SPECIAL STUDY

Delegated Authority

Regional

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EBRD EVALUATION DEPARTMENT

European Bank
for Reconstruction and Development

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Abbreviations

ADB	Asian Development Bank
AfDB	African Development Bank
ASIF	Agribusiness Sustainable Investment Facility
BCV	Board Country Visit
BEEG	Board Effectiveness and Efficiency Group
BOI	Board Online Information
BPN	Business Performance Navigator
COOs	Countries of Operation (of EBRD)
CRM	Concept Review Memorandum
CTF	Clean Technology Fund
DA	Delegated Authority
DARS	Delegated Approval Reporting Sheet
DAQs	Directors Advisers' Questions
DFF	Direct Financing Framework
DIF	Direct Investment Facility
DIY	Do-it-yourself
DLF	Direct Lending Facility
DTM	Deal Tracking Module
E2C2	Energy Efficiency and Climate Change team (EBRD)
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
ECU	European Currency Unit
EE	energy efficiency
EIB	European Investment Bank
EPG	Economics, Policy and Governance team (EBRD)
ESAP	Environmental and Social Action Plan
ESD	Environmental and Social Department (EBRD)
ESP	Environmental and Social Policy
ETCs	Early Transition Countries
ETI	Expected Transition Impact
EU	European Union
EUR	Euro
EvD	Evaluation Department team (EBRD)
FI	Financial Institutions team (EBRD)
FIF	Financial Intermediaries Framework
FIR	Financial Intermediaries Report
FOPC	Financial Operations Policy Committee
FRM	Final Review Memorandum
FRW or FW	Framework
GET	Green Economy Transition
ICA	Industry, Commerce and Agribusiness group (EBRD)
ICT	Information and Communication Technologies team (EBRD)
IFC	International Finance Corporation
IFI	International Financial Institution
IFRS	International Financial Reporting Standards
LC2	Local Currency and Capital Markets team (EBRD)
LCMs	Local capital markets
LCY	Local currency
LEF	Local Enterprise Facility

MCFF	Medium-Size Co-Financing Facility
MEI	Municipal and Environmental Infrastructure team (EBRD)
MPF	Multi Project Facility
MR3	Municipal Resilience Refugee Response Framework
M&S	Manufacturing & Services team (EBRD)
MSPF	Medium Size Project Facility
NBFIF	Non-Bank Financial Institutions Facility
NPLs	Non-performing Loans
OCCO	Office of Chief Compliance Officer (EBRD)
OE&E	Operational Efficiency and Effectiveness
OGC	Office of General Counsel
OL	Operation Leader
OPA	Operational Performance Assessment
OPAV	Operational Performance Assessment's Validation
OpsCom	Operations Committee (EBRD)
PD	Procurement Department (EBRD)
PMR	Project Monitoring Report
PSC	Public Service Contract
PSP	Private Sector Participation
PTI	Portfolio Transition Impact
P&T	Property and Tourism team (EBRD)
QPR	Quarterly Performance Report
RO	Resident Office (EBRD)
RSF	Risk Sharing Framework
R&D	Research and Development
TI	Transition Impact
TIMS	Transition Impact Monitoring System
TRY Corp	Turkey Capital Market Framework
SBI	Small Business Initiative
SBIC	Small Business Investment Committee
SEFF	Sustainable Energy Finance Facility
SEI	Sustainable Energy Initiative
SEMED	South and Eastern Mediterranean
SGI	Strategic Gender Initiative
SMART	Sustainable Mobility and Access to Roads Framework
SME	Small and Medium Enterprise
SSF	Shareholders' Special Fund
TC	Technical Cooperation
TI	Transition Impact
TORs	Terms of Reference
USD	United States Dollar
WC	Working capital
WeBSEDFF	Western Balkans Sustainable Energy Direct Financing Facility

Defined terms

the Bank /the EBRD	European Bank for Reconstruction and Development
The operation teams	Staff of the Bank's team responsible for the Bank's operations
Frameworks	An indicative commitment by the Bank to finance a defined programme, embodied in a framework agreement, setting out standard procedures designed to lead to firm commitments to finance individual projects
Sub-project or project	A financing project approved by delegated authority, part of a framework, earlier approved by the Board of Directors
Outputs	The products, capital goods and services which result from an operation (this and subsequent definitions adapted from OECD-DAC definition)
Outcomes	The short-term and medium-term effects directly attributable to operation outputs
Impacts	The positive or negative long-term effects to which an operation contributes, directly or indirectly, intended or unintended
Results	The output, outcome or impact (intended or unintended) of an operation

Executive summary

This study was requested by the Board Effectiveness and Efficiency Group (BEEG), following the implementation by the Bank of a pilot, which increased the EBRD's delegated authority (DA) threshold from €10 million to €25 million. On the completion of this pilot, the increased threshold became the Bank's permanent policy. At the same time, EvD was asked to analyse the changes in the Bank's approvals structure, quality of information provided to the Board on sub-projects approved by delegation, as well as quality of reporting on framework and sub-project performance. The BEEG was particularly interested in the extent of savings stemming from delegation, the experience of other IFIs in this regard, and the impact the increased threshold might have had on projects in smaller countries appearing at Board sessions. The BEEG also requested an evaluation of the performance of a sample of DA-approved projects and its comparison with that of Board-approved projects, evaluated by EvD.

This study responds to that request, addressing the issues mentioned above. It identifies early trends in the portfolio of 111 projects falling within the expanded threshold approved by DA during the 24 months to 30 September 2018. It also presents the results of a review of project documents and reporting sheets of 20 DA-approved projects, as well as the results of an evaluation of 10 sample projects, which are compared to those of EvD's evaluations of Board-approved projects, completed in 2013-2017. The study also summarises the results of a survey of the Board of Directors, which explored their views on various aspects of delegation.

The sections below present key facts, findings and recommendations stemming from this study:

Key facts:

- The increase of the delegated threshold **tipped the balance** of approvals in favour of DA vs Board from 44% in 2016 to 54% in 2017. The number of delegated approvals increased by 36%, however in terms of volume they remained in a clear minority, although their share almost doubled from 8% in 2016;
- This increase was entirely due to the projects falling within the increased threshold. The volume (and largely number) of projects under €10 million **remained stable**. However, smaller projects **still dominated the number of** delegated approvals (74%), while remaining a minority in volume terms (37%);
- Sub-projects under **DFF-Non-SME framework** accounted for **44% of total financing** in the expanded threshold, with FIF being second with a 20% share. The share of volume or number of sub-projects from any other framework did not exceed 5%;
- In sector terms, **FI (28%), M&S (23%) and MEI (15%)** accounted for the largest share of the volume approved under the expanded threshold;
- There were only three **equity** transactions, accounting for 3.5% of total volume in the expanded threshold;
- **Larger countries**, such as **Ukraine, Turkey, and selected countries from EU and SEMED** were the main beneficiaries of sub-projects approved under the expanded threshold;
- Projects in **ETCs and Western Balkans** continued to dominate the number of all approved by DA (55%) of the total. However their share of the number of projects above €10 million was only 21%.

Main findings:

<u>Time savings due to delegation:</u>

- Delegation reduces approval time by **2.5 weeks** on average (slightly more in case of repeat client transactions). It saves Management estimated **65 staff-hours** and the Board **75 staff-hours** per project (approximately 4000 staff-hours per year in each case);

- However, from a project life-cycle perspective, approval by the Board is a relatively minor element as it adds only **7-10% to the total appraisal and approval** time, indicating that opportunities for additional efficiency gains could be found elsewhere;
- Speed of approval is key when projects involve **tightly scheduled steps** (often with partner co-investors), such as investments into bonds or competitive bidding to acquire a target. During the two years period there were 18 such projects, **16% of the total approved** by DA above €10 million;
- As the delegated approval process involves fewer internal discussions than that involving the Board, opportunities for **knowledge transfer and learning** are limited.

Quality of projects design and approval documents:

- The quality of sub-project FRMs was largely in line with that of Board Reports. However, some suffered from **unambitious TI benchmarks, weak additionality justification or vague description of the use of funds;**
- Some sub-project FRMs **didn't include a relevance, transition impact and additionality section**. Their TI benchmarks checklists were submitted **separately**, making them difficult to locate/monitor. Relevance and additionality were covered in the framework approval reports;
- There has been no "typical" DA-approved sub-project. However many of them were **relatively simple** (credit lines, working capital financing, refinancing, simple capex, bond investments), often with repeat clients. However, there were also some complex sub-projects;
- Selected frameworks had **pre-determined TI ratings per country** (according to the assessment of country specific transition challenges). This provided an incentive to direct more financing to countries where the gap was the widest, however **no inducement to set more ambitious TI benchmarks** at the sub-project level.

Quality of reporting documents:

- **Delegated Approval Reporting Sheets** (DARS) were a useful tool for informing the Board about delegated approvals but some of them contained gaps, such as **unclear or incomplete descriptions of the use of funds**, insufficient explanation of the nature of investments, no mention of re-financing/ retroactive financing or loan transferability, poor descriptions of TC, imprecise TI benchmarks or weak arguments supporting additionality;
- The Bank **lacks a system for informing the Board about material changes** to projects approved by delegation;
- The BOI and BPN systems generate useful summary lists of delegated approvals. However, they are **not integrated** (providing slightly different lists of sub-projects) and are **not presented in a common currency**, preventing group analysis;
- According to Management, **producing an integrated annual report on all frameworks** would be **overly resource-intensive**, while current annual reports (on DFF, FIF, SBI) cover two thirds of all approvals under delegation.

Evaluation results of the sample of delegated projects:

- Based on available information, EvD **does not find significant differences in the performance** of DA-approved projects relative to existing norms and trends;
- **Two thirds of the sample projects were rated overall "Good"**, which share is largely **in line with that of the rating of a stock of projects approved by the Board**, evaluated by EvD in 2013-2017;
- **None** of the DA-approved projects in the expanded threshold has been so far impaired, written-off, included in the NPLs or transferred to Corporate Recovery.

Experience of other IFIs with delegated approvals:

- With the exception of AfDB, **all IFIs delegate** approval of smaller projects to management. But as most of them typically provide financing for governments, they apply delegation only to a very **limited extent**;
- IFC, which provides financing to the private sector, approves the majority of its projects by Board no-objection and **21% by delegation** (2017);
- With over half of its projects approved by delegation, **the EBRD is the IFI delegating the largest share of its approvals.**

Impact of increased delegated threshold on appearance of projects in smaller countries at the Board:

- The increase of the delegated threshold had **limited to no impact on the frequency of projects from smaller countries** of operation being presented at the Board, as most of them were below €10 million;
- However it **substantially decreased** the frequency of projects being presented from selected **medium size countries, such as Belarus, Jordan or Morocco.**

Board views on DA from the survey

- Most respondents were **broadly satisfied** with the Bank's current DA approval system, including the threshold of €25 million and the quality of DARSs. However, about half of them felt that there was **room for improvement** of the system and for the enhancement of DARSs;
- A large majority of respondents **appreciated** periodic reports "taking stock" of frameworks. However, some indicated **difficulties in navigating** through the BOI or the BPN;
- A similar majority didn't see the reduction in projects from smaller countries appearing at the Board as a problem, because they felt **other Board activities** (BCVs, Country Strategy discussions, etc.) **compensate** for it.
- Opinions were split fifty-fifty as to whether Management fulfilled its promise to bring smaller projects with **novel features** to the Board;
- One third of respondents indicated that the current arrangements for **the host countries to approve** sub-projects by "no-objection" were **inadequate, allowing insufficient time** for the process.
- Most respondents felt that **some progress has been made** towards using time saved by delegating more projects to Management to focus on more strategic issues, but that the Board was "not there yet".

Recommendations:

- Enhance coverage of approved sub-projects published on the BOI (integrating it with BPN material whenever possible), adding information on their **EURO equivalent**, sector, ETI rating and current status to enable grouping and **simple analysis.** Also, consider adding a short description of the nature of the project in the list (transferring it from DTM);
- Develop a system for **informing the Board** about critically important **material changes** to the DA-approved projects;
- Improve the DARS template to require **a more precise and complete** description of a sub-project's use of funds, TI benchmarks, additionality and TCs;
- Formally survey the Board's views on **extending the time for host country no-objection** on sub-projects approved by delegation;
- **Enhance the quality of current annual reporting** on main frameworks to ensure that all of them include qualitative information, project **case studies and examples of policy dialogue and TCs**, as well as key financial performance indicators on the framework's portfolio (impairments, NPLs, etc.);
- Ensure that TI benchmark lists for DA projects under the DFF SME framework, which are submitted separately from FRMs, are filed with these FRMs and **can therefore be easily located.**

1. Background

1.1 Study objective, methodology and report structure

On 1 October 2016, the EBRD lunched a pilot programme, under which the Board of Directors agreed to increase the threshold of projects to be approved by delegated authority (DA) from €10 million to €25 million for framework sub-projects. When the nine-month pilot concluded on 30 June 2017, the Board agreed to adopt it as a permanent policy. The Board also requested an EvD assessment of the increased threshold on the structure of the Bank's approvals, as well as an evaluation of a sample of projects approved under DA, particularly those falling within the expanded threshold. This evaluation responds to that request. Its key objective is to provide the Board and Management with useful information on the DA-related processes and the performance of a sample of sub-projects approved under expanded DA. For clarity, this study is focused on the review of the workings and the results related to the authority delegated by the Board of Directors to Management, rather than that delegated by Management further down (e.g. from different committees to sub-committees or individual approvers). Also, it does not constitute an evaluation of the Bank's frameworks.

The first part of the study contains an analytical review, presenting an evolution of delegated authority at the Bank and the current system of delegated approvals with an efficiency analysis in terms of time savings. It then explores trends in the structure of the Bank's approvals and analyses the portfolio of DA-approved projects under the higher threshold, assesses the quality of design of DA-approved projects and the standard of reporting to the Board on sub-projects and frameworks. The portfolio is analysed based on 111 sub-projects falling within the expanded threshold and approved under delegated authority during the 24 months from 1 October 2016 to 30 September 2018 – the evaluation period. The assessments of the adequacy of project design, information and reporting to the Board were based on a review of a sample of 20 sub-projects, as well as internal interviews with Bank staff.

The study then presents the results of the evaluation of the performance (principally in terms of achieving operational, transition and financial objectives) of a sample of 10 sub-projects approved mostly during the early days of the pilot and falling within the expanded DA threshold[1]. Five sub-projects from this group (more advanced and ambitious) were assessed based on client and stakeholder interviews, while five remaining sub-projects were evaluated based on desk-reviews and internal interviews. The report compares the sample evaluations of DA-approved projects with the results of EvD's evaluations of Board-approved projects, completed in 2013-2017. The final section of the study explores the experience of other IFIs with DA and summarises the results of a brief survey of the Board of Directors. The survey's results are summarised in section 7.3 and presented in annex 6.

1.2 Evolution of delegated authority at the EBRD

The delegation of approvals has evolved at the EBRD over the years, being closely connected to the development of project frameworks[2], or multi-project facilities (MPFs), as they were initially called. The need for

[1] Sub-projects from the DFF Non-SME framework dominate the sample as they do the entire population of DA-approved sub-projects over €10 m. FI sector sub-projects were not included in the sample as they were covered by EvD's recent study "Credit Lines" October, 2018 (SS16-092).

[2] An indicative commitment by the Bank to finance a defined programme, embodied in a framework agreement, setting out standard procedures designed to lead to firm commitments to finance individual projects, EBRD Glossary

delegation was identified by Management relatively soon after the Bank's creation, the main rationale being the need for **improved efficiency**. The "Multi-Project Facilities" paper of April 1995 (BDS95-39) argued that:

The Bank needs to find ways to reduce the typical duration of the project preparation process below the year or more between initial discussions and initial disbursements, and to reduce the corresponding staff resources spent on project preparation. This is especially important for small or medium projects, as these are less able to absorb project preparation costs (both to clients and the Bank), which vary little with size. By reducing the cost and complexity of project preparation and approval through new ways of working with clients, the Bank can enhance its productivity and extend its scope of activities.

This paper suggested that the answerer to this problem was the **standardisation of projects and procedures** related to the same clients or of a similar nature, for which the total commitment within a lending programme would be approved by the Board, while the approval of particular sub-projects, compliant with parameters set in the programme, would rest with Management.

The Bank's approval policy, contained in the paper "Portfolio Risk Management and Investment Policies" (BDS91-50, Rev 6 (Final)), states that unless the Board of Directors has decided otherwise, all Bank's **financial commitments** must first be reviewed by the Operations Committee and the Executive Committee, and then **approved by the Board of Directors**. However, **disbursements** under these financial commitments are subject to the fulfilment of further conditions, and **confirmation** that these conditions have been fulfilled is **delegated to Bank Management.** Therefore, argued the MPF paper mentioned above, under MPFs the Board does not delegate authority for approval of any new exposure, but only decisions on **implementing exposure**.

Since then, the practice related to wholesale operations has been seen as consistent with the Bank's overall principle, i.e. the Board approves overall financing programmes (a framework or a MPF), and the Bank's total exposure under such programmes must not exceed the Board-approved amount. An important aspect of approving such wholesale operations is that the exact use of proceeds is only known once subsequent decisions on implementing specific loans or investments (sub-projects) have been taken. The approval of such sub-projects is thus seen as a confirmation of the fulfilment of conditions precedent to financing approved by the Board.

Since 1992, the Bank has been approving by delegated authority sub-projects falling under agency lines, MPFs and then frameworks. Clients from the financial institutions and SME sector, particularly from the ETCs, have been the main beneficiaries of projects approved under DA. Annex 10 presents milestones in the development of delegated authority (and main frameworks) at the Bank, while box 1 contains a list of key developments.

Box 1. Milestones in the evolution of Delegated Authority at EBRD

- **April 1995 – "Multi-Project Facilities"** paper (BDS95-39) – sets DA limit at ECU 10 million per client, additionality and TI process to be the same as for Board-approved projects, host country no-objection safeguards, Board information (two page note within 30 days of signing a sub-project), semi-annual facility level reporting;
- **October 1995 – "Existing Approval Procedures on Credit and Investment Issues"** paper (CS/FO/95-28), explains the compliance of the delegation with the Bank's policies;
- **December 1995 –** first two projects approved under DA, (under Winterthur MPF in the Czech Republic);

- March 1998 – "MPF Update" (CS/FO/98-6) – the first comprehensive report on MPFs and signed sub-projects
  September 2004 – "Delegation of Approvals" (CS/FO/04-13F) – comprehensive review of the DA procedures (at the Board's request). It introduces changes limiting DA;
- December 2009 – "President's Remarks to the Board – Decisions Related to the First Phase of the Organisational Capacity Building Exercise" (SGS09-374) – creation of the Small Business Investment Committee (SBIC) now in charge of all SME sub-project approvals (see box 1 in annex 1);
- February 2012 – "Compendium on Frameworks and Periodic Reporting" (EX12-073) – provides a comprehensive update on frameworks (in response to the Board's request for regular reporting). Discusses the performance of 60 active frameworks. No information on sub-projects;
- December 2013 – "Small Business Initiative Review 2013" (BDS13-342) sets fundamentals for the launch of the Small Business Initiative (SBI), advocating "integration of instruments for SME support and simplification of operational tools to render them cost-effective" – the basis for consolidating SME frameworks;
- September 2014 - ExCom approves a pilot DA programme introducing Designated Approvers - Sector Team Directors, who replace SBIC in the approval of eligible debt sub-projects under frameworks. SBIC is only to approve equity investments and sensitive and difficult operations. This pilot becomes permanent policy in April 2016;
- March 2015 – "Small Business Initiative – Restructuring and Consolidating EBRD Operational Facilities for SMEs" (BDS 15-050) – consolidated 25 FI SME frameworks under one – the Financial Intermediaries Framework (FIF); four direct financing frameworks under one Direct Financing Framework (DFF), and two risk sharing frameworks under the Risk Sharing Framework (RSF). It cuts the number of frameworks by about half.
- July 2016 – "Board Effectiveness and Efficiency – Proposal Concerning Project Delegation and Information Report to the Board" (BDS16-136) – introduces a pilot (starting on 1 October 2016) increasing the DA threshold from €10 million to €25 million. Introduces Delegated Approval Reporting Sheets to be published on the BOI within five days of sub-project approval. The pilot becomes permanent policy in July 2018.

1.3 Bank's current delegated approval system

The Bank has three pathways for approval of all projects (see annex 1 for an organogram and their description). Under two of these pathways the approval authority has been delegated from the Board to Management. In 2017, the delegated approvals structure was as follows:

- 71% of sub-projects were approved by Designated Approvers (Sector Team Directors). These were usually simpler projects and many were with repeat clients;
- 29% of sub-projects were approved by the Small Business Investment Committee (SBIC – see box 1 in annex 1), which approved: all equity transactions, "hot topics" projects[3], projects escalated to it by the Delegated Approvers and operations that would be offered to the Enterprise Expansion Fund:
- One sub-project was approved by OpsCom.

The 2014 replacement of SBIC approvals with those by Designated Approvers for most sub-projects (see box 1 above), streamlined the approval process, however, it cut the approval time for the majority of sub-projects only marginally. Previously, such (simpler) projects were already considered as "B-list" projects during pre-SBIC meetings and approved instantly, effectively within the same timeframe as that now taken by Designated Approvers. The new system cut approval time by two working days for a smaller group of projects, which would

[3] At the beginning of 2019, "hot topics" were operations in: Ukraine, Turkey, West Bank and Gaza, Lebanon, with a Russian component, in the educational sector, subordinated debt issued by banks, and frameworks.

have otherwise been on SBIC's A-list[4]. In SBIC's view, this system allows more time for quality discussion on key problems related to more complex proposals, while there is now very little to no discussion on simpler projects, on which all SBIC members largely agree.

When Designated Approvers have concerns about a sub-project or cannot agree with the Support Units on its approval, they can escalate it to SBIC, which in turn can escalate it to OpsCom, while the latter can escalate it to the Board. In 2017, 14 proposals were escalated by the Designated Approvers to SBIC, 5.7% of the total submitted to them. During the same time, SBIC escalated four proposals to OpsCom, 2.4% of the total submitted to SBIC (including some escalations from Designated Approvers). The main reasons for the escalation were related to the sub-projects':

- Policy issues (e.g. uncertainty as to whether a proposed project falls under a given framework);
- Sensitive or innovative nature;
- High risk;
- Client's integrity;
- Pricing (particularly expected return on equity).

In 2017-2018 (to end of October), OpsCom escalated 19 projects to the Board. They constituted 6% of all projects considered by the Board. Eight escalations were due to novel or sensitive features.

During the same time, an additional 8.5% (35 projects) submitted to the Board were below €25 million and fell under one of the following exceptions to the Bank's delegated approval procedures, which still require Board approval:

- Operations designated by ESD as "Category-A" projects;
- Operations that require derogation from Board approved policies (e.g. ESP or the Procurement Policy);
- First sub-operations under Frameworks.

2. Assessment of efficiency gains from the delegation of approvals

- Approval by delegation normally takes three to seven days. On average, it reduces approval time by 2.5 weeks on average (slightly more in case of repeated client transactions) versus Board approval;
- However, the overall appraisal and approval time of an average project has been reduced by only about 7-10% due to delegated approval, indicating that opportunities for additional efficiency gains could be found elsewhere;
- Sample projects were prepared and approved within an average of 6.3 months, however, it took them on average seven months to start disbursing. The Implementation of most of them was delayed;
- Speed of approval is of key importance when the project involves tightly scheduled steps, such as investments into bonds or competitive bidding. During the evaluation period there were 18 such sub-projects, 16% of the total DA-approved >€10 million.

[4] Sub-projects which are more complex and require discussion would be on SBIC's "A" list and would be approved during the SBIC meeting, held every Tuesday. Assuming they are not too complex (to warrant escalation to SBIC) they are now approved by Designated Approvers and this can happen as quickly as on the previous Friday, i.e. the approval period was shortened by two working days.

- Management **saves** on average **65 staff-hours** and the Board **75 staff-hours per project** due to DA;
- During the 24 month evaluation period Management saved over 7200 staff-hours and the Board over 8300 staff-hours due to the increase of the delegated authority threshold above €10 million.

2.1 Approval time savings due to delegation, in the context of a project cycle

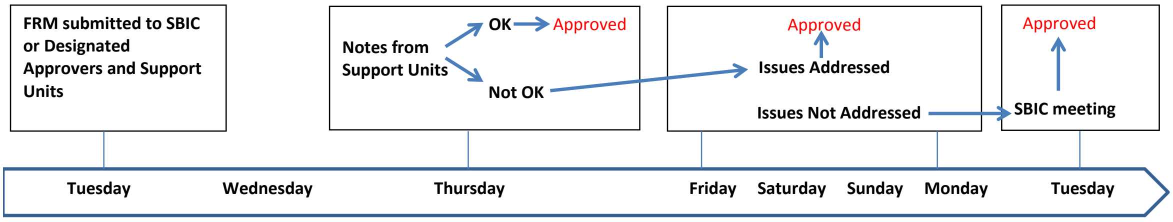
According to SBIC's data, the average appraisal and approval time for a sub-project under delegation is now **about five months**[5], which is close to the average 6.3 months for the sample projects (see below). Moreover, an increasing number of delegated approvals are with the same client (71% in 2017) and are therefore usually eligible for "one-stop final (FRM) approval", which cuts the approval time by additional 2 days on average (see section 1.3) but also saves 2 weeks of preparation time.

However, according to Bankers interviewed by EvD, it is **not the approval** process but the project **development/appraisal** process, including negotiations, which takes the longest time. Time savings achieved due to the approval streamlining are helpful but rather marginal compared with the time required to complete in-depth due diligence to a high standard required by the Bank (often on an unprepared and unexperienced client), structure the project financing (and often the TC component, including the sourcing of grant funding), as well as negotiating the deal (as key commercial terms need to be agreed before final approval). However, according to the interviewees, delegation has been of critical importance during the **Board's summer recess** (mid-July – beginning of September) as without it some projects would have had to wait up to 1.5 months for approval.

The **timeframe of actual delegated approval is relatively short**. The FRMs for both SBIC and Designated Approvers consideration are submitted on Tuesday each week (this includes submission to the support units – including Credit, EPG and OGC) and notes from these support units are due on Thursday. If all support units approve the proposal, then SBIC/Designated Approver approval can be given on the same Thursday or on Friday. If support units don't agree with the proposal or want to escalate it to SBIC, then SBIC meets on Tuesday (the following week). However, in practice, once the issues are made clear in the support units' notes, they are often addressed on Friday/Monday and the deal can be approved before Tuesday. So, this process is relatively flexible and as presented in figure 1, it has a **three to seven day turn-around** period (assuming no escalations, which are relatively rare, see section 1.4). This process is mostly "off-line", i.e. accomplished without internal discussions. It certainly speeds up the approval, however, opportunities for internal knowledge transfer and learning are largely lost.

Figure 1. Delegated approval timeframe

[5] Average time between CRM to FRM approvals for a sample of 34 projects approved by SBIC in three months from September to November 2018 (excludes "one-stop" approvals).



The Board approval may seem to add an average of three weeks (in a straight line) to the approval process, which varies depending on whether OpsCom approval (Friday) is two and a half or three and a half weeks before that of the Board meeting (Wednesday). However, under delegated procedures, after the approval, the OL must prepare and publish a DARS (within five days of the approval) and wait three working days to ensure no objection has been raised from the project host country's Director. This effectively adds at least three days to the DA process, which the Board-approval path would have not required, (had a transaction been approved by the Board).

This suggests that in comparison with the DA approval, the Board approval path adds, in practice an average of 2.5 weeks. Further analysis of 4 randomly selected Board sessions from 2017 and 2018 (27 projects submitted in aggregate), confirmed that 75% of them were submitted within 2,5 weeks from their FRM's date, while one was submitted in 1.5 week and 6 (mostly large and/or sovereign) during 4.5 – 13.5 weeks. Therefore, accounting for the time needed to obtain host country no-objection (which effectively off-sets longer time needed for approval of some projects), EvD estimates that delegated process saves on average 2.5 weeks of the project cycle time and slightly more (i.e. 2 additional days on average) in case of repeated client transactions, which are approved by the Designated Approvers under "one-stop" approval process).

Moreover, two respondents to the Board's survey, commented that the key flaw in the current DA system is insufficient time (three working days) for consulting host country authorities to ensure their no-objection (see annex 6, Q1 and 11). This is important, because as an IFI the Bank must adhere to the requirement that it shall not finance any undertaking in the territory of a member state if that member objects to it. Thus, EvD recommends to explore this issue further by formally surveying the Board on extending the no-objection period, e.g. to five working days. However, if accepted, the new arrangement would extend the time required for delegated approval, meaning that in comparison with Board approval, the time saving under DA would shrink to 2 weeks on average.

The 10 sample projects approved by delegated authority during the pilot and reviewed by EvD under this study took 6.3 months on average to prepare and approve (CRM to FRM), see table 1. If they had been submitted to the Board, their approval time would have been 3x to 5x longer (based on three days for delegated approval). However, such a Board approval would have added only 7-10% to their average development/appraisal and approval time. This indicates that from a sub-project's life cycle perspective, Board approval is a relatively minor element and opportunities for efficiency gains could be found elsewhere. Post-approval, all 10 projects were signed quickly (nine within one month and one within two months) see table 1.

Table 1. Timing milestones of sample projects approved by delegated authority under the pilot

Project	Months from CRM to FRM	Months from approval to signing	Months from signing to first disbursement	Months of delay in implementation	Time-sensitivity of approval (urgency of financing)
Azerbaijan	0 - single point approval	1	5	12	Low
Egypt	5	1	1	0	Medium
Romania I	9	1	10	9	Medium
Turkey	0 single point approval	2	1	18	Medium
Belarus	22	1	9	1	Low
Bulgaria	14	1	1	0	Medium
Romania II	1	1	1	0	High
Jordan	7.5	1	18+ not yet disbursed	18+	Low
Western Balkans	3	1	4	N/A, only partially implemented, pre-paid	Medium
Romania III	3	1	20	14	Low
Average	6.3	1.1	7	8	High 10%, Low 40% Medium 50%

However, the **first disbursements** from these loans took generally **a long time (seven months on average)** – only three loans made a first disbursement within one month of signing – they were related to working capital financing, a debt refinancing tranche or acquisition co-financing. All three infrastructure-related sample projects experienced long delays, disbursing 10-20 months after signing (one still has not started disbursing). Even the first disbursements from most corporate loans took a relatively long time - four to nine months after signing. As for implementation, half of the sample projects experienced longer delays - in addition to infrastructure projects, which were delayed by 9 to 18+ months, some corporate projects were up to 18 months behind schedule.
Only four projects (40%) were implemented largely on schedule. In EvD's view, the delays partially set-off the time savings achieved by delegating the approval of these projects.

2.2 Time-sensitivity of sub-projects approved by delegation

The time-sensitivity of sub-projects, i.e. urgency to provide financing, was analysed to establish whether speedy approval (i.e. forsaking Board approval in favour of delegation) was also justified by the clients' needs.

Based on client interviews (where possible) or analysis of the transaction and its implementation, EvD classified one sample project as being highly time-sensitive, five medium and four as low (see table 1). The project with high time-sensitivity (Romania II project) was a company's co-acquisition with a private equity fund. The speed of the Bank's financing approval was of the essence for its success, as the Bank participated in a public bid. Other sample projects were less time-sensitive - see table 1 for a summary and the "Key findings/time sensitivity of financing" sections under the evaluation of each sample project in annex 4.

EvD has also screened the remaining 101 sub-projects over €10 million approved during the evaluation period, establishing that 17 of them were time-sensitive, thus, with the Romania II project, they accounted for **16% of total delegated approvals** over €10 million. They included:

- 11 bond/Eurobond placements with a purchase deadline;
- Six company acquisitions (often with a fund or a co-investor) through bidding with a deadline;
- One private placement of a delisted company's shares with a purchase deadline.

2.3 Staff time savings

It has been estimated by Management that, thanks to delegation of approval from Board to Management, about **65 staff-hours** have been saved per project (net of additional hours spent on the preparation of DARS)[6]. These estimates have been largely confirmed by Bankers interviewed by EvD, who estimated that the conversion of an FRM to a Board Report and responses to the DAQs, as well as Board session attendance, take on average 1.5-2 days in aggregate for a team of four (including reviews and revisions by managers and the work of the President's Office), depending on the type of project, complexity of the DAQs, etc.

During the 24 month evaluation period, 410 projects were approved under delegated authority, including 111 above €10 million, while 292 projects were approved by the Board (net of no-objections). Therefore, projects approved by delegation constituted 58% of the total approved during that time. Adopting the above-mentioned estimate of 65 staff-hours spent on the preparation and presentation to the Board per project, 27,625 staff-hours were saved during the 24 months, of which **7,215 staff-hours** (27%) can be attributed to sub-projects falling within the expanded threshold.

In March 2018, the OE&E Differentiated Products Structuring team surveyed EBRD Bankers, asking for their views on the benefits of streamlining approval procedures and delegation. The survey covered delegation from the Board to Management, from SBIC to Designated Approvers, as well as improved processes, such as the replacement of a formal CRM with an email for projects with repeat clients and combined SRM/FRM. Therefore, the results of this survey do not reflect "pure" benefits of delegation from Board to Management. Nevertheless, they illustrate the enthusiasm and appreciation of staff for the recent changes in the Bank's project approval system, of which delegation from the Board to Management was a part. In their view, these changes resulted in:

- improved speed of approval - 93% of respondents;
- simplification of processes – 66% of respondents;
- positive impact on clients – 56% of respondents.

2.4 Board time savings

Another important benefit of delegation was the **time saved by the Board members** (Directors, Alternate Directors and Advisors). If the delegated threshold had not been expanded, in 2017 alone the Board would have had to review, discuss and approve **35% more projects** than it actually did (53 more or 202 in total, rather than 149, assuming they would not be subject to no-objection approvals). Based on consultations with selected Board members, EvD estimates that the Board spends on average **75 staff-hours** to approve each project[7] (10 staff-hours more than that spent by Banking/Management). Therefore, the Board's total time saving from the increased threshold for delegated approvals during 24 months is estimated at **8,325 staff-hours**. Based on the survey of the Board, opinions were divided on how well the time saved due to delegation was utilised (see section 7.3 and annex 6). Independently, some Board members commented that in their view, the time saved on

[6] "BEEG Pilot Review, May 2017" and "Different Products Structuring and Delegated Authority – Project Completion, March 2018" presentations, which estimate the input of Bankers, support units and the President's Office required to prepare and submit a Board Report, respond to DAQs and make a presentation to the Board at 70 staff-hours, minus 4.25 staff-hours for the preparation of DARSs, with a net saving of 65.75 staff-hours.

[7] Based on two hours for Board Report review by one person from each of the 23 offices, four hours DAQs preparation per project, 15 minutes per project for all Advisors to discuss DAQs, five hours host country consultations per project (-1 under DA) and 20 minutes of the Board session approval per project (with two attendees from each of the 23 offices).

approvals was productively used, mainly on more information sessions and updates (e.g. related to the economic and political situation in the countries of operation, industry sectors and on what other IFIs have been doing). This, in turn, enabled the Board members to better shape their strategic views and take fully informed decisions.

In conclusion, increasing the delegated threshold to €25 million has been an **important element** of a larger system of improvements and innovations introduced in recent years at the Bank in order to increase its efficiency. Delegation of approvals does save time, although such savings are relatively modest if compared to overall project appraisal and approval time. Moreover, the time saved by delegation is often largely cancelled due to the slow implementation of sub-projects. Nevertheless, delegation has been appreciated by bankers, especially during the Board's summer recess and in relation to time-sensitive projects.

3. Key trends in the delegated approvals and portfolio analysis of sub-projects

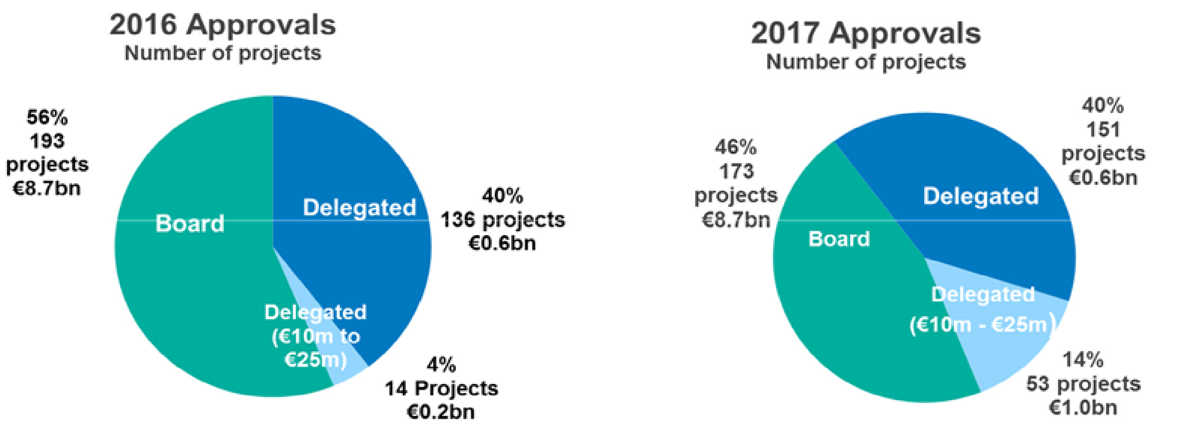
- The increased delegated threshold resulted in a **36% increase in the number** of projects approved by delegation in 2017, while their **volume doubled** to €1.6 billion. It **tipped the balance** between the number of projects approved by the Board from 44% in 2016 to 54% in 2017 in favour of delegation. However, in terms of volume, projects approved by delegation remained in clear minority (15%);
- The aggregate volume of projects **below €10 million remained constant**, while their number increased in 2017 by only 11%. However, they still **dominated the number of** delegated approvals (74%), while remaining a minority in volume terms (37%);
- Sub-projects under the **DFF-Non-SME framework** dominated approvals in the expanded threshold, accounting for **44% of total financing**, with FIF being second with a 20% share. The share of volume or number of sub-projects from any other frameworks did not exceed 5%.
- In sector terms, **FI (28%), M&S (23%) and MEI (15%)** accounted for the largest share of the volume approved under the expanded threshold.
- There were only three **equity** transactions, accounting for 3.5% of total volume in the expanded threshold.
- **Larger countries**, such as **Ukraine, Turkey, and selected countries from EU and SEMED** were the main beneficiaries of sub-projects approved under the expanded threshold.
- **ETCs and Western Balkans** continued to dominate the number of all sub-projects, accounting for 55% of the total approved (2017). However, their share in the number of projects above €10 million was only 21%.

3.1 Trends in Board and delegated approvals

In 2017[8], approvals by both the Board and Management reached the total of 377 (excluding SSF TCs, grants and frameworks <u>but including</u> approvals by the Board's no-objections) and amounted to €10.3 billion, which constituted an increase of 10% in numbers and 8% in volume on 2016. The **Board directly approved €8.7 billion** in 2017, equivalent to **85% of the volume** of all approvals during that year, while delegated approvals reached **€1.6 billion (15%).** In terms of project number, the Board directly approved 173 projects (46%), while 204 projects (54%) were approved by a delegated approval body (SBIC or Designated Approvers), see figure 2.

[8] All date in this section is from Q4 2017 QPR

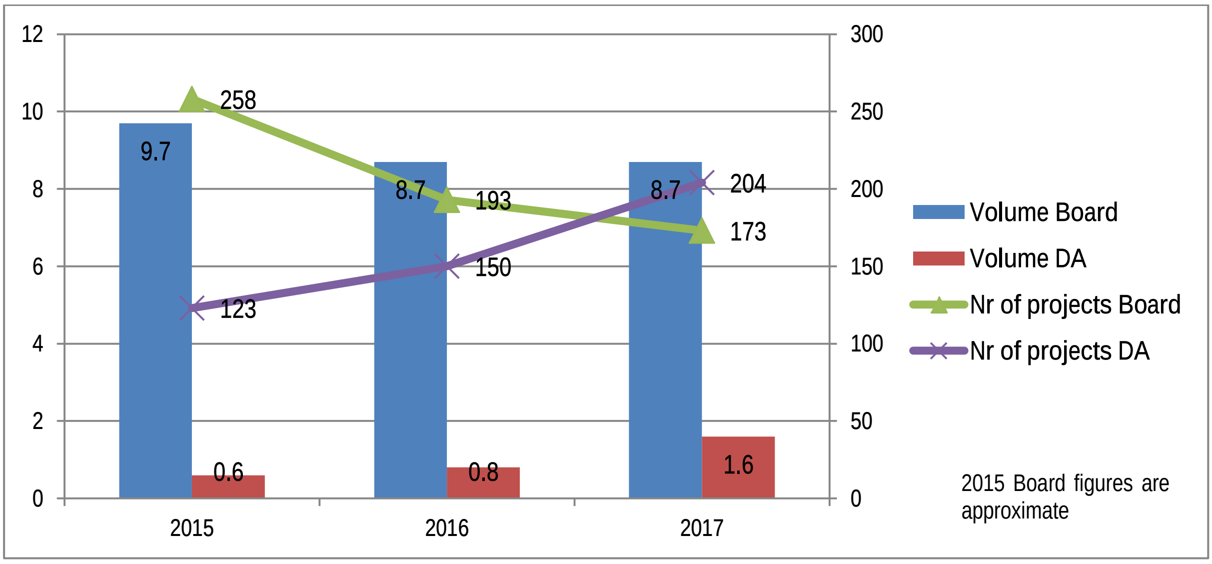
Figure 2. Structure of Bank's approvals in 2016 and 2017[9]



The total volume of projects below €10 million approved by delegation **remained the same** in both years (€0.6 billion), while their number grew only moderately (11% to 151). However, both the volume and the number of projects above €10 million increased exponentially. Figure 2 also illustrates the impact of introducing the increased threshold on the Bank's approvals structure. As the new threshold was introduced in the 4Q of 2016, only 14 such projects were approved for a total of €0.2 billion that year. However, in 2017 approvals of sub-projects over €10 million jumped to 53 and reached €1 billion.

The introduction of the higher delegated approval threshold had a profound impact on the structure of the Bank's approvals, **tipping the balance for the first time in favour of delegated approvals** (54%), while operations approved by the Board accounted for 46% of the total number. However, in terms of volume, projects approved by delegation remained in the **minority**. Their share remained relatively low (15% of the total approved), although it almost doubled from 8% in 2016. Figure 3 clearly shows this change, i.e. delegated approvals overtaking Board approvals at the end of 2016, when the threshold increased (although they were only half of Board approvals in 2015). Delegated approvals clearly accelerated in volume terms in 2017, which was doubled that year.

Figure 3. Number and volume (€ bln) of projects approved by the Board and delegation in 2015- 2017



[9] Source – Q4 2017 QPR

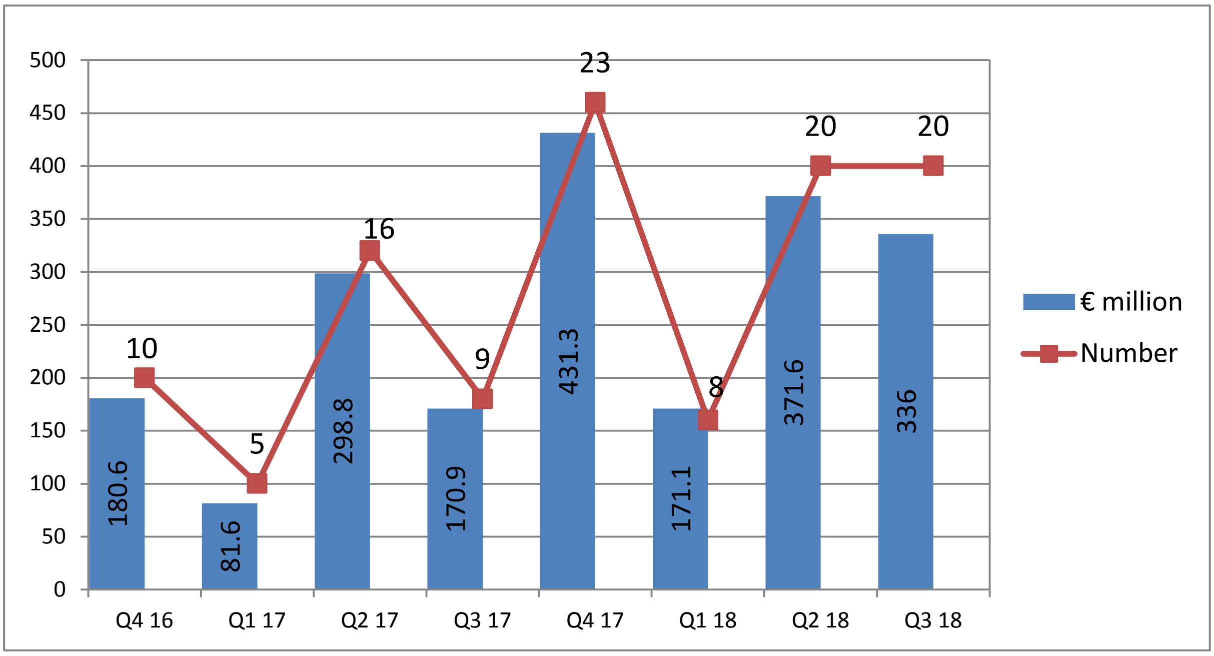
By the end of Q3 2018, 241 projects were approved (€7.3 billion), 20 more than at end Q3 2017 (€5.7 billion) - 109 by the Board (45%) amounting to an aggregate €6.0 billion (82%), while 132 projects (55%) for €1.3 billion (18%) were approved under delegation. Large projects (over €100 million) accounted for over one-third of Board approvals in volume terms (13 approved, totalling €2.3 billion, four more than at end Q3 2017). This data points to a gradual stabilisation of delegated approvals as a proportion of total approvals, which is now at 55% in terms of number, and their slow growth in terms of volume[10].

3.2 Portfolio analysis of sub-projects above €10 million

Annex 3 presents a trend and portfolio analysis of sub-projects over €10 million, while this section summarises it.

During the 24 month evaluation period to 30 September 2018, 111 sub-projects[11] with an aggregate value of €2.04 billion, falling within the new range were approved by delegation (listed in annex 2). They accounted for 26% of the number and 62% of the volume of the total delegated approvals during this period. Figure 4 illustrates quarterly approvals of projects in this range, showing the impact of seasonality, typical for all Bank approvals (slow Q1, pick up in Q2, small dip in Q3 and record Q4), as well as the overall growth trend in the approval of projects falling within this range.

Figure 4. Approvals of projects >€10 million under delegation – first 24 months of the new threshold



[10] This stabilising trend is also confirmed by the latest data for the whole 2018 – 207 delegated approvals, i.e. practically no change from 204 in 2017.

[11] Data on the number (and aggregate volume) of projects above/below €10 million should be treated with caution as many loans were made in USD or local currencies and due to the fluctuation of these currencies against EUR, some projects are now below or above €10 million. E.g. the $11 million loan under the project in Egypt was equivalent to €10.2 million when it was signed in March 2017, but in November 2018 it was valued at €9.7 million. EvD chose to use the exchange rate at the date of signing to allocate projects to one group or the other to ensure consistency. However the allocation of about five projects signed during the evaluation period to "above €10 million" can now be questioned due to changes in exchange rates.

Figure 2 in annex 3 confirms this trend, showing approvals in the expanded range in relation to smaller projects[12]. While in 4Q16 approvals of projects falling in the higher range accounted for 13% of total number of delegated approvals, in 4Q17 their share grew to 24% and in 3Q18 to 34%. In volume terms, projects in the expanded range accounted for 40% of delegated approvals in 4Q16 but this share increased to 65% in 3Q18. Although the 24 month timeline is relatively short, a clear growth pattern in the share of the larger projects in the total delegated approvals can be observed, both in terms of the number and especially volume. The average size of a project approved under DA has changed as follows:

- €4.1 million for projects under the previous DA threshold (<€10 million)
- €7.7 million under the expanded DA overall
- €18.4 million within the expanded threshold (those from €10 million to €25 million)

In terms of the types of framework, the Direct Financing Framework (DFF)[13], with €907 million and 49 projects, dominated the volume and the number of approvals above €10 million, accounting for 44%. The Financial Intermediary Framework (FIF) with 24 projects at €414.5 million, accounted for the second largest group – 22% and 20% of the total number and committed volume respectively, while Green Cities (six), SMART (four) and TRY Corp (four) each took a 4-5% share of the total. The remaining 15 frameworks accounted for 24% in aggregate of the total committed (each below 3% of the total), see figure 3 in annex 3.

The breakdown of delegated financing by industry sectors indicates that FI provided the largest share of such financing, with M&S second (these two sectors accounting for just over the half of the total volume and number approved), with MEI, Agribusiness and Power & Energy following, see figure 5 in annex 3.

Almost all financing was debt, as there were only three equity transactions approved, amounting to an aggregated €70 million and accounting for 3.5% of volume and 2.7% of the number. However, one of the equity projects has already been cancelled, bringing down the active equity investments approved under delegation (for projects >€10 million) to two, for a total of €45 million.

The main regions/countries[14] benefiting from financing approved under delegation within the increased threshold were EU countries (including Greece) with 28% of the total volume and 20% of the projects number approved, SEMED – 21% on both accounts and Ukraine with 15% also on both accounts. The relatively high proportion of financing in EU countries was mainly due to several capital market transactions. The ETCs were also targeted, although with financing at the lower end of the increased range. Their share of the total financing accounted for 13% (€266.4 million) and 16% of the project number, see figure 5 below.

[12] Also data on smaller projects must be treated with caution. E.g. the BPN listed 21 projects as signed at 0 commitments during the evaluation period. These were uncommitted tranches, swap transactions or other special projects. They do not impact the volumes, however may distort calculations related to the number of projects, averages, etc.

[13] This includes projects under both DFF Non-SME and SME sub-frameworks, although the former accounted for almost all of the number and volume of financing transactions.

[14] Financing from six regional projects (€99.4 million in aggregate) was allocated pro rata to countries/regions they covered.

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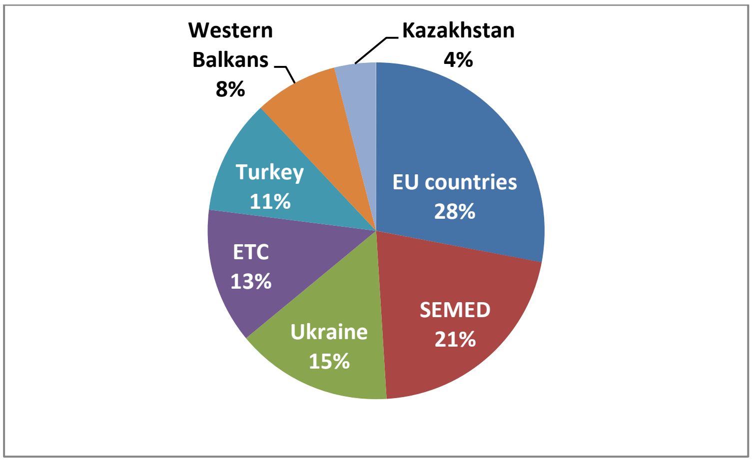
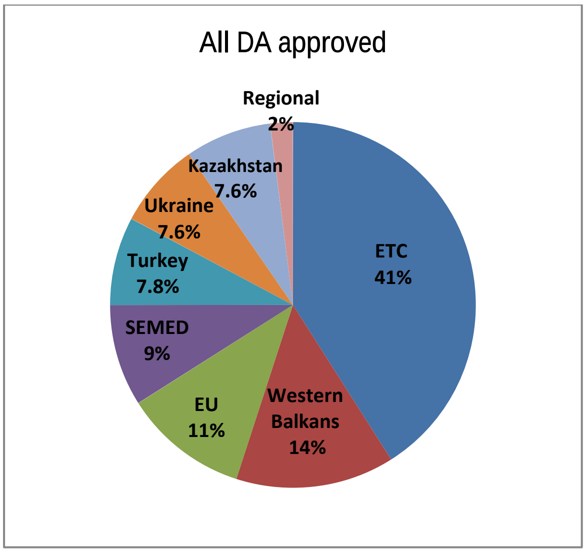
Figure 5. Share of countries/regions in financing approved under delegation by volume (>€10m)



In purely **country** terms, Ukraine, Turkey and Romania were the main beneficiaries of financing approved by delegation in the increased range, see figure 7 in annex 3.

However, the picture is different if <u>all</u> delegated approvals are taken into account (both below and above €10 million). Table 2 in annex 3 demonstrates the domination of **ETC and Western Balkan** sub-projects in the **overall** delegated approvals, accounting together for **55%** of the total number. However, this is almost entirely due to sub-projects **below €10 m**, as those above constituted only **6%** of the total approved by delegation (and 21% of the total >€10 m). Proportions are more equally spread among project above and below €10 million for the rest of the regions and the main countries (with the exception of Kazakhstan, where the Bank has also financed many more projects below €10 million than above). Figure 6 demonstrates the share of country/regional share in all delegated approvals, based on the full 12 months of 2017.

Figure 6. Country/regional share in the number of <u>all</u> projects approved by delegation in 2017



These analyses re-confirm an earlier observation from the 24 month sample that the main beneficiaries of the expanded threshold were **larger countries** such as Ukraine, Turkey and selected EU and SEMED countries. These countries had more sizable companies and banks, which had the demand for larger financing and the capacity to repay it. See annex 3 for more details and analysis.

4. Quality of sub-projects' design

- There is no "typical sub-project approved by delegation", although most of them tend to be **simple in design** (credit lines, corporate loans for simple capex, working capital or refinancing, sub-sovereign loans to be on-lent to municipal companies). However, there were also more complex projects, particularly in the >€10 million group;
- The main difference between the design of Board-approved and DA-approved projects was the **treatment of their transition impact.** This differed by framework – in some of them transition benchmarks were selected from a list of pre-determined types of transition impact at the framework level, other sub-projects had benchmarks set at framework level only, others were treated like stand-alone projects.
- The application of a **country matrix for the TI rating** of FIF and DFF-SME sub-projects provided strong encouragement to **direct financing to less advanced countries**. However, it **did not offer an incentive** to set ambitious TI benchmarks at the sub-project level (particularly in respect of corporate frameworks, e.g. DFF, which has extremely broadly defined objectives).
- Also, the TI checklists (used under some frameworks) weren't always effective. About one-third of sample sub-projects had **unambitious TI benchmarks/objectives**, i.e. the same as the operational objectives or with the impact to be achieved through demonstration of project implementation, ESAP or minor corporate governance improvements. However, a similar proportion had well thought-through and ambitious TI benchmarks;
- The FRMs for many sub-projects **lacked a relevance, transition impact and additionality section.** Their TI benchmark checklists were submitted separately to approvers/SBIC, making them difficult to locate/monitor, while relevance and additionality was covered in the framework approval reports.
- About a third of sub-projects in the sample had a relatively **weak additionality case.**
- 60% were with **repeat clients**, which enabled the Bank to "piggyback" on appraisal or reporting, achieving better efficiency.
- Almost half of the sample sub-projects included TCs, while a quarter included non-TC grants or soft loans.

Annex 5 provides a table, the middle column of which contains an assessment of the key design features of 20 sub-projects (10 sample projects and 10 recently approved projects, which were additionally reviewed). All of them are above €10 million and constitute 18% of all sub-projects in this range approved during October 2016 – September 2018 by delegation. They were selected to represent a diverse sample, cutting across different frameworks, sectors and countries (although sub-projects from DFF-Non-SME framework dominate as they do in the DA portfolio).

In EvD's view, the design of these sub-projects was **generally in line with the Bank's standards**, particularly in terms of financial analysis and risk identification, both of which were usually extensive and detailed, similar to those in the Board reports. Nevertheless, a drive for "streamlining" forced some simplifications and the exclusion of certain topics from sub-project FRMs, which have been dealt with only in the framework Board report. Compared to the Board reports for stand-alone projects, most FRMs for delegated sub-projects did not have:

- a **project rationale section** as it was explained in the framework Board report and applied to all sub-project under the framework;
- **an additionality section**, as this was also argued only at the framework level;

- **a transition impact section**, as some frameworks had TI benchmarks only at the framework level, others had 2-3 sub-project specific benchmarks selected from a list of possible benchmarks (approved at the framework level, see below), which was submitted separately from the FRM.

As long as a sub-project fitted the framework, no further justification for its rationale was needed. The sample of sub-projects reviewed by EvD did not contain any operations whose fit with a given framework could be questioned. Nevertheless, following the integration of SBI-related frameworks, some of them (particularly the Direct Financing Framework) acquired extremely broad sub-project eligibility criteria and objectives, into which corporate financing for almost any project could be fitted (see box 2). However, the breadth of this framework's objectives was the price for the simplification and reduction of the number of frameworks, which was agreed with the Board.

Box 2. DFF-Non SME Framework eligibility criteria

Intended purpose: to finance enterprises with debt, equity and any intermediate products for capex, acquisitions, expansion, working capital, balance sheet restructuring and refinancing; Eligibility: private direct financing below €25 million (except for "Category A" projects and those with substantial public influence); Countries: all; Sectors: all; Instruments: all.

4.1 Treatment of Transition Impact

The main difference between the design of Board-approved and DA-approved projects was the treatment of the latter's transition impact-related components, such as benchmark setting, TI rating and monitoring. Most frameworks had a checklist of pre-determined types of transition impacts/benchmarks typical for a given framework. When a sub-project was identified, EPG and Banking selected 2-3 benchmarks from the list, with specific quantitative (and in some cases qualitative) targets for the given sub-project.

This approach worked satisfactorily for smaller, simpler projects but less so for more complex, diverse operations. For this reason it has been recently changed for the DFF-Non-SME framework, whose sub-projects dominate the >€10 million category (see details below). In EvD's view, another shortcoming of this system is that the TI checklists with benchmarks agreed for specific sub-project were not integrated in the FRM document but submitted to SBIC/Designated Approvers **separately**. EPG commented that such a way of submission was requested by OpsCom/SBIC, so that these lists could be easily searchable in ProjectLink. Moreover, it facilitated electronic linking of the sub-project level TI benchmarks with the larger, framework-level TI objectives and their monitoring. However, EvD experienced difficulties locating some of these checklists and could only identify benchmarks for some sub-projects thanks to what was recorded in their Monitoring Reports or TIMS, rather than any approval documents.

The consolidation of the Bank's SBI-related frameworks in 2015 was followed in April 2016 by the introduction of a clear division into SME and non-SME clients, based on the client company's metrics (turnover, assets, number of employees, etc.), rather than the project size. This resulted in the creation of **two separate Direct Financing Frameworks** (DFF) – one for SMEs and one for Non-SMEs. It had consequences for how their sub-project TI benchmarks and ratings have been treated:

- DFF-SME – benchmarks have been set **at the framework level** (mainly related to the number of sub-projects with advisory support, targeting corporate restructuring, improved profitability and enhanced financial reporting), as well as for individual sub-projects, based on a TI checklist. The latter has been applied to obtain the aggregate numbers, needed for the framework-level monitoring and TI reporting in the annual SBI updates. The sub-projects' expected TI rating has been based on a country matrix[15].

- DFF- Non-SME – until recently, TI benchmarks for sub-projects under this framework were based on a checklist (up to three project-specific benchmarks selected from a checklist of possible transition impacts). But since July 2017 (when Project Christopher was adopted), sub-projects under this framework started to have dedicated TI benchmarks set on a case-by-case basis, as well as ratings and TIMS, exactly **as stand-alone projects** presented for Board approval.

TI benchmarks for the Financial Intermediaries Framework (FIF) are also **set at sub-project level**, while their ETI is based on a standard TI matrix. Moreover, FIF also has framework-level TI benchmarks set for 2016-2020. The TI rating of sub-projects under frameworks such as SEFFs, country-specific renewable resources frameworks or bond frameworks, are set only at the framework level as it has been agreed with the Board that a critical mass of such sub-projects is needed to achieve overall TI objectives (e.g. reduction of energy intensity of industrial companies, increase of renewable energy generation, increase of corporate bonds issued by local companies, etc.). Nevertheless, most of the renewable resources frameworks have sub-project specific targets for capacity and CO^2 reduction, which then feed into the framework's overall TI objectives. MEI framework sub-projects have specific TI benchmarks selected from the framework-level list of possible transition impacts (as DFF-Non-SME had in the past). See table 2 for a summary of the treatment of sub-project TI under key frameworks.

Table 2. Treatment of transition impact for sub-projects under frameworks

Framework	ETI score setting	TI benchmarks	Monitoring (TIMS)
DFF – Non-SME	Since July 2017, individually for each sub-project. Before, individually but based on a standard TI rating matrix (score depending on country/gap).	Since July 2017, individually for each sub-project. Before, up to three specific benchmarks from the list of possible impacts.	At sub-project level
DFF – SME	Individually but based on standard TI rating matrix (score depending on country/gap).	At FRW level (annual targets) and also on sub-project level - up to 3 specific objectives from the list of possible impacts/objectives.	At FRW level, i.e. achievement of sub-project benchmarks contributes to aggregate FRW targets
FIF	Individually but based on a standard TI rating matrix (score depending on country/gap).	On sub-project level and also on FRW level – number and ABI of different category projects (equity, LCM, non-banks, SBI, GET, SGI). Aggregate target for 2016-2020	At sub-project and FRW level

[15] This matrix, which also applies to FIF framework, assigns ETI of 80 to projects in ETCs, selected SEMED and selected Western Balkans countries, as well as Ukraine. Other countries have ETI of 60, unless they target specific TI qualities, while projects in most CEB countries and developed regions of Turkey are allowed only if they have "highly noteworthy features".

MEI frameworks (Green Cities, SMART*, UkrPTF, MR3, EPW&WTMF)	Individually but all sub-projects receive the same rating as the framework's rating (effectively rating is on the framework level)	On sub-project level, selected from the list of standard possible impacts	At sub-project and FRW level
Bond frameworks (TRY Corp, GrCBF, RomFIBMF, FIDCMF)	Individually but all sub-projects receive the same rating as the framework's rating (effectively rating is on the framework level)	FW level only (successful placement, listing, rating, etc)	At FWR level
Renewable energy frameworks (UREDLF, GrREF, KazREF), SEFFs, ASIF, WeBSEDFF	Individually but all sub-projects receive the same rating as the framework's rating (effectively rating is on the framework level)	FRW level – aggregate capacity added, CO^2 reduction, number of projects, etc. into which project-specific targets contribute	At FRW level

*For the full names of the frameworks please see table 1 in annex 3

4.2 Other aspects of sub-project design

Based on the review of a sample of 20 FRMs for sub-projects approved under delegation, EvD made the observations summarised below (see annex 4 for a summary table 2, as well as summary table 1 in annex 5 for more details).

- All but one had dedicated TI benchmarks (in addition to those at the framework level). One sub-project (under Greek Corporate Bond Framework) had TI benchmarks at the framework level only.
- **30% had TI benchmarks/objectives, which in EvD's view were unambitious**, i.e. the same as the operational objectives or with an impact to be achieved through the demonstration of project implementation, ESAP implementation or minor corporate governance improvements. Some benchmarks were not linked to the actual project (in the case of WC financing or refinancing). In one case, a benchmark had already been achieved under a previous transaction with the Bank.
- **30% had TI benchmarks/objectives, which in EvD's view were strong**, e.g. demonstration of innovative production of biogas from manure with ambitious quantitative targets, reorganisation of urban transport contracting, private sector participation and CO^2 reduction. The strength of the remaining 40% of TI benchmarks was assessed as "medium".
- **30% presented an additionality case, which in EvD's view was relatively weak**, e.g. strong sponsors capable of sourcing financing elsewhere, simple financing in EU countries, refinancing (or large refinancing tranches). **25% of sub-projects had strong additionality cases.**
- One project was cancelled within a month of approval (bond refinancing in Hungary) and one was pre-paid within one year of signing (retail expansion in Western Balkans).
- 60% of sub-projects were with **repeat clients**, which enabled the Bank to "piggyback" on appraisal or reporting, achieving **better efficiency**.
- The description of the projects' operational objectives (use of funds) **varied** – most FRMs defined it relatively well, however, in a few cases it was unclear.
- 20% **included refinancing** (two in second tranches and two entirely dedicated to refinancing). One sub-project financed working capital only.
- Of the five infrastructure projects in the sample, one was a **sovereign loan** (the project in Jordan), two **sub-sovereign** (Romania I and Romania III projects), **one corporate** and **one private**.

- Sponsor/corporate guarantees were provided for most private loans. One was limited recourse, one was an unsecured loan.

In EvD's view, these characteristics were generally similar to those of Board-approved projects, with some notable exceptions:

- Treatment of TI was specific to a given framework (as explained in section 4.1);
- Board-approved projects presented stronger additionality cases more consistently;
- DA-approved projects were more frequently with repeat clients;
- Board-approved projects generally described a project's purpose/use of funds more fully and precisely (although there were also DA-approved projects where the use of funds was very well presented).

4.3 Use of TC and non-TC grants in sub-projects

The TC usage pattern for DA-approved projects was generally similar to that for Board-approved, although the frequency of TC in DA-approved projects seemed slightly lower. This was mainly because of:

- the domination of relatively simple, corporate private projects, often with repeat clients, which did not lend themselves easily to the application of TC;
- the relatively high volume of investments into corporate bonds, which usually do not merit the use of TCs and which are time-sensitive.

Nevertheless, eight sub-projects or 40% of the 20 reviewed by EvD, included TCs. These were four MEI sub-projects, one Power and Energy (the project in Kazakhstan), one FI project (the project in Morocco) and two corporate projects (the projects in Bulgaria and Turkey).

The TCs for the MEI projects were well-designed and extensive, with relevant and usually multiple components. They ranged from support for technical design and procurement to development of public service contracts, urban transport strategy, tariffs structure, etc. However, (and as is often the case with Board-approved projects) these TCs suffered long delays, primarily due to difficulties in obtaining consultant funding, delays in procuring consultants (including agreement on ToRs with the clients) and their contracting. For these reasons, TCs in Romania I and Romania III, two of the sample projects evaluated by EvD, were delayed by about a year, while the Jordan project's TC has also experienced long delays.

The TC under the project in Kazakhstan supported due diligence and was implemented as planned. The TC of the project in Morocco is also under implementation by the Bank's Advice for Small Business programme. A relatively small (€30,000) TC under the project in Turkey was to identify resource efficiency and the scope for renewable energy solutions and review the market for organic fertilisers and the relevant regulatory framework in Turkey. The client confirmed that it was implemented with only a small delay and that its outcomes were useful, especially in respect of market analysis. However, the structure of the much larger TC proposed for the project in Bulgaria was unclear, as its FRM described it as "up to €1 million TC and non-TC funding to support investments in R&D and innovation, which will help increase vehicle fuel economy and production of electric car components – both leading to climate change benefits." The purpose of the TC seemed generally relevant, however, it was unclear which part of it was to be a Non-TC grant and which a TC, and what exactly each of them was to achieve. EvD understands that, in the end, this TC was not implemented as the client was uncertain how to use it. This case illustrates the difficulty of designing and implementing more complex TCs for corporate projects.

In addition, although no TC was initially planned for the project in Egypt (working capital loan for a copper rods producer), one is now associated with it. This is because the Bank realised that the vocational academy owned by this project's sponsor could be used as a springboard for the Bank's Inclusion Programme in Egypt. Thus a TC was designed, which aims to transfer a "double-education" German model to Egypt and to promote technical vocational education among Egypt's female population. The consultant has only been recently contracted and deployed, however, the prospects for this TC seem positive.

Moreover, six sub-projects (30% of those reviewed by EvD) included non-TC grants or soft loans – two from the Clean Technology Fund (CTF) - one for the project in Turkey to co-finance organic fertiliser investments and one for a solar project in Kazakhstan; one from the Climate Technology Innovation Support Programme for the project in Bulgaria(although this did not materialise), one from the Kazakh government and one from the Moroccan government. Moreover, the project in Jordan was to be financed by $24 million grant from DFID, USAID and Global Concessional Financing Facility. The Bank's assistance in obtaining these grants supported its additionality case.

In EvD's view, the design of sub-projects approved by delegation did not differ substantially from that of Board-approved projects, although their operational and transition objectives tended to be simpler. See annex 5 for more details.

5. Quality of information provided to the Board

- 65% of DARS reviewed had some gaps as compared to key information in the FRMs;
- The most frequent deficiency of the DARSs was an unclear or uncomplete description of the use of funds (in effect, a project's operational objectives).
- In several cases some other, relatively important information was not mentioned in the DARSs, e.g. options for transferring the loan to another entity, retroactivity of financing, refinancing, domiciliation of the sponsor, purpose of TC or provenance of non-TC grants.
- Some DARSs asserted TI elements, which were absent from the main FRMs.
- The lack of an abbreviations table made it difficult to read some DARSs.
- The BOI and BPN systems provided a useful summary list of delegated approvals, updated each month, however, they were not integrated (providing slightly different lists of projects) and were not presented in a common currency, preventing group analysis.

5.1 Quality of information on sub-project approvals - Delegated Approval Reporting Sheets

Delegated Approval Reporting Sheets (DARS) were introduced on 1 October 2016 as part of the pilot, which expanded the delegated threshold to €25 million. They apply to all sub-projects approved by delegation, also those below €10 million, for which there was no reporting prior to the pilot. DARS are published within five days of delegated approval and have a double-purpose:

- To provide Board Directors with timely information on the key characteristics of sub-projects approved by delegation, and
- To ensure no-objection for the approved sub-projects from the Director of the host country (and if said Director has any objections to the sub-project it should be raised within three working days of the publishing of the DARS).

The template for the DARS is well structured and contains boxes for each entry. It also states that it should be ***"one page only"***. It requires the sub-project's OL to describe the transaction (financing) and separately, the project (including the financing plan and use of proceeds). Its transition section allows for a brief narration of transition impact sources and separately, transition benchmarks, mentioning, however, that *"in case of too many, give the key benchmarks only"*. Additionality, Risk and Associated Grants & TC sections complete the DARS. The OLs have discretion on how they describe the project (and the description depends, of course, on the nature of the project). However, the DARS template sections, such as "financing plan and use of proceeds", forces a fairly precise description. Also, draft DARS are reviewed and signed off by the relevant Team Director.

Nevertheless, the review of 20 DARSs related to sub-projects over €10 million identified gaps in 13 (or 65%) of them. In most cases these gaps were minor and related to information, which could have been helpful for Directors to fully understand the nature or purpose of the project, rather than vital, the absence of which could lead to a major misconception about a project.

Annex 5 provides a description of the gaps identified in each project's DARS. Among them, an unclear or uncomplete description of the use of funds (in effect, the project's operational objectives), was the most frequently occurring deficiency. It included:

- an overly general description of the project, no component breakdown, e.g. "capex to increase capacity and efficiency". Similarly, over-general descriptions occurred in DARS;
- missing information on refinancing tranches or on the split between capex and refinancing tranches;
- lack of clarity as to which parts of a larger project were to be financed by the Bank;
- purpose of tranching or of uncommitted tranche unclear.

The description of one of the projects provides an example of the above:
"The proceeds of the Bank's investment will be used for refinancing of the existing indebtedness and financing of the capital expenditure requirements of the Group. Such new capital structure allows the Company to invest in a fibre-access network. No mobilised funds".

In several cases some other, relatively important information was unclear or missing from DARSs, e.g.:

- transferability to another entity) or its revolving nature;
- retroactivity of part of the financing;
- the purpose of the TC or the source of non-TC grants, etc.;
- imprecisely described TI benchmarks or assertion of TI in DARS absent from the main FRMs;
- the additionality section referring to "adequate tenor" only, with no details;

- the sponsor's name or his domiciliation[16] not always mentioned.

In addition to the detailed review of 20 sample projects, EvD screened the DARS of the remaining 91 sub-projects over €10 million approved during the evaluation period. It confirmed the inconsistent quality of the DARS, particularly in respect of information on the use of Bank's funds. Those DARS which were less clear, had an overly general or unclear description of the use of funds. However, there were also DARS with very clear and complete descriptions of the use of fund and the project purpose.

5.2 Intranet tools - Board Online Information (BOI) and Business Performance Navigator (BPN)

The DARS are published on the BOI, which is updated regularly. One of the BOI sub-pages is dedicated to delegated approvals (http://bmironline/boi/operational.htm#sections|delegatedapprovals||2018|Any|Any|Any|Any). It lists sub-projects by order of their approval date, stating the framework, the sub-project's name, country, currency and amount of financing (in original currency). Each project has a link to its DARS and to an information box stating the sub-project's region, country, sector group (responsible for the sub-project) and the industry sector. There is an option to filter (but not group) sub-operations by framework, year of approval (2016-2018), country/region and sector.

In EvD's view, the BOI is a useful tool, enabling the Board to easily access basic information about sub-projects approved under delegation. However, it has several weaknesses:

- The sub-project' financing amounts are provided in **original currency only** which, given 20% of sub-projects over €10 million were financed in nine different local currencies (and a third of the total in USD), requires a reader to check the exchange rate for each one to get an idea of what its Euro equivalent is. It also prevents grouping/totalling of financing, e.g. by country, region, sector or framework, or any other analysis.
- The inclusion of information on the sub-project industry sector in **a box** (which requires a separate click to open) is less useful than if it was shown in a list, e.g. in an additional column, next to the country of each sub-project. This would enable a quick identification of the sector/type of project, especially since many sub-projects have names which do not provide any clue as to the sector.
- The BOI covers sub-projects approved **since the start of the pilot** (1 October 2016). It is a minor point, but many sub-projects approved before that date are still active and could be of interest to the Board Directors. Moreover, including sub-projects 1 October 2016 could enable trend analysis or access to information on repeat clients, types of projects, etc.

Ideally, each sub-project entry in the BOI should include a short description of its nature, enabling a quick understanding by the reader as to what type of project it is. This description could be transferred from the short project description in DTM (e.g. "financing of 50 new buses" or "financing of a new chocolate production line"). Currently, the reader needs to open the link to each sub-project's DARS and read most of it to decide whether the sub-project would be of interest to her/him. Finally, it would be also useful if the BOI list stated the current status of each sub-project (e.g. signed, cancelled, disbursing, etc.).

[16] Management commented that the DARS template does not require info on domiciliation. In EvD's view, if domiciliation was likely to raise concerns, it should have been mentioned.

Another Bank tool providing a list of items[17] approved by delegation is a sub-page in the **Business Performance Navigator** (BPN). This tool is designed primarily for OpsCom Secretariat to track which items approved on delegated basis constitute new sub-projects that require Board reporting. BPN is not accessible to the Board, however, it is accessible to the most of Bank's staff.

In EvD view, the main shortcoming of BPN list is that it differs from the BOI list in the number of sub-projects. However, Management explained that an item only appears on BOI once it is established that Board reporting is required, the reporting sheet is ready and up to standard and the Team Director sign off has been received. The BPN lists more items approved by delegation than the BOI because not all items require reporting or because one DARS has been provided for several sub-projects with the same client.

In conclusion, to be an effective tool for the provision of complete (but still brief) information to the Board on DA-approved projects, the quality of the DARS should become more consistent. EvD suggests a review of the DARS template to emphasize the provision of more precise and complete information in future DARS (see the recommendations section). As for BOI, its sub-projects' entries should be enhanced to show their equivalent in Euro (ideally, automatically converted at the current rate). The entries should also state the country and sector of each sub-project, enabling simple analysis, e.g. groupings and totalling of several operations by sector/country/framework, etc. Finally, the sub-project's ETI and its current status should be shown in those lists (transferred from DTM).

5.3 Quality of reporting on framework performance

- There has been relatively **extensive reporting** to the Board on the performance of the main frameworks against annual TI benchmarks and key strategic indicators, however, no reporting on the performance of individual sub-projects;
- There was **no information provided to the Board on material changes** to approved sub-projects;
- According to Management, producing an integrated annual report on all Bank frameworks would be overly **resource-intensive**, while current annual reports (on DFF, FIF, SBI) cover two thirds of all approvals under delegation;
- There is **room for improvement** of framework-level reporting, to include showcasing the performance of selected, more significant sub-projects (achievements and failures) and key financial performance indicators of the framework portfolios. However, comprehensive reporting on all frameworks, as well as on sub-projects would probably require **additional resources**.

The Board receives information on the performance of frameworks through the following channels:

5.3.1 Intranet tools:

- **The "Frameworks" page on the BOI** – this sub-page was only added to the BOI main menu in mid-2018 and might not yet be familiar to all BOI users. It is updated quarterly and provides two types of information:

[17] Management explained that the "items" listed in the BPN are not always sub-projects but can be separate components of one sub-project, e.g. different tranches or parts financed by special funds.

- **frameworks summary** – aggregated information on all frameworks, for example - the number of approved active frameworks (by type), total active Board-approved framework amounts, as well as available headroom for new projects, pipeline projects, etc. (total and by type of framework). Clear and well-presented, it can be useful to obtain a comprehensive (strategic) picture of the Bank's frameworks http://bmironline/boi/operational.htm#sections|frameworks_summary
- **framework listing** – lists all active frameworks with available headroom for approval (59 at the end of 2018) by name and BDS number, providing the Board-approved amount for each framework, utilised amount, approved but not signed amount, available headroom for new projects, portfolio, and operating assets. The filters enable grouping by type of framework (e.g. capital markets, infrastructure, SBI, etc.). Moreover, hovering a cursor over each of the frameworks on the list generates a very useful box with a short description of the framework's main purpose and objectives http://bmironline/boi/operational.htm#sections|frameworks_summary

Moreover, the Bank's management (but not the Board) also uses the **"Active Board Approved Frameworks" page in the BPN** – which provides essentially the same information as the BOI but more up-to-date as its reports are system-generated automatically following DTM month-end reconciliation. However, with 17 pages, it is less user-friendly than the BOI and it only shows Board approved and utilised amounts, while the BOI system also provides information on approved but unsigned sub-projects. More importantly, some information (e.g. many negative amounts for available headroom) would require additional information to fully understand their meaning. Finally, despite its name, the BPN list must include some expired frameworks as it is considerably longer than the BOI list, while the total amount of Board-approved frameworks adds up to €24.9 billion, rather than €13.8 billion shown in the BOI "Frameworks" page[18].

5.3.2 Periodic reports:

The Board receives annual reports on large frameworks, such as the SBI frameworks (which include DFF-SME, FIF and RSF), the DFF Non-SME framework and FIR (Financial Intermediaries Report). Reporting on performance is usually combined with a request for an extension of these frameworks. There are also ad-hoc updates on smaller frameworks every time there is a request for an extension or an approval by the Board of an operation under such a framework, the operation report includes an update on the framework as well.

EvD reviewed recent reports on key frameworks, making the following observations:

- **The Financial Intermediaries Report (FIR)** – provides relatively extensive but highly aggregated information (in slide format) on the Bank's financing of partner banks, which includes the Financial Intermediaries Framework (FIF). A list of sub-projects signed in a given year is provided in the annex but without information on their performance (operation name, amount, country only). The report also shows trends over the last four years in terms of ABI, sub-projects number, ETI, PTI, SBI, SGI, LC2,

[18] Management explained that the differences are due to the fact that the BPN report shows all active frameworks – including those where no more new activity is possible but still with projects under implementation – while the BOI frameworks page shows all Board approved frameworks which have available headroom for approvals or signings of new projects as clearly indicated in the description.

GET. The latest, 2017 report (CS/FO/18-13) very helpfully provides three slides on performance against three TI metrics set for 2016-2020 ("Supporting Resilient and Efficient Banks", "Improving Financial Sector Effectiveness and Integration" and "Enhancing Financial Intermediation"), with relevant information, although with limited granularity, i.e. delivery is measured "to date" (numbers include 2016, 2017 and part of 2018 performance), all against the 2020 target. Therefore, it is not clear what the Bank's annual performance in the reporting year (2017) has been. The report also presents three case studies (each related to one of three TI metrics set for the framework), as well as three brief sections on policy dialogue with concrete examples of dialogue related to each metric conducted in 4-6 countries. This is very useful as it provides information on the Bank's non-financial activities towards closing transition gaps in the financial sector in selected countries. In all, EvD finds the report useful, although overloaded with statistical information while providing relatively little qualitative information, particularly on TI achievements completed in the reporting year (rather than to-date). Moreover, it is unclear how the TI of sub-projects has been monitored and how they contributed to the overall TI of the framework (benchmarks are mainly the number and volume of operations in different categories, e.g. equity, non-banking, GET, SGI, LCM, etc.). The report does not differentiate between projects approved by delegation and the Board (only indicating the share of SBI operations in the total FI, e.g. 62% of the number and 29% of the volume in 2017), which is understood to be approved under delegation.

- The DFF Non-SME Results Review and Headroom Approval Report – a descriptive report (one from December 2018 is its 5th edition) containing relevant information on the framework's performance, e.g. annual numbers of projects targeting strategic themes (GET, LC2, Inclusion), as well as the number of projects achieving certain ETI/PTI and projects underperforming on TI. The section on "portfolio performance" shows the trend over three years in respect of operating assets, undrawn commitments, impaired loans, write-offs and equity projects. However, in EvD's view, the most useful part of this report is the "Measuring/monitoring success" section, which provides the framework's annual performance results against benchmarks set for a given year (new benchmarks for the coming year are also proposed in each report). A brief "economic analysis" section presents key statistical information on sectors, regions, financing instruments. The report's annex shows a list of approved sub-projects and their DARSs. On balance, the report is quite informative and it does present a comprehensive picture of the framework's TI achievements against benchmarks set for a given year. However, in turn it lacks case studies and examples of non-financial activities (TCs, policy dialogue).

- The Small Business Initiative Annual Review and Strategic Priorities Report – has both descriptive and presentation formats. Information presented there is even less granular than that in the other two reports as all data refers to the initiative level (ETI, PTI, numbers of projects, etc.). It contains a good description of the SBI's "strategic considerations" (five pillars) and relevant TI achievements against annual benchmarks. It has no information on sub-project performance, examples or case studies.

5.3.3 Quarterly Performance Reports

One slide (previously a page) of this report provides information on delegated approvals to date against the previous year. Board and DA approval numbers and ABI are compared, showing recent trends. Information on sub-project performance is included in the QPRs' information on the performance of all Bank projects (e.g. level of NPL, write-offs, impaired assets, etc.). However, this information is highly aggregated and indiscernible from that on Board-approved projects.

All the reporting described above has one common feature – it provides relevant information at the level of key framework, but very little or no information on the performance of sub-projects. One comment in the Board survey (see annex 6) indicates that the Board would like to see "reporting under individual frameworks by project". Moreover, in response to the question about the overall satisfaction with the Bank's delegated approvals system, two respondents commented that inadequate reporting was one of the key problems with this system.

EvD sought Management's view on this issue, which responded that it would be extremely labour-intensive to provide the Board with an annual (or semi-annual) report on all frameworks, while the Board already receives such reports on the performance of the largest frameworks (three under SBI and DFF-Non SME). Moreover, Management felt that it would be impractical to try to present information by sub-project, as there were 204 of them in 2017 alone, while the impact of most of them could be measured at the framework level only. Management felt that, as the Board does not receive disaggregated information on the performance of Board-approved projects (beyond EvD's reports), it should not require information on the performance of individual sub-projects approved by delegation. Management also felt that EvD should undertake the evaluation of frameworks and their sub-projects more often to provide it and the Board with an independent view on their performance[19].

In EvD's view, the quality of framework reporting should be enhanced, so that all reports include qualitative information, including relevant case studies and examples of policy dialogue and TCs – as has been done for the recent FIR), as well as key financial performance indicators on a framework's portfolio (number of impairments, NPLs, write-offs, cancellations, etc.) – as has been done for the most recent DFF-Non-SME report. Currently, different reports provide such information selectively. EvD generally agrees with Management that reporting on the performance of all framework sub-projects might be difficult given their number and the differences among them. However, each main framework's annual report should include a chapter on "Main successes and main failures" presenting concrete examples of the most significant project-level achievements and failures, not necessarily those approved/signed in a given year but those which are more mature and now yielding noteworthy results.

EvD also notes that the Bank does not have a system for informing the Board of material changes to sub-projects approved by delegation (such changes are reported for information in respect of Board-approved projects). EvD sees it as a major weakness of the Bank's delegated approval system as material changes occur also to DA-approved projects. Neither OGC nor SBIC were able to provide information on the frequency of their occurrence but both confirmed that they happen and are approved by SBIC or via OAD circulation (which involves email approval by Banking, Risk and any relevant non-Banking department). However, as the DARS for sub-projects whose nature has profoundly changed are not updated, the Board members are effectively misinformed. It is thus recommended that the Bank develops a system requiring an update and re-issue of the DARS when a material change to a sub-project, earlier approved by delegation, takes place.

[19] At the Board's request, in recent years EvD has focused on thematic, more strategic studies, while project evaluations and validations have been limited to larger, stand-alone projects. Nevertheless, framework evaluations have featured regularly in EvD's work plans in the last 10 years (see annex 9). Moreover, framework sub-projects have often been evaluated as case studies under sectoral or thematic studies (e.g. Agribusiness, PSP in MEI, Supply Chains and Backward Linkages).

6. Performance of projects approved under expanded delegated authority

The performance of DA-approved sub-projects was assessed based on a sample of 10 operations above €10 million, most of them approved at the beginning of the expanded DA pilot (last quarter of 2016 and the first quarter of 2017). Their full evaluations are presented in a summary ratings table (Annex 4). The sections below summarise the key characteristics of the sample projects' performance under three key evaluation criteria (relevance, effectiveness and efficiency), their overall performance, as well as their performance against Board-approved projects evaluated by EvD in 2013-2017. The sample projects were rated in accordance with EvD's current rating scale, i.e. for each evaluation category (relevance, effectiveness, efficiency): Excellent – Fully Satisfactory – Partly Unsatisfactory – Unsatisfactory. The overall performance rating scale was: Outstanding – Good – Acceptable – Poor – Very Poor.

6.1 Relevance and additionality

- The relevance of 70% of evaluated projects was rated **fully satisfactory or better** - they had ambitious transition objectives or were in countries/regions with limited availability of financing;
- Three projects with weaker relevance and additionality were either pre-paid, followed an earlier pre-payment or had a strong sponsor, likely to attract commercial financing and all were **in a relatively low priority sector**.

Among **seven corporate projects**, almost all the clients were strong companies, leaders in their market segments. Nevertheless, in EvD's view, the relevance and additionality of four of them was relatively strong as they were well aligned with the Bank's country and sectorial strategies. One was in an ETC (the project in Azerbaijan) and one in SEMED (the project in Egypt) – both in countries with limited long-term commercial financing. Moreover, they promoted industrial diversification in countries heavily reliant on natural resources. Relatively ambitious transition objectives and benchmarks (innovation and inclusion targeting less developed areas) helped enhance the relevance of two other projects (in Turkey and Bulgaria), which otherwise would be more difficult to justify. The relevance and additionality of these four projects was rated "fully satisfactory". The relevance of three other corporate projects (all in the retail sector) –the Romania II project, projects Belarus and Western Balkans – was rated "partly unsatisfactory" mainly because the latter was pre-paid shortly after disbursement, while the former followed a pre-payment of an early Bank loan provided for similar purpose. Moreover, it was an attractive investment with a strong fund in an EU country, which was likely to find commercial co-investors. Similarly, the project in Belarus was sponsored by a Finnish company, which was likely to obtain commercial financing. This project also had particularly weak TI benchmarks/objectives. Furthermore, support of retail was not a priority for Romania, Belarus or Western Balkans, although all three projects had some rationale, mainly related to the location of investments in less developed areas of their respective countries and the introduction of modern retail formats.

Among **three infrastructure projects**, the rationale of two under SMART in Romania (Romania I and Romania III projects) was rated "fully satisfactory" and one under the MR3 framework in Jordan was rated "excellent". All three projects had ambitious transition objectives, fitted well with the Bank's GET initiative, while the Bank's attributes in terms of providing technical assistance were also strong in respect of all three of them. The additionality of the project in Jordan was further enhanced due to the Bank's ability to mobilise grant co-financing, indispensable for ensuring the affordability of consumer tariffs under this project.

All ten projects fitted well within their respective frameworks' eligibility criteria (although those of the DFF Non-SME framework were particularly broad, see box 2).

6.2 Effectiveness (achievement of operational and transition objectives)

- The effectiveness of 60% of evaluated projects was rated **fully satisfactory**; while the rest were partly unsatisfactory or not yet ready for rating due to lack of progress on implementation;
- **40% of the projects were implemented on time** and as planned, while 60% were well behind their schedules - only partially implemented or not at all;
- **The average ETI** of evaluated projects was **69**, reflecting the pre-defined TI rating of infrastructure projects and the variable relevance and TI ambitions of corporate projects.

6.2.1 Achievement of operational objectives

The achievement of the operational objectives of most of the evaluated projects suffered due to delays in implementation - only four were implemented on schedule (see table 1 in section 1.4 for a more detailed analysis). Concrete results were visible in respect of relatively simple projects, such as the project in Egypt (a working capital loan), as well as several slightly more complex projects. For example, 100 buses (twice as many as planned), were delivered to the Romania I project, the project in Belarus added three new stores out of four planned, the project in Bulgaria completed the new production facilities (although they have not been licensed yet) and the Romania II project implemented its store expansion as planned.

Other projects have been only partially implemented so far, e.g. the project in Azerbaijan, added one production line out of three planned, although it was one of the first approved under the expanded threshold pilot in October 2016. This was because the company decided to postpone expansion due to uncertain demand in Azerbaijan. However, it plans to catch up in 2019 and complete the project. The project in Turkey constructed one biogas plant and one fertiliser plant (while one and two more respectively are to come in 2019), and the project in Western Balkans pre-paid its loan after adding eight stores out of 16 planned. The project in Jordan has been delayed by more than 18 months and by the time of evaluation it still hadn't begun disbursing due to changes in concept design and procurement delays. Its effectiveness is therefore not rated at all.

6.2.2 Achievement of transition objectives

Similarly, the transition objectives of most sample projects have so far been only partially achieved, although in the majority of cases the deadline for their achievement has already passed. This has been disappointing, particularly as the transition benchmarks for half of these projects were relatively weak. For example, the project in Azerbaijan, was to increase the number of local suppliers, however, the number actually decreased due to the unsatisfactory quality of local products. Its other benchmarks had either already been achieved before the project or achieved by another IFI working with the client. Other projects fared slightly better. The project in Turkey, achieved two of its benchmarks and the rest are largely on track. The project in Bulgaria has also reportedly constructed its R&D centre, hired engineers and installed testing equipment, while the number of electric cars equipped with its parts is on track. The project in Belarus opened the required number of stores and increased its market share, however, its effect on the larger market has not been demonstrated so far, due to the absence of other foreign entrants into Belarusian DIY retail. The TIMS for the project in Western Balkans (which was pre-paid) has not been located and its TI cannot be verified but it is unlikely the project achieved any impact in a short time it was active. The Romania II project and the project in Egypt achieved most of their transition benchmarks, while the rest are largely on track for achievement in 2019.

Infrastructure projects suffered long delays not only in their physical implementation but also with the engagement of consultants on whose work their transition impact largely depended. Some progress has been made so far in Romania I (PSC contract was developed), and the consultants are now working there, as well as in Romania III, so these projects seem to be on track to achieve their transition objectives, albeit with relatively long delays. There was no progress with the TI of the project in Jordan, as it depends largely on its implementation, which has been severely delayed.

The average **Expected Transition Impact (ETI)** score of the **sample projects** was 69, reflecting the pre-defined TI rating of infrastructure projects and the variable relevance and TI ambition of corporate projects. It was slightly higher than the average ETI for **all 111 projects in the new range**, approved by delegation during the evaluation period, which was **67.2.** All sub-projects were rated individually, however, the rating of many of them was based on the country matrix, which pre-determined their score. The application of this matrix for TI rating provided effective encouragement to direct financing to less advanced countries; however, it did not provide an incentive to set ambitious TI benchmarks at the sub-project level (see section 2.2.1 for more information). This score compared with the average **ETI of 67.7 (2017) or 66.4 (3Q18) for all Bank** projects, indicating that the average ETI of the larger projects approved by delegation was well within the range of the Bank's average. As for PTI, the EPG advised that the sub-projects were of too young a vintage to be assessed.

6.3 Efficiency (financial performance)

- The efficiency of the sample projects was generally good. **Eighty per cent** of them were rated **fully satisfactory or better**, with only one failure (by a state-owned company which was a beneficiary, but not the borrower, of a sovereign loan);
- One of only a few **equity** investments over €10 million approved under delegation has been **performing very well** so far.

The financial performance of all corporate clients in the evaluation sample was good and largely in line with the projections, which reflected the rigorous Credit review process that delegated sub-projects undergo in accordance with the Bank's normal standards. The efficiency of one project (Romania II) was rated "excellent" due to the client substantially exceeding the projections and the Bank already receiving the first substantial dividend from this equity investment (however, its final assessment will need to be undertaken after the Bank's exit).

One operation was not rated, due to lack of any reports (the project in Western Balkans, which was pre-paid before it provided the first report) and one was rated unsatisfactory. The latter was the Water Authority of Jordan (WAJ), the loan's ultimate beneficiary under the project in Jordan, whose financial condition deteriorated considerably, with huge loses and negative cash flow. Its operating costs were covered by transfers from the Ministry of Finance. However, this was a sovereign loan under which the borrower was the Hashemite Kingdom of Jordan, so the risk of repayment default was minimal. Nevertheless, the Bank's "sound banking" principal has been compromised under this project.

The average risk rating (PD) of the sample projects was 5.6, indicating relatively low risk. So far, none of them were impaired, written-off, included in the NPL or transferred to Corporate Recovery.

6.4 Overall performance

- 65% of the sample projects were rated "Good" overall (six Good and one on the border of "Good/Acceptable"). One project was rated "Acceptable" and two "Poor".
- Several sample projects should be re-evaluated when they are fully completed as their current rating reflects substantial delays in their implementation. However, there is a chance that two of three projects rated lower than "Good" will eventually achieve their objectives (although with long delays).

Table 3. Summary of evaluation rating of sample projects

Project	Relevance and additionality	Effectiveness	Efficiency	Overall performance
Azerbaijan	Fully satisfactory	Partly unsatisfactory	Fully satisfactory	Good
Egypt	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Romania I	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Turkey	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Belarus	Partly unsatisfactory	Fully satisfactory	Fully satisfactory	Good
Bulgaria	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Romania II	Partly unsatisfactory	Fully satisfactory	Excellent	Good/Acceptable (provisional rating)
Jordan	Excellent	Not rated	Unsatisfactory	Poor (provisional rating)
Western Balkans	Partly unsatisfactory	Partly unsatisfactory	Not rated	Poor (provisional rating)
Romania III	Fully satisfactory	Partly unsatisfactory	Fully satisfactory	Acceptable

Table 3 summarises the results of the evaluation of the sample projects in three key categories and presents their overall rating. The overall performance of six projects was assessed "Good". The rating of the equity investment into the Romania II project is on the border between "Good" and "Acceptable" as its relevance and transition ambitions were relatively poor. However, its physical delivery has been very good and it has started generating profit. The ultimate rating will depend largely on its financial returns after Bank's exit. The Romania III project was rated "Acceptable" as it has made very little progress, while the project in Jordan made none and therefore is rated "Poor". Both these projects should also be reassessed when they are completed. However, the "Poor" rating of the project in the Western Balkans is final and reflects the partial physical delivery and lack of reporting on its TI and financial performance.

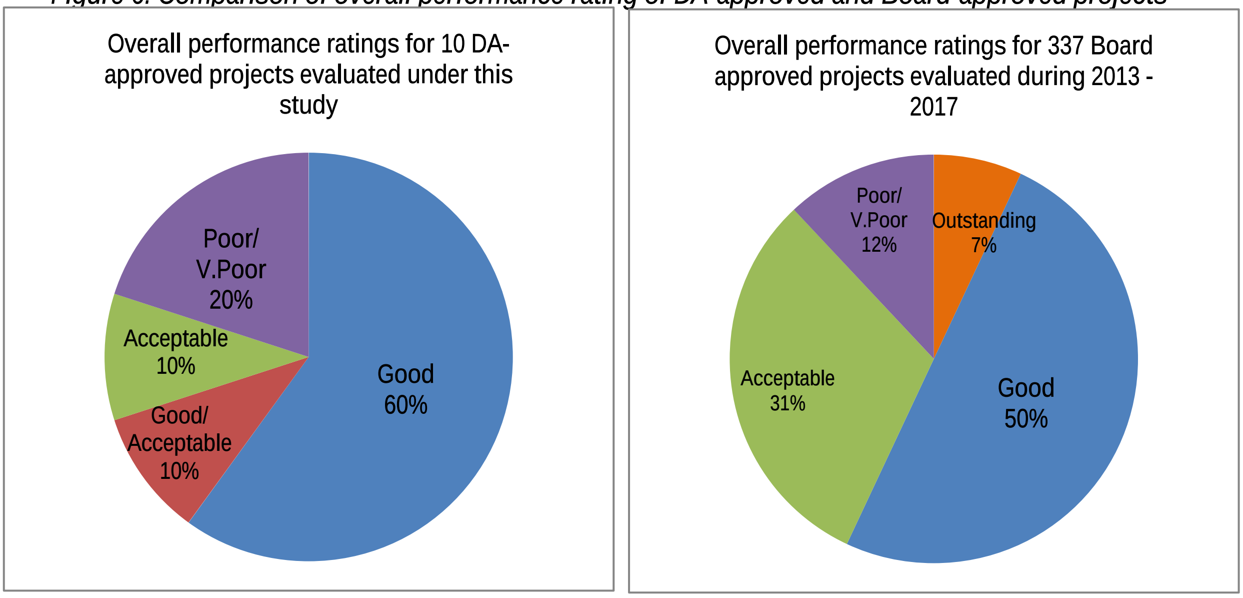
6.5 Comparison with projects approved by the Board

- In the last five years, projects evaluated by EvD and rated "Good" or better for overall performance, accounted for between 41% – 74% of total evaluated per annum;

- The substantially lower share of “Good” ratings in 2017 (41%) compared to previous years might be due to methodological changes and the small sample size (only 17 evaluations/validations). A larger sample of self-evaluations completed that year indicates that 50% of the Bank’s projects achieved their objectives;
- On average, the performance of the sample sub-projects approved by delegation and evaluated for this study (65% rated “Good”), has been largely in line with that of the projects approved by the Board and evaluated by EvD in 2013-2017 (on average 50% rated overall “Good” and 7% rated “Outstanding”).

Annex 8 summarises the overall performance ratings from EvD evaluations of Board-approved projects over the last five years (2013-2017). Figures 1 and 2 in this annex demonstrate that the overall performance of these projects fluctuated during that period, with projects rated “Good” or better, accounting for between 41% (in 2017) and 74% (2015). Overall ratings from these 377 evaluations were then compared with the overall ratings of DA-approved projects evaluated under this study. It demonstrated that the share of Board-approved projects evaluated “Good” and above during five years was 57% (192 out of 337). This might indicate that the performance of Board-approved projects was slightly lower than those approved by delegation (65% “Good”).

Figure 6. Comparison of overall performance rating of DA-approved and Board-approved projects



However, 23 (7%) of the Board-approved projects were rated “Outstanding” and therefore in the final analysis, the performance of this group was allocated a “premium”. Moreover, the share of “Poor/Very Poor” projects in the Board-approved group (12%) was lower than that in the DA-approved group (20%), see figure 6.

In conclusion, the performance of the evaluated sample of sub-projects approved under delegation is considered on average to be largely in line with the performance of Board-approved projects evaluated during 2013 – 2017. The delegated projects achieved a higher share of “Good” ratings, however, none of them was rated “Outstanding”, while more of them were rated “Poor/Very Poor” than in the Board-approved group. The Board-approved projects achieved, on average, a lower share of “Good” ratings, however, an additional 7% of them were rated “Outstanding” and fewer were rated as failures. Therefore, in EvD’s view, the performance of projects in both groups has, on average, been similar.

Moreover, EvD confirmed that, so far, none of 111 projects >€10 million, approved under delegation during the evaluation period, has been impaired, written-off, included in the NPLs or transferred to Corporate Recovery.

To provide further historical perspective on the performance of projects approved by delegated authority, annex 9 presents a list of **frameworks evaluations** completed by EvD in the last 10 years, together with their key lessons and findings.

7. Other considerations

7.1 Impact of expanded delegated authority on the visibility of smaller countries

- The increase of the delegated threshold had **limited to no impact on the frequency of appearance at the Board of projects from smaller countries** of operation as most of them were below €10 million.
- The increase of the delegated threshold **substantially decreased** the frequency of appearance at the Board of projects from selected **medium size countries, such as Belarus, Jordan or Morocco**.
- Most of the Board members felt that the reduction of the appearance of some countries at the Board due to the increased delegated threshold was **not a major problem, or that it was compensated** by the Board's other activities, which provided opportunities to discuss all countries.

Annex 7 presents a detailed analysis of Board approvals (net of no-objections) per country of operation during the 24 months following the expansion of the delegated threshold to €25 million. It indicates that during that period the Board had no opportunity to approve (and discuss) any stand-alone operations in four countries:

- Latvia
- FYR Macedonia
- Kyrgyz Republic
- Turkmenistan

However, during that time each of these countries was included in several Regional projects approved by the Board, ranging from 13 (in the case of Latvia) to two (in the case of the Kyrgyz Republic). This gave Board members wishing to discuss any of these countries, some (although not ideal) opportunities to do so.

At the same time these four countries were also absent from the portfolio of projects above €10 million approved by delegation. Moreover, no projects (even below €10 million) were approved during that time by delegation in Latvia. In contrast, operations below €10 million were regularly approved by delegation in three other countries as shown in table 4.

Table 4. Number of operations from three countries approved by delegation during the evaluation period

Country	Oct-Dec 2016	2017	Jan-Sept 2018	Total	Largest value of financing
FYR Macedonia	1	5	2	8	€10 m
Kyrgyz Republic	7	14	7	28	$ 10 m
Turkmenistan	6	6	2	14	$ 10 m

The average value of a project in the Kyrgyz Republic and Turkmenistan was about **€4 million** (slightly more in FYR Macedonia). Therefore increasing the delegated threshold above €10 million did not have any impact on the frequency of appearance at the Board of stand-alone projects in these countries, as they would have been equally absent if the threshold had not been increased.

However, Annex 7 indicates that there was a group of countries from which stand-alone projects have been appearing at the Board infrequently, i.e. 1-3 times during the 24 month evaluation period, while sub-projects above €10 million from these countries have been approved much more frequently by delegation. Table 5 presents the number of stand-alone projects for selected countries infrequently approved by the Board and those above €10 million approved by delegation.

Table 5. Number of approvals of operations in selected countries by the Board and delegated authority >€10 million (1 October 2016 to 31 September 2018)

Country	Board approved	Approved by delegated authority
Estonia	1	0
Hungary	3	2
Slovenia	3	0
Albania	2	1
Kosovo	2	1
Montenegro	3	0
Armenia	1	0
Azerbaijan	3	1
Belarus	2	9
Tajikistan	1	0
Jordan	3	5
Morocco	2	6
Cyprus	2	0

Table 5 clearly demonstrates that although the increased delegated threshold had limited or no impact on the frequency of appearance at the Board of projects from most smaller countries of operation, it did substantially decrease the frequency of appearance of projects from selected medium size countries, such as Belarus, Jordan or Morocco. Delegated approvals of operations above €10 million in other countries represented typically about 20-40% of total approvals (see figure 9 in annex 3, which is based on 2017 approvals). Ukraine was an exception as more than half of all approvals there (16 out of 27) was by delegation. However, with 11 approvals, the Board still had relatively frequent opportunities to discuss operations in this country.

7.2 Experience of other IFIs with delegated authority

- With the exception of AfDB, **all IFIs delegate** the approval of smaller projects to Management;
- IFIs which typically provide financing for governments, only apply delegation to a **limited extent**;
- IFC, which provides financing to the private sector, approves the majority of its projects by the Board's no-objection and **21% by delegation** (2017);
- With over a half of its projects approved by delegation, **the EBRD is the IFI delegating by far the largest share of approvals.**

This section summarises the approach to DA at different IFIs:

IFC – its Board approves initiatives or facilities with a total envelope (similar to the EBRD's frameworks) and their sub-projects are then approved by Management. Sub-projects do not have an individual threshold. The mode of delegated approval is stipulated at the time of Board approval and could be either by designated VP or follow the normal approval path, i.e. be submitted for Investment Review (with the exception of going to the Board). Reporting to the Board is typically on an annual basis and provides aggregate information on the delegated approvals. In the fiscal year 2018, 21% of the number of projects was approved by delegated authority. However, the most common mode of approval at IFC was by the Board's "no-objection" (72%). Only 7% of all projects were discussed and approved by the Board during its sessions.

EIB – as at the EBRD, its delegation is based on the principal of "implementing" the Board approvals of larger "envelopes". It was introduced in 2013 "to free up Board's capacity to focus on more complex operations and strategic issues in light of the increasing number of operations". It was also designed to promote faster decision-making and improve EIB's responsiveness to its clients' needs. Delegated authority applies to the approval of sub-projects under financial intermediaries programmes, frameworks (e.g. with the same borrower or for a similar type of operations), project finance (Board delegates final detailed terms in line with key terms approved by the Board) and TC frameworks.

ADB – started delegation in March 2015 under the "Faster Approach to Small Non-sovereign Transactions" (FAST) pilot programme. This pilot framework for a total of $200 million was approved by the Board for loans for up to $20 million and equity investments for up to $10 million for all non-sovereign projects in all sectors and all countries. The programme has a number of limitations, i.e. no more than $100 million may be committed (i) as equity, (ii) in any single country, and (iii) in any single sector. Approvals beyond these limits must go to the Board. Other eligibility criteria include minimum credit rating (NSO9, equivalent to Moody's B1 or S&P's B+) and loan tenor (maximum 10 years for corporate loans and 15 for project finance). By the end of 2017, 12 sub-projects for a total $121.5 million were approved under FAST, which was about 1.7% of ADB's total non-sovereign financing. The average sub-project amount was about $10 million. The ADB's management is now preparing a request to the Board to extend and increase the size of the FAST programme. Performance is reported upon annually at both sub-project and programme levels.

IADB – delegates the approval of sub-projects under the Sector Facilities, the Project Preparation and Execution Facility, the Immediate Response Facility for Emergencies, as well as non-reimbursable TCs and investment grants. The delegated limit for most sub-projects is USD 5 million (with up to USD 20 million for the Immediate Response Facility for Emergencies Caused by Disasters). Most sub-projects are approved by the President (only the approval of sub-projects under the Project Preparation Facility is delegated to Division Chefs and Managers). The performance of sub-projects is reported to the Board only when the facilities are evaluated, which takes place after four years. The operations approved by delegation represent less than 1% of IADB's total approvals.

AfDB – has no approval delegation from the Board, however, projects below $50 million are usually approved under no-objection procedures. Table 6 summarises the IFIs' delegated authority procedures and key statistical data (where available).

Table 6 – Delegated authority at selected IFIs – summary features

	IFC	EIB	ADB	IADB	AfDB
Type of financing	Sub-projects under "Initiatives"	Sub-projects under	All "qualified" non-sovereign projects	Sub-projects under selected	No delegation,

allowed to be approved under DA	or facilities (frameworks) with a Board-approved total envelope	frameworks or programmes approved by the Board.	below the threshold (see details above)	frameworks approved by the Board	however, approval by "no-objection" for projects below $50 million. All other projects are presented and discussed at the Board.
Threshold for DA	No threshold on individual projects	€50 million	$20 for loans and $10 million for equity. Overall current envelope is $200 million (a request for an increase is being prepared)	Generally $5 million ($20 m for emergencies caused by disasters)	
DA approval process	Either by VP or follows normal approval process (Investment Review)	Management Committee	The President	The President (Division Chiefs and Managers for emergencies caused by disasters)	
Frequency and scope of reporting to the Board	Typically, no information on individual projects, rather, annual reports with aggregate data	No information available	Upon the President's approval the Board receives the sub-project document for information. Annual reporting on project and aggregate level.	Evaluation of a facility after 4 years, presented to the Board	
Share of projects approved under DA per annum	21% of all projects requiring approval (67 of 317) - FY18. Most other projects (72%) approved by Board's "no objection". 7% Board-discussed.	No information available	$121 million approved under DA by end of 2017, i.e. about 1.7% of total non-sovereign financing approved (fraction of the total).	Less than 1% of total approvals	

Table 6 demonstrates that EBRD delegates by far the largest share of its approvals among all IFIs. This is mainly due to EBRD's unique business model (focus on private sector and smaller transactions) and its relatively smaller size. Moreover, it is noted that EBRD was a leader in this respect even before the increase of delegated threshold.

7.3 Summary of results of the survey of the Board of Directors on delegated authority

- Most respondents were **broadly satisfied** with the Bank's current DA approval system, including the threshold of €25 million. However, about half of them felt that there was **room for improvement**;
- Two thirds of respondents thought **DARS were adequate**, with the rest broadly satisfied but wishing they could be **enhanced or expanded**;
- Although half of the respondents were **satisfied with information on frameworks** generated by the BOI, some felt that it could be improved;
- The large majority of respondents appreciated periodic reports "taking stock" of frameworks;

- A similar majority didn't see the reduction in projects from smaller countries appearing at the Board as a problem because they felt other Board activities (BCVs, Country Strategy discussions, etc.) compensate for it;
- Opinions were split fifty-fifty on whether Management has fulfilled its promise to bring smaller projects with novel features to the Board;
- One third of respondents indicated that the current arrangements for the host countries to approve sub-projects by "no-objection" were inadequate, allowing insufficient time for the process;
- Most respondents felt that some progress has been made towards using time saved by delegating more projects to Management, to focus on more strategic issues but that the Board was "not there yet".

See annex 6 for the full results of this survey.

8. Findings and Recommendations

Findings:

Time savings due to delegation:

- Delegation reduces approval time by 2.5 weeks on average (slightly more in case of repeat client transactions). It saves Management estimated 65 staff-hours and the Board 75 staff-hours per project (approximately 4000 staff-hours per year in each case);
- However, from a project life-cycle perspective, approval by the Board is a relatively minor element as it adds only 7-10% to the total appraisal and approval time, indicating that opportunities for additional efficiency gains can be found elsewhere;
- Speed of approval is key when projects involve tightly scheduled steps (often with partner co-investors), such as investments into bonds or competitive bidding to acquire a target. During the two years period there were 18 such projects, 16% of the total approved by DA above €10 million;
- As the delegated approval process involves fewer internal discussions than that involving the Board, opportunities for knowledge transfer and learning are limited.

Quality of projects design and approval documents:

- The quality of sub-project FRMs was largely in line with that of Board Reports. However, some suffered from unambitious TI benchmarks, weak additionality justification or vague description of the use of funds;
- Some sub-project FRMs didn't include a relevance, transition impact and additionality section. Their TI benchmarks checklists were submitted separately, making them difficult to locate/monitor. Relevance and additionality were covered in the framework approval reports;
- There has been no "typical" DA-approved sub-project. However, many of them were relatively simple (credit lines, working capital financing, refinancing, simple capex, bond investments), often with repeat clients. However, there were also some complex sub-projects;

- Selected frameworks had **pre-determined TI ratings per country** (according to the assessment of country specific transition challenges). This provided an incentive to direct more financing to countries where the gap was the widest, however, **no inducement to set more ambitious TI benchmarks** at the sub-project **level.**

Quality of reporting documents:

- **Delegated Approval Reporting Sheets** (DARS) were a useful tool for informing the Board about delegated approvals but some of them contained gaps, such as **unclear or incomplete descriptions of the use of funds**, insufficient explanation of the nature of investments, no mention of re-financing/ retroactive financing or loan transferability, poor descriptions of TC, imprecise TI benchmarks or weak arguments supporting additionality;
- The Bank **lacks a system for informing the Board about material changes** to projects approved by delegation;
- The BOI and BPN systems generate useful summary lists of delegated approvals. However, they are **not integrated** (providing slightly different lists of sub-projects) and are **not presented in a common currency**, preventing group analysis;
- According to Management, **producing an integrated annual report on all frameworks** would be **overly resource-intensive**, while current annual reports (on DFF, FIF, SBI) cover two thirds of all approvals under delegation.

Evaluation results of the sample of delegated projects:

- Based on available information, EvD **does not find significant differences in the performance** of DA-approved projects relative to existing norms and trends;
- **Two thirds of the sample projects were rated overall "Good"**, which share is largely **in line with that of the rating of a stock of projects approved by the Board**, evaluated by EvD in 2013-2017;
- **None** of the DA-approved projects in the expanded threshold has been so far impaired, written-off, included in the NPLs or transferred to Corporate Recovery.

Experience of other IFIs with delegated approvals:

- With the exception of AfDB, **all IFIs delegate** approval of smaller projects to management. But as most of them typically provide financing for governments, they apply delegation only to a very **limited extent**;
- IFC, which provides financing to the private sector, approves the majority of its projects by Board no-objection and **21% by delegation** (2017);
- With over half of its projects approved by delegation, **the EBRD is the IFI delegating the largest share of its approvals.**

Impact of increased delegated threshold on appearance of projects in smaller countries at the Board:

- The increase of the delegated threshold had **limited to no impact on the frequency of projects from smaller countries** of operation being presented at the Board, as most of them were below €10 million;
- However, it **substantially decreased** the frequency of projects being presented from selected **medium size countries, such as Belarus, Jordan or Morocco.**

Board views on DA from the survey

- Most respondents were broadly satisfied with the Bank's current DA approval system, including the threshold of €25 million and the quality of DARSs. However, about half of them felt that there was room for improvement of the system and for the enhancement of DARSs;
- A large majority of respondents appreciated periodic reports "taking stock" of frameworks. However, some indicated difficulties in navigating through the BOI or the BPN;
- A similar majority didn't see the reduction in projects from smaller countries appearing at the Board as a problem, because they felt other Board activities (BCVs, Country Strategy discussions, etc.) compensate for it.
- Opinions were split fifty-fifty as to whether Management fulfilled its promise to bring smaller projects with novel features to the Board;
- One third of respondents indicated that the current arrangements for the host countries to approve sub-projects by "no-objection" were inadequate, allowing insufficient time for the process.

Recommendations:

- Enhance coverage of approved sub-projects published on the BOI (integrating it with BPN material whenever possible), adding information on their euro equivalent, sector, ETI rating and current status to enable grouping and simple analysis. Also, consider adding a short description of the nature of the project in the list (transferring it from DTM);
- Develop a system for informing the Board about critically important material changes to the DA-approved projects;
- Improve the DARS template to require a more precise and complete description of a sub-project's use of funds, TI benchmarks, additionality and TCs;
- Formally survey the Board's views on extending the time for host country no-objection on sub-projects approved by delegation;
- Enhance the quality of current annual reporting on main frameworks to ensure that all of them include qualitative information, project case studies and examples of policy dialogue and TCs, as well as key financial performance indicators on the framework's portfolio (impairments, NPLs, etc.);
- Ensure that TI benchmark lists for DA projects under the DFF SME framework, which are submitted separately from FRMs, are filed with these FRMs and can therefore be easily located.

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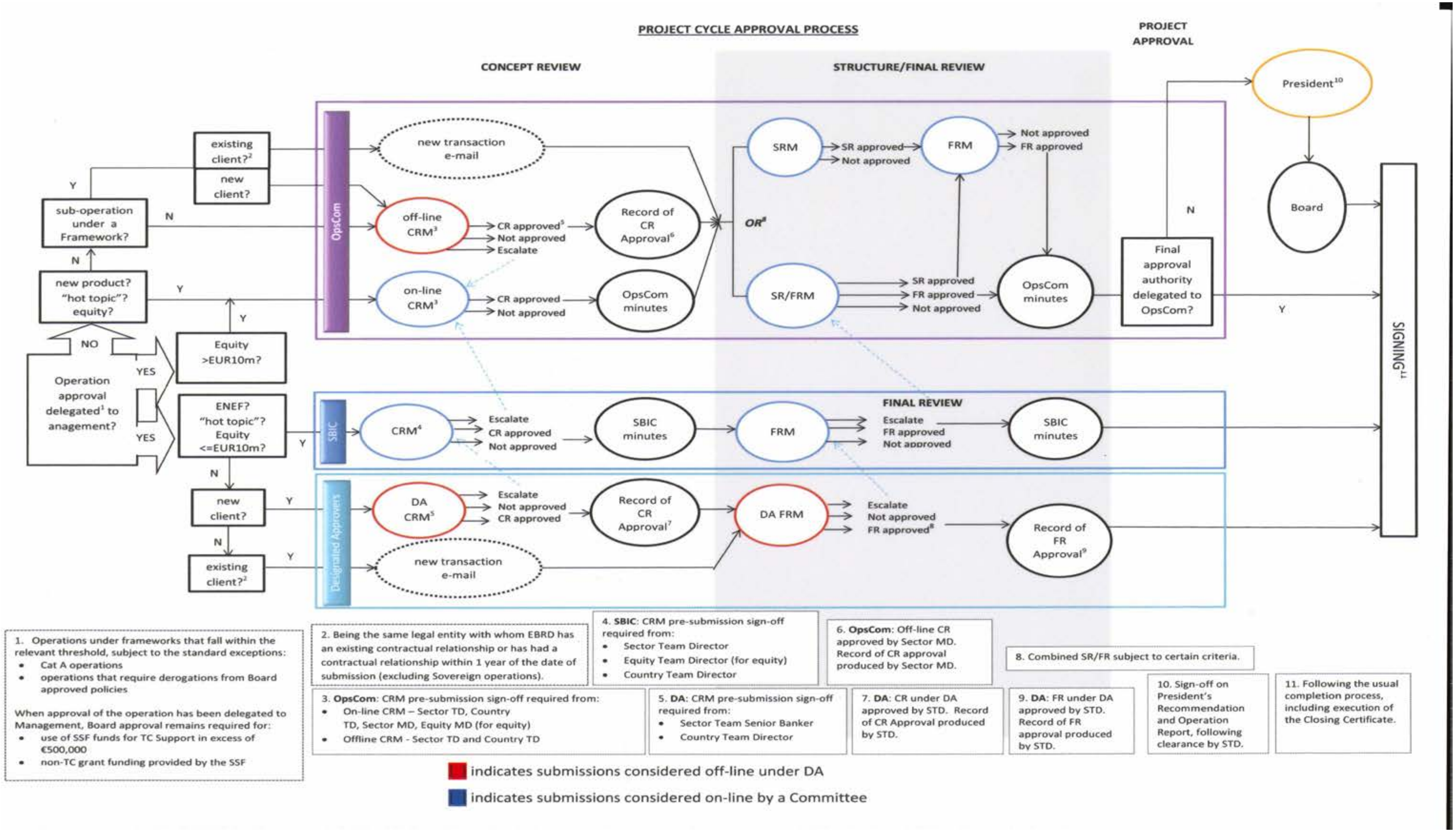
ANNEX 1 –Project approval process



Project approval system

The Bank has three pathways for approval of all projects (see the organogram above). Under two of these pathways approval authority has been delegated from the Board to Management:

- **OpsCom** considers all operations that require Board approval, including standalone operations for which the Board has not delegated approval authority to Management and sub-operations under Frameworks falling outside the relevant delegation threshold or which require Board approval for any other reason, before the operation is submitted to the Board for final approval;
- **Small Business Investment Committee (SBIC)** considers and may approve certain sub-operations under Frameworks that fall under the relevant delegation threshold and do not require Board approval, with the ability to escalate to OpsCom as required; and
- **Designated Approvers** consider and may approve all other sub-operations under Frameworks that fall under the relevant delegation threshold, do not require Board approval and are otherwise eligible to be approved by Designated Approvers, with the ability to escalate to SBIC as required.

The Small Business Investment Committee (SBIC) has been for nearly 10 years EBRD's key organisational unit for exercising authority delegated from the Board to management (see box 1).

Box 1. Small Business Investment Committee (SBIC)

SBIC was created at the end of 2009 as a **sub-committee of the Operations Committee** following the Organisational Capacity Building Exercise, with a view to relieving the Operations Committee of the approval of smaller sub-projects. It has been responsible for apprising and approving sub-projects falling under frameworks, for which overall envelope has been approved by the Board.

SBIC replaced and consolidated the Early Transition Countries Investment Committee and the Local Enterprise Facility Investment Committee, which had until then approved sub-projects under the respective frameworks. SBIC's original terms of reference of June 2010 provided authorisation for the approval of eligible sub-projects under six specific frameworks. The SBIC responsibilities were subsequently increased to 15 frameworks in December 2011, to 18 in May 2012 and to all eligible frameworks in April 2018.

SBIC has **four permanent members – a Chairman and three members representing Credit, the OGC and the EPG.** Additionally, the Directors of the ETC Initiative and the Western Balkans teams participate as SBIC members in meetings at which deals originated by these teams are being discussed, and the Director Corporate Equity is required to participate in decisions involving common or preferred equity. Other support units may also be requested to attend depending on the nature of the project. SBIC meets weekly, and its minutes are submitted to the Operations Committee for information. Submissions are available online for review by Committee members and Non-Banking Departments.

A quorum of three members is required to take decisions, two of whom should be the Chairman and the Credit representative. Decisions are taken by simple majority, but any SBIC member, as well as any Non-Banking Department not represented on the Committee, has the right to refer ("escalate") a project to the Operations Committee for consideration and final decision.

Starting with a pilot launched in September 2014, Management introduced a significant change to the way delegated authority has been exercised, introducing in fact a "second level" of delegation. This pilot transferred the approval authority for debt sub-projects to newly introduced **Designated Approvers** (individual senior managers), who became empowered to approve most senior debt sub-projects under frameworks falling under the delegated threshold. After the pilot completion in April 2016 the SBIC's role was expanded to cover the approval of sub-projects under all eligible frameworks (if not eligible for approval by Designated Approvers).

Currently (beginning of 2019) SBIC approves only the following types of sub-projects:

- those which have been escalated to SBIC by Designated Approvers (sensitive, innovative or those on which the approvers cannot agree with the support units);
- "hot topics" – projects with sensitive strategic and operational issues that require senior management's attention/awareness [20];
- all equity transactions;
- operations that will be offered to the Enterprise Expansion Fund (ENEF).

Designated Approvers now approve all other debt sub-projects below €25 million

The Designated Approvers for Banking are Sector Team Directors and each of them approves sub-projects from the sector she/he covers. In addition, there are Designated Approvers from Risk (Risk Officers), OGC (Chief Counsel) and EPG (lead sector economists). The list of Designated Approvers is periodically updated by OpsCom, and the requirement to approve through DTM ensures that only formally designated individuals can approve sub-projects.

All of the above sub-projects are also reviewed by other relevant support units. For projects approved by Designated Approvers, following Final Review approval, the Designated Approvers produce a Record of Approval memo, which is sent to SBIC for information. In addition, for all projects approved by SBIC or Designated Approvers, a Delegated Approval Reporting Sheet (DARS - a one page project summary produced by OL) is posted on Board Online for Board of Directors' information and posted on BOLDnet in parallel with circulation by email to allow three working days for the Director from the approved sub-project's host country, to raise any objections to such a sub-project. If no objection has been received, the sub-project can proceed to signing (subject to the sign-offs by relevant units on the Closing Certificate as for all Bank's commitments).

The replacement of SBIC approvals with those by Designated Approvers for most sub-projects streamlined the approval process, however, it cut approval time for the majority of sub-projects only marginally as previously such (simpler) projects have already been considered as "B-list" projects during pre-SBIC meetings and approved following receipt of comments from support units (effectively during the same time it now takes to approve project's by Designated Approvers). The new system cut approval time by two working days for a small group of projects, which would have otherwise been on SBIC's A-list[21]. In SBIC's view, the new system allows more time for quality discussion on key problems related to more complex proposals, while there is

[20] At the beginning of 2019, "hot topics" were the operations in: Ukraine, Turkey, West Bank and Gaza, Lebanon, with Russian component, in educational sector, subordinated debt issued by banks, and frameworks.

[21] Sub-projects which are more complex would be on SBIC's "A" list and would be approved during SBIC's meeting on a Tuesday each week. Assuming they are not too complex (to warrant escalation to SBIC) they are now approved by Designated Approvers on Friday the previous week, i.e. the approval was sped up by two working days.

now no or very little discussion on simpler projects, on which all SBIC members largely agree. Although the new system raised a number of potential issues of concern, which were identified in the OpsCom's initial memorandum regarding the Delegated Authority pilot in 2014[22], these were addressed and outcomes/solutions recorded in the 2016 OpsCom memo summarising the evaluation of the pilot[23]. These concerns ranged from organisational (the risk of Team Directors being overwhelmed with project approvals), to technical (lack of mobile DTM access enabling Team Directors to execute approvals remotely during their frequent travels). In EvD's view, two most serious issues (not or partially identified in the OpsCom memo) are:

- Absence of focused collegial discussion (in one place and time) on a proposed sub-project among representatives from all support units, which can result in incomplete or limited information being provided to the support units, which in turn may provide inconsistent comments or impose overly onerous conditions on their approval. The need to provide (fragmented) clarifications to different units can in fact extend time of the approval; and
- Potential conflict of interest as the team director responsible for the team, which proposes a sub-project also approves it – the Internal Audit's report on SBIC's procedures (CS/AU13-21), questioned appropriateness of regional team directors participating in the voting for approval of projects from the regions they themselves covered, see box 2 below. However, the current system exacerbated this issue as Team Directors approve their team's projects.

Based on the discussions with SBIC, EvD understands that although the lack of collegial discussion remains a concern, the support units are now encouraged to produce more concise comments, focused on key issues. These comments must be taken into account and agreed by the Designated Approver or such a proposal is escalated to SBIC, where a collegial discussion takes place. As for Designated Approvers' potential conflict of interest, for a project to be fully approved, the five sign-offs/approvals are needed – first from a Country Team Director and then from the Designated Approvers from support units (Credit, OGC, EPG) and only then by the Sector Team Director. So, in fact there are five "co-approvers" and any of them can refuse the approval, which according to SBIC mitigates the risk of conflict of interest the final approver - the Director of the Banking team responsible for the proposal, might have. In case five co-approvers cannot find a consensus, they escalate the proposal to SBIC. In turn, SBIC can escalate a proposal to OpsCom if it sees the project as too sensitive or its members cannot agree on it.

During 2017, Designated Approvers approved 71% of 204 sub-projects, which approval was delegated from the Board to Management, with SBIC approving the remaining 29%[24]. 14 proposals have been escalated by Designated Approvers to SBIC, 5.7% of total submitted to them. During the same time, SBIC escalated four proposals to OpsCom, 2.4% of the total submitted to SBIC (including some earlier escalations from Designated Approvers). This indicates a decreasing trend of escalations to SBIC and an increasing one to OpsCom as during the pre-pilot period of September 2014 to March 2016 Designated Approvers escalated more than twice (13%) of project proposals to SBIC - 2.5% CRs and 10.5% FRs, while only 1.5% of projects were referred by SBIC to OpsCom (all FRs). The main reasons for the escalation have been the sub-projects':

22 Operations Committee, Delegated Authority pilot, 3 October 2014
23 Operations Committee, Outcome of the Delegated Authority Pilot and recommendation for formalising DA in the investment approval process, 24 March 2016
24 One project was from the start approved by OpsCom.

- Policy issues (e.g. uncertainty whether a proposed project falls under a given framework);
- Sensitive or innovative nature of a project;
- High risk;
- Client's integrity;
- Pricing (particularly expected return on equity).

In turn, OpsCom can escalate some sub-projects to the Board for its approval. In 2017-2018 (to end of October) **OpsCom escalated 19 projects to the Board**. They constituted 6% of all projects considered by the Board during that time. Eight escalations were due to novel or sensitive features. During the same time, additional 8,5% (35 projects) submitted to the Board were below €25 million and fell under one of the following **exceptions** to the Bank's delegated approval procedures, which still require Board approval:

- Operations designated by ESD as "Category-A" projects
- Operations that require derogation from Board approved policies (e.g. ESP or the Procurement Policy)
- First sub-projects under Frameworks.

During 2017-2018 (to end of October), **SBIC rejected four projects or 3.8%** of those submitted to it during that time. However, several more projects were withdrawn by Banking before SBIC's consideration, many others were approved only on condition of changes to their design as recommended by SBIC (often related to the loan pricing, tenor, but also strengthening of TI or additionality).

Past audits of delegated approval processes

In 2013, the Bank's Internal Audit department reviewed the Bank's delegated approval system based exclusively on SBIC (CS/AU13-21). Although focus of this evaluation is different from that of the audit, key conclusions of IA's review might be of interest to the reader of this report and therefore they are summarised in box 2.

Box 2. Internal Audit report on "Appraisal and approval of small business investments"- key points

- **Conflict of interest** as the Directors of ETC or Western Balkans Programmes are voting members of SBIC in respect of sub-projects from their programmes (Management responded that membership of Directors representing strategic initiatives was beneficial);
- **Inappropriate representation** from support units as participants in SBIC meetings were often Senior Managers, rather than Director level (this changed with the introduction of Designated Approvers, who cannot delegate "further down" and more rigorous attendance of senior managers in SBIC's meetings);
- **Lack of sub-project appraisal and approval guidelines** for SBIC (now guidelines are in Ops Manual);
- **Need to enhance integrity review process** for SBIC (Credit is now required to confirm the review of Integrity Red Flag Checklist on each Credit note, while OCCO now selectively reviews such Checklists);
- **Questionable reliability of financial data** for SBIC projects – financial statements of many borrowers were unaudited or audited by local auditors (due diligence plan is now agreed at initial screening and recorded in the minutes. It generally requires borrowers to engage auditors acceptable to the Bank);
- **Lack of reporting on frameworks** – the "Compendium report" of March 2012 contained one and promised semi-annual reporting to the Board but none was produced. Also lack of information on sub-projects (reporting has now improved, to some extent, see section 5.3).

ANNEX 2 – List of projects >€10 million approved under delegated authority between 1 October 2016 and 30 September 2018

Country	currency	amount	€ equival.	Sector	instrument
Regional	EUR	20	20.0	Agri	debt
Georgia	USD	15	12.8	FI - Russia, Central Asia & Caucasus	debt
Ukraine	EUR	18	18.0	Power and Energy	debt
Ukraine	EUR	13	13.0	Agri	debt
Georgia	EUR	15	15.0	Municipal & Env Inf	debt
Turkey	EUR	15	15.0	Manufacturing & Services	debt
Greece	EUR	15	15.0	FI - Insurance & Financial Services	debt
Ukraine	EUR	11	11.0	Power and Energy	debt
Belarus	BYN	30	12.5	FI - WB, Belarus, Moldova & Ukraine	debt
Greece	EUR	18	18.0	Power and Energy	debt
Serbia	EUR	20	20.0	FI - WB, Belarus, Moldova & Ukraine	debt
Morocco	MAD	166	15.0	FI - SEMED	debt
Greece	EUR	25	25.0	FI - Insurance & Financial Services	debt
Georgia	USD	18	15.0	FI - Russia, Central Asia & Caucasus	debt
Tunisia	EUR	24	24.0	FI - Insurance & Financial Services	debt
Kosovo	EUR	12	12.0	Information & Communication	debt
Egypt	USD	25	21.4	Manufacturing & Services	debt
Egypt	USD	25	21.5	Manufacturing & Services	debt
Turkey	EUR	12	12.0	Manufacturing & Services	debt
Belarus	EUR	20	20.0	Agri	debt
Regional	USD	15	12.9	Manufacturing & Services	debt
Belarus	EUR	15	15.0	Municipal & Env Inf	debt
Serbia	EUR	15	15.0	FI - WB, Belarus, Moldova & Ukraine	debt
Belarus	EUR	15	15.0	FI - Insurance & Financial Services	debt
Ukraine	EUR	13	13.0	Municipal & Env Inf	debt
Morocco	USD	20	17.1	Natural Resources	debt
Belarus	EUR	20	20.0	Manufacturing & Services	debt
Ukraine	USD	25	21.4	Agri	debt
Ukraine	EUR	20	20.0	Municipal & Env Inf	debt
Kazakhstan	USD	22	19.0	Power and Energy	debt
Ukraine	EUR	25	25.0	Manufacturing & Services	debt
Kazakhstan	EUR	11	11.0	Municipal & Env Inf	debt
Morocco	EUR	17	17.0	Manufacturing & Services	debt
Poland	EUR	20	20.0	Manufacturing & Services	debt
Greece	EUR	25	25.0	Property & Tourism	debt
Morocco	MAD	220	19.7	FI - SEMED	debt
Morocco	EUR	16	16.0	Manufacturing & Services	debt
Croatia	EUR	25	25.0	Agri	debt

Hungary	EUR	25	25.0	Manufacturing & Services	debt
Egypt	USD	24	19.5	Manufacturing & Services	debt
Kazakhstan	KZT	9,827	24.9	Power and Energy	debt
Croatia	EUR	20	20.0	FI - EU	debt
Greece	EUR	24	24.0	Power and Energy	debt
Ukraine	EUR	25	25.0	Manufacturing & Services	debt
Poland	PLN	92	21.8	Information & Communication	debt
Romania	RON	70	15.0	FI - EU	debt
Ukraine	USD	25	20.4	FI - WB, Belarus, Moldova & Ukraine	debt
Regional	EUR	20	20.0	FI - WB, Belarus, Moldova & Ukraine	equity
Belarus	USD	30	12.7	Power & Energy	debt
Ukraine	EUR	37	18.5	Power & Energy	debt
Romania	RON	131	14.2	Municipal & Env Inf	debt
Turkey	USD	50	21.2	Information & Communication	debt
Jordan	JOD	11.5	15.0	Municipal & Env Inf	debt
Bulgaria	EUR	20	10.2	Municipal & Env Inf	debt
Turkey	USD	58	24.6	FI - Insurance & Financial Services	debt
Poland	PLN	200	23.8	FI - Insurance & Financial Services	debt
Ukraine	EUR	35	17.3	Power & Energy	debt
Tunisia	EUR	50	25.0	Information & Communication	debt
Turkey	TRY	180	19.6	Municipal & Env Inf	debt
Kazakhstan	USD	50	21.0	Manufacturing & Services	debt
Egypt	USD	30	12.6	Manufacturing & Services	debt
Turkey	TRY	140	15.0	Power & Energy	debt
Turkey	EUR	40	20.0	Agri	debt
Poland	PLN	200	23.6	FI - EU	debt
Jordan	USD	32	13.8	Power & Energy	debt
Jordan	EUR	50	25.0	Municipal & Env Inf	debt
Romania	EUR	30	15.0	FI -EU	debt
Egypt	USD	40	17.0	FI - SEMED	debt
Moldova	EUR	40	20.0	FI - WB, Belarus, Moldova & Ukraine	debt
Romania	RON	228	24.9	Municipal & Env Inf	debt
Ukraine	USD	50	21.3	Agri	debt
Ukraine	USD	50	21.2	FI -WB, Belarus, Moldova & Ukraine	debt
Romania	RON	150	16.3	FI -EU	debt
Jordan	USD	40	16.8	FI -SEMED	debt
Romania	EUR	50	25.0	Manufacturing & Services	debt
Ukraine	USD	40	17.0	Agri	debt
Georgia	USD	29	12.3	Property & Tourism	debt
Turkey	TRY	200	24.1	Power & Energy	debt
Hungary	EUR	50	25.0	Manufacturing & Services	debt
Georgia	GEL	72	13.2	Manufacturing & Services	debt

Kazakhstan	KZT	7,400	10.3	Municipal & Env Inf	debt
Serbia	EUR	50	25.0	FI - Insurance & Financial Services	debt
Serbia	EUR	40	20.0	Municipal & Env Inf	debt
Turkey	TRY	200	25.0	Property & Tourism	debt
Regional	EUR	25	12.5	Natural Resources	debt
Romania	USD	30	13.4	Manufacturing & Services	debt
Turkey	TRY	82	10.3	FI - Insurance & Financial Services	debt
Albania	EUR	50	25.0	FI - WB, Belarus, Moldova & Ukraine	debt
Ukraine	USD	50	22.6	Agri	debt
Romania	EUR	40	20.0	FI - Insurance & Financial Services	debt
Mongolia	USD	24	11.0	Manufacturing & Services	debt
Belarus	EUR	30	15.0	Manufacturing & Services	debt
Egypt	USD	50	23.0	Manufacturing & Services	debt
Regional	EUR	40	20.0	Manufacturing & Services	debt
Turkey	USD	44	20.7	Agri	debt
Bosnia and Herzegovina	EUR	50	25.0	Municipal & Env Inf	debt
Egypt	USD	40	18.4	Agri	debt
Egypt	USD	22	10.2	Manufacturing & Services	debt
Ukraine	EUR	28	13.9	Agri	debt
Belarus	EUR	48	24.0	Manufacturing & Services	debt
Belarus	EUR	30	15.0	FI - Insurance & Financial Services	debt
Azerbaijan	EUR	12	12	Agri	debt
Egypt	USD	26	24.6	Natural Resources	equity
Morocco	EUR	20	20	FI - SEMED	debt
Romania	EUR	25	25	Agri	equity
Tunisia	TND	25	10.2	FI	debt
Romania	RON	100	22.1	MEI	debt
Jordan	EUR	23	23	MEI	debt
Romania	RON	68	14.9	MEI	debt
Regional	EUR	14	14	Property	debt
Turkey	TRY	50	14.7	FI	debt
			2041.7		

ANNEX 3 – Trends and portfolio analysis of sub-projects over €10 million, approved by delegation during 1 October 2016 to 31 September 2018

During the 24 month evaluation period (1 October 2016 – 31 September 2018), when the expanded threshold for delegated authority was in place, **111 projects**[25] with an aggregate value of **€2.04 billion**, falling within the new range of €10 million - €25 million, were approved under delegation. They accounted for **26% of the number** and **62% of the volume** of total approvals under delegated authority during this period. Figure 1 illustrates quarterly approvals of projects in this range, showing the impact of seasonality, typical for all Bank approvals (slow Q1, pick up in Q2, small dip in Q3 and record Q4), as well as the overall growth trend in the approval of projects falling within this range.

Figure 1. Approvals of projects >€10 million under delegation – first 24 months of the new threshold

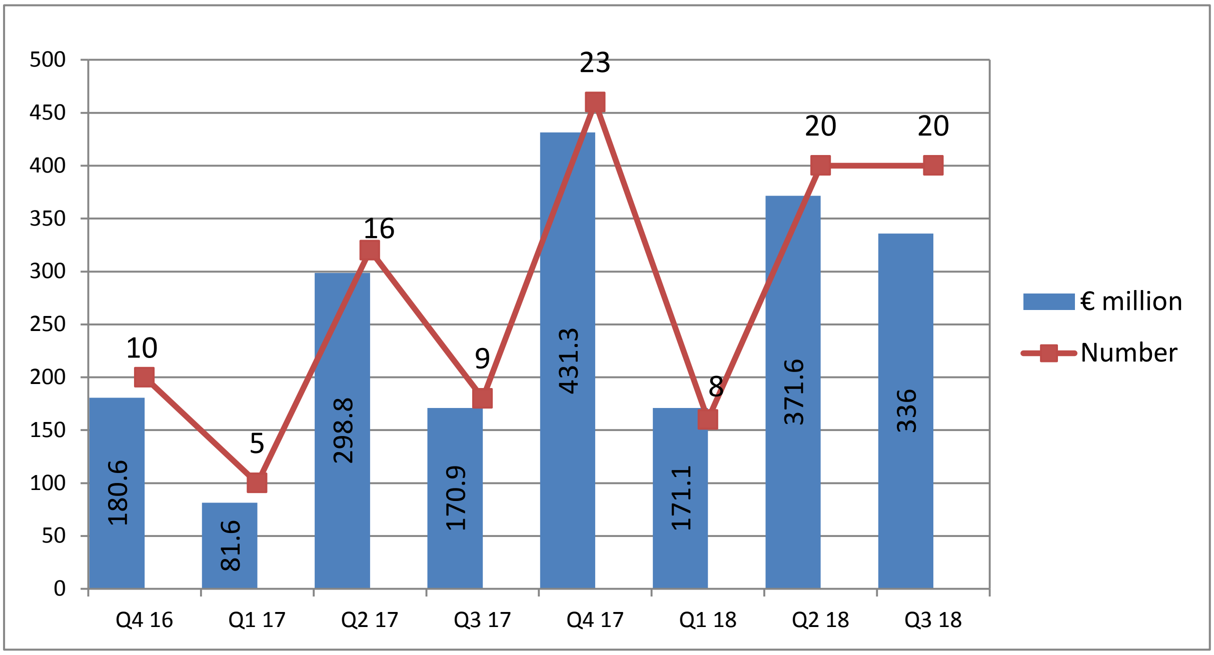
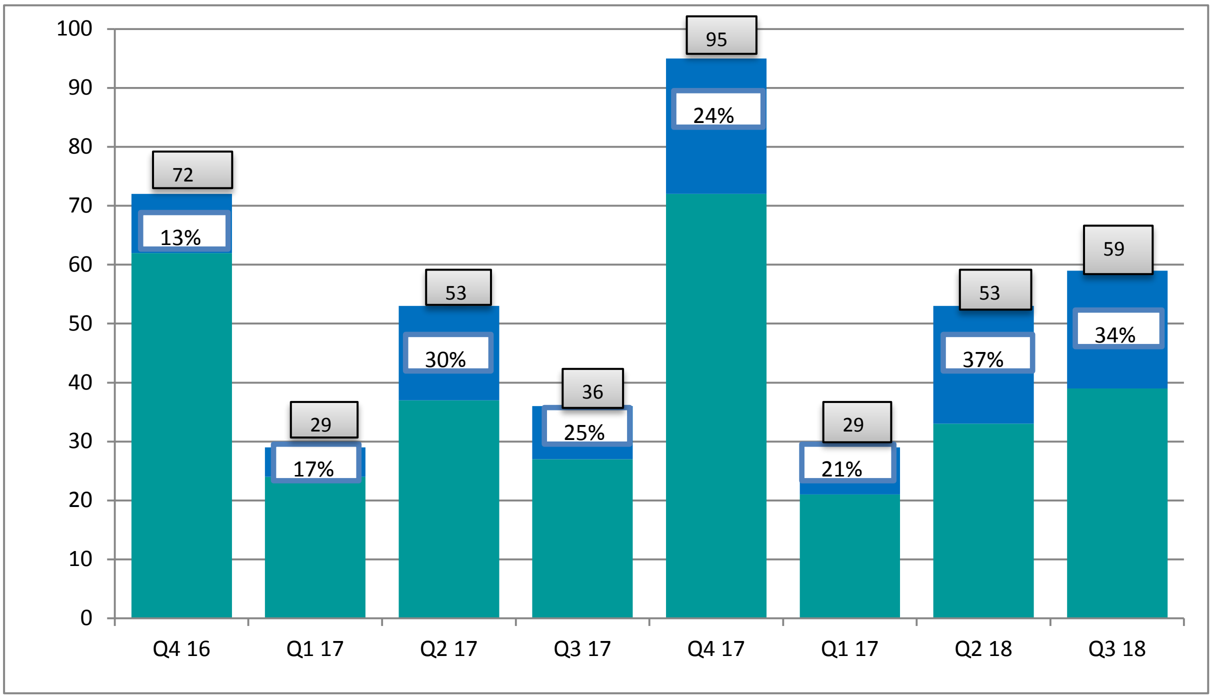


Figure 2 confirms this growth trend, showing approvals in the expanded range in relation to delegated approvals below €10 million[26]. While 13% of the total number of delegated approvals at 4Q16 fell in the higher range, their share had grown to 24% a year later (4Q17) and to 34% by 3Q2018. In volume terms, 40% of delegated approvals fell into the expanded range as at 4Q16, rising to **65% by 3Q18**. Although 24 months is a relatively short timeline, **there is a clear pattern of growth in the share of larger projects in the delegated authority portfolio, in terms of number and, especially, volume.**

[25] Data on the number (and aggregate volume) of projects above/below €10 million should be treated with caution as many loans were made in USD or local currencies and due to these currencies' fluctuations against EUR, some projects are periodically below or above €10 million. E.g. the loan under a project in Egypt of $11 million amounted to €10.2 million equivalent when it was signed in March 2017 but in November 2018 it was valued at €9.7 million. EvD chose to use the exchange rate at the date of signing to allocate projects to one or the other group to ensure consistency. However allocation of about five projects signed during the evaluation period to "above €10 m" can now be questioned due to changes in exchange rates.

[26] Also data on smaller projects must be treated with caution. E.g. the BPN listed 21 projects as signed at 0 commitments during the evaluation period. These were uncommitted tranches, swap transactions or other special projects. They do not impact the volumes, however may distort calculations related to the number of projects, averages, etc.

*Figure 2. Approvals of projects >€10 million in relation to the total approvals under delegation**



*Total number of projects approved by DA in the box above each column. Percentage of projects >€10 million in each column

The **average size** of a project approved under DA has changed as follows:

- €4.1 million for projects under previous DA threshold (<€10 million)
- €7.7 million under expanded DA overall, with
- €18.4 million within the expanded threshold (those from €10 million to €25 million)

1. Type of framework analysis

In terms of the types of framework, the **Direct Financing Framework** (DFF), with €907 million and 49 projects, dominated the volume and the number of approvals above €10 million, accounting for **44%** of the total in both categories. Not all DARSs from this period provided information on whether the sub-projects were from SME or Non-SME DDF (separated in 2015), however, EvD has identified only two DFF-SME sub-projects among them, all the others falling under Non-SME DFF. This confirms the notion that the increased threshold **mainly benefits larger companies**, as direct financing to SMEs tends to remain under €10 million.

The **Financial Intermediary Framework** (FIF) with 24 projects at €414.5 million accounted for the second largest group – 22% and 20% of the total number and committed volume respectively, while Green Cities (6), SMART (4) and TRY Corp (4) each took 4-5% share of the total. The remaining 15 frameworks accounted for 24% in aggregate of the total committed (each below 3% of the total). Figure 3 below illustrates the dominance of the DFF Non-SME framework in the over €10 mil category.

Figure 3. Share of frameworks in financing approved under delegation (projects >€10 million)

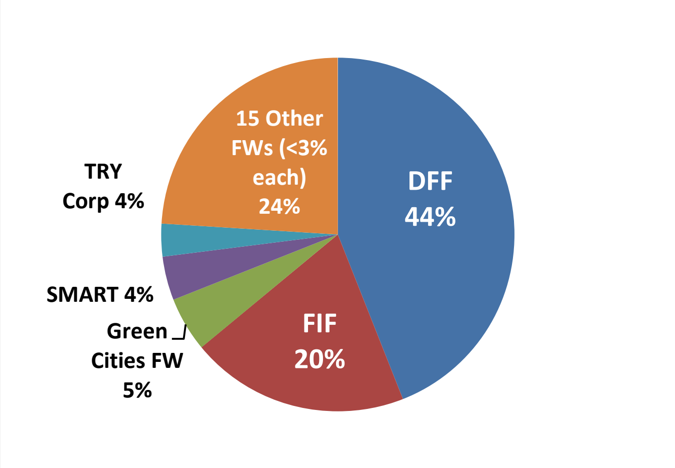


Table 1 shows the share of total volume and number for all framework types, for which sub-projects over €10 million were approved under DA during the evaluation period

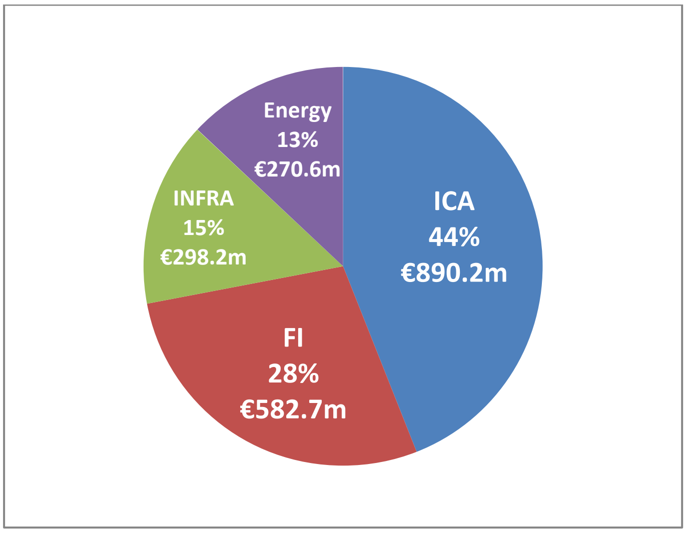
Table 1. Frameworks with projects >€10 million approved during the evaluation period

Framework	€m	%	#	%
Direct Financing Framework (DFF)	907.0	44%	49	44%
Financial Intermediaries Framework (FIF)	414.5	20%	24	22%
Green Cities Framework (GreenCF)	105.2	5%	6	5%
Turkey Capital Market Framework (TRY Corp.)	83.8	4%	4	4%
Sustainable Mobility and Access to Roads Framework, Romania (SMART	76.2	4%	4	4%
Ukraine Renewable Energy Direct Lending Facility (UREDLF)	64.8	3%	4	4%
Municipal Resilience Refugee Response Framework (MR3)	63.0	3%	3	3%
Greek Corporate Bond Framework (GrCBF)	49.0	2%	2	2%
Kazakhstan Renewables Framework (KazREF)	43.9	2%	2	2%
NPL Resolution Framework	40.0	2%	2	2%
Albanian Agribusiness Support Facility (AASF)	25.0	1%	1	1%
Turkey Sustainable Energy Financing Framework (TurSEFF)	24.6	1%	1	1%
FI Debt Capital Market Framework (FIDCMF)	23.8	1%	1	1%
Polish Residential Energy Efficiency Financing Facility (PREEFF)	23.6	1%	1	1%
Enhanced Partnership Water & Waste Water Modernisation (EPW&WM	21.3	1%	2	2%
Greek Renewable Energy Framework (GrREF)	18.0	1%	1	1%
Romania Bond Market Framework (RomBMF)	16.3	1%	1	1%
Western Balkans Sustainable Energy Financing Facility (WeBSEFF)	15.0	1%	1	1%
SEMED Private Renewable Energy Framework (PREF)	13.8	1%	1	1%
Ukraine Public Transport Framework (UPTF)	13.0	1%	1	1%
	2041.7	100%	111	100%

2. <u>Industry sector analysis</u>

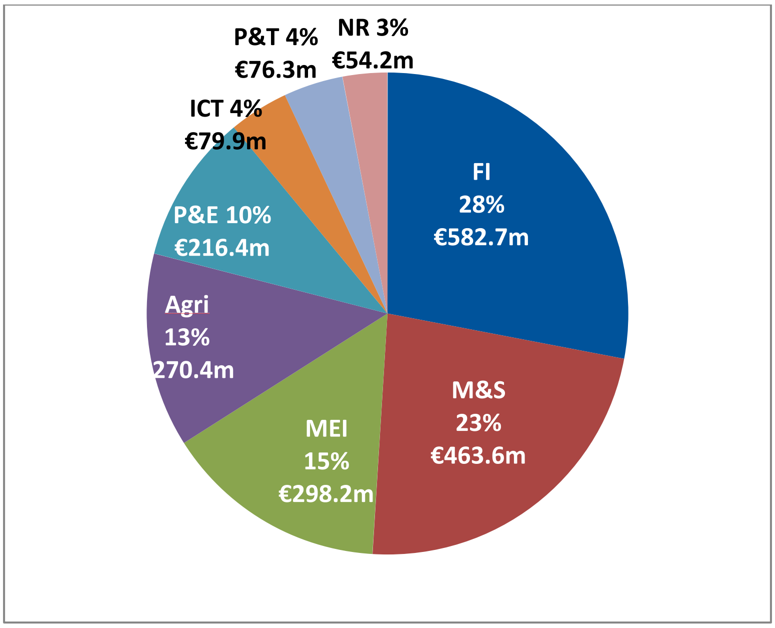
The corporate sector, i.e. the ICA Group, with M&S, Agribusiness, Property & Tourism and ICT was the largest beneficiary of the increased threshold for delegated authority, see figure 4.

Figure 4. Share of Banking Groups in financing approved under delegation (projects >€10 million)



However, the breakdown of delegated financing by specific industry sectors indicates that Financial Institutions (FI) took the largest share of such financing, with Manufacturing & Services (M&S) second - these two sectors accounting for just over the half of the total volume and number approved, followed by MEI, Agribusiness and Power & Energy (P&E). Information and Communication Technologies (ICT), Property and Tourism (P&T) and Natural Resources (NR) had shares ranging from 3 to 4%, see figure 5.

Figure 5. Share of financing approved under delegation by sector (projects >€10 million)



3. *<u>Type of financing instrument analysis</u>*

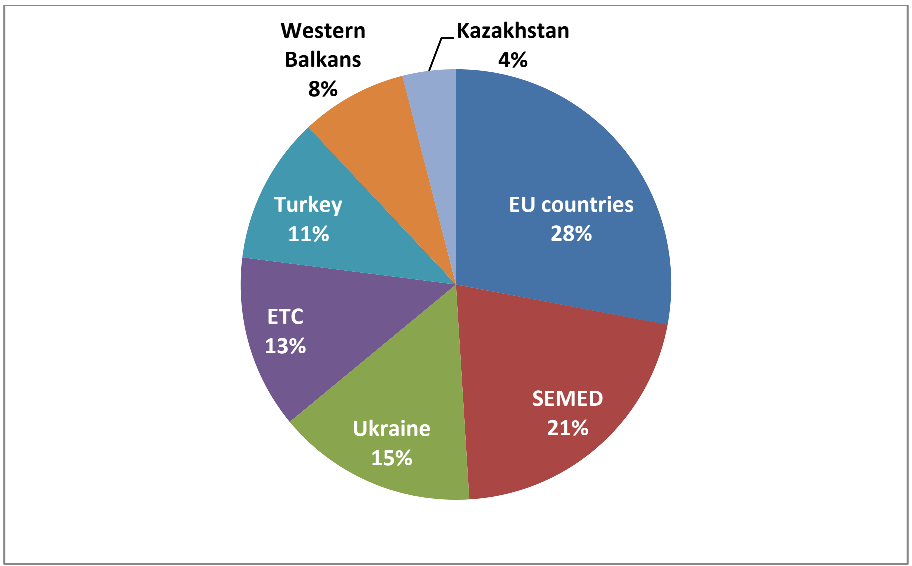
Debt transactions dominated - among 111 sub-projects above €10 million there were only three equity transactions approved, for a total of €70 million and accounting for 3.5% of volume and 2.7% of the number.

However, one of the equity projects has already been cancelled (see the project status section below), bringing down the active equity investments approved under delegation (for projects >€10 million) to two, for a total of €45 million. One of these equity investments (the Romania II project, €25 million) is included in the sample projects under this review, while the other was the Bank's participation in the private placement of bank shares delisted from the Frankfurt Stock Exchange (€20 million).

4. Region and country analysis

The main regions/countries[27] benefiting from financing approved under delegation within the increased threshold were EU countries (including Greece) with 28% of the total volume and 20% of the project number approved, SEMED – 21% on both accounts and Ukraine with 15% also on both accounts. The relatively high proportion of financing in EU countries was mainly due to several capital market transactions. The ETCs were also targeted, although with financing at the lower end of the increased range. Their share of the total financing accounted for 13% (€266.4 million) and 16% of the project number. Turkey and Western Balkans were also major beneficiaries of such financing, see figure 6.

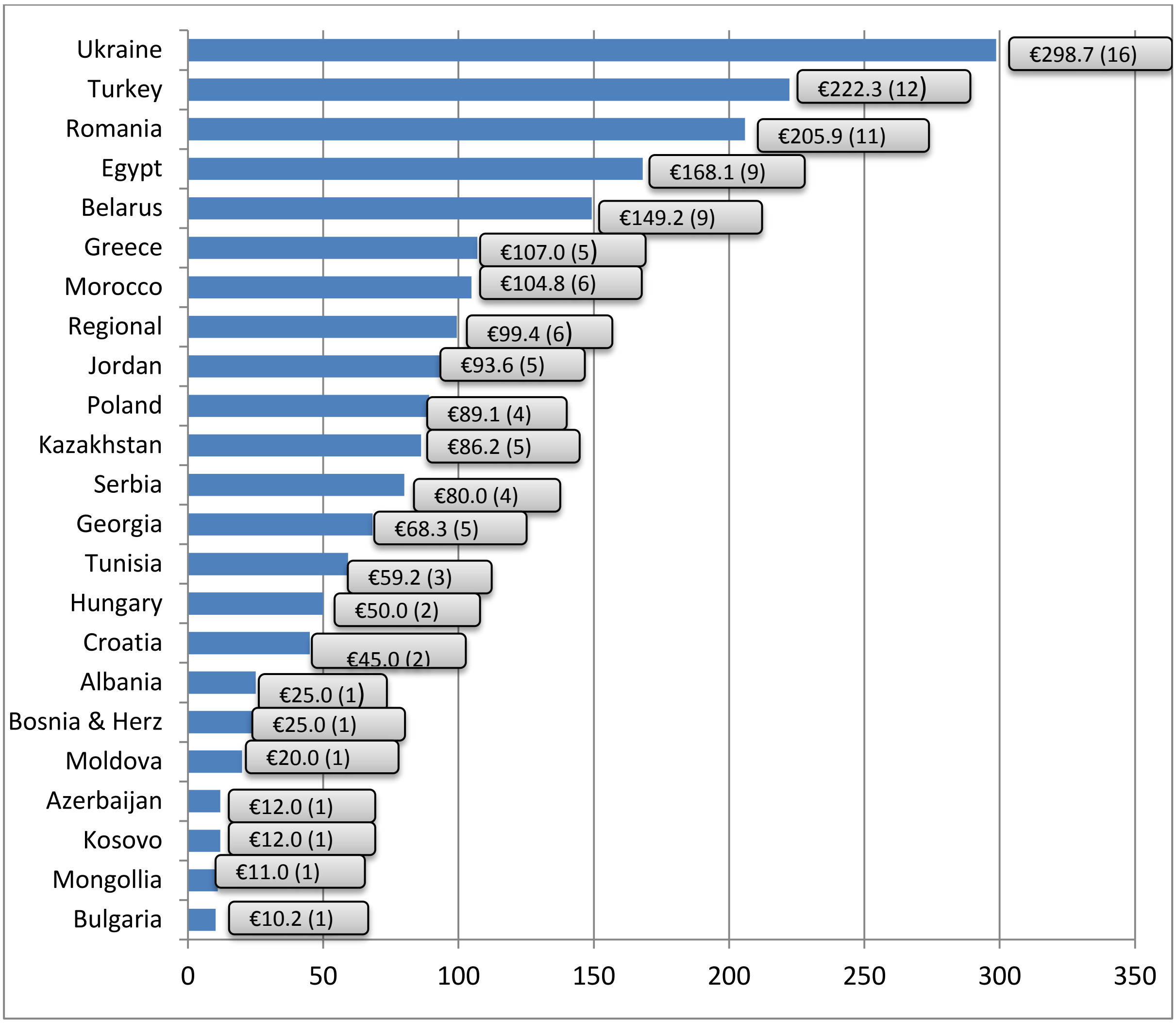
Figure 6. Share of countries/regions in financing approved under delegation by volume (>€10 million)



In purely country terms, figure 7 demonstrates that Ukraine, Turkey and Romania were the main beneficiaries of financing approved under delegation in the increased range.

[27] Financing from six regional projects (€99.4 million in aggregate) was allocated pro rata to the countries/regions they covered.

Figure 7. Financing and number of projects approved under delegation, by country (volume >€10 m).



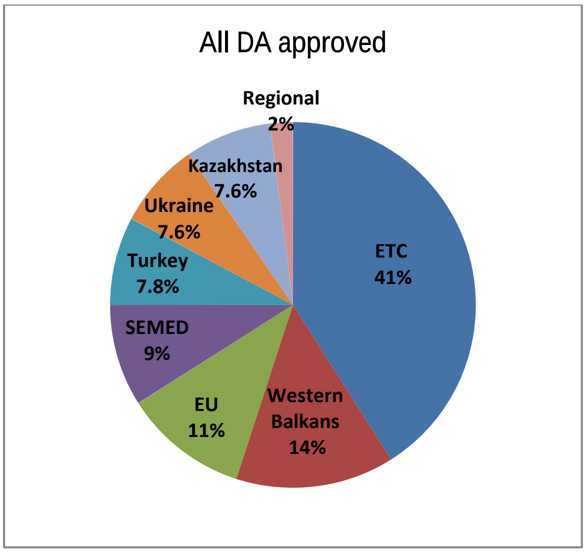
However, the picture is different if all delegated approval projects are taken into account (both below and above €10 million). Table 2 shows the number of projects approved under delegation in 2017, divided by region/country and split between those above and below €10 million.

Table 2. Number of all projects approved under delegation, 2017

Region/country	Total sub-projects		Projects >€10m		Projects <€10m	
	#	%	#	%	#	%
ETC	84	41%	8	3.9%	76	37.3%
Western Balkans	29	14%	4	2.0%	25	12.3%
EU	22	11%	11	5.4%	11	5.4%
SEMED	19	9%	10	4.9%	9	4.4%
Turkey	16	7.8%	9	4.4%	7	3.4%
Ukraine	15	7.6%	7	3.4%	8	3.9%
Kazakhstan	15	7.6%	2	1%	13	6.4%
Regional	4	2%	2	1%	2	1%
Total	204	100%	53	26%	151	74%

This table clearly demonstrates the domination of **ETC and Western Balkan** sub-projects in the **overall** delegated approvals, together accounting for **55%** of the total number. However, this is almost entirely due to sub-projects **below €10 million**, as those above constituted only **6%** of the total. Proportions are more equally spread among projects above and below €10 million for the rest of the regions and the main countries (with the exception of Kazakhstan, where the Bank has also financed many more projects below €10 million than above). Figure 8 demonstrates the share of country/regional share in all delegated approvals, based on the full 12 months of 2017.

Figure 8. Country/regional share in the number of all projects approved under delegation in 2017



These analyses reconfirm an earlier observation from the 24 month sample that the main beneficiaries of the expanded threshold were **larger countries**, such as **Ukraine, Turkey and selected EU and SEMED countries**. These countries have more sizable companies and banks, which provide the demand for higher amounts of finance and have the capacity to repay it.

During the same period (2017), the Board approved 149 projects (net of no-objections, TCs and non-financing approvals). Figure 9 shows the percentage share of the number of projects approved by the board and under delegation in each country.

Figure 9. Share of approvals by the Board and under delegation (>€10 million) during 2017, by country

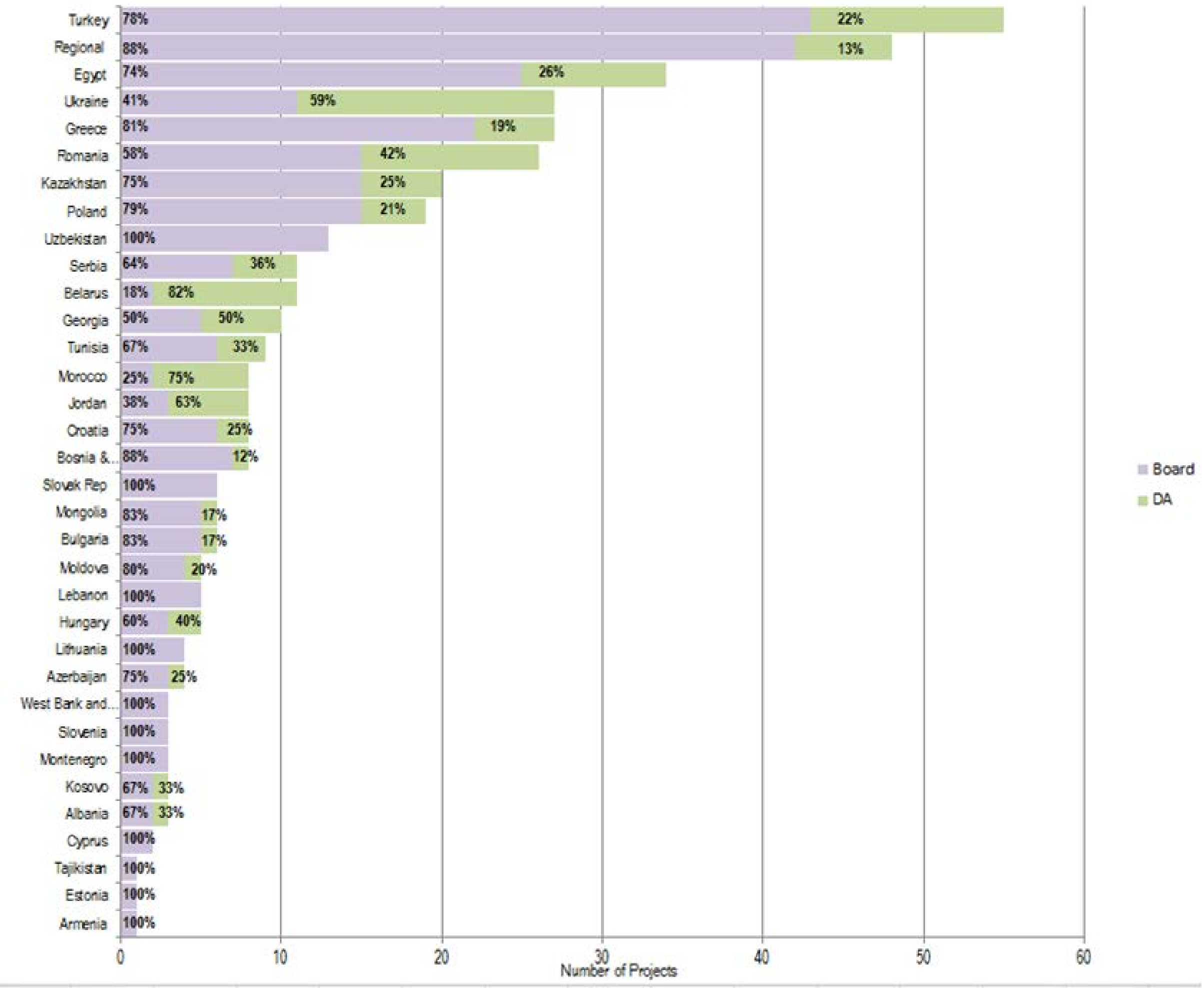


Figure 9 demonstrates that in 2017 the largest share of delegated approvals for projects above €10 million in the total approvals was in **Belarus (82%)**, followed by Morocco (75%) and Jordan (63%). Delegated approvals were also substantial for Ukraine (59%), Georgia (50%), and Romania (42%). For the rest of the COOs, the number of larger sub-projects approved under DA accounted for less than 40% of their total number approved.

5. <u>Currency of financing analysis</u>

Of the 111 sub-projects above €10 million approved under delegation, 23 of them (21%) were extended in nine **local currencies** and amounted to €406 million equivalent or **20% of the total volume.** The remaining 88 sub-projects were financed in Euro or USD.

Twelve projects (11%) can be considered as **local capital markets-supportive** transactions as they were investments into corporate bonds or shares, although some of them might have had a weaker impact on such markets as they were Eurobonds or private placements.

6. <u>Project status analysis</u>

Based on the analysis at the end of 2018, 63 of the sub-projects above €10 million (57%) approved under the 24 month evaluation period were disbursing, while 11 (10%) were repaying.

The remaining 37 (33%) were not yet active, which is not surprising given the relatively short time elapsed from the approval of many of them (20 were approved only in 3Q18). Of those, 22 (20% of the total) were signed and 11 (10%) approved.

There were relatively few cancelled or pre-paid operations - two and one respectively, i.e. DFF Equity project in Egypt (Natural Resources) and DFF project in Hungary were cancelled and DFF project in Western Balkans (Property) was pre-paid.

ANNEX 4 - SAMPLE PROJECTS EVALUATIONS

Table 1. Summary of evaluation rating of sample projects

Project	Relevance and additionality	Effectiveness	Efficiency	Overall performance
Azerbaijan	Fully satisfactory	Partly unsatisfactory	Fully satisfactory	Good
Egypt	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Romania I	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Turkey	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Belarus	Partly unsatisfactory	Fully satisfactory	Fully satisfactory	Good
Bulgaria	Fully satisfactory	Fully satisfactory	Fully satisfactory	Good
Romania II	Partly unsatisfactory	Fully satisfactory	Excellent	Good/Acceptable (provisional rating)
Jordan	Excellent	Not rated	Unsatisfactory	Poor (provisional rating)
Western Balkans	Partly unsatisfactory	Partly unsatisfactory	Not rated	Poor (provisional rating)
Romania III	Fully satisfactory	Partly unsatisfactory	Fully satisfactory	Acceptable

Table 2. Summary of other performance indicators – sample projects

Project	1 Azerbaijan	2 Egypt	3 Romania I	4 Turkey	5 Belarus	6 Bulgaria	7 Romania II	8 Jordan	9 Western Balkans	10 Romania III	Average
Months from approval to signing	1	1	1	2	1	1	1	1	1	1	1.1
Months from signing to first disbursement	5	1	10	1	9	1	1	N/A	4	20	5.7
Months of delay in implementation	12	0	9, 12 for TC	18	1	0	0	18 +	N/A	14	8
TI benchmarks dedicated or at FRW level only	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	100%
Dedicated TIMS	Y	N	N	Y	N	N	N	N	Y	N	30%
Prepaid	N	N	N	N	N	N	N	N	Y	N	10%
Cancelled	N	N	N	N	N	N	N	N	N	N	0
In corporate	N	N	N	N	N	N	N	N	N	N	0

recovery											
Risk rating (PD)	6	6.3	5.3	5.3	6.3	5.0	6.3	5.3	6.0	5.0	5.6
ETI rating	80	60	60	80	80	75	75	60	60	60	69
Repeat client	Y	N	Y	Y	N	Y	Y	Y	N	N	60%
Gaps in DARS	N	Y	Y	N	Y	Y	N	N	N	Y	50%
Strength of TI benchmarks	Weak	Medium	Strong	Strong	Weak	Medium	Weak	Medium	Medium	Strong	30%-W 40%-M 30%-S
Strength of additionality case	Medium	Medium	Medium	Medium	Weak	Weak	Weak	Strong	Medium	Medium	30%-W 60%-M 10%-S
Time-sensitivity of financing	Low	Medium	Medium	Medium	Low	Medium	High	Low	Medium	Low	40%-L 50%-M 10%-H

ANNEX 5 – QUALITY OF FINAL REVIEW MEMORANDA OF PROJECTS APPROVED BY DELEGATION AND QUALITY OF DELEGATED APPROVAL REPORTING SHEETS (DARS)

Project	Key features of design and FRM document quality	Quality of information in the Delegated Approval Reporting Sheet (DARS)
Sample projects		
Azerbaijan	The fifth project with the same client. A senior loan in two tranches for three new production lines to expand confectionary production. Four TI benchmarks (TI checklist provided separately). However, the benchmark related to IFRS reporting had already been achieved under previous transactions, two other benchmarks (gap analysis and the preparation of Corporate Governance Action Plan) were to be achieved by IFC's consultants.	Generally good. However, the link between the need for the second tranche and the unavailability of a soft loan from ASEF (Azeri state fund) could have been explained.
Turkey	The fourth operation with the client, thus the loan's structure replicated the terms and conditions of the existing loans. 10% was financed by a soft loan from the Clean Technology Fund. 40% was used to refinance existing short-term loans from local banks. The FRM lacked the relevance, transition impact and additionality sections, although project-specific TI benchmarks (submitted separately) were strong, relevant and set in relation to those developed for the framework.	Good. A breakdown of the use of funds between capex components and debt refinancing was helpfully provided.
Egypt	A two-year working capital loan. The TI benchmarks were not linked to the project/loan. The objective of the loan was to provide stable working capital to enable the client to allocate more of its internally-generated funds into capex. However, no capex objectives were set or have been monitored/reported. The FRM lacked the relevance, transition impact and additionality sections (TI benchmarks submitted separately).	The DARS did not mention that the loan would be revolving and last much longer than two years. The DARS claimed that ESAP was part of additionality, however the implementation of ESAP was not included in the TI benchmarks/objectives set for the project.
Belarus	Structured in two tranches - one committed (€14 million) and one uncommitted (€10 million), although the project investment plan envisaged use of the total €24 million. A relatively large, multi-component project, the majority being financed by the client's internally generated cash and shareholders' loans. The FRM helpfully provided a list of components to be financed by the Bank's loan. However, the reasons for splitting the loan into tranches were unclear. The TI benchmarks were not described in the FRM and the separate list was not located. The provenance of the benchmarks appearing in the	Project was well described in the DARS, however it was unclear which components (of a large project) were to be financed by the Bank (this was clearly described in the FRM). The description of the TI benchmarks was unclear (in addition to their weakness), e.g. "open several new stores, expansion will require strong logistics and modernisation of IT support").

	PMR is unclear but they are very unambitious - largely commensurate with the operational objectives (open more stores, increase market share).	
Romania I	A loan to the city for the purchase of buses to be utilised by an urban transport company (UTC), which was not creditworthy (a new company, created following the insolvency of the old city-owned bus operator). The UTC is to be commercialised with help of TC. Transferring the loan from the city to UTC is a possible (but unlikely) option in the future. A large and ambitious TC package. The TI benchmarks are good but some are unrealistic and some lack baselines.	The FRM mentioned the possibility of transferring the loan to the urban transport company in the future (at the Bank's discretion), however the DARS did not have this information. One of the transition impact sources in the DARS ("promoting increased use of public transport") was not mentioned in the FRM. Not all dates in the DARS for the achievement of TI benchmarks were consistent with those in the FRM.
Western Balkans	80% of the loan financed the acquisition of a retail chain by a large equity fund (the remainder financed its expansion in the Balkans). Weak relevance and additionality (loan pre-paid less than a year after disbursement).	Good, no gaps
Romania IIA	Weak relevance and additionality (supermarket expansion in Romania, co-investment with a major PE fund). Only a partial transfer of the TI benchmarks from a pre-paid loan project with the same client.	Good, no gaps
Bulgaria	A senior corporate loan to Bulgarian and Serbian subsidiaries of a foreign automotive parts producer. Full corporate guarantees from the sponsor. Part of the loan was used to refinance the existing Bank loan. Fairly large TC and non-TC grant (€1 million), however with uncertain designation (so far unused as the client didn't know how to use it).	Weak description of the use of funds (too general and no breakdown of various components). In particular, there was no mention that part of the loan would refinance the outstanding principal of an existing EBRD loan. TC and non-TC grant components (€1 million) were not clearly described.
Jordan	A sovereign loan to the Ministry of Water and Irrigation, on-lent to the Water Authority of Jordan. It follows a structure tested by many previous MEI projects. Heavy reliance on grants for design and implementation support consultants, which required long procurement process. Changes to the concept design resulted in the reversal of the consultants' procurement process and long delays in starting the project	Good, no gaps
Romania III	A loan to a city, although the assets (buses) it financed were to be utilised by an urban transport company, which ultimately was to be corporatised and separated from the city. A large and ambitious TC package. The summary of the SMART Framework (annex 7 of the FRM) mistakenly refers to "Board approval date" for sub-projects.	The FRM mentioned the possibility of transferring the loan to the urban transport company in the future (at the Bank's discretion), however the DARS did not refer to this.

Additional projects reviewed:		
(2) Egypt	A senior loan in two tranches, to a health care/hospital operator company. Corporate guarantees and a strong security package. However, a large part of the loan was to refinance existing debt, and another part was for land purchase. Effectively, only two TI benchmarks – the accreditation of the hospital to JCI (international standard) in four years and an increase in the number of patients treated. Additionality was based on the tenor (eight years) not being available in Egypt and the Bank's conditionality (undefined "quality assurance standards" and "environmental conduct"), which were, however, not benchmarked or described any further in the FRM. The refinancing of existing debt was explained as improving resilience, including "affecting foreign exchange mismatches", while the loan was in USD and revenues in EGP.	The project and the use of funds were not fully described. The split between capex and the refinancing of existing debt not explained (the latter accounting for one third of the loan). Nor did the DA sheet mention that the largest part of the loan (38%) was to finance land acquisition
(3) Greece	The purchase of a corporate bond ($18 million) of an oil company, under the Greek Corporate Bond Framework. Transition was limited to LCM development, (framework benchmarks). Additionality was based on the EBRD's value added in improving investor confidence and creating sufficient critical mass to encourage the secondary market (30% of the bond was to be allocated to the retail market)	The DARS included a very extensive (three pages) risk and sound banking section – probably too detailed
(3) Morocco	A seven-year senior loan to an automotive parts supplier. The project includes a €2.7 million grant from the Moroccan government	There was a clear use of proceeds and financing plan in the DARS, including subsidies. However, the latter did not explain from whom and for what purpose it would be (according to FRM, from the Moroccan government)
(4) Ukraine	A €25 million unsecured loan to a Greek company for the acquisition of a Ukrainian company, which is a Bank client in corporate recovery. Part of the loan will repay the Bank's loan to the target.	The use of funds was clearly explained. However the TI section was too general, with no benchmarks. Similarly, the additionality section referred to "long term financing" and "adequate tenor", with no details.
(5) Kazakhstan	Project finance with limited recourse to the sponsor. Co-financed with soft loans from the Green Climate Fund and the Clean Technology Fund. The TI benchmarks are related to CO_2 savings and new capacity. Additionality is relatively strong (a 14 year loan in local currency and policy dialogue on renewable energy – but no details of its nature in the FRM)	The use of funds was only generally described ("development, construction and operation of a solar power plant"). Unlike the DARS, the FRM explained that most of the development costs have already been incurred, so most of financing would be retroactive. The DARS didn't mention that the borrower was 100% owned by a Chinese sponsor.
(6) A p Poland	€25 million equivalent in PLN to refinance existing debt and for capex. The Bank is financing 10% of a large package, 50% of which is to refinance existing debt. It is unclear whether any of the	The sponsor's name was not mentioned. The refinancing/capex split was not explained.

	Bank's funds will finance capex (no explanation of what kind of capex is planned). Very unclear use of funds structure.	
(7) Morocco	€20 million local currency (MAD) equivalent in three tranches under the FIF Morocco Women in Business Programme. The proceeds to be on-lent to MSMEs managed by women.	The rationale for loan tranching was not explained
(8) Ukraine	A corporate loan to a municipal company for a landfill. Large TC and non-TC grant components.	Good. The use of funds and TC was clearly explained. Well defined TI benchmarks.
(9) Kazakhstan	The Bank's fourth project with the company (the second under the framework). Initially designed as a local currency loan, however the client requested EUR. Co-financing included a €7.6 million grant from the government (to a private company). This is explained as supporting the affordability of a project in a low-income region of the country.	The use of funds description was very general ("improve quality, increase coverage, reduce accidents"). The DARS could have also mentioned that this was the second project with the company under the framework. The rationale for a government grant to a private company (an issue raised by OpsCom at appraisal) could have also been explained.
(10) Hungary	Refinancing of an existing bond of a Hungarian fertiliser producer. A strong DA case (speed essential), but a weak additionality case (bond refinancing in an EU country).	The use of funds was unclear ("to finance remaining capex to increase capacity, EE and environmental impact"). Good TI benchmarks but no deadlines specified for their achievement.

Table 1. Summary for additional projects only

Additional Projects	1	2	3	4	5	6	7	8	9	10
TI benchmarks dedicated or at FWR level only	Dedic.	FWR	Dedic	Dedic	Dedic	Dedic	Dedic	Dedic	Dedic	Dedic
Strength of TI benchmarks	Weak	Medium	Strong	Weak	Medium	Medium	Medium	Strong	Medium	Strong
Strength of additionality case	Medium	Medium	Medium	Weak	Strong	Weak	Strong	Strong	Strong	Weak
Gaps in DARS vs FRM	Y - use of funds imprecisely described, additionality	No	Y - source and purpose of a grant	Y – no TI bench-marks, addition-ality unclear	Y – sponsor's domici-liation, use of funds	Y- sponsor, use of funds	Y – tranching not explained	No	Y – use of funds, rationale for a gov. grant to a private comp.	Y – use of funds, dead-lines for TI bench-marks
Months from approval to signing	1	0	2	2	0	0.5	4.5	0	0	Cancelled 1 month after approval
Months from signing to 1st disbursement	5*	0	3*	0.5	4*	0.5	2*	4*	1.5	cancelled

*not yet disbursed as of October 2018 (indicates months passed from signing till October 2018)

ANNEX 6 - SURVEY OF BOARD DIRECTORS, ALTERNATE DIRECTORS AND ADVISERS

1. In your view, the Bank's current delegated authority arrangements are in general:

		Response Percent	Response Total
1	Effective and provide you with sufficient information on projects approved under delegated procedures	44.44%	4
2	Adequate, but there is room for improvement (please specify)	44.44%	4
3	Inadequate (please specify)	11.11%	1
4	No opinion (new Directors)	0.00%	0

Analysis						
Mean:	1.67	Std. Deviation:	0.67	Satisfaction Rate:	22.22	answered: 9
Variance:	0.44	Std. Error:	0.22			skipped: 0

Comments: (5)

1	21/09/2018 15:38 PM ID: 94935474	Countries of operation should have more time than three days to see the project
2	26/10/2018 15:32 PM ID: 97888170	Some projects with contentious issues (for example, health care, education, in Russia) have been approved under delegated authority
3	26/10/2018 16:05 PM ID: 97894805	I have noted that some contentious issues have been put through delegated approval. So that definition could be strengthened.
4	02/11/2018 15:56 PM ID: 98515379	Lack of reporting. Criteria of delegation not relevant enough (equity / debt, risk, country, etc.).
5	08/11/2018 16:27 PM ID: 99052481	Collective reporting needs developing More time is required for consulting authorities

2. Are you comfortable with the delegated approval threshold at €25 million (increased from €10 million from 1 October 2016)?

		Response Percent	Response Total
1	Yes, it seems the right level;	87.50%	7
2	The threshold could be higher (please specify)	0.00%	0
3	The threshold is too high and should be lower (please specify)	12.50%	1

Analysis						
Mean:	1.25	Std. Deviation:	0.66	Satisfaction Rate:	12.5	answered: 8
Variance:	0.44	Std. Error:	0.23			skipped: 1

2. Are you comfortable with the delegated approval threshold at €25 million (increased from €10 million from 1 October 2016)?

	Response Percent	Response Total

Comments: (2)

1	02/11/2018 15:56 PM ID: 98515379	Size matters but this is not the only criteria to be taken into account : equity / debt, risk, country, etc. should qualify the delegated authority. All in all the delegated authority should be targeted to a lower number of projects and a lower amount of ABI, because the Board is resident.
2	08/11/2018 16:27 PM ID: 99052481	For some frameworks it could be lower for other higher.

3. Do you consider that the current system enables you (if you wanted) to ask questions/comment on projects approved under delegated authority (including directly contacting the project's OL)?

		Response Percent	Response Total
1	Yes, it is easy to ask questions if I need	44.44%	4
2	It is possible but difficult and cumbersome to ask questions	22.22%	2
3	No, it is virtually impossible to ask questions/comment about such projects	22.22%	2
4	No opinion (new Directors)	11.11%	1
		answered	9
		skipped	0

Analysis						
Mean:	2	Std. Deviation:	1.05	Satisfaction Rate:	33.33
Variance:	1.11	Std. Error:	0.35		

4. Have you ever asked questions about delegated authority projects?

		Response Percent	Response Total
1	Yes, I did	55.56%	5
2	I wanted to ask but as it was difficult, I decided not to	0.00%	0
3	No, so far I had no intention to ask questions about such projects	33.33%	3
4	Not applicable(new Directors)	11.11%	1
		answered	9
		skipped	0

Analysis					
Mean:	2	Std. Deviation:	1.15	Satisfaction Rate:	33.33
Variance:	1.33	Std. Error:	0.38		

5. Do you consider the Delegated Approval Reporting Sheets on projects approved under delegated authority provide sufficient information for your needs? For example, do they enable you to identify key issues quickly and become more aware about projects approved under delegated authority?

		Response Percent	Response Total
1	Yes, they provide sufficient information	66.67%	6
2	They are generally adequate but could be improved (please specify)	33.33%	3
3	They lack some important information (please specify)	0.00%	0

Analysis							
Mean:	1.33	Std. Deviation:	0.47	Satisfaction Rate:	16.67	answered	9
Variance:	0.22	Std. Error:	0.16			skipped	0

Comments: (3)

1	21/09/2018 15:38 PM ID: 94935474	More information on the background of transaction (e.g. framework objectives) and historical transaction with the client
2	02/11/2018 15:56 PM ID: 98515379	Reporting sheets are short. They could flag more challenges and characteristics in around 3-4 pages.
3	08/11/2018 16:27 PM ID: 99052481	The quality is not always consistent

6. Delegated authority to date has been conducted primarily under Board-approved frameworks. In your view, the "Quarterly Updates on Frameworks" on Board Online Information, have been:

		Response Percent	Response Total
1	Fully satisfactory	55.56%	5
2	They have been adequate but they could be enhanced (please specify)	22.22%	2
3	They have been inadequate. I would expect much more (more detailed) information (please specify)	11.11%	1
4	No opinion (new Directors)	11.11%	1

Analysis							
Mean:	1.78	Std. Deviation:	1.03	Satisfaction Rate:	25.93	answered	9
Variance:	1.06	Std. Error:	0.34			skipped	0

Comments: (3)

1	21/09/2018 15:38 PM ID: 94935474	Would prefer to have additionally one update on all frameworks that Bank is doing with number of projects, money spend, headroom etc
2	02/11/2018 15:56 PM ID: 98515379	Access to quarterly updates on FW is denied to me on my computer. Generally speaking, FW are quite often overlapping each others, have a too broad scope and not related to targeted objectives of policy reforms or KPI.
3	08/11/2018 16:27 PM ID: 99052481	We would like to see reporting under individual frameworks by project

7. What is your view of the Board Online Information (BOI) and Business Performance Navigator (BPN) tools, where the lists of projects approved under delegated authority and other data on such projects are posted:

			Response Percent	Response Total
1	They are useful, well designed and provide information sufficient for my need		57.14%	4
2	They are adequate but could be enhanced (please specify)		28.57%	2
3	They are difficult to navigate and lacks essential information (please specify)		14.29%	1

Analysis								
Mean:	1.57	Std. Deviation:	0.73	Satisfaction Rate:	28.57	answered	7
Variance:	0.53	Std. Error:	0.28			skipped	2

Comments: (5)

1	26/10/2018 15:32 PM ID: 97888170	I tried to get into the Business Performance Navigator but was denied access
2	26/10/2018 16:05 PM ID: 97894805	I haven't tried it yet.
3	02/11/2018 15:56 PM ID: 98515379	We cannot have a comprehensive reporting at a project level in one system in all dimensions, be it main characteristics, country, TC and non TC (amount and source), nature (equity/debt, etc.), date of approval, date of signature, cancelled, pre-paid, impaired, written off, etc. those information may be partially available in very different format but ion most cases not readable at all.
4	06/11/2018 11:25 AM ID: 98803476	I still struggle to find these tools.
5	08/11/2018 16:27 PM ID: 99052481	To be enhanced as to allow for sorting by framework

8. Do you find periodic "taking stock" reports on frameworks performance, provided when the Board is asked to approve follow on frameworks:

			Response Percent	Response Total
1	Sufficient for your needs?		77.78%	7
2	Generally adequate but could be enhanced (please specify)		0.00%	0
3	Inadequate (please specify)		11.11%	1
4	No opinion (new Directors)		11.11%	1

Analysis								
Mean:	1.56	Std. Deviation:	1.07	Satisfaction Rate:	18.52	answered	9
Variance:	1.14	Std. Error:	0.36			skipped	0

Comments: (1)

1	02/11/2018 15:56 PM ID: 98515379	It is lacking reporting on projects, quantitative, but also qualitative, at project levels (factors of challenges or successes, financial impact, transition impact, etc.).

9. Enhanced delegated authority may have resulted in less discussion at the Board on projects in smaller countries (where the size of sub-operations tends to be smaller than elsewhere). In your view:

			Response Percent	Response Total
1	This has not been a problem, there has been sufficient visibility of all countries		22.22%	2
2	There has been a reduction in visibility of some countries at the Board meetings, however Board's other activities (e.g. BCVs, Country Strategy discussions, operational updates, business breakfast briefings) have compensated for it		55.56%	5
3	Reduced visibility of smaller countries has been a major concern for me and other activities of the Board have not sufficiently compensated for it		11.11%	1
4	No opinion (new Directors)		11.11%	1

Analysis	Mean:	2.11	Std. Deviation:	0.87	Satisfaction Rate:	37.04	answered	9
	Variance:	0.77	Std. Error:	0.29			skipped	0

10. Management agreed to bring projects eligible for approval on a delegated basis to the Board where these involve novel features or contentious issues. In your view:

			Response Percent	Response Total
1	This has been done properly (i.e. projects under delegated threshold, with novel features and contentious issues were presented to the Board)		44.44%	4
2	There were instances where I believe this might have been done but it wasn't		44.44%	4
3	No opinion (new Directors)		11.11%	1

Analysis	Mean:	1.67	Std. Deviation:	0.67	Satisfaction Rate:	33.33	answered	9
	Variance:	0.44	Std. Error:	0.22			skipped	0

11. The Bank must adhere to the requirement that it shall not finance any undertaking in the territory of a member state if that member objects to such financing. In your view:

			Response Percent	Response Total
1	Adequate procedures are in place in relation to delegated authority projects to ensure it		44.44%	4
2	Current procedures are insufficient to ensure it		33.33%	3
3	No opinion (new Directors)		22.22%	2

Analysis	Mean:	1.78	Std. Deviation:	0.79	Satisfaction Rate:	38.89	answered	9

11. The Bank must adhere to the requirement that it shall not finance any undertaking in the territory of a member state if that member objects to such financing. In your view:

									Response Percent	Response Total
	Variance:	0.62	Std. Error:	0.26					skipped	0

12. An overarching goal of the Bank's changes to delegated authority procedures, introduced in October 2016 (including increase of its threshold top €25 million), was to improve Board's efficiency, freeing Directors' time to focus more on strategic issues. In your view:

			Response Percent	Response Total
1	This has been achieved. Board spends now more time on strategic issues		22.22%	2
2	There has been some progress towards this goal but it has not been achieved yet		55.56%	5
3	There has not been much change		0.00%	0
4	No opinion (new Directors)		22.22%	2

Analysis	Mean:	2.22	Std. Deviation:	1.03	Satisfaction Rate:	40.74		answered	9
	Variance:	1.06	Std. Error:	0.34				skipped	0

ANNEX 7 – PROJECTS APPROVED BY THE BOARD OF DIRECTORS DURING THE EVALUATION PERIOD (1 OCTOBER 2016 – 30 SEPTEMBER 2018)

	2016 (from 1 October)		2017		2018 (till 30 September)		Total		Number of opportunities to discuss a country at the Board during 24 months of the expanded threshold
Country	Single project	Part of regional	Single project	Part of regional	Single project	Part of regional	Single Project	Part of Regional	
Central Europe & Baltics									
Croatia		2	3	7	3	6	6	15	21
Estonia		2		8	1	4	1	14	15
Hungary		2	3	7		3	3	12	15
Latvia		2		8		3	0	13	13
Lithuania		2	2	8	2	3	4	13	17
Poland	1	2	9	9	5	3	15	14	29
Slovak Rep	2	2	1	7	3	4	6	13	19
Slovenia		2	3	7		2	3	11	14
South-eastern Europe									
Albania		2		7	2	2	2	11	13
Bosnia & Herzegovina	2	2	2	7	3	2	7	11	18
Bulgaria	2	1		8	3	3	5	12	17
FYR Macedonia		2		8		2	0	12	12
Kosovo	1	2	1	7		1	2	10	12
Montenegro		2	3	8		3	3	13	16
Romania	1	2	9	10	5	2	15	14	29
Serbia		2	6	8	1	3	7	13	20
Eastern Europe and the Caucasus									
Armenia		1	1	1		2	1	4	5
Azerbaijan	1	1	2	1			3	2	5
Belarus		1		3	2		2	4	6
Georgia		1	3	2	2	2	5	5	10
Moldova	2	1	1	4	1	2	4	7	11
Ukraine		1	7	3	4	1	11	5	16

	2016 (from 1 October)		2017		2018 (till 30 September)		Total		Number of opportunities to discuss country at the Board during 24 months of the expanded threshold
Country	Single project	Part of regional	Single project	Part of regional	Single project	Part of regional	Single Project	Part of Regional	
Central Asia									
Kazakhstan	5	1	5	3	5		15	4	19
Kyrgyz Rep		1		1			0	2	2
Mongolia		1	4	1	1	1	5	3	8
Tajikistan		1	1	1		1	1	3	4
Turkmenistan		1		3			0	4	4
Uzbekistan		1	6	1	7	1	13	3	16
SEMED									
Egypt	3		19	3	3	1	25	4	29
Jordan			3	1		1	3	2	5
Lebanon				1	5	1	5	2	7
Morocco	2			4		2	2	6	8
Tunisia			4	4	2	1	6	5	11
West Bank and Gaza				1	3		3	1	4
Cyprus	1		1	2			2	2	4
Greece	3		9	2	10	4	22	6	28
Turkey	5	1	19	5	19	3	43	9	52
Sub-total	31		127		92				
Regional projects	3		22		17		42		
Total	34		149		109				

ANNEX 8 – Summary of the results of EvD's evaluations of Board-approved projects, completed in 2013 - 2017

During the five years from 2013 to 2017 EvD completed 337 Operation Evaluations (OEs) and Operation Performance Assessment Validations (OPAVs). However, comparing these evaluations is challenging as, during this period, EvD's rating scale changed twice. Table 1 below shows the rating scale for "overall performance" of evaluated projects in different years and their current equivalent.

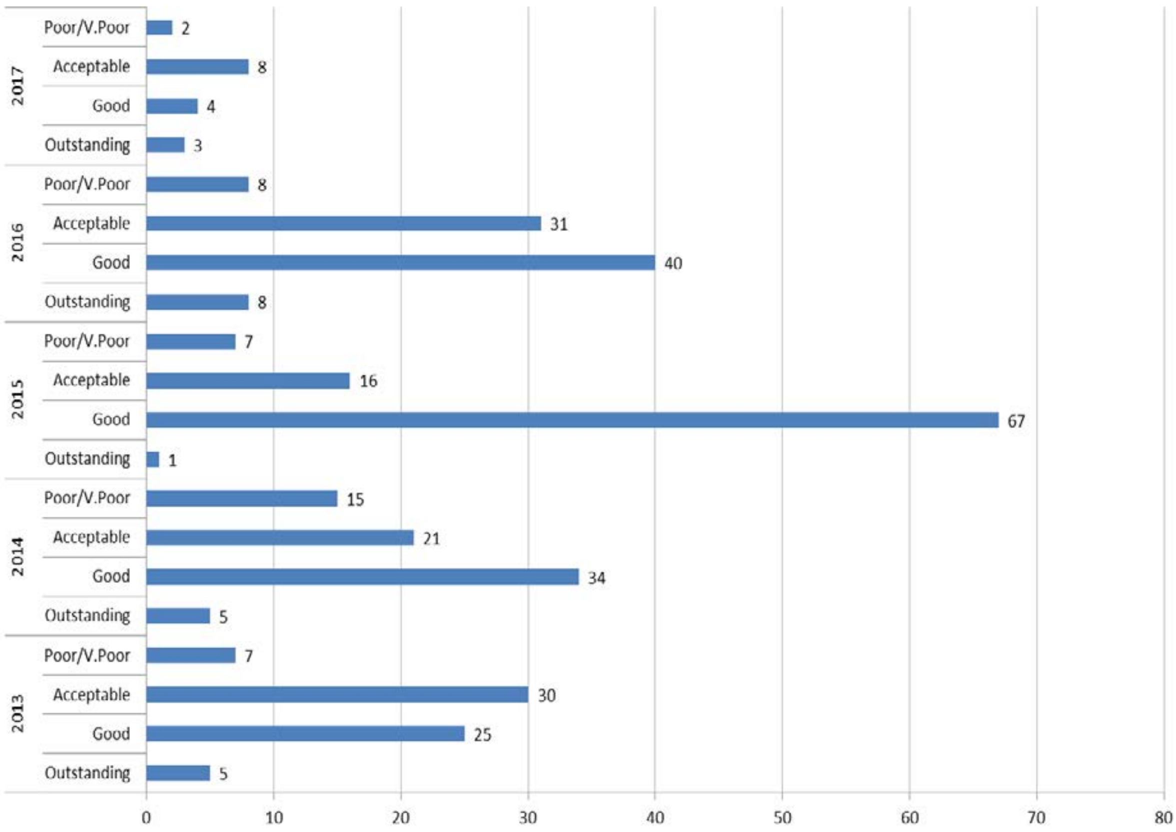
Table 1. EvD's rating scales for projects' "overall performance" in 2013-2018 and their grouping to extract their approximate equivalents

2013-2014	2015-2016	2017-2018
Highly Successful	Excellent	Outstanding
Successful	Good	Good
Partly Successful	Satisfactory	Acceptable
Unsuccessful	Marginal Unsatisfactory Highly Unsatisfactory	Poor Very Poor

To enable analysis of the five year period, ratings under different scales were "converted" (in accordance with table 1 equivalents) into the current scale resulting in the annual summary ratings presented in figure 1.

Figure 1. Overall ratings of OEs and OPAVs during 2013-2017, based on current rating scale

The results of these "conversions" were then grouped together for each year to demonstrate the share of



"positive" ratings in each year ("Good" and "Outstanding"), which could be compared with that for sub-projects evaluated under this study. Figure 2 contains a synthesis of the annual results from the evaluation of Board-approved projects, showing the share of projects rated "Good" or better for each year.

Figure 2. Share of projects rated "Good" or better in each year (from Board-approved projects' evaluations)

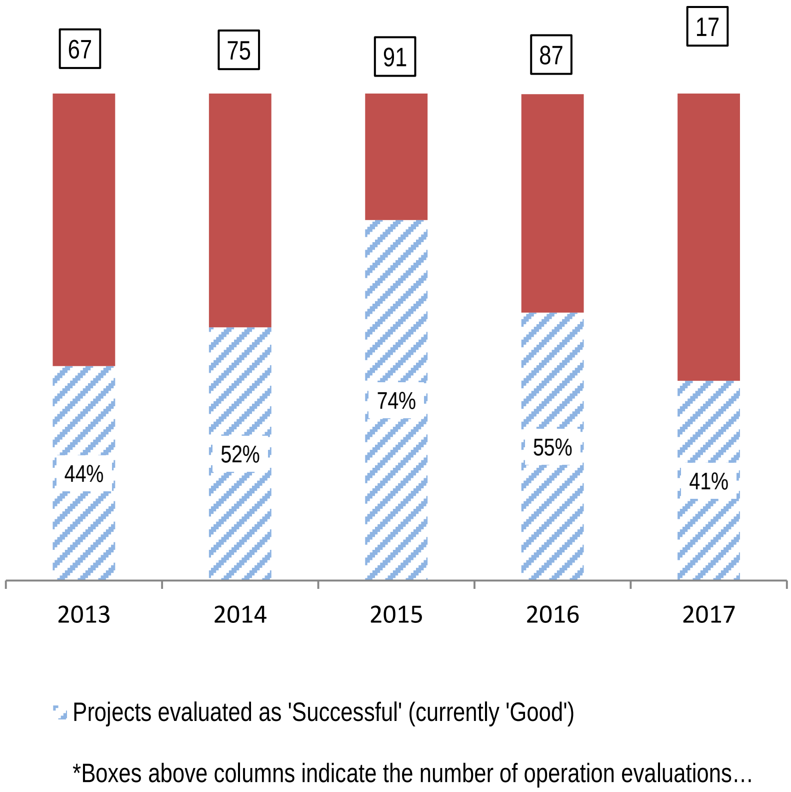
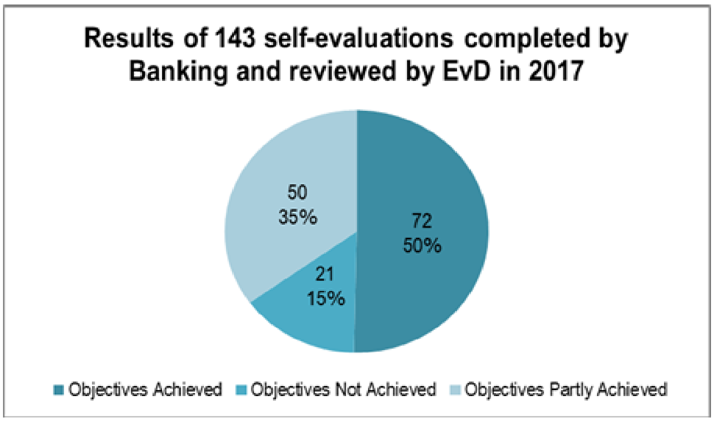


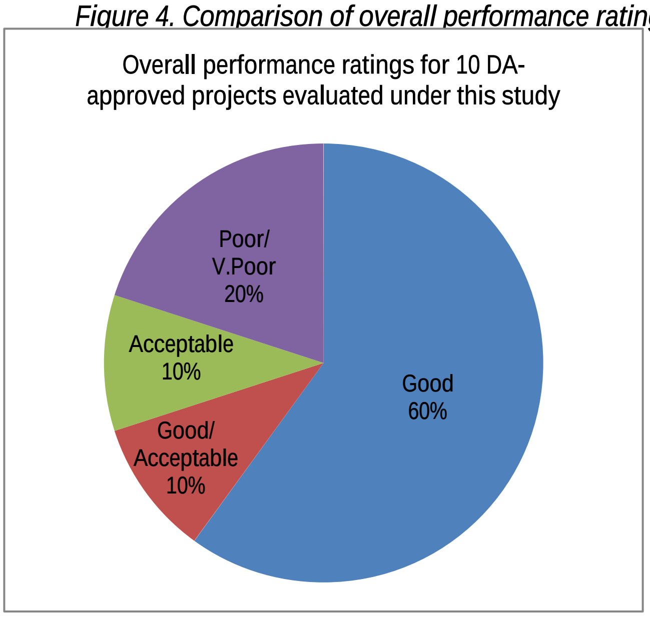
Figure 2 demonstrates that performance of Board-approved projects evaluated by EvD **fluctuated** over the five years, with the highest share of "Good" or better rated projects in 2015 (74%) and the lowest (41%) in 2017. This figure also shows that the occurrence of positive ratings was closely **correlated with the size of the sample**, i.e. the more projects evaluated, the larger the share of positive ratings – for example, in 2017 saw both the smallest evaluated sample and the lowest occurrence of positive ratings. However, this could have been coincidental, as 2017 was an exceptional year when EvD changed its rating system and moved from random to **purposeful project selection**. This meant that the number of complex projects chosen for evaluation was higher than in previous years and the lower performance rating may reflect the **challenging nature** of the evaluated projects. Moreover, as EvD concentrated on delivering several large thematic and sectoral studies (e.g. Local Capital Market, Equity, Additionality, Transport, Energy), it **substantially reduced the number of project evaluations and validations to 17, as compared to 67-91 per annum** in previous years. Therefore, the average results of evaluations conducted in 2017 cannot be seen as fully representative of project performance. The exceptional nature of the 2017 evaluations can be further confirmed by an analysis of the results of the 143 self-evaluations (prepared by Bankers and reviewed but unrated by EvD) from 2017. These reviews confirmed that 72 of Bank's projects, or **50%, achieved their objectives** (i.e. if rated, they would achieve a "Good" or better rating), while 35% partially achieved them and the remaining 15% failed to achieve them, see figure 3 below.

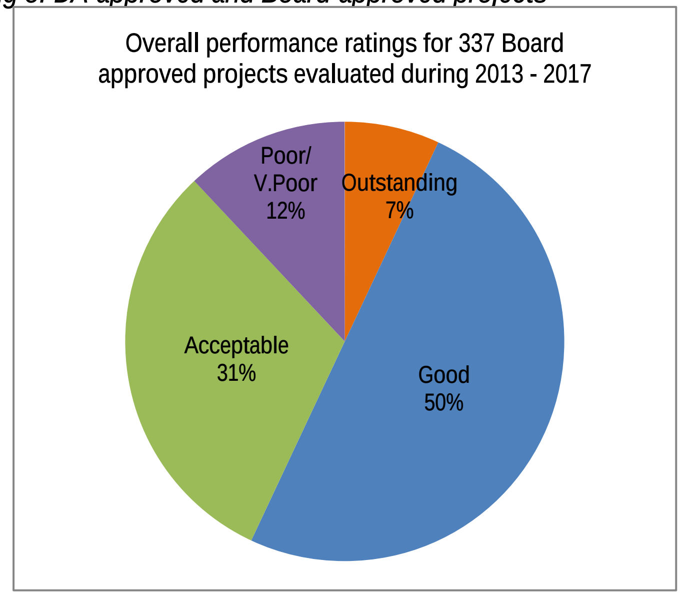
Figure 3.



Therefore, to mitigate the annual distortions which might have impacted results in particular years, EvD has **summed up all ratings of Board-approved projects generated over five years** to compare them with those achieved by the sample projects under this study. It demonstrated that the share of Board-approved projects evaluated "Good" and above <u>over all five years</u> was 57% (192 out of 337). This might indicate that the performance of Board-approved projects was slightly lower than those approved by delegation (65% "Good"). However, 23 (7%) of the Board-approved projects were rated "Outstanding" and therefore in overall analysis, the performance of this group should be allocated a certain "premium". Moreover, the share of "Poor/Very Poor" projects in the Board-approved group (12%) was lower than that in the DA-approved group (20%), see figure 4.

<u>Figure 4. Comparison of overall performance rating of DA-approved and Board-approved projects</u>





In conclusion, the performance of the evaluated sample of sub-projects approved under delegation is considered **on average to be largely in line** with the performance of Board-approved projects evaluated during 2013 – 2017. The delegated projects achieved a higher share of "Good" ratings, however none of them was rated "Outstanding", while more of them were rated "Poor/Very Poor" than in the Board-approved group. The Board-approved projects achieved, on average, a lower share of "Good" ratings, however an additional 7% of them were rated "Outstanding" and fewer were rated as failures. Therefore, in EvD's view, the average performance of projects in both groups has been similar.

ANNEX 9 – Key Lessons from Frameworks Evaluated by EvD during 2008 - 2018

Report number	Evaluation	Date completed
PE08-429S	Direct Investment Facility (DIF)	December 2008
PE09-466S	Direct Lending Facility (DLF) and Medium-Size Co-Financing Facility (MCFF)	March 2010
PE10-480	Tajik Agricultural Finance Facility	November 2010
PE10-492S	Private Equity Funds Co-Investment Facility	April 2011
PE11-530	Western Balkans MSME Framework	March 2012
PE11-535s	EBRD-Italy Local Enterprise facility (LEF)	September 2012
PE12-554s	Facility for Medium Size Projects	October 2012
PE13-572	Mid-Size Corporate Support Facility	July 2013
PE13-570	Slovak Sustainable Energy Financing Framework (SLOVSEFF I & II)	April 2014
PE13-568	EU/EBRD Municipal Finance Facility (MFF)	April 2015
PE14-583	Mid-Size Sustainable Energy Financing Facility, Turkey	March 2015
SS14-080	EBRD's Sustainable Energy Finance Facilities (SEFFs)	November 2015

Facility	Overall and TI rating (in brackets)	Key findings or lessons
Direct Investment Facility (DIF)	Successful (Good)	- Undertake market analysis and scoping prior to the launch of new initiatives. - Set sensible benchmarks so that performance can be measured both at the Framework and sub-project level. - Value creation in equity transactions, particularly where the sponsor is a local investor, is one of the most important things the Bank can provide through equity investment.
Direct lending Facility (DLF) and Medium-Size Co-Financing Facility (MCFF)	DLF: Successful (Satisfactory) MCFF: Successful (Satisfactory)	- Undertake market analysis and scoping prior to the launch of new initiatives. - Set sensible benchmarks so that performance can be measured both at the team and individual level. - When a new framework with tailored procedures under delegated authority is introduced, it should be reflected in a supplement to the Bank's Operating Guidelines.
Tajik Agricultural Finance Facility (TAFF)	Partially Successful (Satisfactory)	-The importance of incorporating performance-related incentives in the consultants' remuneration package to motivate them to achieve the desired results, particularly in cases where there is a combination of very ambitious objectives and a difficult operating environment. - Setting conditions precedent for agricultural loans and the subsequent impact on the timely provision of financing, which is critical in the seasonal farming business.
Private Equity Funds Co-Investment Facility	Successful (Good)	- The Bank's participation as a co-investor alongside private equity funds is most appreciated, and its additionality is the strongest, in projects where the Bank's unique attributes are most applicable. - When negotiating co-investments alongside private equity

		funds, it is critical to ensure that the Bank's interests are properly represented, such as through its own representative on the investee company's supervisory boards or the right to call an extraordinary general assembly of shareholders. - Exercise caution and restraint when forecasting the take-up and achievable impact of financing facilities or frameworks, which are niche products (e.g. private equity funds co-investment facility).
Western Balkans MSME Framework	Successful (Good)	- MFI transformation, commercialisation and consolidation, and the related regulatory risks. - the design, recording and reporting of TC performance and results in respect of which some deficiencies were observed.
EBRD-Italy Local Enterprise Facility (LEF)	Successful (Good)	- LEF is an effective instrument for developing smaller projects. - Target higher level objectives that contribute to market development.
Facility for Medium Size Projects (FMSP)	Not rated (Good)	- The economic crisis resulted in the Facility initially falling short of meeting its forecast number of operations; however, the situation has improved over the 15 months to June 2012. - As a result of the slow start, the Facility has not yet been able to deliver demonstration effects through critical mass. - Overall savings through efficiencies in project preparation have not been observed, except for the saving achieved as a result of delegated authority from full Board to OpsCom / SBIC. Recommendation - The Bank should undertake a review of the various channels currently used to deliver investment products to medium-sized corporate enterprises. The critical challenge appears to remain that of achieving critical mass and demonstrable results through a portfolio approach and within cost constraints. Based on this and other evaluations of similar facilities, a review of the different delivery channels could lead to rationalisation and the development of an integrated cross-country and cross-regional approach with potential to deepen outreach in the business segment and improve cost effectiveness.
Mid-Size Corporate Support Facility (MCSF)	Partially successful (Good)	- The large number of financing facilities available at the Bank creates confusion and "facility fatigue" among some bankers. - The Bank's usual focus on capital investment financing in the corporate sector, makes it difficult for the Bank to act as an ad hoc working capital provider, even in a time of crisis. - Companies which are financially sound, are likely to continue receiving working capital financing from local banks, even during a crisis.

EU/EBRD Municipal Finance Facility (MFF)	Unsuccessful (Marginal)	- The mechanism to channel TC to end beneficiaries via PBs did not function. - Importance of the results framework.
Slovak Sustainable Energy Financing Framework (SLOVSEFF I & II)	Successful (Good/Sat)	- Projects including the provision of subsidies in the form of incentive payments, administration fees or others should define a clear logical framework. - Specific actions should be envisioned to enhance the demonstration effects of SEFF sub-projects. - It is critical for the success of energy efficiency projects to work with strong project consultants with local presence and knowledge of the local market.
Mid-Size Sustainable Energy Financing Facility (MidSEEF)	Highly Successful (Good)	- MidSEFF had a significant effect on the Turkish renewables market. - More time and other specific products were needed for further market diversification of renewable energy technologies. - Participating bank experience in project finance was important to subprojects' success.
Sustainable Energy Finance Facilities (SEFFs)	Not rated (focus on identifying insights to enhance EBRD's learning)	- Relevance and responsiveness of SEFFs in relation to the Bank's policies and Strategies has been very good. General shifts in thinking within the Bank, have undoubtedly played a role in shaping the direction of SEFF development. - Relevance of SEFFs to the needs of COOs. There is a strong consensus among project consultants (from survey responses) that SEFF design and implementation have taken the local contexts (policy/regulatory and social/economic) into account well. - Relevance of benchmarks to the SEFF objectives. Overall EBRD has been flexible in setting the level of targets to local circumstances. The lack of an explicitly spelled out intervention logic describing the logical connection between intended outputs, outcomes and impacts of a SEFF programme makes it difficult to assess the consistency of performance between facilities.

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ANNEX 10 - MILESTONES IN THE EVOLUTION OF DELEGATED AUTHORITY AT EBRD

- July 1992 - – the first SME credit line/framework-like facility $25 million approved by the Board. It delegates approvals of sub-loans of up to $4 million to Management;
- March 1995 –the first Multi-Project Facility (MPF) approved. It suggests delegation of approval of sub-projects to OpsCom (details of which are to be presented in a separate document);
- March 1995 –"Approach to MPFs" paper (SC/FO/95-5) presented to FOPC. It suggests delegation of MPFs' sub-projects approvals of less than ECU 15 million to OpsCom. FOPC generally in favour, however many issues raised, including additionality, TI, prevention of market dominance and conflict of interest, distribution among COOs, reporting, agreement of the host country, etc.). It also argues that limit of ECU 10 million would be more appropriate. The Bank is to be the first IFI to use MPFs (and delegation of sub-projects approvals);
- April 1995 – "Multi-Project Facilities" paper (BDS95-39) presented and approved by the Board – it builds on the earlier approach but is more specific: delegated approval limit to be ECU 10 million per single customer, programme to be limited (5-10 MPFs for up to ECU 150 million in total expected per annum, sub-projects ECU 1-10 million), safeguarding additionality and TI (process the same as for Board-approved operations), procedures for ensuring no-objection of the host country Director, reporting (2-page note 30-days within signing of each larger sub-project, smaller ones to be reported trough monthly Investment Pipeline Report, semi-annual facility level reporting on aggregate basis);
- October 1995 – "Existing Approval Procedures on Credit and Investment Issues" paper (CS/FO/95-28) presented to FOPC – explains compliance of the delegation with the Bank's policies, discusses different types of delegation (agency, co-financing and guarantee lines; MPFs; Polish Mass Privatisation programme), proposes procedures for dealing with changes to operations approved by DA, equity exits and reporting;
- December 1995 – first two projects approved under delegated authority, both under Winterthur MPF in the Czech Republic for the total of ECU 6 million;
- January 1996 – "MPF Progress Report" (BDS96-6) – the first report to the Board on DA-approved projects. Four MPFs for aggregate ECU 188 million signed (largely in line with expectations), however only two sub-projects signed (under Winterthur MPF). Other facilities experiencing difficulties finalising sub-projects preparation. Large pipeline for MPFs (47) for companies from 18 countries. Productivity gains from MPF/DA not yet clear due to limited experience. Information on sub-projects to be attached to semi-annual MPF reports;
- May 1996 – "Croatia – Framework for SME financing" (BDS96-65) approved – the first mention of word "Framework";
- March 1998 – "MPF Update" (CS/FO/98-6) – the first comprehensive report on MPFs and signed sub-projects approved under DA – 1 page for each MPF (it sets a template for reporting over the years). 14 MPFs signed and 20 sub-projects for ECU 200 million signed. Some performing well, others disappointing, particularly municipal due to lack of private projects, and some corporate. Portfolio well diversified geographically, financial performance good, productivity gains dependent on the number of sub-projects (but only a few MPFs have higher numbers) and mainly drawn from standardised due diligence, terms and documentations, rather than delegation. Productivity to be increased (or rather waste of time limited) by presenting in the future to the Board only such MPFs which have well advanced preparation of the first sub-

project and both can be signed in parallel. FOPC raised reservations on additionality of sub-projects outside of FI, energy and MEI sectors. Management argued that it should be seen globally, at MPF level (a sponsor would not enter the region without the Bank). Average sub-project is above ECU 10 mil, so many approved by the Board, rather than DA;

- 1996 – 2002 – various documents regulate specific issues impacting delegated authority procedures, including no-objection approvals and regional venture funds procedures;
- September 2004 – "Delegation of Approvals" (CS/FO/04-13F) – comprehensive review of the DA procedures (on Board's request). It proposed four improvements: reduction in projects above €10 million approved by DA (Board full approval for all such projects for new MPFs), increase frequency of reporting to the Board on frameworks and sub-projects (monthly, 30 days after signing and annually), reduction in "no-objection" approvals (in favour of full Board discussions), increase in consistency of procedures for most frameworks. Update on frameworks: since 1992 - 70 frameworks, 360 sub-projects for €1.57 billion signed and €1.25 disbursed. About 50% of that total sub-projects' volume and 90% of the projects' number were approved by DA. TI and Credit processes the same as for stand-alone projects. €10 million threshold prudent – projects below it represent only 0.1% of the Bank's portfolio. Reductions in DA threshold and no-objection approvals for certain frameworks, expected to result in 30-50 more items for discussion at the Board per annum;
- December 2009 – "President's Remarks to the Board – Decisions Related to the First Phase of the Organisational Capacity Building Exercise" (SGS09-374) – announces unification of OpsCom's all sub-committees into a new Small Business Investment Committee (SBIC) to review and approve all SME direct financing frameworks' sub-projects. It becomes Management's key unit exercising delegated authority (see box 1 in annex 1);
- June 2010 – SBIC's TORs approved, committee established and operational. SBIC to approve sub-projects under six frameworks (LEF, WeBSEDFF, DLF, DIF, MCFF with €1 billion Board-approved cap in total). It's approval process is to closely follow that of OpsCom;
- December 2011 – update to SBIC's TORs. The number of facilities for which sub-projects approval is delegated to SBIC expanded to 15 with €2.1 billion cap (it is further expanded to 18 in May 2012);
- February 2012 – "Compendium on Frameworks and Periodic Reporting" (EX12-073) – presented to the Board. It provides comprehensive update on frameworks (in response to Board's request for regular reporting on their performance). It contains lists of 60 active frameworks (divided into groups) with their utilisation level and a short discussion of a nature (rather than performance) of each group. No information on sub-projects. Summary terms and conditions for each group of frameworks presented in the annex. Such reports to be presented semi-annually from now on;
- December 2013 – "Small Business Initiative Review 2013" (BDS13-342) approved. It sets fundamentals for the launch of the Small Business Initiative (SBI), advocating "integration of instruments for SME support and simplification of operational tools to render them cost-effective – basis for consolidation of SME frameworks.
- September 2014 - OpsCom and ExCom approve the launch of a pilot DA programme (extended twice: in March and July 2015). It introduces Designated Approvers, individual Bank managers at Sector Team Director level. They now replace SBIC in the approval of most of debt sub-projects under frameworks. SBIC is to only approve equity investments, selected debt sub-projects and other sensitive and difficult operations referred to it by Designated Approvers. There are also simplifications to the overall approval processes

related to the submission and reviews of sub-projects proposals. Equity transactions are excluded from the pilot. At the end of 2014 Bank has about 70 active frameworks;

- March 2015 – "Small Business Initiative – Restructuring and Consolidating EBRD Operational Facilities for SMEs" (BDS 15-050) – presented and approved by the Board. It consolidated 25 FI MSME frameworks under one – Financial Intermediaries Framework (FIF); four direct financing frameworks (DIF, DLF, LEF and MSPF) under one Direct Financing Framework (DFF), and two risk sharing frameworks under the Risk Sharing Framework (RSF). They are for all COOs and have the total annual delegation cap of €610 million. This consolidation cuts the number of frameworks by about half. The report also includes an update on the performance of SBI-related frameworks.
- April 2016 – "SBI Replenishment" (BDS15-050 Add 26) – division of DFF into SME facility and Non-SME (as requested by the Board). Replenishment by €1 billion of three frameworks for 2016. In 2015 176 projects or 46% of bank's total were financed under SBI's three frameworks.
- April 2016 – following completion of the pilot (launched in September 2014, see above), OpsCom adopts "individual authority", i.e. delegating most approvals by Designated Approvers as permanent Bank's policy. It also introduces further streamlining of approvals. SBIC is to cover sub-projects from all frameworks but only those more sensitive/difficult.
- July 2016 – "Board Effectiveness and Efficiency – Proposal Concerning Project Delegation and information Report to the Board" (BDS16-136) – threshold of delegated authority expanded (as part of the OE&E programme, spearheaded by BEEG) from €10 million to €25 million for framework projects. It also gives Management an option to propose stand-alone projects below €10 million to the Board for approval under the "no-objection" procedures. Introduces Delegated Approval Reporting Sheets to be sent to the Board for information five days after sub-project approval;
- July 2018 – Delegated authority expanded threshold pilot ends and it becomes permanent policy.