ANNUAL EVALUATION REVIEW 2015

European Bank
for Reconstruction and Development

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

The Evaluation Department's Annual Evaluation Review presents analysis and evidence on the performance of EBRD operations as assessed by the Evaluation Department. It also summarises findings from the previous year's evaluation reports, presents a stocktaking of evaluation in the EBRD, and from time to time gives additional treatment to special topics.

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

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The EBRD's *Annual Evaluation Review* presents the results of evaluation activities conducted over the past year.

It includes:

- Results of ex-post performance assessments of a sample of the EBRD's completed operations
- Presentation of evaluation findings and themes from 2015 studies
- Discussion of EBRD results management for country strategies and evaluating gender elements in EBRD work
- Results of a quality check of project self-evaluations
- Developments in EvD's planning, resources and outreach

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Executive summary

The Annual Evaluation Review (AER) is the Evaluation Department's (EvD) primary report to the Board and Management on evaluation in the European Bank for Reconstruction and Development (EBRD). It reports on results and findings from evaluations delivered in the previous year and updates trend data on EBRD operational performance with the latest body of evaluation results.

Evaluations completed in 2015 produced important insights on Bank performance and results in a wide variety of sectors and contexts – from agribusiness and energy efficiency finance to transactions with state-owned enterprises and the Russian railway sector. Validations at project level provided further support for many of the issues and themes emerging frequently in evaluations over the past years. EvD continued to strengthen the value of its project level work with consolidated syntheses of project self-assessment validations (OPAVs) across specific themes (OPAV thematic syntheses).

Important initiatives around results focus and management – consistent evaluation themes in recent years – and operational priorities, were launched or deepened in 2015. Evidence on their effects will only emerge over time, and evaluation findings too will lag. However, there is both scope and need to adapt and/or strengthen existing systems on which new initiatives will rely. This AER therefore discusses two special themes directly relevant o on-going developments – an assessment of country strategy design, and including gender in evaluations.

EvD also introduced a substantial upgrade in the standard project performance rating methodology which will sharpen the clarity and consistency of ratings and improve the capture of main performance drivers.

Structure

The Evaluation Department's Annual Evaluation Review provides:

- An assessment of the performance of the EBRD's mature operations from an ex-post evaluation perspective, based on a mix of in-depth evaluations by the EvD and self-evaluations validated by EvD, in fulfilment of EvD's accountability function;
- The main findings from evaluation studies completed in 2015, contributing to both learning and accountability;
- Two special thematic assessments as noted above – an assessment of the quality of design of the Bank's new country strategies against IFI good practice criteria, and a discussion on consideration for gender in evaluations;
- A quality check of self-evaluation in the EBRD including an assessment of the gap between ratings produced by self-evaluation and EvD evaluations; and
- A review of EvD's performance, challenges and accomplishments in 2015.

Highlights

Aggregate performance of the EBRD's operations

Evaluated projects approved in the period 2010-12 had a 63 per cent success rate overall, which is up on the 58 per cent in the 2009-11 period and somewhat above the long term average of 56 per cent for 1991-2012.

Over the 2010-12 period, transition impact was rated good or excellent in 39 per cent of cases, compared with 52 per cent for the full period 1991-2012.

A regional breakdown of overall performance ratings for evaluated projects approved in the period 2008 to 2013 shows that projects in Eastern Europe and the Caucasus noticeably outperformed other regions, with 74 per cent successful or better.

Overall performance by industry sector shows financial institutions projects performing particularly well, with almost 80 per cent of evaluated projects approved in 2008-12 successful or better; this versus 60 per cent in the energy sector, which was the next best performing sector over the same period.

The proportion of evaluated projects with additionality 'fully verified' by EvD has been progressively falling, from 58 per cent for approvals over the full period from 1991 to 2012 to only 37 per cent for approvals from 2010 to 2012.

Main findings from evaluations completed in 2015

Many OPAVs and OEs identified issues and themes that have occurred frequently in evaluations over the past years, in various contexts and across sectors. These include: aspects of project design, including the justification of transition impact; problematic transition benchmarks; inadequacies in monitoring and reporting on results; deficiencies in due diligence and risk identification and mitigation; and, the lack of consideration given to regulatory and political context.

A thematic OPAV synthesis on renewable energy projects suggested possible benefits from using an integrated approach, particularly to ensure due attention to policy dialogue and IFI coordination. An OPAV synthesis on projects with supply chain transition objectives noted that commonly observed shortcomings include a disconnect between project activities and the intended supply chain impacts; benchmarks not adequately reflecting the transition rationale; and, lack of consideration for contextual determinants. Finally, an OPAV synthesis on repeat transactions showed ways in which the knowledge of the client and context can help strengthen project design and delivery.

A special study on the Agribusiness Strategy highlighted that overall progress in reducing the agriculture sector transition gaps was modest. It found that the food security theme was very broadly defined in the Strategy and, depending on interpretation, applicable to almost any type of agribusiness-related project, resulting in a portfolio that was less focused on clearly defined strategic priorities than it might have been.

A thematic evaluation of the Bank's transactions with State-Owned Enterprises concluded that EBRD projects have contributed to discrete reform steps in the enterprises but a broader transition effect cannot be observed. Nevertheless, projects often serve as an accelerant or facilitator of larger reform.

An evaluation of Sustainable Energy Finance Facilities found positive impacts in increased awareness of energy efficiency, transfer of skills to PFIs and beneficiaries, demonstration effects, particularly in the residential sector; and the use of energy efficient technologies.

Special themes

The AER presents a summary of a larger review conducted by EvD to assess the quality-at-entry of EBRD country strategies approved since the adoption of new procedures, including use of a results framework. A list of criteria reflecting good practice features of IFI country strategies more broadly was applied systematically to eight new EBRD country strategies to identify common strengths and weaknesses. Overall, compared with the previous format of country strategies before the introduction of the Country Strategy Results Framework, the new country strategies represent an improvement in "evaluability" (that is, the ability to evaluate country strategies ex post). Nevertheless, the review suggests several areas in which the design of country strategies can be further improved.

The AER also provides a summary of IFI experience in incorporating gender into evaluation work and a section on potential actions EvD might take in the future as it follows the lead of others. Even though attention to gender has been limited so far, EvD is developing its capacity in this area by drawing from other IFIs' experiences with the aim to develop an interim practice note for Evaluation Managers on how to evaluate gender issues.

Self-evaluation and transition monitoring

EvD applied a self-evaluation (OPA) quality checklist to a sample of 83 OPAs submitted in 2015 and found that on average they were of very good quality and were better than previous years. Notably, for the first time, no OPA scored below 60 per cent. Further, the sample of OPAs reviewed for the AER showed improvements in project efficiency, which has traditionally been the weakest section in OPA quality.

OPA submission timing also improved over the past twelve months. Only 2 per cent of all draft OPAs were submitted more than ten days late, and 19 per cent of final OPAs delivered were more than ten days late, compared with 28 per cent in 2014.

The ratings gap between self-evaluation ratings and EvD ratings (the 'disconnect ratio' or percentage of ratings downgraded by EvD) remains at around 13 per cent. This figure had fallen, on a five-year rolling average basis from 19 per cent in 2007 to 2011 to 13 per cent in 2010-2014.

Achievements of the evaluation year

EvD's completion and delivery record in 2015 continued its improving trend. Several contributing factors, both inside EvD and beyond, reflected improved fundamentals and for this reason are expected to continue to assist this year and in the future.

The new performance rating methodology was rolled out to long-form OPAs and validations from January 2016. New templates for long and short-form OPAs and validations were developed – the new short-form OPA does not require project ratings and is now focussed solely on learning; both long and short-form OPAs incorporate a new format for lessons and a checklist performance factor analysis.

Compared to past years key staff developments are: the department is fully staffed; a relative increase in the middle ranks; a relative increase in the proportion of female staff; but absence of females in the senior most ranks; and, a significantly higher ratio of Managers to support staff.

EvD will chair the Evaluation Cooperation Group in 2016.

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Aggregate performance

In this chapter, an update on trends for evaluated projects approved between 2010 and 2012:

- 63 per cent overall success rate, above long term average of 56 per cent for 1991 to 2012;
- 39 per cent with transition impact rating of *good* or *excellent* , compared with 52 per cent average from 1991 to 2012;
- Project additionality rated by EvD as *full verified* has declined to 37 per cent (2010 to 2012) from 58 per cent for projects approved in the full period of 1991 to 2012.

Ratings derived from project-level evaluations

The Evaluation Department's overall assessment of the performance of Bank operations draws upon a combination of project-specific self-evaluations done by Banking teams and project-specific independent evaluations prepared by EvD, prepared on the basis of the same criteria and ratings system. All mature projects receive a thorough self-evaluation using a standard template for Operation Performance Assessments (OPAs). A representative sample of these, selected randomly by EvD, is given a rigorous quality review and validated independently by EvD. The resulting Operation Performance Assessment Validation (OPAV) produces independent performance ratings across the full range of criteria based on an assessment of the full body of evidence Management is invited to comment on validations, but no endorsement or agreement is requested or given. EvD ratings thus derived are then feed into EvD's overall assessment of institutional performance. The performance ratings presented in this chapter are based on evaluation results for randomly selected operations only; while ratings are produced for deliberately selected operations they are not included in the aggregate performance picture presented here. Annex 1 describes the selection and evaluation process in more detail.

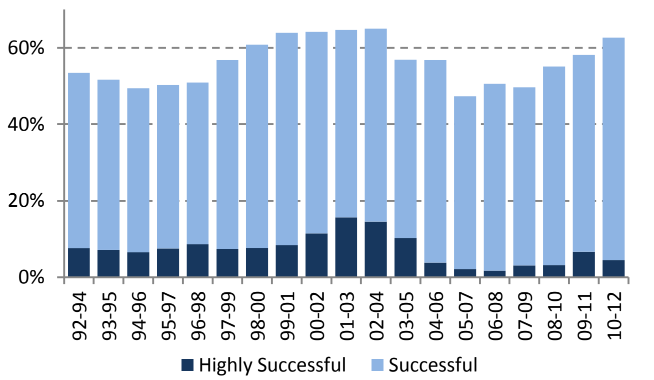
This chapter is structured includes the overall performance of evaluated projects. The next sections review in turn the four aspects of performance according to the evaluation criteria of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC): relevance, effectiveness, efficiency, impact and sustainability. These criteria are incorporated in the templates for the self-evaluation (OPA), validation (OPAV) and independent evaluation reports. 0 presents a full set of the figures forming the basis of the text below. The section below reports broad patterns in aggregate project performance. This includes ratings derived from projects evaluated in 2015, the most recently approved of which are from the year 2013.

Overall performance

Based on three-year averages (to smooth out year-on-year variations), the success of evaluated projects has not varied substantially since the early 1990s. 63 per cent of projects approved in the period 2010-12 were rated *successful* or better compared with 54 per cent in 1992-94. Aggregate levels of *successful* (or better) operations peaked at 65 per cent in 2001-04 before decreasing again. The institutional success rate of EBRD projects has remained between 50 to 60 per cent, without a sustained long-term trend towards either improved or deteriorating performance.

As noted in previous AERs, some of the rise and fall in performance over the last two decades can be explained by the two major financial crises which have affected the EBRD region in the last 20 years: overall performance was lowest among operations approved from 1996 to 1998 (immediately before the 1998 Russian crisis) and 2005 to 2007 (immediately before the recent financial crisis). The success of EBRD projects has rebounded since those approved in the period before the most recent crisis, and the most recent data for projects approved in the period from 2010 to 12 continues this trend. This is notable bearing in mind the challenging environment in which the projects approved in the period immediately after and in the midst of the crisis, were being implemented.

Chart 1 Overall performance by approval year (rolling three-year sample)



Performance by sector and region

A regional comparison shows notable variations in overall performance. Evaluated projects in eastern Europe and the Caucasus considerably outperformed other regions, including the Central Europe and the Baltics states and South-Eastern Europe region (see chart 2) which had been traditionally the best performing regions in terms of overall performance ratings.[1] Transition impact ratings are an important contributor to overall performance, and one could postulate that the eastern Europe and the Caucasus region includes countries with difficult operating environments such as Ukraine, and a number of early transition countries such as Azerbaijan, Belarus and Georgia, where there are relatively more opportunities for EBRD projects to contribute to the closing of transition gaps. On the other hand, the central Europe and the Baltics region is dominated by advanced transition countries such as Poland, Croatia and Estonia where these opportunities have decreased over the years that the Bank has been operating. Similarly, the most recent data also confirm the trend (first observed in the AER 2014) of evaluated projects in Central Asia improving to the extent that it is now the joint second best performing region in terms of overall performance. Specifically, 65 per cent of evaluated projects approved in Central Asia and south-eastern Europe (respectively) in the period 2008-2013 were successful or better. Evaluated projects in Central Asia also continue to achieve the highest proportion of highly successful projects, with almost 1 in 10 achieving the highest rating. The most recent data also confirms another trend first noted in last year's AER, of evaluated projects in Russia underperforming projects in other regions. Almost half the evaluated projects approved in Russia in the period 2008 to 2013 were found to be unsuccessful or partly successful, which was just over 20 per cent more than witnessed in projects in eastern-Europe & the Caucasus approved over the same period.

A breakdown of overall performance by industry sector also shows a break from previous trends, with financial institutions projects performing particularly well for those approved in the period 2008 to 2013. Almost 80 per cent of evaluated projects in the financial institutions sector were evaluated as having successful overall performance or better. EvD notes that over half of these projects approved over the period were approved in 2008 and 2009. These approvals capture much of the Bank's support to financial institutions in countries of operations immediately after the height of the financial crisis. The upsurge in performance could be a result of a combination of the intensified monitoring by Bank as part of its crisis response and enhanced scrutiny and standards applied by regulators to financial institutions in the post crisis period.[2] Moreover, in previous AERs, evaluated projects in the energy sector tended to outperform other sectors, but in the most recent period, only 60 per cent of evaluated energy projects were rated successful or better. The corresponding share for evaluated projects in the industry, commerce and agriculture and infrastructure sectors were 55 per cent and 48 per cent respectively.

Chart 2 Overall performance by region, projects approved from 2008 to 2013

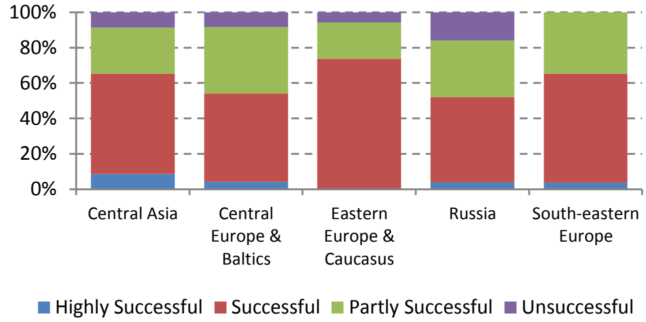
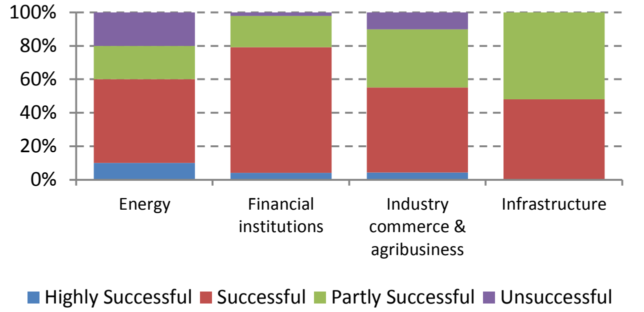


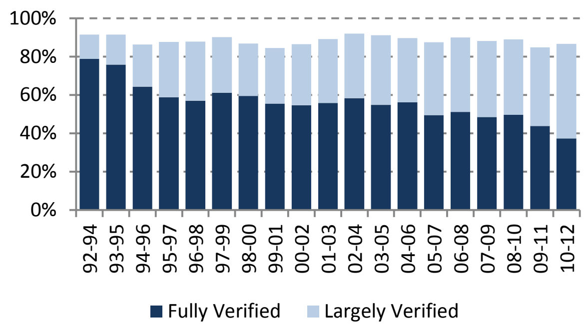
Chart 3 Overall performance by sector, projects approved from 2008 to 2013



The relevance of Bank projects

Evaluations include the project rationale in terms of the Bank's mandate and rate additionality in the relevance section. The chat below shows the ex-post assessment of additionality in evaluated projects. While around 90 per cent of evaluated projects have consistently been rated *'largely verified'* or better, the proportion achieving the highest rating of *'fully verified'* has been progressively falling, a trend that persists in the most recent data reported here. Indeed, the proportion with additionality *'fully verified'* by EvD fell from 58 per cent for evaluated projects approved from 1991 to 2012 to only 37 per cent for projects approved over the 2010 to 2012 period. The reasons behind the observed trend in declining '*fully verified'* additionality are likely complex and not yet fully understood through available evaluation work. EvD intends to explore this in future research.

Chart 4 Additionality by approval year (three-year rolling sample)



The effectiveness and efficiency of Bank projects

Historically, the achievement of objectives and project financial performance (which together measure the effectiveness of the Bank's projects) are two of the indicators most closely correlated with overall performance. Accordingly, the most recent data for both indicators show a performance pattern closely matching that seen for overall performance (see charts below). The three year rolling average figures demonstrate a long term trend of improvement in the achievement of objectives in Bank projects, levelling off at around 60 per cent of evaluated projects having *'good'* or *'excellent'* achievement of objectives up to around 2006. Thereafter, there is a considerable fall, with just 48 per cent of evaluated projects approved at the height of the financial and economic crisis showing *'good'* or better achievement of objectives. After this low point, there has been an improvement back towards the long term trend, with 63 per cent of evaluated projects approved over the period 2010-12 realising *'good'* or *'excellent'* achievement of objectives.

Chart 5 Achievement of objectives by approval year (three-year rolling sample)

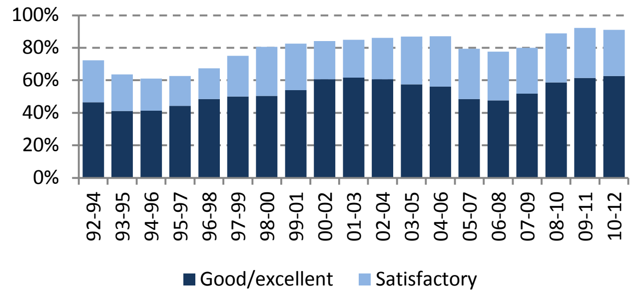
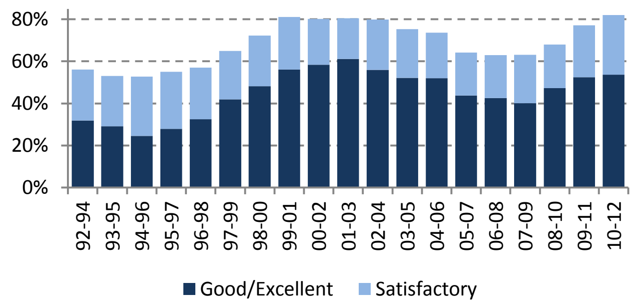


Chart 6 Financial performance by approval year (three-year rolling sample)



The financial performance of EBRD projects follows a similar pattern. The figures show a steady improvement in financial performance of operations from the low of around 25 per cent rated as *'good/excellent'* for evaluated projects approved 1994-96 to a peak of just over 60 per cent rated as such for those approved 2001-03. As expected, the financial performance of projects was noticeably affected by the financial crisis, and declined to a low point of only 40 per cent of evaluated projects approved from 2007 to 2009 attaining *'good'* or *'excellent'* financial performance. As with the achievement of operational objectives, the financial performance of Bank projects has been steadily improving ever since, with 54 per cent of projects approved in the 2010 to 2012 period rated as having *'good/excellent'* financial performance.

However, unlike the operational objective ratings, there have been quite pronounced differences in financial performance by sector and (to a slightly lesser extent) by region. Financial performance appears particularly strong in the financial institutions sector with just 64 per cent of those evaluated achieving *'good'* or *'excellent'* financial performance. On the other hand, evaluated infrastructure projects approved from 2008 to 2013 show only 38 per cent achieving *'good'* or *'excellent'* financial performance; the corresponding figure for evaluated energy and industry, commerce and agribusiness projects were 53 per cent and 48 per cent respectively. In terms of financial performance by region, there has been relatively stronger performance witnessed in evaluated projects in south-eastern Europe with 62 per cent achieving *'good'* performance or better. Projects approved in Russia achieved the lowest performance in this respect, with just 44 per cent achieving *'good'* financial performance or better.

Chart 7 Financial performance by sector, evaluated projects approved from 2008 to 2013

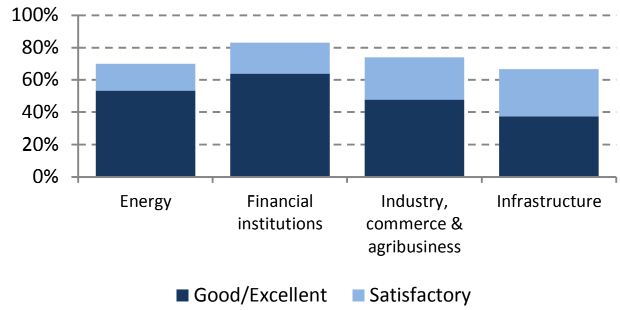
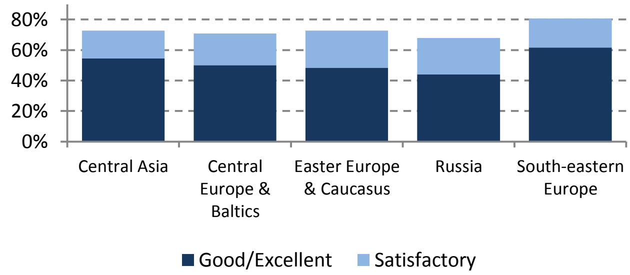


Chart 8 Financial performance by region, projects approved from 2008 to 2013



Bank handling is used to measure project efficiency as is 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 as overall performance and effectiveness, but with higher scores across the board. This can be explained by the fact that evaluations often find the causes of less successful projects to lie outside the Bank's control in the political and economic environment, or in the commitment or performance of partners. In recent years Bank handling rating has been steadily improving, and for the last available three-year average around 75 per cent of evaluated projects have been rated *'good'* for bank handling and well over 90 per cent *'satisfactory'* or better.

Having said that, one notable pattern is that over the last 5 years where data is available, evaluated projects in Central Asia had considerably higher Bank handling ratings overall than other regions, with 100 per cent of evaluated projects approved from 2008 to 2013 found to have had *'satisfactory'* Bank handling or better.

Chart 9 Bank handling by approval year (three-year rolling sample)

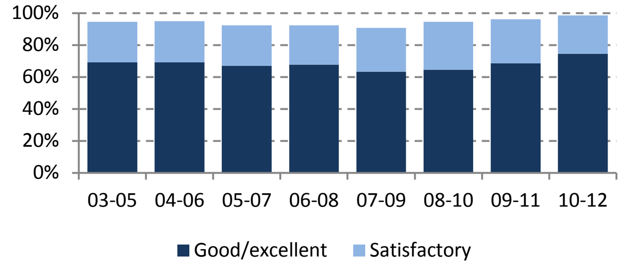
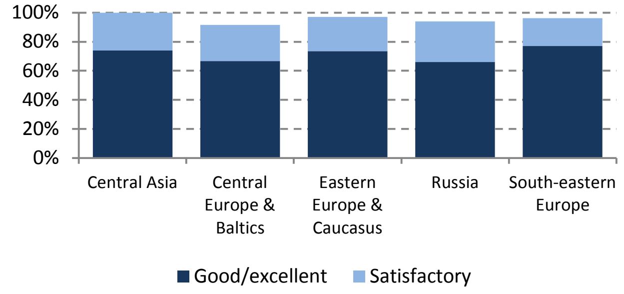


Chart 10 Bank handling by region 2008 to 2013



The impact and sustainability of Bank projects

The Bank sets specific transition objectives and benchmarks for all projects at appraisal, and assesses them for transition potential and risk. Chart 11 below shows the proportion of evaluated projects rated *'good/excellent'* and *'satisfactory'* by EvD at the point of evaluation for transition impact (for three-year periods by year of Board approval). The long term performance trend for transition impact is similar to that for overall performance (see Chart 11 with one notable difference). Chart 1 showed a decline in evaluated project overall performance ratings for projects approved immediately prior to the financial crisis, and a steadily improving trend for projects approved since. Similarly, Chart 11 shows transition impact ratings for projects approved before the crisis declined to the extent that only about half of evaluated projects approved between 2005 to 2007 were able to achieve a transition impact rating of *'good'* or better. However, unlike overall performance, transition impact ratings have not picked up post crisis, with only 39 per cent of evaluated projects approved 2010 to 2012 achieving transition impact rating of *'good'* or better. This is especially notable when considered against the fact that transition impact continues to be one of the four criteria used to derive the overall performance rating and, as shown in the 2012 AER, has historically had a high correlation with overall performance.[3] However, that analysis was conducted on evaluated projects approved before 2009, and the more recent evaluation data may signal a weakening in that correlation.

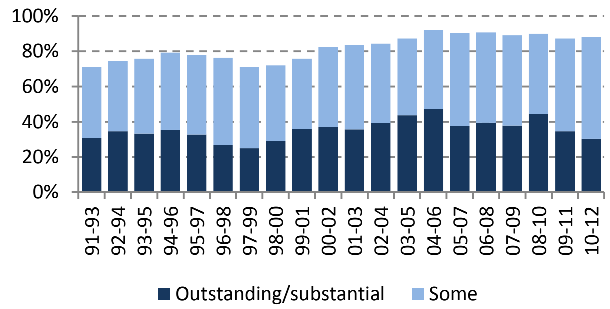
EvD is more likely to reduce the self-assessed rating for transition impact than any other criterion. The reason is generally that EvD is unable to substantiate self-evaluation ratings based on the information available. Specifically, the evidence base to support the rating assigned can be insufficient, and/or the transition impact monitoring system benchmarks are not sufficient to assess realised transition impact or specify activities or outputs rather than outcomes or impacts.

Chart 13 Transition impact by approval year (three-year rolling sample)

The Articles of Agreement require the Bank 'to promote in the full range of its activities environmentally sound and sustainable development'. However, this is not closely correlated with the overall performance rating of projects. That said, there has been a trend of improvement in recent year, which has been maintained in the most recent period. Among evaluated projects approved from 2010 to 2012, 80 per cent were rated *'good'* or better for environmental and social performance and a further 15 per cent were rated *'satisfactory'*. This is in contrast to evaluated projects approved in the 2006-08 period, of which only 49 per cent were rated as having *'good'* or better for environmental and social performance. EvD rating guidance dictates that the environmental and social change criterion is *'not applicable'* to greenfield investments, and as a result EvD does not provide a rating for this category where a project meets this condition. Nevertheless, where rated in this category, 88 per cent of evaluated projects approved in the 2010 to 2012 period were deemed to have achieved at least *'some'* environmental and social change, which matches the 2009 to 2011 period.

Chart 11 Environmental and social performance by approval year (three-year rolling sample)

Chart 12 Environmental and social change by approval year (three-year rolling sample)



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Evaluation findings

In this chapter:

- Findings from project level evaluations;
- Syntheses of themes discussed in validations to extract value;
- Four new EvD thematic evaluations and a review of IFI experience with gender mainstreaming.

Introduction

This chapter presents key findings from EvD evaluations completed and published in 2015. This comprises project-level evaluations in the form of Operation Evaluation (OEs) and Operation Performance Assessment Validations (OPAVs), as well as broader pieces with thematic or cross-cutting scope explored through Special Studies and thematic OPAV syntheses. The following sections highlight some common issues emerging from these evaluations together with some important individual findings. All the original evaluation papers were commented on by the Management and shared with the Board Directors – individual OPAVs and OEs are circulated in full, while Special Studies and OPAV syntheses are in addition also discussed in detail at the Audit Committee meetings. Directors can access all products through the Evaluation library. OPAVs are also summarised in biannual synopses circulated to Board directors.

Project level evaluations

Rather than presenting fundamentally new insights and findings, many OPAVs and OEs identified issues and themes emerging frequently in evaluations over the past years, in various contexts and across sectors. These include aspects of project design, including the rationale and operationalisation of transition impact, benchmarking, monitoring and reporting on results, due diligence and risk identification and mitigation, and consideration given to regulatory and political context. The regular identification of similar findings invites reflection on the extent to lessons are being applied and experience is being absorbed. The growing recognition that there are indeed some issues regularly pointed out by evaluations and not specific to particular sectors or type of projects led also to the demand for the development of a new type of product, thematic OPAV syntheses (see page 20).

Relevance

Given the relatively broad scope of the country and sector strategies under which the evaluated projects originated, there are rarely clear examples of inconsistency or misalignment between projects and the Bank's mandate and strategies. Nevertheless, some particular aspects of relevance came to light with respect to the projects' rationale. The issue of investment into protected sectors was brought up in two projects in the automotive sector, given that large parts of their investments were targeted to the Russian Federation, where the protective measures in the industry were also a matter of on-going dispute at the World Trade Organisation (WTO). At the time of approval, the teams confirmed the projects' viability not depending on the protection measures, as was the established operational practice. The validations noted however that the projects provided an impetus for achieving increased clarity on EBRD support to the automotive sector and also on EBRD's approach to protected sectors, eventually leading to the revision of guidelines on the appraisal of projects in protected sectors in 2015.

In several projects, the achievement of operational and transitional objectives was hindered by insufficient consideration for the existing regulatory context. Validation of a project aimed at supporting the development of Esco (Energy Saving Company) markets in Ukraine, found that despite having been present in the country and Esco sector for eight years prior, the Bank still set unrealistic objectives given the absence of the necessary legal and regulatory framework. Only several years later and based on the lack of achievements of the project did the Bank eventually identify the need to support the government through policy dialogue to address these obstacles. Similarly, in a municipal infrastructure project the Bank expected to promote outsourcing of road maintenance to the private sector through the introduction of a performance-based management and maintenance of roads contract. In fact, this transition impact objective did not materialise because of the non-compliance with the existing Concession Law. Where necessary change in the regulatory framework is not sought and supported within the project (or clearly on track through some other means), project objectives should be realistic within the existing context. As another project team pointed out, when dealing with state-owned enterprises and large governments, both the Bank's leverage and its opportunity to affect the regulatory environment are limited regardless of circumstance.

Additionality

While the vast majority of projects are validated by EvD as having fully or largely verified additionality, reservations are flagged on occasion, such as when there is prepayment of the Bank's finance. In one example, an investment with a large agricultural cooperative saw a working capital facility cancelled after the client replaced it with preferred commercial financing. The validation noted that the lack of competitiveness of the Bank's loan could have been identified ex ante, including more realistic assessment of the client's working capital needs. Similarly a validation of an investment with a large commodity trader with a turnover of over quarter of a billion dollars and a healthy balance sheet pointed out that the Bank's finance lacked additionality, as evidenced by the early repayment of the loan after only one year. Early prepayment was also noted in the automotive sector, while the cancellation of an equity tranche led to reduced additionality aspects relating to corporate governance with a property and tourism sector client. A lesson offered by the project team in another case is that higher prepayment fees would make prepayment less attractive and increase the likelihood of the project achieving its full operational and transition objectives within the term of the EBRD's finance.

Related to the assessment of additionality is also the justification of the size of grants in projects with a significant level of concessionality. Grant financing can represent a considerable part of the financing package, especially for public sector institutions in early transition countries, often justified on affordability grounds. As the validation of a municipal infrastructure project points out however, banking practice did not require measurable parameters for monitoring and evaluating the project benefits accrued from the capital grant. EvD suggested that a better substantiation of the benefits with evidence could help support the rationale for concessionality. An evaluation of another municipal infrastructure project, in which grant financing exceeded the amount of the EBRD loan, pointed to an issue of using grant allocation in support of a project with only satisfactory transition impact potential to support the resolution of legacy environmental problems.

Transition impact

As in previous years, validations of transition impact claims and expectations found a number of examples of projects where the transition impact monitoring embedded in the project design was seen as inadequate. This concerned both the quality of the benchmarks, which do not always appropriately capture the rationale of the TI, remain at output level of achievement and/or lack a baseline, and the fact that in some cases the benchmarks are not updated to reflect a design modification.

- In an example of a financial institutions project with a small and medium-sized enterprises credit line, the validation concluded that its market expansion benchmarks reflected a consolidation of previous gains, rather than an explicit push of the partner bank beyond or even in support of its business plan. Consequently, there was little evidence in the transition impact monitoring system of the expected outcomes associated with broader private sector development; for example by supporting the creation of new businesses and employment opportunities and increased public confidence in financial institutions – both claims made in the Board document but not accompanied by any benchmarks, monitoring or reporting.
- In another instance, the TI benchmarks of an agribusiness project were not revised following modifications of the project, thus continuing to monitor the company's development of own agricultural production, which was no longer related to the Bank's investment.
- Transition benchmarks for a project providing working capital were found not to be particularly ambitious – two simply monitored the acquisition of grains and testing equipment for which the capital was provided. An additional benchmark monitoring backward linkages to farmers lacked any baseline, so it was not clear whether the project just substituted one source of funding for another rather than facilitating a systemic change.

In some projects, the link of the TI benchmarks to the Bank's finance was weak, affecting the plausibility of expected Bank's contribution to the changes monitored. In one agribusiness project, while the TI benchmarks were monitoring the increase of crop yields EvD found no evidence to that the Bank's finance played any part in the use of yield improving technologies and the project did not include any capital expenditure for the purchase of new equipment. The validation concluded that an undue number of benchmarks had little or no direct link with the project, and often consisted of activities that the client was carrying out in parallel to the project. In a women-focused small and medium-sized enterprises credit line, TI monitoring reported on networking and capacity-building activities that lacked any evident link to the finance or technical assistance provided.

A number of examples illustrated the long-standing questions about the treatment of demonstration effects. While a common objective across all sectors, the operationalisation of the concept/objective of demonstration effect is often found to be weak. Demonstration effects are most commonly monitored via a) success of the project itself when it includes specific elements considered to go beyond the local or sector context (corporate governance, resource efficiency, new technology); or b) the existence of similar projects or systemic changes being implemented within some time period after the bank's project.

The former approach does not rely on actually establishing replication; it assumes that a successful example is sufficient for a demonstration effect to take place – in this sense, changing the objective to 'setting standards' would often be more appropriate. In one example of investment to a factoring company a demonstration effect was expected to follow from the client's new technology-driven retail-based business model that differed from conventional relationship-based business norms. The objective was solely monitored through benchmarks indicating the system introduction, market share increase and the opening of new branches. As the validation pointed out, it is likely that the successful business model could induce other companies to consider similar strategies, but the demonstration effect would have been better substantiated had it provided specific examples of the replication. Similarly, a transport sector project identified a demonstration effect in energy efficiency measures as well as from labour restructuring, which was monitored solely via the preparation and implementation of the measures within the company. In another example of an investment to a financial institution, demonstration of successful restructuring was the only transition objective, monitored through six benchmarks, all of them indicative of different aspects of the restructuring process. While some progress most of them was made, the validation noted that possible positive demonstration effect could be hindered by the deteriorating commercial performance of the client.

The second general approach to demonstration effect monitoring seems to be more directly connected to the objective by trying to identify actual examples of replication. However, recourse is often made to simply listing examples of similar projects or investments without substantive consideration of the probability of the Bank's project contribution towards them. In a property and tourism project the demonstration effect was to be evident in the arrival of at least two additional warehouse developments in the region. This was reported as achieved. However, the validation questioned how the new developments could be attributed with confidence to the project; both were introduced by existing operators in the region who were much more likely reflecting their own experience in the area. A project in the automotive sector, expected Bank finance to have been used for a new R&D centre, with its demonstration effect shown by follow up R&D centres established by competitors. Despite the fact that the client eventually decided not to proceed with the investment and reallocated the finance to other purposes, the TI monitoring still considered the benchmark as achieved due to other R&D centres in the sector having been launched.

This approach can be useful for identifying demonstration if an effort is made to complement the observation of subsequent projects with a qualitative contextual analysis drawing credible links to the Bank's project. This was shown for instance in a project in the financial institutions sector where the issuance of bonds by three other banks in the country was shown with reasonable likelihood to have been influenced by the project's initial convertible bond in the country. Finally, monitoring the occurrence of replications is also useful in disproving the achievement of demonstration effect objectives where no such replications are found. This was the case in a power sector project which found no replication in the region, explained by recession leading to decreasing regional electricity demand, move away from coal power sources, and the on-going issues in the power sector. Similarly a project in natural resources was expecting to see purchases of similar technology being made by other oil field service companies based its example, but no such replication was observed to date.

The lack of ability to monitor demonstration effects is indicative of a wider issue of the ability of the Bank to collect data and <u>monitor results beyond clients</u>. This is also evident in projects where expected transition lies with the development of supply chains and forward linkages, or with the expected impacts on sub-borrowers of partner financial institutions.

- An agribusiness project with a retail chain company saw potential backward linkages in strengthened cooperation with existing suppliers and new business linkages with new, national/regional suppliers and distributors. Its validation found however, that these aspects of the project were not measured, thus no evidence was available to suggest that they were targeted or achieved.
- A project with a pharmaceutical wholesale and retail group intended to contribute to the development of local producers of pharmaceuticals via increased purchasing from local manufacturers. As the validation pointed out, despite the increased share of purchases from national producers, this benchmark did not capture well the rationale of the objective; the mere increase of value share of national producers in the company purchases on its own does not provide evidence of the development/growth of local producers without further information on the market developments – such increase could for example result from the company taking over the purchases of distributors who left the market, without any change in national production.
- An agribusiness project expected to achieve transition impact on the grain value chain, but corresponding TI indicators were not set at appraisal and the client's reporting obligations were mainly for environmental and financial aspects; this made consistent monitoring and evaluation of broader value chain impacts difficult.

The subject of transition impact through supply chains was further developed in a thematic OPAV review (see 0). The validation of a pilot project for women-owned small and medium-sized enterprises credit lines concluded that the reporting requirements related to the sub-loans could have been better designed to ensure a more robust assessment of the results and the impact on the end-borrowers. It suggested that projects with social inclusion components (such as gender inclusion) should ensure monitoring, reporting and follow up mechanisms based on best practice and focused on the outcomes and impact on the end-borrowers. Likewise in another micro, small and medium-sized enterprises credit line project, the validation mentioned that the team may have lost an opportunity to more effectively align and support certain targets in the partner bank business plans, such as in terms of targeting lending within the micro, small and medium-sized enterprises definition to certain sectors or size of beneficiaries.

Related to the issue of broader monitoring of results is also the recalculation of the <u>economic internal rate of return</u> (EIRR) for projects. In some types of projects, most commonly transport and infrastructure, the EIRR is used to calculate the value of various expected socio-economic benefits. Nevertheless, this analysis is almost never repeated at project closure to provide evidence of the achievement of the results. This was the case in two municipal infrastructure projects, where the validation only noted that ex-post EIRR was not provided presumably because of the lack of actual parameters necessary for its estimation, making the project unable to update the model developed by the appraisal consultants. Likewise in two road transport projects updated calculations were not provided. The validation pointed to the lack of in-house skills for this type of analysis given that the ex-ante calculation is contracted out to consultants; as a result the EIRR is not updated so the realised socio-economic benefits cannot be identified or reported. Because the calculation is not revisited, there is no incentive to collect the data that would have been required as input, for example traffic levels on the finished road. The same lesson was indicated in another road transport project, where no resources were put aside for the purpose; the validation recommended that not only resources should be allocated at the time of approval but also that the collection of specific data by the client relevant to social/environmental change and economic analysis should be covenanted. Some positive examples where a recalculated EIRR or at least its estimate was presented included two validated railway sector projects.

It is widely recognised that monitoring the effects of the Bank's activity in the markets in which it operates requires sufficient resources for data collection and contextual analysis. But this is also a necessary investment for the Bank to be able credibly to claim a contribution to transition beyond company-level changes. With respect to the EIRR, recalculating its value is in line with good MDB practice; not doing so is a missed opportunity to 'tell the story' of the benefits of EBRD investments.

Bank handling

Inevitably, due diligence affects the implementation and achievement of expected results in projects both in financial and transitional terms. Shortcomings are usually identified by the project teams themselves and represent a source of learning, although similar lessons can appear with regularity.

- A municipal infrastructure project marred by delays and significant cost overruns had identified shortcomings in due diligence included omitting the impact of VAT introduction in the country, lack of contingencies in the project budget, the issue of land acquisition and permitting not being adequately taken into account, and the lack of compatibility of the design and contract approach with the local construction law. The validation concluded that none of these issues should have come as a surprise, and mitigation measures could have helped avoid delays and high cost overruns.
- In another municipal infrastructure project the level of technical losses was not identified during due diligence and was not then reflected in the design of the project. This led to the tariff reform not achieving full cost recovery and impacted on the financial performance of the client compared to projections.
- A natural resources project validation noted that the financial performance of the sponsor/guarantor should have been more carefully scrutinised, because its own financial problems later affected its ability and willingness to cover the interest due by the client. Similarly a transport sector project validation pointed out that the project document did not assess the existing power payment arrears issue at the parent company, its financial situation, or how its dependence on power revenues could put the project at risk.

Related to due diligence is the issue of possible reputational risk for the Bank.

- In one example of an agribusiness project the team at appraisal flagged no integrity issues outstanding which could potentially have a significant adverse effect on the project performance. In fact, a bribery case with the client had been ongoing and subsequently settled by the company's admission of responsibility for paying bribes to government officials. Actions were agreed between banking and OCCO to help mitigated the risks of future similar cases.
- In a natural resources project the validation found out that decisions to move the project ahead were made in a context of serious unresolved questions about the client and the position of the government. Concerns around the integrity of the Sponsor and possibly also the nature of the licence were raised during Concept Review by at least two separate departments. During implementation the project, already in precarious situation, was plunged into crisis when the Bank became aware that the Sponsor was subject of criminal investigations by the authorities. As a result, the project was transferred to corporate recovery.
- A more positive example was found in a transport project validation, which commended the Bank's firm action in cancelling the finance in response to political interference affecting procurement. This was seen as transforming the situation from potentially having a negative demonstration effect to having a strongly positive one, deterring similar interference in future by the government.
- An evaluation of a power sector project highlighted the need for systematic monitoring of high-voltage transmission projects' implementation. The Bank agreed on financing the line routed outside of inhabited areas, the client however changed the routing without informing the Bank. This created a conflict with two affected villages, where the Bank came to play active and constructive role in resolution. Nevertheless, this conflict might have been avoided if this project was more systematically monitored.

A number of projects emphasised the importance of well-designed enforcement mechanisms such as covenants and condition precedents for the ability of the Bank to achieve the expected results.

- The project team of an financial institutions project found that there were no covenants to support the Bank's expectation of the client's timely raising the amount of insured deposits, and concluded that the key goals of the operation which the client can control, should be covenanted with clear timelines and benchmarks in order for the client to make a firm commitment and the Bank to have additional comfort that the key project objectives will be met.
- The validation of municipal infrastructure projects pointed out that a set of covenants was agreed on and signed with the water companies and the respective municipalities. However, the counterpart change after the sector reorganisation diminished the projects' legally binding power for transition impact since the government did not accept obligations beyond financial.
- Another municipal infrastructure project validation noted a lack of monitoring of a covenant stipulating the ratio of residents in the newly constructed building to be relocated from existing buildings. The project site change reduced the

number of existing residents to be relocated with no specific information provided as to whether or not the condition in the loan agreement was honoured.

– A road transport project validation found that the Bank waived several covenants to allow it to declare loan effectiveness. It concluded that waiving so many covenants at such an early stage at the very least gives a undesirable impression in terms of the importance that the Bank attaches to timely covenant compliance, and at worst it may put the project at risk if the breach of covenant turns out to have been substantive rather than just a question of timely reporting. Bank leverage over the client is at its strongest in the early stages of an operation.

– Another lesson offered by the team of a pre-privatisation programme of a container and general cargo operator noted that where the borrower and the beneficiary of the loan proceeds are different legal entities, and the ultimate objective of the project is privatisation, it is important to anticipate that the influence of the borrower over the project entity may cease, and therefore to insert appropriate provisions in legal documentation.

– A road transport project validation emphasised the importance of covenanting the key transition-related provisions, particularly those which are politically sensitive, designed to break monopolies and introduce private participation and competition.

Several project validations highlighted <u>excellent Bank handling</u>, often in difficult contexts.

– A municipal infrastructure project in an early transition country expected challenges due to its unconventional structure involving three tiers of governance bodies and low institutional capacity for implementation. In this context, the project established a viable investment structure for water infrastructure in smaller cities and this tested model was replicated; a monitor was deployed during implementation; the operation team including the Office of the Chief Economist and regional office staff closely cooperated with the counterpart to enhance TI and its achievement; and the project provided the Bank with an opportunity to actively participate in policy dialogue between the international community and the government on the water sector.

– In an agribusiness project the Bank was required to prepare the operation under difficult circumstances as the project posed additional due diligence and structuring challenges. Eventually, the Bank was able to accommodate the complicated structure of the client, and deliver a project design that was able to meet its financing needs that could also achieve transition impact. Bank structuring on the project was also recognised for identifying and mitigating the potential high risks associated with the client, sector and country.

– For a power sector project the Bank played a leading role in the preparation, structuring, execution and monitoring of the transaction. Risks were addressed through the comprehensive deal documentation including the relevant letters of support from the government, three market studies to justify the project's economic rationale, and thorough technical, environmental, and fuel supply due diligence involving external consultants. The due diligence process and the structuring of the transaction resulted in the project being awarded Power Deal of the Year 2005 from Project Finance magazine.

Finally, a few lessons emerged from projects that required the Bank's cooperation or <u>coordination with other IFIs</u>.

– In a transport sector project the Bank expected to achieve various operational and transition objectives, including regional integration, but this was dependent on cooperation with another country, not bound by project agreements, on a section of road financed by another party (the EIB). It was found to be overly optimistic to claim potential benefits for regional integration when the Bank had limited leverage over the parties involved. In addition, the EIB-financed component had land acquisition and involuntary resettlement issues. The validation concluded that when financing and implementing a large infrastructure project jointly with other IFI, it is important to make sure that the joint financier's policy and practice, particularly for social safeguard standards, are consistent with the EBRD's.

– The validation of another road transport project showed that cooperation with another IFI can make operations more efficient for a greater development impact, based on a review of the project by the World Bank's Independent Evaluation Group. In this case, the TI benchmarks were linked not only to EBRD inputs (through covenants), but also relied heavily on the ongoing technical assistance provided by the World Bank.

– An evaluation of a municipal infrastructure project found that the procurement process was a good example of cooperation amongst IFIs to undertake large and complex works. A potentially overwhelming procurement process given the involvement of different IFI's and donors and different currencies could have caused serious delays. However, it was simplified by good institutional cooperation and acceptance of a leading procurement role for the EBRD.

– The evaluation of the Mid-Size Sustainable Energy Financing Facility confirmed that utilizing the same Policy Statement was crucial in bringing the combined influence of the two IFIs to bear on the partner banks and subproject sponsors in adopting higher standards of environmental and social performance of their mid-size renewable energy investments.[4] In fact, the EIB felt that different eligibility criteria for the two IFI's would have rendered the facility unworkable, as the project sponsors may have sought to induce IFI competition or simply reverted to seeking funding from those partner banks implementing IFI requirements seen as easier to comply with.

Thematic OPAV syntheses

With many thematic issues recurrent in evaluations of the Bank projects and of particular interest to the Board, EvD developed a new product to focus on such issues across multiple projects. The purpose of the thematic presentation is to highlight specific issues emerging from a cross-section of OPAVs. The OPAVs, which are produced at a rate of 50-60 a year, are carried out by the EvD as desk-based independent validations of self-evaluations – they represent a considerable body of project-level findings. Nevertheless, specific recurrent issues might not be readily discernible in a yearly production of OPAVs prepared with a single project focus. While the sample of OPAVs used to underpin each issue is not rigorously selected in the statistical sense, it allows for establishing informed observations regarding patterns emerging in project design and project implementation across sectors and provides a variety of illustrative examples. This section presents the main points highlighted by the OPAV reviews discussed at the Audit committee in 2015.

Renewable energy projects

A thematic presentation of findings was based on five recent OPAVs of wind farm investments in three EU countries. The main issues discussed revolved around policy dialogue, including in changing regulatory environments; and demonstration effects rationale, expectations and benchmarks.

Changing regulatory environments affected all projects. Policy dialogue was claimed to be part of all projects, and sometimes captured also in transition impact monitoring system benchmarks. While policy dialogue was conducted at sector level, individual achievements were attributed repeatedly to all projects' TI. Changing regulatory environment can crucially affect investments: there is a case for coordinated, well-planned and appropriately resourced policy dialogue at sector level.

Adoption of an Integrated Approach offers potential to:

- Clarify objectives and indicators for policy dialogue, and dedicate resources to it;
- Explicitly consider the wider context for policy change, avenues for IFI coordination, and 'critical mass' of private sector investment needed for successful policy dialogue;
- Support with technical assistance if needed.

Demonstration effect was cited as a source of TI for all projects. However, there was limited clarity, argumentation and substantiation for claiming such effects where markets were already growing rapidly without EBRD. Indicators for demonstration effects were inadequate for purpose, mainly consisted of commercial viability of project and overall sector growth. Causal links were not articulated or substantiated where sector growth was spurred by binding EU targets for renewable energy share. Multiple investments in a single country targeted demonstration effects, but lacked critical reflection on how much investment overall is needed for demonstration to be considered achieved. Projects did not provide sufficient discussion of factors affecting private investment flows given regulatory uncertainties and on the rational of attracting investment under such circumstances.

Following this review, EvD also conducted an in-depth evaluation of four wind energy projects, which was presented to the Audit committee in February 2016.[5]

Supply chains

The Transition Impact set out by the Office of the Chief Economist provides the conceptual underpinning for inclusion of supply chains as a source of transition impact. It is considered specifically in the project's contributions to the structure and extent of markets. Implicit here is that to be considered a contributor to transition a supply chain effect should have a qualitative dimension – reducing existing supply chains barriers, for example, or improving supply chain structure or functioning to improve efficiency or competitiveness. An additional objective for the role of supply chains is the dispersion of standards and good practices along the vertical links.

Main points for consideration emerged from the review as follows:

- Positive transition impact via supply chain effects and backward linkages is regularly asserted in Board documents. While the rationale for the claimed TI is often sound, commonly observed impediments to its achievement include (i) disconnect between the project's activities and the intended supply chain impacts (i.e. lack of clarity about the linkages between cause and effect); (ii) disconnect between the rationale and the corresponding TI benchmarks (i.e. the benchmarks do not adequately reflect the TI rationale); or (iii) lack of consideration for contextual determinants.
- Projects should be realistic in assessing the attribution/contribution to impacts beyond their direct clients, and develop and explain well their theory of change.
- Benchmarks for monitoring should reflect the transition objectives, rather than focus solely on the quantitative growth in the number of suppliers. There would be value in examining specific enhanced metrics that could provide improved performance benchmarks for supply chain effects and be reasonably monitorable. There appears to be substantial scope to improve benchmarks relating to qualitative changes expected in markets, such as addressing barriers of entry or efficient market interactions.
- Technical cooperation should be considered to facilitate transition impacts especially in dispersion of new standards and the transfer of skills and know-how as appropriate.
- Projects need to account for political context and realistically assess potential impact in developing sectors where regulatory and legislative frameworks are yet missing. Political will of key external actors should be verified, and projects should be accompanied by policy dialogue to facilitate such changes where needed.

Following this review, EvD also carried out a thematic study of supply chains and backward linkages in the Bank's operations, due to be discussed at the Audit Committee in April 2016.

Repeat transactions

Since its establishment the EBRD has regularly executed multiple transactions with the same or closely-related clients. Serial or repeat transactions can be an effective or even essential way to build, at a business level, market presence and credibility, and durable client relationships. More importantly, they can provide added leverage and opportunity to support key transition objectives at the firm, sector and country levels. While there is no agreed formal definition of what constitutes a "repeat transaction", nor did this review attempt to establish one, the recent OPAVs used for the review would fall intuitively into that category.

Main points for consideration emerged from the review as follows:

- Repeat transactions represent an opportunity for the Bank to adapt project design, delivery, and monitoring to the objectively assessed performance of prior transactions.
- Serial transactions provide an opportunity for incremental advancement on complex institutional changes, especially with state-owned clients. Such transactions should be based on a clear set of linkages between the actions to be supported and the specific business and transition outcomes to be achieved as a result, and how these effects will be tracked and verified. The use of covenants and conditions precedent in a series of related operations with the same client can reinforce transition impact priorities.
- The expected need for follow-up transactions (envisaged from the outset or where a pipeline exists) should be reflected in the TI potential rating methodology, so that projects set realistic TI objectives.
- The Bank should avoid rolling over unmet TI and environmental objectives from one project to the next without addressing the underlying reasons for underachievement. Demonstrated unwillingness of partners to execute required reforms should not result in continuing engagement without stronger tools for delivery.
- Extensions and follow-up projects may require strengthened design against realistic assessment of previous project implementation. The risk assessment and mitigation should benefit from the prior experience and set more credible expectations for the future, where considerable (and especially contextual) factors hindered the achievements of the initial engagement.
- Long-standing relationships with partner financial intermediaries provide an opportunity to form strategic alliances and develop a more strategic approach to transition impact monitoring, beyond bare outputs (loans disbursements). While developing relationships with partner financial institutions, the Bank may consider supporting them in creating sufficient monitoring structures which will provide more sophisticated information on transition-related indicators of importance to EBRD.
- Longer spaced-out transactions with the same client provide an opportunity for assessing and understanding medium- and long-term transition impacts. Project documents for an upcoming project should attempt to realistically consider the sustainability of previously achieved/claimed impacts, and discuss the additionality of the upcoming project in that light as well.
- EvD should more systematically incorporate previous transactions into its reviews and evaluations of projects. Management and EvD have discussed that upcoming repeat transactions would be flagged by Management for potential inclusion of the previous transactions up in EvD's workplan for reviews and evaluations. This could provide an opportunity for including evaluation findings in the design of the follow-up transaction. This has so far not been systematically implemented. Preparation of the 2016 work programme formalised relationship evaluations of selected financial institutions clients.

Findings and recommendations from thematic studies

Agribusiness strategy[6]

EvD completed an evaluation of the 2010 Agribusiness Sector Strategy as implemented during 2011 to 2013. Global food security – the main theme of the 2010 Strategy – provided a wider context for strengthening food supply/security in the Bank's region; while Bank-wide initiatives (such as early transition countries and sustainable energy) were incorporated to overlay the main theme. The study found that the food security theme was very broadly defined in the Strategy and, depending on interpretation, applicable to almost any type of agribusiness-related project, which resulted in a portfolio that was less focused on clearly defined strategic priorities than it might have been. Furthermore, considering that infrastructure was identified in the Strategy as the main bottleneck to sector development, consultations with the Bank's Infrastructure department were limited and did not result in any proposal to collaborate on concrete initiatives set out in the Strategy.

The study highlighted that overall progress in reducing the agriculture sector transition gaps between 2010 and 2014 was modest. The sector-level transition score improved in only one country and deteriorated in another, while others were unchanged. While working capital and/or balance sheet components of agribusiness projects were usually promptly implemented, the implementation of capital expenditures (often for energy or environment), was patchier, and sometimes delayed or cancelled, although the study recognised that the global financial and economic crisis continued to affect business during the strategy period thus making capex investments particularly problematic. One of the main achievements of the Bank's agribusiness projects was to help professionalise management in highly centralised, family-run agribusiness companies. This objective featured in many projects and was usually successfully achieved.

In terms of policy dialogue, the aspirations set out in the Strategy were limited and not strongly linked to assessed transition gaps although the projects actually carried out were certainly more ambitious than the aspirations set in the strategy. The study noted that the next strategy could usefully set more ambitious and specific targets for agribusiness policy dialogue work, which is an area where the team has demonstrated considerable ability and achieved tangible positive results in collaboration with others, in particular the Investment Centre of the Food and Agriculture Organisation.

The study noted that the Strategy lacked an integrated results framework. Although EvD agreed that results frameworks were not required when the strategy was formulated, the study highlighted the need for their inclusion in sector strategies, which would cover outcomes and impacts for the priority countries receiving the bulk of the Bank's financing.

In terms of Agribusiness team organisation and cooperation, the study stressed the importance of a dedicated TC and policy dialogue unit, which was created within the team, elevating these activities to a strategic level and making a positive contribution. The creation of a Business Advisory Service for agri-companies in early transition countries and south and eastern Mediterranean countries helped the team reach small and medium enterprises in difficult markets.

The study confirmed that in the pursuit of selected Strategy objectives, the Agribusiness team cooperated effectively with other Bank teams, such as the Office of the Chief Economist, Legal Transition Team, Energy Efficiency and Climate Change, Financial Institutions and Equity, but only to a limited extent with the Infrastructure team, despite such cooperation offering good opportunities to target Strategy priorities.

The study made several recommendations:

- If food security remains the strategic focus, it should be defined so as to result in greater operational selectivity and/or greater clarity on results expected;
- Establish a stronger logical link between sector transition gaps and the choice of strategic priorities, at least for selected gaps and priority countries;
- Elaborate on how the key remaining transition challenges (not targeted by the Bank) might be addressed, including timing and the other international finance institutions or organisations involved;
- Prioritise capex (above working capital/balance sheet restructuring), as well as new clients (over repeat clients). Provide better justification and rationale for support of food retail (supermarket expansion) projects;
- Consider (together with the FAO and other IFIs) assisting selected countries in developing their agricultural/agribusiness strategies. Use it as an entry into a long-term policy dialogue process;
- Set dimensions of sector policy dialogue for selected priority countries and its delivery channels, utilising a well-developed analysis of the persistent transition challenges (such as trade barriers, subsidies). Ideally, coordinate its implementation with wider political processes (such as the European Union or World Trade Organisation accession);
- Make the theory of change more explicit and set results frameworks for priority countries, articulating in them the expected outcomes and impacts from the planned activities. Where feasible, express such results through clear, measurable (qualitative and/or quantitative) indicators and targets;
- Outline improved processes to encourage and support greater coordination and collaboration with the Infrastructure team on strategic projects in selected priority countries (building on a few successful projects developed jointly so far);
- Strengthen in-house primary agricultural expertise to better assess the risks and opportunities of upstream projects. Target more cooperatives and farmers' associations;
- Increase co-investments with Instrument for Pre-Accession Assistance funds in food safety standards in the Western Balkans.

Management welcomed EvD's analysis and agreed with most of the findings and recommendations. However Management questioned the recommendation to set a results framework for the new Agribusiness strategy, arguing that a strategy should set a direction in general terms, however it should allow for adjustments to specific objectives along the lines of the changing global economic environment. Therefore spelling out specific outcomes and impacts in a strategy would not be appropriate. EvD disagreed with this view, noting that since country strategies are now expected to have results frameworks that in part reflect sector-level outcomes and impacts, it would not be difficult to compile from them a sector-level results framework for several priority countries.

The study was presented to the Audit Committee on 13 April 2015 and generated positive comments from the Committee, which urged Management to prepare an implementation plan for the recommendations. As of January 2016, eight out of ten recommendations are under implementation.

Transactions with state-owned enterprises[7]

EvD completed a thematic evaluation of EBRD Transactions with State-Owned Enterprises to learn what EBRD has accomplished by undertaking such projects in the power & energy and transport sectors from 2000 to 2013. The evaluation sought to substantiate EBRD's additionality and understand the impact of transactions at both the firm and the sector levels. The key factors that EvD analysed were the following.

- Strategic rationale for transactions with state-owned firms
- Additionality

- Contributions to private sector participation and capital
- Contributions to firm commercialisation
- Marketplace benefit

EvD's approach to analysing these factors was to assess a study population of 16 transactions, two country case studies – Kazakhstan and Poland, and sectoral performance indicators developed by EBRD, OECD and World Economic Forum. One of the larger conclusions was that discrete tasks at the level of state-owned enterprises -- corporate governance improvements, anti-corruption initiatives, alignment with EU regulations, privatisation and unbundling support, and increasing access to infrastructure, rail infrastructure and electrical grids in particular -- contributed to transition impact at the sector or marketplace level. While projects with state-owned enterprises may provide some inroad to the government, it is difficult to enact significant governmental reform through these transactions. The main findings of the study were:

- EBRD projects have contributed to discrete reform steps in these enterprises but a broader transitional effect cannot be observed. EBRD projects often serve as an accelerant or facilitator of larger reform but not a causative or generative agent. Situational constraints such as conformity with EU regulations, economic conditions or regional politics are greater influences.
- EBRD has a 'special role' in working with state-owned enterprises in its countries of operation. Unique among the IFIs, EBRD works with enterprises before and after privatisation providing a range of instruments to facilitate private sector participation.
- Engaging with state-owned enterprises can help the private sector. These projects often entail legal and regulatory reform, unbundling, pre-privatisation and restructuring, increased private sector participation, all of which support private sector development. Corporate governance standards at the public enterprise level set an example for private enterprise. These transactions build awareness of EBRD and indicate good relationships with the government which can be particularly important in sectors such as Power and Energy and Transport.
- Repeat or multiple transactions can be an effective tool to work with state-owned enterprises. Repeat transactions elongate the Bank's leverage, and provide opportunity for continued policy dialogue and interaction with EBRD experts.

The study proposed three recommendations of which Management agreed with the first and third recommendations, and partly agreed with the second. The recommendations are as follows.

- Use multiple or successive transactions with state-owned enterprises where specific reforms are possible, even if privatisation is not a near-term option. Multiple or successive transactions increase the opportunity to support privatisation at the appropriate juncture, and encourage commercialisation and private sector participation as well as extend policy dialogue and leverage. EvD notes that subsequent transactions with the same client should include new transition objectives and not continued rollover of chronically unachieved objectives.
- Utilise conditions prior to disbursement whenever possible and appropriate. Compelling sovereigns to comply with conditions is difficult, particularly larger SOEs which have the financial resources to prepay loans. EBRD's leverage is highest prior to disbursement. EvD understands there are certain circumstances where conditions prior to disbursement would not be appropriate

Russian railway sector[8]

EvD included a Russian Railway Sector Evaluation in its 2013 work programme due to the size of the Russian railway portfolio and the Bank's substantial involvement in the sector over two decades. Between 1996 and 2013, the Board approved 24 Russian railway projects for nearly €2 billion in funding, which were complemented by €6 million in TC.

The shifting geopolitical situation in the region and the Board's decision to suspend new investments in Russia limited the evaluation team's ability to complete a comprehensive account of the impact of Bank's operations on the sector policies and investment priorities. The evaluation focussed instead on the Bank's private sector investments.

Among the main findings of the evaluation are:

- The portfolio performed well across the multiple dimensions of the Bank's operational mandate. EvD's assessment was positive overall, and positive for relevance, results and efficiency.
- Areas where actual performance fell short of expectations included limited support on stalled reforms; use of TC; demonstrated non-financial additionality; limited support to help improve the Russian Railway's financial performance; and losses on equity investments.
- Providing financial additionality and crowding in commercial financing were strengths; evidence on non-financial additionality was mixed. Steps should be taken to streamline the definition, monitoring and reporting on the achievement of non-financial additionality and transition objectives.
- The Bank's integrity management system worked well and succeeded in ensuring that corruption did not infect the Russian railway portfolio.
- The Bank was the lead international finance institution in the sector throughout the evaluation period. Its clearest contributions to transition impact at the sector level was helping to shape the broad sector reform programme in the mid to late 1990s and early 2000s, helping to corporatize and unbundle Russian Railway, and helping to develop a competitive, market oriented freight wagon industry.
- There was limited coherence and synergy in the use of EBRD's various instruments (project financing; TC; policy dialogue) from the early

2000s on. Although there were a few successes, EBRD's engagement in sector level policy dialogue was sporadic and generally not effective in overcoming resistance to major stalled reforms. EBRD placed more emphasis on processing and implementing transactions than on using its other instruments (policy dialogue; TC) despite broad guidance given in corporate strategy documents and the use of one of EBRD's first integrated approaches.

- The lesson for government owned railways in other countries is that the Russian experience demonstrates that the type of railway reforms that EBRD advocated can result in macroeconomic benefits: lower railway costs as a percentage of GDP, higher combined traffic units handled per employee and lower real costs per combined traffic unit on the railway system.
- Experience has shown that unexpected macroeconomic shocks can occur and local currency can significantly depreciate. While these factors cannot be accurately forecast, they periodically occur and adversely affect the financial performance of railway companies and equity investment profitability. Despite its robust due diligence system for equity investments, largely because of such factors EBRD has booked consistent, substantial losses on its Russian railway equity investments. There is a need for better mitigating macroeconomic and currency depreciation risks.

Recommendations included:

- Find innovative ways to undertake sector level policy dialogue in areas that will remove barriers to private sector investment.
- EBRD should no longer finance projects for which the transition impact is primarily to increase the proportion of freight wagons owned by the private sector. EBRD should ensure that projects are sufficiently robust to withstand major macroeconomic shocks and currency depreciations.
- Improvements are needed in defining non-financial additionality and transition benchmarks and sharpening the definitions and indicators to determine whether or not the desired results are realised and are related to EBRD's participation in the transaction.

Management welcomed the study as a fair assessment. It welcomed the study's conclusions that the EBRD's projects delivered good (bordering on outstanding) results across various dimensions of the Bank's mandate. Management appreciated the study's clear evidence that the combined effects of the projects, technical assistance and policy dialogue activities contributed to positive transition outcomes at the sector level, specifically in the sector reform programme and commercialisation of Russian Railway, despite EBRD's financing accounting for a small portion of the annual capital investment in the sector.

Sustainable energy finance facilities[9]

EvD evaluated the Sustainable Energy Finance Facilities (SEFF) facilities implemented by the Bank during the 2004-2013 period. The scope evaluation comprised 27 framework facilities in 20 countries for a total of €2.4 billion provided to 90 local PFIs through credit lines to support energy efficiency and small-scale renewable energy investments.

Overall the study found the SEFFs successful in meeting their operational objectives and contributing to intended TI benefits. Main findings were:

- Design: SEFF objectives were found consistent with EBRD policies and countries context and in turn helped inform strategic documents, though some disconnections were observed in relation with the identified barriers and SEFFs features designed to address them. Key success factors were identified to be i) the effectiveness of project consultants; ii) simple procedures and fast credit decision making process; iii) commitment of the PFIs; iv) bundling of loan funds with donor-funded TC and (in some cases) incentive payments and v) 'smart' incentives linked to energy savings and/or CO_2 reductions. There is evidence of an evolution in SEFF design based on good practices informed by lessons.
- Implementation: SEFFs were found overall successful in achieving their financial and technical benchmarks, with TC playing a major role. The use of incentive payments was found to be appropriate for overcoming specific market barriers and there has been a clear trend of increasing "smartness". The efficiency of SEFF management was found good and reporting requirements not overly burdensome, though more uniform monitoring needs improvements.
- Impact: overall SEFFs have had positive impacts, mainly i) increased awareness of energy efficiency and renewable energy opportunities; ii) transfer of skills to PFIs and ultimate beneficiaries; iii) demonstration effects, particularly in the residential sector; and iv) the use of better technologies. Policy dialogue has been an important component that enhanced leverage and long-term impact but there has been a lack of reporting and recognition.

The study made three broad recommendations:

- Formalise the programmatic approach: Formalising the SEFFs as a programme has the potential to improve consistency and efficiency in the design, implementation, monitoring and evaluation. Areas where a programmatic approach could yield benefits include: i) introduction of regular programme-level evaluation; ii) systematic use of performance indicators; iii) adoption of a common structure for project documentation; iv) consistent approach to TC; and v) coordination of SEFF-wide activities.
- Make explicit an intervention logic and use consistent and relevant TI benchmarks: A programme-wide intervention logic for SEFFs should be defined that specifies: i) the outcomes expected from the range of typical SEFF outputs

and when subsidies are used, clarity on the objectives of these; ii) the connection between these outcomes and the desired impacts; and iii) the assumptions and risks implicit in each of the links in the intervention logic. Outcome indicators should be capable of aggregation across multiple SEFFs.

- Broaden the benefits to the local consulting sector: To develop a fully functioning sustainable energy market, capacity building should be broadened to encompass local firms and experts outside of the project consultants' consortium. It is recommended – especially in the second and any subsequent phases of a facility – to explore creative uses of TC funds, such as a local consulting firm accessing SEFF TC support for the origination and development of SEFF sub-projects.

Management appreciated the Study and highlighted its thoroughness providing an extensive overview and important source of information for understanding the evolution of SEFFs. Management agreed with the three recommendations made and highlighted the alignment between these and Management's efforts.

Specifically with regards to the recommendation to formalize a programmatic approach, Management said that work is underway supported by TC funds to develop programmatic SEFF support beyond the scope of technical cooperation. With regards to the recommendation to develop a clear intervention logic, Management recognized the need and committed to a more structured and strategic approach. Finally, with regards to the recommendation to broaden the consulting sector, Management admitted that the benefits have been confined to a relatively narrow group of local firms and agreed on the need to build capacity with a broader network of experts.

IFI experience in mainstreaming Gender[10]

This special study took the form of an Insights paper, which is an evaluation product that is prepared by EvD bringing together the experience and evaluative evidence from others to inform a topical decision facing EBRD. Using the experience of others is particularly relevant where EBRD itself does not have experience in the area that can be evaluated. The main purpose of the Insights paper on IFI Experience in mainstreaming gender was to provide a review of key features of the experience of other IFIs in order to constructively inform the internal EBRD strategy for the promotion of gender equality development process underway during 2015. The scope of the paper was therefore based on consultation with the Gender team and included a description of the IFI experience with corporate commitments to gender; including gender in private sector operations; and approaches to incorporating gender in evaluation. The paper's methodology comprised a perception survey of gender-focussed staff in 10 institutions, interviews with 18 people across five IFIs and UN Women and a review of contemporary literature.

Its main findings were:

- More progress has been made translating gender commitments to operations in the public sector though importantly, there is now increasing commitment to do so in private sector operations, with growing demand from private sector clients themselves.
- IFIs increasingly seek gender results at the level of specific sectors rather than focussing more generally on gender mainstreaming across all operations at once;
- Designing, delivering and tracking specific progress towards gender goals is critical; evaluation has until very recently not given gender results consistent consideration.
- Progress depends on committed and engaged senior management, visibility in resource allocations and accountability throughout project and HR systems.
- Quantified corporate commitments on gender results upon exit (as well as entry) make a difference.
- The gender agenda *within* an IFI is important to drive forward the operational gender agenda.
- Some important tools: Gender focal points or gender specialists working within operations; qualitative impact stories (and the business case) and documentation and dissemination of results to inform gender responsive investments both with operations teams and clients.

The paper was discussed by the Audit Committee, where many Directors expressed high appreciation for the work. One Director emphasised the importance of commitment by senior management, and appropriate incentives and measurement. Another underlined the need to assess meaningfully the real impact on the society. Other Directors highlighted the observation that success went hand-in-hand with a strong internal gender agenda, and the importance of including gender as a strategic initiative in the Bank's objectives, including the scorecard. Equally, Management's response to the paper has been positive, and indeed the subsequent Strategy for the Promotion of Gender Equality included reference to the paper. More details on EvD's follow up work are presented in Section 0.

Board and Audit Committee review of EvD reports

EvD delivered two items to the full board in 2015:

- 2014 Annual Evaluation Review[11]
- Work Programme 2016-18 and Budget 2016[12]

During the discussion of the 2014 Annual Evaluation Review in May 2015, a number of Directors expressed their appreciation of the review and underlined the importance of the learning aspects of EvD's work. The narrowing gap between the Bank's self-assessments and EvD's evaluations was welcomed, as was the improvement in the results frameworks and the improved collaboration between EvD and management. The Work Programme 2016-18 was approved without discussion at the Board.

EvD presented 15 items to the Audit Committee in 2015, as follows.

- OPAV Package – Renewable Energy Projects

- Validations of Operation Performance Self-Assessments (OPAV) Findings and Ratings 2H 2014[13]
- EvD/Management: Presentation of results of Banking Survey on Self Evaluation (OPAs)
- OPAV Package – Projects with Supply Chain Issues
- Guidance Note – Project Performance Rating Methodology[14]
- Work Programme Deliveries in 2014[15]
- Mid-sized Sustainable Energy Facilities Framework[16]
- Special Study – Agribusiness Sector Review[17]
- Annual Evaluation Review 2014[18]
- OPAV Cluster on Repeat Transactions
- Mid-year Work Programme Update[19]
- Management Follow-up on EvD Recommendations[20]
- Preliminary Work Programme 2016-18 and Budget 2016
- Review of IFI Experience in Mainstreaming Gender[21]
- Final Work Programme 2016-18 and Budget 2016[22]

Notable was the delivery of the revised report on Management follow-up on EvD recommendations from evaluations and special studies, based on an improved tracking system. The new system introduces clearer standards for action plans and provides for continuous tracking and more regular reporting. The objective is greater clarity and transparency about commitments, timetables and responsibilities, contributing to more effective delivery by Management and oversight by the Board. Both are critical parts of the feedback and accountability loop needed to ensure the execution of the shared responsibilities on which the Bank's system of evaluation rests. Where there is partial or full agreement of Management to EvD's recommendations, Management has 60 days to produce an Action Plan which describes the actions to be taken, date(s) of execution, business unit responsible, resource requirements if any, current status and any completed activities. This plan is then shared with EvD and entered into the tracking system. EvD requests semi-annual status updates from Management on all outstanding commitments.

Some highlights from the initial implementation of the system include:

- Early results indicate that the revised system is a major improvement on the old one. There is much greater clarity as to areas of agreement and disagreement, and commitments (or not) to specific follow-up actions.
- The process enables greater focus on work in progress and provides a vehicle to ensure that actions that require time to execute will be tracked without interruption until completion.
- Collaboration between EvD and its Focal Points has significantly assisted the production of Action plans. However, the bulk of the engagement on this (as expected) occurs between EvD and the specific operations-side teams, and can vary in quality depending on how the relationship is managed.
- There are some excellent examples of positive overall Management response, with clear and time-bound action plans for effective follow-up and very constructive cross-team engagement.
- However, there is also substantial unevenness across the different EvD evaluations, in terms of overall responsiveness to specific recommendations, and with regard to clarity about what Management actions may be expected and on what timetable. In some cases Management comments indicate "Partly Agree," while the associated Action Plan indicates otherwise.
- It remains an ongoing task for EvD to ensure that its Recommendations are limited in number, clearly articulated, and "actionable."

The Committee welcomed the improved quality of EvD recommendations, the productive co-operation between management and EvD, and the system for the tracking of recommendations and actions. In continuation, the Committee expects the follow-up of EvD recommendations to provide greater clarity on the relative importance of the recommendations, and to focus on recommendations on which the discussions with management appeared to be inconclusive. Finally, the Committee expected management to continue its effort to improve the quality and responsiveness of the action plans.

Reflecting on the bi-annual summary OPAVs, several Committee members welcomed the overall convergence between EvD ratings and project teams' self-evaluation. However, they wished to explore further the persistent gap in transition impact ratings and requested that management and EvD provide a clearer explanation of the gap in terms of methodology and other factors. The Committee also welcomed OPAV cluster presentations and expected them to continue in future.

In general, the Committee welcomed the improvement in the co-operation between EvD and management, and expected to see fruitful results of the cooperation, including in terms of the use of past lessons in the structuring and approval of new projects, and in finding "smart" solutions to the measurement of results in relation to sector strategies. The Committee encouraged EvD and management to find ways to provide real time input on past lessons at the time of decisions on new projects.

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Special topics

This chapter discusses two themes on results management:

- Quality at entry of EBRD country strategies approved since the adoption of new results management procedures;
- IFI experience in evaluation of gender and a new approach for EvD.

Assessment of the quality of EBRD country strategies

This chapter presents a summary of the main findings of a review carried out on the above topic, while the document in full is circulated in parallel for internal EBRD use.

Background and purpose

The EBRD's revised country strategy design now includes results frameworks. A dedicated Board-approved paper describes the decision to develop a results framework for country strategies based on the Bank's renewed focus on results, which is reflected in the work of the results taskforce during 2012 to 2013 and the demand for a better articulation of the Bank's contribution in our countries of operation.[23] The Bank-wide Country Strategy Working Group proposed the design of a country strategy results framework (CSRF) that was adopted by FOPC in 2013. A pilot CSRF that was drafted as part of the strategy preparation for Serbia was presented to the Board in January 2014, and the Bank has rolled out new CSRFs for all country strategies since the second half of 2014. According to the same paper, "*CSRF represents an explicit articulation, through clear and measurable indicators, of the transition results expected from the Bank's activities in a country during the strategy period. CSRF provides a logical link between country's transition challenges through to Bank's choice of strategic priority areas and the specific objectives and results that would be influenced by its activities during the strategy period. This implies a result-driven approach to the institution's strategic choice and its operational response in a country.*"

Another paper places the CSRFs in the wider context of result-setting, management and monitoring within the Bank.[24] It proposes steps to achieve more streamlined results frameworks across the institution, intended also to ensure consistency and alignment of objectives across the Bank's activities and incentives across the organisational structure.

Against this background, EvD has carried out a review of the eight new country strategies approved since the changes were adopted.[25] The purpose is to gain an understanding of their quality-at-entry and 'evaluability'. This will contribute to shaping EvD approach to evaluation at country level, and help strengthen the evolving country-level results frameworks within the Bank.

Approach

The approach to the review of the new country strategies followed by EvD had three steps:

- Step 1: Development of a comprehensive 'checklist' of criteria reflecting 'good practice' features of IFI country strategies, with a focus on the 'evaluability' of the strategies' *effectiveness* – the articulation of the underlying 'theory of change', or Bank's intervention logic, including (a) the expected causal chains (i.e. the link between transition challenges, selection of priorities and operational response); (b) the formulation of objectives at different levels (i.e. the selection of Bank activities and instruments and expected outcomes); and (c) the quality of the related indicators (such as results matrix monitoring targets).
- Step 2: A qualitative assessment of the eight country strategies referred to above using the checklist criteria developed in Step 1, identifying common strengths and weaknesses across strategy documents.
- Step 3: A set of recommendations to Management to further strengthen the design of country strategies.

Quality assessment checklist

The set of quality assessment criteria is partly based on the experience of other IFIs which have recently conducted assessments of the quality of their country strategies, and have a long experience of working with results frameworks. They included the World Bank Group, African Development Bank, and Islamic Development Bank.[26]

Based on these reviews and experiences, and considering EBRD's specific transition mandate and business model, the review identified a set of 17 criteria to assess 'quality at entry' of EBRD country strategies. The 17 criteria that make up the quality assessment checklist relate to four key dimensions of the country strategy cycle: *analysis*, *selection*, *instruments,* and *results*.

Table 1 Country strategies – good practice 'checklist'

Analysis	
Stakeholder expectations /priorities *To what extent does the analysis supporting the country strategy…*	1/ … reflect the country government's transition / growth objectives, plans and priorities?
	2/ … address the concerns of non-government stakeholders (such as private investors and/or civil society)?
	3/ … is informed by feedback from a process of public consultation?
	4/ … reflect the overall medium-term strategy objectives of the EBRD?
Business environment *How well does the analysis supporting the country strategy identify and describe …*	1/ … the transition gaps, challenges and opportunities of the business environment in the country?
	2/ … the transition gaps, challenges and opportunities of the business environment in the country?
Political economy *How well has the analysis supporting the country strategy taken into account …*	1/ … the interaction between the political and economic processes in the country, the status of public governance, and the role of institutions and stakeholder incentives to implement reforms?
Selection	
Comparative advantage *To what extent does the selection of strategic directions ("key themes") in the country strategy take account of …*	1/ … past experience, knowledge and lessons from previous EBRD strategies in the country?
	2/ … linked to the cross-cutting themes / transition gaps / transition objectives in key sectors of the country economy?
Strategic priorities *How well are the strategic directions ("key themes") identified in the country strategy…*	1/ … linked to the cross-cutting themes / transition gaps / transition objectives in key sectors of the country economy?
Instruments	
Resource inputs *Does the country strategy include any discussion of …*	1/ … the resources (technical, financial, human) with which the EBRD is expected to implement the strategic directions during the country strategy period, both in terms of overall resource envelope, relative weight attached to each priority, and location(*)? [(*) does the Bank has the right resources in the right places to deliver effectively and efficiently on its country strategy?]
Instruments and modalities *To what extent does the country strategy clearly identify …*	1/ … the instruments (investment; TC, policy dialogue) and implementation modalities (debt, equity, FIs, risk-sharing, grants, …) with which the EBRD will implement the selected strategic directions?
	2/ … the co-ordination between the instruments (projects; TC, policy dialogue) with which the EBRD will implement its strategic priorities if not covered by relevant sector integrated approaches ?
Results	
Intervention logic *How well does the country strategy identify and describe…*	1/ … the intervention logic (i.e. theory of change) linking Bank instruments (projects, TC, policy dialogue) and modalities ((debt, equity, FIs, risk-sharing, grants, …) including: (i) expected transition impact results from implementing the strategic priorities of the country strategy; and (ii) the causal links connecting Bank's activities with those results?
	2/ … the contextual and external factors (including assumptions and key sources of risk) which can influence the expected transition impact of implementing the Bank activities in the country?
Results framework *How well does the country strategy identify …*	1/ … the various results expected from addressing the strategic directions of the country strategy in terms of outputs, outcomes and long term impacts?
	2/ … (i) the set of result monitoring indicators --qualitative and/or quantitative (with baseline and indicative targets)-- associated with the results (outputs and outcomes) expected from implementing the strategic priorities; and (ii) sources of data and agreed monitoring arrangements (such as between HQ and regional office)?
	3/ … the transition gap indicators being targeted by the EBRD actions, both macro (or top-down) indicators, and micro (or bottom-up) indicators, which can be aggregated to assess the overall impact of Bank's instruments and modalities?

Main findings

A review of the eight recent country strategies, using the quality-at-entry checklist criteria described above, reveals common strengths and weaknesses. The table below provides a summary of the review findings, while the rest of the section outlines some more specific findings along the four dimensions of country strategies.

Table 2 Common strengths and weaknesses identified in the country strategy sample

Strengths	
'Evaluability'	Compared with the old country strategies, before the Country Strategy Results Framework was introduced, the new country strategies represent an overall improvement in "evaluability" (i.e. the ability to evaluate country strategies ex post)
Priorities	The new country strategy documents contain an explicit identification of actionable priorities ("strategic directions") translated into 'key themes', with an improved selectivity and prioritization of Bank activities in the country
Challenges & responses	Country strategies identify and describe transition challenges, planned operational response and policy dialogue for each 'key theme'
Results framework	Country strategies include a results framework matrix, which attempts to link the challenges, objectives, activities and tracking indicators that are relevant for each key theme.
Weaknesses	
Stakeholders	Discussion of the relevance of the country strategies to the objectives and priorities of the country's government and key stakeholders (private sector and civil society) tends to be limited.
Comparative advantage	EBRD's comparative advantage is not explicitly argued in many of the diagnostics of challenges and in the selection of the Bank's operational response (such as instruments and modalities).
Strategic directions	A degree of 'assumed logic' is used in the analysis and selection of strategic directions: the identification of 'key themes' is preceded by the description of the operational environment and the transition challenges facing the country and, at times, the potential role of the Bank. However, the link between operational environment and the choice of strategic directions for the Bank is not sufficiently explicit.
Resources	The design of country strategy documents lack any discussion of the resource envelope and/or resource implications of the proposed actions.
Intervention logic	The results framework matrix lacks explicit consideration of the 'theory of change' behind proposed Bank's activities, which should contain a discussion of (i) assumptions; (ii) risks; and (iii) impact on country's transition reform progress.
Results framework	The links between objectives and activities –and between objectives at different levels and indicators of achievement– in the results framework matrix (one matrix per key theme) are not always well specified. Some indicators lack targets, weakening the intention of improving management and accountability.

Analysis

- The level of detail and clarity about government / stakeholder objectives and plans varies across strategy documents.
- Upfront identification of stakeholder priorities can be particularly useful when Bank operations in a country are new and a country strategy has been developed for the first time (such as Jordan and Cyprus).
- The analysis in the country strategy could benefit from an assessment of the prevailing political economy conditions: the interaction between power, interest groups and policy reform potential, and how it may influence the choice of strategic priorities. This type of analysis, however, might not be included in the strategy paper made public.

Selection

- Clarity and consistency in showing how the Bank determines and designs its strategic priorities can be improved. The current narrative lacks in places the explicit analysis that justifies the choice of priorities, particularly in terms of the Bank's comparative advantage, associated risks / expected impact of selected priorities.
- A degree of 'assumed logic' in the strategy documents assumes that the identified priorities are based on the description of the operational environment and the transition challenges facing the country and the potential role / expertise of the Bank. However, the links between transition challenges and operational responses are not sufficiently explicit.
- A clearer link between continuation of previous strategic directions and application of any lessons to new priorities, or the decision to add new areas of focus not previously covered by Bank activities, would help support the selection of priorities.

Instruments and modalities

- Country strategies do not mention the resource implications linked to the implementation of the strategic priorities.
- Operational responses identified are in general quite comprehensive, and may occasionally even emphasise the Bank's comparative advantage, but they can also be too tentative and /or could be

more explicit in identifying what instruments/modalities the Bank will try and use.

Results

- Sometimes objectives are not specified at different levels (outputs-outcomes-impacts), and/or indicators are not linked to all levels.
- Some ‘key themes’ do not capture the transition challenges described in the document narrative, and not all identified Bank activities get reflected in the tracking indicators.
- Some tracking indicators are defined in terms of success in achieving outcomes where the Bank is among many influencing actors. Thus it presents a difficult ‘attribution’ challenge, or lacks clarity on how the Bank’s contribution will be accounted for.
- Many tracking indicators refer to “evidence of improvement” or “evidence of progress” related to Bank activities (such as projects or policy dialogue or technical cooperation) but without specifying what exactly the Bank will do or how such improvement / progress is, or will be, linked to Bank’s activities and the benchmarks to measure success against.
- The definition of many indicators depends on the prospects of a future Bank operation materialising and thus it is “delegated” to a future choice of transition impact monitoring system indicators related to such potential project(s).
- The risk assessment focuses on the potential risks to the implementation of the country strategy that lie outside the control of the Bank, and not on risks which the Bank can influence or mitigate. Thus, scope of the risk assessment only covers the risks outside the control of the Bank. But risks related to the activities proposed by the Bank which the Bank can to some extent mitigate are equally important. Those risks could be covered in the theory of change if it were developed for each identified transition challenge.

Conclusion

The new country strategies represent a step forward in the Bank’s effort to strengthen its results management at different levels. Relative to a set of good practice criteria there are several distinctive areas where the design of country strategies can be improved. Of course this is work in progress, and these observations relate to a limited sample. Findings are presented for the information and consideration of both Board and Management as co-owners of the process change. EvD’s review paper, circulated in parallel, contains the full assessment of the individual country strategies and an extended summary of the findings with specific examples.

Gender in evaluation

As part of a wider review EBRD’s Board and Management decided to elevate gender as a strategic priority and to adopt a Bank-wide strategy to give this effect. With strategies to promote improved gender operational focus and outcomes having already been widely adopted across the IFI system, EvD saw an opportunity to draw from the substantial existing body of experience in order usefully to inform the EBRD’s thinking as it moved ahead with its own work. EvD sought also to invest early in its own capacity to provide the effective evaluation of gender operations for which eventual demand would be inevitable.

Accordingly, a brief EvD “Insights” paper was prepared on an accelerated basis to provide a compact review of key features of the experience of selected IFIs in gender mainstreaming, and while Board and Management review/consultation was still underway. That paper was discussed by the Audit Committee in November 2015 and welcomed by both Board and Management as a useful contribution; the main content of the paper is summarised elsewhere in this AER.

The purpose of this section is to summarise a number of issues specifically identified in the Insights paper as relevant to future evaluation of EBRD’s gender work and strategy. These include learning from significant changes in strategy, corporate structure and operations made in other IFIs in order to support gender work, and identifying emerging good practice amongst IFI Evaluation departments looking at gender.

Snapshot of internal picture

Before the adoption of the EBRD’s Strategy for the Promotion of Gender Equality, the focus on gender was limited in the design of EBRD interventions as well as in EvD’s evaluations. A review of a selection of EBRD project documents and EvD evaluations found that attention to gender issues was historically limited even in sectors where there is an extensive literature on important gender issues and dimensions, such as agribusiness and energy. There are clear cases of missed or potential opportunities, such as identified below.[27]

Table 3 Gender elements in Board documents and evaluations

Board documents		
Type of document/report	*Description of gender elements*	*EvD opportunity-either missed or proposed*
Board document Turkey Women in Business Programme[28]	This is one of the first women-focused projects so it reasonably begins with a fairly narrow focus to look at gender issues (i.e. increasing the number and size of women-owned enterprises). There is a thorough review of issues affecting women-owned enterprises but only focusing on financial sector issues concerning barriers to: i) Access to credit ii) Business skills iii) Information iv) Expanding women's businesses beyond the informal and traditional sector	Other issue that could be explored: i) Cultural barriers to women's enterprise development ii) Work-life issues (such as child-care, family opposition to women working outside the home) iii) Barriers to women's mobility (such as sexual harassment on public transport) iv) Women's time-burden v) Employment impacts of women-owned businesses. The monitoring focus of the programme (as stated in the Board document) is very narrow and only addressed banking sector issues; not the holistic gender issues discussed in the Strategy for the Promotion of Gender Equality.
Board document Western Balkans Women in Business programme[29]	There is an analysis of social factors and cultural norms – but mainly discussing how these affect access to capital. The Board document stresses i) the need to understand cultural and behavioural constraints, ii) that women-owned businesses concentrate in informal and traditional sectors, and iii) that women entrepreneurs are more reluctant to take risks. An in-depth baseline assessment is conducted: i) Understanding behavioural constraints ii) Organizational analysis iii) Network analysis iv) More in-depth supply and demand analysis	Monitoring has broader focus than the Women in business programme concentrated in Turkey. i) Number and volume of loans by gender ii) Disbursement progress by gender iii) Changes in business models and delivery mechanisms and financial products to reach out to women-owned-businesses iv) Repayment records by gender But still only focuses on the banking sector. Behavioural and socio-cultural factors are not addressed.
EvD special evaluations		
Type of document/report	*Description of gender elements*	*EvD opportunity-either missed or proposed*
Operation evaluation: Mid-size sustainable energy financing facility[30]	No reference to gender	Possible inclusion related to : i) Sustainable energy policies often include discussion of how to access to low income and vulnerable populations (including women) ii) Women have different energy needs than men iii) Women often do not have voice in decision-making on program design iv) Women have more limited access to energy within the household
Special study: Agribusiness Sector Strategy evaluation	No reference to gender in the main report despite the fact that gender was identified as a strategic theme in the Agribusiness strategy.	There are major gender issues in the agricultural sector. Looking at the extensive research on this matter carried out by the World Bank, IFAD, FAO could be a starting point.[31] The World Bank Africa Gender Innovation Lab also conducts impact evaluations in four key areas including agriculture, private sector development, land & assets and youth employment.[32]

The limited attention to gender is further evidenced by a lexical search through all received short and long form project self-evaluations (OPAs) in the EvD 2015 work programme and EvD's independent validations of these self-assessments (OPAVs).[33] Out of 141 reports, gender was mentioned only in three cases. This finding was expected due to the fact that OPAs and OPAVs focus on the stated objectives of the projects which generally did not include a gender dimension.[34] However, the lack of specific references to gender in the reports does not necessarily imply a complete absence of gender effect in the relevant projects.

EvD will be developing internal guidance to develop capacity, build tools and draw from experience. Currently, EvD is exploring the following lines of action:

i) Building and sharing internal knowledge on good practice in integrating gender considerations into evaluation

ii) Introducing gender into selected evaluations of EvD's work programme 2016-2018

iii) Developing an interim practice note for Evaluation Managers

Sharing awareness and knowledge

EvD is raising awareness on gender issues within the department, enhancing capacity building on good practice among Evaluation Managers and coordinating with other IFIs evaluation departments through:

The EvD insights paper *Review of IFI Experience in Mainstreaming Gender* was well received by the EBRD Gender team and benefitted from a constructive discussion at the Audit Committee meeting.[35] It also helped inform the development of the EBRD strategy. EvD used preparation of the insights paper to develop a network of evaluators in other IFIs who are involved in gender issues.

i) The organisation of a workshop on Gender and Evaluation in January 2016. The workshop was facilitated by Michael Bamberger, a Social Development and Evaluation consultant with an extensive experience in gender and evaluation. It was attended by representatives of the evaluation department from the European Investment Bank and of the EBRD's gender team. There were interventions from the African Development Bank and the Independent Evaluation Group from the World Bank about their experience integrating gender in evaluation.

ii) An internal knowledge sharing session with a World Bank evaluation expert in gender.

iii) Liaising with EBRD's gender team to improve the understanding of EvD staff of currently missed opportunities in including gender perspectives in evaluation, and to develop specific approaches to evaluating gender, including establishing "gender entry points" for each sector.[36] The objective is to achieve consistency amongst Evaluation Managers on the types of interventions which might consider gender in order to better evaluate projects under the new Strategy for the Promotion of Gender Equality.

iv) Hosting the next ECG meeting in London where a practice note will be shared by the African Development Bank on gender and evaluation.

Considering gender in EvD's work programme 2016 to 2018

Taking the experience of other IFIs and sister organisations in looking at gender in evaluation, it is important to make sure that the first EvD's gender-responsive evaluation work is perceived as:

- Relatively simple and economical to implement without requiring too many additional resources, time or specialised expertise.
- Producing operationally useful findings and recommendations which are actionable within a relatively short time-frame.
- Identifying issues likely to be perceived by shareholders and clients as most useful and relevant.
- Clearly demonstrating the value-added of the gender focus through the assessment of resources and time needed.

EvD could use currently available tools to integrate gender in its evaluations. Since the beginning of 2016, EvD is using new performance rating guidelines that are more detailed than the previous ones and include a section under *Results* that should reflect *Unanticipated results* as illustrated in the table below. Gender elements that were not anticipated by the project initially but are visible (and/or necessary to understand the full picture of EBRD's intervention) after EBRD's involvement could be noted under this section. Gender elements anticipated in the design of the projects would be evaluated under the results sections and eventually reflected under the transition impact or environmental and social performance derived ratings.

Table 4 New performance ratings guidelines

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 expected outcomes 2.3. Contribution to expected impacts 2.4. Performance against benchmarks (if relevant) 2.5. Unanticipated 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. Consultant performance (if relevant)	**4. Derived ratings** 4.1. Transition impact (derived based on evaluator-flagged transition results drawn from 2.1, 2.2, 2.3 and 2.5) 4.2. Environmental and social performance (derived based on evaluator-flagged environmental and social-related results drawn from 2.1, 2.2, 2.3 and 2.5) 4.3. Additionality (rated automatically based on 1.3 and 1.4) 4.4. Sound banking (rated automatically based on 1.2, 3.3 and 3.4)
5. Other performance attributes (assessed but not rated) 5.1. Sustainability of achieved results 5.2. Client's contribution 5.3. Co-financier's contribution (if any)	

In addition to project evaluations, EvD will explore ways to incorporate gender considerations into its 2016-2018 special evaluations. The following three provide an illustration.

Credit lines

Credit lines are identified in the work programme as one of the instruments that can be used to address gender and issues of social inclusion. These programmes usually involve targeted on-lending where a certain proportion of loans must go to priority groups such as women-owned businesses and minority-owned businesses, or to new market sectors such as energy efficiency.

Credit lines may be relevant for gender-responsive evaluations, because gender is a priority area for some credit lines and evaluations may identify ways to attract more women entrepreneurs or women workers. The fact that access to finance for women is under-developed means that there may be special challenges that EBRD can help overcome, and there may be a range of socio-cultural factors which could be explored in the evaluations.

Technical assistance is an important instrument to look at while evaluating gender. Indeed, one of the instruments used to help banks to reach out to clients in different sectors is technical assistance, which could possibly be used to identify potential women-owned SMEs, understand the special challenges and problems which women-owned businesses face, or identify markets where women-owned businesses may have a comparative advantage (such as travel, tourism and hospitality industries where women entrepreneurs are active in many EBRD countries).

Knowledge management

Knowledge management provides an opportunity to generate and make available to clients information on the gender dimensions of EBRD activities, much of which will be new to most clients. As the knowledge base is developed, it can offer information on differences between male and female owned businesses, women and male entrepreneurs and workers, and assessments of interventions that address these issues. Experience-based insights can be a source of unique value to EBRD clients and the transactions teams seeking to address their needs.

Gender-focussed Operation Evaluation

The EvD work programme has flagged an evaluation of the Women in Business programme in 2017 in the expectation that this recently introduced programme might be sufficiently developed for an early look.

During the gender workshop, the Women in business programmes in Turkey and the Western Balkans were discussed. While gender issues relating directly to banking and finance were included in the workshop discussion of both programmes, it was pointed out that the women in business evaluations conducted by ADB and the World Bank (among others) have a much broader focus (such as by examining for example how women's access to the labour market and entrepreneurial activities are constrained by issues such as women's child-care and reproductive activities, responsibilities for the care of the sick and elderly, time burdens, lack of access to transport and social pressures on what are considered suitable economic activities for women). While the mandate of other IFIs may be broader, it would be useful to review the toolkits developed by ADB to consider whether some of these broader issues might be included in EvD evaluations.

Interim practice note

EvD will develop an internal note to provide guidance to Evaluation Managers on how to evaluate gender issues. This interim note will be based on the ECG discussion that will be held from 2-3 June 2016 at EBRD Headquarters in London. In light of this, the African Development Bank is chairing the working group to develop a practice note between IFIs on gender and evaluation.

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Self-evaluation

In this chapter, results of a quality check of project self-assessments:

- OPA quality high with continuing improvement – no OPA scored less than 60 per cent, for the first time.
- OPA submission has been punctual with EvD improving turnaround of OPA reviews to almost 90 per cent.
- Ratings gaps between self-evaluation and EvD continues to narrow; gaps for transition and environmental and social performance ratings still wide.

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 explores quality and completeness dimensions of the long and short form OPA templates, including effectiveness, efficiency, impact and sustainability, as well as relevance for long form OPAs. The checklist was first applied to OPAs prepared in 2013 and the results of this assessment were reported in AER2013. EvD applied the same checklist to final OPAs submitted to EvD in 2014 and has again applied it to final OPAs received in 2015, in order provide for reporting on a three year trend.

The population of final OPAs received in 2015 was 121 which covered 154 operations. Taking the population of 121, a stratified random sample of 83 was distributed between two EvD evaluation managers, including an overlap group.[37]

The overlap group of OPAs was used to gauge and calibrate consistency between the AER assessors as well as with the assessments by the evaluation managers who had applied the checklist as part of OPA review. The AER assessors rated all 83 OPAs in the sample, with the result that there was little difference between the two assessors for the overlap group. Similarly, there was little divergence between the AER team and EvD managers' checklists where applied.[38] This provides a degree of confidence that the checklist can be applied consistently and the results are comparable across assessors.

Given the new self-evaluation templates, which are being introduced in 2016 and which reflect significant changes to performance rating methodology, EvD will amend the checklist and make it available to banking teams in the second quarter of 2016. The remainder of this year will be a pilot year for the new checklist, whereby EvD will not carry out a quality assessment for 2016 OPAs.

Summary findings

Generally, the OPAs submitted in 2015 were of very good quality, with the sample OPAs scoring 84 per cent on average across the five quality dimensions. This is an improvement on both the OPAs assessed in AER 2014 (78 per cent) and AER 2013 (78 per cent). Encouragingly, there was a greater consistency of scores between the two forms, and finally, there was also further improvement in what has traditionally been assessed as the weakest area of OPA report quality, namely the project efficiency section in which long form OPAs scored 71 per cent in 2014 and 77 per cent across the 2015 sample. In 2015, across all OPAs the average was 75 per cent. The charts below show the distribution of quality scores for both long and short-form OPAs. It is very pleasing that part of the reason for the higher average score was that there were no poor quality final OPAs submitted in 2015.

Chart 14 Quality scores of long-form OPAs prepared in 2013 to 2015

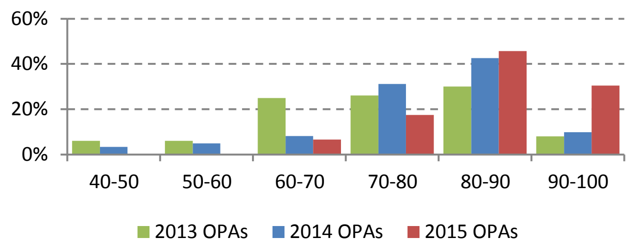
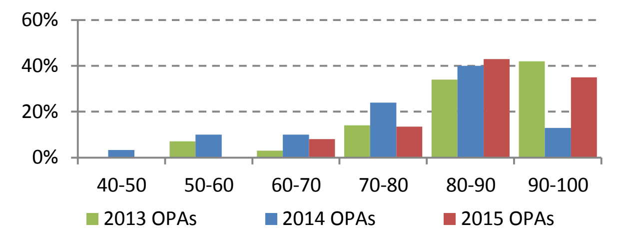


Chart 15 Quality scores of short-form OPAs prepared in 2013 to 2015



The results are encouraging. For the first time, no OPAs scored below 60 per cent. There was much less dispersion around the average this year as well. With respect to long form OPAs, 46 per cent scored between 80-100 per cent, an improvement on 2014. The lowest score was 60 per cent (43 per cent in 2014) and the highest scoring OPA reached 100 per cent (97 per cent in 2014), with 17 per cent OPAs scoring above 90 per cent overall. Of the short form OPAs, 81 per cent scored at least 75 per cent for overall quality (versus 75 per cent last year). The lowest score was 60 per cent (42 per cent in 2014), and highest was 96 per cent, on par with 2014. Three OPAs scored 96 per cent in fact and can thus be seen as particularly strong models of self-evaluation.

Across both long and short form OPAs, the sections with the lowest scores are the Impact and sustainability section (with 81 per cent average score), which actually scored significantly higher than in 2014 (69 per cent), and project efficiency (74 percent), though this was a slight improvement on the 2014 score (71 per cent).

Within the OPA sample there were several excellent examples; the box below provides some examples of common characteristics of good quality OPAs.

Best Practice Examples of OPAs

Power & Energy

Two excellent examples of long-form OPAs in the Power and Energy sector provided a comprehensive description of the projects as planned and as implemented, considerable analysis of the projects' efficiency, and solid retrospective assessment of the transition impact of the project, which served as an excellent base for an EvD Operation Evaluation.

Municipal and environmental infrastructure

Another particularly good example of a long-form self-assessment was in MEI where EvD noted that the quality of the OPA was excellent throughout, with a "storyline" which flowed logically and persuasively, where all major events in the project lifecycle were explained comprehensively and chronologically. The Evaluation Manager particularly noted that the additionality description provided in the OPA was better than the description in the Board document, with the OPA taking a coherent approach to explaining results, and here again, sometimes providing a clearer assessment than that at Board.

It is important to note OPA submission timing as well as quality. During 2015, the due date was the date for receipt of draft OPAs rather than final OPAs. Of the draft OPA submissions, only 2 per cent of the total was more than 10 days late. Extensions were granted on 25 that were submitted by the revised date, totalling 20 per cent of population received. Although final submission timings were not formally reported on, there was also an improvement in the timeliness of final OPA submission, with 19 per cent of final OPAs delivered more than 10 days late (the equivalent figures were 28 per cent in 2014 and 60 per cent in 2013). While there is still room for improvement, this is an impressive result that reflects excellent support from portfolio managers for the process of self-evaluation.

During the past year EvD has committed to provide comments on draft OPAs within 5 working days from receipt of the draft. In 2015 it did so in 89 per cent of cases, a significant improvement from 70 per cent in 2014 (though it is worth bearing in mind that the target was introduced part way through the year); this coincides with full staffing and intensified management within EvD. Further improvements are targeted for this year.

Potential areas for modifications to the quality assessment review of self-evaluation

Given the introduction of revised OPA templates early this year that incorporate a new performance rating methodology, EvD will introduce a new version of the quality checklist during the second quarter of 2016, for pilot use this year. Some areas of revision may include:

- Providing a segmented checklist which can serve as both a quality and completeness check;
- Reassessing the weightings of the questions to better reflect relative importance, given the new performance ratings guidance;
- Further streamlining questions to align with requirements of OPA template;
- Increasing consistency of interpretation over the meaning of questions and the benchmark for a positive rating, in line with the new performance ratings guidance.

The new checklist will be piloted this year but not reported on. Formal roll out to all OPA teams will therefore be in 2017. During the second half of this year, EvD will provide training to evaluation managers to increase consistency of checklist assessments 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. The differences in ratings between the two are analysed here using the binary ratings gap – which examines 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.[39] 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 assessed by EvD, but also less divergent views on project performance.

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

Table 5 Overall performance binary ratings gap between self-assessment and evaluation 2011-15

Type of review by EvD	% of ratings raised substantively by EvD	% of ratings substantively unchanged	% of ratings lowered substantively by EvD
Validations	0%	86%	14%
Evaluations	5%	85%	10%
All reports	1%	85%	13%

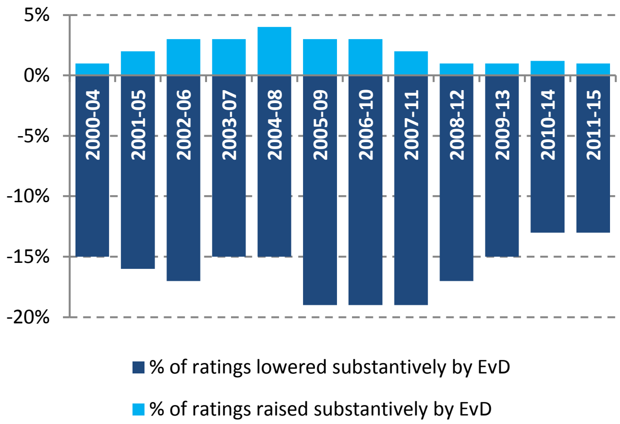
Note: A substantive movement is one that moves the rating across the binary gap.

There are two key messages from this table:

- Over the last 5 years few ratings were upgraded (1 per cent), a modest number were downgraded (13 per cent) and the balance left unchanged;
- Though the difference seen historically between validations and full evaluations is largely gone, over the last five years there have been more ratings substantively upgraded and fewer ratings substantively downgraded by EvD in evaluations than in validations.

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 2011-15 period with those reported in recent AERs. It shows the gap reaching a high point in the period 2005-11, with a gradual reduction since then.

Chart 16 Overall performance binary ratings gap between self-assessment and evaluation – change over time



A full analysis also covers the other ratings criteria, beyond the overall performance. The table below shows the substantive ratings gap for all ratings over the period 2011-15. The highest ratings gap was jointly for environmental and social change (24 per cent in total, of which 18 per cent were downgrades and 6 per cent upgrades) and transition impact (18 per cent downgrades), compared with the reported figure in AER 2015 for the period 2010-2014 which was second highest, with a similar figure at 17 per cent. All other rating criteria had a ratings gap around 10 per cent or less, with environmental performance accounting for the least change, at 4 per cent downgrades. Results continue to be encouraging for Bank handling too where the gap was only 6 per cent, which is a slight improvement on 7 per cent from 2015 AER reported figure – here EvD continues to put a lot of emphasis on the fact Bank Handling refers to handling of the project by the Bank rather than the Banking department, and includes assessment of the efforts of all relevant support units as well as banking..

Table 6 Overall performance binary ratings gap between self-assessment and evaluation 2011-15

Rating	% of ratings raised substantively by EvD	% of ratings substantively unchanged	% of ratings lowered substantively by EvD
Overall performance	1%	86%	13%
Transition impact	0%	82%	18%
Environmental and social performance	0%	96%	4%
Environmental and social change	6%	76%	18%
Additionality	0%	90%	10%
Company financial performance	1%	92%	7%
Project financial performance	2%	90%	7%
Achievement of operation objectives	1%	93%	6%
Bank handling	0%	94%	6%
All ratings	1%	89%	10%

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Achievements and challenges

In this chapter:

- Delivery of the 2015 work plan and preparation of the 2016 plan;
- Upgrades to evaluation tools, methods and resources;
- Facilitating use of evaluation findings;
- International evaluation community engagement.

Delivery of the 2015 work plan

This section of the AER replaces a standalone report on EvD work programme delivery, which was previously provided separately to the Audit Committee. Main points with respect to delivery of the EvD work programme in 2015 (full details in Annex 3) are:

- Four special studies and 6 synthesis type products completed; work on an additional 9 special studies substantially advanced;
- Five operations evaluations completed, and work on 7 additional operations evaluations well advanced;
- 59 OPAVs and 56 OPA reviews completed; work on 25 OPAVs carried into 2016;
- Three major Departmental reports completed.

EvD's completion and delivery record in 2015 continued its improving trend. Several contributing factors, both inside EvD and beyond, reflected improved fundamentals and for this reason are expected to continue to assist this year and in the future.

- EvD vacancies filled and skills upgraded; one urgent performance problem resolved;
- An active and experienced Deputy greatly improved work flow management;
- Deeper familiarity in EvD and Banking with new methods, products and processes;
- Quality and timeliness of Banking inputs (principally OPAs – project-self assessments) improved; EvD turnaround times been cut;
- Carry-over of OPAVs is highly undesirable.

EvD is committed to completing the remaining few delayed evaluations and ensuring delivery to plan in future. It should be noted that completion of special studies is generally expected to straddle two years as they generally take 12 months or more from concept to final delivery. Operations evaluations should normally be completed within the year of assignment and EvD plans accordingly. OPAVs should in only very few circumstances fail to be completed in the year committed. Factors contributing to the slippage in some deliveries in 2015 include the following:

Late delivery of OPAs has been sharply reduced, but not entirely eliminated; EvD for the most part now grants extension requests only on an exceptional basis.

This said, some part of OPA delivery delays reflects improved sector team investment in quality, more rigorous portfolio manager review, and more careful reflection on initial EvD comments.

- On the EvD side, individual workloads have grown substantially in some cases, the ratio of newer staff is higher, and EvD products are subject to greater internal review and quality assurance.
- All EvD products have become more complete and rigorous, in most cases adding to time-to-completion; however this is also a high-yielding investment and expected to be a transitional stage (for which there is already evidence).

Prolonged staff vacancies (for both medical and performance reasons) over a period of years also led to delivery shortfalls. Full staffing, resolution of key performance issues and recourse to extra consultant support has resulted in substantial progress. A final factor to note is the extended, multi-step Management review and commenting process developed jointly by EvD and Management. This has produced clear benefits in the form of increasing quality and issue resolution; deeper engagement between EvD and operations; and, greater horizontal coordination and communication inside Operations. However, it also contributes to delayed finalisation, especially of the larger evaluations, and likely produces sharply diminishing returns in some cases. EvD and Management have agreed to review the relevant provisions in the Operations Manual in 2016. Management has already introduced delegated authority for the approval of Management Comments for project-level evaluations.

In any case, the direction of travel is clear – fewer but more relevant evaluations, done to high standards, and delivered more quickly and at a time of high prospective value and impact.

As part of this move, all major evaluations in the 2016 work programme will be produced by teams of EvD staff members rather than individuals.

In order to sharpen further EvD work planning and management, work coefficients were produced for the various EvD products and applied to the draft 2016 work programme. Allowance was made for vacancies and productivity of staff members, and a 15 per cent allowance for un-programmed time was added for flexibility to take on additional high value work during the year. Through this exercise a 2016 work programme was proposed that was more in line with the department's capacity to deliver; some degree of over-programming remains as legacy carry-overs are worked out of the system. The work coefficients for different products will be refined further this year and used again in the next programming cycle to better align commitments with the resources available to deliver them.

2016 work plan preparation

The Evaluation Policy directs EvD to prepare "multi-year work programmes setting out evaluation priorities, products and activities in detail." EvD work programmes reflect substantial consultation, formal and informal, between EvD and Management and the Board; they are reviewed and approved by both the Audit Committee and the full Board. Preparation of the work programme for the following year starts in September and culminates in formal Board review in December. There are two main pieces to the work programme:

- a mandatory piece comprising (a) evaluations and reviews by EvD of single or small groups of related transactions, serving both the accountability and the learning purposes of evaluation; and, (b) preparation of core EvD management and reporting documents such as the Annual Evaluation Review, and the Work Programme and Budget; and,
- a discretionary piece comprising (a) preparation of special evaluations of themes, sector strategies, and corporate matters, ideally timed to inform emerging concerns and specific decisions being made by the Bank; and, (b) production of a range of other evaluation products aimed to accomplish EvD's twin institutional mandates for accountability and learning.

Developing the programme of project-level evaluations

This is a major exercise involving both EvD and operational staff (mainly the Portfolio Managers) in a comprehensive and intensive review of the Bank's outstanding portfolio. The process is covered in detail in *EvD Guidance Note 7: Selection and sampling of projects for evaluation*. In brief it involves an assessment of the status of completion of existing projects, coupled with informed judgment about "readiness" for evaluation, including whether expected project-related actions and outcomes are likely to have emerged.

Reflections on the preparation of the OPA/OPAV 2016 work programme include:

- It is a data and time intensive task, requiring close attention to detail and familiarity with how the Bank operates (in terms of sectors, systems and so forth).
- The efficiency of the process of agreeing evaluation-ready projects is affected by the fact that relevant information is scattered across multiple sources and data systems (not fully connected) inside the Bank (Data warehouse, transition impact monitoring system, PMM and Risk). It falls to EvD to identify, assemble, and share this information in order to make preliminary assessments about project evaluation readiness and to ensure that the decision process is based on a good overall view of the key facts. The willingness of different Banking sector teams to accept that a project is evaluation-ready and commit to producing a self-evaluation can vary widely, even when the data seem clear to EvD. For this reason two sector teams in particular have a large and growing backlog of projects that are ready for evaluation but not yet self-evaluated. Resource constraints are generally cited as the main reason. However, the Bank's policy is that 100 per cent of evaluation-ready projects should be self-evaluated, and in the end this is a choice as to priorities. Without addressing the problem the situation will only worsen.
- Other teams have engaged in the process with some enthusiasm and a view that it provides value; done well and systematically self-evaluation is a high-yield investment rather than a low-value burden.
- Revised guidelines mandate that all projects 8 years old or more should be evaluated, at least in a preliminary fashion. EvD has been pushing for adherence to this agreed approach, with only mixed success. It is important to act before institutional memory is lost, and to extract learning from the reasons for the delay. Though the 8 year cut off has obvious merits, it undoubtedly continues to affect some teams more than others (Equity Funds, MEI, Power & Energy and Transport). It is not readily apparent though, that this can be helped, as the problem of outdated lessons of limited value from anything over 8 years, is also a very real one.
- Other than banking, only Corporate Recovery provides input into the process of determining evaluation-ready projects. This likely loses potential value from the knowledge of other departments, which could offset the added complexity.

Developing the programme of special evaluations

EvD leads the process of determining the discretionary side to its work programme, in particular the selection of topics for special studies. The process followed involves:

- EvD assessment of strategic directions;
- Consultation with Management, including with respect to sector/strategy work underway or to be launched;
- Consultation with Audit Committee members and other Board members to gauge specific interests/concerns;
- Active listening resulting in an accumulation of issues/themes around which there is particular interest/concern;
- Review of recent evaluation outputs from counterpart departments in other IFIs, and their prospective work programmes;

- Assessment of previous EvD work and any commitments made or opportunities available to build or extend in a useful or timely way. Proposals for special studies get particular focus in the Audit Committee's review of the EvD Work Programme in draft. This provides valuable guidance on Board priorities and preferences, which EvD then reflects in the final Work Programme submitted for Board approval.

Tools and process development

Upgrade of self-evaluation methods and templates

As discussed in last year's AER EvD has piloted and now introduced a significantly upgraded performance rating methodology. Per agreement with management it is being applied to all self-evaluations starting this year. Among other changes needed to support the improvements were new templates for Banking teams to use to complete self-evaluations.

As in the past Bankers still complete either short or long-form OPAs, depending on the nature of EvD's subsequent independent assessment. Long-form OPAs are required for projects that will get an EvD Validation (producing an OPAV) or deeper evaluation (Operation Evaluation); in both cases findings and performance ratings are produced, and in the latter also recommendations. Short-form OPAs, conversely, get a relatively light EvD review for completeness. While Bankers also provide self-ratings in this case, they are not validated by EvD and therefore not used for institutional performance reporting. Short-form OPAs do however provide an excellent means for Bankers to extract lessons and insights, and they are valued by both EvD and Banking for this reason. The structure of the new short form OPA compared to that for the long-form is shown in in the chapter of this report on self-evaluation.

Table 7 Comparison between the structure for new short and long-form OPAs

Long OPA	Short OPA
Embedded guidance notes	Yes
Project ratings	No project ratings
Project description and summary	Yes
Relevance	Summary at criterion level only
Results	Summary at criterion level only
Efficiency	Summary at criterion level only
Other performance attributes	No
Lessons	Yes
Performance factor analysis	Yes
Project results framework	No
Variance analysis	No

Two other significant changes are included in both forms. The first is refinement to the structure for lessons is to provide a more consistent format and one that more readily allows would-be users of the lesson to determine the contextual relevance of the lesson to their situation. Lessons are now to be structured around Situation-Complication-Resolution-Application as shown below.

Table 8 Structure of lesson in short and long-form OPAs

Situation	
Background:	What key features of the project are necessary for the reader to understand the relevance of the lesson?
Expectations:	Citing from the Board or other approval documents, what did the Bank expected to happen?
Assumptions:	What were the underlying assumptions or required conditions for these expectations to come about?
Complication	
Actual Events:	How, if at all, did actual events differ from expectations?
Causes:	What were the main reasons why these actual events occurred?
Resolution	
Actions:	What actions, if any, did the Bank, client or other entity take to address the situation?
Hindsight:	Could the circumstances leading to the actual events have been predicted at the outset / were there precedents?
Lesson:	What should the Bank do more of, do less of, or do differently as a consequence of the experience with this operation? What benefit will it have?
Application	
Operational Relevance:	What types of operation should this lesson apply to (such as sector, country, sponsor type, investment instrument and specific process)?
Bank Procedures:	What aspect of Bank work does this lesson have an implication for (such as appraisal, due diligence, investment structuring, monitoring, evaluation)?
Responsibility:	Who in the Bank (at an operational, support or management level) should have responsibility for putting this lesson into practice?

The second new feature of both long and short-form OPAs is a one-page check list of factors that have deemed to influence project performance, either negatively or positively. This is shown below.

Table 9 Project performance factor analysis

Performance Factors What influence have the following factors had on project performance as compared with approval expectations? (Mark with an 'X' as appropriate or leave blank if a factor has no applicability)		Highly negative	Somewhat negative	As expected	Somewhat positive	Highly positive
External Factors:						
1.	Competitive response from market					
2.	Legislative and regulatory regime					
3.	Sector conditions (transparency, cyclicality, commodity prices, change of technology)					
4.	Country economic or political conditions					
5.	Country financial, exchange rate, interest rate conditions					
6.	Liquidity / functionality of local credit and capital markets					
7.	Other factor: Define here ...					
8.	Other factor: Define here ...					
Client Factors:						
9.	Client corporate governance, internal controls, transparency and disclosure					
10.	Sponsor support / financial backing					
11.	Client use of new technology / products / services					
12.	Client / Project environmental and social effects					
13.	Management quality / experience					
14.	Shareholder and management integrity					
15.	Client employee base (skills, recruitment, retention, staff-management relations)					
16.	Client strategy for growth / diversification / consolidation					
17.	Project design and structuring					
18.	Project implementation and completion					
19.	Supply-side issues					
20.	Demand-side issues					
21.	Other factor: Define here ...					
22.	Other factor: Define here ...					
EBRD Factors:						
23.	Bank's additionality (conditionalities, mobilisation, unique attributes)					
24.	Bank's handling (management of the operation ex-ante or during project life)					
25.	Associated technical cooperation					
26.	Associated policy dialogue					
27.	Other factor: Define here ...					
28.	Other factor: Define here ...					

The new rating system requires the use of a project results framework. Consequently, all 2016 long-form OPAs require a results framework that identifies the expected outputs, outcomes and impacts for the project. Obviously, this is an ex-post reconstruction of a results framework since such was not a requirement for projects now being evaluated. For 2016, since this is new to operational staff, EvD evaluation managers are preparing a draft results framework for each long-form OPA. A consistency check is being provided by a consultant.

New performance rating method finalised and fully adopted

The new project performance rating system was described in AER2014. EvD has used it in its own evaluations in 2015. So far it has demonstrated that it does indeed provide for a more transparent means of deriving criteria and overall ratings. The structure of the rating system is shown in below.

It is likely there will be some discontinuity in performance ratings arising from the new system versus those reported on in the chapter on 'Evaluation Findings' of this report. Partly to overcome this there are four derived ratings in the new OPAV and Operation Evaluation templates (but not for OPAs). The derived ratings are for transition impact, additionality, environmental and social impact and sound banking. The first three map directly to criteria under the old rating system. The fourth is a performance criterion that has not been assessed before despite it being part of the Bank's mandate. The first three of the derived criteria will allow continuity of reporting on these dimensions. The derived ratings for additionality and sound banking are arrived at automatically from selected sub-criteria in the box below while the other two will require the exercise of some evaluator judgment (as was the case anyway under the old system. The overall performance rating will still be comparable on a binary basis since both the previous 4-category rating scheme and the new 6 category scheme can be divided into "above the line" and "below the line" groups. Aside from this we also expect there to be some discontinuity because of a more transparent and consistent derivation of criteria ratings across the board. AER16 will explore this issue once the reality is known.

Table 10 Structure of the new project performance rating system

Criteria	*Ratings*	*Weight*
Relevance	<Fully satisfactory>	
	Fully satisfactory (recommended)	
Strategic relevance	<Fully satisfactory>	<Medium>
Relevance of design	<Fully satisfactory>	<Medium>
Additionality – expected	<Fully satisfactory>	<Medium>
Additionality - demonstrated	<Fully satisfactory>	<Medium>
Results	<Fully satisfactory>	
	Fully satisfactory (recommended)	
Achievement of outputs	<Fully satisfactory>	<Medium>
Contribution to expected outcomes	<Fully satisfactory>	<Medium>
Contribution to expected impacts	<Fully satisfactory>	<Medium>
Performance against industry benchmarks	<Fully satisfactory>	<Medium>
Unanticipated results	<Fully satisfactory>	<Not incl>
Efficiency	<Fully satisfactory>	
	Fully satisfactory (recommended)	
Financial performance of project/client	<Fully satisfactory>	<Medium>
Implementation efficiency	<Fully satisfactory>	<Medium>
Bank investment profitability	<Fully satisfactory>	<Medium>
Bank handling	<Fully satisfactory>	<Medium>
Consultant performance	<Fully satisfactory>	<Medium>
Overall performance rating	<Good>	
	Good (recommended)	

The following rating scales apply:
Criteria and sub-criteria: *Excellent – Fully Satisfactory – Partly Unsatisfactory – Unsatisfactory*
Overall performance: *Outstanding – Good – Acceptable – Below Standard – Poor – Very Poor*
In determining synthesis ratings, weightings can be applied to sub-criteria and criteria as follows: *Low – Medium – High*

Introduction of qualitative data analysis software

Much of the data gathered and analysed by EvD in the course of its evaluation work is qualitative, such as views provided in interviews. Traditionally there has been no structured way to capture, analyse and report on this data, even though they can be an important part of the evaluator's toolkit and can provide some of the most useful insights. In addition combining qualitative and quantitative data can be challenging. Finally, with more evaluations now being conducted by teams of EvD staff there is a greater need for (and payoff from) collaboration tools.

Efforts underway since 2014 to improve EvD's analytical capacity in these areas were well advanced in 2015. After close review of options EvD acquired new software (MaxQDA Plus) that provides powerful new tools for both qualitative and quantitative data analysis. Intensive internal training was completed in March and the tool is now in use. It has proven particularly valuable in the Evaluation of EBRD's Experience with Resident Offices, which drew upon more than 600 survey respondents and over 500 interviews.

Workflow tracking tool

In 2015, EvD introduced a new tool to capture and track progress of the review and approval of OPA reports. This links to the existing validation workflow for those OPAs where an OPA Validation is anticipated. Several issues were identified in 2015 for improvement, and EvD worked with IT to address these in an updated version to be released early in 2016.

Workflow reports for EvD Managers were also improved in 2015. Work continues in 2016 to make further refinements and also to extend the tracking tool to special studies and Operation Evaluations. The objective is to encompass all EvD work products by the end of this year, resulting in EvD Managers and Management having access to a useful dashboard covering work in progress. Work has proceeded more slowly on this than hoped largely reflecting competing demands on IT for support. Tracking actions on agreed recommendations

The Evaluation Policy provides that Management "tracks actions on agreed recommendations and periodically reports to the Board on implementation." In 2015, EvD continued to track and report semi-annually to the Board on the extent to which Management implements those EvD recommendations with which it agrees, following new procedures established in 2014 as agreed by the Audit Committee. The latest version of this "Report on Management Follow-up on EvD Recommendations" was issued to the Board on 14 March.

The report cites important progress by Management on recommendations in EvD's 2013 study on Performance Metrics. A key area is introducing project level results frameworks that link to country strategy results frameworks. This can be seen in the new approach to results frameworks for projects which is currently being piloted within the Bank. Included is a clear hierarchy of results as outputs and outcomes, and a description of the theory of change upon which the project's impact is predicated.

Several key recommendations from the 2014 special study of the EBRD's Policy Dialogue in Ukraine have now been fully implemented. The Bank now has a clear statement and guidance on policy dialogue, the results focus of policy dialogue has been enhanced more broadly within the Bank, and it has made concrete improvements towards the way in which it engages with country counterparts. Another special study from 2014, the interim evaluation of the Shareholder Special Fund, directly contributed to major reforms of the Fund in 2015.

Further progress was made by EvD to improve the quality of recommendations issued in studies produced in 2015. Three major studies, the Sustainable Energy Financing Facility, Transactions with State Owned Firms and the EBRD's experience in the Russian Rail Sector, contained fewer, more actionable and specific recommendations than typically the case in previous years, with just 3 to 4 high level recommendations provided for each.

Management's action plans in relation to these new recommendations are yet to be evidenced, but it is hoped that the sharper focus of EvD reports will enable more tailored action plans that can be implemented within reasonable timescales. EvD is working with Management to encourage production of action plans in a timely manner, within 60 days after the report is submitted to the Board, to ensure that work begins without unnecessary delay. Overall, EvD found a greater level of agreement to EvD recommendations in 2015, and it is hoped that this can materialise into concrete actions and progress in key areas within the Bank.

To sharpen the focus of the status reports to the Audit Committee, EvD is now prioritising its recommendations to highlight critical areas for improvement. It is hoped that this will enable a productive discussion around key recommendations where there may be disagreement or resource constraints on the Management side.

In 2016, EvD is working with designated Management focal points to implement a new IT platform to track the progress more smoothly, with greater clarity on defined roles and responsibilities. This work began in 2015, and is connected to a wider effort within the Bank with respect to tracking of key matters emanating from Risk and Internal Audit, and will facilitate a more streamlined and cost effective approach.

EvD staffing and development

EvD staffing

Current EvD staff numbers (as of March 2016) are shown in the table below. Relative to past years key items are: the department is fully staffed; a relative increase in the middle ranks; a relative increase in the proportion of female staff; but absence of females in the senior most ranks; and, a significantly higher ratio of managers to support staff. Overall the trends are certainly positive relative to the recent past, though there is still progress to be made on several fronts.

Table 11 EvD staff gender breakdown

Job title	Positions available/ Number present	Gender breakdown
Chief Evaluator	1/1	1 male
Deputy Chief Evaluator	1/1	1 male
Associate Director/Senior Evaluation Manager	4/4	4 male
Principal Evaluation Manager	6/6	6 female
Evaluation Manager	2/2	1 female, 1 male
Evaluation Analyst	1/1	1 female
Communications Analyst	1/1	1 female
Administrative Officer	2/2	2 female
Total	18/18	11 females, 7 males

EvD staff development

EvD has made major new investments in staff training. In early 2015 all EvD staff participated in a customised one-week programme in evaluation methodologies and techniques, including EBRD-specific case studies. This has clearly contributed to greater internal consistency and good practice in the preparation of results frameworks and evaluation design matrices.

Also in 2015, EvD commissioned two customised courses for delivery to all EvD staff in January 2016, delivered by recognised global experts. One was a course on Qualitative Methods and the other focussed on Complex Evaluations. A number of EvD staff are taking language courses – two are taking Arabic, five are studying Russian and French and Romanian are taken by one member of staff each. This is addition to the diverse language skills already in the department will enhance the ability of EvD staff to extract meaning from the verbal communication exchanges that are such an important part of evaluation.

Facilitating use of evaluation findings

Library of reports

The Evaluation Library is 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 2015 it was accessed by 340 unique users (not including EvD or IT staff) including twenty new users. The number of times each user accessed it over the year increased significantly. These results are gratifying given that 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 by both EvD and Management to facilitate wider readership within the Bank.

Lessons Investigation Application

In 2015, the lessons investigation application was used around 500 times (double that for 2014) by 268 unique users (a 40 per cent increase on 2014). The figures do not include EvD or IT users. Most frequent users were Policy and Partnerships and the Financial Institutions teams. Many users were also in the resident offices.

The application is updated semi-annually with lessons extracted from OPAs (short and long-form), 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.

EvD's contribution to Learning and Development's Banking Academy course continues to emphasise the availability of the lessons investigation application. In 2015 a change to the Board templates regarding repeat transactions now requires staff to insert past experience from the previous projects, which should result in more consistent usage of lessons in this area. In another development, EvD is working with the Bank's Risk area to identify ways to improve application of lessons within the Bank's procedures and processes.

Training provided by EvD

In January 2015 (and again in January 2016), EvD provided practical training to all available banking team staff that have OPAs on their 2016 work programme. Again, attendance was either in person in London or via video conference or audio link. Portfolio Managers were very active in ensuring all concerned staff attended. The 2016 training was particularly important given the introduction of radically different OPA short and long-form templates. There was a separate session with portfolio managers that focused on their role in ensuring quality, timely and useful self-evaluations.

In 2015, EvD presented to a number of 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.

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 of the International Finance 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 (separate standards for each) and country programme evaluations.

When formed in 1995, most members' evaluation departments were not independent and ECG 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.

Major changes have been taking place in the evaluation departments of ECG member institutions – in particular, the growing importance of learning and consequent reduced emphasis on the evaluation of individual transactions; the increased proportion of sector, country, thematic and corporate evaluations in work programmes; the growing importance of self-evaluation and validation; and the need for a harmonised approach to the evaluation of public and private sector operations and a less prescriptive approach.

With substantial advocacy from EvD and others ECG has agreed to several steps to engage more directly in emerging areas and increase its value to its members. EvD has the rotating Chair of the group this year, which is an excellent opportunity to help drive this change. Specific areas of focus for ECG are:

- Develop guidance notes around methodological approaches to specific issues – these to be advisory in nature.
- Contribute to stronger self-evaluation systems within the respective institutions.
- Involve the staff of ECG members more effectively. Share thematic expertise among ECG membership.

Four task forces were identified to produce outputs in 2016, along with the lead ECG member.

- Recommendations and management action record systems Integrating gender into evaluation methodology
- Self-evaluation systems
- Sharing thematic expertise Evaluation Network of the OECD Development Assistance Committee

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 2015.

As a special initiative, in 2015 the Network launched an update of a previous study on evaluation systems to identify the range of evaluation systems currently in place, the changes that have taken place in the recent past, challenges and issues being faced by evaluation offices, and expected future directions. The full range of dimensions being considered is:

- Central versus decentralised (mainstreaming) models
- Balance and issues in “hybrid models”
- Independent units outside the agency or ministry: emerging lessons
- Means/strategies for ensuring independence in various set-ups
- Credibility of the evaluation function
- Evaluation governance within the agency: situation with regard to management, reporting lines, experience with advisory bodies
- Evaluation polices: what’s the situation of members? And what’s the experience of their usefulness?
- Strategic approaches: how and what to evaluate? Do members take a strategic approach – what are the experiences?
- Management response systems: what are the variations? Experiences and lessons? Other way to get management action?
- Formulation of recommendations: What works best for uptake? Pros and cons?
- Effective take-up more broadly
- Budget: how is it decided? The process and insights from different approaches
- Capacity constraints: are there ways to deal with them? Experiences of useful and not so productive arrangements
- Evaluation products: focus in terms of types: such as thematic, country, corporate and in terms of timing: ongoing, real-time, ex post
- Learning from evaluations: making it work at different levels – comparison of various approaches
- Learning culture: how do you assess the learning culture of the organisation?
- “Results frameworks” for evaluation departments, emerging experience and thinking
- Communication and dissemination: any new things we have learned since we last looked at this – (ref. earlier work on communications on website)
- Value for money: how are evaluation departments addressing this in their work and as part of evaluations?
- Evaluability/quality at entry: what can evaluation departments do to improve this? What steps should agency management take?
- Improving standards of evaluators: experience with training, accreditation schemes, incentive schemes tested?
- Knowledge management: role and lessons for evaluation. And what role for knowledge not generated within the institution?
- Links to results measurement and management processes and units in agencies
- Consultants – commissioners’ relations

Given the relevance of the exercise to EvD and evaluation in EBRD, EvD is supporting the assessment financially and is represented on the steering committee.

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Annex 1. Selection of investment projects for evaluation

Annex 1 describes how projects are selected for evaluation by the Evaluation department. It covers:

1. Identification of the population of ready projects
2. Selection of the sample of projects for evaluation
3. A note about projects selected in 2012
4. Information about the size and representation of the sample
5. A note about the standard error in the sample
6. A description of the sample

1. Identification of the population of projects ready for evaluation

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:

i) The project financed has been substantially completed

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

iii) 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
- very small investments made under large 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).[40]

2. Selection of the sample of projects for evaluation

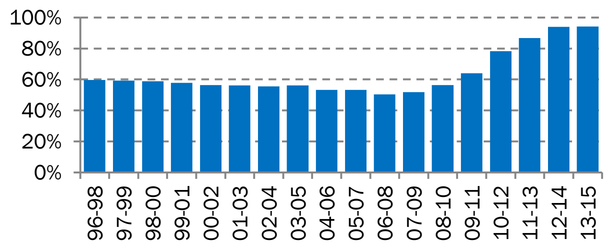
Once the population of projects ready for evaluation has been identified, EvD takes a random, representative sample of sufficient size to establish, for a combined three-year rolling sample, performance rates at the 95 per cent confidence level, with sampling error not exceeding ±5 percentage points,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

The chapter in this report on *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

Chart 17 Proportion of results derived from OPA validations, 1996-2015



a greater focus on self-evaluations validated by EvD.

3. Selection of the sample of projects for evaluation

In 2015, 67 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 review. In total, 50 operations from the 2015 work programme were added to the evaluation database in time for this report. All but three of these were evaluated through OPA validations.

4. 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 from 2013 to 2015.

5. 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 from 2013 to 2015, there was a combined population of 365 individual operations ready for evaluation, excluding the sub-operations of large frameworks. Of these, 169 were evaluated by EvD and included in the evaluation database for this report. Thus the overall coverage ratio was 46 per cent. At a confidence level of 95 per cent, the standard error of the sample was 5.5 per cent, outside the limit set by the ECG but continues the improvement seen in the previous three-year period as reported in *2014 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 this report. 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 2016, assuming that the work programme is completed in good time.

Not all projects are rated for every indicator. The table below shows the standard error for each indicator at the binary level.

Table 12 Summary performance and sample errors for projects evaluated 2013 to 2015

Indicator	Binary success rate	No. of rated operations	Population size	Standard error of the sample
Overall performance	51%	169	365	5.53
Transition impact	73%	169	365	5.53
Environmental and social performance	94%	162	365	5.75
Extent of environmental change	36%	96	365	8.6
Additionality	86%	169	365	5.53
Financial performance	64%	166	365	5.62
Achievement of operational objectives	86%	168	365	5.56
Bank handling	93%	169	365	5.53

6. Description of the sample

The sample of projects evaluated over the three-year period from 2013 to 2015 comprises 169 operations, of which 9 are covered by operation evaluations and 160 by OPA validations. They total €5.205 billion in business volume. The table below compares the sample with the Bank's active portfolio of projects as at the end of December 2015, with reference to instrument type, sovereign risk type, industry sector and geographic region. There are some differences between the sample and the portfolio. 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). This means that the inclusion of a number of particularly large or particularly small operations in a given sector or region one year can have a major impact on the figures in the table below. Unfortunately, it is not straightforward to do the comparison in terms of numbers of operations because of the way the data are stored in the Bank's databases. A comparison with the corresponding table in the *2014 Annual Evaluation Review* will show the wide fluctuations in some figures over the course of one year due to the inclusion or exclusion of a small number of unusual projects. EvD will monitor the figures but expects them to continue to fluctuate and does not regard it as 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:

- 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.

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 AER takes a conservative approach and only reports an emerging positive trend when it has been visible over a few successive years.

Table 13 Comparison of the evaluation database with the Bank's portfolio

	Evaluation database 2013-15		*EBRD portfolio Dec-2015*	
	MEUR	%	MEUR	%
	5,205		41,574	100%
Instrument type				
Debt/guarantee	3,932	76%	33,704	80%
Equity	1,272	24%	7,870	20%
	5,205	100%	41,574	100%
Sovereign risk				
Non-sovereign	4,151	80%	32,894	79%
Sovereign	602	20%	8,680	21%
	5,205	100%	41,574	100%
Sector				
Energy	961	18%	9,758	23%
Financial Institutions	1,515	29%	9,613	23%
Industry, Commerce and Agribusiness	1,982	38%	11,219	27%
Infrastructure	961	29%	10,984	26%
	5,205	100%	41,574	100%
Region				
Central Asia	456	9%	3,920	9%
Central Europe	706	14%	6,059	15%
Cyprus & Greece	0	0%	460	1%
Eastern Europe	800	15%	8,462	20%
Russia	890	17%	5,600	13%
South-eastern Europe	1,263	24%	8,102	19%
Southern & Eastern Med.	0	0%	3,000	7%
Turkey	435	8%	5,969	14%
	5,205	**100%**	**41,574**	**100%**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Annex 2. Evaluated project performance statistics

Annex 2 presents the statistics behind the evaluated performance of projects. The results of each criteria are presented by the year in which projects were originally approved. These include:

1. Overall performance
2. Transition impact
3. Financial performance
4. Environmental and social performance
5. Extent of environmental and social change
6. Additionality
7. Achievement of operational objectives
8. Bank handling

1. Overall performance

Chart 18 Overall rating performance by year of approval

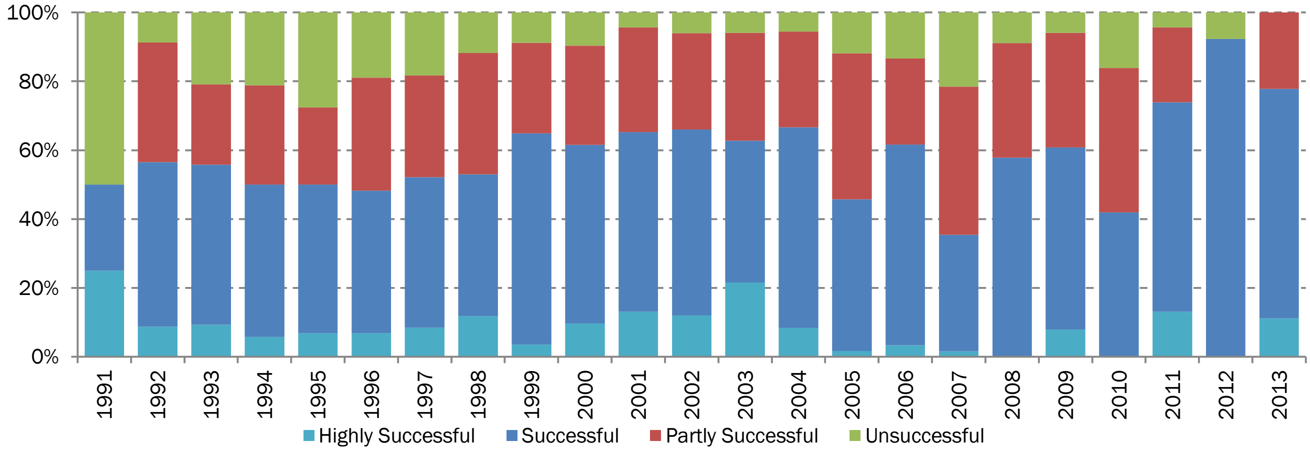

Table 14 Overall performance by year of approval

	Highly successful		Successful		Partly Successful		Unsuccessful		No of reports
	No	%	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%	76	53%	42	29%	14	10%	143
99-01	13	8%	86	55%	44	28%	12	8%	155
00-02	17	11%	78	53%	43	29%	10	7%	148
01-03	23	16%	72	49%	44	30%	8	5%	147
02-04	20	15%	69	50%	40	29%	8	6%	137
03-05	15	10%	68	47%	51	35%	12	8%	146
04-06	6	4%	82	53%	50	32%	17	11%	155
05-07	4	2%	83	45%	68	37%	29	16%	184
06-08	3	2%	83	49%	58	34%	26	15%	170
07-09	5	3%	75	47%	60	37%	21	13%	161
08-10	4	3%	66	52%	45	35%	12	9%	127
09-11	7	7%	54	51%	35	33%	9	9%	105
10-12	3	4%	39	58%	18	27%	7	10%	67
11-13	4	9%	32	71%	7	16%	2	4%	45

Table 15 Overall performance by sector: projects approved 2008-13

	Highly successful		Successful		Partly Successful		Unsuccessful		No of reports
	No.	%	No.	%	No.	%	No.	%	
Energy	3	10%	15	50%	6	20%	6	20%	30
Financial institutions	2	4%	36	75%	9	19%	1	2%	48
Industry, Commerce & Agribusiness	3	4%	35	51%	24	35%	7	10%	69
Infrastructure	0	0%	12	48%	13	52%	0	0%	25
All sectors	8	5%	98	57%	52	30%	14	8%	172

Table 16 Overall performance by region: projects approved 2008-13

	Highly successful		Successful		Partly Successful		Unsuccessful		No of reports
	No.	%	No.	%	No.	%	No.	%	
Central Asia	2	9%	13	57%	6	26%	2	9%	23
Central Europe and the Baltics	1	4%	12	50%	9	38%	2	8%	24
Eastern Europe & Caucasus	0	0%	25	74%	7	21%	2	6%	34
Russia	2	4%	24	48%	16	32%	8	16%	50
South-eastern Europe	1	4%	16	62%	9	35%	0	0%	26
Turkey	1	11%	6	67%	2	22%	0	0%	9
Regional	1	17%	2	33%	3	50%	0	0%	6
All regions	8	5%	98	57%	52	30%	14	8%	172

2. Transition impact

Chart 19 Transition impact by year of approval

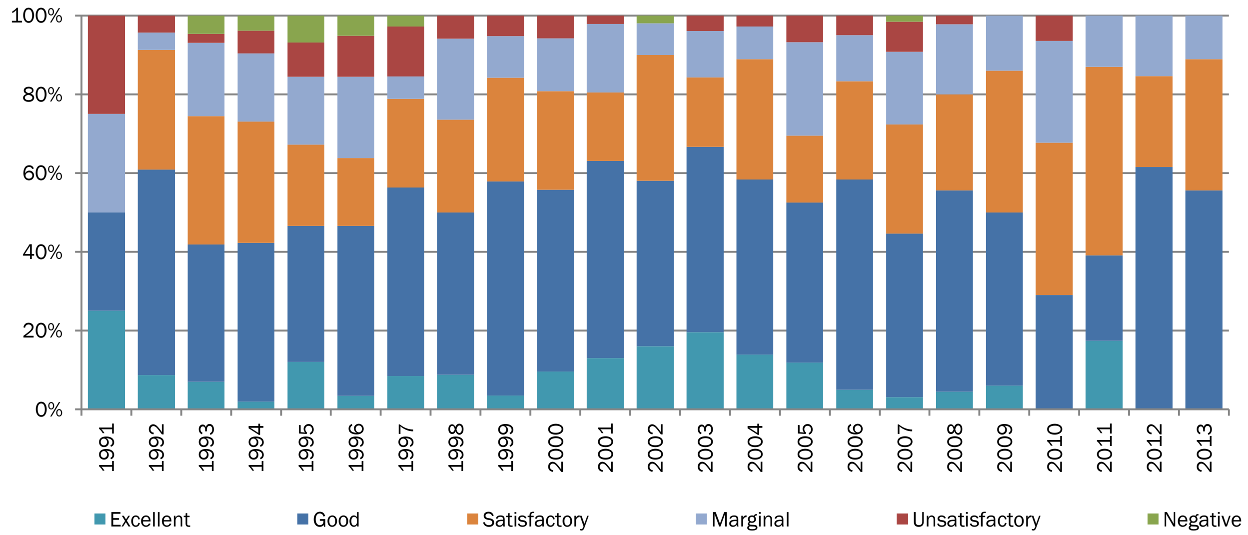

Table 17 Transition impact by year of approval

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Negative		No. of
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	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%	69	48%	36	25%	20	14%	8	6%	0	0%	143
99-01	13	8%	78	50%	36	23%	21	14%	7	5%	0	0%	155
00-02	19	13%	68	46%	37	25%	19	13%	4	3%	1	1%	148
01-03	24	16%	68	46%	33	22%	18	12%	3	2%	1	1%	147
02-04	23	17%	61	45%	36	26%	13	9%	3	2%	1	1%	137
03-05	22	15%	64	44%	30	21%	23	16%	7	5%	0	0%	146
04-06	15	10%	72	46%	36	23%	24	15%	8	5%	0	0%	155
05-07	12	7%	83	45%	43	23%	33	18%	12	7%	1	1%	184
06-08	7	4%	82	48%	44	26%	27	16%	9	5%	1	1%	170
07-09	7	4%	72	45%	47	29%	27	17%	6	4%	1	1%	160
08-10	5	4%	54	43%	41	33%	23	18%	3	2%	0	0%	126
09-11	7	7%	36	35%	41	39%	18	17%	2	2%	0	0%	104
10-12	4	6%	22	33%	26	39%	13	19%	2	3%	0	0%	67
11-13	4	9%	18	40%	17	38%	6	13%	0	0%	0	0%	45

Table 18 Transition impact by sector: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Negative		No. of
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	reports
Energy	4	14%	5	17%	12	41%	7	24%	1	3%	0	0%	29
Financial institutions	4	8%	29	60%	11	23%	4	8%	0	0%	0	0%	48
Industry, Commerce & Agribusiness	1	1%	28	41%	26	38%	13	19%	1	1%	0	0%	69
Infrastructure	0	0%	10	40%	9	36%	5	20%	1	4%	0	0%	25
All sectors	9	5%	72	42%	58	34%	29	17%	3	2%	0	0%	171

Table 19 Transition impact by region: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Negative		No. of
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	reports
Central Asia	2	9%	7	30%	8	35%	6	26%	0	0%	0	0%	23
Central Europe & the Baltics	1	4%	11	46%	9	38%	3	13%	0	0%	0	0%	24
Eastern Europe & Caucasus	0	0%	15	44%	14	41%	4	12%	1	3%	0	0%	34
Russia	2	4%	20	40%	17	34%	10	20%	1	2%	0	0%	50
South-eastern Europe	1	4%	12	48%	7	28%	4	16%	1	4%	0	0%	25
Turkey	3	33%	4	44%	2	22%	0	0%	0	0%	1	0%	9
Regional	0	0%	3	50%	1	17%	2	33%	0	0%	2	0%	6
All regions	9	5%	72	42%	58	34%	29	17%	3	2%	3	0%	171

3. Financial performance

Chart 20 Financial performance by year of approval

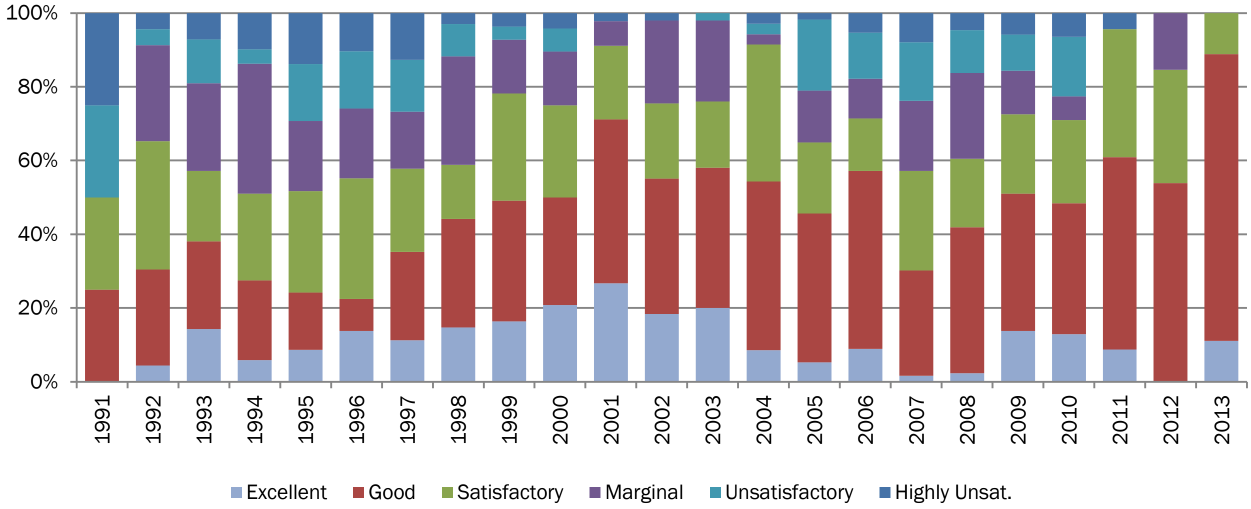

Table 20 Financial performance by year of approval

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
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	18%	42	31%	33	24%	25	18%	8	6%	5	4%	137
99-01	31	21%	52	35%	37	25%	18	12%	5	3%	5	3%	148
00-02	31	22%	52	37%	31	22%	21	15%	3	2%	4	3%	142
01-03	31	22%	57	40%	28	19%	25	17%	1	1%	2	1%	144
02-04	22	16%	53	40%	32	24%	23	17%	2	1%	2	1%	134
03-05	16	11%	58	41%	33	23%	20	14%	13	9%	2	1%	142
04-06	11	7%	66	45%	32	22%	15	10%	19	13%	5	3%	148
05-07	9	5%	68	39%	36	20%	26	15%	28	16%	9	5%	176
06-08	7	4%	62	38%	33	20%	28	17%	22	14%	10	6%	162
07-09	9	6%	54	34%	36	23%	28	18%	20	13%	10	6%	157
08-10	12	10%	47	38%	26	21%	18	14%	15	12%	7	6%	125
09-11	13	12%	42	40%	26	25%	8	8%	10	10%	6	6%	105
10-12	6	9%	30	45%	19	28%	4	6%	5	7%	3	4%	67
11-13	3	7%	26	58%	13	29%	2	4%	0	0%	1	2%	45

Table 21 Financial performance by sector: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Energy	5	17%	11	37%	5	17%	2	7%	4	13%	3	10%	30
Financial institutions	0	0%	30	64%	9	19%	5	11%	2	4%	1	2%	47
Industry, Commerce & Agribusiness	10	14%	23	33%	18	26%	9	13%	6	9%	3	4%	69
Infrastructure	0	0%	9	38%	7	29%	4	17%	3	13%	1	4%	24
All sectors	15	9%	73	43%	39	23%	20	12%	15	9%	8	5%	170

Table 22 Financial performance by region: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of reports
	No	%	No	%	No	%	No	%	No	%	No	%	
Central Asia	2	9%	10	45%	4	18%	5	23%	1	5%	0	0%	22
Central Europe & the Baltics	0	0%	12	50%	5	21%	2	8%	2	8%	3	13%	24
Eastern Europe & Caucasus	5	15%	11	33%	8	24%	7	21%	1	3%	1	3%	33
Russia	4	8%	18	36%	12	24%	5	10%	8	16%	3	6%	50
South-eastern Europe	1	4%	15	58%	5	19%	1	4%	3	12%	1	4%	26
Turkey	1	11%	6	67%	2	22%	0	0%	0	0%	0	0%	9
Regional	2	33%	1	17%	3	50%	0	0%	0	0%	0	0%	6
All regions	15	9%	73	43%	39	23%	20	12%	15	9%	8	5%	170

4. Environmental and social performance

Chart 21 Environmentall performance by year of approval

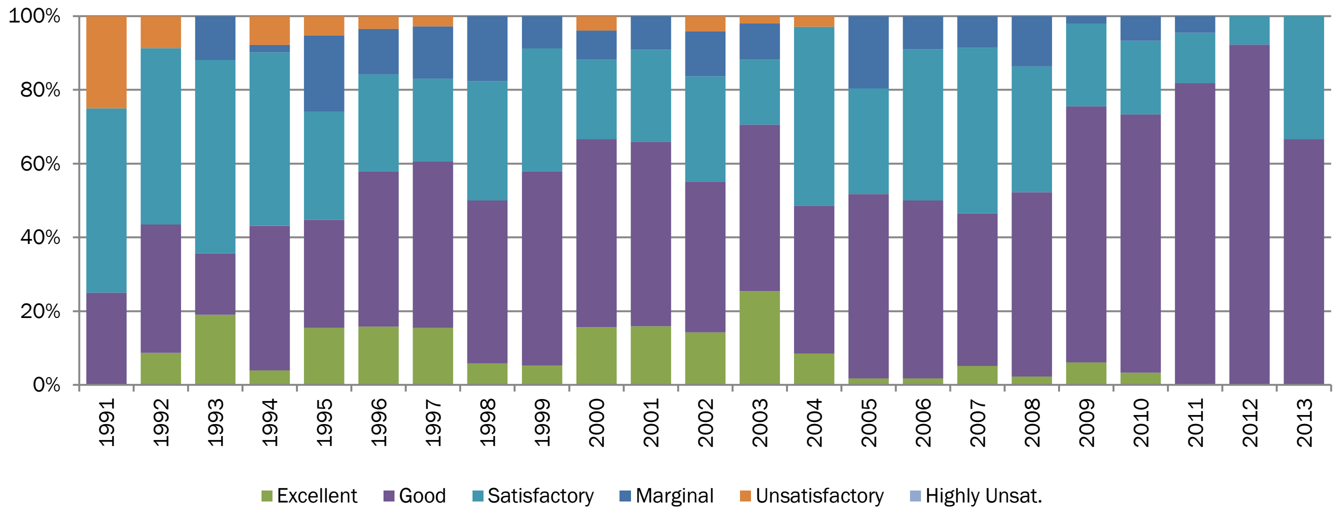

Table 23 Environmental and social performance by year of approval

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	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%	71	50%	41	29%	15	11%	2	1%	0	0%	142
99-01	18	12%	78	51%	41	27%	13	9%	2	1%	0	0%	152
00-02	22	15%	68	47%	36	25%	14	10%	4	3%	0	0%	144
01-03	27	19%	65	45%	34	24%	15	10%	3	2%	0	0%	144
02-04	23	17%	57	42%	40	30%	11	8%	4	3%	0	0%	135
03-05	17	12%	65	46%	42	30%	16	11%	2	1%	0	0%	142
04-06	5	3%	69	47%	56	38%	16	11%	1	1%	0	0%	147
05-07	5	3%	79	46%	65	38%	21	12%	0	0%	0	0%	170
06-08	5	3%	73	46%	64	41%	16	10%	0	0%	0	0%	158
07-09	7	5%	80	53%	52	34%	12	8%	0	0%	0	0%	151
08-10	5	4%	77	63%	32	26%	9	7%	0	0%	0	0%	123
09-11	4	4%	73	72%	20	20%	4	4%	0	0%	0	0%	101
10-12	1	2%	51	78%	10	15%	3	5%	0	0%	1	100%	65
11-13	0	0%	36	82%	7	16%	1	2%	0	0%	2	200%	44

Table 24 Environmental and social performance by sector: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	reports
Energy	2	7%	19	63%	6	20%	3	10%	0	0%	0	0%	30
Financial institutions	0	0%	33	73%	11	24%	1	2%	0	0%	0	0%	45
Industry, Commerce & Agribusiness	2	3%	46	68%	16	24%	4	6%	0	0%	0	0%	68
Infrastructure	1	4%	15	63%	6	25%	2	8%	0	0%	0	0%	24
All sectors	5	3%	113	68%	39	23%	10	6%	0	0%	0	0%	167

Table 25 Environmental and social performance by region: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of
	No	%	No	%	No	%	No	%	No	%	No	%	reports
Central Asia	0	0%	14	61%	7	30%	2	9%	0	0%	0	0%	23
Central Europe & the Baltics	0	0%	20	83%	3	13%	1	4%	0	0%	0	0%	24
Eastern Europe & Caucasus	2	6%	19	58%	11	33%	1	3%	0	0%	0	0%	33
Russia	1	2%	33	67%	10	20%	5	10%	0	0%	0	0%	49
South-eastern Europe	1	4%	18	75%	4	17%	1	4%	0	0%	0	0%	24
Turkey	1	11%	6	67%	2	22%	0	0%	0	0%	0	0%	9
Regional	0	0%	3	60%	2	40%	0	0%	0	0%	0	0%	5
All regions	5	3%	113	68%	39	23%	10	6%	0	0%	0	0%	167

5. Extent of environmental change

Chart 22 Extent of environmental change by year of approval

Table 26 Extent of environmental change by year of approval

	Outstanding		Substantial		Some		None/Negative		No. of reports
	No.	%	No.	%	No.	%	No.	%	
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%	44	45%	17	18%	97
01-03	6	6%	29	30%	47	48%	16	16%	98
02-04	5	6%	30	34%	40	45%	14	16%	89
03-05	5	5%	36	38%	41	44%	12	13%	94
04-06	2	2%	39	45%	39	45%	7	8%	87
05-07	1	1%	34	37%	49	53%	9	10%	93
06-08	1	1%	33	38%	44	51%	8	9%	86
07-09	2	2%	29	35%	42	51%	9	11%	82
08-10	3	4%	28	40%	32	46%	7	10%	70
09-11	2	4%	17	31%	29	53%	7	13%	55
10-12	1	3%	9	27%	19	58%	4	12%	33

Table 27 Extent of environmental change by sector: projects approved 2008-13

	Outstanding		Substantial		Some		None/Negative		No. of reports
	No.	%	No.	%	No.	%	No.	%	
Energy	0	0%	11	46%	11	46%	2	8%	24
Financial institutions	0	0%	3	10%	25	83%	2	7%	30
Industry, Commerce & Agribusiness	2	4%	10	22%	29	63%	5	11%	46
Infrastructure	1	6%	11	65%	4	24%	1	6%	17
All sectors	3	3%	35	30%	69	59%	10	9%	117

Table 28 Extent of environmental change by region: projects approved 2008-13

	Outstanding		Substantial		Some		None/Negative		No. of reports
	No.	%	No.	%	No.	%	No.	%	
Central Asia	0	0%	7	37%	10	53%	2	11%	19
Central Europe & the Baltics	0	0%	3	23%	8	62%	2	15%	13
Eastern Europe & Caucasus	2	8%	6	25%	15	63%	1	4%	24
Russia	1	3%	13	33%	22	55%	4	10%	40
South-eastern Europe	0	0%	4	29%	9	64%	1	7%	14
Turkey	0	0%	2	50%	2	50%	0	0%	4
Regional	0	0%	0	0%	3	100%	0	0%	3
All regions	3	3%	35	30%	69	59%	10	9%	117

6. Additionality

Chart 23 Additionality by year of approval

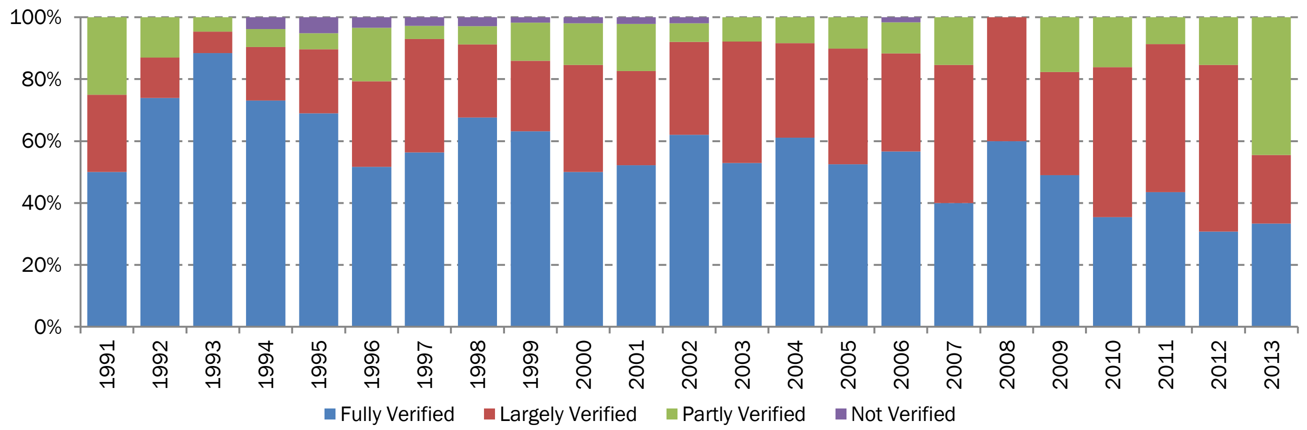

Table 29 Additionality by year of Board approval

	Fully Verified		Largely Verified		Partly Verified		Not Verified		No. of reports
	No.	%	No.	%	No.	%	No.	%	
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%	39	27%	16	11%	3	2%	143
99-01	86	55%	45	29%	21	14%	3	2%	155
00-02	81	55%	47	32%	17	11%	3	2%	148
01-03	82	56%	49	33%	14	10%	2	1%	147
02-04	80	58%	46	34%	10	7%	1	1%	137
03-05	80	55%	53	36%	13	9%	0	0%	146
04-06	87	56%	52	34%	15	10%	1	1%	155
05-07	91	49%	70	38%	22	12%	1	1%	184
06-08	87	51%	66	39%	16	9%	1	1%	170
07-09	78	48%	64	40%	19	12%	0	0%	161
08-10	63	50%	50	39%	14	11%	0	0%	127
09-11	46	44%	43	41%	16	15%	0	0%	105
10-12	25	37%	33	49%	9	13%	0	0%	67
11-13	17	38%	20	44%	8	18%	0	0%	45

Table 30 Additionality by sector: projects approved 2008-13

	Fully Verified		Largely Verified		Partly Verified		Not Verified		No. of reports
	No.	%	No.	%	No.	%	No.	%	
Energy	14	47%	11	37%	5	17%	0	0%	30
Financial institutions	26	54%	18	38%	4	8%	0	0%	48
Industry, Commerce & Agribusiness	26	38%	31	45%	12	17%	0	0%	69
Infrastructure	14	56%	10	40%	1	4%	0	0%	25
Grand Total	80	47%	70	41%	22	13%	0	0%	172

Table 31 Additionality by region: projects approved 2008-13

	Fully Verified		Largely Verified		Partly Verified		Not Verified		No. of reports
	No.	%	No.	%	No.	%	No.	%	
Central Asia	13	57%	8	35%	2	9%	0	0%	23
Central Europe & the Baltics	12	50%	8	33%	4	17%	0	0%	24
Eastern Europe & Caucasus	22	65%	9	26%	3	9%	0	0%	34
Russia	18	36%	27	54%	5	10%	0	0%	50
South-eastern Europe	11	42%	13	50%	2	8%	0	0%	26
Turkey	4	44%	3	33%	2	22%	0	0%	9
Regional	0	0%	2	33%	4	67%	0	0%	6
Grand Total	80	47%	70	41%	22	13%	0	0%	172

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7. Achievement of operational objectives

Chart 24 Achievement of operational objectives by year of approval

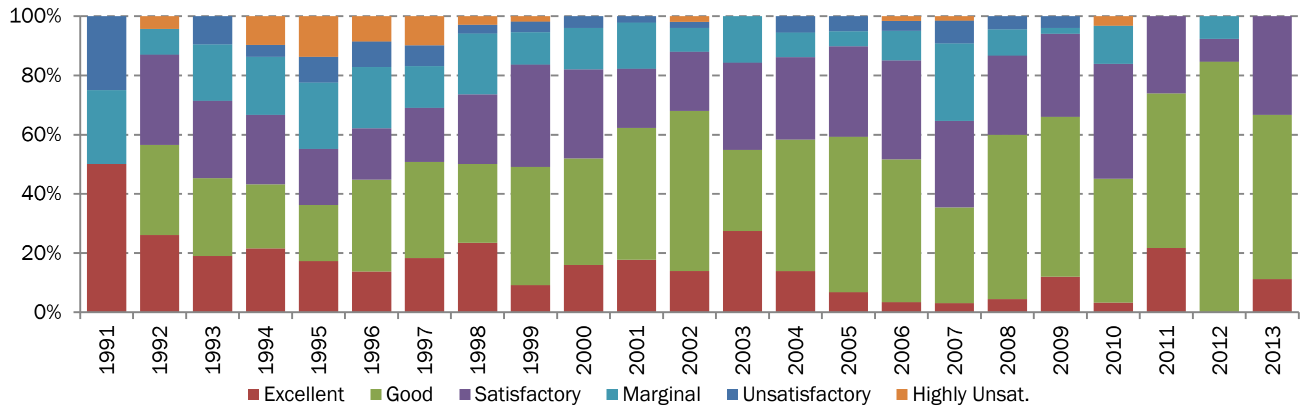

Table 32 Achievement of operational objectives by year of approval

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	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%	49	35%	42	30%	20	14%	5	4%	2	1%	139
99-01	21	14%	60	40%	43	29%	20	13%	5	3%	1	1%	150
00-02	23	16%	65	45%	34	23%	18	12%	4	3%	1	1%	145
01-03	29	20%	61	42%	34	23%	19	13%	2	1%	1	1%	146
02-04	26	19%	57	42%	35	26%	15	11%	3	2%	1	1%	137
03-05	23	16%	61	42%	43	29%	14	10%	5	3%	0	0%	146
04-06	11	7%	76	49%	48	31%	12	8%	7	5%	1	1%	155
05-07	8	4%	81	44%	57	31%	26	14%	10	5%	2	1%	184
06-08	6	4%	75	44%	51	30%	27	16%	9	5%	2	1%	170
07-09	10	6%	73	46%	45	28%	22	14%	9	6%	1	1%	160
08-10	9	7%	65	52%	38	30%	9	7%	4	3%	1	1%	126
09-11	12	12%	52	50%	32	31%	5	5%	2	2%	1	1%	104
10-12	6	9%	36	54%	19	28%	5	7%	0	0%	1	1%	67
11-13	6	13%	28	62%	10	22%	1	2%	0	0%	0	0%	45

Table 33 Achievement of operational objectives by sector: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	reports
Energy	4	13%	11	37%	9	30%	1	3%	4	13%	1	3%	30
Financial institutions	5	11%	31	66%	9	19%	2	4%	0	0%	0	0%	47
Industry, Commerce & Agribusiness	4	6%	36	52%	22	32%	7	10%	0	0%	0	0%	69
Infrastructure	2	8%	15	60%	8	32%	0	0%	0	0%	0	0%	25
Grand Total	15	9%	93	54%	48	28%	10	6%	4	2%	1	1%	171

Table 34 Achievement of operational objectives by region: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of
	No	%	No	%	No	%	No	%	No	%	No	%	reports

Central Asia	1	4%	14	61%	6	26%	2	9%	0	0%	0	0%	23
Central Europe & the Baltics	2	9%	11	48%	8	35%	0	0%	1	4%	1	4%	23
Eastern Europe & Caucasus	1	3%	22	65%	9	26%	2	6%	0	0%	0	0%	34
Russia	4	8%	23	46%	16	32%	4	8%	3	6%	0	0%	50
South-eastern Europe	4	15%	16	62%	5	19%	1	4%	0	0%	0	0%	26
Turkey	2	22%	5	56%	2	22%	0	0%	0	0%	0	0%	9
Regional	1	17%	2	33%	2	33%	1	17%	0	0%	0	0%	6
Grand Total	15	9%	93	54%	48	28%	10	6%	4	2%	1	1%	171

8. Bank handling

Chart 25 Bank handling by year of approval

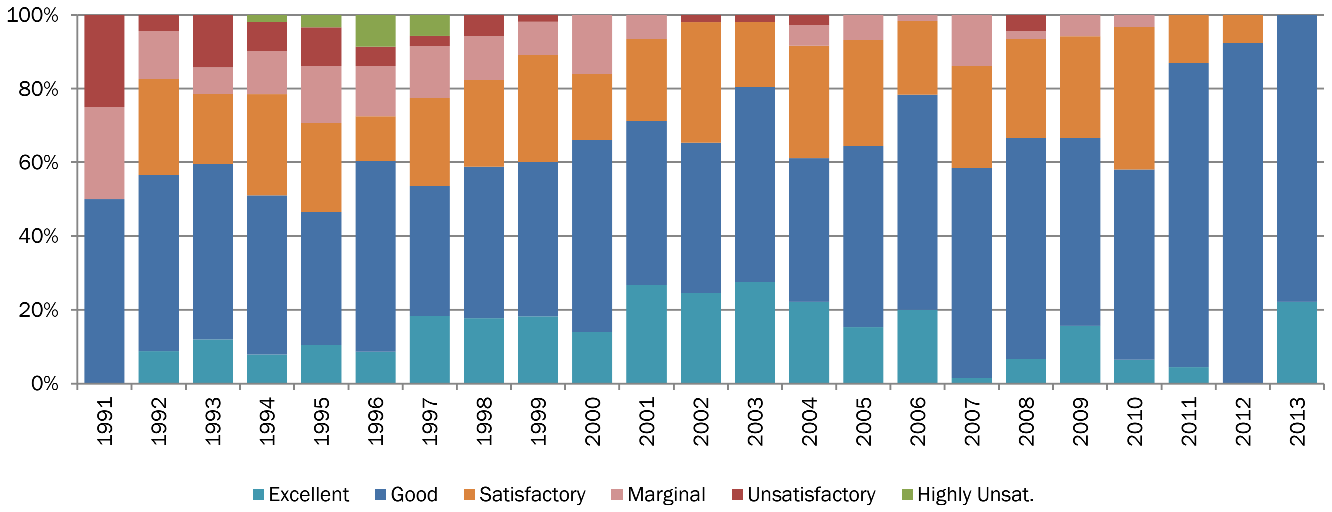

Table 35 Bank handling by year of approval

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
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	17%	63	45%	33	24%	17	12%	3	2%	0	0%	139
99-01	29	19%	69	46%	35	23%	16	11%	1	1%	0	0%	150
00-02	31	22%	66	46%	35	24%	11	8%	1	1%	0	0%	144
01-03	38	26%	67	46%	35	24%	3	2%	2	1%	0	0%	145
02-04	34	25%	61	45%	36	26%	2	1%	3	2%	0	0%	136
03-05	31	21%	70	48%	37	25%	6	4%	2	1%	0	0%	146
04-06	29	19%	78	50%	40	26%	7	5%	1	1%	0	0%	155
05-07	22	12%	101	55%	47	26%	14	8%	0	0%	0	0%	184
06-08	16	9%	99	58%	42	25%	11	6%	2	1%	0	0%	170
07-09	12	7%	90	56%	44	27%	13	8%	2	1%	0	0%	161
08-10	13	10%	69	54%	38	30%	5	4%	2	2%	0	0%	127
09-11	11	10%	61	58%	29	28%	4	4%	0	0%	0	0%	105
10-12	3	4%	47	70%	16	24%	1	1%	0	0%	0	0%	67
11-13	3	7%	38	84%	4	9%	0	0%	0	0%	0	0%	45

Table 36 Bank handling by sector: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
Energy	2	7%	20	67%	4	13%	3	10%	1	3%	0	0%	30
Financial institutions	4	8%	36	75%	8	17%	0	0%	0	0%	0	0%	48
Industry, Commerce & Agribusiness	9	13%	38	55%	19	28%	2	3%	1	1%	0	0%	69
Infrastructure	1	4%	13	52%	11	44%	0	0%	0	0%	0	0%	25
All sectors	16	9%	107	62%	42	24%	5	3%	2	1%	0	0%	172

Table 37 Bank handling by region: projects approved 2008-13

	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly Unsat.		No. of reports
	No	%	No	%	No	%	No	%	No	%	No	%	
Central Asia	3	13%	14	61%	6	26%	0	0%	0	0%	0	0%	23
Central Europe & the Baltics	3	13%	13	54%	6	25%	2	8%	0	0%	0	0%	24
Eastern Europe & Caucasus	4	12%	21	62%	8	24%	0	0%	1	3%	0	0%	34
Russia	3	6%	30	60%	14	28%	2	4%	1	2%	0	0%	50
South-eastern Europe	1	4%	19	73%	5	19%	1	4%	0	0%	0	0%	26
Turkey	2	22%	6	67%	1	11%	0	0%	0	0%	1	0%	9
Regional	0	0%	4	67%	2	33%	0	0%	0	0%	2	0%	6
All regions	16	9%	107	62%	42	24%	5	3%	2	1%	3	0%	172

Annex 3. Work programme completion report for 2015

Approval of the work programme

The Evaluation Department's work programme for 2015 was set out in Board document, BDS15-316, considered by the Audit Committee on 26th October 2015 and 7th December 2015, and circulated to the Board for approval on a no-objection basis on 15th December 2015.

Evaluations and special studies

The work programme comprised 21 special studies, operation evaluations and corporate reports, plus 108 shorter reports: 54 OPA validations and 54 OPA reviews. In addition, work remained to be done on several reports carried over from previous years. The table below summarises the status of reports at end January 2016.

Table 38 Status of evaluation reports, January 2016

Type of report	Carried over from 2014	2015 WP	Changes during 2015	Reports completed	Reports pending
Special studies	9 pending +1 under review	12	-1 downgraded to OPAV, -1 amended to Tools and methods	11	7 pending +2 under review
Operation evaluations	11 pending	5	- 4 downgraded to OPAV + 2 added	5	7 pending + 2 under review
Corporate reports	0	4	No change	3	1 pending
Total	20 pending +1 under review	21	+ 2 - 6	19	15 Pending +4 under review
OPA validations	21 pending +7 under review	54	+ 5 downgraded from SS/Operation Evaluation - 3 cancelled	59	14 pending + 11 under review
OPA reviews	2	54	No change	56	0

The tables below summarise the status of corporate reports, special studies and operation evaluations. As mentioned below, 2015 saw the introduction of a rolling work programme, with two of the new Operation Evaluations planned for completion in 2016 (Erste and Enforta). Nonetheless, by end-January 2016, EvD had completed 64per cent of all reports in the WP (including validations). This was despite one long term staff secondment and two vacancies which were only filled in late 2015.

Table 39 Status of corporate reports planned for 2015

Report name	Report type	Status	Notes
Annual Evaluation Review 2014	Corporate	Complete	
Work programme and budget 2016-17	Corporate	Complete	Covering the work programme 2016-17 and the budget 2016
Follow-up of recommendations 2015 - H1	Corporate	Complete	
Follow-up of recommendations 2015 – H2	Corporate	Pending	

Table 40 Status of special studies planned for 2015

Report name	Report type	Status	Notes
Agribusiness Sector Review	Special study	Complete	
Transactions with State-Owned or Dominated Firms	Special study	Complete	
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	Complete	
OPAV synopsis H1 2015	Special study (additional)	Complete	
OPAV synopsis H2 2015	Special study (additional)	Pending	
Bulgaria Waste Water	Special study (additional)	Cancelled	This was converted to an OPAV, concentrating on Stara Zagora
Russian Rail Sector	Special study (carried over from 2013)	Complete	
EBRDs experience with ROs	Special study (carried over from 2014)	Pending	The Evaluation team have completed extensive interviews with EBRD staff from HO & ROs and are in the process of drafting the report

Report name	Report type	Status	Notes
Insights: results of private sector operations in the SEMED	Special study (carried over from 2013)	Complete	
Insights: impact of micro, small and medium-sized enterprises support operations on intended beneficiaries	Special study (carried over from 2013)	Pending	This study is still relevant but may not be completed before 2017
Insights: experience with public-private partnerships in selected sectors	Special study (carried over from 2013)	Pending	This study is still relevant but may not be completed before 2017
Investment Climate Support	Special Study	Pending	
Small Business Support (SBS) Evaluation	Special Study	Pending	The Approach Paper has been finalised and the evaluation team have completed interviews with EBRD staff and clients.
Project Level Incentives/Studies	Special Study	Pending	The approach paper has been finalised
Framework Projects	Special Study	Cancelled	This has been re-categorised as 'Tools and methods'.
Survey of gender-focused elements in private sector oriented operations at other institutions	Special Study	Complete	
OPAV Package – Supply Chain & Backward Linkages	Special Study	Complete	OPAV packages are a new EvD product, introduced in 2015, which present insights into a number of OPAVs with a common theme.
OPAV Package – Repeat Transactions	Special Study	Complete	OPAV packages are a new EvD product, introduced in 2015, which present insights into a number of OPAVs with a common theme.
OPAV Package – Renewable Energy	Special Study	Complete	OPAV packages are a new EvD product, introduced in 2015, which present insights into a number of OPAVs with a common theme.

Table 41 Status of operation evaluations planned for 2015

Report name	Report type	Status	Notes
Russia Partners	Operation Evaluation (carried over)	Cancelled as an Operation Evaluation	Downgraded to an OPAV.
Mid-sized Sustainable Energy Framework	Operation Evaluation (carried over)	Complete	
Project Paws	Operation Evaluation (carried over)	Pending	AP finalised
Neva Discharge	Operation Evaluation (carried over)	Complete	
Galnaftogaz	Operation Evaluation (carried over)	Pending	
Odessa High Voltage Grid Upgrade	Operation Evaluation (carried over)	Complete	
GlobalPorts	Operation Evaluation (carried over)	Cancelled as an Operation Evaluation	Downgraded to an OPAV.
Chelyabinsk	Operation Evaluation (carried over)	Complete	
Geo Steel	Operation Evaluation (carried over)	Pending	Under review, Management comments received
EU/EBRD Small Municipalities Finance Facility	Operation Evaluation (carried over)	Complete	
Monetka I & II	Operation Evaluation (carried over)	Cancelled as an Operation Evaluation	Downgraded to an OPAV.
Greek bank relationships	Operation Evaluation	Pending	AP finalised, site visit complete.
Almaty Public Transport IA	Operation Evaluation	Pending	AP finalised, site visit complete.
Auto supply chain	Operation Evaluation	Cancelled as an Operation Evaluation	Originally covered two projects (PCMA & Faurecia), downgraded to an OPAV covering one project (Faurecia)
Wind farms	Operation Evaluation	Under review	Management comments awaited
Agribusiness Sustainable Investment Facility	Operation Evaluation	Pending	
Erste	Operation Evaluation	Pending	Part of 2015 programme but completion scheduled for 2016 as part of rolling programme.
Enforta	Operation Evaluation	Pending	Part of 2015 programme but completion scheduled for 2016 as part of rolling programme.

Other deliverables

In addition to the reports listed above, EvD undertook to deliver other products and activities in 2015. In summary, the more tangible elements comprised:

- Development of a new OPA template;
- Delivery of self-evaluation training to Banking staff;
- Developing a new method for capturing the results from frameworks;
- Continuing development of workflow management system, including progress reporting which provides management with information on the status of the EvD work programme;
- 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;
- Participation in meetings of the Evaluation Cooperation Group and the OECD/DAC.

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Annex 4. Management Comments

Summary

Management welcomes findings of the aggregate performance analysis showing a continued positive trend with improvements across many components of EvD performance assessment of investment projects, including the overall performance, achievement of objectives, financial performance and bank handling, as well as quality of self-evaluation.

Management wishes to highlight the context of crisis/post-crisis period when the projects analysed in Annual Evaluation Review (AER) were approved. During that time, the Bank's main priority was to prevent "transition reversals". Supporting progress with transition, at "wider sector/country level", was often not practically feasible to target in projects approved during and immediately post-crisis. Also, success at "outcome/impact" level is more difficult to demonstrate in a retrenchment post-crisis period than in other growth periods. It is therefore not surprising that the report has identified an increasing gap between self-evaluation and EvD validation in the crisis/post-crisis period, implying a lower share of projects rated Good or Excellent (and with "fully verified" additionality). This arises from the requirement of EvD's assessment methodology to provide evidence of success for wider sector/country level results ("outcome/impact").

Going forward, Management has prioritised two areas related to enhancement of results management: Firstly, Management has started a review of Country Strategies (CSs) and welcomes EvD's contribution to this on-going work on designing more focused and results driven CSs. The findings and recommendations of the CS "evaluability" assessment will be taken into account, together with the proposals emerging in the context of the transition concept review, in the new design of country strategies. Secondly, Management will commence shortly the collaborative work with EvD to align the approach to project results frameworks as part of the ongoing work to improve them in tandem with the modernised transition impact concept, assessment of projects and EvD's introduction of a new project performance rating system from January 2016.

Aggregate performance

Management values the analysis of aggregate performance provided in the report. It welcomes its findings related to a continued positive trend with improvements across many components of EvD performance assessment of investment projects, including the overall performance, achievement of objectives, financial performance and bank handling, notwithstanding the challenging environment of crisis or immediately post crisis in which the projects signed in 2010- 2012 were implemented. Management welcomes the improving ratings for environmental and social performance, reaching its highest level in the most recent three year period of 2010-2012. The environmental and social change shows continuous variation from period to period because the change is dependent on the type of projects financed and evaluated each year. Management notes that the Environment and Sustainability Department (ESD) has developed and started implementing the project performance system based on key performance indicators for all new projects under the 2014 Environment and Social Policy that will help measure the performance more accurately going forward.

Management agrees with the report observations that the quality of the Bank's performance across geographies and sectors (based on five year data 2008-2012) was affected by the commitment of local partners, including the governments and regulators, and geo-political and economic context. These factors affected projects' implementation progress and eventually their financial performance. For instance, weaker regulatory framework has contributed to relatively lower financial performance in the infrastructure sector. The Bank has successfully influenced the regulatory framework through a coordinated and appropriately resourced policy dialogue at sectoral level under integrated approaches (egg. Polish renewable sector), and will continue to strengthen this work under management's enhanced approach to policy dialogue.

Management notes the report shows a high and relatively stable overall transition impact and additionality performance since 1992, and also highlights a lower and decreasing trend in the share of projects with Good or Excellent transition impact rating and in the share of projects with fully verified additionality. As noted in the report, a smaller share of projects with Good or Excellent transition impact reported for projects signed in 2010-2012 is largely due to higher incidence of EvD's downgrade of Operational Performance Assessment (OPA) ratings, rather than indicating a deterioration of performance. The share of projects with Good or Excellent transition impact rating downgraded by EvD has increased from about 20 per cent for projects approved up to 2007 to 35-40 per cent for projects approved after 2008. The report states that the reason is generally that EvD is unable to substantiate self-evaluation ratings based on the information available, "the evidence base to support the rating assigned can be insufficient, and/or the TIMS benchmarks are not sufficient to assess realised transition impact or specify activities or outputs rather than outcomes or impacts." This is notwithstanding the recognised significant increased quality of OPAs.

Management would emphasise that during the period since the crisis more projects have involved restructurings rather than new investments and the 'holding to rather than accelerating the transition path' has been considered a strong rationale by Management for Bank's support in the post-crisis situation. Hence, Management has recognised the achievements based on transition benchmarks that often do not contain higher level outcomes and impact, and did not downgrade projects even though progress in transition is naturally slower. Also, positive outcomes are often harder to validate in the post-crisis world relative to the previous growth periods. In particular, for the wider and longer term impact of projects considered and required to be validated by EvD, (egg. new products and processes, demonstration effect, market expansion, or competition) it is a lot harder to construct the counterfactual in a declining/retrenchment post-crisis situation than one of growth.

Management would emphasise that while a deterioration of Bank's additionality might be logical at a time when countries approach graduation it is hard to see that is the case for the period and countries covered in the sample under consideration since 2009 in the light of what has been happening since the financial crisis began. Management believes that, similar to the transition impact, a full verification of additionality, especially non-financial additionality, is difficult against a counter-factual, i.e. what would have happened if the Bank did not provide the support, especially in a crisis or post-crisis period. Management welcomes EvD's commitment for further analysis of additionality issues in the AER 2016, and would appreciate better guidance on the methodology of verifying additionality, in particular non-financial additionality, that would help to narrow the gap.

Management suggests that the sample size of project evaluations in 2010-2012 (67 projects compared to an average of 146 projects in the number of projects in a three-year rolling samples during 1991-2011) may also partly explain the lower ratios. The figures are highly affected by the projects signed in 2010 (affecting also the previous period 2009-2011), that account for almost half of projects in 2010-2012, and when one third of downgraded projects are concentrated in Russia and Ukraine (and the validation issues above are valid). Indeed, for projects signed in 2011-2013 (45 projects), the share of projects with transition impact rating of Good or Excellent goes up to 49 per cent.

Findings from 2015 evaluations

Management appreciates the summary discussion of the findings from Operation Performance Assessment validations (OPAV), as well as the thematic OPAVs syntheses. It notes the key findings and lessons from OPAVs on issues of project's relevance of design, additionality, transition impact and Bank handling, also discussed above. Management agrees that grants should be fully justified by the presence of significant externalities, other institutional and market failures, and affordability constraints, as clearly stated in "Guidelines for the use of non-TC grants", last updated in 2015, that are applied and adhered to in each operation (and approved by the Board). Large size grant, always justified on these principles, are considered on an exceptional basis.

As previously indicated Management would appreciate EvD guidance and indeed direct support on what are the best measures for demonstration effect as well as methods of data collection and detailed "contextual analysis". Management believes that assessment of demonstration effect is more appropriate for a portfolio of projects (and other activities including policy dialogue), rather than for individual projects. Finally, while the recalculation of the economic internal rate of return (EIRR) at the end of a project as well as ex ante may be justified for some projects (egg. the largest/most significant transactions), Management notes that given the issue of data availability it would require more resources and often consultancy support, and would lead to significant costs that the clients in the municipal infrastructure sector would have to pay.

Management has already provided extensive comments on the specific findings of individual evaluation studies during the year as also summarised in the report. In addition, as noted in the report, Management has already developed a detailed action plan for follow-up on EvD recommendations for every special study and their status was discussed most recently in the Audit Committee in April 2016 (CS/AU/16-10, Evaluation Department: Management Follow up on EvD Recommendations).

Special topics

Assessment of the quality of EBRD country strategies

Management welcomes EvD's contribution to the on-going work on designing more focused and results-driven country strategies. Management notes that the country strategy "evaluability" assessment is also the first step and will help to shape EvD's future evaluation of country strategies, an important EvD contribution to assessing their effectiveness and drawing lessons for Bank's future strategies. Management notes the positive findings that overall, compared with the previous format of country strategies before the introduction of the Country Strategy Results Framework, the new country strategies represent an improvement in "evaluability" (i.e. the ability to evaluate country strategies ex post), as well as suggestions for further improvements in the design of country strategies in some areas.

Management is already reviewing the country strategy design and process in the context of the Operational Efficiency and Effectiveness and the transition concept review. A detailed country diagnostics is being piloted for four countries. Management had the opportunity to discuss the study's finding and recommendations with EvD and shall take such findings and recommendations into account, together with the proposals emerging in the context of the transition concept review, in the new design of country strategies.

Gender in evaluation

Management very much appreciated EvD's insights paper Review of IFI Experience in Mainstreaming Gender which also helped to inform the development of the EBRD's Strategy for the Promotion of Gender Equality 2016-2020.

Management also welcomes EvD's support to the mainstreaming of gender, and their plan to incorporate the evaluation of gender, as appropriate, within their work plan by: 1) Building and sharing internal knowledge on good practice in integrating gender considerations into evaluation; 2) addressing gender within the appropriate project evaluations of EvD's work programme 2016-2018; and, 3) Developing an interim practice note for Evaluation Managers. Management notes that the EvD intends to integrate the evaluation of gender within its processes and practices including by using the new performance rating guidelines to capture project gender elements both under Unanticipated results or Results sections. Management would like to request that since the new performance rating guidelines are in use for OPAs as from 2016, EvD raises awareness and provides training, as required, not only to evaluation managers but also across the relevant teams in the Bank. Management notes that EvD is already working closely with the Gender Team on these issues.

Review of self-evaluation and monitoring in the EBRD

Management is pleased to acknowledge the encouraging results that the overall OPA quality and timely delivery have improved due to the excellent support from across the management units in Banking accompanied with provision of training by EvD.

Management also welcomes the findings of a continuing narrowing gap ("disconnect ratio") between ratings produced by self-evaluation and those produced independently by EvD, and in particular the positive trend in the reduction in rating gap related to bank handling due to joint efforts across the Bank. Nevertheless, the gap still remains significant for the environmental and social change and the transition impact rating. The reasons for this gap in the former may be because the EvD's methodology of evaluating the environmental and social change, which considers both project and beyond project impacts and benefits, differs from the methodology applied by Management for assessing the project impacts and benefits. Management suggests that it would be beneficial going forward that EvD consults with a broad representation of management (including environmental specialists) when assessing environmental and social change to minimise the differences.

Management looks forward to further cooperation with EvD in narrowing the gap in the transition impact dimension, including as part of its ongoing work on enhancing results framework for investment projects and EvD's introduction of a new project performance rating system for OPAs from January 2016. Management is working to improve results framework for investment projects in tandem with the modernised transition impact assessment of projects (as presented in the Board Information Session SGS15-145: Results Framework and Transition Impact Assessment for Investment Projects in June 2015), and in the context of ongoing revision of the transition concept.

The proposed improvements and changes to current results framework for investment projects are focused on maximising value and efficiency of project level results framework, as well as increase synergies between monitoring and evaluation in the Bank. The alignment of the EvD/Management results framework for investment projects will ensure streamlining with the evaluation criteria, in particular those on relevance and results (transition) namely: 1) strategic relevance through project assessment of "strategic fit" --assessment of the extent to which the project would contribute to the strategic priorities and objectives identified and articulated in the country strategy; 2) achievement of outputs, and contribution to intended outcomes: TIMS benchmarks will contain standardised measures of success and reflect the pathway of change induced by projects in a particular sector/area.

Nevertheless, a few components of these two criteria remain unaligned or difficult to assess, including the demonstration of additionality and wider impact level effects as discussed above, and could be a source of potential misalignment between Management self-evaluations and validations. The proposed improved results framework for projects envisages that "impact" level results will not be tracked for individual projects but at portfolio level only, such as project Frameworks, Integrated Approaches, and at country/thematic level. Management welcomes and appreciates EvD's close collaboration to align the project results framework as well as its support with providing training across the Bank.

Highlights and challenges of the evaluation year

Management values EvD's contribution through the delivery of its 2015 work plan, in particular through thematic OPAVs and special studies that contain more focused and actionable recommendations. Management welcomes the EvD's extensive consultation during the preparation of its longer term work plan that is important to ensure increased relevance of its work for the Bank's operations and strategic planning.

As noted earlier, Management appreciates the introduction of a new EvD project performance rating system for OPAs from 2016 that is expected to increase transparency of performance rating. At the same time, Management appreciates the EvD's efforts in introducing a structured approach in capturing the contextual relevance and applicability of lessons in short-form OPAs. The new project performance rating system requires the use of project results framework for all long-form OPAs, including a retrofitted one for projects currently in the portfolio. As noted in the AER, the new system may lead to some discontinuity in performance ratings. Its success requires both Management and EvD to cooperate and work on aligning their approach, in particular in using common results framework.

Annex 5. EvD response to management comments

With respect to the observed declining share of projects with *Good* or *Excellent* transition impact rating, Management argues:

> "..during the period since the crisis more projects have involved restructurings rather than new investments and 'holding to rather than accelerating the transition path' has been considered a strong rationale by Management for Bank's support in the post-crisis situation. Hence, Management has recognised the achievements based on transition benchmarks that often do not contain higher level outcomes and impact, and did not downgrade projects even though progress in transition is naturally slower. Also, positive outcomes are often harder to validate in the post-crisis world relative to the previous growth periods. In particular, for the wider and longer term impact of projects considered and required to be validated by EvD, (e.g. new products and processes, demonstration effect, market expansion, or competition) it is a lot harder to construct the counterfactual in a declining/retrenchment post-crisis situation than one of growth."

EvD response: EvD evaluates/validates projects' TI performance against the TI rationale and expectations set out by Management in the Board documents, on the basis of which the project has been approved. If transition in terms of 'new products and processes, demonstration effect, market expansion, or competition' was not expected in the Board document due to the project's approval in the post-crisis context, this expectation was not imposed by EvD in its evaluation/validation of the project's performance. The core problem is an inadequate specification of expected results by Management. In post-crisis situations, if the sentiment expressed in the MCs is correct, then Management should not be saying there will be incremental positive results. Rather they should specify the results in terms of preventing a negative counterfactual. EvD would then evaluate against this, which is of course a bit trickier than evaluating against incremental results, but possible.

> "Management suggests that the sample size of project evaluations in 2010-2012 (67 projects compared to an average of 146 projects in the number of projects in a three-year rolling samples during 1991-2011) may also partly explain the lower ratios." (p.2)

EvD response: EvD methodology, including sampling, has not been changed for AER 2015. The samples used for TI and additionality are the same as used for overall performance, financial performance, Bank handling, E&S etc., the positive results of which are welcome by Management.

Time series data on overall performance (and in fact all of the major evaluation criteria) are reported on rolling three year average basis. This is to smooth out year on year fluctuations and also allow for easier detection of major trends. The most recent three-year (approval) period for which evaluation data is available for is 2011-13. However, only 45 evaluated/validated projects were approved in that period. Therefore EvD reports the aggregate performance of 2010-12 as the most recent period, as it is felt it had a critical mass of projects upon which to report, and is also consistent with progression vis-à-vis the previous AER, which reported up until the 2009-11 period. Due to the lag of evaluation behind approvals, the most recent reporting period will always be the one with the relatively smallest sample.

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Abbreviations

AER	Annual Evaluation Review
EBRD	European Bank for Reconstruction and Development
ECG	Evaluation Cooperation Group [of multilateral development banks]
EIB	European Investment Bank
EIRR	Economic internal rate of return
EU	European Union
EvD	Evaluation department
IFI	International financial institution
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
SEFF	Sustainable Energy Finance Facility
TC	Technical cooperation
TI	Transition Impact

Defined terms

Central Asia	Kazakhstan, Kyrgyz Republic, Mongolia, Tajikistan, Turkmenistan, Uzbekistan
Central Europe & Baltics	Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia
Eastern Europe and Caucasus	Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
Energy	Natural resources and power & energy sectors
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
Industry, commerce & agribusiness	Agribusiness, equity funds, information & communication technologies, manufacturing & services and property & tourism sectors
Infrastructure	Municipal & environmental infrastructure and transport sectors
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
South-eastern Europe	Albania, Bosnia and Herzegovina, Bulgaria, FYR Macedonia, Montenegro, Romania, Serbia

[1] For example for projects approved in the period 2003 to 2008, projects in central Europe & the Baltics and south-eastern Europe were found to achieve the highest overall performance ratings respectively. 2011 Annual Evaluation Review Page 8
[2] The 2008 EBRD operational response to the crisis included activities such as proactive portfolio review and monitoring and regular reporting to ExCom, especially for particularly vulnerable sectors such as financial institutions.
[3] 2012 Annual Evaluation Review Page 9
[4] Evaluation Department: Operation Evaluation: Mid-Size Sustainable Energy Financing Facility, Turkey
[5] Evaluation Department: Four Wind Energy Projects
[6] Evaluation Department: Special Study: Evaluation of 2010 Agribusiness Sector Strategy
[7] Evaluation Department: Special Study: Transactions with State-owned Enterprises
[8] Evaluation Department: Special Study: the EBRD's projects in the Russian railway sector
[9] Evaluation Department: Special Study: the EBRD's Sustainable Energy Finance Facilities (SEFFs)
[10] Evaluation Department: Synthesis Note: Review of IFI Experience in Mainstreaming Gender
[11] Evaluation Department: 2014 Annual Evaluation Review
[12] Evaluation Department: EvD Work Programme 2016-18 and Budget 2016
[13] Evaluation Department: Validations Findings and Ratings 2H 2014
[14] Evaluation Department: Guidance Note – Project Performance Rating Methodology
[15] Evaluation Department: EvD Work Programme Deliveries in 2014
[16] Evaluation Department: Operation Evaluation: Mid-Size Sustainable Energy Financing Facility (Turkey)
[17] Evaluation Department Special Study: Evaluation of 2010 Agribusiness Sector Strategy
[18] Evaluation Department: 2014 Annual Evaluation Review
[19] Evaluation Department: EvD Work Programme Status
[20] Evaluation Department: Management Follow-up on EvD Recommendations
[21] Evaluation Department: Synthesis Note: Review of IFI Experience in Mainstreaming Gender
[22] Evaluation Department: EvD Work Programme 2016-18 and Budget 2016
[23] EBRD: Country Strategy Results Framework: Design Implementation and Reporting; 3 September 2014
[24] EBRD: The Architecture of Transition Impact Results Frameworks in the Bank; 23 September 2014
[25] In chronological order: Jordan (October 2014); Cyprus (January 2015); Morocco (February 2015); Kyrgyz Republic (March 2015); Armenia (May 2015); Bulgaria (June 2015); Tajikistan (July 2015); and Turkey (October 2015).
[26] World Bank, 2015: Results frameworks in country strategies: lessons from evaluations. IEG learning note
World Bank, 2015: Selectivity in Country Strategies: The Evidence
World Bank, 2015: Results and Performance of the World Bank Group 2014, An Independent Evaluation
African Development Bank Group, 2014: Strategizing for the "Africa We Want": An Independent Evaluation of the Quality at Entry of Country and Regional Integration Strategies
Islamic Development Bank, 2014: MCPS Review Report, Group Operations Evaluation Department
[27] These cases were identified as a preparation for the 2016 workshop on gender and evaluation and the table reflects the discussion held with Michael Bamberger, a Social Development and Evaluation consultant in charge of the workshop. This exercise does not intend to "point the finger" at what the intervention should have done, but rather to present a holistic view of the projects, including unintended results.
[28] Turkey: Women in Business Programme. August 12, 2014
[29] Regional: Western Balkans Women in Business Program. July 8, 2014
[30] Evaluation Department: Operation Evaluation: Mid-Size Sustainable Energy Financing Facility (Turkey)
[31] 2009 Gender in Agriculture Sourcebook
[32] Africa Gender Innovation Lab – Impact Evaluations: Agriculture
[33] In total EvD reviewed 60 long form OPAs, 46 short form OPAs and 35 OPAVs
[34] This is due in part to the lack of institutional focus on gender until now.
[35] Evaluation Department: Synthesis Note: Review of IFI Experience in Mainstreaming Gender
[36] EBRD's gender team has developed "Tips to identify gender entry points as part of ESD Due Diligence" providing guidance on what to look for in terms of gender and in which stage of the project design (CRM desk review, consultants TOR and due diligence).
[37] The number of final OPAs received was 123. However, exclusions applied where the OPA did not use the mainstream template for example the report piloted the new OPAV template or was an update based on the old template.
This included 37 Short form OPAs and 46 long form OPAs. The sample size represents the population with a confidence interval (margin of error) of 6 per cent at 95 per cent confidence level.
The joint packet included 23 per cent of the sample.
[38] There were no significant differences in the long form OPA checks and two cases of significant differences for short form OPAs between the original evaluation manager and AER evaluation manager (14% and 16%).
[39] The use of an even number of rating categories is Evaluation Cooperation Group good practice as it allows a clear separation of those operations "above or below the line" thus creating two categories of projects –generally successful or generally less than successful.

[40] 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.