ANNUAL EVALUATION REVIEW 2014

European Bank
for Reconstruction and Development

www.ebrd.com

The EBRD's *Annual Evaluation Review* provides an overview of the results of evaluation conducted within the Bank over the past year.

It includes:

- A performance assessment of the EBRD's mature operations from an *ex-post* evaluation perspective, based on a mix of in-depth evaluations and self-evaluations validated by the Evaluation Department (EvD), in fulfilment of its accountability function;
- Main findings from 2014 evaluation studies as EvD's principal contribution to learning;
- An in-depth study of cross-cutting topics including: an analysis of factors most commonly associated with more and less successful projects; a review of the new Board project approval format regarding coverage of evaluation findings and lessons; and developments in relation to results frameworks and theories of change;
- A quality check of EBRD self-evaluation and transition impact monitoring systems including an assessment of the gap between ratings produced by them on the one hand, and EvD evaluations on the other; and
- A review of EvD's performance, challenges and accomplishments.

Contents

Highlights 3

Aggregate Performance 5

Findings and Recommendations 13

Special Topics 21

Self-evaluation and Monitoring 31

Achievements and Challenges 37

Annex 1 Selection of projects for evaluation 47

Annex 2 Statistics of evaluated project performance 51

Annex 3 Work Programme completion 61

Annex 4 Management comments 63

© EBRD/John McConnico

Highlights

Aggregate performance of the EBRD's operations

- The overall performance of evaluated projects shows a continuing pattern of improved performance following the crisis, first reported in the 2013 Annual Evaluation Review, driven by a parallel pattern of improved performance in several component ratings.
- Evaluated projects approved from 2009 to 2011 had a 57 per cent success rate overall, similar to the average of 56 per cent for 1991 to 2011.
- Over the 2009 to 2011 period, transition impact rated satisfactory or better in 80 per cent of cases and good or excellent in 41 per cent of cases, compared with 78 per cent and 53 per cent for the full period from 1991 to 2011.
- The proportion of evaluated projects rated good or excellent for transition impact is falling, for reasons not yet fully explained. EvD will conduct further analysis to try to identify drivers.
- Performance of evaluated projects in Central Asia has improved in recent years while performance in Russia has fallen; however, the changes are too small for statistical significance (the results of 2015 evaluations will provide a firmer basis for reporting on this possible trend in the 2015 Annual Evaluation Review).
- Assessed additionality is lower on a three-year rolling basis because of fluctuations from 2008 to 2009, but on a year-by-year basis it appears to be holding up.

Main findings and recommendations of 2014 evaluations

- 2014 evaluations produced further findings on the results agenda, including: difficulties in assessing outcomes beyond the immediate project; establishing links between finance and attributed results, results monitoring and handling targets and outcomes across linked operations. This work has contributed directly to ongoing Management efforts, endorsed by the Board, on a broader architecture of results frameworks. Adequate specification of intended results, monitoring, resourcing and feedback are all key to their overall effectiveness.
- A special study 'The EBRD's experience with policy dialogue in Ukraine' produced several recommendations and proposed actions including the need to actively identify opportunities and the right counterparts, be clear about expected results, and prepare for extended engagement. EvD called for clear guidance from Management on policy dialogue, which Management committed to producing. This work was supplemented by further lessons on policy dialogue arising from individual project evaluations during the year.
- Evaluations continued to produce basic good practice lessons on due diligence, structuring and monitoring of operations, reaffirming need for ongoing efforts in these areas. Equity projects produced lessons on board representation, shareholder relations and the tension between debt and equity in combined operations
- Some evaluated projects were negatively affected by government actions, not only in early transition countries but even within the European Union.
- A special study entitled 'The EBRD Shareholder Special Fund – an interim evaluation' (undertaken at Management request) recommended extensive changes in planning and management which Management largely built into proposed reforms approved by the Board. A further special study entitled 'Private sector participation in municipal and environmental infrastructure projects' recommended closer operational focus on assessed transition gaps and a variety of measures to intensify support for private sector development.
- Management responses to EvD recommendations varied substantially across the different reports and in some cases fell short of EvD and Board expectations; management attention and further progress is needed with regard to specific follow-up commitments and execution.

Special topics

- Identification of common operational factors affecting the performance of evaluated projects. More successful projects exhibited greater sponsor commitment, management skills, governance and Bank handling. Less successful projects suffered in the areas of management skills, governance, the business cycle and Bank handling. Further analysis is both needed and merited to understand better the key drivers at the sub-sector level.
- The EBRD's standard new project Board approval document which eliminated a section dedicated to presenting relevant past experience. EvD found that only 10.5 per cent of approval documents using the new template in 2014 explicitly mentioned past experience. Clarity on how lessons are incorporated into new project proposals serves Board, Management and clients, and is a critical contributor both to accountability and learning at the institutional level.
- Developments relating to results frameworks in technical cooperation and investment operations, country and sector strategies and policies. EvD has cooperated with Management on these issues, and comments on the progress made over the last two years.
- EvD proposes that sector strategies and policies better capture their principal intended outcomes and impacts, extending the work done or underway towards results frameworks at institutional, country and activity levels.

Self-evaluation and transition monitoring

EvD applied a self-evaluation (OPA) quality checklist to 91 OPAs delivered in 2014 and found that on average they were of good quality, scoring 78 per cent across the five dimensions of the checklist, a similar result to 2013. Average scores for discussion of project efficiency improved (71 per cent, up from 65 per cent in 2013). Discussion of impact and sustainability remained relatively weak with an average score of 69 per cent, the same as 2013.

The ratings gap between project team self-assessed ratings and EvD ratings (the 'disconnect ratio') has continued to fall, on a five-year rolling average, from 19 per cent of ratings downgraded by EvD from 2007 to 2011 to 13 per cent from 2010 to 2014. This reflects greater attention given to self-evaluation and increased communication between EvD and bankers. With continued Management priority this should continue to fall – ideally to below 10 percent.

Assessed project transition risk at appraisal remains a good predictor for the likelihood achieving transition potential at evaluation. For completed operations, evaluated transition impact ratings matched the final ratings from the Transition Impact Monitoring System in 85 per cent of cases.

The report emphasises the difference between evaluation and transition monitoring, and notes that assessing transition impact is a three-way process involving the Office of the Chief Economist, Banking and EvD.

Achievements and challenges

The Bank's 2013 Evaluation Policy is providing a pragmatic and effective framework for improved evaluation in the Bank.

This report provides updates on implementation of EvD initiatives following a comprehensive strategic review initiated by the Chief Evaluator in 2011.

Aggregate performance

In this Chapter:

- evaluation results for the representative sample of randomly selected operations
- presentation of overall performance of evaluated projects
- review of aspects of performance according to the OECD Development Assistance Committee (DAC) evaluation criteria: relevance, effectiveness, efficiency, and impact and sustainability

How operations are evaluated in the EBRD

Operations are scheduled for evaluation according to principles set out in the EBRD Evaluation Policy, described in more detail in the Guidance Note on Selection and Sampling of Projects for Evaluation, and summarised in Annex 1. In sum, each year, unevaluated operations are reviewed to identify those that have reached early operating maturity and are therefore 'evaluation-ready'. Small operations approved under frameworks are excluded from this process to avoid skewing the sample in volume terms.

Self-evaluations are conducted by operations teams for all evaluation-ready projects through the preparation of Operation Performance Assessments (OPAs). The Evaluation Department (EvD) advises bankers on the preparation of the OPA, reviews all such self-evaluations in draft form and suggests amendments which would improve the quality of the self-evaluation. It is up to the team preparing and approving the OPA whether to incorporate EvD's comments or not. EvD does not sign off the OPA; it is wholly a Management product.

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 a sampling error not exceeding plus or minus 5 percentage points, for key performance indicators.

EvD evaluates these projects through one of 4 different report types:

- *OPA Review*: every project undergoes a self-evaluation process once in its life, through an OPA prepared by the Operation Leader in Banking. EvD reviews each OPA for quality (completeness and internal consistency). If no further evaluation takes place, it is known as an OPA Review (OPAR).
- *OPA Validation*: every year, EvD selects a random sample of OPAs to be evaluated through an OPA Validation (OPAV). The assessment is mainly a desk study, consisting of a review of key project documents and discussion with the operation team to allow validation of the ratings and lessons presented in the OPA.
- *Operation Evaluation*: an Operation Evaluation (OE) is an in-depth evaluation of a project or a group of closely related projects. EvD conducts a site visit and discusses the project with interested parties inside and outside the Bank. The services of a consultant may also be used to provide industry expertise.
- *Special Studies*: large frameworks and programmes are evaluated through Special Studies. These may involve site visits and sometimes the input of a consultant. The focus is usually on the framework or programme as a whole, which may also include technical cooperation funds. Individual operations covered by the framework are not always evaluated in depth.

Most projects are evaluated through an OPA validation (OPAV). 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 (see above). The OPAV 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 (OE). EvD also selects a small number of operations from outside the sample for full, independent evaluation through an OE or special study, following the 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 input to a broader study such as a sector strategy evaluation.

The findings presented in this chapter are based on EvD's evaluation results for the representative sample of randomly selected operations only. The sections on '*Overall Performance*' and '*Breakdown of overall performance by sector and region*' below consider the overall performance of evaluated projects.

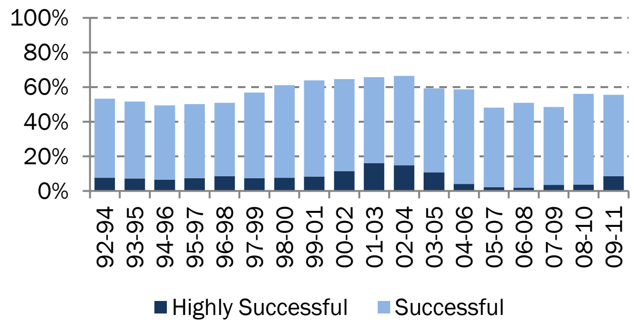
The remaining sections in this chapter review in turn the four aspects of performance according to the standardised evaluation criteria of the OECD Development Assistance Committee (DAC): relevance, effectiveness, efficiency, and impact and sustainability. These criteria have been incorporated in the templates for the self-evaluation (OPA), validation (OPAV) and independent evaluation (OE) reports. Annex 2 presents a full set of the figures forming the basis of the text below.

Overall performance

The proportion of evaluated projects rated *successful* or better since the Bank's establishment has varied between about 50 per cent and 70 per cent. The chart below shows overall project performance by year of approval using a three-year rolling average.[1] The two main observable departures from trend reflect the two major financial crisis that have affected the Bank's region, namely for operations approved in 1996 to 1998 (before the 1998 Russian crisis) and in 2005 to 2007 (before the recent 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.

The most recent approval years for which sufficient results are available are 2009 to 2011.[2] Results cluster around the long-term average, with 57 per cent of projects rated *successful* or better at evaluation, including 9 per cent rated *highly successful*. The same proportion of projects approved in 2008 to 2010, the immediately preceding period, were also rated *successful* or better at evaluation, although slightly fewer (4 per cent) were rated *highly successful*. These results confirm a pattern of consolidation in the overall performance of Bank projects subsequent to the most sharply affected project cluster; fewer than 50 per cent of approvals between 2005 and 2009 were rated *successful* or better.

Overall performance by approval year (rolling 3 year sample)

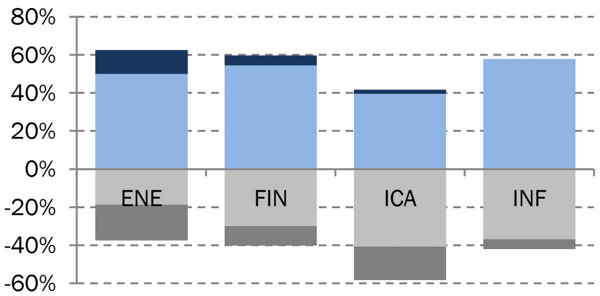


Overall performance by sector and region

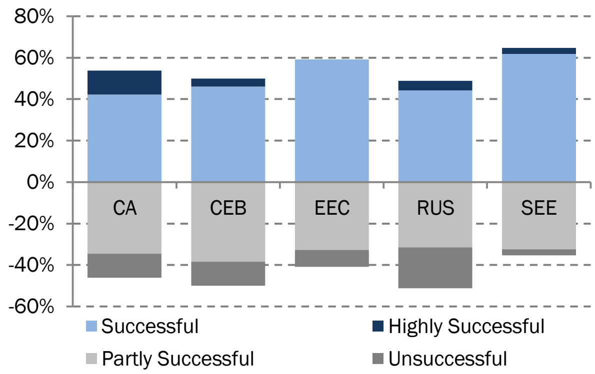
A comparison by industry sectors (see below), also shows overall performance generally in line with trends. Of evaluated energy (ENE) projects approved between 2006 and 2012, 63 per cent were rated successful or better; evaluated infrastructure (INF) and financial (FIN) sector operations achieved overall performance ratings not far off this, at 57 per cent and 60 per cent respectively.

However, only 42 per cent of evaluated projects in the industry, commerce and agriculture (ICA) sector approved over the period were evaluated as *successful* or better; this also tracks with longer term trends. EvD has noted in previous Annual Evaluation 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 energy and infrastructure sector projects, of which a higher proportion are in the public sector or in regulated utilities. This theory gets some support from a more in-depth analysis presented in the chapter 'Special Topics', section entitled 'Factors most commonly associated with project outcome success or lack thereof' (p 21). However, that analysis also shows the financial sector even more affected by the business cycle. The available evidence does not help explain the difference; looking in to this may be a special topic for the 2015 Annual Evaluation Review.

Overall performance by sector (evaluated projects approved 2006- 2012)



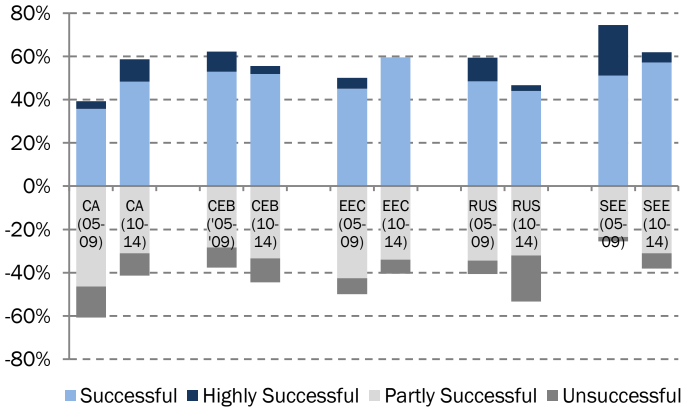
Overall performance by region, evaluated projects approved 2006 to 2012



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 the details of regions and sectors, please see the 'Abbreviations' section.

On the other hand, a regional comparison of overall performance shows evidence of some emerging trends. Historically, evaluated projects in the Central Europe and the Baltics states (CEB) and south eastern Europe (SEE) regions have tended to be the best performing in terms of overall performance ratings followed by those in Russia (RUS) and Eastern Europe and the Caucasus (EEC), with Central Asia (CA) underperforming the other regions. There has been a considerable improvement in the overall performance ratings of projects in the CA region to the extent that it is now performing at roughly the same level as other regions. The most recent evaluation data also shows a developing pattern of lower performance of projects in Russia.

Overall performance by region, projects evaluated 2005 to 2009 compared with 2010 to 2014



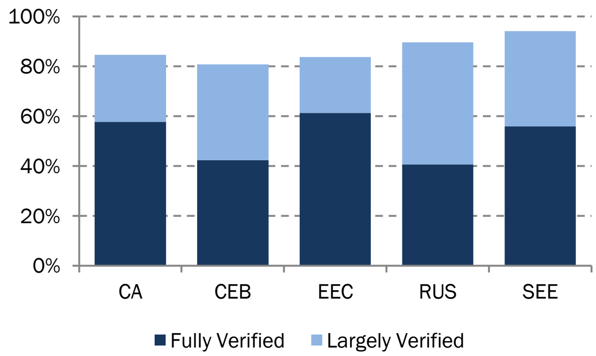
ENE: Energy; FIN: Financial Institutions; ICA: Industry, Commerce and Agriculture; INF: Infrastructure

CA: Central Asia; CEB: Central Europe and Baltics; EEC: Eastern Europe and Caucasus; RUS: Russia; SEE: South-Eastern Europe. For the details of regions and sectors, please see the 'Abbreviations' section.

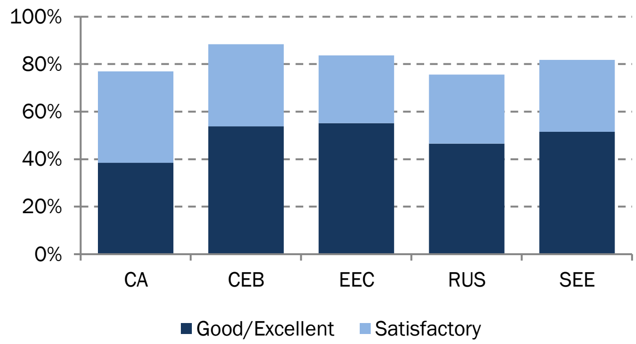
This is confirmed when the regional comparison of overall performance is also examined by year of evaluation. The chart to the left compares results reported in the 2011 Annual Evaluation Review with results for recently evaluated projects. It shows that 55 per cent projects in Russia evaluated over the five year period 2005 to 2009 were rated overall as *successful* or better, broadly in line with other regions. However, the equivalent proportion of projects so evaluated over the last five years dropped to 47 per cent, with the share of *unsuccessful* rising to 20 per cent. The reasons for this reversal are not immediately apparent and warrant further analysis.

A breakdown of overall ratings further by region shows that the Bank's support in Russia continues to be evaluated as highly additional, with close to 90 per cent of evaluated projects approved between 2006 and 2012 having *largely verified* or better additionality. However, performance along other dimensions has lagged. In terms of evaluated transition impact, only 75 per cent of projects are rated satisfactory or better. Similarly, on the extent to which projects achieve their objectives (operational objectives and financial performance), only 77 per cent are *satisfactory* or better; both are low in comparison with other regions.

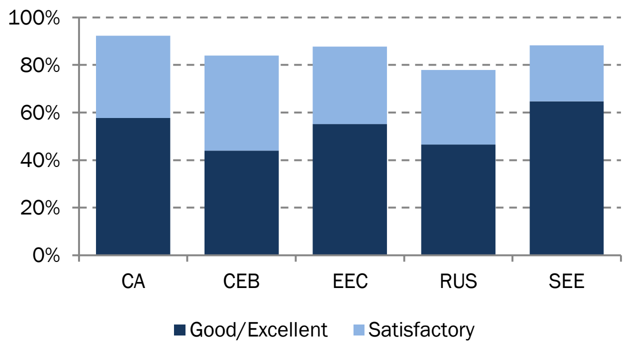
Additionality by region projects approved 2006 to 2012



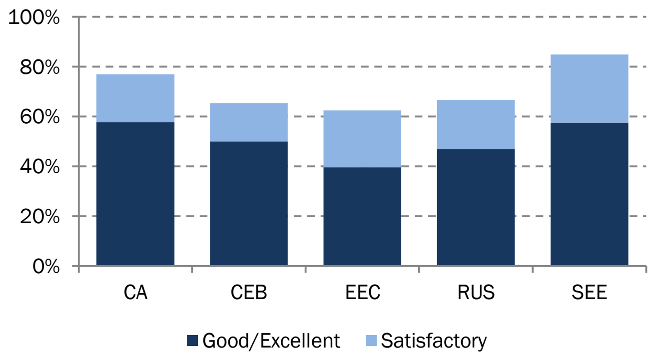
Transition impact by region projects approved 2006 to 2012



Achievement of objectives by region, projects approved 2006 to 2012



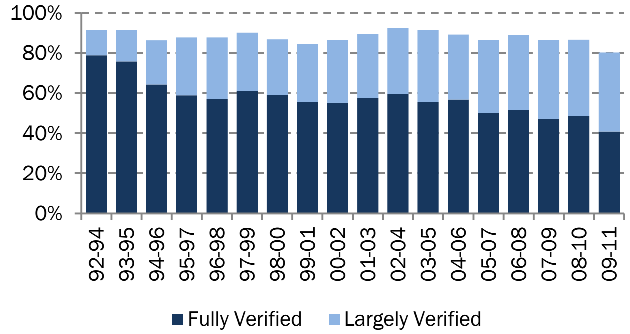
Financial performance by region projects approved 2006 to 2012



Project relevance and additionality

Evaluations cover the relevance of Bank projects through a combination of a description of the rationale of the project in terms of the Bank's mandate, and guiding country and sector strategies, and a rating of the additionality of each project. The chart below shows the extent to which the additionality of Bank projects was verified at evaluation (by approval year). The additionality of Bank projects has generally been rated *largely verified* or better in over 80 per cent of evaluations although with some variations in particular periods. The data for the most recent period show that 81 per cent of evaluated projects approved from 2009 to 2011 had additionality that was *largely verified* or better while the share rated most highly – *fully verified* – fell to 41 per cent. This extends a clear trend underway for more than a decade.

Additionality by approval year (three-year rolling sample)

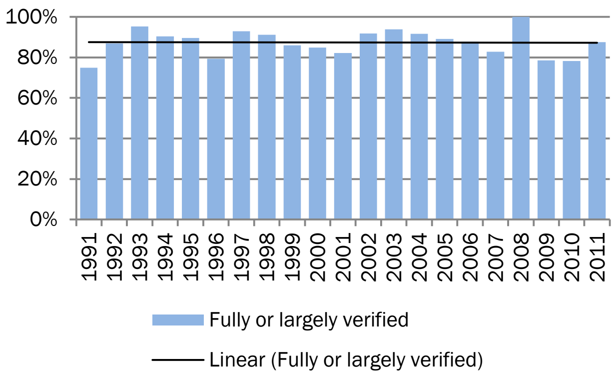


But while the rolling average smooths annual fluctuations it can also mask more detailed trends. Additionality performance data broken down year-on-year (chart top right) show two noteworthy points. Rather than continuing to fall, the year-on-year figures show an upturn in the proportion of the Bank's projects found to have *largely verified* or better additionality at evaluation. The three-year rolling averages were affected by a combination of the uncommonly high and low additionality ratings of projects approved in 2008 and 2009 respectively. At 88 per cent, the proportion of evaluated projects approved in 2011 with *largely verified* or better additionality reveals a reversion to the long term mean after a few years of lower scores.

It is important to bear in mind contextual changes when considering inter-period performance of the Bank's projects, for example in broader macro-economic trends in countries of operations or in the volume and value of the EBRD's operations by sector and region. EvD is exploring the possibility of a specific piece of work looking at the relationship between the performance of Bank projects and contextual issues such as macro-economic trends, regulatory reform and measures of perceived transparency and ease of doing business.

On the other hand, the data for evaluated projects approved between 2009 and 2011 also show a continuation of another recent trend which is a fall in the proportion of projects with *fully verified* additionality to 41 per cent. Meanwhile Banking Department self-evaluation of the same group of projects rated 66 per cent with *fully verified* additionality. A review of a sample of evaluation reports where EvD has lowered the *fully verified* self-evaluation rating found that EvD cited insufficient evidence to support the top rating assigned by Banking in about half of those cases. In other words, about half the downgrades reflect an explicit assessment by EvD of a lower additionality

Additionality by approval year (year on year sample)



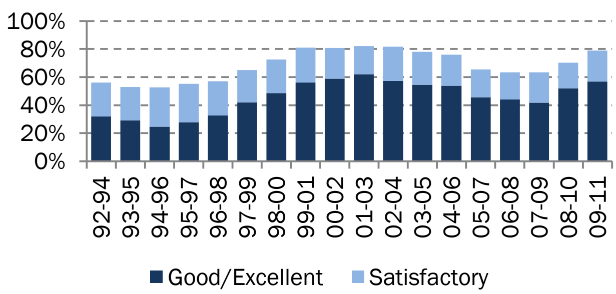
performance than Management, while the remainder of downgrades can be explained by an insufficiency of date to confirm them. In these cases it is not possible to tell for certain whether additionality was truly lower or simply not well substantiated in the self-evaluation.

Project effectiveness and efficiency: achievement of objectives, project financial performance and Bank handling

The Bank's effectiveness is measured by a combination of financial performance and achievement of operational objectives. These are two of the three indicators which are most closely correlated with overall performance (the other being transition impact, see the 2012 Annual Evaluation Review). Thus expectedly, both indicators show a performance pattern closely matching with each other and with that of overall performance (as seen in the chart 'Overall performance by approval year' p 6). Evaluated projects approved between 2009 and 2011 show a similar post-crisis effectiveness upturn, with 91 per cent and 79 per cent *satisfactory* or better in achievement of objectives and financial performance, respectively.

Achievement of objectives by approval year (three-year rolling sample)

Financial performance by approval year (three -year rolling sample)



At this juncture, it is important to highlight one limitation of indicators of effectiveness for projects from the most recent period. Evaluation is conducted on operations expected to have had sufficient time for implementation and attainment of their benchmarked objectives. However, projects approved in the same year will inevitably mature at different rates for a number of reasons. For example, projects in the infrastructure sector such as road construction tend to have project implementation periods substantially longer than those in the industry commerce and agribusiness sector, such as working capital or balance sheet restructuring facilities extended to corporates. Thus EvD finds that that often the first projects from any particular approval year cohort to become 'evaluation ready' are those most likely to have already materially fulfilled their project objectives and these will be among the first to be evaluated. Other projects from the same cohort that have not yet fulfilled their objectives or are delayed in implementation may have been considered not yet evaluation ready. As more projects from that cohort are eventually evaluated the mean assessed ratings for effectiveness in terms of achievement of objectives and financial performance may trend downward.

The efficiency of Bank projects is measured through Bank handling, the quality of the Bank's own performance throughout the life of the project including the investment performance of the Bank. This shows a similar pattern over time, but with higher scores across the board. In the most recent period (chart below) 71 per cent of projects have been rated good or better for Bank handling, and 95 per cent satisfactory or better. One factor explaining this is that evaluations often find the causes of less successful projects to lie outside the Bank in the political and economic environment, or in the commitment or performance of partners.

Bank handling by approval year (three-year rolling sample)

Additional analysis of the operational factors of project success can be found in the chapter 'Special Topics' of this report. The factors analysed include both bank handling and other factors contributing to financial performance and the achievement of operational objectives. The focus is on operational and commercial factors particularly relevant to the effectiveness and efficiency of operations, more than their rationale and impact.

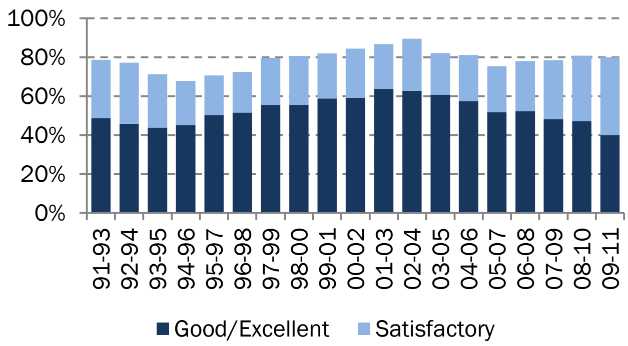
Project transition impact and environmental and social sustainability

The chart to the right presents the performance ratings on transition impact in particular for those rated *good/excellent* and *satisfactory* by EvD for transition impact. This score is an important indicator as it provides confirmation of the extent to which the Bank is delivering on its core mandate. In the most recent period (projects approved 2009t to 2011), 81 per cent of evaluated projects were rated satisfactory or better for transition impact. This is in line with recent trends – projects approved from 2008 to 2010 had 83 per cent rated *satisfactory* or better for transition impact while the figure for those approved from 2007 to 2009 was 79 per cent.

However, the disaggregated evaluation data shows some weakening in transition impact in one respect. Of the 81 per cent of evaluated projects approved from 2009 to 2011 that were rated as having *satisfactory* or better transition impact, only 41 per cent of were rated *good* or better. The established pattern over a longer period of time has been for closer to 50 per cent of the evaluated Bank projects to be rated *good* or better for transition impact. For example, projects in the sample approved since 2005 (based on the 3-year rolling averages) were rated *good* or better on transition impact in the range of 49 per cent to 52 per cent of the time. The falling proportion of evaluated projects rated *good* or better for transition impact is a newly apparent phenomenon and EvD plans to analyse the sample further to identify reasons for it.

All projects are screened at appraisal for transition potential. A project is only approved if its transition potential is at least *satisfactory* and until recently at least 80 per cent of projects approved in a year had to have *good* or *excellent* potential[3]; in practice this figure was often much higher. In this context, there remains a substantial gap between the transition potential assessed at appraisal and the transition impact achieved or expected to be achieved at the time of evaluation. The chapter 'Self-evaluation and monitoring' of this report revisit this question. One of the key findings from those sections relates to transition risk. A large proportion of the Bank's approved projects are assessed as having high risk associated with the transition potential, corresponding to the often difficult environment in which the Bank operates. EvD's analysis shows that the risk rating is a good indicator of the probability of the project achieving its potential at evaluation.

Transition impact by approval year (three-year rollling sample)



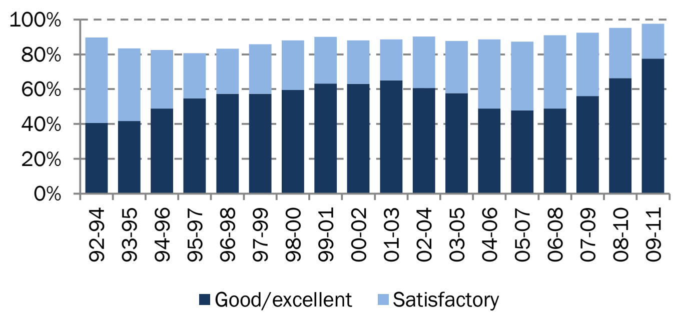
Environmental and social impact is important in terms of the Bank's mandate, as the Bank seeks to ensure that the projects it finances are socially and environmentally sustainable, respect the rights of affected workers and communities and are designed and operated in compliance with applicable regulatory requirements and good international practices. The articles establishing the Bank require it 'to promote in the full range of its activities environmentally sound and sustainable development' (Article 2vii). The EBRD categorises proposed projects based on a number of environmental and social criteria set out in the EBRD 2014 Environmental and Social Policy (ESP) in order to:

(i) “reflect the level of potential environmental and social impacts and issues associated with the proposed project”; and

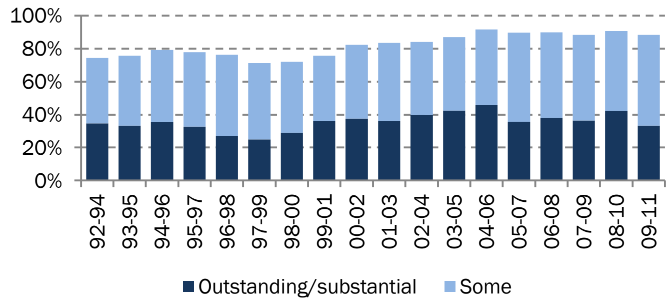
(ii) “determine the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required for each project, taking into account the nature, location, sensitivity and scale of the project, and the nature and magnitude of its possible environmental and social impacts and issues.“

Due to the nature of the Bank’s business model, a sizeable proportion of the Bank’s projects are categorised as 'financial intermediaries', which means that the financing structure involves the provision of funds through financial intermediaries (FI) whereby the task of sub-project appraisal and monitoring is designated to the financial intermediary. There is a tendency for such projects to be evaluated as having environmental and social performance and change ratings of *satisfactory* and *some*, which distorts analysis of the aggregate environmental and social performance/change of projects in the evaluation sample. The charts below show environmental and social performance and change by approval year with projects categorised as financial intermediaries (FI) removed from the evaluation sample. The figures show strong environmental and social performance of Bank projects, with 96 per cent of evaluated projects approved in 2009 to 2011 rated *satisfactory* or better for environmental and social performance of which 72 per cent were rated *good* or *excellent*. Furthermore, 88 per cent achieved at least some environmental and social change. Evaluated projects approved between 2009 and 2011 also show a continuation in the trend of improving environmental and social performance compared to those approved from 2005 to 2007.

Environmental and social performance by approval year excluding financial intermediaries (3 year rolling sample)



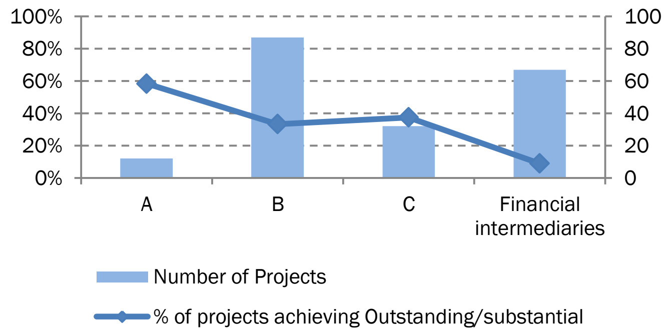
Environmental and social change by approval year excluding financial intermediaries (3 year rolling sample)



The previous chart demonstrates that the percentage of evaluated projects that manage to attain either of the two highest ratings for environmental and social change, of *outstanding* or *substantial*, has been relatively low and stable over the years. However, rather than an underperformance of Bank projects in this regard, this phenomenon may also be due to the fact that not all the Bank’s projects have the have the potential to contribute *outstanding/substantial* environmental and social change in the Banks countries of operation. One way to substantiate this is to refer to the Bank’s ex ante categorisation of projects according to the Environmental and Social Policy. When the Bank deems that a project could result in potentially significant adverse future environmental and/or social impacts it is categorised as an ‘A’ project, it is categorised ‘B’ when its potential adverse future environmental and/or social impacts are typically site-specific and a project is categorised ‘C’ when it is likely to have minimal or no potential impacts.

The chart below shows that only 6 per cent of 196 evaluated Bank projects approved between 2006 and 2012 were categorised as ‘A’ projects ex ante and thus had the potential for significant adverse impacts requiring a comprehensive Environmental and Social Impact Assessment.[4] It also shows that a much greater proportion of Category A projects attained an environmental and social change rating of *substantial* or higher at evaluation, than any of the other categories. The environmental categorisation of projects is not a measure of the expected potential for positive environmental change. Nevertheless, while the numbers are too small to be significant, there would appear to be a link between the potential for significant adverse impacts, the additional attention paid to such projects in the environmental appraisal and monitoring process, and the achievement of *substantial* positive outcomes.

Environmental and social change of projects approved 2006 to 2012, by category



© EBRD/ Vladimir Pirogov

[1] It is important to note that the projects evaluated in any given year may have been approved over several years. Each Annual Evaluation Review presents the latest aggregate results. Therefore aggregate results from earlier approval periods (for example 2007 to 2009, 2008 to 2010) will have changed compared to the results presented in the 2013 Annual Evaluation Review. There is a potential positive bias in the results for recent approval years as projects which 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.

[2] Evaluation data is available for two projects approved in 2012. These are not included in three-year rolling average analysis because the numbers are too low to be informative. They are included in the charts which group larger numbers of projects over longer time periods for analysis, as follows:

- 'Overall performance by sector, projects approved 2006 to 2012' (p 6)
- 'Overall performance by region, projects approved 2006 to 2012' (p 6)
- All charts on p 7
- 'Environmental and social change of projects approved 2006-12, by category'(p 10)

[3] For 2015 this has been replaced by a new target, but this was not relevant at approval to the projects forming the evaluation database.

[4] This does not mean that only 6 per cent of approved projects were 'A' category. EvD has only recently included the environmental category as one of the criteria it uses in ensuring the representativeness of its evaluated sample. Therefore the representation of 'A' projects in the sample in previous years may be rather low. This situation has now been rectified for future years.

© EBRD/Lksandar

Findings and recommendations

In this Chapter:

- Key findings and recommendations from evaluation studies issued in 2014
- Findings discussed by common themes: results, policy dialogue, government action or inaction, sound banking issues, equity projects
- Overview of Audit Committee and Board review and discussion of evaluation reports

Cross-cutting issues

Results

Results, results frameworks, verifiable indicators and results monitoring have been recurrent themes in recent Annual Evaluation Reviews. Management has given these issues a welcome intensified focus in recent years; results frameworks were introduced for technical cooperation operations in 2013, followed by Country Strategies in 2014. The standard template for project approval documents for the Board has been somewhat amended to bring together expected results into one section. Management is currently working on a broader architecture of results frameworks at the institutional, country and activity levels. The Evaluation Department has looked actively for opportunities to contribute wherever possible and has been constructively involved in specific cases (see the chapter 'Special Topics' section 'Results frameworks and theories of change' p 26 for more detail). As a contribution to Board and Management efforts in this area, EvD highlights some relevant findings from 2014 evaluations which it is hoped will provide useful input to the work.

Assessing outcomes and impact beyond the immediate project: Transition Benchmarks

A recurring theme is the need to ensure that transition benchmarks measure broader outcomes and impacts as well as the immediate activities and outputs of the project. Examples included:

In the infra-structure sector	Two projects evaluated through a Validation were intended to have demonstration effects resulting from successful physical implementation and measures such as institutional strengthening and tariff changes. However transition benchmarks focused on the activities and did not attempt to assess actual demonstration effects such as adoption of similar investments or tariff changes by other municipalities.
In the corporate sector	One example of a project evaluated through a Validation was intended to improve client competitiveness and provide a demonstration effect through corporate and balance sheet restructuring. However transition benchmarks were limited to precursor activities (the restructuring) which were in fact achieved on signing; they did not set out to assess either competitiveness or a demonstration effect. While poor financial performance led to debt restructuring and seriously weakened the demonstration potential the project formally achieved all its transition benchmarks. A warehousing project focused on a direct contribution to competition effects but did not look beyond the project to the wider impact on suppliers nor include specific elements to enhance such transition opportunities.
In the transport (rail) sector	A project evaluated through a Validation required the client to prepare a Property Management Plan for the company's surplus property and non-core assets. The document was prepared and the benchmark thus met, but few key recommendations were implemented. The client was required to maintain and publish a transparent track access charge regime, but there was no evidence this had any impact on operational or financial performance. A network operations strategy was prepared, but it later became clear that the network would have to be reduced in size. The benchmark of implementing an IAS audit was achieved, but in later years the client was consistently in breach of the covenant requiring it to submit acceptable audited financial statements. In summary, benchmarks were achieved but with no discernible impact.

An Operation Evaluation of the Slovak sustainable energy finance facility (SLOVSEFF) highlighted the importance of taking specific action to enhance demonstration effects rather than relying on impacts deriving naturally from successful implementation. The establishment of annual awards for best performing projects with wide media coverage was one such action in this case.

A Validation of another project highlighted the special relevance of a theory of change in an operation involving contributions and cross covenants with other IFIs and donors. In such a complex project, monitoring and evaluation might need to look beyond compliance and achievements at the level of the individual institution in order to capture the full achievements of the project and the relationship between the inputs of different players – what specific actions led to specific results.

Link between results and EBRD finance

Several evaluations flagged a weak link between the financing and the intended results. In some cases there appeared to be confusion between corporate finance and project finance: in the latter case, project documents should set out specific items or activities to be financed by the EBRD. In the case of corporate finance, approval documents should outline the company strategy and the contribution of the Bank's finance to this strategy; then performance can be measured in terms of corporate performance. A clear distinction between the two is essential for meaningful indicators to be set and monitored.

In another case of a manufacturing and services Operation Evaluation, transition benchmarks were set that depended on actions beyond the scope of the project - improved protection of minority shareholders in related companies. A further example set out in a power and energy Operation Evaluation related to attribution of achievements in a project supported by several agencies and IFIs; policy dialogue and other key actions leading to reform and transition impact were supported by other IFIs and donors rather than the EBRD.

Results monitoring

Several evaluations identified limitations to the monitoring of results. In one case a target was set for decreased market share by the state sector. The baseline was derived from a specially commissioned study but no resources were put in place for a follow-up assessment later. EvD has noted this issue over several years in relation to the Economic Rate of Return (ERR) calculations prepared for some infrastructure projects at appraisal but never updated or reassessed afterwards. In another case of a Validation, an investment in an infrastructure fund set benchmarks at fund level but the fund was not asked to provide the accounting of aggregate outcomes which would allow achievements to be assessed. These cases underline the importance of identifying at approval how objectives and targets will be monitored during implementation.

Linked operations

The Bank has always used ongoing relationships with clients and clusters of projects in specific sectors to leverage greater impact than can be achieved by a single operation. This approach has become more frequent and formalised to some extent in recent years through Integrated Approaches. In a good example of serial operations with a client from a Validation, a covenant which was not met under the initial operation was listed as a ‘condition precedent’ in the following loan and quickly achieved. EvD also encountered an example where targets for a regional expansion were not achieved under the original operation, scaled back under the follow-on operation and still not achieved. In this case EvD recommended stepping back and considering the likelihood of achievement before continuing into a third operation.

One Validation supported the argument that several operations might be needed in a particular field – in this case biological waste management - in order to create visibility and demonstration effect in a large country such as Russia. Other Validations noted the importance of taking account of the experience of the earlier operation(s), and tailoring the objectives if several similar projects were approved in different regions or countries. In this case a crisis response project was carried from one country to another with covenants that were not relevant in all cases.

Policy dialogue

Several OPA Validations raised issues related to policy dialogue, which are summarised below. A Special Study on the EBRD’s experience with policy dialogue in Ukraine made several recommendations, which are described further in the chapter on findings and recommendations

Identify and proactively pursue opportunities for policy dialogue. These may arise from moves towards regulatory change already ongoing in a country; previous investment or technical cooperation (TC) projects which have identified policy issues; or upfront identification of constraints on expected sources of transition impact in a project that are outside the scope of the client’s actions and might be addressed through policy dialogue.

Direct policy dialogue to the right level and the correct executing agency – identify this up-front.

Recognise that policy dialogue to change government policies and practices, such as reforming power sector regulations and tariffs or introducing higher environmental standards, may be a long a complex process that may extend well beyond the implementation period of one project.

Government action or inaction

Unforeseen government actions continue to affect EBRD projects, including sometimes in European Union (EU) countries. A Validation of a financial sector project in an EU country found it to be affected by government action on foreign currency mortgages, while in another Validation, it was found that uptake of a municipal co-financing line in another EU country was affected by volatile government support for this kind of lending.[i] These two cases were atypical and resulted from government responses to the financial crisis, but nevertheless, they show the importance of considering this aspect even in advanced transition countries. According to a number of Validations, wind farm projects in more than one country were affected by uncertainty around the regulatory regime, including off-take and green certificate pricing. This appears to be a frequent issue around renewable energy projects and merits attention. EvD's work programme for 2015 includes a comparative study of a further four wind farm projects, which may throw further light on the subject.

A more typical example came from a Validation of a manufacturing project in an early transition country with an economy strongly based on the oil sector. The project was expected to contribute to economic diversification and foreign direct investment in the non-oil sector. However, while successful in several dimensions the intended wider transition effects were blocked by the government's protective attitude towards domestic companies and reluctance to encourage FDI and increased competition. The project in this respect recalled previous examples and raised again the question of whether an investment can have its intended impact when the wider context is obstructive and reform prospects remain limited. From another Validation of a project in an early transition country, the EBRD's involvement was explicitly to offer 'protection from arbitrary and discriminatory decisions of the government.' The Bank was successful as long as it remained a lender, but the company was expropriated after repayment of the Bank's loan.

Sound banking: Due diligence, structuring and monitoring

Due diligence

A number of findings emerged relating to due diligence that should be regarded as basic good practice not requiring restatement. Nevertheless, they arose from Operation Evaluations and Validations (often the lessons were identified in the underlying self-evaluation by the banking team) and reaffirm the need for ongoing vigilance.

Projects demonstrated the need for adequate technical expertise, including in-house within EBRD to assess critical assumptions and estimates produced by independent experts and consultants.

Financial forecasts should be subjected to sensitivity analysis which takes account of country- and sector-specific factors, for example, a short implementation delay in sectors such as agriculture or forestry may lead to the project missing the 'season' and being set back an entire year. The analysis should also consider the possible effects of a major external shock such as a financial crisis, devaluation or significant price volatility.

Selecting the right counterparty is perhaps the most important element in a successful project. Client due diligence should focus on the management team, ability to conduct long-term financial planning, and both the quality and willingness to invest in management information systems.

Due diligence should also pay attention to working capital needs, should be adequate to reveal financing activities planned by the client in the short term, and should identify obvious commercial weaknesses such as over-reliance on one or few customers, particularly where there is an unequal balance of power between a very large customer and a small supplier. Some of these issues are highlighted again in the chapter 'Special Topics' which discusses and illustrates operational factors of project success.

Legal due diligence

Several projects encountered problems with local legal or regulatory regimes which could have been identified by due diligence.

Completion of some construction projects was held back by permitting delays.

Of greater concern, a corporate project envisaged a number of corporate governance improvements which turned out to contradict local regulations (for example, disclosure of shareholders and consolidation of the financial reporting of a close joint stock company).

Findings from this and another validation reinforced the importance not only of involving local lawyers in legal due diligence prior to the commencement of a project, but also continued involvement of a local legal adviser during project implementation.

Structuring

Some projects had over-complex structuring and covenants that made monitoring onerous.

In one, a loan was made to a group which at the time was not legally financially consolidated; consequently, the transaction was structured with three co-borrowers on a joint and several basis, with separate ratios and covenants for each. In such a situation, the OPA recommended that the Bank should consider 'combined' ratios and covenants to simplify structuring and reduce the number of waivers and amendments during implementation.

Other evaluations also advised that the Bank should try to persuade the client to select the simplest possible structure and minimise the number of covenants to reduce the administrative burden on both the EBRD and the client.

Monitoring

A number of findings dealt with the balance between rigour and flexibility in monitoring.

In a large, high-profile reconstruction project in a strategic sector (energy) with sector reform attached, the power and energy Operation Evaluation recognised that such projects are likely to evolve over time including new players joining and offering more attractive financing for some project components. In this case the Bank should remain flexible and ready to adjust to the client's priorities, while encouraging new project participants to join the others in pushing the sector reform agenda.

The EBRD also provided finance to banks with a focus on lending to small and medium-sized enterprises (SMEs).

In one case the Board document anticipated that on-lending would support a range of requirements, including short-term working capital and longer-term capital investments. In the event, most sub-loans were for working capital. This undermined the argument that the finance would stimulate long-term investment for economic growth, and prompted the question of whether future credit lines could be structured to encourage uptake of longer-term loans.

In another case the Validation questioned whether a strategic shift by the partner bank toward mid-sized borrowers could roll back the intended focus on SMEs and a major component of additionality and transition impact cited in the Board documents.

A further example was an equity fund set up to invest in the Czech and Slovak Republics. In the event, all its investments were in the Czech Republic. While the Validation recognised the commercial reasons for this and accepted the need for a degree of flexibility in the portfolio development of equity funds, the geographic focus was not in line with the project presented to the Board for approval. Furthermore, the report noted that a follow-on fund was approved by the Board shortly before the Czech Republic's graduation from EBRD financing, predicated on the continued dual country focus of the fund, and neither the Board document nor answers to Directors' Advisers' Questions alluded to the fact that the original fund had failed to make any investments in the Slovak Republic.

Equity projects

Findings from equity investments included the importance of board representation in a project when transition impact is derived from the demonstration of successful corporate restructuring. As a condition of restructuring a project which had been transferred to Corporate Recovery, a non-executive director with demonstrated sector experience was nominated to the Board and helped to oversee an initial operational and financial turnaround of the company.

The early exit of the sponsor was an issue in one Validation, which proposed testing the sponsor's commitment by proposing a minimum lock-in period for all shareholders to ensure the achievement of at least a part of the project's key transition impact objectives.

Another project illustrated the finding that the Bank's volume-driven model cannot easily be adapted to equity investments in small start-ups, which require a level of engagement by Bank staff well beyond what would typically be required for a simple loan operation.

A combined debt and equity operation in the rail sector encapsulated some of the tensions in such projects. The Bank's nominee director would have a fiduciary responsibility to pursue revenue maximisation on behalf of all shareholders, while the transition monitoring benchmarks looked to declining prices as an indicator of improved competition. The contradiction would exist in any equity investment the Bank made with an objective of improving competition. The Validation therefore advised that the Board approval document should clearly identify the potential tensions and set out Management's expectations about how an appropriate balance would be found.

Findings and recommendations from special studies

Shareholder Special Fund (SSF)– Interim Evaluation

EvD completed an Interim Evaluation of the SSF at Management's request to assess specific operations and management issues in order to inform strategic and operational planning work (EBRD's Strategic Capital Framework), including with respect to grants and donor support. The evaluation assessed the Fund's role and added value within EBRD's business model and strategic objectives, and its efficiency in terms of governance, management, administrative procedures and reporting. By agreement reflecting tight time constraints, the evaluation explicitly did not consider SSF operational results.

Key merits of the SSF

- It plays an important role in partnership with donors;
- It adds considerable value through providing untied resources, acting as a fund of last resort, supporting strategic initiatives, and serving as a co-financing and bridge funding tool;
- Its administration is efficient given the limited human resources and inadequate technical resources available for grants management in EBRD; and,
- Its governance is fully integrated into existing mechanisms for grants planning and approvals.

Planning and governance issues

The evaluation drew specific attention to important SSF operational, planning and governance issues arising to a large extent from divergent views on its intended objective. The SSF's unambiguously stated primary purpose – "to broaden and deepen the Bank's transition impact" - has been interpreted by Management largely as filling funding gaps for ongoing operational activities, the transition merits of those activities having already been determined. Many on the shareholder side, however, see the SSF's founding proposition as providing high-value incremental resources specifically to make a distinctive and strategically prioritised transition contribution.

This tension or duality – between selective use as an extender of the Bank's transition impact versus general use as a source of incremental funding – is well known yet never clearly addressed or resolved. It has in turn powerfully shaped the Fund's practices and operations, and the concerns that exist between shareholders and Management on SSF issues.

The lack of basic agreement on priorities has also affected fund governance. In the absence of a more clearly shared view of purpose, trust-related issues arise as reflected in the current governance structure, including the process by which SSF work plans are developed and understood, that places the Board in the role of front-line quality assurance provision in the grants approval processes; absent better accountability mechanisms, delegation of greater authority from Board to Management is unlikely to gain support.

Based on those findings the evaluation made an overall recommendation as an essential foundation for a set of more specific recommendations:

"Irrespective of the size of future resource allocations, divergent views on SSF purpose and priorities should be reconciled."

An operational reinforcement of SSF's originally stated prime purpose would require rooting its management and operation more clearly in identified transition objectives and playing a more clearly distinctive role in their support. These issues should be addressed specifically in a strategic dialogue between Management and Board and resolved unambiguously in 2015; they are directly relevant to the wider discussion about EBRD strategic directions. While the SSF should remain a source of finance that is responsive to demand, it should become more selective by responding more clearly to those demands that align with clearly defined priorities. These priorities may be identified in and drawn from the transition gap analysis already intended to be part of the Bank's sector and country strategies. The definition of SSF priorities on a medium-term basis should be specific enough to provide the shareholders with sufficient assurance that the objective of transition impact maximisation remains at the heart of SSF and to allow for reconsideration of the Fund's governance.

The specific recommendations made were as follows.

Recommendations on SSF planning:

- Align SSF planning to the new EBRD planning cycle, with a five-year approach and three-year rolling plans
- Base SSF strategic planning on existing transition gap analysis
- Better clarify EBRD's priorities in dialogue with Donors

Recommendations on SSF management and governance

- Review SSF governance: consider more delegation of authority to Management provided improved accountability is in place
- Produce a binding SSF Operations Manual
- Approve and enforce accountability mechanisms for non-TC grants
- Review adequacy of human resource allocation to SSF administration
- Evaluate the results of the future SSF Strategy on a regular basis

Recommendations on SSF reporting and data management

- Enhance quality of reporting on SSF results
- Present an Action Plan for interim solutions to urgent IT issues
- Create a data-sharing platform for EBRD shareholders and SSF users

Management response

Management welcomed the report as timely and of good quality; its findings and recommendations were accepted as input into the new SSF approach to be proposed within the context of the

Bank's new planning cycle for 2016 and beyond. In particular, Management supported the need to realign the SSF with the Bank's new planning cycle with a stronger dimension of multi-year planning, and a clear alignment with the main transition challenges reflected in the transition gap analysis. Management broadly agreed with the recommendations on management and governance, including more delegation of authority from the Board to Management provided an accountability mechanism is in place, the need to enforce accountability mechanisms for non-TC grants, and review the human resource adequacy for SSF administration.

The EBRD's experience with policy dialogue in Ukraine

The evaluation sought to determine how policy dialogue was (i) conceived, planned and strategized; (ii) carried out; (iii) reviewed, monitored and evaluated; (iv) resourced and incentivised; and, (v) is leading to results in terms of outputs, outcomes and impacts.

Main findings

- A substantial commitment has been made to policy dialogue in Ukraine – policy dialogue now needs to be recognised as a core element of the EBRD's business practice;
- There have been some significant results, particularly at the output level but there are things the EBRD can do to increase the likelihood of achieving desired outcomes and impacts;
- The quantum of resources for policy dialogue has been generally adequate to date but there are now new needs and new skills requirements that will require some additional resources (including for training);
- The visibility of the EBRD's policy dialogue work needs to increase and selectively, the EBRD should become more of an advocate for reform and engage with a broader range of policy actors;
- More attention needs to be given to supporting policy implementation distinct from promoting policy adoption;
- Adopting a political economy approach and a focus on institutions are essential for success.

Broad recommendations

The evaluation made five recommendations, broadly stated but with a wide range of suggested elements/actions from which Management might choose (not repeated here). Recommendations are:

1) The EBRD should produce a clear statement and guidance on policy dialogue (this is expected now within the first half of 2015);
2) The results focus of the Bank's policy dialogue in Ukraine should be enhanced;
3) Resources gaps (both in terms of numbers and skills) should be addressed;
4) Some enhancements could be made to the way in which the Bank engages;
5) Some improvements can be made in the way in which the Bank manages its policy dialogue.

Management response

Management appreciated the study, noting its comprehensiveness and timeliness. It agreed with the five broadly stated recommendations. It expressed the view that a forthcoming paper on policy dialogue would address most of the issues raised. Management noted the importance of the Bank focusing its policy dialogue on areas where it has leading expertise. EvD agrees but still contends that policy dialogue should go beyond project-enabling or project problem resolving dialogue to help address those transition gaps upon which the Bank choses to focus. Management fully agreed with the evaluation about the importance of adopting a political economy perspective and having political economy analysis as part of the Bank's initiation and conduct of a more programmatic policy dialogue, including through the country strategies.

Audit Committee response

The report was discussed by the Audit Committee, which expressed high appreciation for the work. The Committee emphasised that it regarded policy dialogue as a core element of the Bank's transition mandate, with some Directors expecting further work to be done in the medium term to make it more institutionalised. In terms of approach to policy dialogue, some Directors felt that the dialogue should remain linked to projects or at least stem from the Bank's specialist expertise, while others voiced support for a more top-down approach, with examples of anti-corruption and business climate improvement initiatives. Directors encouraged engaging with local stakeholders, adopting a "political economy" approach, pragmatism, and offering flexible options suitable for the particular circumstances, in line with a number of the recommendations made in the study. There were differences of opinion as to whether policy discussions should reach out to the population, that is, the consumers of the policies, with some Directors advising caution on too broad a reach, which could become unmanageable and counterproductive.

Private sector participation in municipal and environmental infrastructure projects

In 2014, EvD completed an evaluation of the Bank's objectives and activities supporting private sector participation (PSP) in the municipal and environmental infrastructure and services sector (MEI) between 2001 and 2012.

Key findings

The study found that PSP in municipal infrastructure and services in the Bank's countries of operations is well below that observed in other regions, and overall has changed relatively little since transition began.

The strategic importance given by the Bank to increase PSP at the level of MEI sector policies has declined over the last 15 years, though it remains high in selected country strategies.

Disappointing results from some early initiatives have sharply reduced the Bank's ambitions and expectations; operational work with a PSP dimension has become limited, cautious and highly selective.

Nonetheless, the Bank has been a significant player in the limited regional market, providing financing to about half of all private MEI transactions which achieved financial closing during the period.

The Bank's approach to promoting PSP in MEI may be characterised as pragmatic, selective and reactive. The situation has also been affected by the availability of EU pre-accession and post-accession grants which displaced a number of PSP initiatives in Central and then Southern Europe, and substantial challenges are evident looking forward due to confusion about eligibility of projects for EU grant co-financing.

Recommendations

The study made several recommendations for consideration:

Project design

- Proposals for new public sector MEI projects should include a focussed section discussing the existing "gap" in PSP in MEI, the content/status of the Bank's efforts on the subject including its track record with the same client or others in the same country, and a summary of related PSP activities by other actors, if any. Such a section in the project's approval documents should explicitly describe what specific proposals for PSP the Bank pressed with the client and what the outcome of these discussions was.
- Any proposal that may result in reduced PSP (such as displacement of active private operators) should identify this clearly in the project approval documentation and summarise the factors weighed by the team.
- In order to be counted as contributing to the project's assessed transition impact potential, PSP components in public projects should be covenanted (where legally feasible).
- Financing for bus fleet renewals of public transport companies should ordinarily require explicit commitment by municipal authorities to allow or expand PSP in the sector.
- A dedicated PSP Enabling Specialist within MEI should be considered to promote PSPs at both the project and strategy levels.

Working with countries

- Ways to intensify efforts to reduce institutional and legal obstacles to PSP in MEI should be examined, through either an expanded LTT programme of work or through a dedicated TC focused on policy dialogue rather than producing a pipeline).
- Consider providing longer-term assistance to cities to monitor/regulate PPP contracts during the first years of a PPP's operation (complementary to the support currently provided for PSP/PPP tender/contract preparation) to help mitigate implementation risks associated with institutional capacity.
- Consider working with the public procurement agencies of several key countries to develop standard PPP procurement documentation and concession contracts.

Reporting and analysis

- Consider working with the Office of the Chief Economist to produce a short analysis of the status of transition gaps in the MEI sector in respect of PSP and identify possible Bank initiatives to more effectively reduce those gaps.
- Develop a system of annual reports to the Board on the implementation of all PSP-supporting activities, including policy dialogue, private projects and status of public projects with private components.
- the Office of the Chief Economist should consider a special Transition Impact Monitoring System retrospective, the purpose of which would be to provide a broad snapshot of the MEI private sector participation projects (including public with private sector components) implemented in the past, as well as the status of those under implementation.

Management response

Management welcomed the timely review and analysis of the study but disagreed with some of the project ratings and recommendations. Among other comments Management argued that the methodology for assessing transition impact was not consistent with that used by the Office of the Chief Economist. EvD disagreed, noting that both used the same seven transition impact sources, but also noting that evaluation was not the same as monitoring and therefore EvD generally did not restrict itself to the pre-selected benchmarks but looked for any and all transition impact and all available evidence. A key point was that EvD's analysis had been restricted to the transition benchmarks agreed set by Management itself at the project approval stage.

Management also did not agree that the project document changes implied by the first recommendation were always justified. Comments noted that a number of recommendations were already being considered or implemented, including the recruitment of a policy dialogue expert to focus on PSP, and plans for TC funding of public-private partnership monitoring units.

Audit Committee discussion

The report was discussed by the Audit Committee on 1 April 2014. The Committee noted the report and Management comments with appreciation and valued the interesting considerations raised regarding the relationship between the public and private sectors in MEI. The Chair commented that Management's interpretation of some of EvD's recommendations may have been stronger than had been intended. It was agreed that there would be further communication between EvD, Management and the Office of the Chief Economist regarding the methodologies and the formulation of action points, which could be reported as part of the new approach to Management follow-up on EvD recommendations.

Board and Audit Committee review of EvD reports

Full Board approval of EvD reports

Approval of two items was sought from the full Board in 2014:

- 2013 Annual Evaluation Review

  Board Directors expressed satisfaction regarding the improved engagement between EvD and Management. Management presented ideas for further improvements, including the trilateral work involving the Audit Committee.
- EvD Work Programme 2015-16 and Budget 2015 (approved without discussion).

Audit Committee discussion of EvD reports

EvD presented 17 items to 11 meetings of the Audit Committee of the Board of Directors in 2014.. This is a substantial increase on 2013 when 12 items were presented, and is an indication of the more intensive interaction among EvD, Board directors and Management.

EvD presented the following items:

- 2013 Annual Evaluation Review
- Summary of EvD OPAV Findings and Ratings 2013
- Summary of EvD OPAV Findings and Ratings First Half 2014
- Update on EvD work programme 2014 - oral update
- Management Follow-Up on EvD Recommendations - new approach
- Management follow-up on EvD recommendations 2013-2014
- EvD draft work programme and budget 2015 - oral report
- Presentation: looking ahead to 2015-16 work programme
- EvD work programme 2015-16 and budget 2015
- Special study: Local Currency Lending and Borrowing 2000-2010
- Special study: Private Sector Participation in Municipal and Environmental Infrastructure Projects - Review and Evaluation
- Special study: The EBRD's Experience with Policy Dialogue in Ukraine
- Special study: The EBRD Shareholder Special Fund - interim evaluation
- Operation evaluation: SLOVSEFF I & II (Slovak Republic)
- Package of selected OPAVs
- Selected findings on transition impact from Operation Evaluation and a selection of OPAVs

Improving the feedback loop: new evaluation products

As part of its continuing process of repositioning, EvD presented some new products to the Audit Committee during 2014.

It has started to circulate biannual summary of OPA Validations (OPAVs), briefly summarising each Validation report and presenting aggregate information on the 'ratings gap' and some recurring themes arising from the OPAVs.

It also presented the first two clusters of OPA Validations grouped by theme, of which there have been more in 2015. This product allows EvD to draw out some wider findings and themes by aggregating OPAVs, which individually are insufficiently deep and too narrowly focused to support the kind of broad recommendations produced by special studies and operation evaluations.

EvD also presented the new approach to tracking Management's follow-up of evaluation recommendations, allowing ongoing tracking rather than a once-only report on progress.

Both Management and Board directors welcomed the new products. Management commented that in terms of feedback loops, EvD's more succinct tools were an improvement over the past. Directors welcomed the new approach to the tracking of recommendations, commended EvD and Management on the significant progress, and recognised that initially there would be issues to iron out while the process was being fine-tuned. The Committee appreciated the body of work accumulated through OPAVs as a relatively new EvD product and supported EvD's offer to present future OPAVs in clusters focused on topics. Directors mentioned a number of topics of interest, including the Bank's equity experience, the handling of combined debt/equity exposures, SME credit lines, and successive projects with the same sponsor. The Committee encouraged EvD to strengthen the focus of OPAVs on the substance of findings in order to enhance accountability and learning.

Strategic relevance and learning

During the year, EvD, the Committee and Management made a particular effort to ensure the strategic relevance of EvD's work. In preliminary discussions of the 2015 work programme, 'Directors encouraged EvD to consider topics aligned with the Medium Term Directions and CRR5, and the Bank's strategic initiatives and investment practices (such as equity-related practices), thereby providing critical input to the Board for its decision-making.' Committee members also 'emphasised the importance of the work for formulating future strategies and organisation-wide learning. The Committee would continue monitoring the value added that was being extracted from EvD's work.' EvD reports during the year that fed explicitly and directly into Management's development of new strategies and policies included the studies on Policy Dialogue in Ukraine and on the Shareholder Special Fund; the latter was added to EvD's work programme during the year at the request of Management.

More broadly, the Committee 'stressed the importance of extracting value, concrete suggestions and important lessons from the work and the products of EvD' and 'asked questions on how best to share lessons, in particular horizontally among Banking teams, and how best to extract value from the database of evaluations.'

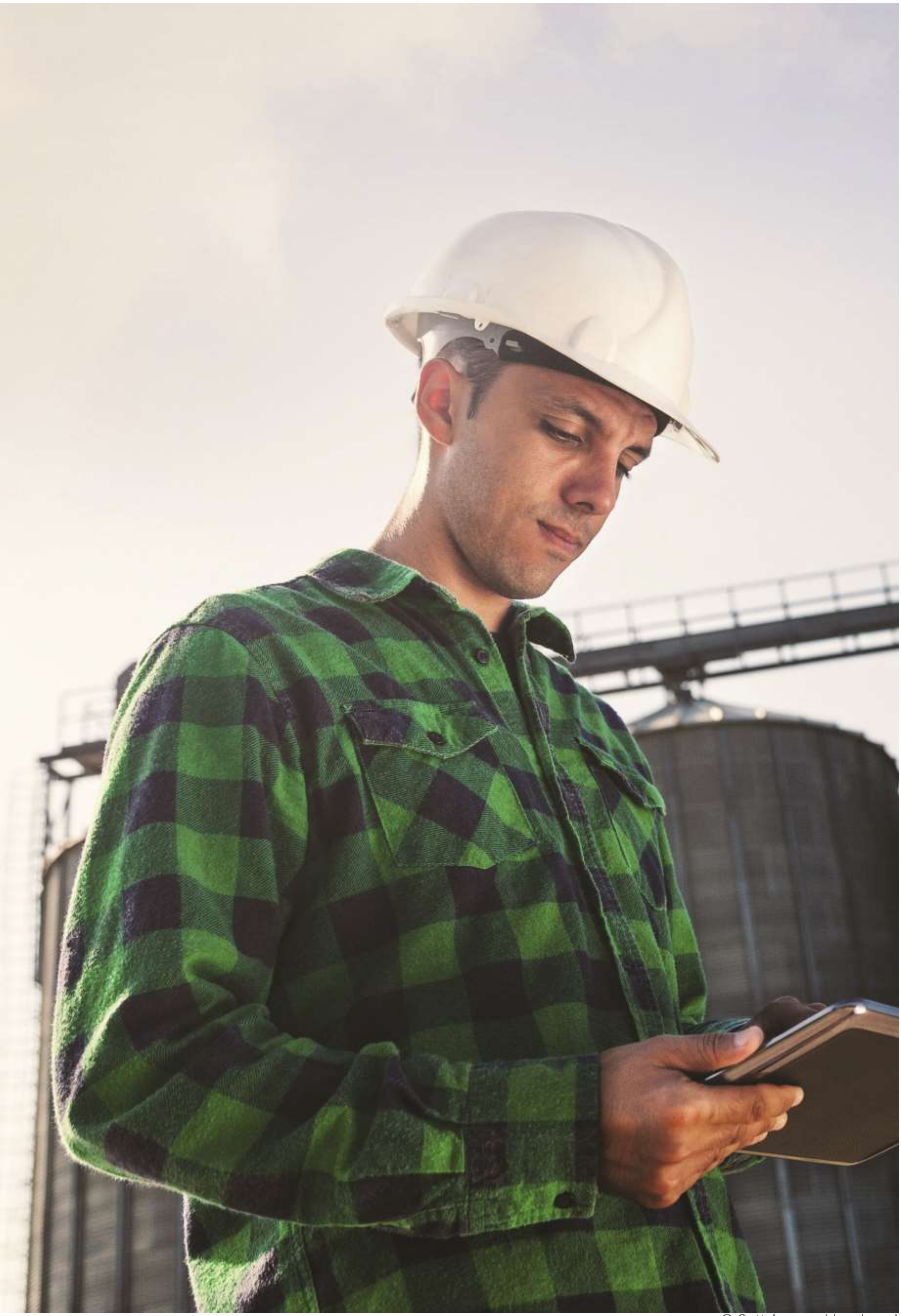
Directors commented that the Board shared the responsibility to ensure that lessons inform the design of new projects. During the discussion of the new process for tracking recommendations, 'several Directors emphasised the importance of the learning elements of EvD reports and the 'softer' recommendations, particularly for the Bank as an IFI institution, in addition to the more specific, actionable recommendations. They expressed concern that the learning elements should not get lost in the new process.'

Quality of self-evaluation

A recurring topic of discussion was the quality of self-evaluation. The discussions focused on the disconnect ratio - the difference in ratings between self-evaluation and EvD evaluation - and the use of results frameworks to allow more effective monitoring and reporting of results. As these topics are covered in some depth elsewhere in this report, it is sufficient here to note that they also featured frequently in Audit Committee discussions.

---

[i] A similar issue was also raised in the Special Study on Private sector participation (PSP) in the Municipal and Environmental Infrastructure sector, where availability of EU grants displaced a number of PSP initiatives in Central and Southern Europe - see section above p 17.


© GettyImages/danchooalex

Special topics

In this Chapter

– Factors most commonly associated with more/less successful project outcomes

– Evidence of evaluation findings and lessons used in project proposals

– Commentary on results frameworks and theories of change

This Annual Evaluation Review originally intended to present further work on the evaluability of TC and, possibly, investment projects. However, it was decided to delay this work for a year because of the significant changes recently made (in the case of TC) or envisaged (in the case of investment projects) to results frameworks and (in the case of investment projects) making the implied theory of change more explicit. Because the changes were recent, or envisaged but not yet made, it was felt that a more robust body of evidence would be available by delaying the evaluability assessment. For the same reason, a decision was made not to conduct an evaluability assessment of country strategies with results frameworks this year. In place of the planned evaluability assessments EvD has provided some more general commentary on results frameworks.

Factors most commonly associated with project outcome success or lack thereof

Purpose

Put simply, evaluation seeks to identify what worked, what didn't and why. Answering the questions on what worked and what didn't serves the accountability purpose of evaluation. Understanding why things worked or didn't is the basis for learning. The rating of project performance, which is extensively reported on in the previous chapter, provides the answer to the questions on what worked and what didn't. However, performance rating alone does not answer the 'why' question. The work reported in this section sought to shed light on why performance turned out the way it did as determined by evaluators. It does so by reviewing a sample of evaluation reports to identify those factors most commonly cited by evaluators as influential in project success or lack thereof. Similar exercises were carried out in 2004 and 2008 and reported on in the Annual Evaluation Reviews of those years. The current exercise was carried out by the same person responsible for the previous two, which ensured considerable continuity in the approach so allowing some comparison to be made with the earlier results.

Method

Well over 300 projects were evaluated between 2008 and 2014. Removing some reports not suited to this analysis, such as evaluations of frameworks or multiple related operations, left a population of exactly 300 – comprising 225 validated self-evaluations and 75 EvD in-depth evaluations. A sample of 70 evaluation reports selected for review provides a reasonable balance between more/less successful overall ratings (33 to 37) and for each sector group and across sector groups. The sample was classified based on:

- Project success rating – projects were assigned to one of two groups; more successful (rated highly successful or successful) and less successful (rated partly successful or unsuccessful)
- Sector group – financial sector, enterprise sector, and energy and infrastructure
- Nature of the evaluation report – validated self-evaluation or in-depth EvD evaluation.

The share of OEs and OPAVs was not evenly distributed over time since the OPA, upon which OPAVs are based, was only introduced in 2012, and EvD has reduced the number of new OEs done each year. The sample was principally based on OEs, because their greater depth of analysis facilitated this review. Some OPAVs were included to achieve a better balance of project type and ensure adequate representation of more recent projects. The sample included more OPAVs for financial sector projects than for the other sectors because the number of OEs in that sector was lower than for the other two sector groups, as was the case in 2004 and 2008. This was because fewer evaluations of individual projects were performed in the financial sector where the framework approach is commonly used and is also the unit of evaluation. This in turn put an upper limit on the number of projects from all sectors that could be selected while still maintaining a relative balance.

Factors most frequently associated with performance

The 2008 EvD study referred to above identified a list of 11 most common key determinants. While the present exercise was open to adding new factors, in the event no adjustment was required, allowing easy comparison of new with previous findings. As in 2008, the 11 factors identified were grouped into five main groups – financial, commercial, institutional (that is, client-level), external, and bank handling. Three are internal to the project – financial, commercial and institutional; two are elements of the context within which the project takes place – business cycle and government behaviour; and one – bank handling – is essentially under the EBRD's control. The table overleaf (p 22) lists and describes the factors.

The review did identify other factors as influencers of project performance but these occurred less frequently than the 11 shown above, or tended to affect only specific type(s) of projects. Among these were:

- Integrity matters and presence or absence of corruption
- Quality of environmental and social programmes
- Whether the technology was well established or new at the time in the country concerned, or to the client (particularly shown for wind farms, telecoms, cement, welding, automotive and aviation)

– Country's sector policy and strategy, particularly in the case of electricity
– Existence of realistic exit expectations in equity operations
– Extent and effectiveness of policy dialogue, including legal transition
– Quality of public-private partnership arrangements
– Participation by users of municipal services in those projects
– Whether the client had prior experience with the EBRD or not.

Most frequently identified factors affecting project performance

Main factors	Secondary factors	Comments
Financial	Financial analysis	Quality of financial analysis as part of project appraisal*
	Cost performance	Actual costs versus expected costs at appraisal
Commercial	Sales performance	Actual sales of the client company versus projected sales
	Market analysis	Understanding of demand and competition, as part of project analysis at appraisal

*Identified in OE reports mostly when the project appraisal is clearly off track.

	Competition	Presence or absence of a competitive environment leading to improvements in product quality and pricing[1]
Institutional	Sponsor commitment	Level of support of local or international sponsor, as a strategic investor and/or majority Board member
	Management skills	Including senior management skill, experience and entrepreneurship[2]
	Governance	Quality of corporate governance at Board level[3]
External	Business cycle	Includes financial crises[4]
	Government behaviour	Positive or negative government interference with client's implementation of the project; for example supporting privatisations (positive) or restrictive tariff policies (negative)
Bank Handling		The EBRD's management of the project at appraisal and implementation, including quality of relations with the client

1 Also increased market share of company in presence of competitors.
2 Plus effect on improved organization of company when observed.
3 Includes: (i) quality of Board representation covering (a) degree of independence of shareholders; (b) role of the strategic investor as a majority shareholder; (c) role of the EBRD as a minority shareholder;
(ii) ability to set and control (a) corporate strategies; (b) institution building programmes; and (c) internal accountability regulations, including transparency, integrity and anticorruption.
4 This factor catches the net effect of the business cycle. In expansion years, sales are strong (positive effect) but the company may over borrow or the bank over lend (negative effect). In contraction years, sales drop (negative) but the company may restructure to remain competitive (positive). Therefore, in principle, the business cycle could be unbundled. In practice, however, OEs and OPAVs do not clearly separate the various contributions of the business cycle effects.

Main performance influencers in more successful projects

The frequency of occurrence of the main factors cited as affecting the performance assessment of the more successful group of projects is shown in Table 4.2 (with particularly noteworthy results highlighted). There are three particularly interesting features to these results

- a high frequency of (internal) institutional/client factors of sponsor commitment, management skills and governance;
- on the other hand, the relatively low frequency of commercial and financial factors (some internal);
- the high frequency with which bank handling was associated with success

The business cycle was particularly important as a factor for finance sector projects, moderately so for those in the enterprise sector and less so for energy and infrastructure. Some examples of these factors are provided in Box 4.1.

Factor Groups	Categories determining outcomes	Finance Sector (10 projects)	Enter-prise Sector (12 projects)	Energy and infra-structure (11 projects)	Average All Sectors (33 projects)
Financial	Financial Analysis	10%	8%	18%	12%
	Cost Performance	0%	8%	0%	3%
Commercial	Sales Performance	10%	25%	18%	18%
	Market Analysis	10%	8%	18%	12%
	Competition	10%	33%	9%	18%
Institutional*	Sponsor Commitment	30%	67%	45%	48%
	Management Skills	90%	100%	91%	94%
	Governance	40%	58%	64%	55%
External	Business Cycle	70%	33%	18%	39%
	Government Behaviour	20%	8%	36%	21%
Bank* Handling	Bank Handling	80%	75%	82%	79%

Note: *The factors with an average frequency over 45 per cent

The importance of institutional factors as factors for success is noteworthy as these are areas where the EBRD can and frequently does seek to be additional. These results highlight the value-added of these efforts where they are successful. Being entirely under the EBRD's control, it is interesting that bank handling features so highly as a factor influencing success. While the present study has not looked into which particular aspects of bank handling are involved, it is likely to cover all aspects from due diligence to support during implementation.

In the 2008 Annual Evaluation Review, governance (internal) was a new factor added, the need for which was seen as a result of the Bank's moves to put increased attention on corporate governance in order to deepen the transition impact of its projects. Aside from this, the present study, where governance again is an important factor, is closer to that of 2004 where sponsor commitment and management skills were dominant factors. A probable reason for sponsor commitment, and more so management skills, again becoming key factors, is the effect of the 2008 to 2009 crisis. Conversely, the frequency of occurrence of the sales performance factor has dropped from 78 per cent in 2004 to 21 per cent in 2008, and 18 per cent in this study.

Examples of frequently occurring factors in more successful projects	
Governance	The EBRD promoted governance and business practice improvements in a Russian Bank, as well as strengthening of its SME activities, through participation to increase capital. In agribusiness, the EBRD facilitated the restructuring of a company, its governance and business practices, also through an equity investment.
Management	A well targeted TC and close EBRD monitoring supported effective implementation of an electricity project with a turnkey contract where implementation managerial capabilities were strengthened. The successful execution of a water supply project was also due to a well-designed TC that developed management capacities and created a form of governance that stayed free from local government interference and involved participation by water users.
Sponsor commitment	With an equity investment, the EBRD as a minority shareholder (a) successfully supported the entry of a major strategic investor (b) facilitated the restructuring of another company by helping establish a proper tendering process for finding a strategic investor in an agribusiness company, and (c) provided political comfort for a sponsor to operate without government interference. An EBRD loan financed the construction of retail spaces, which attracted successful retail business due to a strong past experience of the sponsor in this area.
Competition	Competition provided an opportunity for several industrial companies to renovate their plants, become more energy efficient or develop new businesses. In addition, in the municipal sector, an EBRD equity participation facilitated the privatisation of municipal transport companies and the introduction of more competitive transport companies, which demonstrated model governance and business conduct.

Frequently, multiple factors are associated with success or lack of it. It was beyond the scope of this exercise to carry out multi-factor analysis.

Main performance influencers in less successful projects[1]

The frequency of these same main factors in affecting less successful performance is shown in the table overleaf (p 24).

The first point to note is that frequent drivers of lower performance number more than those of higher performance.

Bank handling and management skills again stand out, followed by governance. However, management skill as a factor is joined by the business cycle in importance, and governance is joined by financial analysis.

By sector, the more public sector-type projects in energy and infrastructure are again relatively insulated against the effects of a downturn in the business cycle. Conversely, while more successful projects were able to weather the crisis, those rated less successful often succumbed to it. Sponsor commitment is a much less frequently cited factor influencing less successful projects than is the case for those that are rated more successful. Market analysis and government behaviour also have a frequency occurrence above 40 per cent. Government behaviour did not show up as a major factor in more successful projects, except in the infrastructure sector which is often closely linked to national or local government. However, it does feature as a key factor in less successful projects in all sectors. This appears to reflect an asymmetry, suggesting that, other things equal, a negative government context is more likely to damage performance than a positive or neutral context is to assist it. This finding is worth considering in the ongoing discussions on policy dialogue in the Bank.

Frequency of factor occurrence in less successful projects

Factors	Categories determining outcomes	Finance (12 projects)	Enterprise Sector (15 projects)	Energy and infrastructure (10 projects)	Average All Sectors (37 projects)
Financial	Financial Analysis	33%	53%	50%	46%
	Cost Performance	25%	33%	40%	32%
Commercial	Sales Performance	25%	47%	30%	35%
	Market Analysis	17%	47%	60%	41%
	Competition	25%	40%	20%	30%
*Institutional	Sponsor Commitment	17%	27%	20%	22%
	Management Skills	58%	67%	80%	68%
	Governance	58%	27%	60%	46%
External	*Business Cycle	100%	67%	30%	68%
	Government Behaviour	42%	33%	50%	41%
*Bank Handling	Bank handling	50%	73%	90%	70%

Note: The factors / categories with an average frequency over 45 per cent are highlighted

Two figures in above merit further discussion. The occurrence of (internal) governance as a negative factor affecting performance in the enterprise sector is relatively low at 27 per cent, whereas it is relatively high at 60 per cent in the energy and infrastructure sector. The documents seem to indicate that the low figure in the enterprise sector is due to the fact that often deal-structuring success mitigated the risks posed by poor governance. For example, for equity investments EBRD conditionality often requires the presence of an EBRD board nominee and/or the presence of a strategic investor. In energy and infrastructure, government interference in the running of publicly-owned corporate enterprises is manifested in poor corporate governance, and it probably proved less easy for the EBRD to mitigate this risk.

Some examples of frequently occurring factors in less successful projects are given below:

Examples of frequently occurring factors in less successful projects	
Management skills	Management skills were lacking in less successful financial sector operations as well the enterprise sector and utilities. In the enterprise sector, there were also cases of poor governance, absence of strong sponsor and government policy distortions.
Government behaviour	Negative government behaviour is associated with less successful projects in energy, infrastructure and finance. Interventions were mainly on tariffs and investment policies in the energy and infrastructure sector, and on credit policies in the finance sector.
Financial and commercial risks	Cases of underestimated financial and commercial risks at appraisal were present in the enterprise sector. Negative competition factors, like excessive concentration, did also appear in the enterprise sector as well as utilities.

As with the more successful group, often multiple factors are involved in less successful projects.

Evidence of evaluation findings and lessons used in project proposals

In 2013, a Bank Efficiency Task Force revised the Board project document template in part to respond to Board concerns about insufficient clarity in certain Board documents as well as inconsistencies across different sections and duplication of information. There was also a general view that the standard treatment of lessons from past experience was too often a cosmetic exercise of limited value in terms of providing understanding and confidence that lessons from experience were actively considered in the design of new projects.

A revised template was agreed under which there was to be, among other things, more focus on strategic fit and key issues; reduced duplication of information; and a limit on maximum length of the main text. The revised template dropped the existing requirement for a specific section discussing past experience and lessons. Instead it directs bankers to:

"refer to the Bank's experience in similar transactions; either explaining how successful features are replicated or adjustments have been made (...) where particularly relevant (emphasis added)."

The instruction does not provide guidance as to what constitutes "relevant" and when past experience should be taken into account. Thus the scope and manner of incorporation of lessons and findings from evaluation and experience into the Board document is left to the discretion of the banking team.

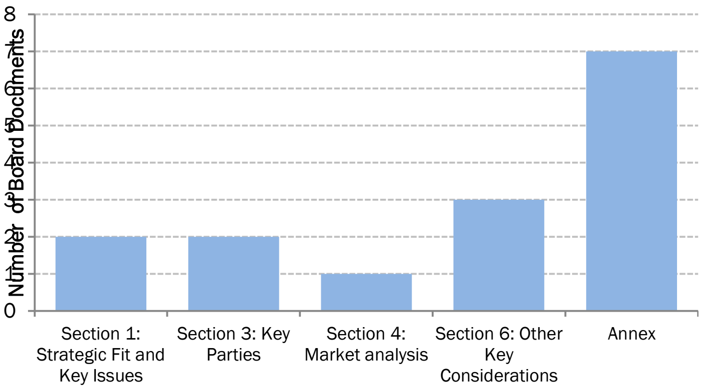
The 2013 Annual Evaluation Review committed EvD to examine the treatment of past experience under the new project proposal template.

EvD review of project proposals and findings

For the analysis EvD reviewed Board documents approved between 12 November 2013 and 17 December 2014 covering 240 projects, out of which 143 used the new template. Of these only 15 (10.5 per cent) made explicit mention of past experience. Of course, absence of an explicit mention of past experience does not mean that this has not influenced the choices made. However, the main fact is that we appear to have gone from a situation where close to 100 per cent of Board documents provided at least some explicit treatment of lessons from past experience to one where early returns show only 10.5 per cent meeting that standard. This is not the intended result, either for Board or Management, and deserves remedy.

Further analysis of the 15 cases with explicit mention of past experience showed that in almost half this was contained in an annex; the balance occurred across four different standard sections of the new document format as shown in the chart overleaf (p 25). Thus, there has been no consistency about where lessons from past experience related to new project proposals might be found by readers.

Number of mentions of past experience in Board documents and location



In the few cases where past experience is explicitly mentioned, documents do not consistently explain how such experience has been taken into account in the new project. EvD identified only 5 cases out of the 15 noted above (3.5 per cent of cases using the new format) where this is provided. Where documents specify how experience was integrated, there is no consistency in treating how this then influenced project design.

An example of how past experience was presented effectively in the new format is found in a new document for Turkey: Women in Business Programme (see below) where the section on Strategic fit and Key Issues reflects the lessons extracted from previous women in business operations in Turkey and explains how the project would address lessons from prior operations.

Lessons	Features of the Turkish Women in Business Programme to address lessons from prior EBRD Women in Business operations
Problems of targeting	The Turkish Women in Business Programme introduces a more specific definition of women-led businesses as the main target group and establishes specific requirements in the Policy Statement to ensure that lending will reach underserved women-led SMEs, in particular: that 30 per cent of Women in Business proceeds should go to women-led start-ups and women led SMEs which are first-time clients of any financial institution.
Superficial changes to products	The technical cooperation (TC) programme will adopt sequential approaches to ensure structural and sustained changes are developed prior to, and alongside disbursement to sub-borrowers based on an in-depth assessment/baseline study, followed by design of comprehensive strategies to promote changes in systems, business models, delivery mechanisms and product development.
Limited information systems	One of the requirements of the Policy Statement will be to introduce or improve information systems and capabilities of participating financial institutions to gather gender-disaggregated information on a number of variables including (such as rejection rates and their causes, loan application and non-performing loans,).
Standardised TC	The TC framework has been designed to allow flexibility in the use of consultants to provide more specialised services to participating financial institutions.
Sustainability of the TC programme	The TC programme will emphasise the focus of the support on facilitating the process of innovation and institutional investment instead of substituting for services that participating financial institutions can provide. The TC programme will focus on innovation at the institutional and business model level to ensure sustainability of the programme after the TC programme ends. The TC programme will adopt the following sequence to ensure structural and sustained changes - in-depth assessment/baseline study, followed by design of comprehensive strategies to promote changes in systems, business models, delivery mechanisms and product development. The TC programme will also showcase the product development process for a new market segment (specifically in relation to customer data and process/product review) which is applicable also to other new customer segments that the participating financial institutions may seek to target in the future.
Information gaps	The first stage of the TC programme consists of the compilation of participating financial institutions' specific in-depth baseline studies/assessments.
Integration of demand and supply side interventions	The Turkish Women in Business Programme integrates Small Business Services (SBS) activities in its design to strengthen the demand side support, and reinforces the link between SBS and banks through awareness raising and cross-referral mechanisms.

EvD is not here suggesting a return to the previous approach. EvD's critique of the previous approach to capturing evaluation lessons and relevant operational experience in project proposal documents had several dimensions, mainly rooted in the likelihood of its being effective in informing project selection and design. The lessons section was very often prepared only days before final operations committee review and so most unlikely to have had any bearing on design and structuring. EvD has long advocated a more explicit treatment of past experience at or near the concept review stage when lessons could actually be used to inform thinking and choices. In addition, EvD was very often asked to supply the content of the section, which both short-circuited any process of discovery and learning by operations teams and effectively made it (EvD) an enabler of a dysfunctional system; EvD eliminated this practice in 2011. On the other hand, when used effectively it did provide a useful reminder, particularly to Board members for their consideration in approving the project, of what past experience with relevant transactions may have shown.

EvD notes that the 2013 Evaluation Policy states that it is Management's responsibility to ensure:

'Lessons and findings from evaluation will demonstrably be taken into account by Management in the design and approval process for new operations, programmes, policies, strategies and processes. Management develops and refines processes and instruments to take account of lessons, in consultation with EvD, and reflects these in the Operations Manual, other guidance documents and Learning and Development courses.'

Given the analysis conducted here, it is clear that the explicit treatment of lessons from past experience in Board documents has dropped to very low levels following the introduction of the new Board document format. While this does not mean that lessons are not being taken into account, the lack of an explicit treatment means it is not clear if they have been addressed or not. The Board is also being deprived of a clear identification of what past experience says about the type of operation coming before them for approval. Lessons and findings may in fact be taken into account under current procedures and no doubt are in specific cases. But the revised template is not providing a demonstration of that, and the value of whatever review has been done upstream is not being built into documents getting the focus of Board and senior Management. There is both room and need for substantial improvement.

Results frameworks and theories of change

Theory of change and why it matters

A theory of change is a representation of how a project, programme, organisation, policy or strategy is expected to achieve results. A theory of change;

- depicts a sequence of the inputs that will be used, the activities the inputs will allow to take place, the outputs that will flow from the activities carried out, and the outcomes and impacts expected as a result of having produced the outputs – in particular, a well-constructed theory of change can help fill in the "black box" that often exists between outputs and outcome/impacts
- identifies events or conditions in the wider context that may pose risks to obtaining the desired outcomes – these may be policy or political considerations, public attitudes, the macro-economic situation, activities of other financiers and so on
- identifies the assumptions being made about cause and effect

Inclusion of an explicit theory of change (i) helps creating a common understanding of how what we do will lead to expected results; (ii) can expose flaws in the logic chain ex-ante that can be corrected before approval; (iii) helps expose important risks that may require mitigation; (iv) makes clear the assumptions underpinning the project (what else is supposed to happen in order to achieve expected results) thus helping ensure the plausibility of the expected results; (v) helps focus monitoring on those factors most likely to influence success; and (vi) provides a testable theory for evaluation, which, as a result of determining what worked, what didn't and why, can lead to modification of the theory or the adoption of a new theory(ies) of change, perhaps customised to particular contexts.

Source: Drawn from Morra Imas, Linda, and Rist, Ray. 2009. *The Road to Results: Designing and Conducting Effective Development Evaluations*. Washington DC: The World Bank and a presentation by Linda Morra Imas made during EvD's Evaluation Week in January

This section provides an update on Management's moves in the areas of the use of results frameworks and, in some areas, efforts to make the implicit theory of change (see box above) more explicit. Coverage of Management initiatives, with EvD commentary in some cases, is provided for TC, investment projects, country strategies, sector strategies and policies.

Technical cooperation

– Management has made a major advance in improving the results specification for TC – steps taken in 2014 (as reported by TC Team) include:

- The TC results framework was made mandatory for all TC committee submissions from 1 July 2013, with over 500 staff attending formal training
- A new platform to design, monitor and report on TC projects – the Technical Cooperation Reporting System (TCRS) – was rolled out in the third quarter of 2014 with selected departments piloting the system
- Based on feedback from these users, upgrades to further improve TCRS's usability are being completed in the first quarter of 2015
- By December 2014, all 393 TC projects and their 511 assignments approved by TC committee since 1 July 2013 were uploaded into TCRS

© EBRD/Dermot Doorly

- All new TC projects submitted to TC committee after January 1 2015 are being prepared in TCRS
- TC Team continued to provide Operation Leaders and other TC users with advice on TC design including the results matrix, and selection and engagement consultants, implementation support, and monitoring and reporting
- TC Team and Evaluation Department jointly prepared the revised TC performance evaluation guidelines which were incorporated into the TCRS reporting modules
- All progress and completion reports for projects approved after 1 July 2013 are being prepared in TCRS

EvD has been constructively engaged with the process of establishing a results-based management system for TC management since the Grant Strategic Review of 2012. A very considerable amount of work has been done and progress made, leading the way in the Bank in the adoption of a results-based approach. When there is a sufficient group of TC operations approved under the new process, EvD may make an independent assessment of the quality-at-entry and/or evaluability of TCs approved since the introduction of the current system with the results reported in a future Annual Evaluation Review. Consideration will be given to undertaking this work for the 2015 Annual Evaluation Review.

Investment projects

Management reports that following the Results Task Force recommendations of the review of the Transition Impact Monitoring System in 2012 to 2013, and the follow-up evaluability study and discussions with EvD, Management is working to further improve the results framework for investment projects. The proposed improvements and changes to the current results framework for investment projects are driven, according to Management, by the objective to maximise the value and efficiency of project level results frameworks, improve coherence in the Bank's results architecture, and increase synergies between monitoring and evaluation in the Bank.

As such, Management's approach to improving project results frameworks focuses on:

- A review of the structure and level of complexity for results frameworks with a view to streamline and simplify these at the project level and to focus efforts for tracking long-term transition impact results at the portfolio level
- A review of monitoring strategy and resource implications related to the source, responsibility and method of collecting information on transition impact results

Improvements to the results framework for investment projects are envisaged to be achieved together with the ongoing work to streamline and improve transparency of the transition impact methodology and accountability of transition impact rating for investment projects. The main components/features of the proposal for an improved results framework for investment projects (as advised to EvD) include:

- An assessment and measure of 'strategic fit' as an integral part of the new transition methodology and rating process that includes a specific assessment of the extent to which the project would contribute to the strategic priorities and objectives identified and articulated in the country strategy.
- A more explicit presentation of how the project is expected to trigger change along a causal path (the pathway or theory of change) leading to the main transition objectives that would be embedded in the standardised transition impact methodology and rating criteria.
- A transition impact monitoring measurement table (benchmark table) that reflects more explicitly measures of change along the pathway from outputs to outcomes (and impact mostly for a portfolio of projects only).

The development of the conceptual framework for a standardised methodology of transition impact, including assessment of strategic fit, and associated harmonised benchmark tables (mirroring the Transition Impact Monitoring System) for each sector are envisaged to be completed during the year 2015. The necessary training and technical IT solution for their implementation would take longer.

EvD has long argued that investment projects should have a results framework - an articulation of a hierarchy of results (outputs, outcomes and impacts) flowing causally and logically one from the other and plausibly achievable from the inputs provided and activities to be carried out. The new project document format introduced in 2014 contains a section entitled 'measuring/monitoring success' which is a modest advance. However, the changes which Management is now working on will hopefully lead to the kind of results framework that EvD has long advocated. As in the case of TC, EvD will likely let the new requirements for investment project results frameworks/explicit treatment of the theory of change become established before carrying out an independent quality-at-entry/evaluability assessment, the results of which would be reported in a future Annual Evaluation Review. Also, EvD is holding off finalising its new evaluation performance rating system pending seeing Management's proposals with a view to achieving the greatest degree of harmonisation possible while maintaining the integrity of independent evaluation for accountability and learning purposes.

Country strategies

Management provided an update to EvD on progress with the introduction of results frameworks at the country strategy level. The main points noted by Management are:

- Following Board approval of the country strategy result framework in September 2014, eight country strategies that are in various stages of preparation now contain a results framework (Jordan, Morocco, Kyrgyz Republic, Bulgaria, Hungary, Romania, Cyprus, Tajikistan, Turkey, and Armenia).
- Management proposed a revised content and process for country strategy updates that was endorsed by the Financial and Operations Policies Committee of the Board in November 2014, with more focus on country strategy results. According to the new approach, all countries reaching the mid-point in their strategy period will have a mid-term update that contains an in-depth assessment of the Bank's progress towards achieving the agreed objectives as set out in the country strategy results framework. For countries at other stages in the strategy period, the country strategy review consists of a shorter strategy delivery snapshot. Management has now prepared country strategy updates for 26 countries of operations (9 mid-term updates, 16 delivery snapshots), implementing the new format that includes some initial assessment of strategy implementation. Nine countries will have a full strategy prepared during 2015. Country strategy updates for 2015 are currently being discussed by the Financial and Operations Policies Committee.

– During 2015, Management plans to undertake a preliminary stocktaking exercise of the implementation of country strategy results framework approach so far, to identify any issues. A more thorough review is planned for two years' time by which time most countries will have strategies with results frameworks
– In addition, during the year Management plans to work on a methodology for a traffic light system for strategy implementation and strategy implementation reporting in the full strategies, and how that would be reflected in the internal incentive structure of the Bank (scorecards).

Meanwhile, EvD is working on a quality-at-entry checklist (incorporating the concept of evaluability) to assess the extent to which country strategy frameworks match best practice. During 2015, it will share this work with Management in preparation for its application to all country strategies approved in 2014 and 2015 with results frameworks, with the assessment likely to be reported in the 2015 Annual Evaluation Review.

Sector strategies

Sector strategies do not currently require results frameworks that specify results at the outcome or impact levels. Rather, the requirement is that 'Sector strategies and initiatives will have Performance Monitoring Frameworks that set clear objectives and track performance through key output level indicators.' The document goes on to say 'Relevant outcome and impact level results are measured, monitored and reported at country level as part of the country strategy results framework and can be used as extracts to illustrate and discuss performance of sector strategies and initiatives.'

Effective monitoring and reporting on outputs of sector strategies is both important and useful, provided that those outputs are defined as the deliverables of the financing, TC, and policy dialogue and not just a list of projects and TC approved. However, sector strategies should have results frameworks that capture their principal intended outcomes and impacts. To some extent, these might be measured in quantitative terms for the main countries of operation for the sector concerned (certainly not for all countries). In other cases, assessment and reporting might be in qualitative terms or by means of illustrative examples, particularly for the smaller countries of operation. Here the reporting need only be selective against the main themes of the sector strategy. EvD also agrees with the second statement above that the main results can "drop down" from country strategies to sector strategies so this does not involve separate effort. Results at the country level, as reflected in country strategy results frameworks, must necessarily be built up from what the EBRD does in each of the sectors in which it decides to operate in that country – so, the work will already have been done at the sector level in order to come up with the country strategy results framework. Again, though reporting would occur in two places – at the country strategy and sector strategy level – and though the focus is different (country or sector), the results are the same but they would be aggregated and reported differently. It is important to know the achievements of both country and (multi-country) sector strategies.

It is also clear from experience that resolving stubborn transition gaps often requires a so-called critical mass of projects (t repeat projects) along with TC and policy dialogue, which is the basis for the integrated approach adopted by the Bank. All integrated approaches are sector-based, sometimes a single country and sometimes for multiple countries, so where they exist these should be the basis for sector results in the countries concerned – in other words, integrated approaches should have results frameworks with the results identified "rolling up" to the country level and being used in sector strategy results frameworks.

EvD also considers that sector strategies should make explicit the implicit theory of change linking what the EBRD does to expected outputs, outcomes and impacts.

These views have been reflected in a recommendation of a recent EvD Special Study: '*Evaluation of the Bank's 2010 agribusiness sector strategy'*.

> "Strategy 2010 [the agribusiness strategy being evaluated] lacked a results framework and monitoring metrics for tracking progress on most aspects of implementation. However, good monitoring metrics were set for the Integrated Approach on Grain [though no monitoring and reporting on results took place]. Although results frameworks were not required when the strategy was formulated and indeed still are not (they are expected to have a Performance Monitoring Framework to track results at the output level only), EvD considers there should be results frameworks in sector strategies covering outcomes and impacts for the priority countries where the bulk of investment goes – a requirement that should not be too difficult to meet since country strategies are now expected to have results frameworks that in part reflect sector-level outcomes and impacts." (see *EvD Special Study: Evaluation of the 2010 Agribusiness Sector Strategy*).

Policies

Policy documents currently are not required to have an explicit results framework, or indeed any indication of the results expected. For example, although the Public Information Policy provides for monitoring of its implementation there is no mention of monitoring the results of its implementation, nor any indication of what will constitute success or even any identified indicators for tracking and reporting on results flowing from the policy. The evaluation of Bank policies is within the remit of EvD although it has not carried out such an evaluation recently. To provide the basis for such evaluation the evaluation policy requires that Management 'Ensures that programmes, policies and strategies identify their expected results with sufficient specificity so as to allow effective evaluation.'

Without clear ex ante specification of expected results and their arrangement in a cause and effect results framework there will be major limits to the ability to make evidence-based statements about the outcomes and impacts of the EBRD's policies when EvD evaluates these.

---

[1] Projects with an overall performance rating of *partly successful* or *unsuccessful* at evaluation.

© EBRD/Dermot Doorly

Self-evaluation and monitoring

In this chapter:

- A quality assessment of 2014 self-evaluation (Operation Performance Assessments)
- The ratings gap between EvD ratings and operation team self-assessed ratings
- The relationship between transition impact monitoring and ex post evaluation of transition

Quality assessment of self-evaluation

Approach

Following the introduction of a more rigorous new template for self-evaluation in 2012, EvD developed a quality and completeness checklist to enable a more systematic review of OPAs and more consistent feedback from EvD to banking teams. The checklist was first applied to OPAs prepared in 2013 and the results of this assessment were reported in the 2013 Annual Evaluation Review.

EvD has applied this same checklist to the population of 91 final OPAs submitted to EvD in 2014. This population of OPAs covered around 120 operations. The checklist was applied by individual Evaluation Managers at time of OPA submission, and separately by an EvD team in February/March 2015 for reporting in this Annual Evaluation Review. The purpose of this second assessment was not only to ensure consistency in the assessment for the Annual Evaluation Review, but also as a management tool for EvD to identify and address any areas in which the checklist has not been consistently applied by individual managers through the year. The checklist proved to be an effective tool, as it did last year.

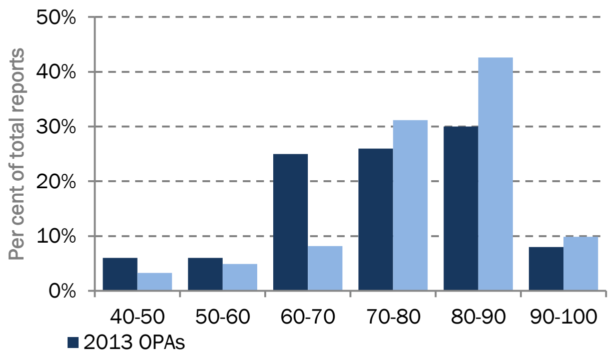
- There was only a 7 per cent divergence between the assessments of the two different EvD Annual Evaluation Review team members over a cross reference of one third of the population.
- Similarly, there was little divergence between the Annual Evaluation Review team and EvD managers' checklists where applied, with most divergence being easily explained through clarification of the checklist.

Findings

Generally, the 91 OPAs submitted in 2014 were of good quality, with both long form and short form scoring 78 per cent across the five quality dimensions, which is on par with the 82 OPAs assessed in the 2013 Annual Evaluation Review. Encouragingly, there was a greater consistency of scores between the two forms, and further, there was also some improvement in what had been assessed as the weakest area of OPA report quality, namely the project efficiency section which scored 65 per cent on average in 2013 and 71 per cent this year.[1]

As was the case in 2013, there was some dispersion around the average, though less so in 2014. With respect to long form OPAs, the great majority (84 per cent) scored between 70 to 100 per cent, an improvement on 2013. The lowest score was 43 per cent (42 per cent in 2013) and the highest scoring OPA reached 97 per cent (95 per cent in 2013), with six OPAs (out of 61) scoring above 90 per cent overall.

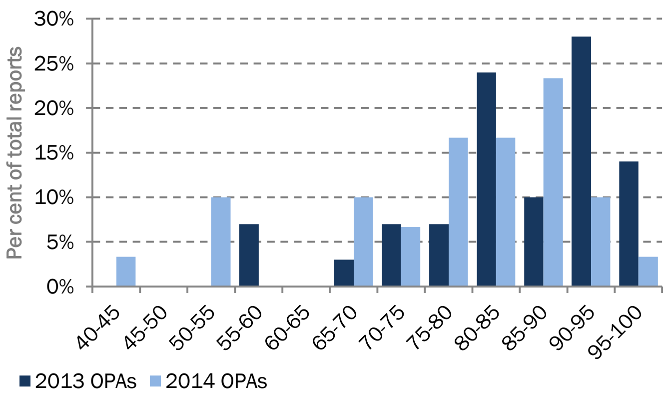
Long form OPA Quality Scores



Of the short form OPAs, 75 per cent scored at least 75 per cent for overall quality. The lowest score was 42 per cent (55 per cent in 2013), and highest was 95.8 per cent (100 per cent in 2013) indicating a small decrease in quality. This resulted from small reductions in scores across all categories except efficiency, where 2014 OPAs scored better. Seven OPAs scored above 90 per cent and can be seen as particularly strong models of self-evaluation.

Within the OPA population there were several excellent examples; The box overleaf (p 32) provides some examples of

Short Form OPA Quality Scores



common characteristics of good quality OPAs.

Although the average quality scores were high and progress has been made, of the 91 OPAs, four scored below 50 per cent overall, with five scoring zero on one of the sections (but none scored zero on more than one section). Further, several substantial shortfalls remain in crucial areas where EBRD needs to be able to assess its project performance. Across both long and short form OPAs, the sections with the lowest scores are the impact and sustainability section (69 per cent), which actually scored slightly lower in 2014 than in 2013, and project efficiency (71 per cent), though this was an improvement on the 2013 score.

Illustrations of strong Operation Performance Assessments (OPAs)

- An excellent example in the Power and Energy sector provided a comprehensive description of the Project as planned and as implemented, considerable analysis of the Project's efficiency, and solid retrospective assessment of the transition impact of the project.
- Another particularly good example of a self-assessment was in MEI where the EvD noted the quality of the section on project rationale and additionality, and coverage of potential transition impact.
- The impact and sustainability section of one of the Manufacturing and Services OPA was particularly strong and was a rare example in providing reflections on due diligence shortcomings and on the limitations of the transition impact benchmarks identified at appraisal.

It is important to note that in addition to OPA quality and consistency steady progress, OPA submissions timing improved since 2013. Of those received in 2014, only 28 per cent were submitted more than 10 days late; this is less than half the 2013 figure of 60 per cent. EvD has also made efforts to improve its turnaround time for comments on draft OPAs, with a new target of no more than 5 days after receipt of the draft.

Resources to improve self-evaluation

Suggestions were made in the 2013 Annual Evaluation Review to improve OPA quality. To follow up, EvD staff provided practical training on OPA preparation to around 200 bankers and portfolio managers during an Evaluation Week held in January 2015 (more detail in section 6.7). EvD staff also prepared sector-specific guidance and examples of good practice OPAs for each sector through the Bank's intranet. During 2015 EvD will also track the timing of final OPA delivery to ensure that the focus on the OPA draft does not lead to increased delays in finalising the report.

Potential areas for modifications to the review of self-evaluation

During the past year the Evaluation Managers and PMs have piloted the OPA quality checklist. It was found to be useful during the review process by both EvD and some PMs, and the use of the same checklists for both the 2013 and 2014 Annual Evaluation Reviews has enabled the time series analysis of the quality of self-evaluation. However, the exercise has helped EvD to identify some potential improvements to the checklists. Given that EvD expects to introduce a revised OPA template in 2016 to accommodate the new performance rating guidelines, EvD will continue to use the checklist as it is in 2015 and introduce a new version alongside the new OPA template in 2016. Some areas to be considered in developing the new checklist include:

- Clarify its role as either a quality or completeness check: the current checklist focuses mainly on completeness, which was an important stage in improving the quality of OPAs. But a further step would be to focus more on quality.
- Reassess the weightings of the questions to better reflect relative importance
- Consider tailoring the checklist to different sectors to recognise the varied characteristics of Bank projects, e.g. corporate, financial, infrastructure, funds.
- Further streamline questions to align with requirements of OPA template.
- Increase consistency of interpretation over the meaning of questions and the benchmark for a positive rating, where some uncertainty currently exists
- Increase training to Evaluation Managers to increase checklist consistency within EvD.

The ratings gap in investment operations

EvD also uses a quantitative indicator of the quality of self-evaluation, a measure it calls the 'disconnect ratio'. This is the difference between evaluation ratings from EvD reports such as OPAVs and OEs, and ratings from the operation team-produced OPAs. This is analysed here using the binary ratings gap - which looks at the proportion of ratings that EvD changed from a positive rating (successful or highly successful for overall performance; satisfactory or better for most of the individual rating criteria) to an overall negative rating (partly successful or unsuccessful for overall performance; marginal or lower for most other rating criteria) or vice versa when it reviewed the project.[2] EvD would expect that the greater attention given to self-evaluation and the increased communication between EvD and bankers should be reflected not only in improved quality of self-evaluation as perceived by EvD, but also less divergent views on project performance.

The primary measure is the difference in the overall performance rating, which is shown in the table below. This covers all projects evaluated over the most recent five years.

Overall performance binary ratings gap between self-assessment and evaluation 2010 to 2014

Type of review by EvD	Ratings raised substantively by EvD %	Ratings substantively unchanged %	Ratings lowered substantively by EvD %
Validations	3%	83%	14%
Evaluations	1%	86%	13%
All reports	1%	86%	13%

Note: A substantive movement is one that moves the rating across the binary gap.

There are two key messages from the above:

- There is an upward bias in self-evaluation ratings, with 13 per cent of ratings downgraded by EvD and only 1 per cent upgraded;

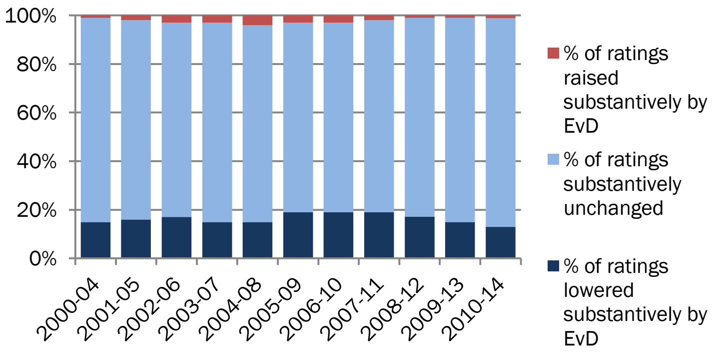
– The difference between validations and full evaluations seen in previous years has largely disappeared.

The latter point is particularly welcome as EvD has elevated the use of validations as its main project-level evaluation product. The focus on the quality of OPAs has been matched within EvD by a focus on the quality of validations, and this appears to be bearing fruit.

The overall binary ratings gap has been falling slightly in recent years, after several years in which it grew ever larger. The chart below compares the figures for the 2010-14 period with those reported in recent Annual Evaluation Reviews. It shows the gap reaching a high point in the period 2005 to 2011, with a gradual reduction since then. This fall has now been visible over three years, while the change process described in the chapter 'Achievements and Challenges' has been ongoing.

A full analysis also covers the other ratings criteria, beyond the overall performance. Table 5.2 below shows the substantive ratings gap for all ratings over the period 2010-14. This shows the highest ratings gap for environmental and social change (21 per cent in total, of which 16 per cent were downgrades and 5 per cent upgrades), followed by transition impact (17 per cent).

Overall performance binary ratings gap between self-assessment and evaluation - change over time



All other rating criteria had a ratings gap around 10 per cent or less. Even for Bank handling the gap was only 7 per cent – here EvD has put a lot of emphasis on the fact that it assess *Bank handling* and not *banker handling*. The transition impact rating is analysed further in the following section.

Overall performance binary ratings gap between self-assessment and evaluation 2010-14

	Ratings raised substantively by EvD %	Ratings substantively unchanged %	Ratings lowered substantively by EvD %
Overall performance	1%	86%	13%
Transition impact	0%	83%	17%
Environmental and social performance	0%	97%	3%
Environmental and social change	5%	79%	16%
Additionality	0%	90%	10%
Company financial performance	1%	91%	8%
Project financial performance	3%	89%	8%
Achievement of operation objectives	1%	91%	8%
Bank handling	0%	93%	7%
All ratings	1%	89%	10%

Transition impact monitoring

The Bank sets specific transition objectives and benchmarks for all projects at appraisal, and assesses them for transition potential and risk. Only operations rated at least *satisfactory* for transition potential proceed to approval.[3] Indicators and benchmarks are identified to measure achievement of the identified sources of transition impact. During the lifetime of the project, progress on achieving the benchmarks is monitored by the operation leader in cooperation with the Office of the Chief Economist through the Transition Impact Monitoring System (TIMS). The possibility that operations may fail to achieve their transition potential is recognised at appraisal through the transition risk rating.

A direct comparison between TIMS ratings and evaluation ratings for transition impact is of limited value because of the differences between monitoring and ex-post evaluation, summarised in Box 5.2 below. Nevertheless, the existence of two sets of ratings prompts questions about the relationship between them, and analysis can produce some useful information.

Complementary roles of monitoring and evaluation

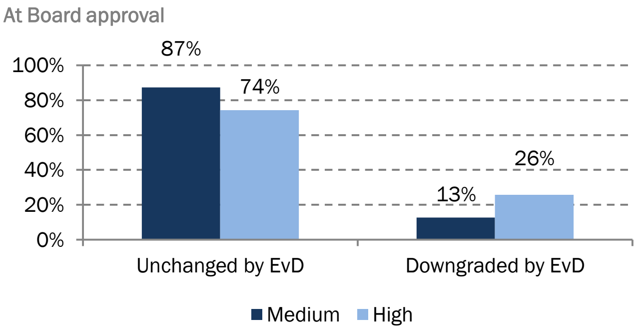
Monitoring	Evaluation
✓ Takes place during implementation	✓ Takes place when project is operational
✓ Clarifies objectives	✓ Takes objectives as stated
✓ Links activities and their resources to objectives	✓ Assesses achievement of intended & unintended results
✓ Translates objectives into a limited set of performance indicators & sets targets and baseline	✓ Analyses why intended results were or were not achieved
✓ Periodically collects data on these indicators, compares actual results with targets	✓ Assesses specific causal contributions of activities to results
✓ Reports progress to managers and alerts them to problems so corrective action can be taken	✓ Goes beyond results - relevance, process & allocative efficiency, & more
	✓ Provides lessons and offers recommendations for improvement of future operations

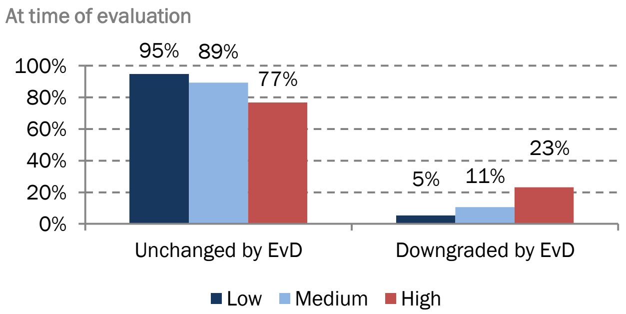
© EBRD/Eoin Casey

EvD has compared evaluation ratings and TIMS ratings for projects evaluated from 2010 to 2014. The charts below compares EvD's transition impact rating with the transition potential rating assigned at approval, and the latest TIMS rating at the time of evaluation. Most of the operations in the sample had high to medium transition risk, which reflects the difficulties faced by the Bank's projects and the Bank's willingness to accept risk

The charts show that EvD is more likely to assign a lower transition impact rating to projects with a higher risk rating. As in the section above, the analysis only considers substantive changes, that is, between broadly positive ratings (*satisfactory* or better) and broadly negative ratings (marginal or lower). Where the risk is rated low, EvD rates transition impact substantially the same as the TIMS-assessed transition potential in 95 per cent of cases, compared with only 77 per cent for operations with high assessed risk. This indicates that the risk rating is a broadly accurate predictor of the likelihood of the project achieving its full transition potential.

Evaluation ratings compared to transition potential ratings at Board approval and TIMS rating at time of evaluation





The only operations where a direct comparison is relevant are those for which TIMS monitoring has been completed. The table below shows that of 84 completed operations evaluated from 2010 to 2014, EvD agreed with the final TIMS rating in 85 per cent of cases, rated transition higher in 2 per cent and lower in 13 per cent of cases.

EvD ratings compared to final TIMS rating (for completed projects) 2010 to 2014

Risk	Upgraded by EvD	Unchanged by EvD	Downgraded by EvD	No. of reports
Negligible	2%	85%	13%	
No. of reports	2	71	11	84

Finally, EvD reviewed 222 operations evaluated in 2010-14 which had TIMS ratings, evaluation ratings assigned by EvD and self-evaluation ratings assigned by operation teams in OPA reports. The table below shows the results: the OPA rated the project higher than TIMS for 13 operations, and lower than TIMS in 4 cases. EvD reversed 12 of these 17 ratings changes at evaluation.

EvD also downgraded the OPA rating for a further 26 operations (12 per cent of the total) where the OPA had substantively agreed with the TIMS rating. This illustrates the fact that the variance in ratings between monitoring and evaluation does not simply reflect a difference of approach or methodology between EvD and the Office of the Chief Economist. Among the other factors EvD sees as causing the variance are:

i) claims made in Board documents about transition impact that do not have benchmarks associated with them – evaluation assesses achievement in these areas but TIMS logically does not;

ii) benchmarks that are a restatement of operational objectives – evaluation eliminates double-counting in the performance assessment while TIMS logically does not;

iii) an absence of robust data to determine whether a benchmark has been achieved or not;

iv) evaluation takes into account unexpected results while TIMS logically does not;

v) evaluation considers all available evidence while TIMS bases its assessment on a selective group of pre-identified benchmarks;

vi) there is often a timing difference between the last TIMS assessment and evaluation – circumstances may have changed; and finally

vii) evaluation involves the exercise of evaluator judgment – the fact that it has been exercised may not always be clear.

EvD ratings and OPA ratings compared to TIMS ratings 2010-14

	EvD vs OPA Downgrade	EvD vs OPA Unchange	EvD vs OPA Upgrade	No. of reports
OPA vs TIMS Downgrade	0%	1%	0%	4
OPA vs TIMS Unchanged	12%	81%	0%	205
OPA vs TIMS Upgrade	5%	1%	0%	13
No. of reports	37	184	1	222

[1] Though the average score in 2014 was 65 per cent for short-form OPAs

[2] 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 or generally less than successful.

[3] EvD views use of the term 'benchmarks' as confusing as it combines two elements of results measurement – it is both a target level of achievement and an indicator of performance. For reasons not detailed here there is a strong preference to make a clear distinction between a targeted level of performance and the indicator by which that will be measured.

Achievements and challenges

In this Chapter:

- Evaluation deliveries in 2014
- Evaluation Policy implementation
- Strategic repositioning and retooling of evaluation
- Staffing and development
- Outreach, integration and uptake of evaluation work
- Leadership role within the international evaluation community

Evaluation deliveries in 2014

In total, EvD completed the following:

Corporate reports
Annual Evaluation Review 2013
Work Programme 2014-2015 and Budget 2015
Proposal for Management Follow up on EvD Recommendations
Management Follow up on EvD Recommendations 2013 – 2014
Validation Findings and Ratings 1H 2014
Validation Findings and Ratings 2H 2014
Special Studies
Evaluation of the 2010 Agribusiness Sector Strategy
The EBRD's Shareholder Special Fund – Interim Evaluation
The EBRD's experience with policy dialogue in Ukraine
Interim evaluation of the Climate Investment Fund (joint evaluation with other multilateral development banks)
Operation Evaluations
Mid-size Sustainable Energy Financing Facility
Power and Energy company
Transport
Manufacturing and services company
OPA Validations
61, published in the corporate report Validation Findings and Ratings 1&2H 2014
OPA Reviews
47 (not published)

Several more outstanding pieces of work are currently in the process of Management review and are close to completion.

Evaluation policy implementation

The Bank's revised Evaluation Policy in place since January 2013 is providing a pragmatic and effective framework for improved evaluation in the Bank; most issues arising are quickly resolved through reference to the policy. The 2013 Annual Evaluation Review reported on progress on specific issues; an update for 2014 follows.

Improved specification of expected results and their drivers

The policy directs Management to ensure 'that proposed operations clearly specify expected results and related performance indicators with sufficient clarity so as to allow effective evaluation' and 'that programmes, policies and strategies identify their expected results with sufficient specificity as to allow effective evaluation.'

Many changes have taken effect in 2014, including results frameworks for country strategies and adoption of a comprehensive set of processes and tools for results-based management of TC. Work is well advanced to introduce a revised results framework and more explicit treatment of the theory of change for investment projects. This area was further addressed in the chapter 'Special Topics', section 'Results frameworks and theories of change' p 26).

Ensuring an effective system for self-evaluation

The policy commits Management to ensure 'an effective system of self-evaluation and [that it] reports periodically to the Board on its scope and operations.'

As reported in the chapter on 'Self-evaluation and Monitoring', important gains in OPA quality have been made throughout 2014. This is as a result of several key factors:

- the efforts of portfolio managers who have become leading advocates within banking teams for the timely delivery of good quality self-evaluations;
- the Portfolio Management Group which recruited a principal banker in 2014 who has responsibility for evaluation matters among other duties;
- reinforcement of the importance of self-evaluation by the increased Board awareness of and focus on new EvD products (OPAVs) rooted in the OPAs;
- constructive feedback from EvD and its evaluation managers on OPA coverage and quality.
- A survey of bankers by the Portfolio Management Group confirmed wide support for the value of this work.

- Delivery by EvD of practical training on self-evaluation preparation to around 200 bankers and their portfolio managers during an Evaluation Week held in January 2015 (see below for more detail) will build further on the ability of strengthened self-evaluation to produce value across the Bank.

Management comments on EvD reports

The policy states 'Management will comment in writing on evaluations as a matter of general practice, indicating areas of agreement and disagreement, unresolved issues, prospective follow-up actions, and potential resource considerations.'

It also requires 'EvD and Management [to] meet to discuss draft final evaluation reports to ensure accuracy and, to the greatest extent possible, agree on findings, lessons and recommendations.'

Management continued to provide written comments on all evaluation studies during 2014 and this was welcomed by the Audit Committee. Midway through the year a comprehensive Operations Manual section (8.5) was agreed between Management and EvD on Distribution, Review and Comment on Evaluation Reports and this formalisation of the process has provided clarity on responsibilities and timeframes.

Tracking actions on agreed recommendations

The policy provides that Management 'tracks actions on agreed recommendations and periodically reports to the Board on implementation…'

In March 2014 EVD put a proposal to the Audit Committee to introduce a new tool to better track implementation of EvD recommendations by Management, following Audit Committee endorsement of the basic elements of a system in July 2013. It was recognised that the previous system was not as effective as it should be because:

i) EvD's recommendations were not always clear and actionable;

ii) Management's response to recommendations also frequently lacked clarity as to what was accepted and what was not; and

iii) there was rarely an action plan for those recommendations accepted by Management to enable follow up.

The Audit Committee welcomed the initiative and requested a pilot report in late 2014.

EvD delivered the first report under the new tracking system in October 2014. The report contained recommendations produced in both 2013 (under the old system) and 2014 (under the new system), with approximately 60 per cent of EvD recommendations either agreed to or partly agreed to. Around 30 per cent had no initial response at issuance of the report, although later responses were given.

Over one third of those recommendations agreed to or partly agreed to by Management were complete or implemented at the reporting date. Over half were either in progress or nearly complete and just one had not yet progressed.

After discussion in the Audit Committee, EvD committed to further improve the quality of its recommendations (and also the number of them) and Management to prepare more complete action plans. EvD will also assess the extent to which Management's implementation is deemed satisfactory against the original purpose of the recommendation, and provide updates where some recommendations may have become redundant over the passage of time.

Work on an improved IT platform for the tracking tool is underway.

Using evaluation findings and lessons

The policy states: 'Lessons and findings from evaluation will demonstrably be taken into account by Management in the design and approval process for new operations, programmes, policies, strategies and processes. Management develops and refines processes and instruments to take account of lessons, in consultation with EvD, and reflects these in the Operations Manual, other guidance documents and Learning and Development courses.'

In the 2013 Annual Evaluation Review, EvD noted with some concern that the then new Board document format had eliminated an explicit requirement to incorporate lessons from evaluation or other experience with the removal of the 'past experience' section. In its place is a requirement for teams to 'refer to the Bank's experience in similar transactions, either by explaining how successful features are replicated or adjustments have been made" but only *where particularly relevant* [emphasis added].

EvD's long-standing view has been that, coming at the very end of the structuring and due diligence process, the previous treatment of past experience was largely cosmetic and not particularly useful. It has long advocated for a consideration of lessons and past experience at the concept stage when they can influence structuring decisions.

In the absence of a requirement to take lessons into account early on, and in view of an apparent weakening of the treatment of past experience/lessons in the current Board document, EvD committed in the 2013 Annual Evaluation Review to assess the treatment of lessons and findings in Board documents as a special topic in this year's review. The results of this work are presented in the chapter 'Special Topics' in the section 'Evidence of evaluation findings and lessons used in project proposals' p 24) .

Distribution of evaluations

The policy distinguishes between internal distribution and external disclosure. On the former it says 'Evaluation reports will be made available to internal users consistent with confidentiality safeguards. The decision on internal disclosure rests with the Chief Evaluator taking account of advice from Management.'

Internal distribution has been considerably widened as a result of the policy. EvD is now distributing all project evaluations to the Board in full. Reports are also circulated to key audiences in banking, including the sector team, the regional offices and the full project team.

In February 2014, EvD produced a first synopsis of validation reports for the Board (covering all 2013 validations) – this contained a summary of key findings both by project and theme. Previously, distribution of validations was limited strictly to the team concerned, which directly impedes horizontal learning. The idea of a synopsis was introduced in light of the growing quality of the underlying self-evaluations (the OPAs) and the increased rigour of EvD's validations of these. The fact that validations cover around 50 per cent of completed operations judged ready for evaluation means they provide a very credible and representative basis for deriving generally-applicable lessons.

With the changes, validated self-evaluations have become an increasingly valuable learning resource of which better use could and should be made. The synopsis was designed to relay key messages for those who may not have time to read the full reports – as such, it was part of EvD's effort to increase the usability and use of evaluation findings.

The first synopsis was well received so it was followed by another in March 2014 reporting on the OPAVs finalised in the first quarter. Since then synopses are being prepared on a six-monthly cycle covering the 1st half and 2nd half of the year, with findings now grouped by theme and country.

Based on the interest of the Audit Committee in the thematic presentation of findings in the half-yearly synopsis, EvD presented for the first time a cluster of OPAVs (with a transition impact-related theme). The Committee has found this a useful supplemental way to absorb relevant material from EvD's OPAVs. Two further clusters (covering wind farm projects and projects with supply chain/backward linkages) have been discussed by the Audit Committee in the first quarter of 2015 thereby establishing this as a regular product for committee consideration.

On external disclosure the evaluation policy says 'The provisions of the Public Information Policy regarding external disclosure will apply.' EvD continues to operate within this framework -- disclosing anonymised summaries of individual project evaluations and redacted versions of special studies to protect commercially sensitive information continues. The new half-yearly OPAV synopses are disclosed.[1]

Update on the Evaluation department's repositioning and retooling

With the support of the Board and following the arrival of a new Chief Evaluator in January 2011, EvD initiated a comprehensive strategic review, encompassing its priorities and goals, products and services, methods and processes, and resources and structure. A range of major initiatives followed from this review, all of which have been discussed and endorsed by the Board at various points over the past four years.

Given the inevitable turnover and loss of embedded memory at the Board level (only three current Directors were serving in the Bank when this process began) there is value for Directors in having a brief summary of the most important aspects of EvD's change process. This section seeks to provide that.

Elements of the change process

Evaluation Policy

- Approval of a new evaluation policy. A "state of the art" policy, fully agreed to by Management, was approved by the Board in January 2013, following extensive consultation.
- The new policy repositioned evaluation as a whole-of-bank function with clearly defined and complementary roles for EvD, Management and the Board (including its committee responsible for evaluation matters, the Audit Committee) – previously, evaluation in the Bank had been more or less synonymous with the Evaluation Department.
- The policy also clarified the twin purposes of evaluation to more equally focus on contributing to learning and accountability – with both seen as critically important to improving institutional performance.

Uptake of evaluation work within the EBRD

- Increasing the relevance of evaluation outputs by ensuring a greater share of evaluations reaches audiences who need the information, when they need it, and in a form that enables its ready use. The work programme is more relevant and responsive to user needs, though there is still much scope to increase the use of evaluation findings.
- A shift in emphasis from the production of evaluation outputs as the principal measure of success to a consideration of the outcomes and impacts that flow from the uptake of evaluation findings – this brings into focus the reality that evaluation findings not used add little or no value.

Self-evaluation

- Increasing the focus and expected rigour of self-evaluation as a uniquely valuable source of project-level insights that can contribute directly to institutional performance. With the full cooperation of Management, substantial quality improvements in self-evaluations (OPAs) have been achieved. This in turn has contributed to substantially higher quality and value-added in the independent EvD evaluations (OPAVs) that draw upon the OPAs. A survey of bankers conducted by Management showed growing appreciation of the usefulness of the self-evaluation process. Self-evaluations are now a much more value-adding product to the Bank as a whole; further gains can be made in achieving consistently high quality of self-evaluations.

Engagement with Management

- Extending the uptake and perceived value of EvD work through greater engagement with Management, building a more collegial and constructive relationship while respecting the independence of the department. Many steps have been taken by EvD and Management including; nomination of EvD focal points, regular meetings with focal points, participation by EvD staff in Management-established working groups and task forces and adoption of a commenting process covering approach papers, draft and final reports. There is much to build on, but it is also an area that needs constant investment and tending.

Informing Board decision-making

- Increasing the value-added to the Board of evaluation findings by producing relevant and credible studies that are used to aid Board decision-making. Further improvements are sought to better communicate evaluation findings to Board members when needed and valued, and in a form that best encourages their absorption and use.

Quality of evaluation products

- More generally, further improving the consistency, rigour and quality of evaluation products and services, thereby increasing their credibility and so usefulness and ultimately, their use. Many steps have been taken in support of this element of the change process, including; preparation of guidelines and templates; use of approach papers for all evaluation studies; stepped up peer review (including external peer review for special studies) and close management and enhanced quality control; formalisation of the Management commenting process, and; training of EvD staff, and portfolio managers and bankers preparing self-evaluations. This is also an area that requires constant investment and attention

- Moving to a two year work programme to allow work on in depth studies sufficient time to progress

Departmental restructuring to meet strategic requirements

- Restructuring of EvD and staff renewal has been critical to improving performance and delivery at every level; more detail is provided below. Significant new investments have been made in skills enhancement for EvD staff in evaluation methodology and analytical techniques, and further investments are ongoing.

EvD staffing and development

Staffing

Several changes were made in EvD's structure in 2013 to better align that with the new strategic priorities. Key features included:

- A move away from dedicated specialised manager positions (such as environment), less suited to delivering the Department's changed product mix and less of a silo approach to job assignments.

- Reducing the number of administrative positions in favour of increasing positions performing front-line evaluation work.

New Deputy Chief Evaluator

The Audit Committee in 2014 approved creation of a Deputy Chief Evaluator position within the existing headcount. A competitive internal and external search was initiated in 2014 and concluded with an appointment earlier this year. An important part of the role will be to manage the work programme delivery thereby further contributing to the timely delivery of quality outputs. However, it is expected to go beyond this to also focus on achieving a greater utilisation of evaluation findings. During 2014, an Evaluation Analytical and Support Unit was created comprising the two administrative officers and two evaluation analysts. This unit came under the Senior Adviser and now is under the Deputy Chief Evaluator.

New hires

As reported in the 2013 Annual Evaluation Review, the department operated for much of 2013 without a full complement of staff, including vacancies and two secondments to other parts of the Bank. All vacancies were filled in 2014 and the secondments concluded. Having a full complement of staff provides an opportunity to change the range of the department's output of products and services, as well as provide the resources required to improve report quality and the timeliness of their completion. The new staff significantly increases the Department's skills complement in evaluation, operations, and advisory experience. They will also provide greater depth and flexibility to react to opportunities to do high-value work not originally programmed. One such piece of work was carried out in 2014 – an interim evaluation of the Shareholder Special Fund. Finally, with its new hires EvD has achieved a significantly better gender profile, though not yet at the senior level.

Skills and experience

The EvD team remains predominantly drawn from outside the Bank, though it includes two staff with Banking Department experience. Experience elsewhere shows that rotating operations staff through an evaluation department can considerably broaden perspectives and knowledge, going in both directions. EvD is open to having additional staff drawn from within the Bank and regards the internal mobility initiative as a possible means to encourage that.

Other training includes: use of powerful new qualitative data analysis software and impact evaluation for the energy and environment sectors organised by the Development Impact Evaluation group at the World Bank.

Staff development

Strong staff skills in evaluation methodologies and tools are critical for EvD's wider success and credibility. In prior years, training opportunities were taken mainly on an ad hoc and opportunistic basis. While this contributed to quality and capacity increases in specific ways, it was not of a scale or consistency sufficient to move the overall Department to a higher level. The influx of new staff coupled with the now much-advanced transition to new products and policies was a great opportunity to significantly increase the Department's investment in internal skills upgrades.

International Programme for Development Evaluation Training (IPDET)

As a first step, EvD developed a customised one-week programme based on the core two-week programme offered by the International Programme for Development Evaluation Training (IPDET), globally recognised as the gold standard. All EvD staff attended this intensive course, which was based on specific EBRD case studies. This investment is already contributing substantially to greater internal consistency and good practice, and will be followed by further customised training this year.

Training in qualitative data analysis software

EvD staff recently completed training on using powerful new qualitative data analysis software which will be put into use in 2015.

Impact evaluation for the energy and environment sectors

One staff member attended training held by the Development Impact Evaluation group at the World Bank on conducting impact evaluation for the energy and environment sectors organised by the.

Development of tools and processes

Use of approach papers

Approach papers are now prepared on a mandatory basis by Evaluation Managers in advance for all Operations Evaluations and Special Studies. Based on substantial research and analysis these clearly set out:

- the issues to be explored;
- methods and analytical requirements;
- timetables and resource needs.

They are subjected to rigorous EvD review (sometimes including external reviewers), and are the basis for close Management review and feedback. In most cases there has been a significant improvement in the quality of Approach papers; additional training in January 2015 focussed on results frameworks and evaluation design matrices is expected to yield further improvements.

Guidance notes

A major change introduced in the 2013 evaluation policy was to separate out evaluation technical guidance from the policy. The 2013 Annual Evaluation Review reported that 7 guidance notes had been prepared since approval of the policy.

New performance rating methodology

The 2013 Annual Evaluation Review also reported on work ongoing to prepare a major new guidance note on a new methodology for evaluation performance rating. This work was largely concluded in 2014.

As well as being a significant revision to the guidance for the performance rating of transactions (addressing a number of issues in current guidance), it fills a guidance gap as it also covers performance rating of TC. The reasons why the changes were required were reported on in 2013 Annual Evaluation Review.

During 2014, the draft guidance note was refined through a process of

i) retro-testing it on four previously completed evaluations;

ii) pilot testing it on an evaluation in the 2014 work programme;

iii) subjecting it to various levels of peer review; and,

iv) harmonising the TC side of the evaluation performance rating guidelines with developments that have been launched by TC Team.

Early in 2015, as part of Evaluation Week, the new guidance was presented to portfolio managers and staff of the Portfolio Management Group. A draft has been sent to Management for informal comments. A presentation to the Audit Committee was made in the first quarter 2015.

EvD will be using the new guidelines for its own independent evaluation in 2015. The plan is to extend its use to self-evaluation from 1 January 2016 following extensive training by EvD. Revised templates for the OPA and OPAV and full guidance have already been prepared.

The table below shows the three criteria (relevance, results and efficiency) that make up the overall rating, along with their sub-criteria; and other performance criteria that are assessed, but not rated or included in the overall rating of performance. The table shows the four so-called derived ratings that have been included to ensure continuity of data series and to provide separate assessment against core parts of the EBRD's mandate.

When rating performance under the new system, evaluators assign sub-criteria ratings from among one of six options (*excellent, satisfactory, partly unsatisfactory, unsatisfactory, no opinion possible* [for example, through lack of evidence], and *not applicable*). Evaluators can also assign alternative weights to the sub-criteria if a case can be made to deviate from the default medium weight – available options are high or low weight – with an additional option being not to include the sub-criterion in the criterion rating. A traffic light system is adopted to illustrate sub-criteria ratings more graphically. Recommended criteria ratings are generated automatically with the evaluator being able to accept the recommended rating or override it. If an override is made, this must be justified. A bar show how close each criterion rating is to the border with the rating category above or below. Evaluator discretion is allowed close to the border. Similarly, for the overall performance rating a recommended rating is given in one of six categories (*outstanding, good, acceptable, below standard, poor, very poor*) with the option to have "*no opinion possible*." Previously, overall performance was only rated to one of four categories with 84 per cent being rated successful or partly successful (taking out the rolling three-year period covering projects affected by the global financial crisis). The adoption of six categories provides for a greater degree of granularity in overall performance rating.

An important consideration in the new performance rating guidance is to allow for legitimate evaluator discretion but to ensure that its exercise is fully transparent. Previously, it was necessary to read the evaluation report to determine why a rating was given and even then it might not be sufficiently clear. Now it is very clear how criteria and the overall ratings have been arrived at.

Investment project evaluation criteria and sub-criteria

1. Relevance 1.1. Strategic relevance 1.2. Relevance of design 1.3. Expected additionality 1.4. Demonstrated additionality	**2. Results** 2.1. Achievement of outputs 2.2. Contribution to intended outcomes 2.3. Contribution to intended impact 2.4. Performance against benchmarks (if relevant) 2.5. Unintended results (positive or negative)
3. Efficient Resource Use 3.1. Financial performance of project or client 3.2. Implementation efficiency 3.3. Bank investment profitability 3.4. Bank handling 3.5. Relevance, quality and timeliness of consultant(s) services (if relevant)	**4. Other performance attributes (assessed but not rated)** 4.1. Sustainability of achieved results 4.2. Client's contribution 4.3. Co-financier's contribution (if any) 4.4. Innovation features (if applicable) 4.5. Merit features (if applicable)
Derived ratings 1. Transition impact (derived based on evaluator-flagged transition results drawn from 2.2 and 2.3 plus/minus transition results in 2.5) 2. Environmental and social performance (derived based on evaluator-flagged environmental and social inclusion results drawn from 2.2 and 2.3 plus/minus environmental and social inclusion results in 2.5) 3. Additionality (rated automatically based on 1.3 and 1.4) 4. Sound banking (rated automatically based on 1.2, 3.3 and 3.4)	

Technical cooperation evaluation criteria and sub-criteria

1. Relevance 1.1. Strategic relevance 1.2. Relevance of design	**2. Results** 2.1. Achievement of outputs 2.2. Contribution to intended outcomes 2.3. Unintended results (positive or negative) * 2.4. Sustainability of achieved results *
3. Efficient Resource Use 3.1. Bank handling 3.2. Client's handling (equivalent of Client's contribution in Table 2)	**4. Other performance attributes (assessed but not rated)** 4.1. Donor's contribution (not required for self-evaluation) 4.2. Innovation features (not required for self-evaluation) 4.3. Merit features (not required for self-evaluation)

*These sub-criteria are rated but are not determinants of the overall rating for TC self-evaluation. Independent evaluators may, however, deem it necessary to consider them in the overall rating.

Qualitative data analysis software

Much of the data gathered and analysed by EvD in the course of its evaluation work is qualitative. The analysis of this is type of data can be laborious and open to errors of interpretation, omission and judgment. Also, as part of efforts to improve the rigour of evaluations those conducting them are encouraged to use mixed methods – combining qualitative and quantitative data can be challenging. Finally, with more evaluations now being conducted by small teams of EvD staff there is a greater need for (and payoff from) collaboration tools.

As a first step in 2014, an expert in qualitative data analysis software was retained to provide an overview of three software packages judged to be most applicable to EvD needs. Following this session it was decided to purchase MaxQDA Plus (which handles mixed methods combining qualitative and quantitative data analysis) and this has now been installed for 10 EvD users.

Two-day training in setting up a project on MaxQDA took place in March 2015 and the same consultant has been retained to provide ad hoc support to staff as use of the software is rolled out to evaluations in the 2015 work programme.

Workflow tracking tool

EvD continued to upgrade the automation of workflow processes for OPAs and OPAVs, which involve multiple iterations and often substantial engagement between EvD and Management counterparts. The OPA Validation process was fully automated in 2014; used as intended this gives EvD and Management consistent access to reports on the status of validations. The OPA process was developed in 2014 and will be implemented in 2015. Enhancements will streamline the process for all users and enable better scheduling and accurate reporting.

Plans are also underway to add other EvD reports to workflows, including operations evaluations and special studies. This will ensure all evaluation reporting is in one place and all users will be able to plan their input more easily. The system will also be a complete and easily accessible history of comments made and comments incorporated. The workflow tracker will help ensure that the evaluation work programme is delivered in full and on time. Dashboards will be constructed as visual prompts to upcoming items of evaluation work, something that will be particularly helpful to Management.

Facilitating use of evaluations

Library of evaluation reports

The Evaluation Library has been expanded and made accessible to all EBRD staff and the Board. It contains useful material for those preparing new projects, engaged in policy dialogue, strategy and policy development, and portfolio management. In 2014 it was accessed by 325 unique users (not including EvD staff) who accessed it in over 12,000 separate sessions. This figure is surprisingly, but pleasingly, high for evaluation work where use of EvD reports is entirely discretionary. It is reasonable to suppose that this reflects in part at least the efforts made by EvD to improve the relevance, quality and usability of its reports, and the steps taken to facilitate wider readership within the Bank.

Lessons Investigation Application

Following a major revamp of the platform and content of the former lessons database in 2013, in 2014 the Lessons Investigation Application (as it is now called) was accessed around 250 times by 162 unique users (not including EvD or IT users). Most frequent users were the MEI and Transport teams (with around 20 users each), followed by Natural Resources and Agribusiness. Many users were also in the resident offices.

The Application is updated semi-annually with lessons extracted from OPAs, OPAVs and Operation Evaluations. It is searchable by sector, product type, country and numerous other descriptive fields, and is linked to the Evaluation Library of reports. Users are able to provide comments on lessons, although few have chosen to do so to date.

EvD needs to do more to promote use of the Lessons Investigation Application since this is the main place where the EBRD's experience is captured for the use of current and future colleagues. EvD's contribution to Learning and Development's Banking Academy course emphasises the availability of the Lessons Investigation Application as did the practical OPA training provided by EvD to over 200 bankers in January 2015 (see the following section).

Training provided by EvD

Training for Banking staff on self-evaluation

EvD has long provided training to banking staff on self-evaluation, there being none available via Learning and Development. Sessions have tended to be irregular, more responsive to demand and perceived need on the Banking side than pushed by EvD. EvD staff have continued take the opportunity to deliver training in OPA preparation, and evaluation more generally, in resident offices during the course of evaluation missions. In 2014, such training was provided to staff in 4 resident offices. This training was universally welcomed.

The previous round of more intensive training in headquarters took place in 2012 upon introduction of the OPA in place of the now-discontinued XMR. During 2014, a number of portfolio managers suggested that there would be considerable benefit in terms of OPA quality from practical training early in the year for those scheduled to prepare OPAs in 2015. EvD was pleased to respond to this suggestion and a decision was taken to include such training as part of the Evaluation Week starting 22nd January 2015 (see below in this section for further details on Evaluation Week). In the event, all sector teams requested sessions with most making attendance mandatory for those with OPAs to prepare in 2015. Over 200 bankers (many connected by video or audio link from resident offices) and portfolio managers attended one of ten 1.5 hour sessions. Eight of the ten sessions were customised for a single team while two sessions covered more than one team.

Customisation included the provision of details of EvD's OPA quality rating for that team and examples of good practice from the team's 2013 OPAs. The latter was output in the form of booklets for the team, available in both hardcopy and online. Feedback from the sessions was very positive.

Training for Banking and non-Banking staff on results frameworks and theory of change

EvD also provided two modules of three hours each (one on results frameworks and the other on theory of change), and added to this a session on evaluability. In the event, 85 participants joined the three sessions in total – coming from banking (including portfolio managers), TC Team, Office of the Chief Economist and VP Policy group. The feedback received was very positive. The week was rounded off by closed sessions with portfolio managers/Portfolio Management Group and TC Team to discuss matters of common interest based on the success of this inaugural Evaluation Week it is likely that it will become a regular event.

In 2014, EvD also stepped up its contribution to Learning and Development programmes – it presented on evaluation to all four of the flagship Banking Academy Core EBRD Banking Skills sessions; to all three sessions of the new project monitoring course; and, all six sessions of the Exploring EBRD orientation course for new joiners. The department continued to respond to all requests to join team meetings.

Engagement with the international evaluation community

EvD benefits greatly by engaging with the international evaluation community and in turn it contributes to that debate, particularly in the area of the evaluation of private sector operations. There are two main vehicles for international engagement by EvD and the nature of the engagement with both in 2014 follows.

Evaluation Cooperation Group (ECG) of the international financial institutions

The Evaluation Cooperation Group (ECG, www.ecgnet.org) is the main vehicle used by EvD for international engagement. This is a grouping the heads of evaluation and other senior staff of ten international finance institutions along with three permanent observers. The three permanent observers provide the members with a formal link to the Evaluation Network of the OECD/DAC, the United Nations Evaluation Group. The independent evaluation office of the Global Environment Facility is also a permanent observer.

Formed in 1995 at the behest of the Development Committee, ECG's purpose was to establish a more harmonised methodology for evaluation of projects. Given this, the ECG has expended considerable effort to develop good practice standards for the evaluation of private and public sector operations and country programme evaluations.

When formed in 1995, most members' evaluation departments were not independent and ECG has played an important role in promoting and protecting independence, which is now a condition of membership. It has produced good practice standards for the independence of the evaluation function in international finance institutions. ECG meets twice per year; EvD has been represented by the Chief Evaluator and Senior Adviser, with other staff participating on an issue-specific basis.

© EBRD

As reported in the 2013 Annual Evaluation Review, ECG was perhaps a little slow to react to the changes taking place in the evaluation departments of its member institutions – in particular, the growing importance of learning and consequent reduced emphasis on the evaluation of individual transactions; and the increased proportion of sector, country, thematic and corporate evaluations in work programmes. However, ECG has recently decisively changed direction to be aligned with these changes.

Evaluation network of the OECD Development Assistance Committee (DAC)

The Evaluation Network of the OECD/DAC also meets twice a year. It brings together 25 bilateral (including the European Commission) development partners, seven multilateral organisations and a number of observer members. Through its observer status EvD gains valuable insights on methodological approaches, means of knowledge sharing and bilateral thinking on evaluation matters and multilateral performance. Regular participation by a number of ECG members (EvD included) has contributed greatly to building mutual understanding between many bilateral agency evaluation units and those of the IFIs. A number of EvD staff attended both Evaluation Network meetings held in 2014.

In 2015, the network is proposing to update a previous study on evaluation systems based on changes that have taken place and challenges being faced by evaluation offices. Among the challenges identified in the most recent meeting are; capacity constraints as evaluation moves beyond project evaluation, follow-up on recommendations, uptake (or lack of it) of lessons, communication strategies, value for money from evaluation, collective learning, evaluation policies, professionalization of evaluation, evaluation culture in organisations, knowledge management, evaluability/quality of entry, and use of consultant.

---

[1] Summaries of anonymised Operations Evaluations can be found at http://www.ebrd.com/evaluation-overview/evaluation-reports.html.
An anonymised version of a half-yearly synopsis of OPAVs can be found at http://www.ebrd.com/what-we-do/evaluation-reports/project-evaluation-findings-and-ratings.html
Sector and thematic special studies can be accessed at http://www.ebrd.com/what-we-do/evaluation-reports.html

© GettyImages/danchooalex

Annex 1 Selection of projects for evaluation

In this annex:

– Identification of the population of evaluation ready projects
– Selection of the sample of projects for evaluation
– Note about projects selected in 2012
– Size and representation of the sample
– Note about standard error in the sample
– Description of the sample

Identification of the population of evaluation ready projects

The process for selecting projects for evaluation is based on the GPS. Each year, unevaluated operations are reviewed to identify those that have reached early operating maturity. According to the GPS, this is achieved when:

a) The project financed has been substantially completed

b) The project financed has generated at least 18 months of operating revenues for the company

c) The EBRD has received at least one set of audited annual financial statements covering at least 12 months of operating revenues generated by the project.

In practice, EvD does not have this information readily available for all projects. It therefore sets as a working assumption that loan operations can be ready for evaluation 18 months after last disbursement, and equity operations two years after last disbursement. It sends operation teams a list of projects in their area that will reach this status within the evaluation year. Each operation team then identifies the projects expected to meet all three criteria for early operating maturity in the course of the year.

Excluded from the population are:

– dropped and cancelled investments where no disbursement has been made
– small investments made under frameworks (which are generally evaluated on a programme basis through a Special Study)
– certain follow-on operations, such as minor capital increases or investments undertaken to help finance further expansion or cost overruns on projects previously financed by the EBRD, especially where such follow-on operations did not have separate objectives against which performance could be evaluated.

The GPS also allow the exclusion of "jeopardy" cases, which in the EBRD's case means projects that have been transferred to the Corporate Recovery Unit for special handling. EvD follows the advice of the Director for Corporate Recovery on the timing of evaluations of these projects.

Subject to these exclusions, the population includes all investments that have reached early operating maturity, plus any unevaluated investments that have already been closed, even if they never reached early operating maturity (for example, prepaid operations).

Projects not expected to reach early operating maturity during the year are excluded from the population and rolled forward for inclusion in a future year. In the case of some very long-running operations, EvD may impose a 'cut-off' eight years after project signing, at which time an evaluation takes place even if only provisional. Investments are included in the population only once (that is, only for the year in which they will have reached early operating maturity).[i]

Selection of the sample of projects for evaluation

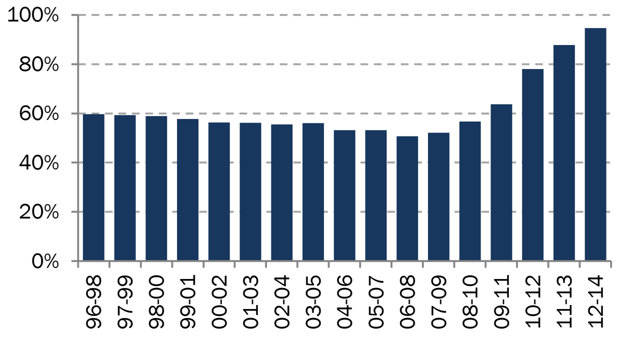
Once the population of projects ready for evaluation has been identified, EvD takes a random, representative sample of sufficient size to establish, for a combined three-year rolling sample, performance rates at the 95 per cent confidence level, with sampling error not exceeding ±5 percentage points, for key performance indicators. This procedure has been followed for the last six years (starting 2009) to ensure EBRD compliance with the GPS.

The second chapter of this report 'Aggregate Performance' is based on findings from the randomly selected operations.

The sampled projects may be evaluated through operation evaluations or lighter OPA validations. EvD elects to prepare operation evaluations for a subset of sample projects with the aim of maximising the potential for learning lessons. Some additional projects may also be selected purposively for evaluation through operation evaluations, again with an exercise of judgement as to prospective insights and lessons; these remain outside the sample and have not been included in the results presented in the chapter on 'Aggregate Performance.'

The chart below shows the proportion of the results derived from validations (or their predecessor, XMR Assessments) rather than from more in-depth operation evaluations. The proportion has risen in recent years with a greater focus on self-evaluations validated by EvD.

Proportion of results derived from OPA Validations, 1996 to 2014



Projects selected in 2014

In 2014, 63 projects were randomly sampled for addition to the evaluation database. During the year some projects dropped out of the sample (see Annex 3) and others were not completed in time to be included in this year's Annual Evaluation Review. In total, 49 operations from the 2014 work programme were added to the evaluation database in time for 2014 Annual Evaluation Review. All of these were evaluated through OPA validations.

Size and representation of the sample

The random sample is intended to achieve statistical significance over a three-year rolling period. This section therefore considers the latest such period, projects randomly selected for evaluation in 2012 to 2014.

Standard error of the sample

The Good Practice Standards specify that the sample should be of sufficient size to establish, for a combined three-year rolling sample, success rates at the 95 per cent confidence level, with sampling error not exceeding ±5 percentage points. In the three years 2012 to 2014, there was a combined population of 315 individual operations ready for evaluation, excluding the sub-operations of large frameworks. Of these, 150 were evaluated by EvD and included in the evaluation database for this Annual Evaluation Review. Thus the overall coverage ratio was 48 per cent. At a confidence level of 95 per cent, the standard error of the sample was 5.8 per cent, outside the limit set by the ECG but an improvement on the previous three-year period as reported in 2013 Annual Evaluation Review. This shortfall occurred because some operations originally selected for evaluation over the period turned out not to be ready for evaluation, while some more are still scheduled for an evaluation but it has not been completed in time for reporting in the Annual Evaluation Review. From 2013, EvD started selecting a slightly higher starting coverage ratio to allow for drop-outs. It is expected that this will bring the standard error down to the target level by 2015, assuming that the work programme is completed in good time.

Not all projects are rated for every indicator. Table A1.5 shows the standard error for each indicator at the binary level.

Summary performance and sample errors for projects evaluated 2011 to 2013

Indicator	Binary success rate	No. of rated operations	Population size	Standard error of the sample
Overall performance	47%	150	315	5.80
Transition impact	73%	149	315	5.84
Environmental and social performance	94%	144	315	6.03
Extent of environmental change	36%	117	315	7.19
Additionality	83%	150	315	5.80
Financial performance	66%	145	315	5.99
Achievement of operational objectives	81%	149	315	5.84
Bank handling	90%	150	315	5.80

Description of the sample

The sample of projects evaluated over the three-year period 2012 to 2014 comprises 150 operations, of which 8 are covered by operation evaluations and 142 by OPA validations. They total €4.407 billion in business volume.

The table below compares the sample with the Bank's active portfolio of projects as at the end of December 2014, with reference to instrument type, sovereign risk type, industry sector and geographic region.

There are some differences between the sample and the portfolio. The most obvious of these is the over-representation of Russia at the expense of other regions. This is mainly because of the relatively larger size of projects in Russia. The sample also appears to over-represent infrastructure projects at the expense of financial institutions projects. This is again because of the larger average size of Infrastructure projects. The sampling process attempts to match the population of projects ready for evaluation (rather than the Bank's total active portfolio) in terms of the number of operations in each category (rather than volume). Given the different target of the sampling process, some differences of this kind can be expected and are not a cause for concern.

The sample is intended to be representative of those operations which have reached early operating maturity and are ready for evaluation. It is not representative of the Bank's entire portfolio of approved or committed projects. The selection method leads to some biases, of which the most obvious are the following three.

– Financial and corporate sector projects tend to achieve early operating maturity earlier than funds or projects in the infrastructure sector. Therefore the evaluation database will systematically contain more recent operations in these sectors.
– Projects that achieve their key operational and transition objectives quickly will be considered ready for evaluation sooner than those that are delayed in implementation. They are also likely to be assessed as broadly successful. When results are reported by year of Board approval, this will tend to give a positive bias to the results for the most recent years.
– Small operations approved under frameworks are excluded from the population. At the end of 2014 they accounted for 40% of the Bank's portfolio of projects by number, but less

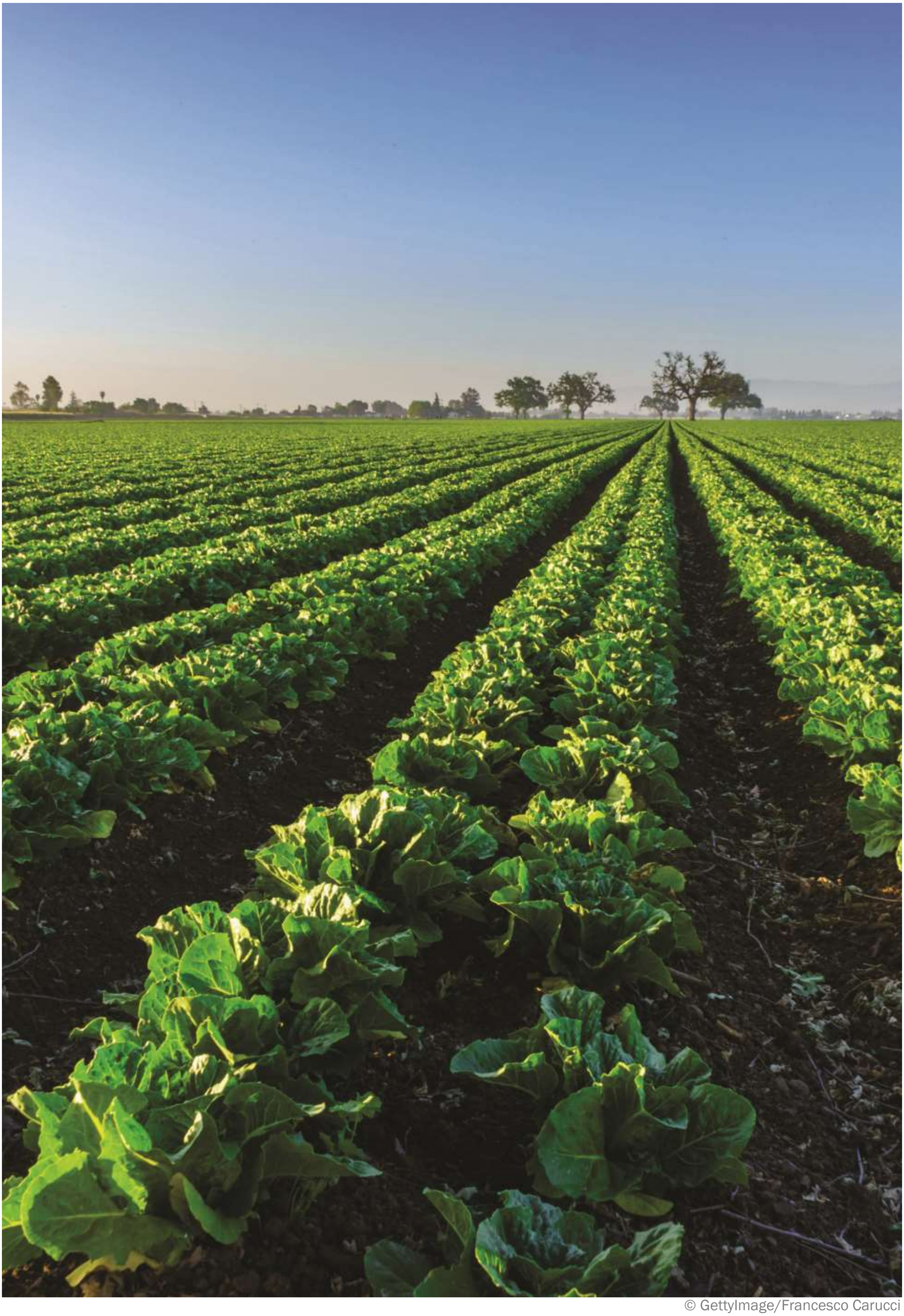
than 15% by volume. EvD is reviewing how to capture the performance of these projects, but is conscious that including large numbers of small projects accounting for a small proportion of total volume could skew the sample.

EvD seeks to limit these effects by enforcing a 'cut-off' date for the evaluation of long-running projects, but the effects cannot be entirely eliminated. For this reason, the Annual Evaluation Review takes a conservative approach and only reports an emerging positive trend when it has been visible over a few successive years.

Comparison of the evaluation database with the Bank's portfolio

	Evaluation database 2011 to 2013		EBRD portfolio Dec 2014	
	MEUR	**%**	**MEUR**	**%**
	3,997		38,728	100%
Instrument type				
Debt/guarantee	3,802	86%	30,882	80%
Equity	605	14%	7,847	20%
	4,407	100%	38,728	100%
Sovereign risk				
Non-sovereign	3,537	80%	31,263	81%
Sovereign	870	20%	7,465	19%
	4,407	100%	38,728	100%
Sector				
Energy	958	22%	8,285	21%
Financial Institutions	632	14%	9,362	24%
Industry, Commerce and Agribusiness	1,376	31%	10,875	28%
Infrastructure	1,441	33%	10,206	26%
	4,407	100%	38,728	100%
Region				
Central Asia	514	12%	3,106	8%
Central Europe	625	14%	6,190	16%
Cyprus	0	0%	108	0%
Eastern Europe	524	12%	7,978	21%
Russia	1,344	31%	6,860	18%
South-eastern Europe	1,262	29%	8,589	22%
Southern & Eastern Med.	0	0%	1,642	4%
Turkey	139	12%	4,256	11%
	4,407	100%	38,728	100%

[i] In some specific circumstances, projects may be subject to a 'second look' evaluation in a subsequent year. If this results in revised ratings, these replace the original ratings in the evaluation database for aggregate reporting. The project does not appear twice in the database and does not form part of the sampling population in the year the 'second look' evaluation takes place.



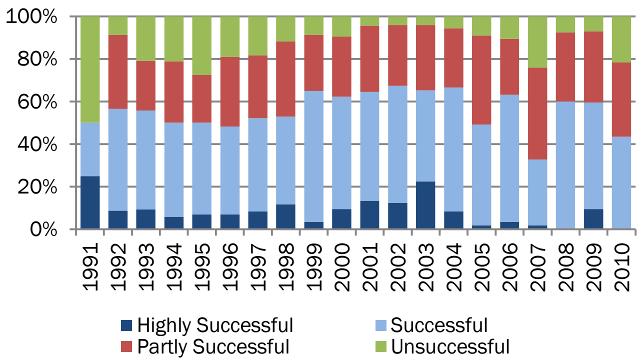
© GettyImage/Francesco Carucci

Annex 2 Statistics of evaluated project performance

In this annex:
- Overall performance
- Transition impact
- Financial performance
- Environmental and social performance and extent of change
- Additionality
- Achievement of objectives
- Bank handling

Overall performance by year of approval

Overall performance by year of approval (chart and table)



	Highly successful		Successful		Partly Successful		Unsuccessful		Total reports
	#	%	No	%	No	%	No	%	#
91-93	7	10%	32	46%	18	26%	13	19%	70
92-94	9	8%	54	46%	33	28%	22	19%	118
93-95	11	7%	68	44%	38	25%	36	24%	153
94-96	11	7%	72	43%	47	28%	38	23%	168
95-97	14	7%	80	43%	53	28%	40	21%	187
96-98	14	9%	69	42%	52	32%	28	17%	163
97-99	12	7%	80	49%	48	30%	22	14%	162
98-00	11	8%	77	53%	42	29%	14	10%	144
99-01	13	8%	86	55%	44	28%	12	8%	155
00-02	17	12%	78	53%	43	29%	9	6%	147
01-03	23	16%	71	50%	43	30%	6	4%	143
02-04	20	15%	69	51%	39	29%	6	4%	134
03-05	15	11%	68	49%	48	34%	9	6%	140
04-06	6	4%	81	55%	48	32%	13	9%	148
05-07	4	2%	78	46%	63	37%	25	15%	170
06-08	3	2%	76	49%	53	34%	23	15%	155
07-09	5	4%	63	45%	52	37%	20	14%	140
08-10	4	4%	55	52%	35	33%	11	10%	105
09-11	7	9%	38	47%	27	33%	9	11%	81
10-12	3	7%	19	46%	13	32%	6	15%	41

Overall performance by sector: projects approved 2006 to 2012

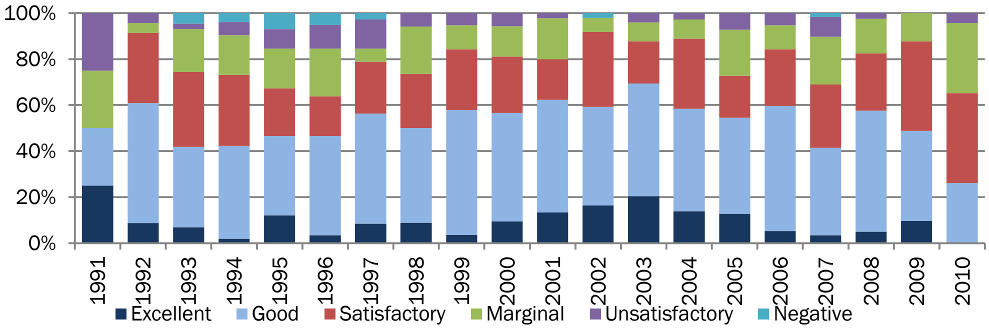
	Highly successful		Successful		Partly Successful		Unsuccessful		Total reports
	#	%	#	%	#	%	#	%	#
Energy	4	13%	16	50%	6	19%	6	19%	32
Financial institutions	4	5%	42	55%	23	30%	8	10%	77
Industry, Commerce and	2	2%	36	40%	37	41%	16	18%	91
Infrastructure	0	0%	22	58%	14	37%	2	5%	38
All sectors	10	4%	116	49%	80	34%	32	13%	238

Overall performance by region: projects approved 2006 to 2012

	Highly successful		Successful		Partly Successful		Unsuccessful		Total reports
	#	%	#	%	#	%	#	%	#
Central Asia	3	12%	11	42%	9	35%	3	12%	26
Central Europe and the Baltic States	1	4%	12	46%	10	38%	3	12%	26
Eastern Europe and Caucasus	0	0%	29	59%	16	33%	4	8%	49
Russia	4	5%	38	44%	27	31%	17	20%	86
South Eastern Europe	1	3%	21	62%	11	32%	1	3%	34
Turkey	1	20%	2	40%	2	40%	0	0%	5
Regional	0	0%	3	25%	5	42%	4	33%	12
All regions	10	4%	116	49%	80	34%	32	13%	238

Transition impact

Transition impact by year of approval (chart and table)



	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Negative		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
91-93	6	9%	28	40%	21	30%	10	14%	3	4%	2	3%	70
92-94	6	5%	48	41%	37	31%	18	15%	5	4%	4	3%	118
93-95	11	7%	56	37%	42	27%	27	18%	9	6%	8	5%	153
94-96	10	6%	66	39%	38	23%	31	18%	14	8%	9	5%	168
95-97	15	8%	79	42%	38	20%	26	14%	20	11%	9	5%	187
96-98	11	7%	73	45%	34	21%	23	14%	17	10%	5	3%	163
97-99	11	7%	79	49%	39	24%	17	10%	14	9%	2	1%	162
98-00	10	7%	70	49%	36	25%	20	14%	8	6%	0	0%	144
99-01	13	8%	78	50%	36	23%	21	14%	7	5%	0	0%	155
00-02	19	13%	68	46%	37	25%	18	12%	4	3%	1	1%	147
01-03	24	17%	67	47%	33	23%	15	10%	3	2%	1	1%	143
02-04	23	17%	61	46%	36	27%	10	7%	3	2%	1	1%	134
03-05	22	16%	63	45%	30	21%	18	13%	7	5%	0	0%	140
04-06	15	10%	70	47%	35	24%	20	14%	8	5%	0	0%	148
05-07	12	7%	76	45%	40	24%	29	17%	12	7%	1	1%	170
06-08	7	5%	74	48%	40	26%	24	15%	9	6%	1	1%	155
07-09	8	6%	59	42%	42	30%	23	17%	6	4%	1	1%	139
08-10	6	6%	43	41%	35	34%	18	17%	2	2%	0	0%	104
09-11	6	8%	26	33%	32	40%	15	19%	1	1%	0	0%	80
10-12	2	5%	12	29%	16	39%	10	24%	1	2%	0	0%	41

Transition impact by sector: projects approved 2006 to 2012

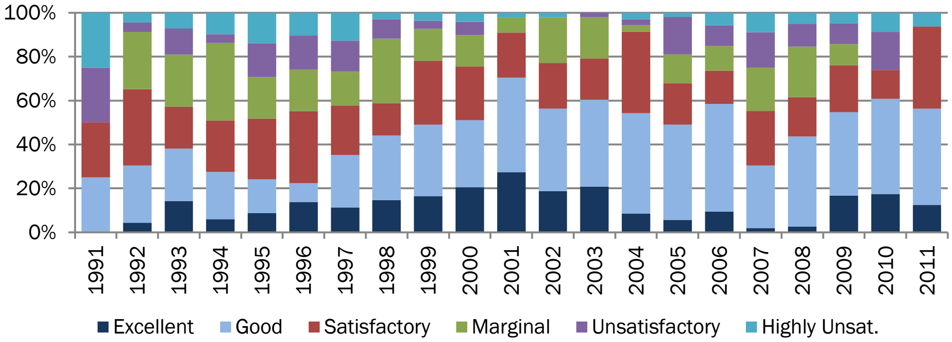
	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Negative		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Energy	4	13%	10	32%	9	29%	7	23%	1	3%	0	0%	31
Financial institutions	6	8%	43	56%	13	17%	12	16%	3	4%	0	0%	77
Industry, Commerce and Agriculture	2	2%	33	36%	36	40%	14	15%	5	5%	0	1%	91
Infrastructure	1	3%	16	42%	14	37%	6	16%	1	3%	0	0%	38
All sectors	13	5%	102	43%	72	30%	39	16%	10	4%	0	0%	237

Transition impact by region: projects approved 2006 to 2012

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Negative		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Central Asia	3	12%	7	27%	10	38%	4	15%	1	4%	0	4%	26
Central Europe and the Baltic States	2	8%	12	46%	9	35%	2	8%	1	4%	0	0%	26
Eastern Europe and Caucasus	0	0%	27	55%	14	29%	7	14%	1	2%	0	0%	49
Russia	5	6%	35	41%	25	29%	16	19%	5	6%	0	0%	86
South Eastern Europe	2	6%	15	45%	10	30%	6	18%	0	0%	0	0%	33
Turkey	1	20%	2	40%	2	40%	0	0%	0	0%	1	0%	5
Regional	0	0%	4	33%	2	17%	4	33%	2	17%	2	0%	12
All regions	13	5%	102	43%	72	30%	39	16%	10	4%	3	0%	237

Financial performance

Financial performance by year of approval (chart and table)



	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
91-93	7	10%	17	25%	17	25%	16	23%	7	10%	5	7%	69
92-94	10	9%	27	23%	28	24%	34	29%	8	7%	9	8%	116
93-95	14	9%	30	20%	36	24%	39	26%	16	11%	16	11%	151
94-96	16	10%	25	15%	47	28%	40	24%	20	12%	19	11%	167
95-97	21	11%	31	17%	51	27%	33	18%	28	15%	23	12%	187
96-98	21	13%	32	20%	40	25%	32	20%	22	13%	16	10%	163
97-99	22	14%	45	28%	37	23%	29	18%	15	9%	12	8%	160
98-00	24	17%	43	31%	33	24%	25	18%	8	6%	5	4%	138
99-01	31	21%	52	35%	37	25%	18	12%	5	3%	5	3%	148
00-02	31	22%	52	37%	31	22%	20	14%	3	2%	4	3%	141
01-03	31	22%	56	40%	28	20%	22	16%	1	1%	2	1%	140
02-04	22	17%	53	40%	32	24%	20	15%	2	2%	2	2%	131
03-05	16	12%	58	43%	32	24%	17	13%	11	8%	2	1%	136
04-06	11	8%	65	46%	31	22%	14	10%	15	11%	5	4%	141
05-07	9	6%	65	40%	32	20%	24	15%	23	14%	9	6%	162
06-08	7	5%	58	39%	29	20%	26	18%	18	12%	10	7%	148
07-09	9	7%	48	35%	30	22%	24	18%	17	12%	9	7%	137
08-10	12	12%	42	40%	19	18%	13	13%	12	12%	6	6%	104
09-11	13	16%	33	41%	18	22%	4	5%	8	10%	5	6%	81
10-12	6	15%	18	44%	10	24%	0	0%	4	10%	3	7%	41

Financial performance by sector: projects approved 2006 to 2012

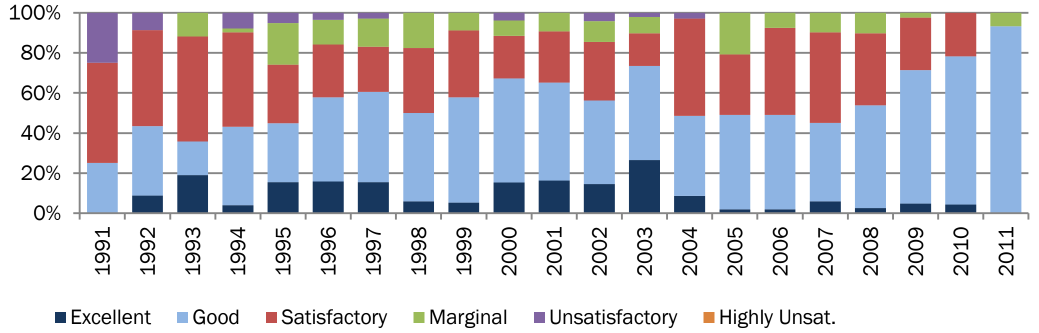
	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsatisfactory		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Energy	6	19%	14	44%	4	13%	0	0%	5	16%	3	9%	32
Financial institutions	3	4%	36	51%	11	16%	10	14%	8	11%	2	3%	70
Industry, Commerce and Agriculture	11	12%	21	23%	24	26%	15	16%	11	12%	9	10%	91
Infrastructure	0	0%	21	55%	9	24%	5	13%	2	5%	1	3%	38
All sectors	20	9%	92	40%	48	21%	30	13%	26	11%	15	6%	231

Financial performance by region: projects approved 2006 to 2012

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Central Asia	2	8%	13	50%	5	19%	5	19%	1	4%	0	0%	26
Central Europe and the Baltic States	0	0%	13	50%	4	15%	3	12%	2	8%	4	15%	26
Eastern Europe and Caucasus	8	17%	11	23%	11	23%	10	21%	6	13%	2	4%	48
Russia	5	6%	33	41%	16	20%	9	11%	12	15%	6	7%	81
South Eastern Europe	3	9%	16	48%	9	27%	1	3%	4	12%	0	0%	33
Turkey	1	20%	3	60%	1	20%	0	0%	0	0%	0	0%	5
Regional	1	8%	3	25%	2	17%	2	17%	1	8%	3	25%	12
All regions	20	9%	92	40%	48	21%	30	13%	26	11%	15	6%	231

Environmental and social performance

Environmental and social performance by year of approval (chart and table)



	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
91-93	10	14%	16	23%	35	51%	5	7%	3	4%	0	0%	69
92-94	12	10%	35	30%	57	49%	6	5%	6	5%	0	0%	116
93-95	19	13%	44	29%	63	42%	18	12%	7	5%	0	0%	151
94-96	20	12%	61	37%	56	34%	20	12%	9	5%	0	0%	166
95-97	29	16%	73	39%	48	26%	29	16%	7	4%	0	0%	186
96-98	22	14%	71	44%	42	26%	23	14%	4	2%	0	0%	162
97-99	16	10%	77	48%	46	28%	21	13%	2	1%	0	0%	162
98-00	13	9%	72	50%	41	29%	15	10%	2	1%	0	0%	143
99-01	18	12%	78	51%	41	27%	13	9%	2	1%	0	0%	152
00-02	22	15%	68	48%	36	25%	13	9%	4	3%	0	0%	143
01-03	27	19%	64	46%	33	24%	13	9%	3	2%	0	0%	140
02-04	23	17%	57	43%	39	30%	9	7%	4	3%	0	0%	132
03-05	17	12%	62	45%	41	30%	15	11%	2	1%	0	0%	137
04-06	5	4%	64	45%	56	40%	15	11%	1	1%	0	0%	141
05-07	5	3%	70	45%	62	39%	20	13%	0	0%	0	0%	157
06-08	5	3%	65	45%	60	42%	13	9%	0	0%	0	0%	143
07-09	6	5%	68	52%	48	36%	10	8%	0	0%	0	0%	132
08-10	4	4%	65	63%	30	29%	5	5%	0	0%	0	0%	104
09-11	3	4%	59	74%	16	20%	2	3%	0	0%	0	0%	80
10-12	1	3%	33	83%	5	13%	1	3%	0	0%	1	0%	40

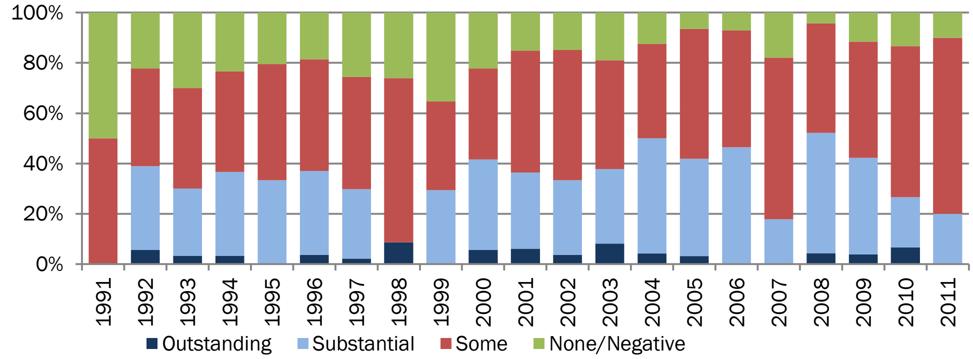
Environmental and social performance by sector: projects approved 2006 to 2012

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Energy	4	13%	18	56%	8	25%	2	6%	0	0%	0	0%	28
Financial institutions	0	0%	44	65%	20	29%	4	6%	0	0%	0	0%	79
Industry, Commerce and Agriculture	2	2%	46	52%	35	40%	5	6%	0	0%	0	0%	80
Infrastructure	2	5%	18	49%	13	35%	4	11%	0	0%	0	0%	30
All sectors	8	4%	126	56%	76	34%	15	7%	0	0%	0	0%	217

Environmental and social performance by region: projects approved 2006 to 2012

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Central Asia	0	0%	16	62%	9	35%	1	4%	0	0%	0	0%	24
Central Europe and the Baltic States	0	0%	19	76%	5	20%	1	4%	0	0%	0	0%	25
Eastern Europe and Caucasus	2	4%	24	50%	18	38%	4	8%	0	0%	0	0%	53
Russia	5	6%	39	50%	25	32%	9	12%	0	0%	0	0%	67
South Eastern Europe	0	0%	20	59%	14	41%	0	0%	0	0%	0	0%	37
Turkey	1	20%	4	80%	0	0%	0	0%	0	0%	0	0%	3
Regional	0	0%	4	44%	5	56%	0	0%	0	0%	0	0%	8
All regions	8	4%	126	56%	76	34%	15	7%	0	0%	0	0%	217

Extent of environmental change



	Outstanding		Substantial		Some		None/Negative		Total reports
	#	%	#	%	#	%	#	%	#
91-93	2	4%	14	27%	21	40%	15	29%	52
92-94	3	4%	24	31%	31	40%	20	26%	78
93-95	2	2%	31	31%	42	42%	24	24%	99
94-96	2	2%	32	33%	42	44%	20	21%	96
95-97	2	2%	35	31%	51	45%	25	22%	113
96-98	4	4%	22	23%	48	49%	23	24%	97
97-99	3	3%	23	22%	48	46%	30	29%	104
98-00	4	4%	23	25%	40	43%	26	28%	93
99-01	4	4%	33	32%	41	40%	25	24%	103
00-02	5	5%	31	32%	43	45%	17	18%	96
01-03	6	6%	29	30%	46	47%	16	16%	97
02-04	5	6%	30	34%	39	44%	14	16%	88
03-05	5	5%	34	37%	41	45%	12	13%	92
04-06	2	2%	36	43%	38	46%	7	8%	83
05-07	1	1%	30	34%	47	54%	9	10%	87
06-08	1	1%	29	37%	41	52%	8	10%	79
07-09	2	3%	26	34%	40	52%	9	12%	77
08-10	3	5%	24	38%	31	48%	6	9%	64
09-11	2	4%	15	29%	28	55%	6	12%	51
10-12	1	4%	6	23%	16	62%	3	12%	26

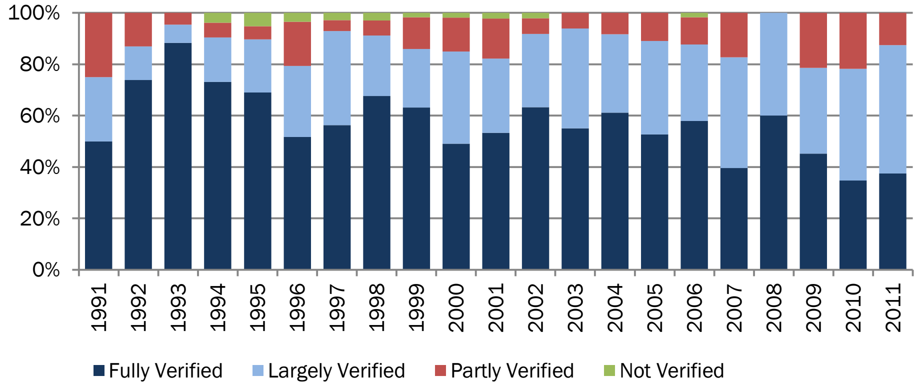
Extent of environmental change by sector: projects approved 2006-12

	Outstanding		Substantial		Some		None/Negative		Total reports
	#	%	#	%	#	%	#	%	#
Energy	0	0%	15	54%	11	39%	2	7%	28
Financial institutions	0	0%	6	10%	50	81%	6	10%	62
Industry, Commerce and Agriculture	2	3%	17	22%	46	61%	11	14%	76
Infrastructure	1	3%	13	41%	15	47%	3	9%	32
All sectors	3	2%	51	26%	122	62%	22	11%	198

	Outstanding		Substantial		Some		None/Negative		Total reports
	#	%	#	%	#	%	#	%	#
Central Asia	0	0%	6	25%	16	67%	2	8%	24
Central Europe and the Baltic States	0	0%	6	30%	12	60%	2	10%	20
Eastern Europe and Caucasus	2	4%	11	24%	30	65%	3	7%	46
Russia	1	1%	15	22%	42	62%	10	15%	68
South Eastern Europe	0	0%	11	39%	15	54%	2	7%	28
Turkey	0	0%	2	50%	2	50%	0	0%	4
Regional	0	0%	0	0%	5	63%	3	38%	8
All regions	3	2%	51	26%	122	62%	22	11%	198

Additionality

Additionality by year of Board approval (chart and table)



	Fully Verified		Largely Verified		Partly Verified		Not Verified		Total reports
	#	%	#	%	#	%	#	%	#
91-93	57	81%	7	10%	6	9%	0	0%	70
92-94	93	79%	15	13%	8	7%	2	2%	118
93-95	116	76%	24	16%	8	5%	5	3%	153
94-96	108	64%	37	22%	16	10%	7	4%	168
95-97	110	59%	54	29%	16	9%	7	4%	187
96-98	93	57%	50	31%	15	9%	5	3%	163
97-99	99	61%	47	29%	12	7%	4	2%	162
98-00	85	59%	40	28%	16	11%	3	2%	144
99-01	86	55%	45	29%	21	14%	3	2%	155
00-02	81	55%	46	31%	17	12%	3	2%	147
01-03	82	57%	46	32%	13	9%	2	1%	143
02-04	80	60%	44	33%	9	7%	1	1%	134
03-05	78	56%	50	36%	12	9%	0	0%	140
04-06	84	57%	48	32%	15	10%	1	1%	148
05-07	85	50%	62	36%	22	13%	1	1%	170
06-08	80	52%	58	37%	16	10%	1	1%	155
07-09	66	47%	55	39%	19	14%	0	0%	140
08-10	51	49%	40	38%	14	13%	0	0%	105
09-11	33	41%	32	40%	16	20%	0	0%	81
10-12	14	34%	19	46%	8	20%	0	0%	41

Additionality by sector: projects approved 2006 to 2012

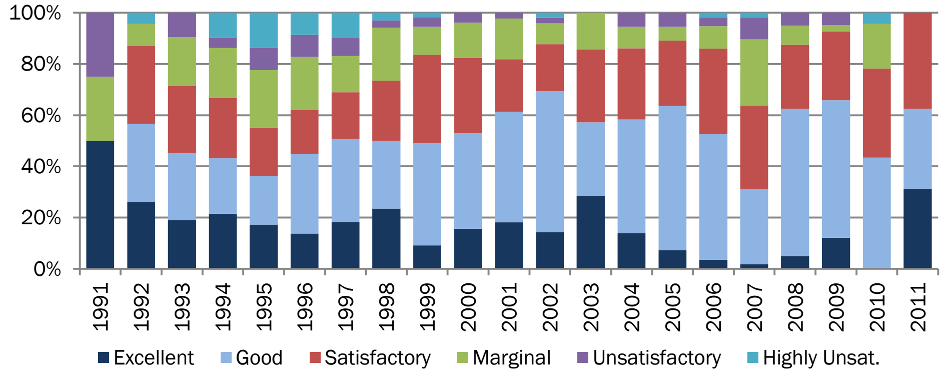
	Fully Verified		Largely Verified		Partly Verified		Not Verified		Total reports
	#	%	#	%	#	%	#	%	#
Energy	18	56%	8	25%	6	19%	0	0%	32
Financial Institutions	29	38%	39	51%	9	12%	0	0%	77
Industry, Commerce and Agriculture	40	44%	35	38%	15	16%	1	1%	91
Infrastructure	26	68%	9	24%	3	8%	0	0%	38
All sectors	113	47%	91	38%	33	14%	1	0%	238

Additionality by region: projects approved 2006 to 2012

	Fully Verified		Largely Verified		Partly Verified		Not Verified		Total reports
	#	%	#	%	#	%	#	%	#
Central Asia	15	58%	7	27%	4	15%	0	0%	26
Central Europe and the Baltic States	11	42%	10	38%	5	19%	0	0%	26
Eastern Europe and Caucasus	30	61%	11	22%	8	16%	0	0%	49
Russia	35	41%	42	49%	9	10%	0	0%	86
South Eastern Europe	19	56%	13	38%	2	6%	0	0%	34
Turkey	1	20%	3	60%	1	20%	0	0%	5
Regional	2	17%	5	42%	4	33%	1	8%	12
All regions	113	47%	91	38%	33	14%	1	0%	238

Achievement of operational objectives

Achievement of operational objectives by year of approval



	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
91-93	16	23%	18	26%	18	26%	11	16%	5	7%	1	1%	69
92-94	25	22%	29	25%	30	26%	20	17%	6	5%	6	5%	116
93-95	29	19%	33	22%	34	23%	31	21%	11	7%	13	9%	151
94-96	29	17%	40	24%	33	20%	35	21%	12	7%	18	11%	167
95-97	31	17%	52	28%	34	18%	35	19%	15	8%	20	11%	187
96-98	29	18%	50	31%	31	19%	29	18%	11	7%	13	8%	163
97-99	26	16%	54	34%	40	25%	23	14%	8	5%	9	6%	160
98-00	21	15%	50	36%	42	30%	20	14%	5	4%	2	1%	140
99-01	21	14%	60	40%	43	29%	20	13%	5	3%	1	1%	150
00-02	23	16%	65	45%	33	23%	18	13%	4	3%	1	1%	144
01-03	29	20%	60	42%	32	23%	18	13%	2	1%	1	1%	142
02-04	26	19%	57	43%	33	25%	14	10%	3	2%	1	1%	134
03-05	23	16%	61	44%	38	27%	13	9%	5	4%	0	0%	140
04-06	11	7%	75	51%	43	29%	11	7%	7	5%	1	1%	148
05-07	7	4%	76	45%	52	31%	23	14%	10	6%	2	1%	170
06-08	5	3%	68	44%	48	31%	23	15%	9	6%	2	1%	155
07-09	8	6%	62	45%	40	29%	19	14%	9	6%	1	1%	139
08-10	7	7%	55	53%	29	28%	8	8%	4	4%	1	1%	104
09-11	10	13%	37	46%	25	31%	5	6%	2	3%	1	1%	80
10-12	5	12%	17	41%	14	34%	4	10%	0	0%	1	2%	41

Achievement of operational objectives by sector: projects approved 2006 to 2012

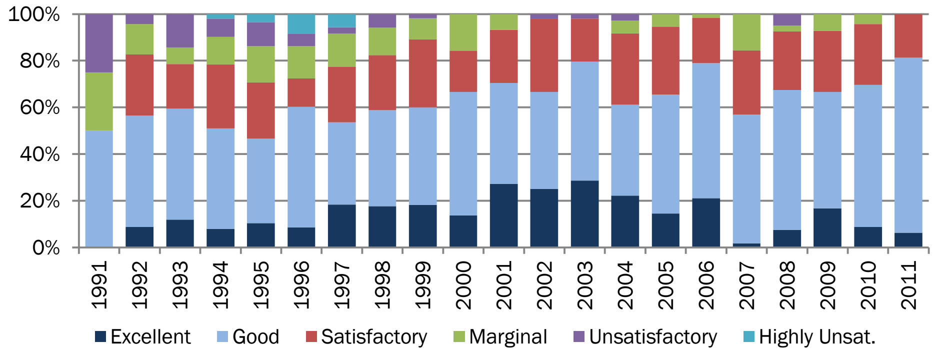
	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Energy	4	13%	13	41%	8	25%	2	6%	4	13%	1	3%	32
Financial institutions	4	5%	37	49%	24	32%	7	9%	4	5%	0	0%	76
Industry, Commerce and Agriculture	5	5%	39	43%	26	29%	17	19%	2	2%	2	2%	91
Infrastructure	2	5%	18	47%	15	39%	2	5%	1	3%	0	0%	38
All sectors	15	6%	107	45%	73	31%	28	12%	11	5%	3	1%	237

Achievement of operational objectives by region: projects approved 2006 to 2012

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Central Asia	1	4%	14	54%	9	35%	1	4%	1	4%	0	0%	26
Central Europe and the Baltic States	2	8%	9	36%	10	40%	1	4%	2	8%	1	4%	25
Eastern Europe and Caucasus	1	2%	26	53%	16	33%	5	10%	1	2%	0	0%	49
Russia	4	5%	36	42%	27	31%	12	14%	7	8%	0	0%	86
South Eastern Europe	5	15%	17	50%	8	24%	4	12%	0	0%	0	0%	34
Turkey	2	40%	2	40%	1	20%	0	0%	0	0%	0	0%	5
Regional	0	0%	3	25%	2	17%	5	42%	0	0%	2	17%	12
All regions	15	6%	107	45%	73	31%	28	12%	11	5%	3	1%	237

Bank handling

Bank handling by year of approval (chart and table)



	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
91-93	7	10%	33	48%	14	20%	7	10%	8	12%	0	0%	69
92-94	11	9%	53	46%	28	24%	12	10%	11	9%	1	1%	116
93-95	15	10%	63	42%	36	24%	18	12%	16	11%	3	2%	151
94-96	15	9%	73	44%	35	21%	23	14%	13	8%	8	5%	167
95-97	24	13%	76	41%	38	20%	27	14%	11	6%	11	6%	187
96-98	24	15%	69	42%	32	20%	22	13%	7	4%	9	6%	163
97-99	29	18%	62	39%	41	26%	19	12%	5	3%	4	3%	160
98-00	23	16%	64	46%	33	24%	17	12%	3	2%	0	0%	140
99-01	29	19%	69	46%	35	23%	16	11%	1	1%	0	0%	150
00-02	31	22%	66	46%	34	24%	11	8%	1	1%	0	0%	143
01-03	38	27%	64	45%	34	24%	3	2%	2	1%	0	0%	141
02-04	34	26%	59	44%	35	26%	2	2%	3	2%	0	0%	133
03-05	30	21%	67	48%	36	26%	5	4%	2	1%	0	0%	140
04-06	28	19%	75	51%	38	26%	6	4%	1	1%	0	0%	148
05-07	21	12%	93	55%	43	25%	13	8%	0	0%	0	0%	170
06-08	16	10%	89	57%	37	24%	11	7%	2	1%	0	0%	155
07-09	11	8%	77	55%	37	26%	13	9%	2	1%	0	0%	140
08-10	12	11%	59	56%	27	26%	5	5%	2	2%	0	0%	105
09-11	10	12%	47	58%	20	25%	4	5%	0	0%	0	0%	81
10-12	3	7%	28	68%	9	22%	1	2%	0	0%	0	0%	41

Bank handling by sector: projects approved 2006 to 2012

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Energy	4	13%	20	63%	4	13%	3	9%	1	3%	0	0%	32
Financial institutions	7	9%	54	70%	13	17%	3	4%	0	0%	0	0%	77
Industry, Commerce and Agriculture	12	13%	41	45%	29	32%	8	9%	1	1%	0	0%	91
Infrastructure	3	8%	23	61%	11	29%	1	3%	0	0%	0	0%	38
All sectors	26	11%	138	58%	57	24%	15	6%	2	1%	0	0%	238

Bank handling by region: projects approved 2006 to 12

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		Total reports
	#	%	#	%	#	%	#	%	#	%	#	%	#
Central Asia	3	12%	16	62%	5	19%	2	8%	0	0%	0	0%	26
Central Europe and the Baltic States	4	15%	13	50%	6	23%	3	12%	0	0%	0	0%	26
EEC	5	10%	25	51%	16	33%	2	4%	1	2%	0	0%	49
RUS	6	7%	53	62%	22	26%	4	5%	1	1%	0	0%	86
SEE	5	15%	26	76%	2	6%	1	3%	0	0%	0	0%	34
TUR	2	40%	2	40%	1	20%	0	0%	0	0%	1	0%	5
Regional	1	8%	3	25%	5	42%	3	25%	0	0%	2	0%	12
All regions	26	11%	138	58%	57	24%	15	6%	2	1%	3	0%	238

© GettyImages/danchooalex


© GettyImages/danchooalex

Annex 3 Work programme completion

In this annex:

- Status of EvD work programme 2014 to 2015
- Corporate reports
- Special Studies
- Operation Evaluations
- Guidance notes, training modules, report tracking system

Overview

The Evaluation Department's work programme for 2014 was set out in Board document, considered by the Audit Committee on 19 November 2013 and 6 December 2013, and approved by the Board on 10 December 2013.

The work programme comprised 15 special studies, operation evaluations and corporate reports, plus 108 shorter reports: 62 OPA validations and 46 OPA reviews. In addition, work remained to be done on several reports carried over from previous years. The first table below summarises the status of reports in late March 2015.

During the course of the year, some projects turned out to be more or less interesting than expected, and therefore were upgraded from self-evaluations to Operation Evaluations or vice versa. Some planned reports were cancelled, and some special studies were added to replace those cancelled. Tables A4.2 to A4.4 below summarise the status of corporate reports, special studies and operation evaluations. Among the shorter reports, five OPA reviews were added as input to the special study on the Agribusiness Sector Strategy, two reviews were upgraded to validations and two others were cancelled. While the figures in the first table below show that carry-overs remain a feature of the work programme delivery, a number of points can be made; (i) the OPAV programme is dependent upon timely delivery of the underlying OPAs – with the support of banking colleagues this is now much improved but we had legacy problems in 2014; (ii) the final vacancy in EvD was only filled mid-year while two staff were absent on medical leave for extended periods; (iii) a number of studies were delayed and/or modified by Board decisions regarding engagement with Russia; (iv) unless started very early in the calendar year, special studies are almost always likely to be carried over as these generally require around 12 months to complete; and (v) enhanced quality control systems delayed a number of studies. Notwithstanding these factors, EvD is committed to more timely delivery of its work programme. This will be a priority task of the newly appointed Deputy Chief Evaluator.

Status of evaluation reports, March 2015

Type of report	Carried over from 2013	2014 WP	Changes during 2014	Reports completed	Reports pending
Special studies	4 pending + 3 under review	5	no net change - some topics changed	6	5 pending + 1 under review
Operation evaluations	3 pending + 3 under review	7	- 1 downgraded to OPAV	4	7 pending + 1 under review
Corporate reports	0	3	+ 1 added	4	0
Total	**7 pending + 6 under review**	**15**	**no net change**	**14**	**12 Pending +2 under review**
OPA validations	6 pending + 14 under review	62	+ 2 upgraded from OPA reviews -1 cancelled (combined with other operations in an OE)	61	16 pending + 6 under review
OPA reviews	0	46	+ 5 added - 2 upgraded to OPAVs - 2 cancelled	47	0

Status of corporate reports planned for 2014

Report name	Report type	Status	Notes
Annual Evaluation Review 2013	Corporate	Complete	
Work programme and budget 2015	Corporate	Complete	Expanded to cover the work programme 2015-16 and the budget 2015
Follow-up of recommendations 2014 - H1	Corporate	Complete	Reviewed recommendations from 2013 under the old system and introduced the new tracking system for 2014 recommendations.
Follow-up of recommendations 2014 - H2	Corporate (additional)	Complete	Added to the work programme as this was made a biannual report instead of an annual one.

Status of special studies planned for 2014

Report name	Report type	Status	Notes
Agribusiness Sector Review	Special study	Complete	
Property & Tourism Sector mini-review	Special study	Cancelled	Management decided not to commence work on a new strategy at this stage, therefore this report was redundant.
Transactions with State-Owned or Dominated Firms	Special study	Under review	Work was delayed by developments in Russia but the report has been substantially drafted and is under review.
Sustainability of Transition Impact	Special study	Pending	Combined with the 2013 planned study on Longer-Term Performance of Equity Projects. Approach paper approved.
Sustainable Energy Finance Facilities (SEFFs)	Special study	Pending	Work is well advanced.
Evaluation of the EBRD Shareholder Special Fund	Special study (additional)	Complete	Added to the work programme at Management's request to inform their new strategy.
OPAV synopsis H1 2014	Special study (additional)	Complete	New biannual product summarising the results and findings of recently published OPAVs.
OPAV synopsis H2 2014	Special study (additional)	Complete	See above.
Waste Water (Central and Eastern Europe)	Special study (additional)	Pending	This combines a number of outstanding evaluations in the wastewater sector (Central and Eastern Europe).
Policy Dialogue in Ukraine	Special study (carried over from 2013)	Complete	
Climate Investment Fund	Special study (carried over from 2013)	Complete	This was a contribution by EvD to a multilateral evaluation.
Russian Rail Sector	Special study (carried over from 2013)	Pending	This study has been affected by developments in Russia but is well advanced.
Insights: results of private sector operations in the SEMED	Special study (carried over from 2013)	Pending	Awaiting internal approval.
Insights: impact of MSME support operations on intended beneficiaries	Special study (carried over from 2013)	Cancelled	Work was done on this project but the results did not turn out to be as useful as expected.
Insights: experience with public-private partnerships in selected sectors	Special study (carried over from 2013)	Cancelled.	Work was done on this project but the results did not turn out to be as useful as expected.
Privatisation / Corporatisation	Special study (carried over from 2013)	Merged	Study was subsumed under study of transactions with state-owned and state-dominated firms (see above)

Status of operation evaluations planned for 2014

Report name	Report type	Status	Notes
Equity fund	OE	Pending	Substituted for another
Mid-sized Sustainable Energy Financing Facility	OE	Complete	
Financial institutions	OE	Pending	
MEI project	OE	Under review	
Natural resources company	OE	Pending	
Power and energy company	OE	Complete	
Transport project	OE	Pending	Substituted for another
Manufacturing and services company	OE (carried over)	Pending	
Manufacturing and services company	OE (carried over)	Pending	
Transport company	OE (carried over)	Complete	
Financial institutions finance facility	OE (carried over)	Pending	Substantially complete
Manufacturing and services company	OE (carried over)	Complete	
Agribusiness company	OE (carried over)	Cancelled as an OE	Downgraded to an OPAV

Other deliverables

In addition to the reports listed above, EvD undertook to deliver other products and activities in 2014. Most of these are described in the chapter on 'Achievements and Challenges'. In summary, the more tangible elements comprised:

- A new guidance note on the Selection and Sampling of Projects for Evaluation
- A draft guidance note on the Performance Rating Methodology
- Presenting the module on evaluation that is part of the flagship 'Core Banking Skills' programme, 4 times per year
- Developing and presenting the evaluation-related components of a new mandatory Banking Academy module on project monitoring and supervision, 3 times per year
- Developing a new tracking system for Management follow-up of EvD recommendations
- Participation in meetings of the Evaluation Cooperation Group and the OECD/DAC.

Annex 4 Management Comments

In this annex, full management comments including:

- A summary
- Management comments on each chapter

Summary

- Management welcomes the analysis and continued positive trend of aggregate performance confirmed by EvD
- Management notes and appreciates the continued narrowing gap between self-evaluation and EvD rating of projects
- Management appreciates the analysis of determinants of success (or failure) as important for learning and welcomes further work in this direction
- Management notes that findings on decrease in *explicit* discussion of lessons and past experience in project documents do not imply that new projects do not take them into account. Management would appreciate EvD's assistance in finding ways to better use relevant lessons in a user-friendly manner
- Management has successfully introduced results framework for country strategies and technical cooperation. It is currently working, in consultation with EvD, on improving project results framework to reflect more explicitly a theory of change, and increase synergies between monitoring and evaluation. Management also intends to review the overall transition results management architecture with a view to improving its overall coherence, streamlining results assessments at the various levels and enhancing the Bank's ability to communicate its transition results to external stakeholders

Chapter on aggregate performance

Management appreciates the analysis of aggregate performance provided in the report. It notes and welcomes the findings of a general positive trend with improvements across many components of EvD assessment, including the overall performance (and, in particular, increase in the share of *highly successful* projects), achievement of objectives, financial performance, and bank handling. Management notes fluctuations in the share of projects with verified additionality, with the recent reversion of scores to long term averages.

Management also notes the consistently high share of projects evaluated as having delivered transition impact of *satisfactory* or better. The report's findings that the level of transition risks identified ex-ante is a good predictor of a project's delivery of transition impact potential are in line with management's analysis of the transition impact performance provided in the institutional performance report in 2012 and 2013. Management suggests that this analysis partly explains some (seven per cent) decrease in share of projects evaluated with *Good* or *Excellent* transition impact, when compared to results presented in the 2013 Annual Evaluation Review. The share of ex-ante *high* risks to transition of evaluated projects for the 2009 to 2011 signings is 8 per cent higher than that for the 2008 to 2010 signings. The larger share of higher transition risks in the post-crisis period and their effect on delivering transition impact potential was acknowledged by management, with resulted revision of the scorecard metric of transition quality-at-entry ("expected transition impact") since 2014 which takes into account both transition impact potential and risk scores.

Management welcomes the improving ratings for environmental and social performance, which shows a more systematic approach to appraisal of environmental and social issues Environment and Sustainability department and has taken since the introduction of the Performance Requirements in 2008.

Management welcomes further analysis of performance of evaluated projects across different region and sector groups in the following editions of Annual Evaluation Review.

Chapter on findings

Management appreciates the summary discussion of the findings and the overview of Management comments for evaluations conducted in 2014, as well as the thematic discussion of key findings from Operation Performance Assessment (OPA) validations. Management has already provided extensive comments on the specific findings of individual evaluation studies during the year as also summarised in the report.

On cross-cutting issues related to results, management notes that there is an on-going work to streamline the project-level results framework , which is, among other components, looking at harmonising monitoring benchmarks along the results chain (mainly outputs and outcomes) and exploring resource implications of monitoring impact-level results (largely on framework/portfolio level). Sections below describe this work in more detail. There is also work underway to develop and present an enhanced and better structured approach to policy dialogue in the EBRD.

Management notes that in 2014 EvD has started presenting clusters of OPAVs grouped by theme, as a new product to Audit Committee. On these occasions, Management Comments are not formally collected and circulated to the Audit Committee. Management believes that given the apparent overlaps of those themes and the key strategic issues for the Bank, it would be appropriate for the OPAV cluster to be treated similarly to Special Study/Operation Evaluation, allowing Management to comment formally according to the established procedure. By doing so, Management would be able to provide the Board with an opportunity to examine the contextual background in depth and to form a balanced view on any issues raised.

Chapter on special topics

Factors most often associated with more or less successful projects

Management believes that such analysis of determinants of success or failure is highly valuable for institutional learning and appreciates the analysis. The findings are important and in line with management's views of importance of sponsor commitment, client's capacity and governance in the success of the Bank's operations. It also reinforces the significant role the Bank's handling can play in ensuring successful implementation of projects. At the same time, Management agrees that external factors (such as related to challenging market conditions) are common among less successful projects, in which cases the Bank's leverage on ensuring the ultimate success of a project is very limited. The objective assessment of contextual background is one of the issues raised by Banking staff in the OPA survey (see below under Achievements and Challenges)

Given the relatively small project coverage used for the analysis (just over 10 for each sector group in each category), Management would suggest to potentially expand the analysis over the whole population of data and/or a longer period of time, so that the larger data set could be used for more research methods. This would also allow for due methodological consideration of potential tautological effect of factors that are part of EvD rating methodology and are already taken into account in the success rating of a project by the evaluators (such as Bank handling).

New Board document template and evaluation findings and lessons

Management appreciates the analysis of the extent to which past lessons are considered in the new projects and reflected in project documents. It notes the finding that, although the reflection of past lessons in the project documents has dropped significantly, that does not mean that new projects do not take into account the past experience. Since the Board document was reoriented to provide a clearer focus on the matters that concern the Board most, the past lessons embedded in the project design have been expressed in the project's entirety, rather than adding quoted references from the data base.

Management acknowledges the importance of taking into account relevant lessons and past experience for new activities. However, as there remain questions over the validity and usefulness of the existing tools and overall approach to applicability of learning in practice, Management would appreciate the EvD's support in investigating ways to ensure more pertinent use of lessons and past experience, including through increased usage of management action plans (for operation evaluations and special studies) as an intelligent source of valuable lessons.

Results frameworks and theories of change

Management confirms its commitment to improving results measurement systems in the EBRD, already reflected in establishing results framework for TCs in the second half of 2013. Also, as described in the report, the Bank has introduced the country strategy results framework (CSRF) in September 2014 and since then 8 country strategies in different stages of preparation have a CSRF.

As noted in the report, management is working on improving the project results framework to reflect more explicitly a theory of change, which would serve as an anchor to better coordination between monitoring and evaluation. This work will be carried out in consultation with EvD and taking stock of the findings from the EvD analysis, with particular focus given to formulating harmonised benchmarks that are both reflective of outcomes the project is set to achieve and feasible in terms of collection of high quality data.

Management maintains that sector strategies do not need a separate full results framework for the reasons argued and presented to Financial and Operations Policies Committee in the "Architecture of Transition Impact Results Frameworks in the Bank" paper in September 2014. In line with the arguments described in Annual Evaluation Review, sector-level results, in both qualitative and quantitative (illustrative examples) terms, can only be sensibly measured for selected countries, which will be done in the context of CSRF for the relevant country strategies. As indicated earlier, Management also intends to review the overall transition results management architecture with a view to improving its overall coherence, streamlining results assessments at the various levels and enhancing the Bank's ability to communicate its transition results to external stakeholders.

Chapter on self-evaluation and monitoring

Management welcomes the findings of a continuing narrowing gap between ratings produced by self-evaluation and those produced independently by EvD. Management also appreciates the presentation of the main sources of difference between self-evaluation and validation and looks forward to further cooperation with EvD in narrowing the gap, including as part of/due to the introduction of a new EvD rating methodology.

Management welcomes the report's findings of good quality of most OPAs submitted by Banking. Management confirms that in the past years significant resource has been dedicated to the implementation of the new OPA process introduced in 2012. Also, project teams (and Banking in particular) have made increased efforts and dedicated adequate resources in order to provide quality OPAs in a timely manner.

Chapter on achievements and challenges

Management welcomes some reduction of backlog in 2014 EvD work programme, but notes that the increased rigour and review process introduced as part of the new OPA in 2012 has in some cases resulted in delays in the response time from EvD. The extended time lapse between the production of OPA and EvD review has led to some backlogs and inefficiencies. This area would need more attention from EvD to ensure timely and efficient delivery of OPAVs.

Management confirms that a survey1 of bankers, initiated by Banking to collect feedback on the new OPA process, has revealed a number of positive outcomes and confirmed considerable progress made since 2013 when new OPA was formally introduced. At the same time, the survey identified two major development areas: presence of wide TI rating gaps between self-evaluations and those independently validated by EvD and a low degree of application of OPA learning into practice. Management believes that the work on improving project level results framework and investigating ways to enhance use of relevant lessons (as discussed in sections above) will help address these challenges going forward.

Abbreviations

AER	Annual Evaluation Review
CA	Central Asia: Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan
CEB	Central Europe & Baltics: Croatia, Czech Republic,[1] Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia
CRR-5	The Bank's 5th Capital Resources Review, due to take place in 2015
DAC	The Development Assistance Committee of the Organisation for Economic Co-operation and Development
EBRD	European Bank for Reconstruction and Development
ECG	Evaluation Cooperation Group [of the multilateral development banks]
EEC	Eastern Europe and Caucasus: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
ENE	Energy: Natural Resources and Power & Energy sectors
EU	European Union
EvD	Evaluation department
FI	Financial Intermediaries; an environmental category for Bank projects conducted through financial intermediaries
FIN	Financial Institutions
GPS	Good practice standards for private sector evaluation of the ECG
ICA	Industry, Commerce and Agriculture: Agribusiness, Equity Funds, Information & Communication Technologies, Manufacturing & Services and Property & Tourism sectors
IFI	International financial institution
INF	Infrastructure: Municipal & Environmental Infrastructure and Transport sectors
MEI	Municipal & Environmental Infrastructure sector
OE	Operation evaluation
OECD	The Organisation for Economic Co-operation and Development
OECD/DAC	The Development Assistance Committee of the Organisation for Economic Co-operation and Development
OPA	Operations Performance Assessment
OPAV	OPA validation
PSP	Private sector participation
RUS	Russia
SEE	South Eastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, FYR Macedonia, Montenegro, Romania, Serbia
SME	Small and medium-sized enterprises
SSF	EBRD Shareholder Special Fund
TC	Technical cooperation
TIMS	Transition Impact Monitoring System

Defined terms

Evaluability	The extent to which the value generated or the expected results of a project are verifiable in a reliable and credible fashion
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-term 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
Quality-at-entry	A comprehensive check on all aspects of design integrity of an intervention and its alignment with polices and strategies - incorporates evaluability
Result	The output, outcome or impact (intended or unintended, positive or negative) of an activity or intervention

[1] Although the Czech Republic has graduated and is no longer a country of operation, Czech operations feature in EvD's historic evaluation database.

European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom
Switchboard/central contact
Tel: +44 20 7388 6000
Fax: +44 20 7338 6100

Information requests
For information requests and general enquiries, please use
the information request form at
www.ebrd.com/inforequest

Evaluation department
Tel: +44 20 7338 6467
Email: askevd@ebrd.com

EBRD publications
Tel: +44 20 7338 7553
Fax: +44 20 7338 6102
Email: pubsdesk@ebrd.com

Web site
www.ebrd.com/evaluation