performance and results of EBRD projects, project results frameworks should capture all substantive project elements including any policy dialogue actions to be taken, technical cooperation required, and broader elements potentially extending beyond the immediate client.

The EvD's recommendations from 2016 studies on Supply Chains and Backward Linkages and the Almaty Transport Integrated Approach addressed concerns about how projects in the EBRD are designed ex-ante; the need for results frameworks; and specifically the identification of objectives, indicators and benchmarks to track transition impact more accurately.

The Department also recommended better planning of data collection, monitoring and reporting methods, which are instrumental to capturing transition impact results. This was particularly important for projects presented under an integrated approach that seeks to have a broader impact on reforms. Reporting to donors and the Board under the Small Business

Support programme also needed refinement to cover achievements by country and sector transition priorities, and to ensure opportunities for formal discussion.

These recommendations were largely accepted and Management responded with organisational actions. For example, as part of the evaluation of the EBRD's Resident Office system EvD recommended that the transition concept be made relevant for each Country of Operation to capture the EBRD's impacts more effectively. Management highlighted EvD's work on the transition concept review in 2016 and initiatives to increase its relevance at country level. Country strategies at the EBRD are being redesigned to reflect the new transition concept and specific country circumstances. The Bank is undertaking country diagnostics and putting together country results frameworks, and will review delivery over time.

In response to the need for clearer project transition impact ratings, Management is working to streamline ratings and harmonise monitoring indicators through a new transition concept and an accompanying new computer-based system for assessing transition impact ('Project Christopher'). Clear progress in execution is expected to emerge in the next 12 months.

Follow-up on implementation of EvD recommendations

This section summarises Management's follow-up on recommendations from specific evaluations reported in 2016, as tracked and reported under a new approach devised jointly by EvD and Management and implemented by Management.¹⁵ Section 5 includes a brief discussion of the transition of follow-up reporting from EvD to Management.

The Evaluation Department is appreciative of the effort Management has made in implementing recommendations and reporting those efforts to the Board and EvD.

Almaty transport integrated approach

Management is assessing the results of a new method for integrated approaches that involves stating technical cooperation and policy dialogue elements more clearly, identifying milestones marking transition achievements and linking these to future projects. This assessment will be discussed by the EBRD Strategy

¹⁵ Management Follow-up on Evaluation Department Recommendations (1 January to 31 December 2016), March 2017, CS/AU/17-11.

and Policy Committee before the method is applied to new integrated approaches. Future evaluations will provide opportunities for EvD to assess the method's effectiveness.

Small Business Support Programme 2011-2015

EvD identified the need for a clearer strategy and results framework for the Small Business Initiative, particularly the EBRD's Small Business Support team, whose planning and fundraising should centre on better-identified priorities. One missing element was a transition rationale for the development of consultancy markets. Country strategies also lacked treatment of how enterprises graduate from the Small Business Support programme.

Management reports conducting a full assessment of transition challenges for the SME sector. New country strategy results frameworks have indicators for entrepreneurship, SME skills, and an improved business environment that supports SME and the development of entrepreneurship. The Small Business Initiative strategy addresses the know-how provided to SMEs and includes a country exit strategy.

Supply chains and backward linkages

Management has committed to working more closely with clients to collect further information related to supply chains and backward linkages. The Department believes that a written agreement with clients would be a better way to achieve the required improvements.

Agribusiness

A 2015 evaluation of the agribusiness sector strategy noted the need for a more explicit theory of change and elaboration of transition challenges, including those in early transition countries and EU accession countries. A new agribusiness sector strategy is expected to encompass EvD's recommendations.

Sustainable energy financing facilities

An EvD study called for more clarity on expected channels through which operations would achieve results, more consistent transition impact benchmarks and a more programmatic approach to Sustainable Energy Financing Facilities (SEFFs).

Management launched a programmatic SEFF support framework to scale up SEFFs and to support resource efficiency integration and market readiness. Transition impact objectives will be streamlined and assessed via the new transition indicators of Project Christopher.

Results management across multilateral financial institutions

Relevant to the need for results frameworks, in its work programme for 2016 EvD proposed to review results management systems in other multilateral financial institutions (MFIs). However, the Bank's work on these issues has been substantially broadened and accelerated with the launch of a number of major initiatives directly related to strengthening the institutional infrastructure for results measurement and management. As a result, EvD decided to postpone a major effort until new arrangements have been put in place and operational experience has been accumulated. The work to date has been summarised as an Information Note for the Board, and the most important findings are listed below.

Background

- All major MFIs have long presented core financial and operational information to shareholders and the public. However, all have been challenged to present an evidence-based picture of results at the level of institutional mission and mandate.
- The MFIs have without exception worked to develop such systems with distinctive features regarding resourcing, accountabilities, internal organisation and reporting processes.
- Managements for the most part adopted new systems only reluctantly, reflecting concerns about resources, organisational structure and accountabilities, client-level burdens and uptake, attribution and data challenges.
- However, results management systems are now largely mainstreamed, and more systematic and robust systems have been in place in most MFIs for more than a decade.

Features and structure

- Most MFIs now combine management units with board units for an overlapping results structure. On the management side there is a dedicated results unit with the authority and mandate – as well as resources and skills – to report regularly on such issues. On the board side a specific board committee is typically mandated to focus on results to ensure regular attention at the shareholder level.
- Generally MFIs use a scorecard that feeds clearly from individual to corporate priorities,

with links from results to budgetary allocation. Linking scorecards systematically with individual performance assessments helps align staff with institutional directions and resources with impact. In all cases these efforts are seen to be a work in progress.

- Credible self-evaluation is a critical component of results management, both alone and as complemented by objective independent evaluation to ensure systemic integrity. Aligning evaluation and management reporting is generally seen to have facilitated better understanding and learning.
- Effectively formulated evaluation recommendations coupled with an effective system for management follow-up and board monitoring are widely seen as key elements of effective results management.

Conclusions

- The longer these systems are in place the more valued they become by management. Management attitudes tend to follow a consistent pattern: initial resistance, followed by reluctant acceptance as an unavoidable accommodation to shareholders, followed by appreciation of results management systems as valuable additional performance management tools, leading to active investment in their success as an important vehicle for strategy execution.
- A strong results management system needs to reflect the distinct functions of management and board to satisfy the different types of information required by each.
- The challenges are generally identified as a non-supportive organisational culture, poorly packaged information, poor incentives and inadequate IT systems. Clarity about what is valued is generally seen as an area needing constant review.
- The MFIs have all sharpened their focus on improved knowledge management. Capturing the tacit knowledge that exists inside all MFIs is a common issue seen as a major ongoing challenge.

It will be important to assess how the new country strategies demonstrate improvements in the areas flagged by the evaluation.

Resident offices

A main recommendation by EvD was the need for an explicit strategy for Resident Offices (see section 3). Key needs include reducing inefficiencies in management functions; delegating decision-making authority to Resident Offices; providing for more non-banking staff in Resident Offices; a talent review and succession planning process; and resolving staff issues affecting effectiveness and efficiency, including more equitable treatment for those in Resident Offices.

Management does not agree there is a need for a Resident Office strategy, or that there should be a substantial increase in non-banking capacities in the field. No commitments have been made on delegation of final approval authority for selected operations or portfolio management actions, or with respect to specific issues related to the equitable treatment of Resident Office staff. Management's position is that planned organisational changes and its regular review processes will address the majority of issues.



4

Special topic: EBRD Chair of Evaluation Cooperation Group

Good practice standards

Benchmarking

Integrating gender

The Evaluation Cooperation Group was established in 1996 to promote a more harmonised approach to evaluation methodology. There are currently 10 members and three permanent observers.¹⁶

Since its establishment, the Evaluation Cooperation Group has developed and uses good practice standards and benchmarking studies to assess the extent to which the standards are applied by its members. Members also work together on joint and meta-evaluations, and discuss issues such as the independence of evaluation offices in multilateral development banks and their results agenda, evaluability assessments, and lesson learning and dissemination. The Evaluation Cooperation Group has also developed a process for peer review of independent evaluation offices. The Evaluation Department is a founding member of the Group, which provides a valuable platform for sharing, learning and influencing with IFIs and other partners.

In 2016 EvD chaired the Evaluation Cooperation Group, hosting two meetings in London in June and December. Participants represented 13 multilateral institutions; Senior Management from EBRD also participated and Board members used the opportunity to engage with EvD counterparts from other institutions.

The agenda covered broad discussions on regional political and economic situations, organisational shifts and internal evaluation challenges. Significant progress was made on an EvD initiative to develop evaluation practice or guidance notes on topics and challenges of shared interest. Working groups within the Evaluation Cooperation Group focused on:

- good practice for self-evaluation
- integrating gender into evaluation
- building stronger evaluation communities of practice around thematic expertise
- developing good practice for external evaluation of evaluation departments.

Work was also initiated in the areas of evaluation recommendations, feedback loops and management responses. The Department was an active participant in the self-evaluation and gender working groups (see Box), as well as lead for the external evaluation work; final agreed notes are expected at the next meeting of the Group in June 2017.

16 A list of member organisations may be found at www.ecgnet.org/ecg-member-institutions

Integrating gender into evaluation

Since January 2016 EvD has been working with Evaluation Cooperation Group members within other IFIs to develop a guidance note on the integration of gender into evaluation work. The African Development Bank chairs a working group which discussed a first draft of the note at the Group's December 2016 meeting held at the EBRD.

The guidance note is based on a stocktaking report of different approaches taken by Evaluation Cooperation Group members, and other evaluation units of bilateral agencies, to integrate gender equality into their evaluation methodology. As part of this stocktaking exercise, 16 evaluation units submitted their views on the approach and methods used to incorporate gender equality issues into specific evaluations.

Members of the Evaluation Cooperation Group agreed to improve the guidance note by focusing on project-level evaluation in two or three key



sectors, potentially including water and sanitation, agriculture and education, subject to confirmation by the working group. The African Development Bank has since engaged an external consultant to assist in defining the scope of the final guidance note, which will build on the initial draft and include examples of gender-related evaluations in three sectors.



5

Outlook for 2017: expectations, challenges and advances

Purposeful selection of self-evaluations

New self-evaluation format

Upcoming evaluations include transport and
energy sector studies

New and improved system for following up on
EvD recommendations

The Evaluation Department expects 2017 to be a year of substantial delivery on its core mandate – acting as both the cornerstone and main driver of an effective and efficient evaluation system in the Bank. This section summarises a few selected areas of particular interest to the Board and Management.

The Department's 2017-2019 Work Programme incorporates a significant shift in the composition of EvD's products and services. Its central theme is to prioritise evaluation work that provides both Board and Management with high-value analysis, findings, insights and recommendations on matters of direct strategic interest and relevance. Project evaluations are now done selectively, providing both accountability and learning as before, but also reflecting strategic judgement, thematic prioritisation and downstream utility. Selection methods have been adjusted to support this shift (see Annex 1). Thematic evaluations will increasingly seek to provide high-value findings on strategic issues upstream of decision points wherever possible.

Upcoming studies in 2017

- **Review of EBRD's Equity Portfolio:** A timely thematic evaluation of the Bank's approach to equity investment and results achieved from 2005 to 2014.
- **Local Capital Markets Development Review:** An interim evaluation of strategy and operations to support local capital markets development, a key strategic priority since 1992.
- **Credit Lines:** An evaluation of approaches and operations using financial intermediation with partner banks, which is among EBRD's most frequently utilised investments and a key delivery mechanism for Bank strategic objectives.
- **Investment Climate Support Activities:** An evaluation of efforts to improve the investment climate via programmes such as Legal Transition Team, Investment Climate and Governance Initiative.
- **Transport Sector Strategy Review:** An evaluation of operations under the current sector strategy to provide recommendations for Board and Management to inform the revised sector strategy planned for 2018.
- **Energy Sector Strategy Review:** An evaluation of operations under the current sector strategy to provide recommendations for the 2018 revised sector strategy, as above.
- **Additionality Concept:** A thematic evaluation to review evidence for existing drivers of additionality

and the institutional tools and practices through which it has been benchmarked, assessed and reported.

- **Enforta:** An evaluation of a cluster of investments to a leading Russian telecom provider of wireless internet.
- **Relationship with UniCredit Bank since 2009:** A large-scale evaluation of 16 projects undertaken with UniCredit, the largest bank in Central and Eastern Europe, in the context of EBRD's response to the global and eurozone financial crises.
- **Galnaftogaz:** An evaluation of EBRD's multiple investments in a leading Ukrainian petrol supplier encompassing topics such as repeat transactions, road safety and energy efficiency.

Purposeful selection of self-evaluations

An important element of EvD's proposed 2017-2019 Work Programme is a shift from random selection of projects for validation to purposeful selection. The Department continues its long-standing process of identifying all projects that might be evaluation-ready and consulting with Management to select those ready for self-evaluation. Instead of utilising a stratified random sample to select which projects would receive validation, EvD will purposefully select the projects to be validated according to a set of criteria designed to identify projects that relate to upcoming thematic and operation evaluations; and that include elements of strategic importance, Board interest and high transition impact.

One implication of moving to fully purposeful project selection is that EvD will no longer present its project ratings as statistically representative of Bank performance. However, with average annual project approvals now higher (including many more under frameworks) and the overall pool of active projects much larger, the claim on EvD and Management resources needed to meet this standard has also grown substantially. Absent allocation by both sides of substantially more resources for this work, which would necessarily be away from other priorities, the current approach is unsustainable.

The timing for such a change was appropriate because a discontinuity in project ratings was already certain

given the shift to a new EBRD transition concept and indicators, financial metrics and other EvD enhancements to project performance ratings. Thus EvD must move to a different ratings reporting method irrespective of any other changes it may choose to make.

Most importantly, EvD's view is that the organisation benefits substantially from more relevant project evaluations with more applicable findings, and by releasing substantial EvD and banking resources for higher-value strategic and thematic work. This view has been validated in the survey, focus groups, Audit Committee discussions and comments from Management.

Purposeful selection is the most commonly used approach across the IFI system, and EvD's standards will not be lower than its counterparts'. Selection is based on criteria that include timing of upcoming strategy or policy reviews, ability to provide inputs into larger EvD thematic studies, links to EBRD strategic initiatives, and Board interest. EvD's use of purposeful selection remains within the good practice standards of the Evaluation Cooperation Group.¹⁷

The aim is to gain more strategic insights from the self-evaluations while contributing to efficiency by presenting fewer documents for review to Management and the Board. The total number of projects undergoing self-evaluation remains the same but the projected number of validations has been reduced from 55 to 12. This change in approach was fully vetted by the Audit Committee of the Board of Directors during two sessions discussing EvD's 2017-2019 Work Programme, and subsequently endorsed. A major motivation is to deliver on the Board's request that EvD be more strategically focused and selective in its work.

The Board particularly values the insights and findings that come from thematic studies and project evaluations intended to explore deliberately selected performance and design issues. Beyond 2017 EvD will begin to conduct evaluations of country strategies, and will need sufficient timely and relevant project-level data for selected countries.

¹⁷ Evaluation Cooperation Group guidance states: "[Evaluators] may select a purposeful (self-selected) sample of projects to be evaluated. Reasons for selecting a purposeful sample could include the potential for learning; the high profile of an operation; credit and other risks; the sector is a new one for the IFI; the likelihood of replication; or the desirability of balanced country and sector coverage."

New self-evaluation format

The reduction in the number of validation reports from 55 to 12 is accompanied by a reduction in the demand for more extensive self-evaluations (long-form OPAs) to be undertaken by Management. A new OPA format was piloted in 2016. After the first-year trial EvD concluded that the OPA's value, efficiency and thematic strength could be enhanced by paring the template and concentrating on core project elements. Responding to feedback, EvD amended both the long- and short-form OPA templates and elected to emphasise short-form OPAs. The short-form OPAs are largely a subset of the long-form OPAs and contain the most essential elements.

Long-form OPAs contain detailed project ratings; short-form OPAs do not. After extensive consultations with Management and the Board, surveys and focus groups, the feedback is overwhelmingly in favour of evaluation of country and sector strategies and thematic issues. Facing limited resources, EvD will concentrate on thematic evaluations, operation evaluations of multiple project clusters and cross-sectoral studies rather than individual project evaluations.

Gaining momentum for evaluating country strategies

In the near future country strategies will be the focal point for measuring results, especially transition impact. In 2017 EvD will not be evaluating country strategies, but will look at various issues and themes across multiple countries to provide inputs into the development of EBRD's new country strategies, and to establish effective methodologies and techniques for their evaluation. The Department anticipates performing country-level evaluations in the next one to three years.

Evolution of the Annual Evaluation Review

As EvD reshapes the evaluations produced and the data received in the manner described above, the Annual Evaluation Review will evolve to reflect the results of the revised activities and products. The shift from random to purposeful selection and the reduction in the number of validation reports in 2017 offers EvD an opportunity to innovate and improve its reporting on performance and findings. Thus this 2016 Review appears markedly different from previous reviews.

Transfer of follow-up on EvD recommendations to Management

The EBRD's 2013 Evaluation Policy states that Management tracks action taken on agreed EvD recommendations and periodically reports to the Board on implementation. In early 2014 EvD introduced a proposal for a follow-up system with clear action plans, timelines, deliverables and periodic reporting, to which both Management and the Audit Committee agreed. Following a series of initial reports produced by EvD, in 2016 the Audit Committee agreed that Management would take responsibility for follow-up on EvD recommendations to management, with EvD providing a commentary.

The new reporting process is a marked improvement. Management has introduced an online reporting system, facilitated direct exchange between responsible evaluation managers and operational counterparts, and provided statistical reports and project-level detail not previously available. The first such report by Management on these activities was produced in 2016 and was discussed in the Audit Committee in March 2017.

Improving methodologies and techniques through international engagement

After its successful chairmanship of the Evaluation Cooperation Group in 2016, EvD will remain fully engaged in the international evaluation community, exploring best practices in private sector and international development evaluation. The Chief and Deputy Chief Evaluator plan to attend the 2017 Evaluation Cooperation Group meetings and EvD will be represented at the annual OECD Evalnet and European Evaluation Society meetings. An EvD delegation attended the International Financial Corporation's Conference on "Evaluating the Development Impact of Private Sector Operations" in February 2017.

External evaluation of EvD to begin in 2017

In its 2017 Work Programme EvD committed to conducting an external evaluation or review of the Bank's evaluation system, including the Department itself. The process will include an initial self-assessment completed by EvD with the assistance of an external consultant. This will be submitted to the Audit Committee and will provide input for an independent review of EvD and the larger Bank-wide evaluation system to be completed entirely by an external consultant. This second phase of work is expected to commence in 2017 for completion in 2018.

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