

ANNUAL EVALUATION REVIEW 2016

ANNEXES



European Bank
for Reconstruction and Development

Annex 1. Selection of investment projects for evaluation¹

This Annex describes how projects are selected for evaluation by the Evaluation Department (EvD) at the European Bank for Reconstruction and Development (EBRD). It covers:

- Identification of the population of projects ready for evaluation
- Selection of the sample of projects for evaluation
- Projects selected in 2016
- Size and representation of the sample
 - Standard error of the sample
 - Description of the sample

Identification of the population of projects ready for evaluation

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

- the project financed has been substantially completed
- the project financed has generated at least 18 months of operating revenues for the company
- the EBRD has received at least one set of audited annual financial statements covering at least 12 months of operating revenues generated by the project.

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

Excluded from the population are:

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

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

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

Projects not expected to reach early operating maturity during the year are excluded from the population and rolled forward for inclusion in a future year. In the case of some very long-running operations, EvD may impose a “cut-off” eight years after project signing, at which time an evaluation takes place, even if only provisional. Investments are included in the population only once (that is, only for the year in which they will have reached early operating maturity).²

Selection of the sample of projects for evaluation

Once the population of projects ready for evaluation has been identified, EvD takes a random, representative sample of sufficient size to establish, for a combined three-year rolling sample, performance rates at the 95 per cent confidence level, with sampling error not exceeding ± 5 percentage points, for key performance

¹ Annexes 1 and 2 to the Annual Evaluation Review 2016 are included in order to comply with the Good Practice Standards for Private Sector Evaluation (GPS), which have been developed jointly by the evaluation departments of major multilateral financial institutions under the auspices of the Evaluation Cooperation Group.

² In some specific circumstances, projects may be subject to a “second look” evaluation in a subsequent year. If this results in revised ratings, these replace the original ratings in the evaluation database for aggregate reporting. The project does not appear twice in the database and does not form part of the sampling population in the year when the second look evaluation takes place.

indicators. This procedure has been followed for the past eight years (starting in 2009) to ensure EBRD compliance with the GPS.

Section 2 of the Annual Evaluation Review 2016 is based on findings from the randomly selected operations.

The sampled projects may be evaluated through operation evaluations or lighter operation performance assessment (OPA) validations. The Department elects to prepare operation evaluations for a subset of sample projects with the aim of maximising the potential for learning lessons. Some additional projects may also be selected purposively for evaluation through operation evaluations, again with an exercise of judgement as to prospective insights and lessons; these remain outside the sample and are not included in the results presented in section 2.

Projects selected in 2016

In 2016, 68 projects were randomly sampled for addition to the evaluation database. During the year some projects dropped out of the sample; others were not completed in time to be included in this year's Annual Evaluation Review. In total, 47 operations from the 2016 Work Programme were added to the evaluation database in time for the 2016 Annual Evaluation Review. All of these were evaluated through OPA validations.

Size and representation of the sample

The random sample is intended to achieve statistical significance over a three-year rolling period. This section considers the latest such period, projects randomly selected for evaluation in 2014-16.

Standard error of the sample

The GPS specify that the sample should be of sufficient size to establish, for a combined three-year rolling sample, success rates at the 95 per cent confidence level, with sampling error not exceeding ± 5 percentage points. In the three years 2014-16, there was a combined population of 418 individual operations ready for evaluation, excluding the sub-operations of large frameworks. Of these, 177 were evaluated by EvD and included in the evaluation database for this Annual Evaluation Review. Thus the overall coverage ratio was 42 per cent. At a confidence level of 95 per cent, the standard error of the sample was 5.6 per cent, slightly outside the limit set by the Evaluation Cooperation Group. This shortfall occurred because more operations have been scheduled for an evaluation in recent years

in response to a rise in the Bank's portfolio, and have not been completed in time for reporting in the Annual Evaluation Review.

Description of the sample

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

- Financial and corporate sector projects tend to achieve early operating maturity earlier than funds or projects in the infrastructure sector. Therefore the evaluation database will systematically contain more recent operations in these sectors.
- Projects that achieve their key operational and transition objectives quickly will be considered ready for evaluation sooner than those that are delayed in implementation. They are also likely to be assessed as broadly successful. When results are reported by year of Board approval, this will tend to give a positive bias to the results for the most recent years.

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

Annex 2: Evaluated performance of projects by year of approval³

This Annex presents the statistics behind the evaluated performance of projects.⁴ The results of each criterion are presented by the year in which projects were originally approved. These include:

- Overall performance
- Transition impact
- Financial performance
- Additionality
- Achievement of operational objectives

Overall performance

CHART A1. OVERALL PERFORMANCE BY YEAR OF APPROVAL

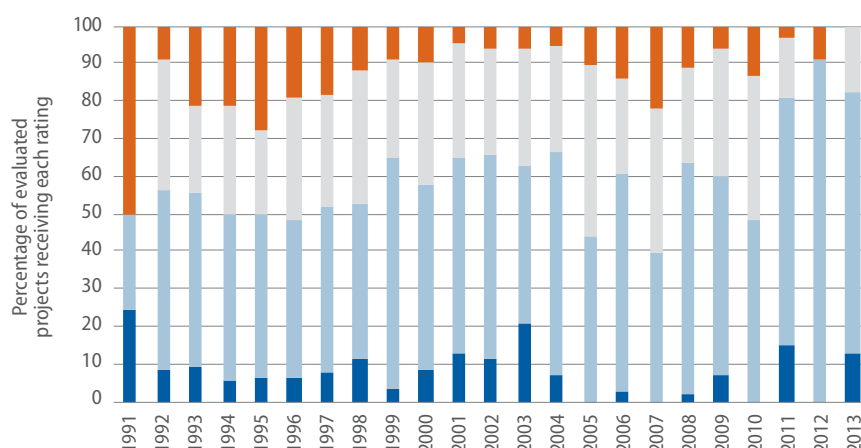
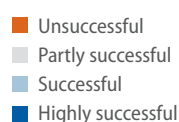


TABLE A1. OVERALL PERFORMANCE BY YEAR OF APPROVAL

Year	Highly successful		Successful		Partly successful		Unsuccessful		Number of reports
	No.	%	No.	%	No.	%	No.	%	
91-93	7	10	32	46	18	26	13	19	70
92-94	9	8	54	46	33	28	22	19	118
93-95	11	7	68	44	38	25	36	24	153
94-96	11	7	72	43	47	28	38	23	168
95-97	14	7	80	43	53	28	40	21	187
96-98	14	9	69	42	52	32	28	17	163
97-99	12	7	80	49	48	30	22	14	162
98-00	11	8	76	52	45	31	14	10	146
99-01	13	8	86	54	47	30	12	8	158
00-02	17	11	78	52	46	30	10	7	151

³ Annexes 1 and 2 to the Annual Evaluation Review 2016 are included in order to comply with the Good Practice Standards for Private Sector Evaluation (GPS), which have been developed jointly by the evaluation departments of major multilateral financial institutions under the auspices of the Evaluation Cooperation Group.

⁴ EvD changed its performance rating system in 2016 with calculated ratings for relevance, effectiveness and efficiency based on specific sub-criteria ratings. In order to compare current with previous ratings, EvD harmonised the rating scales. Both 2016 and pre-2016 ratings utilise four-point and six-point rating scales, with half the points being above the mid-line and half-below on both 2016 and pre-2016 scales. The Department considered the scales as spectrums and, after data analysis, inferred with confidence that evaluators would have always assigned a rating on the same side of the mid-line, enabling EvD to establish concordance between the 2016 data set and historical data.

Year	Highly successful		Successful		Partly successful		Unsuccessful		Number of reports
	No.	%	No.	%	No.	%	No.	%	
01-03	23	16	73	49	44	30	8	5	148
02-04	20	14	72	51	41	29	8	6	141
03-05	15	9	74	47	58	36	12	8	159
04-06	6	4	89	52	58	34	18	11	171
05-07	4	2	91	46	72	37	30	15	197
06-08	4	2	91	52	53	30	28	16	176
07-09	6	4	82	50	55	33	22	13	165
08-10	5	4	76	55	45	32	13	9	139
09-11	9	7	68	55	38	31	9	7	124
10-12	5	5	62	65	20	21	8	8	95
11-13	8	10	59	75	9	11	3	4	79

CHART A2. OVERALL PERFORMANCE BY SECTOR: PROJECTS APPROVED 2009-13

- Unsuccessful
- Partly successful
- Successful
- Highly successful

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

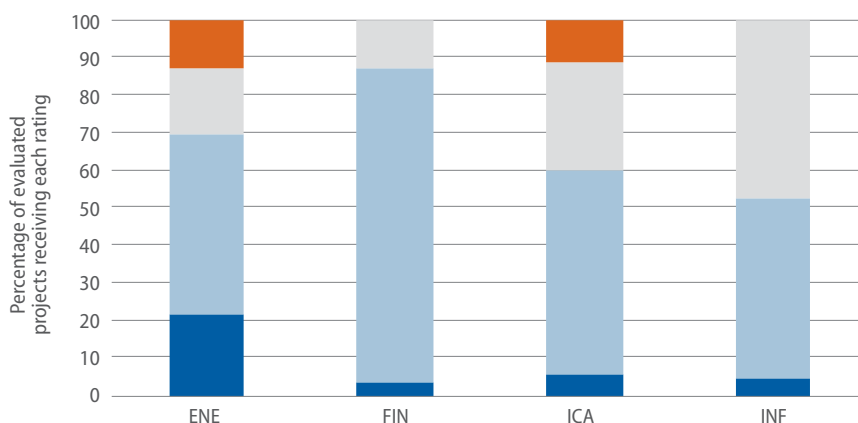
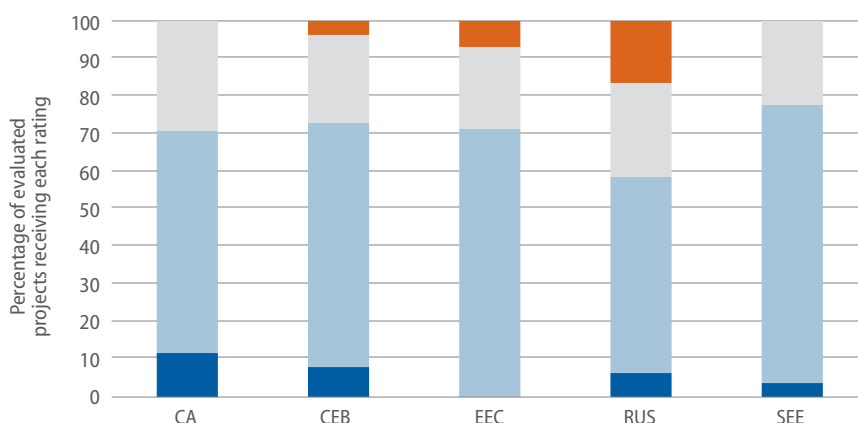


CHART A3. OVERALL PERFORMANCE BY REGION: PROJECTS APPROVED 2009-13

- Unsuccessful
- Partly successful
- Successful
- Highly successful

CA: Central Asia; CEB: Central Europe and
Baltics; EEC: Eastern Europe and Caucasus;
RUS: Russia; SEE: South-Eastern Europe



Transition impact

CHART A4. TRANSITION IMPACT BY YEAR OF APPROVAL

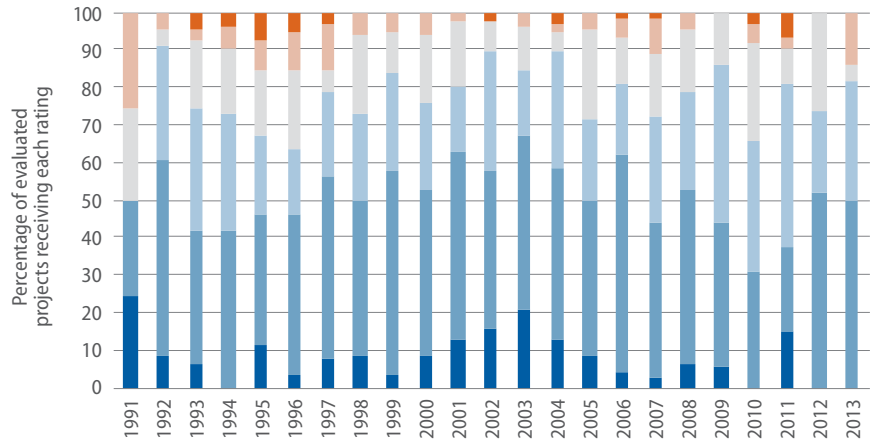


TABLE A2. TRANSITION IMPACT BY YEAR OF APPROVAL

Year	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Negative		Number of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
91-93	6	9	28	40	21	30	10	14	3	4	2	3	70
92-94	6	5	48	41	37	31	18	15	5	4	4	3	118
93-95	11	7	56	37	42	27	27	18	9	6	8	5	153
94-96	10	6	66	39	38	23	31	18	14	8	9	5	168
95-97	15	8	79	42	38	20	26	14	20	11	9	5	187
96-98	11	7	73	45	34	21	23	14	17	10	5	3	163
97-99	11	7	79	49	39	24	17	10	14	9	2	1	162
98-00	10	7	69	47	36	25	23	16	8	5	0	0	146
99-01	13	8	78	49	36	23	24	15	7	4	0	0	158
00-02	19	13	68	45	37	25	22	15	4	3	1	1	151
01-03	25	17	68	46	33	22	18	12	3	2	1	1	148
02-04	24	17	63	45	37	26	12	9	3	2	2	1	141
03-05	22	14	70	44	36	23	24	15	6	4	1	1	159
04-06	14	8	83	49	39	23	26	15	7	4	2	1	171
05-07	11	6	92	47	45	23	35	18	12	6	2	1	197
06-08	8	5	86	49	42	24	27	15	11	6	2	1	176
07-09	8	5	69	42	52	32	26	16	8	5	1	1	164
08-10	6	4	54	39	47	34	25	18	4	3	1	1	137
09-11	8	7	39	32	49	40	20	16	3	2	3	2	122
10-12	5	5	31	33	32	34	19	20	3	3	3	3	93
11-13	5	6	30	39	26	34	10	13	4	5	2	3	77

CHART A5. TRANSITION IMPACT BY SECTOR: PROJECTS APPROVED 2009-13



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

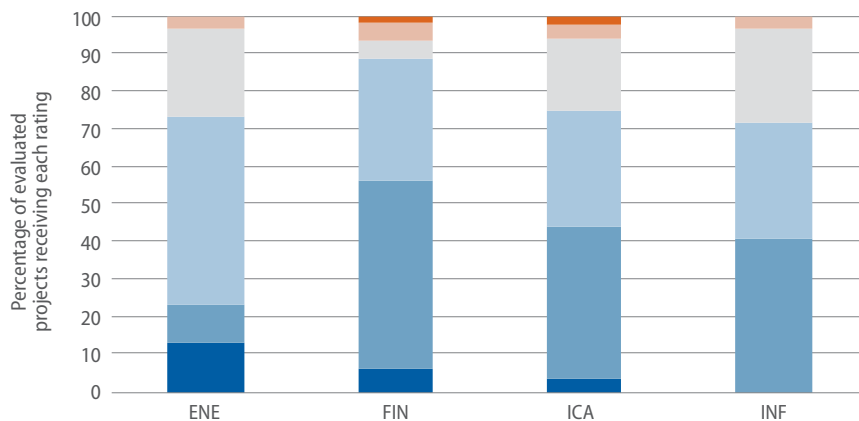
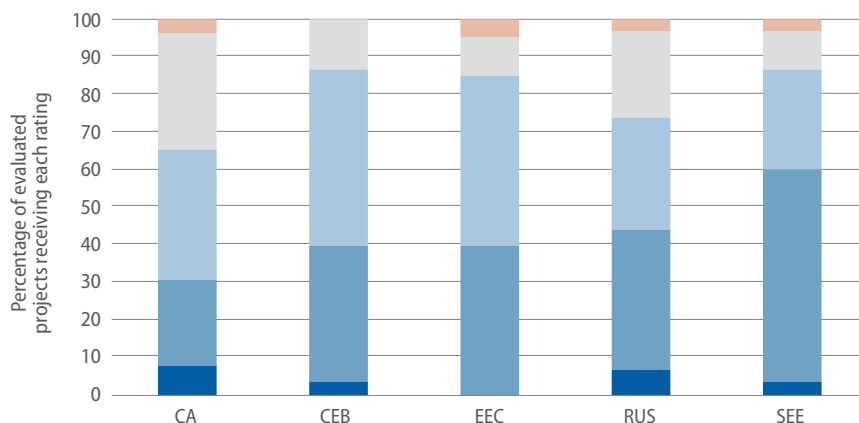


CHART A6. TRANSITION IMPACT BY REGION: PROJECTS APPROVED 2009-13



CA: Central Asia; CEB: Central Europe and
Baltics; EEC: Eastern Europe and Caucasus;
RUS: Russia; SEE: South-Eastern Europe



Financial performance

CHART A7. FINANCIAL PERFORMANCE BY YEAR OF APPROVAL

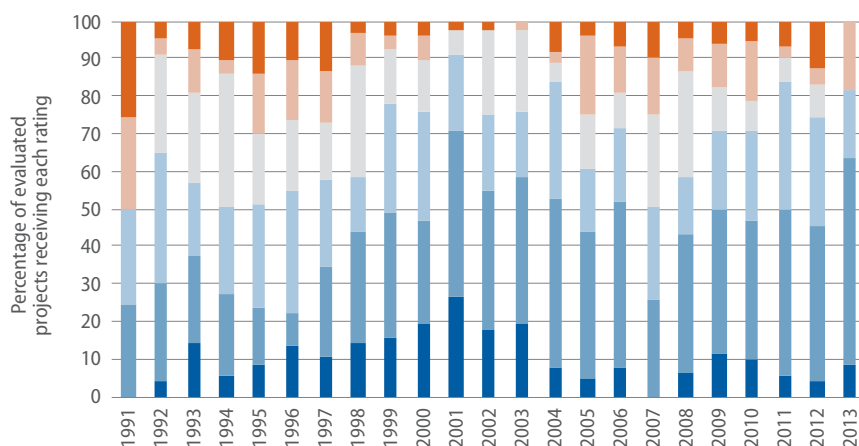


TABLE A3. FINANCIAL PERFORMANCE BY YEAR OF APPROVAL

Year	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly unsatisfactory		Number of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
91-93	7	10	17	25	17	25	16	23	7	10	5	7	69
92-94	10	9	27	23	28	24	34	29	8	7	9	8	116
93-95	14	9	30	20	36	24	39	26	16	11	16	11	151
94-96	16	10	25	15	47	28	40	24	20	12	19	11	167

Year	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly unsatisfactory		Number of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
95-97	21	11	31	17	51	27	33	18	28	15	23	12	187
96-98	21	13	32	20	40	25	32	20	22	13	16	10	163
97-99	22	14	45	28	37	23	29	18	15	9	12	8	160
98-00	24	17	42	30	36	26	25	18	8	6	5	4	140
99-01	31	21	52	34	40	26	18	12	5	3	5	3	151
00-02	31	21	52	36	34	23	21	14	3	2	4	3	145
01-03	31	21	58	40	28	19	25	17	1	1	2	1	145
02-04	22	16	55	40	31	22	24	17	2	1	4	3	138
03-05	16	11	61	41	31	21	22	15	15	10	5	3	150
04-06	11	7	69	43	34	21	17	10	22	14	9	6	162
05-07	9	5	68	36	38	20	31	16	31	16	12	6	189
06-08	9	5	61	35	35	20	35	20	22	13	12	7	174
07-09	10	6	53	33	34	21	35	21	20	12	11	7	163
08-10	13	10	51	38	27	20	22	16	16	12	7	5	136
09-11	12	10	48	39	31	25	11	9	13	11	7	6	122
10-12	7	7	38	40	27	29	7	7	8	9	7	7	94
11-13	5	6	36	46	22	28	4	5	6	8	5	6	78

CHART A8. FINANCIAL PERFORMANCE BY SECTOR: PROJECTS APPROVED 2009-13



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

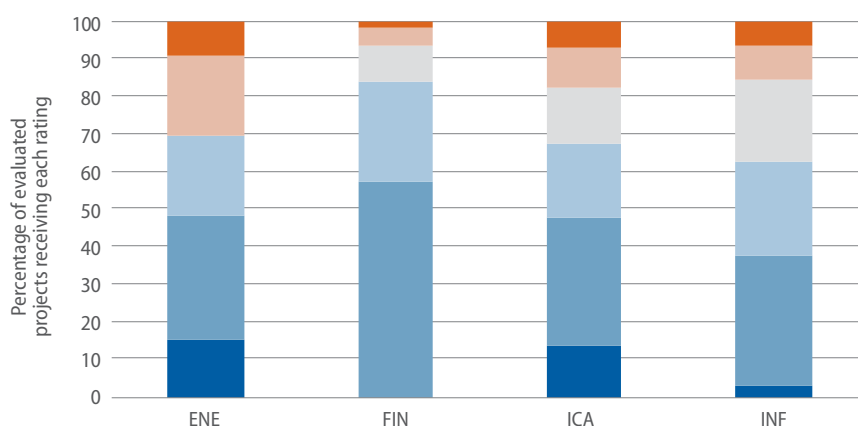
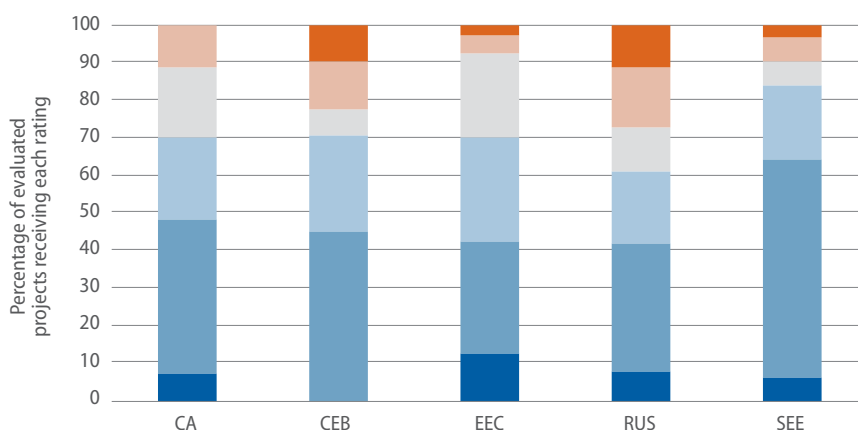


CHART A9. FINANCIAL PERFORMANCE BY REGION: PROJECTS APPROVED 2009-13



CA: Central Asia; CEB: Central Europe and
Baltics; EEC: Eastern Europe and Caucasus;
RUS: Russia; SEE: South-Eastern Europe



Additionality

CHART A10. ADDITIONALITY BY YEAR OF BOARD APPROVAL

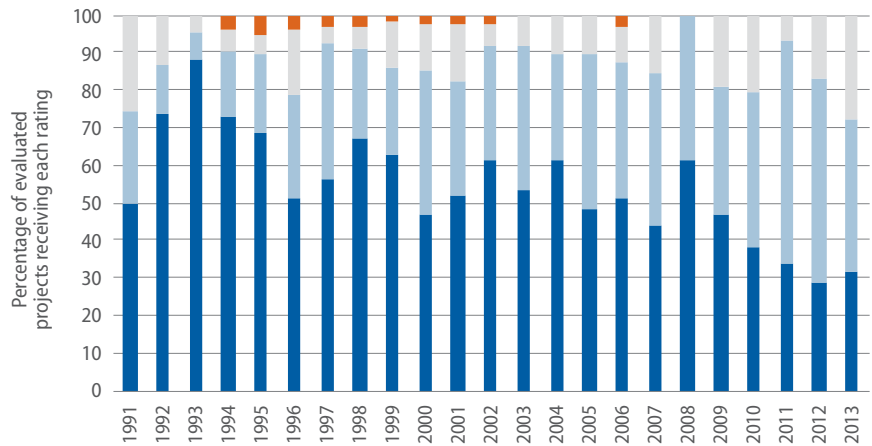
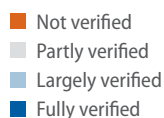


TABLE A4. ADDITIONALITY BY YEAR OF APPROVAL

Year	Fully verified		Largely verified		Partly verified		Not verified		Number of reports
	No.	%	No.	%	No.	%	No.	%	
91-93	57	81	7	10	6	9	0	0	70
92-94	93	79	15	13	8	7	2	2	118
93-95	116	76	24	16	8	5	5	3	153
94-96	108	64	37	22	16	10	7	4	168
95-97	110	59	54	29	16	9	7	4	187
96-98	93	57	50	31	15	9	5	3	163
97-99	99	61	47	29	12	7	4	2	162
98-00	85	58	42	29	16	11	3	2	146
99-01	86	54	48	30	21	13	3	2	158
00-02	81	54	50	33	17	11	3	2	151
01-03	83	56	49	33	14	9	2	1	148
02-04	83	59	46	33	11	8	1	1	141
03-05	85	53	59	37	15	9	0	0	159
04-06	90	53	62	36	17	10	2	1	171
05-07	95	48	77	39	23	12	2	1	197
06-08	91	52	67	38	16	9	2	1	176
07-09	83	50	62	38	20	12	0	0	165
08-10	69	50	52	37	18	13	0	0	139
09-11	51	41	53	43	20	16	0	0	124
10-12	33	35	48	51	14	15	0	0	95
11-13	25	32	41	53	12	15	0	0	78

CHART A11. ADDITIONALITY BY SECTOR: PROJECTS APPROVED 2009-13



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

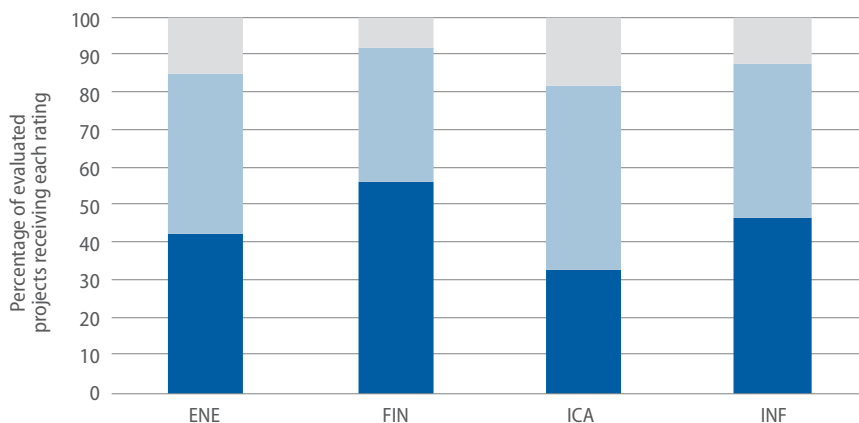
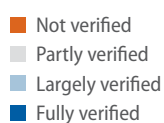
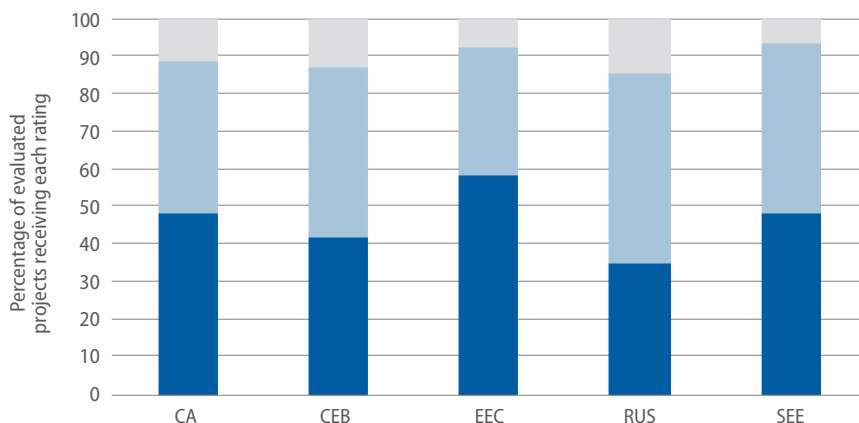


CHART A12. ADDITIONALITY BY REGION: PROJECTS APPROVED 2009-13



CA: Central Asia; CEB: Central Europe and
Baltics; EEC: Eastern Europe and Caucasus;
RUS: Russia; SEE: South-Eastern Europe



Achievement of operational objectives

CHART A13. ACHIEVEMENT OF OPERATIONAL OBJECTIVES

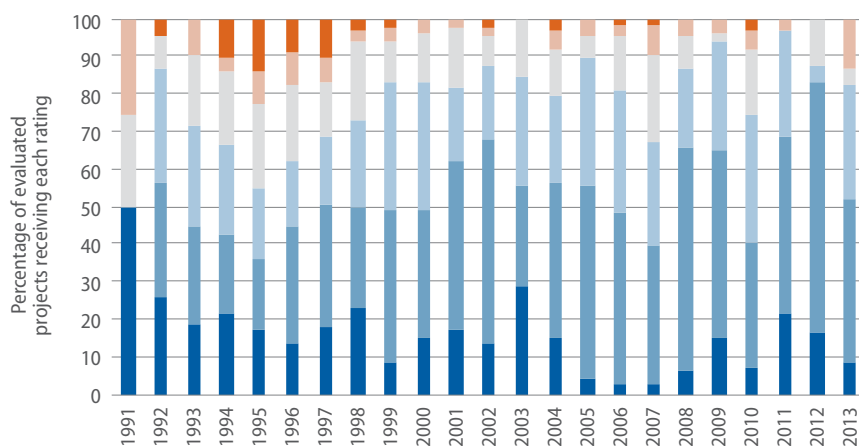


TABLE A5. ACHIEVEMENT OF OPERATIONAL OBJECTIVES BY YEAR OF APPROVAL

Year	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly unsatisfactory		Number of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
91-93	16	23	18	26	18	26	11	16	5	7	1	1	69
92-94	25	22	29	25	30	26	20	17	6	5	6	5	116
93-95	29	19	33	22	34	23	31	21	11	7	13	9	151
94-96	29	17	40	24	33	20	35	21	12	7	18	11	167

Year	Excellent		Good		Satisfactory		Marginal		Unsatisfactory		Highly unsatisfactory		Number of reports
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	
95-97	31	17	52	28	34	18	35	19	15	8	20	11	187
96-98	29	18	50	31	31	19	29	18	11	7	13	8	163
97-99	26	16	54	34	40	25	23	14	8	5	9	6	160
98-00	21	15	49	35	45	32	20	14	5	4	2	1	142
99-01	21	14	60	39	46	30	20	13	5	3	1	1	153
00-02	23	16	65	44	37	25	18	12	4	3	1	1	148
01-03	30	20	61	41	34	23	19	13	2	1	1	1	147
02-04	28	20	57	40	34	24	17	12	3	2	2	1	141
03-05	24	15	65	41	47	30	17	11	5	3	1	1	159
04-06	11	6	80	47	53	31	18	11	7	4	2	1	171
05-07	7	4	88	45	62	31	28	14	10	5	2	1	197
06-08	7	4	81	46	49	28	28	16	9	5	2	1	176
07-09	13	8	78	48	43	26	20	12	9	5	1	1	164
08-10	14	10	67	49	38	28	12	9	6	4	1	1	138
09-11	18	15	54	44	37	30	8	7	5	4	1	1	123
10-12	14	15	44	46	23	24	10	11	3	3	1	1	95
11-13	13	16	41	52	17	22	4	5	4	5	0	0	79

CHART A14. ACHIEVEMENT OF OPERATIONAL OBJECTIVES BY SECTOR: PROJECTS APPROVED 2009-13

- Highly unsatisfactory
- Unsatisfactory
- Marginal
- Satisfactory
- Good
- Excellent

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

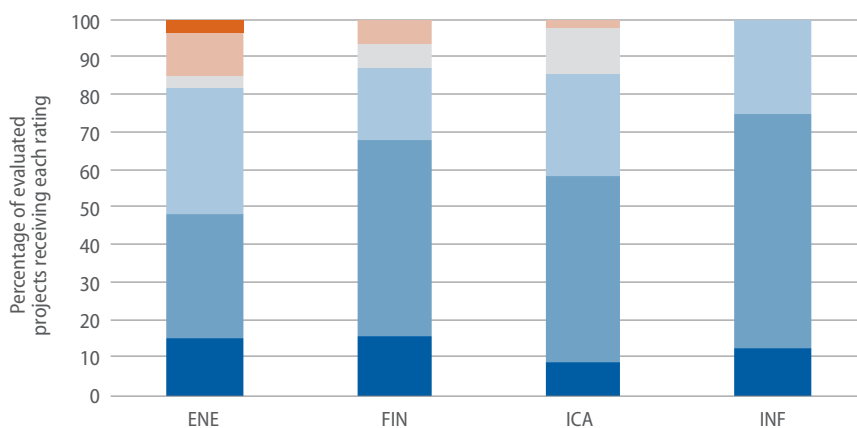
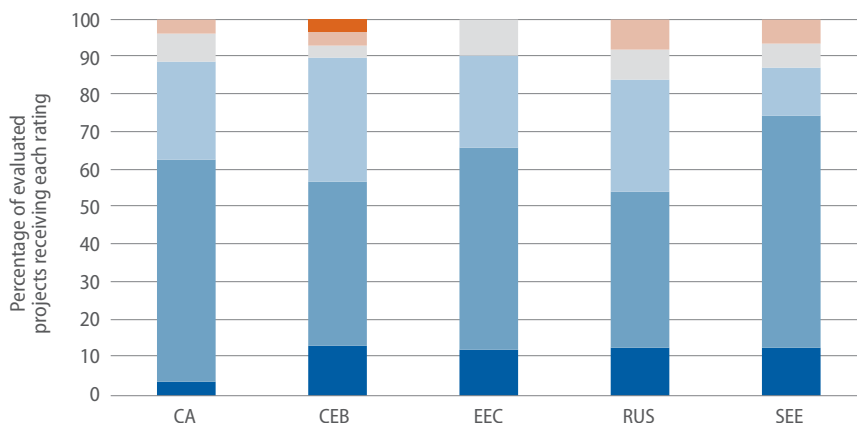


CHART A15. ACHIEVEMENT OF OPERATIONAL OBJECTIVES BY REGION: PROJECTS APPROVED 2009-13

- Highly unsatisfactory
- Unsatisfactory
- Marginal
- Satisfactory
- Good
- Excellent

CA: Central Asia; CEB: Central Europe and
Baltics; EEC: Eastern Europe and Caucasus;
RUS: Russia; SEE: South-Eastern Europe



Annex 3: EvD 2016 Annual Evaluation Review management comments

Management would like to thank EvD for the Annual Evaluation Report (AER). Management welcomes both the new format of the report and the many positive messages highlighted, in particular those related to improved performance of the Bank's evaluated projects and strong progress made in addressing a number of EvD's recommendations.

Management thanks EvD for delivering a range of products and services in 2016, including a number of useful and relevant special studies and operation evaluations (OE). Management appreciates EvD's steps in further developing its rating methodology and operational performance assessment (OPA) template, as well as EvD's continuing endeavours to provide training to operational staff related to preparation of new OPAs. The change to the methodology may make it more challenging to compare ratings over time, though Management notes that the historical comparison has been made possible in AER 2016.

Management notes the summary of Results Management infrastructure in other Multilateral Financial Institutions with an envisaged deeper review in the future recognising the significant ongoing progress in the Bank in this area.

Management welcomes the AER's analysis of aggregated performance of the Bank's operations also in line with its own analysis showing a clear positive trend in both financial performance and delivery of transition impact in the post crisis period. Management notes the sharp increase in a share of projects whose overall performance was evaluated as "Successful" or higher in the most recent evaluation data, in particular in the share of projects rated as "Highly Successful".

Management notes improvements in the transition impact ratings assigned to the most recently evaluated projects, and particularly highlights the increase in the share of projects rated with either "Good" or "Excellent" transition impact, which is now nearing pre-crisis levels. This reflects the high relevance of the Bank's operations in addressing transition challenges and underscores the Bank's continuing efforts to work with clients and authorities in achieving the envisaged objectives amid the continuing challenging environment. Management also welcomes the decreased ratings gap between self-evaluations and OPA validations and the envisaged further analysis of underlying factors driving potential trends in additionality.

Management remains committed to addressing the recommendations raised by EvD. Management has provided a detailed response to each of the special studies/OE prepared by EvD in 2016 and has prepared action plans to address the recommendations. Management has taken into account the EvD's conclusions and has agreed to the vast majority of its recommendations. A number of these recommendations are in line with on-going developments within the Bank, including those aimed at improving results frameworks at different levels (project, country, sector) and increased focus on specification and implementation of policy objectives.

Management's follow-up to EvD recommendations is reported to the Audit Committee on a semi-annual basis. Starting March 2016, the responsibility for providing such updates was transferred to Management to reinforce the ownership of action plans and the follow up process, and Management agrees with the AER's finding that the new reporting progress is a marked improvement. The latest update to the Audit committee in March 2017 shows good progress in addressing the vast majority of outstanding recommendations, as also highlighted in the AER.

Finally, Management appreciates the summary of EvD's activities related to chairing the Evaluation Cooperation Group (ECG), and particularly welcomes methodological advancements in integrating gender into evaluation deriving from ECG's activities.