FOLLOW-UP ON EVD RECOMMENDATIONS 1H 2015

European Bank
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The Evaluation Department (EvD) at the EBRD evaluates the performance of the Bank's completed projects and programmes relative to objectives in order to 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 reports directly to the Board of Directors, and is independent from the Bank's Management. Whilst EvD considers Management's views in preparing its evaluations, it makes the final decisions about the content of its reports.

This report is submitted to the Board of Directors by the independent Evaluation department (EvD) of the EBRD under the authority of the Chief Evaluator. It comprises material produced by EvD and by Management relating to Management's follow-up on recommendations made by EvD in evaluations issued to the Board. The views expressed by EvD herein do not necessarily reflect those of EBRD Management or its Board of Directors.

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Overview

The Bank's Evaluation Policy provides that:

> "Management tracks actions taken on agreed [EvD] recommendations and periodically reports to the Board on implementation in a manner agreed with the Board."

It also provides that:

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

The report provides a summary of the EvD recommendations in each study, showing the current status and areas of agreement between EvD and Management. Management's initial response and subsequent action plan are provided in full. This is followed where appropriate by EvD comments drawing attention to specific issues or concerns.

Structure of the new tracking system

In 2014 EvD introduced a new system for tracking and reporting on Management's follow-up on EvD recommendations in order to give this policy effect and to correct deficiencies in the existing 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.

Under the new system, Management committed to respond to each EvD recommendation (typically contained in larger pieces of work such as thematic studies and full project evaluations (OEs)), stating that it agrees, partly agrees, or disagrees, along with its reasons. Where there is agreement or partial agreement, 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. EvD may also provide comment or clarification about Management's status reports where in its judgment this is likely to be of value to the Board and Senior Management. Thus the overall status of the action plan is provided from both Management and EvD's perspectives, allowing any differences to be identified.

Selected highlights

EvD draws attention to a few general and specific points. The general points are:

- 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 is enabling greater focus on work in progress and ensures that actions that require time to execute will be tracked consistently until completion.
- Collaboration between EvD and key focal points in Management has significantly assisted the production of action plans. However, the bulk of the engagement occurs between EvD and the specific operations-side teams, and it varies in quality.
- 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 studies, 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.
- EvD must ensure that its recommendations are limited in number, clearly articulated, and actionable.

A number of specific points are:

- Follow up on recommendations in the evaluation of the Shareholder Special Fund evaluation is a strong example of effective Management/EvD collaboration.
- EvD's policy dialogue recommendations have directly informed the Vice Presidency Policy's comprehensive review and proposed a major agenda of change; cross-team engagement was excellent.
- The sector team's initial responses to recommendations in EvD's Evaluation of the Agribusiness Sector Strategy were in EvD's view insufficient. Subsequent engagement around developing a more responsive Action Plan as requested by the Audit Committee resulted in progress and greater clarity as to what can be expected, both in terms of substance and process.
- Management's responses/action plans on recommendations made within the special study on Private Sector Participation in MEI Operations are insufficient. Management sees some actions completed while EvD sees no progress.
- There has been substantial progress on numerous core evaluation issues flagged by EvD in earlier studies – such as evaluability, use of results frameworks and monitoring. In most cases it remains work in progress to build on positive foundations already laid.

EBRD shareholder special fund – interim evaluation (2014)

#	Recommendation	Management Response	Status - Management	Status - EvD	Last Update
1	Divergent views on SSF purpose and priorities should be reconciled	Agree	Complete	Complete	24/06/15
2	SSF planning aligned with EBRD's budgetary cycle	Partly Agree	Nearly complete	In progress	24/06/15
3	Base SSF strategic planning on existing transition gap analysis	Partly Agree	In progress	In progress	24/06/15
4	Better clarify EBRD's priorities in dialogue with Donors	Further clarification sought	N/A	N/A	21/11/14
5	Produce a binding SSF Operations Manual	Agree	On hold	On hold	26/03/15
6	Review SSF governance structure	Agree	Complete	Complete	24/06/15
7	Approve and enforce accountability mechanisms for non-TC grants	Agree	In progress	In progress	27/03/15
8	Enhance quality of reporting on SSF results	Partly Agree	In progress	In progress	27/03/15
9	Present an Action Plan for interim solutions to urgent IT issues	Partly Agree	Complete	No progress EvD is available to provide any clarification required.	27/03/15
10	Create a data-sharing platform for EBRD shareholders and SSF users	Partly Agree	On hold	On hold	27/03/15
11	Review adequacy of human resource allocation to SSF administration	Agree	On hold	On hold	24/06/15
12	Evaluate the results of the future SSF Strategy on a regular basis	Partly Agree	On hold	On hold	27/03/15

Grey shaded: At risk

Recommendation 1: Irrespective of the size of future resource allocations, divergent views on SSF purpose and priorities should be reconciled

An operational reinforcement of SSF's originally stated prime purpose would require rooting programmatic management and operation more clearly in identified transition objectives and playing a more clearly distinctive role in their support.

These issues should be addressed specifically in a strategic dialogue between Management and Board and resolved unambiguously in 2015; they are directly relevant to the wider discussion about EBRD strategic directions.

While the SSF should remain a source of finance that is responsive to demand, it should become more selective by responding more clearly to those demands that align with clearly defined priorities. These priorities may be identified in and drawn from the transition gap analysis already intended to be part of the Bank's sector and country strategies. The definition of SSF priorities on a medium-term basis should be specific enough to provide the shareholders with sufficient assurance that the objective of transition impact maximisation remains at the heart of SSF and to allow for reconsideration of the Fund's governance.

This overall recommendation is the essential foundation for a set of more specific recommendations.

Management Response – Agree (21/11/2014)

Management broadly supports the recommendations of this evaluation and concurs in principle with the overall finding that SSF's purpose and priorities, and the way funds are allocated, needs to be revised and more clearly defined . The perceived duality between the SSF objective as an extender of the Bank's transition mandate (to "broaden and deepen the Bank's transition impact") and its use as a complement to other donor funding in supporting Bank's investments and other activities also needs to be elucidated further. Such objective may have not been clearly/explicitly and evenly reflected in the management of the Fund, with the use of funds driven by opportunity/demand for financing. Although Management believes that these two dimensions of SSF are not mutually exclusive, as the Bank's normal business for which SSF funding is requested and justified on transition terms.

Management Action Plan

Action	SSF Reform approved by the Board Reform process of the SSF is underway and these reforms aim to clarify the role and objectives of the SSF, simplify the current procedures, reduce the administrative burden, and to introduce a new way to allocate resources.		
Due	June 2015	*Business Unit*	VP3
Update	24/06/2015 – Complete The EBRD SSF Reform and Rules, as well as Conditions of the Net Income Reallocation to SSF were approved by the Board on 24 June 2015. The SSF reform links the fund with Bank's strategic process, introduced multiyear SSF planning, new model of allocation		

EvD comment (June 2015)

EvD acknowledges that the SSF Reform addresses this recommendation and looks forward its implementation and future reviews to validate it.

Recommendation 2: Align SSF planning to the new EBRD planning cycle, with a five-year approach and three-year rolling plans

Regardless of its future size, SSF strategic planning should be aligned with the new planning cycle of the Bank which comprises a five-year Strategic and Capital Framework (SCF) and a Strategy Implementation Plan (SIP), which will be approved annually by the Board and reflecting the implementation of the strategic objectives through a three-year rolling business plan. Accordingly the same planning cycle should be applied to the SSF.

Management Response – Partly Agree (21/11/2014)

Management supports the need to realign the SSF with the Bank's new planning cycle with a stronger dimension of multi-year planning, and to make SSF annual planning more aligned to the annual business planning process and managed differently. This chimes well with the idea to introduce a more programmatic approach of the SSF and a request for a multi-year net income allocation funding this. Indeed, within the context of the Strategic and Capital Framework (SCF) and a Strategy Implementation Plan (SIP), management will propose a reformed SSF Work Plan, including a portion for a more programmatic multi-year approach where this is applicable. Rules of the SSF will also be reviewed and an amendment may be requested. However, the SSF's ability to plan and allocate resources according to concrete plans will only ever be as good as the Bank's ability to plan. The Bank's business model (and certain operational teams) cannot always accommodate multi-year planning and Management is still likely to keep an annual allocation for some areas. The five year Strategic and Capital Framework of the Bank, by its nature does not clearly specify the operational priorities of the Bank, while the three-year rolling Strategy Implementation Plan would. Management intends to put forward a three-year net income allocation request for SSF in alignment with the SIP. A reformed SSF would be based on this time frame. As such, Management believes, that a five year strategy or approach for the SSF is unlikely.

Management Action Plan

Action	SSF planning aligned with EBRD's budgetary cycle As a part of the reform, it will be proposed to align SSF planning with the Bank's budgetary cycle; as noted in the Management response, the SCF is too vague to identify priorities of the SSF and SSF planning will be aligned to the SIP. SSF granular planning is postponed until details of SIP is known. It is Management's opinion that a multi- year SSF planning is only possible with multi-year net income (re)allocation being made available. The proposal for EUR 130 million from NIA will be presented at the Tbilisi Annual Meeting 2015. This will provide funding for the potential 2016 SSF Workplan and no further NIA will be considered to the SSF until the 2016 Annual Meeting. In line with the reform, amendments to the SSF Rules will be proposed by end of June 2015.
Due	June 2015 – proposal for the SSF reform and amendment to the SSF Rules and Regulations. September/October 2015 – planning allocation of the SSF in line with the SIP
Business Unit	VP3, OGC, Financial Strategy and Business Planning
Update	24/06/15- nearly complete The EBRD SSF Reform and Rules approved by the Board on 24 June 2015 lay out principles for linking the Fund's activity with the EBRD's strategic processes, namely, country strategies and SIP

EvD Comment (June 2015)

EvD acknowledges that the SSF Reform addresses this recommendation and looks forward its implementation and future reviews to validate it.

Recommendation 3: Base SSF strategic planning on existing transition gap analysis

Management should provide the Board of Directors with a range of options on how to integrate existing transition gap analysis into SSF strategic planning. Accordingly, the design process of the three-year rolling SSF plans should follow a strategically-driven planning exercise, anchored in the SSF strategy in conjunction with existing country and sector strategies, integrated approaches and Bank policies. These drivers should be complemented by an assessment of the link between distribution of SSF resources and performance. A full review of existing SSF Rules will be required.

Management Response - Partly Agree (21/11/2014)

Management supports the notion that SSF should be guided by the Bank's transition mandate and its Work Plan defined priorities should be aligned with the main transition challenges reflected in the assessment of transition challenges. However, the use of transition challenges' assessment to guide SSF allocations would have to be set at a higher strategic planning level, as the application of transition gaps to overall SSF planning would not be practical or appropriate, also because the Fund supports a wide range of activities including multi-year activities under specific initiatives, regional initiatives, or other non-investment activities. Management believes that the SSF should not be seen to be leading or setting the organisation's priorities, nor be made into a completely purpose-specific fund with own targets and related hard-wired allocations. The SSF contributes to transition by supporting Bank operations which are determined based on set priorities within the Country and Sector Strategies and the Bank's key strategic initiatives, and subsequently allocated through SSF's strategic areas as established by the GCSR.

Management Action Plan

Action	<u>New rule-based allocation model for SSF planning</u> Planning of SSF allocations will be based on specified rules, including the assessment of transition gaps
Next Steps	SSF Reform submitted to the Board (see recommendation 0) Revised SSF Rules and Regulations submitted to the Board
Due	June 2015 – The reform proposal will be submitted to SP Com / BAAC. It is currently under discussion whether there should be two BAAC meetings, one as an Issues Paper, and the second being the formal reform proposal. The proposal to be submitted to the Board by end of June 2015.
Business Unit	VP3, operational teams as SSF users
Update	24/06/15 – In progress The EBRD SSF Reform and Rules, as well as Conditions of the Net Income Reallocation to SSF, approved by the Board on 24 June 2015, lay out new model of allocation, anchored on country's transition gaps, GDP per capita and population size. The approved allocation model will be looked back in one year's time.

EvD Comment (June 2015)

EvD acknowledges that the SSF Reform addresses this recommendation and looks forward to its implementation and future reviews to validate it.

Recommendation 4: Better clarify the EBRD's priorities in dialogue with donors

The SSF should continue to be used as a means to develop partnerships and structured dialogue between EBRD shareholders, donors and grant recipients. A strategically-driven multi-year SSF approach coupled with three-year rolling plans will give EBRD priorities greater prominence in the dialogue with donors.

Management Response – Management sought further clarification on the recommendation (21/11/2014)

Management believes that the SSF is not the main tool for dialogue with donors, but an additional funding source working in parallel with donor funds. EBRD has a very rich dialogue with donors. It is multifaceted, regularly on-going and comprehensive. In addition, Donor Co-Financing team (DCF) organises two donor meetings annually, in addition to numerous exchanges during the year, to formally inform them of the donor activities and the priority areas of the Bank. Donors' priorities are first and foremost guided by their foreign aid policy, rather than by an EBRD fund such as the SSF.

Management Action Plan - No action plan provided.

EvD Comment (June 2015) EvD agrees that this recommendation did not imply a follow-up action plan.

Recommendation 5: Producing a binding SSF Operations Manual

Management should produce an SSF Operations Manual to formalise all processes and clarify roles and responsibilities related to the SSF implementation to enhance transparency and accountability. The Operations Manual should cover strategic planning; the design process of three year rolling plans; management of the SSF; and, consideration and approval of grant commitments and related internal processes.

Management Response – Agree (21/11/2014)

The fiche template and a description of the process of applying for SSF funding are uploaded on the DCF intranet page. An Operations Manual will be developed by end of 2015 based on this work.

Management Action Plan

Action	<u>Amended Operations Manual 10.7</u> The description of SSF-specific procedures will be made comprehensively available to all staff, in line with the updates ensuing from the SSF reform.				
Next Steps	Once the reform proposal is approved, the new SSF Work Plan and the Rules and Regulations of the SSF will be available on the DCF intranet page. Processes and clarifying roles and responsibilities will be updated in the Operational Manual, 10.7.				
Due Date	Q4 2015 / Q1 2015	*Business Unit*	DCF	*Update*	26/3/15 – On-hold
Update	24/06/15 - On hold The EBRD SSF Reform and Rules was approved by the Board on 24 June 2015. In advance to revising the Operational Manual, 10.7, main revisions to the governance procedure have been communicated to the OpsCom Secretariat.				

EvD Comment (June 2015)

Management is proposing to amend the existing EBRD Operations Manual according to the reformed SSF Rules. EvD recommended producing, adopting and implementing SSF Operations Manual.

Recommendation 6: Review SSF governance structure: consider more delegation of authority to Management provided an improved adequate accountability mechanism is in place

Should the objectives of the SSF be rebalanced and a new SSF accountability mechanism acceptable to the Board put in place, significantly greater delegation of approval authority to Management could be considered. Under this scenario the role of the Board would shift from approving individual transactions to approving the policies and priorities for the Fund's use (directed at ensuring the greatest transition impact) and holding Management to account for its performance in fulfilling these. This would provide for a clearer and pertinent separation of roles and a better basis for the exercise of accountability.

Management Response – Agree (21/11/2014)

Management welcomes higher levels of delegated authority by the Board and believes this goes hand in hand with a programmatic approach. In the context of the programmatic component within the new SSF, higher levels of delegated authority, i.e. approval of the funding at the programme level with improved reporting will be considered by Management. Rules of the SSF may need to be revised.

Action Plan – Review of the governance of the SSF

Governance will be reviewed and new procedures to be proposed in light of the reform.

Next steps	SSF Reform submitted to the Board
Due date	June 2015
Responsible Business Unit	VP3, OGC
Update	24/06/15 – Complete The EBRD SSF Reform and Rules was approved by the Board on 24 June 2015 in which the following were adopted: 1) a rule-based allocation model, 2) higher threshold of EUR 500,000 for Board approval, 3) elimination of BAAC for non-TC projects, 4) up to 10% of the budget within the Work Plan can be reallocated without Board approval

EvD Comment (June 2015)

EvD acknowledges that the SSF Reform addresses this recommendation and looks forward its implementation and future reviews to validate the accountability mechanisms in place that justifies more delegation of authority.

Recommendation 7: Approve and enforce accountability mechanisms for non-TC grants

More precise directions on priority areas for non-TCs grants should be provided within the SSF planning. This could imply higher non-TC share than the current one-third, in narrowly specified priority programmes/initiatives. The existing SSF Guidelines for the use of non-TC grants should be more consistently applied, and there should be clear responsibility assigned for compliance.

Management Response – Agree (21/11/2014)

The existing non-TC guidelines are currently under revision by the Office of the Chief Economist (OCE), and will be finalised by the end of 2014. These guidelines will be used not only for SSF non-TC funding but also for all non-TC grants provided for by other donors.

Management Action Plan

Action	Adopt and enforce accountability mechanisms for non-TC grants Adoption of non-TC guidelines for all grants. Consistent enforcement by OCE is required. For SSF, the non-TC fiches could be signed-off by CSE.		
Next steps	Monitoring of the enforcement of the accountability mechanisms	*Business Unit*	VP3
Due	Board Information Session: New Guidelines for the use of non-TC grants in EBRD operations (SGS15-074) on 13 March 2015.		
Update	27/03/15 – In progress Monitoring of the enforcement of the accountability mechanisms: – New Guidelines have been adopted. – In progress in regards to enforcement by OCE. Non-TC guidelines for all non-TC grants have been developed by OCE, approved by SP Com in December 2014, into force in January 2015 and presented at a Board information session on 17 March 2015. These guidelines will be applied not only for SSF non-TC but also for all non-TC grants provided for by other donors.		

EvD Comment (June 2015)

EvD welcomes the review and extension of the Guidelines to all non-TC grants attached to EBRD's and looks forward its implementation and future reviews to validate the accountability and enforcement mechanisms.

Recommendation 8: Enhance quality of reporting on SSF results

Should the EBRD rebalance the objective(s) of the SSF to maximisation of transition impact and develop its strategy, reporting will need to be adjusted accordingly. SSF reports should provide an account of the SSF contribution to achievements against its strategy.

Management Response – Agree (21/11/2014)

Management agrees that there is a need to improve on reporting, focusing on results on a programme / project basis. However, this reporting would not be based on a fund level results framework. The SSF is a multi-country / multi-sector fund supporting almost all countries and sectors of the bank. This setup does not lend itself to a fund level results framework. In the context of the programmatic component within the new SSF, achievements / results will be captured better against the objectives of the programmes. The reporting would be mainly based on results and measurement systems that Bank has for underlying supported investments, initiatives and other activities, as well as the TCRS.

Management Action Plan

Action	Reporting according to the new results framework for grants The new donor IT system is under development and improvement on reporting is captured within the scope. Actions will be phased as project reporting on projects approved before July 2013 will be under the previous reporting system. Reporting on results of non-TCs is being discussed to standardise the template across all donors, if possible.		
Next steps	Donor IT system implementation	*Due* IT system completion is expected June 2016.	*Business Unit* VP3
Update	27/03/15 – In progress Discussion is on-going in regards to capturing some TC results (not only SSF funded TC projects) within the context of Country Strategies and Country Strategy Updates, especially policy dialogue related TCs which were featured in these documents.		

EvD Comment (June 2015)

EvD believes that a reformed SSF (with strengthened link of SSF planning with transition gap analysis and country strategies – as indicated by Management in the actions to recommendations n. 1, 2 and 3) will enable Management to report on results at an aggregated level.

Recommendation 9: Present an Action Plan for interim solutions to urgent IT issues

The Evaluation team strongly supports Management's efforts to address the weaknesses of the EBRD IT systems. Management should produce an Action Plan setting out interim solutions to the most pressing issues to ensure good standards of accountability. Among other needs to be addressed is the lack of a central repository of non-TC grants.

Management Response – Partly Agree (21/11/2014)

Management believes that a fully fledged interim solution is not necessary, as an interim solution for the management of TC projects has already been put in place through Technical Cooperation Results System (TCRS). Furthermore, the scope of the Donor Funds IT Programme, which is expected to be implemented over the course of 2015 and go live in early 2016, includes components that address accountability, visibility and transparency. Additional interim measures to ensure that all non-TC grants are captured in EBRD's systems have also been put in place, more specifically the requirement to issue funding commitments in TCS for all non-TC grants (this does not include concessional loans and investments as these are already captured in DTM). All non-TC grants, including those funded by SSF, are now captured in EBRD's systems.

Management Action Plan

None. As the donor IT system development is underway, there is no intention to provide an interim solution.

EvD Comment (June 2015)

The new donor IT system will be completed and functional in 2016 or 2017. Not addressing urgent deficiencies of the TC information system with interim measures to be able to reconcile SSF work plans with actual commitments means continued management of SSF resources relying overwhelmingly on manual inputs (spreadsheets) with all the related risks to accountability of SSF resources. EvD acknowledges that these risks have to be considered against the resources that interim IT solutions would entail (particularly human resource issues – see recommendation 11), and the decision ultimately lies with the management.

Recommendation 10: Create a data-sharing platform for EBRD shareholders and SSF users

Management should develop an intranet platform for shareholders through which they could access: (i) updated information on grants in need for funding; (ii) a database of SSF commitments. This database should allow running reports in terms of SSF allocations against its Work Plans (for instance filtered by country, sector, priority area, etc.) but also information about its co-financing with other donor funds.

Management Response - Partly Agree (21/11/2014)

Management notes that an internal system for information sharing already exists (TCNet) for all donor funds. The system is however rarely accessed and has fallen out of regular usage. The level of information that can be presented in this existing system is also limited by current data availability on the past portfolio. This will be addressed in the Donor Funds IT Programme to ensure that data is able to be filtered and classified more flexibly and that it becomes possible to run reports using specific filters on an ad-hoc basis. Once the new IT system is established (in 16 months' time), all data are cleaned, and migrated into the new IT systems, it will be possible to review the information sharing platform.

Management Action Plan

Action	Create a data-sharing platform for donors It is expected that creating a data-sharing platform for donors (not only SSF) could be added to the scope of the current donor IT system upgrade, subject to budget.		
Next steps	Review of feasibility of IT system upgrade to include data-sharing platform for donors		
Due	Review in March 2016	Business Unit	N/A
Update	27/03/15 – On-hold - Review required		

EvD Comment (June 2015) None.

Recommendation 11: Review adequacy of human resource allocation to SSF administration

Given the considerable amount of work related to the administration of the SSF coupled with the limitations of the technical resources, Management should reassess the human resources needed to efficiently manage the SSF with the view to potentially increase resources fully devoted to SSF.

Management Response – Agree (21/11/2014)

One person has already been recruited by DCF to support the administration of the SSF. In the course of 2015, Management will discuss the use of the management fees received from donor contributions. DCF will also initiate an assessment of the cost of managing donor funds and a fee policy review, all of which could potentially enable the increase of human resources to manage the SSF.

Management Action Plan

Action	Assess human resources to manage the SSF DCF will be assessing the need for extra human resources to manage the SSF within the context of the ongoing reform process and as the Fee policy would be updated in 2015.		
Next steps	As soon as the Board approves a reform of the SSF, VP3 will assess the adequacy of human resources allocated to manage the SSF		
Due	End 2016	*Business Unit*	VP3
Update	26/06/15 – On hold		

EvD Comment (June 2015) None.

Recommendation 12: Evaluate the results of the future SSF Strategy on a regular basis

Should the Bank adopt the recommended five year strategy and three-year rolling SSF plans, an evaluation of the results associated with the new approach would be desirable.

The evaluation team would not recommend an assessment of the SSF effectiveness up to date. This is based on the fact that the SSF has not had its own strategy which would outline its expected results (achievement of transition impact), and that the portfolio analysis carried out by this evaluation does not highlight any differentiation of the SSF against other donor funds. Under these conditions an assessment of the results at the Fund level would provide any meaningful findings. As an alternative, the Evaluation Department would see more potential for the evaluation of EBRD strategic initiatives (i.e. Sustainable Energy Initiative, Eastern Europe Energy Efficiency and Environment Partnership, Strategic Gender Initiative, etc.) to which the SSF has contributed.

Management Response –Partly Agree (21/11/2014)

Management supports the conclusion that an evaluation of the results of the current SSF is not appropriate. Nevertheless, as already discussed above, Management is reluctant to turn SSF into a purpose-driven fund with clear targets and very specific allocations. Management would also suggest changing the wording “SSF Strategy” in this recommendation to “SSF approach” as elsewhere in the document reflecting our earlier comments to the study.

Management Action Plan

No action plan. Given the broad scope of the SSF, it will not have a separate Results Framework, as agreed in the RFs Architecture paper. Monitoring and assessment of results will be done as part of RFs at TC and project level, and could be aggregated thematically for the purposes of SSF reporting.

Action	<u>Evaluation of the reformed SSF</u> Conduct an interim evaluation of the reformed SSF provided that a reform is approved by the Board		
Due	EvD Work Programme 2018	*Business Unit*	EvD
Update	27/03/15 – on hold		

EvD Comment (June 2015)

EvD will continue follow-up the SSF Reform and its implementation and agree with Management for a review in due time.

Policy dialogue in Ukraine (2014)

#	Recommendation	Management Response	Status - Management	Status - EvD	Last Update
1	The EBRD should produce a clear statement and guidance on policy dialogue	Agree	Nearly complete	Nearly complete	29/6/15
2	The results focus of the Bank's policy dialogue in Ukraine should be enhanced	Agree	Complete	In progress	29/6/15
3	Resource gaps (qualitative/skills and quantitative) should be addressed	Agree	Nearly complete	Nearly complete	29/6/15
4	Some enhancements could be made to the way in which the Bank engages	Agree	Nearly complete	Nearly complete	29/6/15
5	Some improvements can be made in the way in which the Bank manages its policy dialogue	Agree	Nearly complete	Nearly complete	29/6/15

Recommendation 1: The EBRD should produce a clear statement and guidance on policy dialogue

In making this recommendation, the evaluation is aware of that the VP Policy Group is preparing a paper on policy dialogue for Management approval and Board discussion within the first half of 2014. Whether in this paper or subsequently, the evaluation suggests the statement and associated guidance should cover the following elements:

i) The document should confer legitimacy on policy dialogue by the Bank as an important part of its toolkit in pursuit of transition – it should be acknowledged as a tool in its own right and not just as an adjunct to projects.

ii) The Bank should aspire to be a thought leader and preferred source of policy advice within the areas of its special competence and not only a transaction-driven institution.

iii) There should be a definition of policy dialogue that establishes what it is, who does it, with and for whom, and for what purpose. This definition should be encompassing by recognising that policy dialogue is not just the preserve of a few senior staff – many have a role to play from those carrying out research and analysis in the Office of the Chief Economist to those engaged in outreach in the Communications Department. The political nature of policy making should be noted and the consequential need to adopt a political economy approach acknowledged.

iv) A typology of policy dialogue should be geared towards identifying what process should be followed for approving, managing, monitoring and reporting on policy dialogue. With this is in mind, this evaluation suggests that a two-category typology would be most appropriate – major (generally multi-year, planned and requiring resources beyond staff time) and minor (generally opportunistic, of short duration [less than a year] and not requiring resources beyond staff time).

v) Guidance should establish the process to be followed for the approval, management, monitoring and reporting on policy dialogue. For minor dialogue, it is suggested the process would be light, more or less as it is now with the exception of an annual report to the Strategy and Policy Committee. Major policy dialogue would have a more formal process. The evaluation does not make specific recommendations on the detail of this but EvD is open to contributing its thoughts on this to Management if asked.

Management Response – Agree (02/05/14)

Management did not comment on possible actions under the recommendations as it intends to consider them further in the context of its work on a new approach to enhanced and structured policy dialogue. A draft approach paper is being prepared for SPCom consideration after the new VP Policy has joined.

Management Action Plan - None

Management Update – Nearly complete 29/06/15

VP Policy and Partnerships is preparing a paper on 'Enhanced and structure approach to EBRD policy reform engagement' – for senior management and Board discussion in July 2015 – also addressing the issues raised in this recommendation.

EvD Comment

EvD was invited to comment on the draft paper and provided comments on the 23 June. It remains to be seen whether the final paper addresses some of the key issues highlighted by EvD. In summary:

- EvD emphasised the importance of including civil society who can be a strong partner for pushing a reform agenda. Civil society is adept at mobilising critical support for new legislation or regulations, and can monitor progress.
- In addition to policy advice, serious consideration must be given to policy implementation, which requires advice from experienced practitioners
- Politicians should be included amongst the stakeholder groups and policy dialogue staff that understand the realities of public policy making will be needed.
- Diagnostic work at the sector level is necessary to ensure country relevant messages are accurate and up to date.
- The integrated approach will be important as it can create conditions of critical mass for reform, bringing together a series of investments, TC and policy dialogue.
- Training to expand the skills of existing staff to meet the requirements in the area of policy dialogue (including in ROs) will be needed. New staff with new skill sets will likely be required. There is a need to look into what support the Communications department may be able to provide in supporting policy implementation.
- Strategies will be needed to tackle reform opponents and governments reluctant to reform. Advocacy and developing a coalition of support is important.
- Indicative resource requirements should be clearly articulated at this early stage.

Recommendation 2: The results focus of the Bank's policy dialogue in Ukraine should be enhanced

This recommendation aims to help address the problem that success with delivering planned outputs from policy dialogue (laws, regulation, policy decisions and so on) has not always resulted in the desired outcomes and impacts. The recommendation is also geared towards helping address the reality that results have not always been sustained as a result of any mix of; weak political or economic commitment, poor implementation, absence of needed fine-tuning or modification in light of early implementation experience, production of unintended negative or perverse outcomes that need to be addressed, and the ever-present potential for capture or reversal through the efforts of economically and politically powerful groups acting in their self-interest.

The rationale for the recommendation is that if expected outcomes and impacts are not clearly specified, along with a plausible cause and effect story linking them to planned outputs, then it is unlikely that there will be monitoring of their achievement or effective management directed towards their achievement. All evidence indicates that outcomes and impacts will not take care of themselves even if outputs are successfully delivered. The risks of not achieving outcomes and impacts, most importantly the political economy and institutional risks, need to be both identified and managed.

A greater focus on results, particularly at the outcome and impact level, will help EBRD "tell the story" of what is being achieved from this important area of activity. Information on results achieved (or not achieved) provides the basis for learning about what works, what does not and why and possession of this information positions EBRD to be a more effective advocate for replication of the policy dialogue success and for supporting investments with knowledge.

i) Introduce a requirement that major areas of policy dialogue (see item [iv] under recommendation 1 above) should be based on good analytical underpinning that clearly identifies problems and describes the consequences of those problems in quantitative and qualitative terms (this to provide baseline levels of performance and indicators for subsequent monitoring). Immediate and underlying causes of those problems should be identified – importantly, political economy and institutional causes. Such analysis may be done by EBRD or be commissioned by it, or there may be analysis done by others that is available – the important thing is that it exists and is used.

ii) Require that major areas of policy dialogue should be guided by a results framework that:
   - Plausibly links results at the levels of outputs, outcomes and impacts to the inputs to be provided and actions to be carried out
   - Identifies the political, technical and institutional risks and the principal assumptions
   - inherent in the implicit or explicit "theory of change" that links outputs, outcomes and impacts to the level below
   - Considers the distribution of benefits (the identified positive results) and costs among various societal groups and what their reactions will be to receiving, not receiving or losing benefits
   - Considers the expected timing of benefits in relation to the time at which costs will be incurred
   - In light of the previous point, seeks to identify "quick wins" and can help build and/or sustain commitment.

iii) Require regular monitoring of; process (what has worked and what has not), results achievement in terms of outputs, outcomes and impacs), risks, continued validity of assumptions and relevant changes in the context.

iv) Results reporting both in quantitative terms and, very importantly, in a more qualitative format through storytelling that informs about the process as well as the results (or lack of them).

Management Response – Agree (02/05/15)

No action plan, however, this recommendation is being addressed. Policy dialogue activities are already prominent on TC results framework level, country strategy results framework level (as per the Country Strategy Results Paper approved by the Board in September 2014), and, in exceptional cases, on Multi-donor fund level (as per the Transition Impact Results Framework Architecture Paper endorsed by FOPC in September 2014), including that currently being prepared for Ukraine multi-donor account.

Management Update – Complete 29/6/15

The recommendation is addressed. Policy dialogue activities are already prominent on TC results framework level, country strategy results framework level (as per the Country Strategy Results Paper approved by the Board in September 2014), and, in exceptional cases, on Multi-donor fund level (as per the Transition Impact Results Framework Architecture Paper endorsed by FOPC in September 2014), including that prepared for Ukraine multi-donor account.

EvD Comment (June 2015)

EvD considers recommendation 2 to be work in progress. There are achievements but here is still much to achieve in terms of laying out the results expected from the considerable amount of policy dialogue carried out in Ukraine. A few indicators in a country strategy is not sufficient for claiming success.

Recommendation 3: Resource gaps (qualitative/skills and quantitative) should be addressed

It has been increasingly frequently stated that more resources are needed to support policy dialogue but little has happened to address this need. It is time for more decisive action.

Possible actions:

i) Consider appointing a government relations and civil society engagement adviser to be based in the Kiev resident office. This person would work closely with the Senior Adviser who is responsible for a range of functions including media relations and the Lead Regional Economist expected to be Kiev-based in the near future. The principal purpose of this position is to fill what this evaluation sees as a very important skills gap in terms of political economy expertise and advice to teams carrying out policy dialogue in Ukraine. A secondary, though still important purpose is to provide the resources required for a stepped up outreach programme with civil society and other groups. This has multiple objectives including helping build coalitions for change, seeking input into policy messages, and working collaboratively on monitoring policy outcomes and impacts. The position could be filled by appointing a staff person or contracting in the required expertise.

ii) Replicate the success of the EBRD-FAO Investment Centre partnership by entering into similar collaborative arrangements with recognised technical centres of excellence.

iii) In some cases it may make sense to recruit policy experts to the staff (E2C2 has done so), or short-term staff positions but in other cases it may be preferable to contract in this expertise as needed (as agribusiness has) – in the latter case, particular efforts must be made to capture the learning to avoid a loss of institutional memory.

iv) More extensive use can be made of national staff in the resident office for a variety of roles to improve the chances of success from policy dialogue.

v) Ensure Communications Department has the resources to play a greater role as member of teams engaged in major policy dialogue initiatives.

vi) Review the capacity of Office of the Chief Economist to provide a programme of research and analysis relevant to major policy dialogue initiatives.

vii) Develop a self-maintained inventory of staff skills relevant to policy dialogue and provide the opportunity for people from other parts of the Bank to be part of the proposed policy dialogue reference teams (see recommendation 5, item [iv]).

viii) Define a set of skills that those who participate in policy dialogue on behalf of EBRD should possess. Based on this, put in place a programme by Learning and Development to develop and enhance skills. As well in-house courses this could include participation in external courses, sector specialist conferences and work attachments.

ix) Create learning opportunities such as through the creation of a network of policy coordinators and/or policy dialogue community of practice and in-house policy dialogue blog.

x) Consider creating a contestable fund for quick approval of policy dialogue-related activities including the costs of conferences and outreach events, commissioned analytical work, publications and so-on.

Management Response (Agree, 02/05/15)

Management did not comment on possible actions under the recommendations as it intends to consider them further in the context of its work on a new approach to enhanced and structured policy dialogue. A draft approach paper is being prepared for SPCom consideration after the new VP Policy has joined.

Management Update – Nearly complete 29/6/15

VP Policy and Partnerships is preparing a paper on 'Enhanced and structure approach to EBRD policy reform engagement' – for senior management and Board discussion in July 2015 – resource gaps have been identified and will be outlined both in the above paper and under SIP.

EvD Comment -Please see EvD comment contained in recommendation 1 above.

Recommendation 4: Some enhancements should be made to the way in which the Bank engages with country counterparts

This recommendation is aimed at addressing a number of issues that Ukrainian counterparts identified as sometimes impeding progress with policy dialogue.

i) Effort may be required to "sell the problem" before selling the solution – what may be clearly seen as a problem needing fixing to EBRD may not be identified as such by the Ukrainian side, or it may not be high up on their policy agenda. Having a good analytical underpinning can be part of selling the problem. The need to "sell the problem" is part of the asymmetry of information and data that often exists between international partners on the one hand and Ukrainian counterparts on the other and which is something the Bank should continually seek to address.

ii) There could be a more consistent effort to develop policy solutions with Ukrainian policy actors to help ensure that these solutions are feasible to implement within the domestic context. Understanding the counterarguments and whose interests are being served by these is an important part of developing a strategy and set of tactics for policy dialogue. EBRD should enhance its use of evidence-based analyses to explain to key counterparts the policy issues and possible solutions. Solutions should be customised to the problem in the particular context of the country – any solution needs to be robust and be capable of solving the problem in a way that is acceptable to those that have to approve and implement the solution.

iii) Providing only one solution or scenario for change can be counterproductive in cases where there is strong opposition to change and many powerful stakeholders are negatively affected by these – the Bank should have more flexible approach to suggesting policy solutions and demonstrate more empathy and understanding of the counterarguments and be more prepared to address these constructively.

iv) Having decided to engage in policy dialogue, EBRD should identify its allies and seek to align these to its cause. A more "campaign-like" approach might be necessary.

Management Response (Agree, 02/05/15)

The management did not comment on possible actions under the recommendations as it intends to consider them further in the context of its work on a new approach to enhanced and structured policy dialogue. A draft approach paper is being prepared for SPCom consideration after the new VP Policy has joined.

Management Update – Nearly complete 29/6/15

VP Policy and Partnerships is preparing a paper on 'Enhanced and structure approach to EBRD policy reform engagement' – for senior management and Board discussion in July 2015 – also addressing issues like planning policy reform engagement and support for implementation as well the coordination and delivery structure within EBRD.

EvD Comment Please see EvD comment contained in recommendation 1 above.

Recommendation 5: Some improvements can be made in the way in which the Bank manages its policy dialogue work

This recommendation and the possible actions are designed to address a number of process issues identified by the evaluation.

i) There should be an explicit approval process for all policy dialogue, whether major or minor – for major policy dialogue initiatives the Strategy and Policy Committee would be the logical approval authority. Minor policy dialogue is probably most appropriately approved by directors.

ii) A decision to engage in policy dialogue aimed at bringing about policy change should in all cases constitute a preparedness and capability to support policy implementation, particularly in contexts with weak implementation capacity, and/or weak commitment to reform, and/or where the opponents of reform are economically and politically powerful with a propensity to reverse or capture reform.

iii) All major policy dialogue initiatives should have a clearly identified EBRD leader or leadership team.

iv) All major policy dialogue initiatives should have oversight provided by a reference group comprising internal and external members covering technical, policy and political economy expertise – this group to be involved in the decision to engage, strategy and tactic selection, and considering and advising on the results of review, monitoring and reporting.

v) The aim of managing the policy dialogue process should be to have a "joined-up" approach on the EBRD side – importantly, this needs to involve all relevant departments including Small Business Services, and the Communications Department

vi) The initiative shown by some departments in designating policy coordinators should be extended to all departments engaged in policy dialogue with a next step being the formation of a network of policy coordinators.

vii) Working at the regional level can also be a useful entry point to influence national policies. Having relatively powerful allies in different regions and municipalities of Ukraine can add to the EBRD's national policy dialogue efforts. Mobilisation of networks of local leaders could be important factor for strengthening pro-reform lobby at the central level.

viii) Coordination with other international finance institutions and donors can deliver benefits, particularly in highly contested policy areas where reforms are opposed by powerful economic groups and their political agents – open conflicts and disagreements may weaken the international influence. On the other hand, coming up with unified positions may weaken the process of policy debate by reducing consideration of a variety of possible solutions to policy problems.

ix) External coordination should be on a broader scale and involve actors other than just international agencies, particularly when the government is not convinced of the need for reform, or there are implementation challenges – there is a wide range of domestic actors with whom EBRD can engage, including business associations, civil society organisations, think tanks, academia, and the media, with aim of such engagement being to build a coalition and climate for change.

x) In particular, EBRD should increase its engagement with the networks and associations which medium-size businesses belong to, which are different from EBRD's standard association contact points (i.e. American Chamber of Commerce and European Business Association).

xi) EBRD should also engage with a broader range of civil society organisations – it should update its database of CSO contacts in Ukraine on a regular basis and involve their representatives more proactively in its policy dialogue work.

xii) Working with the media should be part of the strategy for every major policy dialogue initiative.

xiii) Greater visibility to policy dialogue across the board is desirable, including acknowledging the good work being done by many staff, often in very difficult circumstances.

Management Response – Agree (02/05/14)

Management did not comment on possible actions under the recommendations as it intends to consider them further in the context of its work on a new approach to enhanced and structured policy dialogue. A draft approach paper is being prepared for SPCom consideration after the new VP Policy has joined.

Management Action Plan - None

Management Update – Nearly complete 29/06/15

VP Policy and Partnerships is preparing a paper on 'Enhanced and structure approach to EBRD policy reform engagement' – for senior management and Board discussion in July 2015 – also addressing the issues raised in this recommendation.

EvD Comment Please see EvD comment contained in recommendation 1 above.

Evaluation of the agribusiness sector strategy (2015)

#	Recommendation	Management Response	Status - Management	Status - EvD	Last Update
1	Establish a stronger logical link between sector transition gaps and the choice of strategic priorities, at least for selected gaps and priority countries	Partly Agree		Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
2	If food security remains the strategic focus, it should be defined so as to result in greater operational selectivity and/or have greater clarity on the results expected in this area	Partly Agree		Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
3	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	Partly Agree		Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
4	Prioritise capex (above working capital/balance sheet restructuring), as well as new clients (over repeat clients). Provide better justification and rationale for support of retail projects	Partly Agree		No Action Plan provided by Management. More comment below.	02/06/15
5	Set dimensions of sector policy dialogue for selected priority countries and its delivery channels, utilising a well-developed analysis of the persistent transition challenges (e.g. trade barriers, subsidies). Ideally, coordinate its implementation with wider political processes (e.g. European Union or World Trade Organisation accession)	Partly Agree		Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
6	Set results frameworks for priority countries and articulate 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.	Partly Agree		Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
7	Make more explicit the theory of change that connects what EBRD plans to deliver the outcomes and impacts to which it hopes to contribute.	Partly Agree		Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
8	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).	Partly Agree		No Action Plan provided by Management. More comment below.	02/06/15
9	Focus even more sharply on ETC countries, to which SEMED countries should be added as a priority region. Continue targeting key agricultural countries (Ukraine, Russia and Kazakhstan) but mainly for projects with strong strategic relevance or SEMED/ETC links. Better align support for Turkey and Western Balkan countries (all of which are either EU candidate or applicant countries) with sector reform	Partly Agree		No Action Plan provided by Management. More comment below.	02/06/15

	and food safety improvements in the context of EU accession.			
10	Further strengthen the sustainability theme by the inclusion of specific targets for country groups within the results framework, for example, number of tons of CO2 emission reduction.	Partly Agree	Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
11	Treat high business volume and project numbers as an input within the results framework, and set it as part of a success indicator only if it leads to systemic changes addressing sectoral transition challenges, for example providing credibility to facilitate policy dialogue with the government, resulting in systemic changes.	Partly Agree	No separate Action Plan; to be addressed through the action plans for recommendations 6 &7.	02/06/15
12	Establish a clear link between the use of funds and the expected impact on operations, with appropriate measures and benchmarks.	Agree	Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
13	Strengthen in-house primary agricultural expertise to better assess the risks and opportunities of upstream projects. Target more cooperatives and farmers associations.	Partly Agree	Action plan just submitted 2/6/15 – too early for review of implementation.	02/06/15
14	Consider (together with FAO and other IFIs) assisting selected countries in drafting their agricultural/agribusiness strategies. Use it as an entry into a long-term policy dialogue process.	Partly Agree	No action plan provided by Management. Management indicates other IFIs are already doing this. EvD believes EBRD still has a complementary role to play here.	02/06/15
15	Increase co-investments with IPA funds in food safety standards in Western Balkans, especially as the requisite standards need to be achieved upon completion of the accession negotiations.	Partly Agree	No action plan provided by Management, although the response was positive. EvD suggest a concrete action plan be developed.	02/06/15

Grey shaded: At risk

Recommendation 1: Establish a stronger logical link between sector transition gaps and the choice of strategic priorities, at least for selected gaps and priority countries

Management response – Partly Agree (24/03/15)

Management agrees that the choice of strategic priorities is based on and anchored on an analysis of the sector transition challenges. Nevertheless, management believes that progress of Bank's activities in the sector in the course of the sector strategy period, cannot always be measured in terms of sector transition gaps. The transition gap score is an aggregate measure not granular enough to reflect the various aspects of the sector and often no change can be reasonably expected over a strategy period. Only in some cases specific significant changes could be achieved in a 3 particular sub-sector/country that may affect the transition gap score (i.e. change in ATC gap could be used to measure success), as the Bank is often a small player in the overall sector in many countries. Management believes that while a sector strategy is an important instrument that provides focus and guidance for Bank's activities in a specific sector, it cannot provide a detailed country by country analysis and Bank's response. A country strategy is the best framework that brings together the specific sector challenges and Bank's strategic priorities and response in a country context.

Management Action Plan (June 2015)

Action	<u>Assessment of agribusiness transition challenges in selected countries and possible strategic orientation of the Bank to resolve these challenges</u> The Bank will proceed with an update of the existing Agribusiness sector strategy to include the relevant EVD recommendations. The evaluation has concluded that 2010 strategy was successful with recommendation focused on further improving and fine tuning the strategy. As a result, the updated Agribusiness Strategy as well as the relevant Country Strategies will emphasise on the stronger link between selected sector transition gaps and the choice of strategic priorities in the selected priority countries where such gaps are identified. The updated Agribusiness sector strategy will take into consideration the existing sectorial transition scores which reflect the judgements of OCE/CSE VP Policy about progress in transition by sector and the size of the remaining transition "gap" or challenges ahead. So far, the scoring for the components (led by CSE) is based on either publicly available data or observable characteristics of market structure and institutions. For specific countries, where more detailed analysis/information might be needed in relation to the corporate sector, analytical work – likely to require TC - will be carried out to help identifying strategic investments/policy dialogue activities that can be prioritized to alleviate remaining challenges in priority countries and their rationale as part of the fine-tuning of the strategy. Priority countries will be selected following this rationale: (1) countries where the level of agribusiness investments is high, hence there is an opportunity to bring about the required transition; (2) countries where transition gaps are still large (SEMED and ETC); (3) countries where one of the strategic priorities of the strategy (e.g. food security in SEMED) is important to address remaining sector gaps. The rationale and the logical links will be reflected in the updated sector strategy; the alignment of the gaps to the Priorities will be included in the upcoming Country Strategies (in the context of their updates).		
Due	December 2015	*Business Unit*	Agribusiness / CSE
Schedule	3 months required for approval/contracting Expected completion will be 6 months from contracting	*Resources required*	Yes - TC funds will be needed. The TC will be focused on the review of specific transition challenges in selected countries and how these can be strategically addressed by the Bank.
Update	2/06/2015 – In progress Action Plan was recently provided		

EvD Comment (June 2015) This appears to be good progress.

Recommendation 2: If food security remains the strategic focus, it should be defined so as to result in greater operational selectivity and/or have greater clarity on the results expected in this area

Management Response – Partly Agree (24/03/15)

Management recognises the importance of greater focus in the sector strategy but would like to argue that in the case of food security the strategic priorities cannot be narrowly defined and fully prescribed. The Bank needs to retain some flexibility to be able to respond to issues as they arise, which is particularly important for a volatile sector such as agribusiness (and even more so for food security), while the project appraisal function ensures that the Bank's activities remain in line with the strategic objectives. For instance, when the Bank started to consider food security as a strategic objective, in preparation for its 2010 strategy, the context was quite different with high commodity prices and high increases in the cost of food. Today, the focus on quality is justified as high prices have resulted in an increased supply response.

Management Action Plan (June 2015)

Action	Update on Food Security and its definition We will update the food security definition. Food Security will remain a strategic focus of updated Agribusiness sector strategy and is also a priority area of the Strategy Implementation Plan. The Bank will define Food Security more specifically in the context of strategy update to include the following 3 sub categories: (i) increasing production volumes to supply higher volumes of food globally; (ii) increasing quality of food produced in the Bank's COOs for better nutrition and increased food safety for the consumers; (iii) increasing resource efficiency and innovation with a focus on sustainability of the food production and distribution (especially in food deficit/net import countries).		
Next Steps	The Bank will commission an update of the 2009 report "Food Security in the Transition Region" which will present analysis and recommendations on how the Bank can further assist specific countries to advance transition through implementation of policies and investment strategies along the above mentioned sub-categories. The Bank has already reviewed it existing Agribusiness sector portfolio to allocate projects against these sub categories. The fine-tuning of the food security definition and the recommendation will presented to the Board in the context of the 2015 Update on the food Security Initiative.		
Due	December 2015	*Business Unit*	Agribusiness / CSE
Schedule	3 months required for approval/contracting Expected completion will be 6 months from contracting	*Resources required*	Yes - TC to update of the 2009 report Food Security in the Transition and SEMED Region.
Management Update	2/06/2015 – In progress Action Plan was recently provided		

EvD Comment (June 2015)

The action plan is substantially more responsive than Management's Comments on the evaluation.

Recommendation 3: 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

Management Response – Partly Agree (24/03/15)

Management concurs that describing how other institutions may target transition challenges is important to provide a backdrop for Bank's focus, role and partners in addressing sector challenges. However, it would not be realistic for the strategy to present detailed plans and strategies of other institutions (including IFIs) in the sector, such as timing or targeted measurement of success.

Management Action Plan (June 2015) – In progress

Action	Consultation with other IFIs operating in the selected priority countries The Bank will consult with other IFIs during preparation of the updated strategy and will reflect the findings of such consultations in the updated strategy document; this will be done also in the context of the update of the review Food Security in the Transition and SEMED Region (2009).		
Next Steps	Updated sector strategy reflecting findings of IFIs approach in Agribusiness sector in the selected priority countries.		
Due	December 2015	*Business Unit*	Agribusiness / CSE VP3
Resources required	No	*Management Update*	2/06/2015 – In progress Action Plan was recently provided

EvD Comment (June 2015)

Management's comment misinterpreted EvD's recommendation. The proposed action plan is more responsive.

Recommendation 4: Prioritise capex (above working capital/balance sheet restructuring), as well as new clients (over repeat clients). Provide better justification and rationale for support of retail projects

Management Response – Partly Agree (24/03/15)

Management agrees in principle with the first part of the recommendation and believes that the Bank as a rule prioritises capex (vs. working capital) and new clients (vs. repeat clients), as also reflected in the ex-ante transition impact rating by the Office of the Chief Economist. The study correctly highlights/considers the effect of the crisis on the extent of working capital and repeat client investments in the period under consideration. The Bank's ability to do capex projects has been affected by the lower investment growth opportunity/growing markets in particular in the agribusiness sector due to the crisis during the study period. Hence, the Bank sometimes supported important viable businesses balance sheet restructurings (to help keep these companies alive) and ensured they are able to pay their suppliers (often primary producers and processors) via working capital financing, or sometimes to start a relationship with a new client. Management believes that it would have been useful had the study identified some specific examples of capex investments that could or should have been financed by the Bank to help management's update the future strategy in the sector.

Seasonal working capital plays a crucial role in agriculture as crop farming is equivalent to an investment cycle within a year (investing in seeds, fertilisers and chemicals and harvesting). The Bank's role in helping farmers and industry accessing working capital is demonstrated and management considers that this should continue to be a strong focus in the sector and that limiting future working capital investments would be incompatible with the recommendation to invest more in primary agriculture. Management sees returning clients as positive, as it has helped the Bank in developing stronger partnerships which resulted in more innovations and involvement in policy dialogue. It should also be noted that the share of new versus existing business remains stable over the years (between 50 and 60 percent).

Management believes that the study's recommendation of better justifying the rationale for its food retail investments, is based on the experience of only three small retail projects, and disregards the positive evidence (including Operation Performance Assessments and Operation Evaluations, and consultant reports) the Bank has assembled over the years. Important transition impact in this sector includes setting new business standards, sustainability, securing off takers for suppliers and better quality, assortment and prices for consumers amongst many others. Management has been and will continue to be selective and focused only on food retail projects with a demonstrable transition impact.

Management Action Plan (June 2015)

No action plan. The strategy update will reflect the rationale stating that (i) the Bank will continue to prioritise financing of capex investments; that (ii) working capital financing will continue to be provided on a selective basis as a liquidity support for the businesses with significant seasonal working capital requirements, as well as the enhancement of the associated capex investments.

The Bank will continue to be selective with regard to the new food retail projects with relevant justification and rationale to be provided by the project teams during project approval process. The Team commissioned an analysis of sustainable retail to help designing future retail operations. Retail projects will likely include technical cooperation components (such as trainings, advice) to increase the overall Transition impact of retail projects. In some cases, when a conditionality element can be agreed with the client, the team will seek to include it in the project (e.g. Spar Slovenia).

EvD Comment – June 2015

On balance, Management's response indicates it will continue doing what is already doing. EvD stands by what it believes is important and compelling evidence presented in its study; additional evidence emerging from a current EvD study on Supply Chains and Backward Linkages in larger-scale food retail projects, largely confirms this and will be presented in due course.

Recommendation 5: Set dimensions of sector policy dialogue for selected priority countries and its delivery channels, utilising a well-developed analysis of the persistent transition challenges (e.g. trade barriers, subsidies). Ideally, coordinate its implementation with wider political processes (e.g. European Union or World Trade Organisation accession)

Management Response – Partly Agree (24/03/15)

Management agrees on the need for an enhanced and structured policy dialogue and coordination. It is however, important to retain the advantages of Bank's flexible, demand and transition opportunities driven, investment experience based approach. As the study acknowledges, policy dialogue in the agribusiness sector has historically been most effective when 1) the Bank has a critical mass of clients to back up its demands and 2) there is a clear opportunity that needs addressing. This is well illustrated by the client driven bottom-up Ukraine example. Had the last strategy been too prescriptive, the Bank may have felt corralled into avenues that may have turned out to be much less productive than the opportunities it actually took on in this case. Whenever possible, the Bank will however attempt to adopt a more structured approach in the context of country strategies, similar to the mapping exercise currently being implemented in cooperation with the Ministry of Agriculture in Turkey.

Management Action Plan (June 2015) – In progress

Action	Assessment of agribusiness transition challenges in selected countries and possible strategic orientation of the Bank to resolve these challenges through policy dialogue Identification of Policy dialogue priorities its delivery channels for selected countries, also in the context of country strategies.		
Next Steps	As part of the 2 study commissioned under Rec 1 and Rec 3 policy dialogue priorities will be identified, also in cooperation with CSE VP3. [Rec. 1 The Bank will commission a study to help identifying strategic investments/policy dialogue activities that can be prioritized to alleviate remaining challenges in priority countries and its rationale. The review will be done in close cooperation with all relevant internal and external stakeholders. Rec 3. The Bank will commission an update of the 2009 report Food Security in the Transition Region which will present analysis and recommendations on how the Bank can further assist specific countries in the to advance transition through implementation of policies and investment strategies along the above mentioned sub-categories]. There is an ongoing effort at the EBRD to strengthening the tools and modalities of conducting policy dialogue activities. The team will engage in these discussions - together with CSE- to align sector wide policy priorities and the channel of delivery policy dialogue. Also, the Team will seek to leverage VP3 expertise and staff in the conduct of these activities.		
Due	December 2015	*Business Unit*	Agribusiness / CSE VP3
Resources required	No	*Update*	2/06/2015 – In progress Action Plan was recently provided

EvD Comments (June 2015)

Management's intention to set dimensions and outline delivery channels of policy dialogue in the new strategy through the assessment of transition challenges as proposed under points 1 and 2 is welcome.

Recommendation 6: Set results frameworks for priority countries and articulate 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.

Management Response – Partly Agree (24/03/15)

Management agrees that a strategic analysis of transition challenges and the choice of strategic priorities articulated in specific objectives are important in the sector strategies. However, sector strategies that have a broad cross-country coverage with very heterogeneous challenges do not lend themselves to a separate full results framework. As already stated above, a country strategy is the best framework that brings together the specific sector challenges and Bank's strategic priorities and response in a country context. Therefore, as agreed in October 2014 by FOPC in the discussion of the Architecture of Transition Impact Results Frameworks in the Bank, aiming to streamline, rationalise and provide consistency in the results frameworks structure of the Bank, "Sector strategies and initiatives will have Performance Monitoring Frameworks (PMF) that set clear objectives and track performance through key output level indicators. Partly agree as agribusiness theme related Results Frameworks will be developed in the context of Country Strategies. Relevant outcome and impact level results are measured, monitored and reported at country level as part of Country Strategy Results Framework, and can be used as extracts to illustrate and discuss performance of sector strategies and initiatives". The results frameworks for investment projects and technical assistance (the former is being improved) are the key building blocks for measuring and reporting on results.

Management Action Plan (June 2015)– In progress

Action	<u>Set an appropriate result framework</u> Agree on the appropriate result framework for sector strategies and reflect it in the updated strategy.		
Next Steps	The above recommendation will be considered in further discussions in management and with EvD about the appropriate Results Measurement Frameworks for sector strategies in the context of the ongoing review of project Results Frameworks and streamlining of the overall results architecture in the Bank. The conclusion of these discussions, if on time, will be reflected in the development of the results measurement framework for the new Agriculture Sector Strategy. If not, the updated sector strategy will have a Performance Monitoring Frameworks (PMF) that articulates clear objectives and track performance through key output level indicators, with higher level outcome and impact indicators to be measured and monitored in country strategies, as relevant.		
Due	At the time of approval of update Agribusiness Sector Strategy	*Business Unit*	Agri team Banking with support from CSRM in VP3
Resources required	No	*Update*	2/06/2015 – In progress Action Plan was recently provided

EvD Comment (June 2015)

The content of Performance Monitoring Frameworks (PMF), rather than Results Frameworks, will warrant close Board scrutiny.

Recommendation 7: Make more explicit the theory of change that connects what EBRD plans to deliver the outcomes and impacts to which it hopes to contribute.

Management Response – Disagree (24/03/15)

Management agrees that a strategic analysis of transition challenges and the choice of strategic priorities articulated in specific objectives are important in the sector strategies. However, sector strategies that have a broad cross-country coverage with very heterogeneous challenges do not lend themselves to a separate full results framework. As already stated above, a country strategy is the best framework that brings together the specific sector challenges and Bank's strategic priorities and response in a country context. Therefore, as agreed in October 2014 by FOPC in the discussion of the Architecture of Transition Impact Results Frameworks in the Bank, aiming to streamline, rationalise and provide consistency in the results frameworks structure of the Bank, "Sector strategies and initiatives will have Performance Monitoring Frameworks (PMF) that set clear objectives and track performance through key output level indicators. Relevant outcome and impact level results are measured, monitored and reported at country level as part of Country Strategy Results Framework, and can be used as extracts to illustrate and discuss performance of sector strategies and initiatives". The results frameworks for investment projects and technical assistance (the former is being improved) are the key building blocks for measuring and reporting on results.

Management Action Plan (June 2015) – In progress

Action	Review of TI results architecture – addressing results management at sector level		
Next Steps	The above recommendation will be considered in further discussions in management and with EvD about the appropriate Results Measurement Frameworks for sector strategies in the context of the ongoing review of project Results Frameworks and streamlining of the overall results architecture in the Bank. The conclusion of these discussions, if on time, will be reflected in the development of the results measurement framework for the new Agriculture Sector Strategy.		
Due	December 2015	*Business Unit*	
Resources required	No	*Update*	2/06/2015 – In progress Action Plan was recently provided

EvD Comment (June 2015)

See previous comment.

Recommendation 8: 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).

Management Response – Partly Agree (24/03/15)

Management recognises the importance of coordination and collaboration with other banking teams and has indeed developed an effective process of cooperation across many teams including in Banking, the Office of the Chief Economist, Legal Transition Team, Energy Efficiency and Climate Change, as also stated in the study. Management disagrees with the finding that "consultations with the Bank's Infrastructure department were limited and did not result in any proposal to collaborate on concrete initiatives set out in Strategy 2010". Cooperation with the infrastructure team has been focused on grain infrastructure as a major bottleneck and the Bank's attempts to address this seem to be underestimated in the evaluation (around 8 deals over the period have had elements addressing grain infrastructure in 2011 – 2013, via port terminals and silos mainly), with more investments in 2010 and 2014, including railway wagons. Many infrastructure projects were reviewed by both teams but could not be implemented due to integrity reasons mainly resulting from less than transparent privatisation processes or due to issues surrounding concessions. Under such conditions, in management's view further increased cooperation between the two teams would not necessarily generate more projects.

Management Action Plan (June 2015)

No action plan. There is an ongoing effort to create Community of Practices at the EBRD. In particular the Community of Practice "ICA value chain sustainability and food security" will be the ideal place to foster better collaboration among ICA-related sectors, such as transport. This setting will allow to better coordinate the activities carried out by the different teams, hence improving modalities of cooperation and business outcomes. The Agribusiness team will pursue this venue to encourage greater synergies with the infrastructure/transport team.

EvD Comment (June 2015)

Management's comment seems to reflect a view that the main purpose of cross-team cooperation is to "generate more projects." The value of and need for effective such cooperation goes well beyond this; and the proposition that improvement on this front would yield substantial value for the Bank and its client is a core element of the One Bank concept. The evaluation did not suggest that there was no such collaboration but rather that there seemed to be many opportunities where it could be improved with respect to infrastructure such as transport. Of course, effective cross-team cooperation requires willing and pragmatic partners on both sides. It is not solely for the Agribusiness team to drive good cooperation; engaged and willing Infra counterparts are needed too.

Recommendation 9: Focus even more sharply on ETC countries, to which SEMED countries should be added as a priority region. Continue targeting key agricultural countries (Ukraine, Russia and Kazakhstan) but mainly for projects with strong strategic relevance or SEMED/ETC links. Better align support for Turkey and Western Balkan countries (all of which are either EU candidate or applicant countries) with sector reform and food safety improvements in the context of EU accession.

Management Response – Agree (24/03/15)

No initial response as the above recommendation was not included in the Executive Summary.

Management Action Plan (June 2015)

No Action Plan. The Bank will continue to focus on ETC and SEMED countries, as this will be reflected in country strategies. In these countries, the Bank will be aiming to develop new instruments using available TC funding (advice for agri- sector development activities, risk sharing etc) to further increase our capacity to deliver greater results without compromising on quality. The successful program Advice for Agribusiness team in ETC and SEMED countries will continue to be carried out to allow the agribusiness team to reach out to prospective clients in these regions. The two embedded SBS staff in the Team will continue to work side by side with agribusiness bankers to select companies that have changes to become bankable, allowing for greater EBRD penetration in these markets.

The individual projects in the remaining countries will be selected based on the transition gap analysis and the individual project's relevance in addressing such transition gap(s) in line with responses to Rec 1 and Rec 3.

EvD Comment (June 2015)

The response to the request for an Action Plan suggests that the team will do what it has already been doing. As per our review, Agribusiness team has indeed been gradually increasing its operations in ETCs, while Advice for Agribusiness program has been at the heart of this effort. However the rate of such an increase has been slower than that of the rest of the Bank and many of the RO directors (and other Bank's staff involved in ETC's business development) commented to EvD that Agribusiness team has been doing very good job there, however it could have been doing much more. They believed that small size and difficult environment deterred the team from pursuing more projects (as bigger ones in more advanced countries seemed to win its favour). Therefore a stronger commitment to ETCs in the new strategy would be welcomed.

Recommendation 10: Further strengthen the sustainability theme by the inclusion of specific targets for country groups within the results framework, for example, number of tons of CO2 emission reduction

Management Response - Partly Agree (24/03/15)

It would be extremely complicated to define sustainability targets at country and regional level: the sustainability theme comprises several dimensions which require a different level of analysis for example in terms of impact (local vs global), definition of boundaries and baseline, identification of applicable methodologies and benchmarks. In addition, any target setting would require the establishment of an MRV system with associated cost/staff implication and incremental operational complexity.

This is confirmed by the experience of the EBRD with the SEI/SRI and in general, at the MDBs level, in respect to the harmonisation of procedures and methodologies to track climate finance and associated impact. It's worth remembering that, the CO2 emission reduction target the EBRD within the SEI phase 1-3 (2006-2014) was set up as a single target across all CoO.

The work of the Bank in defining transition indexes and transition gaps in specific areas is perhaps the most suitable approach in the identification of the potential for improvement at country level. The Bank has developed in 2011 the SEI Transition indexes and is currently developing SRI Transition indexes which add to energy the materials and water efficiency dimensions.

Management Action Plan – In progress

Action

Strengthen sustainability theme

At a sector level, the Agribusiness Team is currently developing a Sustainability Index for the Retail Sector which will include an analysis of policy gaps and a review of the application of best practice in terms of technologies and practices. Sustainability indicators will cover dimensions such as energy and resource efficiency (in retail store facilities, distribution and waste management), food value chains (in terms of food quality and standards, sustainable food products) and governance and inclusion.

This activity will focus on Croatia, Moldova, Morocco, Turkey and Ukraine.

In addition, the Agribusiness Team, jointly with the EECC team has appointed the FAO to extend and customise the application of the FAO BEFS (Bio Energy and Food Security) tools to Egypt, Turkey and Ukraine. This work includes the analysis of bioenergy opportunities and the development of a risk assessment tools for bioenergy projects.

It is worth noting that it would be extremely complicated to define sustainability targets at country and regional level because, in addition to the demand driven nature of Bank's business model, the sustainability theme comprises several dimensions which require a different level of analysis in terms of impact (local vs global), definition of boundaries and baselines, identification of applicable methodologies and benchmarks.

Next Steps

1) Sustainability Index for the Retail Sector: development of sustainability criteria, country analysis
2) FAO BEFS (Bio Energy and Food Security) tools: finalisation of "rapid appraisal" tool in Turkey and Egypt, development and customisation of the "operational level tool" in Ukraine, Egypt and Turkey.

Due	1) Sustainability Index for the Retail Sector: end 2015	*Business Unit*	1) Sustainability Index for the Retail Sector: Agribusiness and EECC

	2) FAO BEFS (Bio Energy and Food Security) tools: mid 2016		2) FAO BEFS (Bio Energy and Food Security) tools: Agribusiness, EECC and ESD
Resources required	Already committed	*Update*	2/06/2015 – In progress Action Plan was recently provided

EvD Comment (June 2015)

The action plan is substantially more responsive than the prior Management comments and contains some positive features. However, while development of an index is a good initiative, the recommendation called explicitly for identifying targets. It would be valuable if the indexes to come were to contribute to doing so.

Recommendation 11: Treat high business volume and project numbers as an input within the results framework, and set it as part of a success indicator only if it leads to systemic changes addressing sectoral transition challenges, for example providing credibility to facilitate policy dialogue with the government, resulting in systemic changes.

Management Response – Partly Agree (24/03/15)

No initial response as the above recommendation was not included in the Executive Summary.

Management Action Plan (June 2015)

No action plan. The above recommendation is going to be dealt with together with recommendations 6 and 7. Please refer to recommendations 6 and 7 for further details.

Recommendation 12: Establish a clear link between the use of funds and the expected impact on operations, with appropriate measures and benchmarks.

Management Response – Agree (24/03/15)

The Bank will continue reinforcement of the link between the use of funds and the expected results such as output and outcome but not impact at project level with appropriate measures and monitoring benchmarks to be included in the relevant project approval documents, in particular as part of the ongoing improvements in the project Results Framework.

Management Action Plan (June 2015) – In progress

Action	<u>Improved Results Framework for Investment Projects</u> VP3 in consultation with Banking and EvD is working on developing an improved Project Results Framework (RF), which aim to establish clear links between the use of funds and the expected results with appropriate measures and monitoring benchmarks. The new approach for project RF will also propose to track higher level impact results at portfolio level only (not at project level) and discuss the responsibility and resource implications related to this.
Next Steps	An Information Session will be held to the Board on June 11, 2015 presenting the main components of the Improved Results Framework for Investment Projects. After that the detailed sector Theory of Change and

	piloting for projects will be developed in parallel with the improvement in the assessment of project TI by CSE.		
Due	Mid- 2016	*Business Unit*	VP3 together with banking and EvD
Resources required	Yes- Resources may be needed for collecting higher level impact information at portfolio level.	*Update*	2/06/2015 – In progress Action Plan was recently provided

EvD Comment (June 2015)

The Action Plan promises that the team will continue to do what it has been doing in terms of outcomes but not impacts (depending on the discussion on the Results Framework) – and if such discussions are positive, the higher level impacts would be tracked on portfolio (not project) level. We agree that a clarification on the sector Results Framework is needed, nevertheless this recommendation could be treated independently, for example an intention to stress in the new strategy a commitment to better linking the expected results with the use of Bank's funds, which in corporate financing, prevalent in this sector, has not always been clear (or easy to achieve).

Recommendation 13: Strengthen in-house primary agricultural expertise to better assess the risks and opportunities of upstream projects and target more cooperatives and farmers associations

Management Response – Partly Agree (24/03/15)

Management recognises the value and importance of sector-specific expertise, especially in the primary agriculture area, and believes it has indeed accumulated a vast amount of experience through a large number of primary agricultural projects over the last 5 years. With respect to recommendation to target farmers' cooperatives and associations, management believes that the Bank has been targeting credit worthy domestic farmers' cooperatives and associations interested in investing in our countries of operation. The farmer cooperatives, however, are not that common anymore in the region and the international associations by their nature are usually domiciled in Europe and the USA, with little scope in our countries of operation.

Management Action Plan – In progress

Action	<u>Agribusiness in-house agri sector expert pool and staff exchange with specialized institutions</u> Senior agricultural expert pool has already been identified by Agribusiness Team. Such experts can provide in-house assessment of the risks and opportunities of upstream projects. However the resources (through consultancy budget) are not yet available. The pool of experts includes 3 senior advisors that can be used on average 3 to 4 months per year with relevant travel budget (both travel to HQ and COOs). This implies a total estimated annual budget of ca. EUR 300,000. In addition, the Team is willing to pilot a staff-exchange scheme, through which the EBRD could host staff from specialized institutions which are partners of the EBRD. These can include out-posting of experts from the FAO and IFAD to the EBRD-under the respective Framework Agreements and MOUs with the Bank. The staff out-posting from other institutions can be a cost-effective manner of attracting different types of expertise. For example the above mentioned institutions have an established track-record in implementing projects with cooperatives and farmer association that can be relevant for the Bank.
Next Steps	The Bank will request additional resources in the context of the strategy update and discuss with HR the

	possibilities for out posting to the EBRD of staff from specialized institutions		
Due	December 2016	*Business Unit*	Agribusiness [Budget]
Resources required	Yes- Additional consultancy annual budget of EUR 300,000 for the proposed pool of agri experts. The proposed budget includes 3-4 months of consultancy for up to 3 senior experts (including travel to the relevant countries of operation).	*Update*	2/06/2015 – In progress – applying for funding Action Plan was recently provided

EvD Comment (June 2015) The action plan is substantial and well defined

Recommendation 14: Consider (together with FAO and other IFIs) assisting selected countries in drafting their agricultural/agribusiness strategies. Use it as an entry into a long-term policy dialogue process.

Management response – Partly Agree (24/03/15)

Management agrees fully with the study finding that "agribusiness leveraged its own resources with those of the Food and Agriculture Organisation in respect of policy dialogue, achieving tangible positive results in several countries." However, management disagrees with the wording of recommendation to assist countries in drafting their agribusiness strategies. Although Management had included this in the last sector strategy, the past years' experience has shown that the World Bank and EU have the necessary expertise and funding to support authorities with drafting agribusiness strategies. The Bank, on the other hand, supports countries with the development of their agribusiness strategies, particularly through its comparative advantage in bringing the public sector officials and private sector players together and in mobilizing resources.

Management Action Plan (June 2015)

No action plan provided. World Bank and EU have the necessary expertise and funding to support authorities in the Bank's COO with drafting of agribusiness strategies. Should additional staff/ resources be made available, the team can consider engaging in the design of agribusiness country strategies, bringing in the private sector perspective. For the moment, the Bank will continue to facilitate consultations with the private sector in priorities countries during drafting and implementation of agribusiness strategies.

Based on these consultations and on the Bank priorities for the country, the Team will use this opportunity to support longer-term policy dialogue process with the aim to bring transition in the sector and to promote the role of the private sector in agribusiness.

EvD Comment (June 2015)

The provision of assistance to selected countries with their agri-strategies does not need to overlap with the efforts of the World Bank or EU but can complement them (e.g. re private sector). In addition it may offer an excellent opportunity for the EBRD to build relationship with the decision-makers for future policy dialogue. However it is recognised that additional resources would be needed to implement this recommendation.

Recommendation 15: Increase co-investments with IPA funds in food safety standards in Western Balkans,

especially as the requisite standards need to be achieved upon completion of the accession negotiations.

Management Response – Partly Agree (24/03/15)

While in principle the Bank will always seek co-investment opportunities, management believes that IPA Funds availability is limited in the Western Balkans. The IPA beneficiary countries are divided into two categories: 1) EU candidate countries; and 2) Potential candidate countries, of which only the first category is eligible for Rural Development funds. Albania, Serbia, FYR Macedonia and Montenegro are candidate countries. In the case of Serbia, we understand EUR 25m is the total amount available for rural development in 2015, and it is earmarked for primary and processing investments-capex. However, as opposed to Croatia where larger companies were eligible, in Serbia management understands the funds will most likely be targeted at the SME segment of the sector, which may take longer to get equipped with the human and financial capacity to manage and utilise the IPA funds. As a result, although the rural component of IPA funds may be a nice supplement for a few companies, it will take time and is uncertain as to whether any potential Bank clients will be in a position to benefit from a co-investment. Management would also consider any potential distortions that such funds may introduce in the agribusiness sectors (especially when they do not address a market failure), that may be at odds with the Bank's focus on developing a sustainable private sector.

Management Action Plan (June 2015)

None provided. The Bank will support co-investments with IPA funds in food safety standards in Western Balkans subject to (i) sound banking principles during selection and approval of such co-investment project(s); and (ii) no distortion of the local markets following implementation of such co-investment project(s).

EvD Comment (June 2015)

Management's response is generally positive but lacks descriptions of concrete actions (for example consultations with IPA, joint missions, joint pre-selection of projects which could be co-financed).

Achieving equity objectives: review of initiatives (2013)

#	Recommendation	Management Response	Status - Management	Status -EvD	Last Update
1	Review the EBRD's Equity Approach. It is recommended that Management undertake a review of the business process for equity investment with the objective of enhancing the focus on results	Agree	Nearly Complete	Nearly Complete	June 2015
2	Review the Post Investment Equity Monitoring Process and Reporting	Agree	Nearly Complete	Nearly Complete	June 2015
3	Modernise Board Documents for Equity Content. It is recommended that the working group reviewing the FRM / Board Document template incorporate equity specific elements into any new format considered.	Agree	Complete	Nearly Complete	June 2015

Recommendation 1: Review the EBRD's Equity Approach. It is recommended that Management undertake a review of the business process for equity investment with the objective of enhancing the focus on results

Placing value creation and transition impact at the heart of equity investment should be central to the review. The opportunity exists to streamline the investment process by establishing unified approaches between the multiple departments, teams and stakeholders involved in overlapping aspects of equity investment (such as value creation, corporate governance, engagement with nominee directors and risk management). A business process review would provide the opportunity to establish a joined-up approach from pre-investment, through value creation and exit and to share good practice between teams and departments where multiple approaches have been developed.

Management Response – Agree (9/10/13)

The inter-departmental discussion on the management of equity investments has already been taking place and is on-going. This was instigated subsequent to the changes in key senior management positions, namely First Vice President and VP Risk. At the same time, given the monitoring intensity normally associated with equity, the Bank's handling of equity projects will also be reviewed in the broader context of enhancing the monitoring capability/efficiency of the Bank.

As such, while the Study pertains solely to equity, the review will be considered within a wider operational process efficiency/effectiveness agenda (It has recently been decided that the separate initiative to review work processes Bank-wide should include a monitoring process review which in turn includes an equity processes review.).

In addition, in response to the recommendation by Internal Audit (IAD), Management has recently proposed that it reviews the Bank's credit monitoring processes, including equity investments and possibly the future role of the Corporate Equity unit, in the fourth quarter 2013. FVP Banking and VP

Risk have undertaken the organisation of this review. As it makes little sense to separate the life cycle of equity investment into different phases such as origination and monitoring, a comprehensive review of equity investment processes is expected to be part of this review.

It is envisaged that the review will take into account several key factors such as the prevailing successful operation model. Management agrees with the observation made by the Study that for example the Financial Institutions business group has developed equity expertise ahead of the other three business groups and that best practices could be drawn from its model.

Management Action Plan – In progress (October 2014)

No formal action plan was developed, however, as per section 3.6 of the Audit committee minutes (5 Dec 2013), an update on the three areas would be provided on annual basis. In particular, the 2014 update notes an appointment of new MD Equity and Equity Platform is being adapted to be more execution focused. The team was renamed to Equity Team covering all of the Bank's direct equity investments.

The next steps identified in the review include development of investment strategy and ensuring increased involvement in the value creation and exit of equity investments going forward with specific scorecard.

Management Update (June 2015)

During 2014 EBRD was working with PwC on the Bank's overall Process Review and more specifically the Equity Process Review which was finalised at the end of 2014. PwC assisted the Bank in developing a governance structure that maintains the project approval cycle while embedding the Equity culture, simplifying the Equity process and enhancing decision making. The Equity investment process and pre- and post-investment roles and responsibilities going forward were clearly defined. The Equity team is currently working with other units within the Bank on the practical implementation of the PwC recommendations, all of which will be subject to approval.

2014 key milestones which have already been achieved:

- Equity capabilities within the Bank were expanded with the Equity Network launched in September 2014. It currently includes 30 members, of which Equity team bankers and bankers from Sector and Country teams are members. The aim is to have Equity Network members as OLs / Co-OLs or Principal Team members on each new Equity investment
- A dedicated Equity due diligence budget to support Equity activity was created
- Equity Risk was launched on the 1st of June 2015 and is a central counterpart for the Equity Network on Equity transactions and should further enhance a consistent approach towards Equity investments
- Equity team continues to work on the improvement of Nominee Directors' selection process to ensure the availability of various skills needed throughout the lifecycle of the investment
- Finally, there is an increased focus on exit timing and strategy through regular Equity Committee and Available for Sale meetings between Equity team, Equity risk and Sector teams Equity Team is currently working on the Equity Strategy document which is expected to be finalised by the end of 2015.
-

EvD Comment (June 2015)

The path and direction of action seem to address the recommendation. There is no mention of transition impact in the management update.

Recommendation 2: Review the post investment equity monitoring process and reporting

The 2009 Organisational Capacity Review recognised that in an ideal world the equity monitoring process and tools would not be designed the way they are. There is a strong argument to say the monitoring process should be redesigned from scratch. In practice, as emphasised by Portfolio Management, equity management needs to be seen in the context of a broader and on-going review of portfolio management, in which process enhancements must serve multiple users and it is therefore difficult to single out equity for a tailored approach within the EBRD. Within the limits of the institutional context, *it is recommended that the equity monitoring report and reporting process is redesigned.* As a first step the monitoring process needs to be reviewed, in conjunction with the equity investment business process, to define the requirements the monitoring report needs to fulfil for the multiple stakeholders it serves. It should be left for the review to determine how the monitoring process and reporting format needs to be developed but it is clear that there are complex and interlinked dimensions that will need to be considered and it is likely that implementation budgets may be required to implement a further significant change in the way equity is managed. It may yet be concluded that the monitoring report needs to be refocused around a smaller number of equity results, value creation drivers and key performance indicators, rather than to try and satisfy multiple users in multiple ways as at present.

Management Response (October 2013)

Management agrees with the recommendation that the monitoring report needs updating. In fact the necessity of improvement of monitoring reports (both debt and equity) is one of the most acute work-process efficiency issues pending. Improving the substance of monitoring does not necessarily need to wait for the completion of the review of Equity Approach above. Nonetheless, monitoring work-processes are comprised of highly complex work flows, involving multiple control points, which have grown exponentially over time. Untangling them and creating new processes will be a resource intensive, Bank-wide exercise, and changing even a few aspects of the monitoring report is not a simple undertaking. Therefore the review of the equity monitoring report will inevitably need to be sequenced with (if not done in parallel) with the review of Equity Approach.

In the meantime, due to the acuteness of the issue, a number of incremental improvements are being implemented on an on-going basis. As regards equity, because of associated high risk, the highest priority is the inclusion of credit monitoring features in reporting which has been done (as mentioned below) and the issues concerning value creation, which are yet to be dealt with.

- The entire Project Monitoring Module (PMM) has been under review. In the past 18 months, as part of the interim upgrade on PMM a number of adjustments were made and put into practice in April 2013;
- The initial stage of the improvements have been focused on (i) credit issues and reduction of delivery time of the report to Risk Management and (ii) the reduction of process burdens such as elimination of obsolete/irrelevant information and reduction of duplication of signoffs;
- Changes in report substance have been introduced, especially in equity, focusing on capturing essential financial information of the portfolio companies in order to track the projected performance.

Management Action Plan (October 2014)

No formal action plan was developed, however, as per section 3.6 of the Audit committee minutes (5 Dec 2013), an update on the three areas would be provided on annual basis.

In particular, there is an on-going process in changing the euqity monitoring processes (which is related to a bigger process review by PWC). All equity transactions have been allocated to members of Equity team who are more involved in value creation/monitoring. One page summary template has been developed for regular updates, incl. KPI and key next steps.

Also, Equity Committee process has been strengthened with introduction of a regular review process of the liquid investments and delegation of exit decision to the EqCom, upon confirming from OCE on TI.

Management Update – In Progress (June 2015)

Equity Monitoring process is currently undergoing some improvements and the implementation is expected to continue in 2015 / 16. In addition to the development of one pagers for top 50 investments with clear KPIs and next steps, Value Creation Unit was launched in 2014 and Equity specialists were assigned to focus on the monitoring of priority investments which have strong potential for Value Creation. Finally, all new Equity transactions have been allocated to Equity Network members who will be responsible for the investment and Value Creation throughout the lifecycle of the investment.

With the restructuring in risk, work is now underway to look at improvements to the monitoring report and over time a new equity system would be implemented which would aim to centralize the monitoring and regular fair value exercise.

EvD Comment (June 2015)

The path and direction of action seems to address the recommendation. There is no mention of transition impact in the management update.

Recommendation 3: Modernise board documents for equity content. It is recommended that the working group reviewing the FRM / Board Document template incorporate equity specific elements into any new format considered.

As a minimum, the equity content should reflect current initiatives in Banking to introduce value creation plans for all equity investments and enhanced corporate governance approaches. These two elements alone provide an opportunity to strengthen the results framework presented in the Board Document but a wider opportunity exists to present the equity story as a more accessible, better signposted narrative that brings clarity to the drivers of value creation, interdependencies, expected results, risk factors (and for the Final Review document, their impact on valuation).

Management Response (October 2013)

At present, as part of the effort under the Board task Force, Management is in the process of enhancing documents for OpsCom with the view to reflect the enhanced information in the Board reports. The areas of enhancement are listed below; although not all areas will be immediately included, it is envisaged that they will be adopted gradually when equity projects are reviewed by OpsCom and will be selectively applied to the Board document according to applicability and subject to commercial confidentiality requirements.

- Better presentation of the business case, differentiating it from the investment case or the business case, highlight of the quantum of value to be created in key drivers (turnovers, EBITDA, etc) and the corresponding objectives in the form of KPIs.
- For the investment case, the key investment parameters, including not only IRR but also cost (money) multiples, should be differentiated from the Bank's profitability model.
- Realistic assessment of the various exit routes and the conditions required to implement them, including related rights of the Bank to drive the exit process.
- Improvement of risk factor presentations, such as inclusion of quantification of the impact of the risks and low or worse business case, accompanied by risk mitigation measures (in terms of actions to be taken by the company or by the Bank in terms of its rights)
- Descriptions of value creation plans to have a higher relevance to those risks identified and where applicable, integrate with Transition Impact.

Management Action Plan (October 2014)

No formal action plan was developed, however, as per section 3.6 of the Audit committee minutes (5 Dec 2013), an update on the three areas would be provided on annual basis.

In particular, the 2014 update notes that the new template for the Board document was officially launched in January 2014, which includes a section (usually section 1.5), outlining the business case and investment case as well as expected internal rate of return and money multiple.

Management Update (June 2015)

See comment above. Management considers this complete.

EvD Comment (June 2015)

This comment addresses the value creation aspects of the recommendation. There is no content on how the enhanced corporate governance approaches of the EBRD (transition impact) will be embedded in the equity content in the Board Document. EvD's response is based entirely on the content of Management's update and no independent verification has been undertaken.

Private sector participation in MEI projects (2014)

#	Recommendation	Management Response	Status - Management	Status - EvD	Last Update
1	Proposals for new public sector MEI projects should include a focussed section discussing the existing "gap" in PSP in MEI	Disagree	EvD would like Management to reconsider this recommendation and possible actions. EvD is available to discuss this with Management and provide any clarifications required.		15/10/14
2	Any proposal that may result in reduced PSP should identify this clearly in the project approval (e.g. displacement of active private operators)	Agree	Complete	Nearly complete	15/10/14
3	PSP components in public projects should be covenanted (where legally feasible) in order to be counted as contributing to the project's assessed transition impact potential.	Disagree	EvD would like Management to reconsider this recommendation and possible actions.		15/10/14
4	Financing for bus fleet renewals of public transport companies should ordinarily require explicit commitment by municipal authorities to allow or expand PSP in the sector.	Partly Agree	Complete Management to return with revision	No progress. EvD would like Management to revisit this recommendation and possible actions.	15/10/14
5	Consider identifying a dedicated PSP Enabling Specialist within MEI to promote PSPs at both the project and strategy levels.	Agree	Complete	Complete	29/06/15
6	Examine ways to intensify efforts to reduce institutional and legal obstacles to PSP in MEI, through either an expanded LTT programme	Agree	Complete	Nearly complete	29/06/15
7	Consider working with the public procurement agencies of several key countries to develop standard PPP procurement documentation and concession contracts.	Disagree	N/A	Nearly complete	15/10/14
8	Consider providing longer-term assistance to cities to monitor/regulate PPP contracts during the first years of a PPP's to help mitigate implementation risks associated with institutional capacity.	Agree	Complete	Nearly complete	29/06/15
9	Disconnect between MEI's strategy and country strategies on the emphasis placed on promoting private sector participation in municipal operations.	Agree	Complete	Nearly complete	29/06/15
10	Consider working with OCE to produce a short analysis of the status of transition gaps in the MEI sector in respect of PSP and identify possible Bank initiatives to more effectively reduce those gaps	Partly Agree	Complete Management (CSE) is returning with revised response	No progress EvD would like Management to reconsider this recommendation, not implemented as set out by EvD.	29/06/15
11	Develop a system of annual reports to the Board on the implementation of all PSP-supporting activities	Agree	Nearly complete	Nearly complete	29/06/15

Grey shaded: At risk

Recommendation 1: Proposals for new public sector MEI projects should include a focussed section discussing the existing "gap" in PSP in MEI

This section should also cover the content/status of the Bank's efforts on the subject including its track record with the same client or others in the same country, and a summary of related PSP activities by other actors, if any.

Management Response – Disagree (01/4/14)

In the Management Comments prepared for the Audit Committee, the Bank noted

"Management believes that the project document changes implied by the first recommendation are not always justified. The first recommendation requires that management includes a discussion on PSP status and market gaps in all new MEI board documents for public sector projects, including Bank efforts to introduce PSP with both the project client and other clients. The recommendation implies that PSP should be generally recognised as the ultimate solution for the delivery of public services under any condition. Management notes that this assumption is not always appropriate from a policy standpoint and may also involve reputational risk for the Bank (i.e., mandating PSP if the market or legal framework is not ready). In addition, in many markets the role of the private sector in the delivery of public services is in debate with no consensus emerging across the Bank's countries of operations. A discussion on PSP status and market gaps in MEI board documents for public sector projects should therefore be included only when appropriate (e.g. PSP realistically features in the project or in the (rare) cases covered in recommendation 2 where there is displacement)."

Management Action Plan – None

Management Update (July 2015)

This was discussed during the Audit Committee meeting, and the conclusions reached did not require Management to implement the Recommendation. Accordingly, Management has not taken any action on it.

EvD Comment (June 2015)

Management's response is inadequate. The purpose of this recommendation is for the Management to better inform the Board about the reasons why private, rather than public solution to any of the MEI project is or is not being presented for its approval. It reflects many of the Board members' comments requesting clarifications on this issue in respect of MEI's past projects (related to various sub-sectors).

Recommendation 2: Any proposal that may result in reduced PSP should identify this clearly in the project approval documentation and summarise the factors weighed by the team (e.g. displacement of active private operators)

Management Response – Agree (15/10/14)

Management Action Plan – None

In the specific cases where there may be potential for displacement of the private sector caused by public sector investment projects, MEI will include a brief analysis and discussion in board documents in respect of the current PSP status and market gaps, including how the team has mitigated the risks of unduly 'crowding out' any incumbent private sector operators. Starting immediately with all new projects.

Management Update (June 2015)

See above comment. Management considers this addressed.

EvD Comment (June 2015)

This is a positive response. Management should proactively identify for the Board when it produces an example of this improvement.

Recommendation 3: PSP components in public projects should be covenanted (where legally feasible) in order to be counted as contributing to the project's assessed transition impact potential.

Management Response – Disagree (15/10/14)

In the Management Comments prepared for the Audit Committee, the Bank noted

"The approach has been tried unsuccessfully in the past as city or regional councils will not approve legal documents where they are giving 'legally binding commitment' to PSP while PSP has not yet been structured and value-for-money robustly established. Prior to embarking on PSP, a local authority will require detailed feasibility studies to prepare the project as well as to assess market appetite. Indeed in some projects, the findings may be that PSP is premature or that market appetite is limited. Therefore, Management will consider covenanting on a case by case basis as appropriate. As the Bank's clients become more knowledgeable about PSPs, they are reluctant to take legal risks or incur the administrative costs by agreeing to covenant PSP. Moreover, PSP options can change following the initial feasibility analysis. In Sibiu Urban Transport, for example, the consultants determined that the bus company was too small for a full scale concession. Given the different forms that PSP can take and the time and costs involved in preparation, Management believes that a more operational approach could be to covenant, in appropriate cases, the commitment to undertake a PSP feasibility study, including model tender documents. Whether the PSP actually goes forward is partly dependent on factors outside the control of the local authority (e.g. the private sector having appetite to bid, financing being available, etc.)."

Management Action Plan – None

Management Update (July 2015)

This was discussed during the Audit Committee meeting, and the conclusions reached did not require Management to implement the Recommendation. Accordingly, Management has not taken any action on it.

EvD Comment (June 2015)

The point of EvD's recommendation is simply that expected transition credit for PSP components should be given only in cases where it is explicitly covenanted. The study demonstrated conclusively that ex ante PSP components regularly contribute to claims for transition impact while actual steps rarely materialise in practice. Management dismissal of this recommendation without a response to the substance of the recommendation is unproductive.

A request for further comment from Management for this latest follow up report has so far produced no response. Overall, Management's response is inadequate.

Recommendation 4: Financing for bus fleet renewals of public transport companies should ordinarily require explicit commitment by municipal authorities to allow or expand PSP in the sector.

Management Response – Partly Agree (01/04/14)

In the Management Comments, the Bank noted,

"Management agrees that opportunities to explore PSP could be given some more attention, particularly in urban transport where and when private operations are feasible. Nevertheless, the fourth recommendation that "financing for bus fleet renewals of public transport companies should ordinarily require explicit commitment by municipal authorities to allow or expand PSP in the sector" should be qualified. Indeed, what is needed is a balance between private and public sector operators, not a 100 per cent private sector approach, and always subject to robust quality and service standards, which the private sector has not always upheld in a consistent way."

Management Action Plan

No action plan provided. This Recommendation has been rectified. On 7th March 2014 OpsCom approved the following conclusion: "Management confirms its commitment to the existing practice of advance cooperation and assistance to public sector entities in compliance with the Bank's PP&R. However it cannot endorse the recommendation to delay the signing of public sector transactions until the procurement process is completed, for the reasons outlined above. The timing of the signing of each public sector transaction needs to be an outcome of required approvals (on both sides), project negotiations, technical requirements, and compliance with the EBRD PP&R, as expressed in the agreed project implementation schedule for each transaction. The systems both for analysing risk and for project implementation, monitoring and management have substantially improved in the years since the contracts under this Project were tendered. We believe that the existing processes and systems now in place ensure that procurement, and project implementation in general, is handled with due regard to economy and efficiency, as required by the articles of the Bank." Therefore, the team considers this issue as closed.

Management Update (July 2015)

All of MEI's public transport projects include a requirement to development a public service contract to define the relationship between the public bus company and the local authority with respect to service levels and compensation. Moving forward, MEI has developed a Framework Public Service Contract to reflect best practice in accordance with EU regulation. As part of its work, the Bank encourages local authorities to introduce public service contracts for all operators to ensure a level playing field between the public and private sector and an appropriate balance between the public and private sector. In addition MEI is increasingly including Sustainable Urban Mobility Plans as part of its urban transport projects. These plans identify various transport modes, modal shift, greenhouse gas reduction, and the most efficient transport mix, including in which modes the private sector should operate. This is particularly important as in many smaller cities, only one operator, either public or private, is economically viable.

EvD Comment (June 2015)

This recommendation was misinterpreted by Management. The recommendation has nothing to do with EBRD PP&R or delaying project signings. It simply encourages reinforcement of the Bank's private sector focus in the MEI's sub-sector most suitable for private sector participation. Management should produce a response that is on point and relevant. EvD is available to discuss this with Management provide any further clarifications required so that suitable actions can be identified.

Recommendation 5: Consider identifying a dedicated PSP Enabling Specialist within MEI to promote PSPs at both the project and strategy levels.

Management Response – Agree (15/10/14)

Management Action Plan

Action	The Infrastructure Business Group will create a position for an Infrastructure Policy Expert who will focus on PPPs as well as performance based management PPPs, subject to available head count and work requirements. While the expert will provide leadership, MEI will also continue to build PSP capacity throughout its staff given the high interest in working on these types of projects.
Due	Q3 2014, subject to candidate's acceptance
Management Update	19/06/15 - The PSP expert was hired on a consultancy basis, starting September, 2014. This specialist works as part of the core team of the IPPF, and carries out both policy dialogue activities and PPP structuring support.

EvD Comment (June 2015)

Complete

Recommendation 6: Examine ways to intensify efforts to reduce institutional and legal obstacles to PSP in MEI.

This may be through either an expanded LTT programme of work or through a dedicated TC focused on policy dialogue rather than producing a pipeline.

Management Response – Agree (15/10/14)

Management Action Plan – None

This is being implemented at the various levels. Various policy dialogue aspects developed over the past years have focused on PPPs and how to improve their delivery. In addition to LTT's work on legal frameworks, MEI is supporting PPP structuring and institutional strengthening in diverse areas, such as Romania's smart card ticketing; Serbia, Croatia and Albania's parking; Kazakhstan urban rail and PSP models for solid waste management in Russia and Central Asia in particular.

Management Update

See above comment. Management considers this closed.

EvD Comment (June 2015)

A positive development. However, this is surely an area needing ongoing work. It is difficult to understand what Management means when it describes the matter as "closed." Clarification is needed.

Recommendation 7: Consider working with the public procurement agencies of several key countries to develop standard PPP procurement documentation and concession contracts.

Management Response –Disagree (15/10/14)

Management Action Plan

No action plan. MEI coordinates with the Legal Transition Team (LTT) with respect to improvements to legal frameworks relating to PPPs. This programme is active in several countries based on need and demand. In addition, the Infrastructure Business Group has developed a new Infrastructure Project Preparation Facility (IPPF) which has the objective of fostering improved project preparation standards for PPPs, using framework contracts working in key countries (eg Kazakhstan, Turkey).The work of IPPF will build on LTT's foundational activities in these key PPP markets.

Management Update (June 2015) – None

EvD Comment (June 2015)

Some work appears to be underway; it would be useful to have some additional detail.

Recommendation 8: Consider providing longer-term assistance to cities to monitor/regulate PPP contracts during the first years of a PPP's to help mitigate implementation risks associated with institutional capacity.

Management Response – Agree (15/10/14)

Management Action Plan – Complete (June 2015)

Action	MEI has started to explore providing on a systematic basis longer term assistance to build up monitoring and regulatory capacity in the initial years of PPPs operations, in order to minimise conflicts and to ensure better outcomes. Its ability to provide longer term support will be a function of the availibility of TC funding as well as the acceptance of the couterpart for such support.
Due	MEI will start to implement this approach for PPPs where it has been involved in early stages of project development, commencing, eg Turkish hospital facilities management.
Management Update	19/06/15 - IPPF has now been created, with funding approved by the Governors in May 2015. As part of the IPPF offering to clients, we will include, where necessary from the client's vantage point and need, a monitoring component to the IPPF support. This element is being incorporated into the business plan and operational procedures of the IPPF's Framework consultant contracts. Management regards this as complete.

EvD Comment (June 2015)

There is a positive response in the Action plan above. However effectiveness of this measure is yet to be seen. Also, the text in 'Management Update' indicates that this activity would fall under IPPF (which is to focus on project preparation). The measure recommends provision of Bank's assistance to clients post-signing, rather than before, therefore placing it under "project preparation facility" might push it into secondary priority.

Recommendation 9: Disconnect between MEI's stratgey and country strategies on the emphasis placed on promoting private sector participation in municipal operations.

Management Response – Agree (15/10/14)

Management Action Plan – None

Strategy and Policy Coordination (SPC) will closely review all country strategies to ensure that any PSP discussion more closely reflects the circumstances of the country and nature of the proposed PSP. Given that this issue can emerge on the other country strategies, the approach will be applied for all country and sector strategies. Starting immediately with all new country strategies.

Management Update (June 2015)

See comment above. Management regards this as closed.

EvD Comment (June 2015)

A positive response. Results to be seen. In progress.

Recommendation 10: Consider working with OCE to produce a short analysis of the status of transition gaps in the MEI sector in respect of PSP and identify possible Bank initiatives to more effectively reduce those gaps

Management Response – Partly Agree (01/04/14)

In the Management Comments, the Bank noted,

"Management notes that the methodology for the Assessment of Transition Challenges in the municipal subsectors (water & waste water and urban transport) encompasses PSP as one of the dimensions assessed (recommendation 9). Expanding this aspect to a stand-alone analysis of PSP should only be considered against the associated increased costs related to the staff-time required for the analysis and indeed if it can trigger better operational responses."

Management Action Plan – N/A

Management Update (July 2015)

At the Audit Committee discussion, Management noted the significant resources that would be required to implement the Recommendation. As an alternative Management noted the work underway to better align country strategies and operations (through strategic fit) which will allow for a clearer identification of the Bank's activities to address transition gaps, including those related to PSP.

EvD Comment (June 2015)

The update is more responsive than Management's initial response. Surely an explicit assessment of the implications of operations for private sector development would be considered essential for the purposes of a public institution established in order to supporting the development of markets. Recommendation has not been followed so far. No progress.

Recommendation 11: Develop a system of annual reports to the Board on the implementation of all PSP-supporting activities

This would include policy dialogue, private projects and status of public projects with private components.

Management Response – Agree 15/10/14

Management Action Plan – Complete (June 2015)

Action	Management believes that annual reporting on PSP activities should be presented as part of IBG's policy dialogue reporting to reduce transaction costs and avoid the unnecessary multiplication of such reports.
Due	This will be reported in the annual IBG policy dialogue update by end of 2015.
Management Update	June 2015 - The IBG Policy Dialogue plan update will be presented to the Board by year end 2015 as planned, with a summary of the first activities under the plan, as well as a description of other major policy dialogue achievements carried out in 2015, such as PPP Days, PPP Certification Programme, the PPP Knowledge Lab, the Interactive Platform, the International Infrastructure Working Group of the G20, the Bank's involvement with global Infrastructure Hub of the G20, the MDB road Safety Collaboration, and the MDB Sustainable Transport Working Group.

EvD Comment (June 2015)

The promised IBG report is an opportunity to for material advancement on this issue. Positive response, result (IBG report) yet to be seen. In progress.

TC experience in new countries of operations (2013)

#	Recommendation	Management Response	Status - Management	Status - EvD	Last Update
1	Design a results framework	Agree	Complete	Complete	June 2015
2	Embed policy dialogue	Partly Agree	Complete	Complete	June 2015
3	Ensure efficient TC commitments	Agree	Complete	Complete	June 2015
4	Ensure full utilisation of the donor fund	Disagree	N/A	N/A	June 2015

Recommendation 1: Design a results framework

The final evaluation of the MCF has faced several difficulties, mostly related to the unavailability of documentation and lack of institutional memory. However, these were compounded by the fact that at design stage there was no identification of expected results and related indicators for the MCF. The evaluation team had to compile them ex-post. A results framework for the fund as a whole designed ex-ante would have helped the EBRD, donors, clients and other stakeholders to clarify the areas of intervention and the instruments available, and act as a monitoring tool thus avoiding possibly ineffective or inefficient activities.

Management Response – Agree 07/11/13

The EBRD has recently introduced a results framework for individual TC operations submitted for approval. EvD believes that the same concept should be applied to donor funds, thus giving an opportunity for the EBRD, donors and recipient country(-ies) to agree on a strategic framework for guiding the selection of future operations. The added value of adopting a results framework for donor funds lies in improved consistency, quality of monitoring and quality of reporting.

Management Action Plan (October 2014)

Study predates requirement for official action plan, however, recommendation has already been largely acted upon. The work has been done to develop the results frameworks for donor funds on exceptional basis (mainly for multi-donor funds), as outlined in the Transition Impact Results Framework Architecture paper, endorsed by FOPC in September 2014

Management Update (June 2015)

The recommendation has already been addressed. The work has been done to develop the results frameworks for donor funds on exceptional basis (mainly for multi-donor funds), as outlined in the Transition Impact Results Framework Architecture paper, endorsed by FOPC in September 2014. Complete.

EvD Comment (June 2015)

Complete

Recommendation 2: Embed policy dialogue

The successful implementation of the MCF and its TC operations relied also on the complementary policy dialogue activities carried out by EBRD Senior Management, HQ staff, and the MCF and resident offices, most of which have fallen outside the confines of any specific TC assistance. The evaluation team *recommends embedding policy dialogue activities in the results framework of the donor fund and, where possible, in the individual TC operations.* The fact that such activities cannot be monetised in a fund's budget does not mean that it is not important to report on them. In fact, planning and monitoring policy dialogue activities in a new country is essential to successfully initiating new investment opportunities.
Moreover the evaluation team believes that EBRD resident offices should be adequately equipped and resourced to effectively conduct such activities.

Management Response – Partly Agree (7/11/13)

PD activities funded by TC already have results frameworks. However, not all donor funds will have a separate results framework, as they are typically used for specific TCs. Multi-donor funds will have a results framework and include all PD activities in it.

Management Action Plan (October 2014)

Predates requirement for action plan, however, recommendation has already been largely actioned upon. PD activities funded by TC already have results frameworks. However, not all donor funds will have a separate results framework, as they are typically used for specific TCs. Multi-donor funds will have a results framework and include all PD activities in it. The existing results frameworks for multi-donor accounts (SEMed, Ukraine) will include the metrics related to the policy dialogue component of the fund activity. PD activities will be embedded in the country strategy results framework that are being rolled-out since mid-2014.

Management Update (June 2015)

The recommendation has already been addressed. PD activities funded by TC already have results frameworks. However, not all donor funds will have a separate results framework, as they are typically used for specific TCs. Multi-donor funds will have a results framework and include all PD activities in it. The existing results frameworks for multi-donor accounts (SEMed, Ukraine) will include the metrics related to the policy dialogue component of the fund activity. PD activities will be embedded in the country strategy results framework that are being rolled-out since mid-2014.

EvD Comment (June 2015)

Complete

Recommendation 3: Ensure efficient TC commitments

Major MCF resources were used to support a few Mongolian public sector clients with whom eventually no investments took place. Exploratory TCs can be committed to test a new context and new clients. However, a proper monitoring mechanism should be in place to limit the use of resources once it is clarified that the outcome cannot be achieved.

Management Response – Agree (7/11/13)

Management Action Plan

This predates a requirement for a formal action plan however, the recommendation has already been largely acted upon. The development of TCRF in the Bank should allow facilitation of this function.

Management Update (June 2015)

See comment above. Management considers this complete and closed.

EvD Comment (June 2015)

Complete

Recommendation 4: Ensure full utilisation of the donor fund

The EBRD is entrusted by its donors to administer tax-payers resources, and the EBRD therefore takes on the responsibility of effectively and efficiently utilising the funds according to the agreed use of proceeds. In this case after seven years of active commitments, the MCF was kept open with a very small balance that was not eventually committed to a specific TC operation until three years later. Efficient management of multi-donor funds typically benefits from regular review upon reaching specific trigger points for utilisation and/or duration.

Management Response – Disagree (7/11/13)

Management does not agree. MCF has accomplished all major activities. Only one sub-window was left open at a donor's request to finance legal transition related projects

Management Action Plan – None

Management Update (June 2015)

None

EvD Comment (June 2015)

No further EvD comments; the issue is not a critical one at this point.

Performance metrics (2013)

EvD Special Study released 21/06/2013, here, containing 6 recommendations. Management comments are here. The study predates the new follow up system so formal action plans have not been presented. In addition, and importantly, there has been a great deal of progress on many of the issues raised in this early EvD study regarding monitoring, metrics, results frameworks, and reporting. In most cases the status can best be described as "Work In Progress." EvD's specific comments here will therefore be limited and general.

#	Recommendation	Management Response	Status - Management	Status - EvD	Last Update
1	Management should decide on the utility of the evaluability checklist and what role it might play in the project appraisal process at EBRD.	Partly Agree	None	None	29/6/15
2	Improve the quality of benchmarks and the systematic collection of baseline data. Ensure adequate baseline data is presented for all key results and related indicators/TIMS benchmarks.	Agree	Nearly complete	In progress	29/6/15
3	Enhance the overview and tracking of performance metrics in Operation Reports.	Partly Agree	Complete	In progress	29/6/15
4	Strengthen the consistency and coherence of operational results vis-à-vis transition impact.	Partly agree	Complete	In progress	29/6/15
5	Develop an EBRD specific 'results framework' to improve reporting of institutional achievements through a more structured description of operational results	Partly agree	Nearly complete	In progress	29/6/15

Recommendation 1: The utility of the evaluability checklist

Whilst the checklist as a whole seems to be fit for purpose, the two criteria related to the assessment of risks have been removed. In addition to such fine-tuning of the list itself, EvD plans to elaborate some practical guidance on its interpretation and usage for Operation staff.

For instance, good practice examples could be assembled and presented to Banking teams. Note should be taken here that the results of the evaluability assessment were deliberately not broken down to Team level as the numbers in the sample were too low for a meaningful comparison. That does not mean however, that such aspects would not be interesting and useful to cover in similar future assessments.

The evaluability checklist could become an effective quality assurance tool for Operation staff overseeing project preparation. The present list could also serve as a useful instrument for other supporting departments in the Bank such as the Office of the Chief Economist, the Donor Co-financing and Technical Cooperation teams, and the Environmental and Social Department. They could elaborate their own checklists containing performance metrics for their particular area of responsibility.

Now that the baseline exists, evaluability checks could be run regularly – by EvD or Management itself – to review progress made in individual areas. It is recommended that:

- Management decides on the utility of the checklist and what role it might play in the project appraisal process at EBRD.
- EvD develop practical guidance and tools for Operation staff as needed (e.g. templates and good practice examples for a coherent hierarchy of results for individual projects).

Management Response – Partly Agree (25/6/13)

The utility of the use of the evaluability checklist will be considered by management once EvD provides the final version of the evaluability checklist as envisaged in the study.

Management Action Plan – None

Study predates formal action plan requirement.

Management Update (June 2015)

None

EvD Comment (June 2015)

The issue of evaluability has moved ahead on several fronts since the EvD recommendation was made, including with respect to results frameworks and improved performance metrics. EvD delivered a tailored training on Evaluability to a substantial group of operations staff in January of this year.

It would be useful for EvD and Management to arrange a meeting to discuss and clarify the future directions for implementing this recommendation. EvD considers the checklist provided as complete, and a good basis for Management to work with.

Recommendation 2: Improving the quality of benchmarks and the systematic collection of baseline data

This depends partly on the hierarchy of results mentioned above, as a systematic methodological approach to defining the anticipated results will have positive effects on the quality of related indicators and benchmarks.

Operational and transition-related results could be better distinguished and baseline data as well as specific targets and time periods could focus on a small (e.g. around five) number of key performance metrics. The monitoring of benchmarks beyond project level would be referred to other strategic documents/teams, as appropriate. It is recommended to:

- Ensure adequate baseline data is presented for all key results and related indicators/TIMS benchmarks.

Management Response – Agree (25/6/13)

Management Action Plan – None

Study predates formal action plan requirement.

Management Update (June 2015)

This recommendation is being addressed. There is work underway to revise the structure of the project-level results framework, including with respect to systematic baseline data collection.

The initial approach was discussed at SPCom and as part of Board Information Session in June 2015, with further follow up on practical steps to its implementation (including on systematic presentation of baseline data for monitoring indicators) planned for H2 2015.

EvD Comment (June 2015)

Progress is being made and work continues.

Recommendation 3: Enhance the overview and tracking of performance metrics in Operation Reports

From an evaluability viewpoint it would be desirable to see the key objectives and indicators comprehensively and concisely presented, for instance in the form of an overall results framework in one place of the OR. In general the guidance on the content of OR in the OM provides sufficient opportunities for results and their relevant performance metrics to be clearly and concisely described. This should be specified further as the interpretation by Operation staff currently varies substantially and should then be more effectively enforced in its application. It is, in general, recommended:

– Section 3.5 "Measuring/monitoring success" would be the natural fit for presenting an overall result's framework. If another section is determined for this role, e.g. section 3.1 it should also include operational results and not be limited to transition impact.

Management Response – Partly agree (TBC) (25/6/13)

Management proposed to drop section 3.5 and instead improve transition impact section.

Management Action Plan – None

Study predates formal action plan requirement.

Management Update (June 2015)

This recommendation has been addressed. The new format of the Board document in place since Q2 2014 merges the transition impact monitoring benchmarks and the operational objectives of the project in one section "Measuring/monitoring success".

EvD Comment (June 2015)

Progress is being made and work continues.

Recommendation 4: Strengthen the consistency and coherence of operational results vis-à-vis transition impact

The Bank's focus on the expected TI of its projects seems to overshadow the ex-ante definition and implementation monitoring of the other operational objectives. The Bank is recommended to improve the quality and consistency of operational objectives performance metrics.

Management Response – Partly agree (25/6/13)

Management believes that the issue of consistently presenting and monitoring operational objectives as direct results expected from a successful investment should be seen as part of and not separate to the proposal of presenting a clear hierarchy of results. For cases where it is deemed essential that the results are presented in a hierarchical causal relationship, the operational objectives would be the "outputs" in such relationship.

Management Action Plan – None

Study predates formal action plan requirement.

Management Update (June 2015)

This recommendation is being addressed. The new format of the Board document in place since Q2 2014 merges the transition impact monitoring benchmarks and the operational objectives of the project in one section "Measuring/monitoring success". In addition, there is work underway to revise the structure of the project-level results framework, including with respect to articulate presentation of the "impact pathways" along the results chain (including some operational objectives - "outputs" as part of the TI monitoring benchmarks table).The initial approach was discussed at SPCom and as part of Board Information Session in June 2015, with further follow up on practical steps to its implementation planned for H2 2015.

EvD Comment (June 2015)

Progress is being made and work continues.

Recommendation 5: Develop an EBRD specific 'results framework' to improve reporting of institutional achievements through a more structured description of operational results and their links to Bank strategies, policies and corporate scorecard.

Critical components of such a framework would be:

- Operational results presented with the standard terminology of outputs, outcomes and impacts;
- Upward links between the expected project results' and their potential contributions to transition impact at country/ sector level clearly presented;
- Country strategies and sector policies incorporate an aligned results framework; and
- Enabling institutional learning and matching the requirements from the Bank's wider modernisation agenda.

Strengthening the links between a project and the relevant country and sector strategies: The presentation of results suffers from the absence of a coherent 'results' framework' linking results across levels. Naturally, attribution is limited to within project relations between inputs, activities, outputs and outcome(s). In other words, the operation report would benefit from a clearer articulation of the higher level impact for the project to contribute to. The work of the current 'Country Strategy Working Group (CSWG)' is crucial in this respect, as is the 'Joint Task Force on Results' Management/TIMS'. Thus, there are very good prospects for linking project appraisal documents more closely to strategic considerations at country and sector-level. Moreover, this would allow for a more consistent aggregation and reporting of achievements beyond project level in the longer-term.

Management Response – Partly agree (25/6/13)

To be analysed further based on a cost/benefit analysis for a number of projects in different sectors of the EBRD activities.

Management Action Plan – None

Study predates formal action plan requirement.

No Action plan, however, this recommendation is being addressed. There is work underway (with workgroup comprising EvD, BPG, SPC and OCE) to revise the structure of the project-level results framework, including the issues of resource implications, responsibility for collecting information, the role of the research in understanding and quantifying the relationship between outcome and impact etc.

Management Update (June 2015)

This recommendation is being addressed. There is work underway to revise the structure of the project-level results framework, including the issues of resource implications, responsibility for collecting information, the role of the research in understanding and quantifying the relationship between outcome and impact etc.

The initial approach was discussed at SPCom and as part of Board Information Session in June 2015, with further follow up on practical steps to its implementation (planned for H2 2015.

EvD Comment (June 2015)

Progress is being made and work continues.

Mid-sized sustainable energy financing framework (2015)

#	Recommendation	Manage-ment Response	Action Plan	Status – Manage-ment	Status - EvD	Last Update
1	Avoid allocating funds for direct risk participation given comparable circumstances.	Agree	No Action Plans are required as this recommendation will be incorporated in the design of a new MidSEFF.	N/A	Nearly complete	June 2015
2	Introduce market/industry benchmarks, norms or standards related to energy production and/or carbon reduction.	Agree	No Action Plans are required as this recommendation will be incorporated in the design of a new MidSEFF.	N/A	Nearly complete	June 2015
3	Select energy efficiency projects with clear and evident additionality and demonstration effect.	Agree	No Action Plans are required as this recommendation will be incorporated in the design of a new MidSEFF.	N/A	Nearly complete	June 2015
4	Limit hydropower and wind projects, and when hydro and wind projects are undertaken, be accompanied by enhanced environmental and social standards.	Agree	No Action Plans are required as this recommendation will be incorporated in the design of a new MidSEFF.	N/A	Nearly complete	June 2015
5	Feature solar licensing as a focus of policy dialogue.	Agree	No Action Plan is required as the Bank has supported the government of Turkey in developing a National Renewable Energy Action Plan (NREAP) which includes an increase in the maximum size for unlicensed projects to 5 MW (from 1 MW). The Turkish regulator granted 242 MW of solar licences in February 2015.	Complete	Complete	June 2015
6	Focus carbon market policy dialogue on GHG management and MRV.	Agree	No Action Plan is required as the current policy dialogue includes the development of a Turkish Carbon Certificate to support an increase in demand for local carbon credits. The Bank is collaborating with key stakeholders to design such mechanism and mainstream it across the Turkish industry as a certificate of environmental excellence.	Complete	Complete	June 2015

EvD Comments (June 2015)

EvD agrees with the basic premise of Management’s comments on the recommendations, which is to incorporate 1-4 in future MidSEFF projects. The Audit Committee on 13 April 2015 requested that Management prepare an action plan within 60 days regarding the implementation of the recommendations. This is nearly complete.

For recommendations 5 and 6, Management’s response is considered adequate although EvD’s point was to specifically emphasise these areas in a focused manner.

SLOVSEFF I & II (2014)

#	Recommendation	Management Response	Action Plan	Status – Manage-ment	Status - EvD	Last Update
1	For projects including subsidies, define a logic framework establishing the causal relationship between subsidies and the project's outputs and outcomes, metrics to establish the desired level of incentives and to measure their impact and attribution and mechanisms to provide for their adjustment over time.	Agree	None.	Complete	Some progress	June 2015

Management Response – Agree (14/3/14)

In the memorandum to the Operations Committee presenting management comments, the team stated "The lessons learned from SlovSEFF I&II have been put to good use in subsequent SEFF projects and now FI apply a clear rationale for the provision of subsidies and incentives." This means, by the time OE was done, the recommendations had already been implemented. The stated was reiterated at the Audit Committee discussion. No further action is required.

(extract from Management comments:

"Management believes that the lessons learned from SlovSEFF and other SEFF projects have been put to good use in subsequent SEFFs and now apply a clear rationale for the provision of subsidies and incentives. For example, the purpose of incentive payments of PFIs is to encourage the investment in developing a new product and training staff before there is a proven market for the product. Consistent with that rationale, these incentives are typically phased out in repeat projects with the same PFI. Similarly, the structure of incentive payments to end-users is now calibrated, in most SEFFs, to the type of project based on the anticipated energy savings or carbon mitigation associated with that type of project, including support for higher performance solutions with low market penetration rates. Furthermore, all the SEFFs have benchmarks measuring energy savings and carbon mitigation. These 'smart subsidy' approaches for end users and tapering of PFI incentives are progressively introduced in each market. In some of the more advanced countries (e.g. SlovSEFF III) this has been taken all the way to calibration against a carbon price, which clearly links the incentive payment to the desired outcome of the subproject.

Management considers that the incorporation of these elements into the product design, combined with the current approach to monitoring through benchmarks accomplishes the desired goals of establishing a relationship between subsidies and the project's outputs and outcomes. The level of incentives are calibrated to the desired outcomes in terms of energy savings or carbon mitigation, in a manner consistent with the level of market development, awareness, and adoption of energy efficiency practices and technologies. Management believes that these evolving mechanisms, added to the developments in the Bank's results framework currently underway, already deliver better targeted and more relevant approaches to the use of subsidies in energy efficiency projects.")

EvD Comments (June 2015)

Management notes progress made to improve project benchmarking, use "smart" subsidies and better calibrate incentives, and provide for phasing out incentives. However recent EvD analysis of additional SEFFs shows much room for progress to, for example, better identify the intended effects of subsidies/incentives, and to allow clearer attribution of project outputs to inputs.

Emergency power sector reconstruction project (2014)

#	Recommendation	Manage-ment Response	Action Plan	Status – Manage-ment	Status - EvD	Last Update
1	As an IFI with a transition mandate, the Bank should be less driven by its commercial interests when timing the signing of public sector projects. Delaying the signing of such projects until the clients successfully signed (or initialled) the first major contract and fulfilled most of the disbursement covenants (rather than pushing for a signing by year end), would improve the public perception of the Bank and bring it long-term benefits, while minimising loan cancellations and disputes regarding commitment fee payments.	Disagree	None		Whilst Management disagreed with the recommendation, it has improved procurement processes which should resolve the underlying issues to the degree possible. EvD recognises that the recommendation has been implemented as far as is practical according to IFI practices and considers it partially completed, and the recommendation closed for the purposes of further follow.	June 2015

Management Response - Disagree (30/9/14)

This Recommendation raises issues relevant not only to this project in particular but would affect all public sector projects. The timing of signing of public sector projects is driven by the need for compliance with the Bank's sound banking principles in terms of quality of project due diligence (technical, environmental and social, procurement, and legal) and structuring, the EBRD Procurement Rules, as well as requirements for compliance with local rules, regulations and requirements for public sector entities in terms of project negotiations, approvals, and implementation.

This Recommendation has been rectified.

On 7th March 2014 OpsCom approved the following conclusion:

"Management confirms its commitment to the existing practice of advance cooperation and assistance to public sector entities in compliance with the Bank's PP&R. However it cannot endorse the recommendation to delay the signing of public sector transactions until the procurement process is completed, for the reasons outlined above. The timing of the signing of each public sector transaction needs to be an outcome of required approvals (on both sides), project negotiations, technical requirements, and compliance with the EBRD PP&R, as expressed in the agreed project implementation schedule for each transaction.

The Bank's systems both for analysing risk and for project implementation, monitoring and management have substantially improved in the years since the contracts under this Project were tendered. We believe that the existing processes and systems now in place ensure that procurement, and project implementation in general, is handled with due regard to economy and efficiency, as required by the articles of the Bank." Therefore, the team considers this issue as closed.

Management Update (June 2015) – None

EvD Comments (June 2015)

EvD discussed this issue with the Procurement Department and with the Procurement and Project Implementation Specialists from the Power and Energy Team. Based on information received, it appears that the Team and the Bank have indeed taken measures in the recent years to improve effectiveness of procurement of the Bank's infrastructure projects (particularly in the Power and Energy sector). Full effectiveness of these measures is yet to be evaluated, however they should minimise the occurrence of extreme cases of very long delays in projects implementation which happened in respect to several projects in Serbia at the beginning of the century.

It is noted however that the recommendation to withhold the signing of the loan agreement until procurement is well advanced, was rejected by Management. The basis for this rejection (other than principal policy of the Bank to sign financing as soon as all legal and financial terms are agreed) is not entirely clear. Partially complete, recommendation closed.