

ANNUAL EVALUATION REVIEW 2016

PREVIEW



EVALUATION DEPARTMENT

EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT

MAY 2017

85%

of projects in 2011-13
rated satisfactory or better
in overall performance

79%

of projects in 2011-13
rated satisfactory or better
in transition impact

11

major
evaluations

EvD

chairs Evaluation
Cooperation Group
in 2016

About the Evaluation Department

The EvD's core mandate is to contribute to the Bank's institutional performance through evidence-based evaluation work that provides both accountability and learning. Reporting independently of Management directly to the EBRD's Board of Directors, it produces a wide range of products and services – project-level ex-post evaluations, complex sector or thematic-focused studies, evaluation tools and training, quality review and assurance – in order to deliver on this twin mandate.

About the Annual Evaluation Review

The Annual Evaluation Review 2016 presents an overview of EvD's deliveries and activities during that year, highlighting specific analysis, findings and recommendations, and providing Board, Management and the public with an overall picture of the main focus and concerns of evaluation at the Bank. The Review is summarised below; the full Annual Evaluation Review 2016 may be viewed at www.ebrd.com/evaluation, along with its online methodological and statistical Annexes, beginning mid-June 2017.

2016 Highlights

Thematic evaluations

Major thematic evaluations completed in 2016 produced important insights on the Bank's performance and results in a wide variety of sectors and contexts – from wind energy and small business support to the use of subsidies and the Bank's crisis support for Greek bank subsidiaries.

Self-evaluations

More than 120 self-evaluations by project teams in 2016 provided supporting data for themes that have emerged from evaluations in recent years. Together, EvD's thematic evaluations and independent project-level evaluations provide direct feedback for operations teams, and strategically useful insights and results for Board Directors and Senior Management.

Evaluation Cooperation Group

Externally, EvD chaired the Evaluation Cooperation Group in 2016, resulting in substantial advances in shared approaches to gender evaluation, self-evaluation and communities of practice.

2016 at a glance

The Department completed the following studies and reports in the calendar year 2016:

9 3 3 129 67

thematic
evaluations/
special studies

operation
evaluations

corporate
reports

reviews of operation performance
assessments (OPAs) completed by
Management

OPA validations (independent
EvD evaluations of individual
projects)

Thematic evaluations presented to the Audit Committee in 2016:

- Country Strategy Policy Dialogue – Interim Review
- Experience with Resident Offices
- Russian Rail Sector Operations
- Small Business Support Programme 2011-2015
- Supply Chains and Backward Linkages
- Sustainable Energy Finance Facilities

- Transactions with State-Owned Enterprises
- Use of Subsidies

Operation evaluations presented to the Audit Committee in 2016:

- Four Wind Energy Projects
- Crisis Response to Greek Bank Subsidiaries in Southeast Europe
- Almaty Transport Integrated Approach

New performance rating and self-evaluation system

2016 also saw major adaptations to further strengthen the strategic relevance and value of EvD's work within existing resource constraints. The Department piloted and successfully implemented a new performance rating and self-evaluation system which included the use of results frameworks for validation reports.

Survey and focus groups

A Bank-wide client survey and dedicated focus groups with Management about EvD products and methods provided valuable inputs for major changes in the Department's product design and project evaluation selection process.

Aggregate organisational performance

The most recent evaluation data show a pattern of continued post-crisis improvement similar to that seen in 2015.

Evaluated projects approved in 2011-13 had an 85 per cent success rate overall, higher than both the 2009-11 success rate (71 per cent) and the long-term average for 1991-2013 (58 per cent).

Of evaluated projects approved in 2011-13, 81 per cent achieved a satisfactory or better financial performance

and 79 per cent achieved a satisfactory or better transition impact, roughly the same as the 78 per cent satisfactory or better transition impact assessed for the full period 1991-2012.

Major findings and recommendations

The following themes are seen consistently across the body of evaluation work in 2016.

Need for results frameworks and evaluability

This was the most consistent theme across all evaluations conducted in 2016. Evaluations of the Small Business Support Programme 2011-2015, Supply Chains and Backward Linkages, and the Almaty Transport Integrated Approach all touched on defining results measurement in order to understand what EBRD has achieved, and EvD has noted strong Management progress in this area. The Bank is undertaking country diagnostics and putting together country results frameworks, and will review delivery over time. In response to the need for clearer project transition impact ratings, Management is working to streamline ratings and harmonise monitoring indicators through a new transition concept and an accompanying rating and reporting system. The effectiveness of these new initiatives will be an important focus of evaluation work in the future.

Clearer specification of policy dialogue objectives and implementation

Policy dialogue with governments, regulatory authorities and other international institutions is an increasingly important component of EBRD's work. When a project is approved, the objectives, activities and resources for policy dialogue should be specified to improve project results. This theme was reflected in the evaluations of Four Wind Energy Projects, Almaty Transport Integrated Approach, and the Crisis Response to Greek Bank Subsidiaries. Management's commitment to a strengthened approach to policy dialogue has been welcomed by the Board and will be an area of keen interest going forward.

Subsidies often long term despite principle of temporariness

The EBRD generally supports a policy of using subsidies on a temporary basis. This issue was discussed in the evaluation of Use of Subsidies, and was relevant to the Four Wind Energy Projects evaluation. The Evaluation Department found that use of subsidies was frequently longer term, raising questions about sustainability and market expectations. Other EvD work (evaluation of the Shareholder Special Fund) raised broader questions about the use of and reliance on concessional funds to support core private sector operations.

Additionality needs greater ex-ante evidence

A frequent and important element of project-level additionality is the value of EBRD's unique characteristics and expertise. However, evidence of this added value can be weak; for example, political risk mitigation claimed where the political risk was negligible, or providing local sector expertise for expansion in cases where the client's demonstrated business model is based on its international practices. The attributes dimension of additionality needs close and careful review, especially given the current great pressure on the case for EBRD financial additionality in the current low-interest environment.

Importance of a committed sponsor

The EBRD frequently lends to subsidiaries or investees of larger companies active in the Bank's Countries of Operation. Where subsidiaries have financial or operational weaknesses, active support of the parent organisation is critical. This support goes beyond loan guarantees and risk mitigants to active support for business growth, improving corporate governance, providing resources for innovation, and emphasising inclusion and energy efficiency, among others.



Evaluations confirm that active commitment from a strong corporate sponsor can support project success even in difficult environments.

Overestimating government commitment to reform

Several evaluations noted the need for political commitment to reform. The prospects for reform success are tenuous at best, even when the investments and use of proceeds fare well. The timetable for reform may be longer than the timetable for operational objectives. Individual transition objectives encounter political resistance particularly when they concern restructuring and redundancies. It is essential to gauge and accurately assess the level of commitment and delivery capacity prior to project approval.

Outlook for 2017

The Evaluation Department enters 2017 with considerable positive momentum and is well placed to build on the foundations of recent years' effective performance. Important milestones for 2017 are:

- changing from random selection of projects for self-evaluation to purposeful selection
- implementing a Management-led system for follow-up on EvD recommendations
- progressing toward country strategy evaluation
- enhancing the self-evaluation process after the initial pilot
- embarking on a new set of major evaluations including transport and energy sector strategy evaluations
- providing inputs to corporate initiatives related to the new transition concept, organisational effectiveness and efficiency, and knowledge management.

This preview is subject to change. The final Annual Evaluation Review 2016 and summary will be made available in June 2017.

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

This summary has been prepared by EvD under the authority of the Chief Evaluator. The views expressed herein do not necessarily reflect those of EBRD's Management or its Board of Directors. Responsible members of the relevant operations teams were invited to comment on the Annual Evaluation Review 2016 prior to internal publication. Any comments received will have been considered and incorporated at the discretion of EvD. While EvD considers Management's views in preparing its evaluations, it makes the final decisions about the content of its reports. Annual Evaluation Reviews are discussed by EBRD's Audit Committee and approved by the Board.

Nothing in this document shall be construed as a waiver, renunciation or modification by the EBRD of any immunities, privileges and exemptions of the EBRD accorded under the Agreement Establishing the European Bank for Reconstruction and Development, international convention or any applicable law.

© European Bank for Reconstruction and Development, 2017

One Exchange Square
London EC2A 2JN
United Kingdom

www.ebrd.com

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording, without the written permission of the copyright holder. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

Editing, design and layout: Green Ink (www.greenink.co.uk)

All photographs: EBRD



European Bank
for Reconstruction and Development