

ANNUAL EVALUATION REVIEW 2019



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European Bank
for Reconstruction and Development

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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 2018 prior to internal publication. Any comments received will have been considered and incorporated at the discretion of EvD. While EvD considers the Bank 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.

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Contents

Figures *ii*

Boxes *ii*

Abbreviations *iii*

Defined terms *iv*

Executive summary 1

Key accomplishments 2

Major findings and recommendations from evaluations 3

Independent external evaluation of EBRD's evaluation system 4

Outlook for 2020 4

EvD's year in review 5

External evaluation of EvD and the Bank-wide evaluation system 6

Work programme delivery 7

Consistency in the project selection and self-evaluation process 9

Follow-up on EvD recommendations 9

Results emanating from EvD studies 10

Collaboration and contribution across the Bank 10

Training 10

Departmental matters 12

Project-level evaluation in 2019 14

Results 15

Lessons from projects 17

Findings from project-related evaluations 17

Findings from thematic studies 19

Thematic evaluations 21

Climate initiatives 22

Country strategies 23

Delegated authority 24

Turkey women in business 25

EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account 26

Special topic: independent external evaluation of EBRD's evaluation system 29

Main findings 30

Recommendations 30

Response and follow-up 31

Outlook for 2020: expectations, changes and advances 34

Major studies for delivery in 2020 35

Major studies launched in 2020 for delivery in 2020-21 35

Evaluation evolution and enhancement continued 36

Improving methodologies and techniques through international engagement 36

Annex 1. Management comments 37

Figures

| | |
|--|----|
| Figure 1: 2019 EVD highlights | 8 |
| Figure 2: Self-evaluation sample 2019 – 114 projects | 15 |
| Figure 3: Overall project performance ratings 2019, EVD-OPA comparison | 16 |
| Figure 4: EVD category project performance ratings 2019 | 17 |

Boxes

| | |
|--|----|
| Box 1: Our products | 6 |
| Box 2: From evaluation to evaluability | 11 |
| Box 3: Revision of the OECD-DAC evaluation criteria | 13 |
| Box 4: Project self-evaluation in EBRD | 32 |
| Box 5: Evaluation of transition qualities – preliminary findings | 33 |

Abbreviations

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|-------------|---|-----------------|--|
| AER | Annual Evaluation Review | MOPAN | Multilateral Organisation Performance Assessment Network |
| AfDB | African Development Bank | OECD | Organisation for Economic Co-operation and Development |
| CODE | Committee on Development Effectiveness (World Bank Group) | OECD-DAC | Development Assistance Committee of the Organisation for Economic Co-operation and Development |
| DCF | Donor Co-financing team (EBRD) | OPA | Operation Performance Assessment (a project self-assessment report prepared by Management) |
| DfID | Department for International Development | OPAV | OPA validation (a desk-based validation of an OPA, conducted by EvD) |
| E2C2 | Energy Efficiency and Climate Change team (EBRD) | PFI | Partner Financial Institution |
| EBRD | European Bank for Reconstruction and Development | SEMED | Southern and Eastern Mediterranean region |
| ECA | Eastern Europe, Central Asia and South Caucasus | SIP | Strategy Implementation Plan |
| ECG | Evaluation Co-operation Group | SMEs | Small and Medium-sized Enterprises |
| EU | European Union | TC | Technical Cooperation |
| EvD | Evaluation Department | TCRS | TC Reporting System |
| FI | Financial Institutions group (EBRD) | TurWiB | Turkey Women in Business project |
| FLRC | First-loss Risk Cover | UNICEF | United Nations Children's Fund |
| GET | Green Economy Transition | URA | Ukraine Results Architecture |
| IFI | International Financial Institution | WiB | Women in Business |
| MDA | Multi-Donor Account | | |
| MDB | Multilateral Development Bank | | |

Defined terms

Additionality

Additionality is one of three key principles governing the operations of the Bank, jointly with sound banking principles and transition impact. The notion of additionality is based on the statement in the Agreement Establishing the Bank – Article 13 (vii), that the Bank shall not undertake any financing, or provide any facilities, when the applicant is able to obtain sufficient financing or facilities elsewhere on terms and conditions that the Bank considers reasonable.

Evaluability

The extent to which the value generated or the expected results of a project are verifiable in a reliable and credible fashion.

Ex ante

Expectations or forecasts calculated or existing before a particular event, based on assumption and being essentially subjective and estimative.

Ex post

Results (rather than forecasts) based on knowledge and retrospection, and being essentially objective and factual.

Impact

The positive or negative long-term effects produced by an intervention, directly or indirectly, intended or unintended; an impact generally results from a series of causal factors, of which the project is but one.

Indicator

A quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a specified entity.

Outcome

The short- and medium-term effects consequent to delivering the intervention's outputs.

Output

The products, capital goods and services that result from an intervention – its deliverables.

Result

The output, outcome or impact (intended or unintended, positive or negative) of an activity or intervention.

Transition impact

The likely effects of a project on a client, sector or economy, which contribute to their transformation from central planning to well-functioning market-based structures based on the transition concept. This also means that not everything that is good about a project is necessarily a transition impact.

Transition concept

The transition concept is based on six qualities of a modern market economy: competitive, well-governed, green, inclusive, resilient and integrated.



Executive summary

This *Annual Evaluation Review 2019*, published by the Evaluation Department (EvD) of the European Bank for Reconstruction and Development (EBRD), summarises the Bank's evaluation activities, findings and results. EvD provides evidence-based operational insights, principally to the Bank's shareholders, Management and other stakeholders that contribute to the Bank's accountability for performance and continued institutional improvement.

A key event in 2019 was the first-ever independent external evaluation of EBRD's evaluation system (the 'Kirk Report'), conducted at the request of the Audit Committee. The Kirk Report essentially confirmed the many issues consistently identified by evaluation work as constraining the effectiveness of results-management, evaluation and learning within EBRD. These include insufficient links between strategies and operations, the evaluability of transition qualities, capacity to monitor results on the ground, and ex-post absorption and application of the lessons from experience. Its findings and recommendations were reviewed carefully by both the Board and Management, resulting in an ambitious action plan affecting many core Bank processes and functions.

Major thematic evaluations completed in 2019 produced important insights into the Bank's performance and results in a wide variety of sectors and contexts, including climate initiatives, the EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account, and the Women in Business (WiB) programme in Turkey (TurWiB). Nearly 120 self-evaluations by project teams in 2019 provided supporting data for the strategic findings from evaluations during that year. 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.

EvD's Work Programme is developed in close cooperation with the Audit Committee of the EBRD Board of Directors. After informal consultation, a draft work programme is submitted to the Audit Committee. Following those discussions, a final work programme is brought before the Audit Committee and then approved by the full Board. All EvD evaluations are distributed to the Board and Management. Major evaluations are presented to the Audit Committee and are available in full to Bank staff on the EBRD intranet. Audit Committee discussions, which involve an active exchange between Board members, EvD and (generally) Management, provide an essential institutional mechanism for the presentation,

absorption and uptake of evaluation findings and recommendations. Audit Committee discussions in 2019 provided valuable feedback and guidance to both EvD and Management. Following Audit Committee discussions, and the final circulation and removal of any sensitive or proprietary information, evaluations are posted on the EBRD website.

The Bank's Evaluation Policy¹ gives EvD primary line responsibility for the effective design and performance of the Bank's overall evaluation system, in addition to delivery of high-quality evaluations. In 2019 there was also an increase in the strategic relevance and value of EvD's work within existing resource constraints. EvD, while maintaining its traditional accountability function, continuously evolves to provide learning and insights to a Bank that is facing new strategic challenges related to its missions, markets and a changing larger organisational context in Europe.

Beyond adjusting the mechanics and methodology of evaluation, EvD has worked in consultation with the Audit Committee to produce more ambitious thematic evaluations. These are designed to inform and help shape Board and Senior Management strategic reflections and decisions. There has been a focus on timing strategy evaluations to coincide with Board approval of new succeeding strategies. Furthermore, EvD has deliberately moved from single project evaluations to evaluations of multiple related operations, in order to enable comparison across projects, a deeper understanding of client, country, or sector impact, and an assessment of EBRD's ambition, strategy implementation and progress in transition.

Key accomplishments

Major thematic evaluations

- Climate initiatives
- Country strategies
- Delegated authority
- Project self-evaluation in EBRD

1 See: www.ebrd.com/what-we-do/evaluation-policy.html

- EvD briefing: summaries of major evaluation reports 2015-19

Programme evaluations

- Women in Business Programme – Turkey
- EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account

Project cluster evaluations

- Mining operations in Mongolia
- Hydropower projects in Georgia

Services and contributions

- Uptake of EvD recommendations, including procedures for projects approved under Delegated Authority, and the structure of the Infrastructure Project Preparation Facility.
- The Bank has developed a regional approach to its Investment Climate activities in response to EvD's 2018 evaluation.
- Uptake of EvD recommendations in the Transport Sector Strategy.
- EvD organised and participated in cross-Bank seminars, including a session on Impact Investment in Ukraine and a State-Owned Enterprises Community of Practice conference.
- EvD provided comments on draft sector strategies, terms of reference, and policy documents developed by Management.
- EvD delivered self-evaluation training at Headquarters and in the Resident Offices.

Major findings and recommendations from evaluations

Looking across all the evaluation products, EvD saw many themes recurring from previous years. Some of the major themes from 2019, discussed in more detail in Chapter 3, are the following.

Availability and usability of metrics and data.

Use of metrics, and adequate monitoring and reporting, are among the key themes of the Kirk Report and other work emanating from it, such as the Review of Self-Evaluation. The Kirk Report explicitly found that evaluation quality and institutional learning are constrained by the quality of self-evaluation, insufficient evaluability of operations, and the limitations of EBRD's

results-monitoring systems. Despite significant progress in recent years on the Bank's results architecture and results management, the lack of concrete information on results, beyond client financial performance, remains a problem that arises repeatedly in project and programme evaluations.

Incentivising strategic results and evaluation.

Several studies raised the issue of staff incentives and their alignment with strategic objectives. They noted that bankers' incentives appeared to be focused on business volume from investment operations, with few or no incentives targeting policy dialogue, technical cooperation or achievement of transition results. An extensive earlier World Bank Report On Self-Evaluation Systems² found that incentives, norms, values and organisational culture are of critical importance. Following up on this, one of the next steps proposed in the Evaluation of Self-evaluation at EBRD was that a Management working group on the matter should "consider the inclusion of self-evaluation metrics in scorecards". EvD is participating in this work.

Leveraging EBRD's influence through cooperation with other international financial institutions (IFIs). The extent and quality of EBRD's cooperation and coordination with other IFIs often arises in evaluations. In 2019, the TurWiB evaluation identified considerable scope to leverage other IFIs' resources: "TurWiB could be better used as a platform for wider policy engagement. Collaborating with other IFIs was a missed opportunity for EBRD in the first phase of the programme." It recommended using the TurWiB programme as a platform to engage in systematic policy dialogue for greater access to finance for women, by collaborating with other IFIs when interacting with ministries and relevant bodies in the country.

An operation performance assessment validation (OPAV) completed in 2019 presented a good example of inter-IFI cooperation, around an investment in a deposit insurance fund. The EBRD team had initiated and maintained close coordination with the World Bank from project inception. The national authorities did not welcome the idea of holding multilateral meetings, however, and maintained separate parallel discussions with each of the IFIs. Nevertheless, the IFIs continued to coordinate financial structuring, terms and conditions, and reform milestones in an

2 See: <https://ieg.worldbankgroup.org/evaluations/roses>

effort to jointly and consistently support reform of the national deposit insurance scheme. The OPAV concluded that, although active multilateral coordination may sometimes be discouraged by government authorities, the Bank should make efforts to remain transparent and, where relevant, actively seek cooperation and coordination with like-minded IFIs, so as to design optimally structured and more impactful projects.

Resource sufficiency. Evaluations in 2019 again raised the issue of sufficient resources for results management. The WiB study recommended monitoring at the beneficiary level and ensuring non-TC funding for monitoring and reporting. The Bank does not explicitly allocate resources to self-evaluation, though much staff time goes into it in practice. The forthcoming Strategic and Capital Framework and associated annual Strategy Implementation Plans are a key opportunity for EBRD to consider the resources to be assigned to results management and knowledge management at the Bank.

Independent external evaluation of EBRD's evaluation system

The Kirk Report was prepared at the request of the Audit Committee by Colin Kirk, former head of evaluation at the United Nations Children's Fund (UNICEF), the UK Department for International Development (DfID) and the African Development Bank (AfDB). It was the first such review at EBRD since an independent Evaluation Department was created and made directly accountable to the Board in 2005. The report was finalised in mid-2019 and contained a wealth of findings and recommendations, directed not only at EvD but also at Management and the Audit Committee.

Among these, it recommended an updated Evaluation Policy and a multi-year strategic plan for EvD; Management ownership and full overhaul of the self-evaluation system; a review of organisational learning at EBRD; EvD participation in senior-level committees; and consideration of a significant increase in budget resources for evaluation.

Actions to implement the recommendations have been significant and have continued into 2020, with a Board and Senior Management retreat endorsing the report. Management working groups on Self-Evaluation & Results Management and on

Knowledge Management & Learning are expected to lead to concrete proposals for adoption around the end of 2020. Several of EvD's activities and reports in 2020 derive from recommendations in the Kirk Report.

Outlook for 2020

EvD entered 2020 with considerable positive momentum and major pieces of work well under way. It is well placed to build on the foundations of its effective performance of recent years. Important milestones for 2020 are:

- early completion of major evaluations, including Evaluability of Transition Qualities, Legal Transition Programme, Policy Dialogue in Southern and Eastern Mediterranean region (SEMED) countries, Regional Integration, Mobilisation of Private Investment, and Health-Focused Interventions
- the launch of major new evaluations including an assessment of the Strategy Implementation Plan (SIP), a review of the Shareholder Special Fund Action Plan, and project cluster evaluations of Sustainable Infrastructure in Advanced Transition Countries and EBRD's Hydrocarbon Investments
- delivery on several major recommendations from the Kirk Report, including a Medium-Term Strategy for Board review, an update to the Evaluation Policy, and an assessment of learning and knowledge management inside EvD
- continued participation in the Management working groups on Self-Evaluation & Results Management and Knowledge Management & Learning
- new members of the EvD team bringing fresh perspectives and techniques, potentially including a new inward secondee
- EvD team members contributing actively to international professional groups and international fora of the global development community.

EvD will continue to respond to demands arising from the Bank's work, and envisages specific pieces of work arising in connection with the coronavirus (COVID-19) crisis and its expected economic impacts. It may be necessary to adjust the planned schedule of report delivery in order to react swiftly to organisational needs.



EvD's year in review

The year 2019 was a significant one for evaluation at EBRD. A major independent, external evaluation of evaluation at EBRD (the Kirk Report) was completed, stimulating an important and constructive internal discussion and leading to an ambitious follow-up action plan that will continue into 2020 and 2021. In addition to its central products (Box 1), EvD completed thematic evaluations on the Bank's climate initiatives, country strategies, delegated authority and project self-evaluation. In addition, there were evaluations of two of the Bank's major programmes: TurWiB in Turkey and the EBRD-Ukraine Multi-Donor Account (MDA); as well as project cluster evaluations of hydropower in Georgia and mining operations in Mongolia. This chapter recaps EvD's activities, performance and achievements in 2019.

Box 1: Our products

EvD's range of products all seek to contribute to institutional learning and accountability, and thus to superior institutional performance and results.

- **Thematic evaluations (special studies):** In-depth evaluations organised around a theme, strategy or sector, providing detailed analysis of design, structure and results. Their objective is to identify strategy and performance issues and provide timely, relevant and actionable recommendations for the Board of Directors and Senior Management.
- **Operation evaluations:** Comprehensive evaluations of a single project or (more commonly) a group of thematically related projects, based on deep research and field work. Design and execution are assessed and performance is evaluated against objectives and opportunities. Key findings and recommendations directed to both learning and accountability are provided to the Board and Management.
- **Project validations:** Desktop evaluation reports using self-evaluations produced by Management and independent EvD analysis. Analysis and findings tend to focus on design,

execution, operational results and strategic relevance. Individual evaluations may be clustered by sector or theme where possible, in order to present a wider and more useful body of evidence.

- **Reviews:** A detailed review of each Management self-evaluation to provide guidance on performance assessment and extracting lessons.
- **Corporate reports:** Reports about EvD's operation and activities submitted to Board and/or Management, both for information purposes and as an instrument of EvD's own accountability.
- **Additional papers:** Synthesis papers of related previous evaluations, short information notes and brief reports on subjects of particular interest to the Board.

All original evaluation papers are commented on by EBRD Management and shared with Board Directors. Thematic evaluations and operation evaluations are also discussed in detail at Audit Committee meetings. EBRD staff and Board Directors can access all EvD products through the Evaluation Library.

External evaluation of EvD and the Bank-wide evaluation system

The independent external evaluation was launched by the Board's Audit Committee in 2018 and completed in 2019. Two eminent consultants in the field of evaluation were hired as an external

evaluator and a high-level reviewer. The process was led by the Chair of the Audit Committee of the Board of Directors. The report recommendations were endorsed by EvD, the Board and Management at a half-day Board and Senior Management retreat, and have led to significant follow-up actions. These are described in detail in Chapter 4 of this report.

Work programme delivery

The year 2019 was productive in terms of the evaluations produced and their perceived high value and relevance for both the Board and Management. EvD presented the following studies and reports to the Audit Committee.

- **Climate Initiatives:** A review of the Bank's climate initiatives that provided recommendations on strengthening the strategic context and objectives, and intensifying mobilisation of private-sector finance and use of local currency.
- **Country Strategies:** A review of the new approach to country strategies introduced in 2017, providing insights into their integration into strategic planning processes, operationalisation and links with sector strategies.
- **Delegated Authority:** A review of operations approved by Management under delegated authority, requested by the Board Effectiveness and Efficiency Group following the increase of the delegated authority threshold to €25 million.
- **Turkey Women in Business:** An evaluation of the first phase of what has become one of EBRD's signature programmes, combining loans and advisory services to bring finance to women-led small and medium-sized enterprises (SMEs). It made recommendations on planning to phase out first-loss risk cover and using the programme as a platform to engage in policy dialogue.
- **EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account:** A programme evaluation of the fund, managed by EBRD, providing multilateral support to Ukraine following its major political and economic crisis. The study was requested by donors and EBRD Management to inform discussions on a possible extension to the fund.
- **Review of Project Self-Evaluation at EBRD:** Feeding into the follow-up to the Kirk Report, this study identified weaknesses in the clarity of purpose, ownership, use and coverage of self-evaluation, its coherence with other Bank processes, and staff incentives. It set out what a comprehensive self-evaluation system should deliver, and identified key decisions that should be taken at the highest levels in order to achieve this.

- **Hydropower in Georgia:** This evaluation assessed the relevance and effectiveness of all EBRD projects in the hydropower sector since inception. The study's objective was to understand EBRD's achievements as a major investor in a specific sector in a country over an extended period.
- **Mining Operations in Mongolia:** A programme evaluation of all mining operations in Mongolia including Oyu Tolgoi, EBRD's largest individual project by value at the time of its approval. The paper explored wide variances in commercial success, progress toward the Extractive Industries Transparency Initiative, and policy dialogue efforts.
- **Board Consultation Visit Briefing Papers:** These are short briefings which provide a synthesis of previous evaluations, to provide insights to Board directors participating in Board consultation visits. In 2019, EvD prepared briefing papers for Egypt, Kazakhstan, Kosovo, the Kyrgyz Republic, Morocco and North Macedonia.

The following corporate reports were also presented to the Audit Committee.

- **Annual Evaluation Review 2018**
- **Mid-term Status Update**
- **Summaries of major evaluation reports 2015-19**
- **Evaluation Department Work Programme and Budget 2020**

In addition, in 2019 EvD provided a thorough review of 114 projects via operation performance assessments (OPAs)/self-evaluations completed by Management, and validated 26 projects. Validations are independent desktop evaluations of individual projects performed by EvD.

Several major evaluations launched by the 2019 work programme were completed shortly after year end. These include a thematic examination of EBRD's Mobilisation of Private Investment, and a project cluster evaluation of operations with cross-border or regional integration dimensions. Major thematic evaluations of Policy Dialogue in SEMED and the Bank's Legal Transition Programme will be delivered in the first half of 2020.

FIGURE 1: 2019 EVD HIGHLIGHTS



Key: AIIB – Asian Infrastructure Investment Bank; BCV – Board consultation visits; COP – communities of practice; DAC – Development Assistance Committee; ECG – Evaluation Co-operation Group; IDEAS – International Development Evaluation Association; IPDET – International Program for Development Evaluation Training; OPA – Operation Performance Assessment; SOEs – state-owned enterprises; WBG – World Bank Group.

Consistency in the project selection and self-evaluation process

From 2009-16, EvD selected projects for evaluation based on a stratified random, representative sample and specific 'readiness' criteria. In 2017, EvD moved to purposeful sampling of a much smaller number of projects for validation, for reasons discussed extensively in previous Annual Evaluation Reviews (AERs). In 2018, the process for selection of projects for evaluation changed, with Management taking much more responsibility for the selection. This was intended to streamline a process that had become very labour-intensive for both Management and EvD. In 2018 and 2019, EvD prepared a simple list of projects, which were both evaluation eligible³ and, in principle, evaluation ready. It was then left to Operations teams to select specific projects, emphasising those that were complete or more than eight years old.

The internal review of the self-evaluation process, conducted in 2019, produced recommendations for a full handover of the process to Management and a thorough refocusing of the entire process. This handover is now being implemented and other elements of the process, content and use of self-evaluation are expected to change significantly following a Management review in 2020. EvD is participating in the Management-led working group looking at this subject.

Follow-up on EvD recommendations

Management presents progress on an action plan to follow-up on EvD recommendations to the Audit Committee twice yearly. At the January 2020 presentation, Management noted that, of the 48 recommendations from EvD evaluations requiring action, they had completed the proposed actions for 29 recommendations, 12 were in progress, 5 on hold and 2 were deemed not applicable. EvD continued to focus on the importance of producing fewer but more useful, actionable recommendations. The

³ A project is considered to be "ready for evaluation" after "having reached early operating maturity", which occurs when the project financed has generated at least 18 months of operating revenues for the client company after the last disbursement of loans, and at least 24 months of operating revenues after the last disbursement of equity participations. In addition to these constraints, a project is considered ready for evaluation after at least one year of commercial operation, while at least one set of audited financial accounts should have been received by EBRD, covering at least 12 months of operating revenues by the project.

total number of recommendations being monitored continued to fall.

As part of the follow-up process, EvD and Management agreed to drop recommendations on which there was no agreement, or on which limited or no progress had been made over a period of time. The intent was to acknowledge that because no further specific action was to be expected, there was no value in further reporting. Since the introduction of the current system in 2016, this has included recommendations on resourcing issues, country/sector transition gap analysis, baseline data and monitoring data; these come from studies on equity operations, performance metrics, private sector participation in municipal projects, resident offices, and supply chains and backward linkages. Notwithstanding this, EvD's view is that its recommendations remain largely valid in principle; indeed, many of the same general issues continue to arise in new EvD evaluations, findings and recommendations.

Management reported its own improvement in streamlining operational processes and procedures, strategic approach, alignment and synergies, and ensuring sufficient resources for delivery. EvD acknowledged improvements in Management procedures arising from the Delegated Authority evaluation and changes to internal structure and country assessments recommended in the 2018 evaluation of the Infrastructure Project Preparation Facility. EvD highlighted less complete adoption of recommendations from the evaluations of the Transport Sector Strategy and Investment Climate.

The Kirk Report noted progress in recent years in the mechanism for tracking Management's response. However, it also found that there was still both scope and need to improve the quality of information communicated, the clarity of commitments, and the actions taken. This entailed challenges for EvD, Management and the Board:

- **EvD:** focused and actionable recommendations
- **Management:** serious trackable action plans, setting out resources and responsibilities
- **Board:** clarity on expected follow-up and better means to ensure delivery.

Further improvement in this area will remain a focus for EvD in 2020.

Results emanating from EvD studies

EvD's evaluations provide learning for performance enhancement and inform decision-making. Highlights of tangible results from EvD's findings and recommendations include the following.

- Management has already largely implemented the recommendations from the **Delegated Authority** evaluation, including substantially improving information provided to the Board on projects approved under delegated authority, extending the time for no-objection approvals, and introducing a system for reporting material changes in projects to the Board.
- Work continues to implement the recommendations from the evaluation of the **Infrastructure Project Preparation Facility**. A new, better-resourced unit has already been created in 2018, and work continued in 2019 on recruitment and on preparing country-level readiness assessments.
- The **Transport Sector Strategy** approved in 2019 incorporated some of EvD's recommendations, including diagnostics and review, and prioritising private-sector engagement. It lacked other recommended elements, such as prioritisation of activities, a plan for IFI cooperation, expectations and avenues for achievement of private-sector mobilisation, and a time-bound Board reporting plan.
- Management has implemented several recommendations from the **Investment Climate** evaluation; developing a regional approach to the Western Balkans is a significant step forward. But EvD has not observed any change in resource allocation other than technical cooperation funds, while the team has enhanced cooperation and communication activities, but without an apparent coherent plan.
- The follow-up to the **EBRD-Ukraine MDA** evaluation was an excellent example of cooperation between EvD and Management to enhance the evaluability of the facility and ensure adoption of evaluation recommendations. This is described in some detail in Box 2.

- The evaluation of **Mining Operations in Mongolia** did not initially prompt a positive response from Management. Following pressure from the Audit Committee, Management revised its comments on the report to provide an update on planned response activities. These included a self-evaluation of the largest operation, Oyu Tolgoi, which will be validated by EvD.

Collaboration and contribution across the Bank

In addition to producing evaluations, EvD contributes internally in a variety of formats. Highlights from 2019 include EvD:

- organising and participating in a State-Owned Enterprises Community of Practice conference
- hosting an exchange with evaluators from the Asian Infrastructure Investment Bank
- organising a session on Impact Investment in Ukraine: staff from across the Bank were invited to hear external speakers discuss the 'Warm City' initiative, an urban revitalisation project in Ukraine
- participating in the EBRD working groups on Self Evaluation & Results Management and on Knowledge Management & Learning, arising from recommendations in the Kirk Report
- providing comments on the draft Municipal and Environmental Infrastructure sector strategy, based on evaluation work carried out in previous years
- taking part in the process of developing EBRD's new competencies framework, led by Human Resources.

Training

EvD provides training to Operations staff assigned to complete OPAs. In addition to the regular training held at Headquarters at the beginning of each evaluation cycle, EvD staff delivered OPA training sessions at Resident Offices in Greece, Morocco, Serbia, Tunisia and Ukraine. EvD also participates in the Portfolio Associate Director and Operation Leader training sponsored by Portfolio Management.

Box 2: From evaluation to evaluability

Cooperation on implementing recommendations from the EBRD-Ukraine MDA evaluation

In 2019, EvD completed a mid-term evaluation of the EBRD Ukraine Stabilisation and Sustainable Growth MDA. This was in response to an explicit request by the Fund's donors and the Bank's management – a good case of EvD responding to demand and an opportunity to add value. The evaluation reviewed the Fund's performance and results, and helped to inform (still ongoing) decisions about its extension and future structure.

As is often the case, the EvD evaluation identified institutional and skills gaps, which make it hard for the Fund as a whole to demonstrate its effectiveness and impact, beyond the effectiveness of individual projects. Specifically, these gaps are:

- EBRD's weak institutional capabilities in results-based management
- a deficit of skills and experience to design results frameworks for individual projects (technical cooperation [TC] and investment) and to perform high-quality monitoring and self-evaluation.

These two factors combine to make it challenging to evaluate the effectiveness and impact of EBRD's TC operations in general, and the Ukraine MDA in particular. Evidence is dispersed and not systemic; entry and ex-post evaluability is weak.

The development of a comprehensive theory of change for the Fund was one of the key deliverables within the evaluation. The MDA did have a results framework for its first phase, but it was incomplete, and lacked mid- and long-term outcomes to connect the hundreds of individual activity results with the Fund's higher-level goal, namely, more dynamic economic growth and an improved investment climate.

The new theory of change is structured around four key components, each of which brings together project inputs, activities and outputs, and shows the contribution to the Fund's wider

goals. It anchors the Fund's activities in EBRD's relatively new transition qualities, specifically the 'well-governed' and 'competitive' qualities, that form the backbone of the investment climate. The proposed theory of change thus offers a structure that can demonstrate the project's contributions to delivering institutional change, policy reforms and enhanced capacities in local institutions and companies.

Another evaluation recommendation was the development of results chains, both for individual projects under the Fund and for the Fund as a whole. As it was an interim evaluation, the evaluation team could help the Fund to improve its plans for future activities and suggest reforms to the institutional and learning components.

The evaluation team performed a number of follow-up actions aimed at enhancing the evaluability of newly designed projects and of the next iteration of the Fund (when approved by contributors). The evaluator worked closely with the project team of the Ukraine Reform Architecture (URA) project – one of the biggest policy TC projects in the Bank's portfolio – to design a theory of change, results framework and monitoring and evaluation plan for the next project stage. This was done in coordination with the European Union (EU) experts responsible for implementing the EU4PAR (Support to Comprehensive Reform of Public Administration in Ukraine) project, with the URA acting as a support mechanism to ensure temporary expert capacity until Ukraine's public administration reform is completed.

The evaluation team also collaborated closely with colleagues in the Donor Co-financing (DCF) team on the MDA's proposed theory of change, mapping various actions against the result chains developed for four streams of projects. This will be essential when preparing Fund and project results frameworks with SMART (Specific, Measurable, Achievable, Relevant and Time-bound) indicators that measure both baselines and the progress achieved through project activities.

Departmental matters

Current staff and recruitment

EvD recruited one Senior Evaluation Manager and one Principal Evaluation Manager in 2019. EvD benefited from the services of an internal secondee from Banking, at Principal level, who contributed to several evaluation reports and shared valuable Banking experience with the team.

One evaluator is currently on a year of unpaid leave and a second has been on lengthy medical leave. EvD's 2020 work programme and budget, approved in December 2019, provided for the recruitment of another Senior Evaluation Manager and additional consultancy budget to enable implementation of recommendations on communications and outreach from the Kirk Report.

Staff development and participation in the international evaluation community

Some EvD staff members attended the International Program for Development Evaluation Training (IPDET) in Bern, Switzerland. IPDET is managed jointly by the University of Berne (Centre for Continuing Education), the Centre for Evaluation at Saarland University (Germany) and the Independent Evaluation Group of the World Bank. The programme is considered one of the top professional short training courses in evaluation. The entire department also took part in a one-day Clifton Strength Finders staff development seminar.

EBRD is a member of the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC), and of its Network on Development Evaluation (EvalNet), a group aimed at improving development results via better learning through evaluation. EvD attended EvalNet meetings and took part in the working group on Blended Finance Evaluation, which is aimed at developing evaluation methods and sharing experience. EvD also contributed to the development of the revised OECD-DAC evaluation criteria (see Box 3).

In 2018 and 2019, the Chief Evaluator chaired the peer review of the evaluation function at the International Fund for Agricultural Development in Rome. Recommendations of the peer review included revising the Evaluation Policy, Manual, role of the Evaluation Committee and product mix, simplifying internal processes, procedures and budget, preparing a multi-year strategy, and a Management review of self-evaluation.

EvD provided inputs to the activities of other international organisations, including a World Health Organization survey on water and wastewater, and to the AfDB on the follow-up system for evaluation recommendations.

A Senior Manager from EvD took part in the EvalYouth ECA (Eastern Europe, Central Asia and South Caucasus) mentoring programme, mentoring an emerging Ukrainian evaluator and supporting some Ukrainian civil society organisations and non-profit companies in preparing strategic plans and results frameworks.

EvD sent delegations to the ECG meetings in Thessaloniki and Jeddah, and participated actively in the ECG Working Group on Additionality. Representatives made presentations on quality in evaluation at the Asian Evaluation Week in Shanghai, chaired a panel at a meeting of the International Development Evaluation Association, and presented at the Balkan Evaluators Network conference in Belgrade. EvD also participated in a meeting bringing together heads of Evaluation Departments and chairs of the Audit Committee and the Committee on Development Effectiveness (CODE) at the World Bank spring meeting. A staff member participated in the Central and Eastern European Conference of Regional Studies Association in Lublin, presenting a paper on the growing power of the largest Ukrainian cities, and contributed a chapter on 'Crisis as Opportunity: how the 2014 crisis (finally) led Ukraine and its regions to implement reforms' to a Polish publication.⁴

4 Mrinska, O. (2019) 'Crisis as opportunity: How the 2014 crisis (finally) led Ukraine and its regions to implement reforms', in Olechnicka, A. and Herbst, M. (Eds) *Równość czy efektywność rozwoju*, pp.320-332, Scholar, Warsaw.

Box 3: Revision of the OECD-DAC evaluation criteria

In 2019, EvD took an active part in the process of updating the DAC criteria for evaluation. First set out by OECD-DAC in 1991 and further refined in 2002, the evaluation criteria of relevance, effectiveness, efficiency, impact and sustainability have become almost universally used and are a cornerstone of evaluation practice – in development, humanitarian action, as well as other public policy.

In its High Level Communiqué of 31 October 2017, the OECD-DAC decided to “explore adapting the five key evaluation criteria to program evaluations in line with the 2030 Agenda”. The DAC Network on Development Evaluation (EvalNet) – the DAC subsidiary body responsible for supporting evaluation and building the evidence base for policy-making and learning – pursued this adaptation in 2018-19.

The goal of the adaptation process was to take stock of lessons and experiences, in order to improve the criteria. Better criteria will support better evaluation. Better evaluation will contribute to better policies to advance the 2030 Agenda for Sustainable Development, achieve national contributions to the Paris Agreement, and other goals.

EvalNet developed an adapted set of definitions and principles for using the criteria. EvalNet members and partners commented on two drafts, and then a series of webinars were held, permitting an in-depth exchange and interaction on the definitions. International evaluation experts were also invited to provide feedback on drafts.

The adapted criteria:

- have new and improved definitions of the original five criteria: preserving and enhancing the key strength of conceptual clarity, definitions were refined and notes used to explain the concepts, while keeping the text as short and simple as possible
- include one major new criterion – coherence – to better capture linkages, systems thinking, partnership dynamics and complexity
- support their use and address confusion by adding: an introduction on the intended purpose of the criteria; guiding principles for use; and an accompanying guidance (forthcoming)
- ensure applicability across diverse interventions, and beyond projects
- better respond to current policy priorities, including equity, gender equality, and the “leave no-one behind” agenda: the definitions of relevance and effectiveness in particular, encourage more in-depth analysis of equity issues; at the same time, the criteria are sufficiently high-level to ensure they will be widely applicable, and will remain relevant as policy priorities and goals change
- include definitions and guidance for use to promote an interconnected approach to the criteria, including examination of synergies and trade-offs.

The adapted evaluation criteria were approved by the EvalNet on 20 November 2019, and adopted by the DAC at its meeting on 10 December 2019.



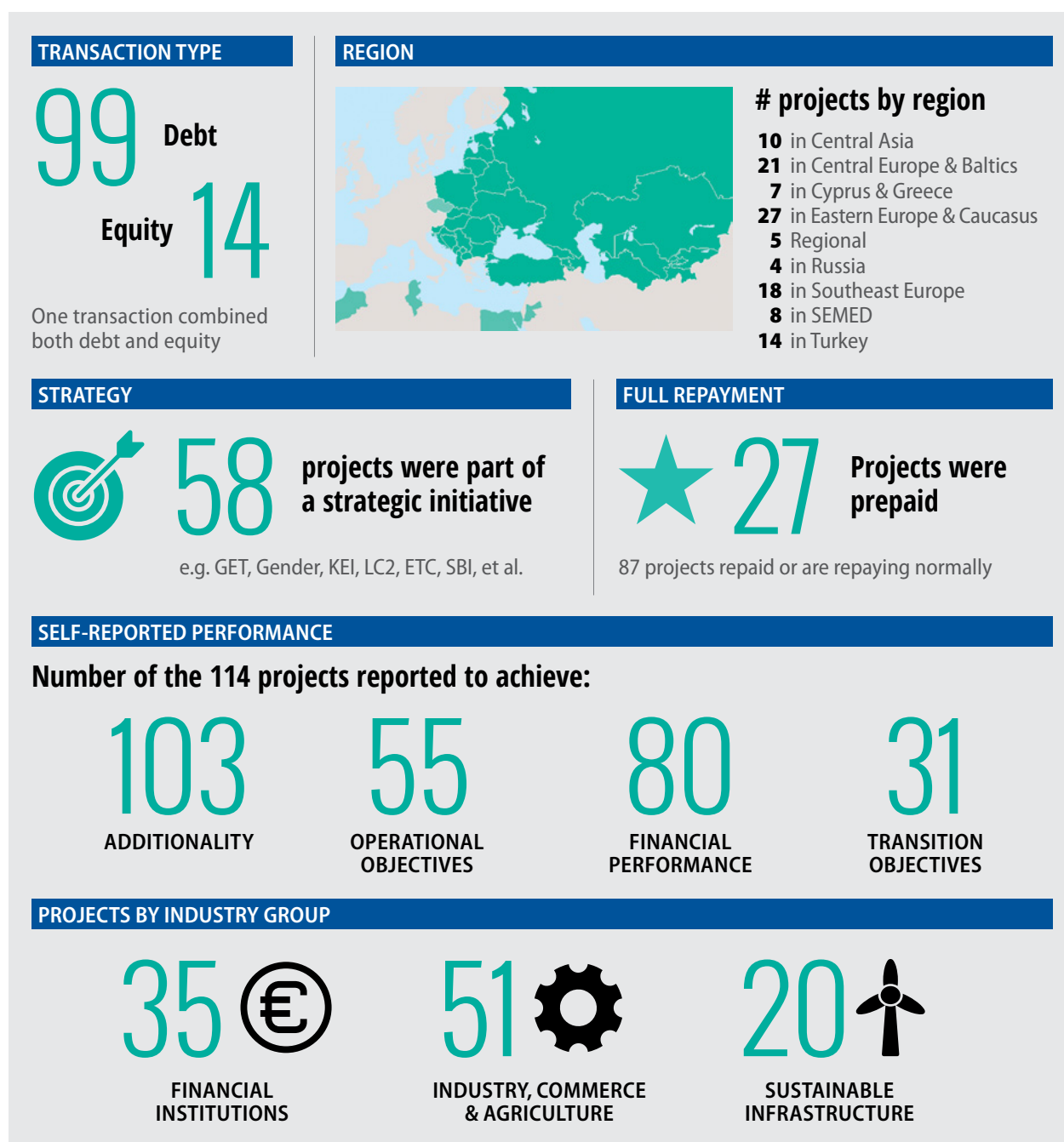
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Project-level evaluation in 2019

EvD's evaluation work has two main elements: project-level reviews and thematic studies. At the project level, EvD reviews and comments on every self-evaluation produced by Management, as well as preparing desk-based validations on a small selection of these. Some of its larger studies also consist of evaluations of clusters of operations in a specific country or sector. This work provides information about the performance of individual projects, as well as data for use in higher-level studies. It also involves valuable interaction between EvD and operation teams, which helps operational staff to consider their projects from an evaluative and results-based perspective.

Results

FIGURE 2: SELF-EVALUATION SAMPLE 2019 – 114 PROJECTS



Key: ETC – Early Transition Countries; GET – Green Economy Transition; KEI – Knowledge Economy Initiative; LC2 – Local Currency and Capital Markets Development; SBI – Small Business Initiative; SEMED – Southern and Eastern Mediterranean region

Evaluation cohort in 2019

In 2019, Management self-evaluated 114 individual operations.⁵ EvD reviewed all these self-evaluations and returned them to Management with comments for their final edit and approval. From this self-evaluation process, 109 lessons learned were derived and entered into the Lessons Investigation Application. Figure 2 presents an overview of the projects evaluated in 2019.

Interesting results from the data received from Management include the following.

- 90 per cent of the projects (103 out of 114) were self-reported as being additional.⁶
- Around 70 per cent reported that the financial performance of the client achieved their benchmarks.⁷
- Only 27 per cent reported achieving transition objectives,⁸ 67 per cent partly achieved them, and 5 per cent reported not achieving them, while one project did not respond.

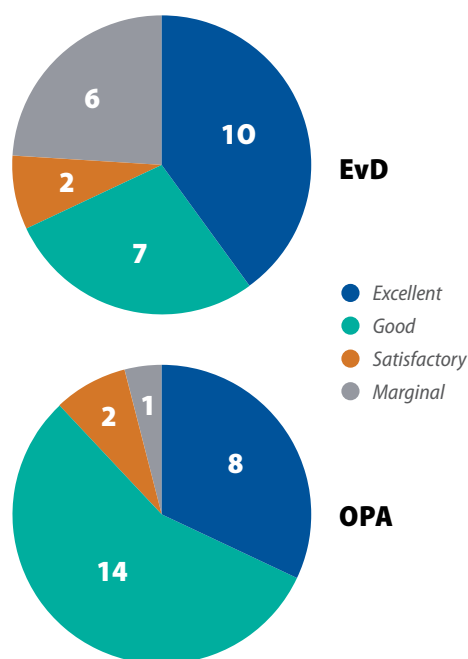
Validations

EvD validated the self-evaluations of 25 projects. The validation process involved assigning results frameworks⁹ and project performance ratings, providing supplemental lessons where appropriate. This culminated in an evaluation report distributed to both the Board and Management.

In terms of overall performance ratings,¹⁰ 19 out of 25 ratings were 'satisfactory' or above, with 10 projects being rated 'excellent'. Six projects were 'marginal' and none were 'highly unsatisfactory' or 'unsatisfactory'.

Generally, Management rated projects higher than EvD, though EvD was more likely to rate projects

FIGURE 3: OVERALL PROJECT PERFORMANCE RATINGS 2019, EVD-OPA COMPARISON¹¹



'excellent'. The most common overall rating among the OPAs was 'good', with 14 occurrences (56 per cent) followed by 'excellent', with 8 occurrences (32 per cent). By contrast, EvD's most common overall rating in the validations was 'excellent', with 10 occurrences (40 per cent), followed by 'good', with 7 occurrences (28 per cent). The ratings are not representative of overall Bank performance or comparable with previous years, because of the relatively small number and purposeful selection. EvD has observed in previous years that operation teams are less likely than EvD to assign 'tail' ratings such as 'excellent' or 'highly unsatisfactory'.

EvD ratings under the current methodology are based on the OECD-DAC criteria of relevance, effectiveness and efficiency.

- **Relevance** assesses the intervention logic and design, and includes additionality as a component.
- **Effectiveness** assesses the contribution to both outcomes and impacts, and provides insight into transition impact.
- **Efficiency** assesses the financial performance of the client and investment return, and could be used as a proxy for sound banking.

⁵ 114 operations were self-evaluated, but a smaller number of OPAs were submitted. OPAs frequently cover multiple projects; for example, framework projects or multiple projects with the same client can be evaluated in one OPA.

⁶ The remainder indicated 'Partly', 'No', 'Not Applicable' or did not respond.

⁷ Ibid.

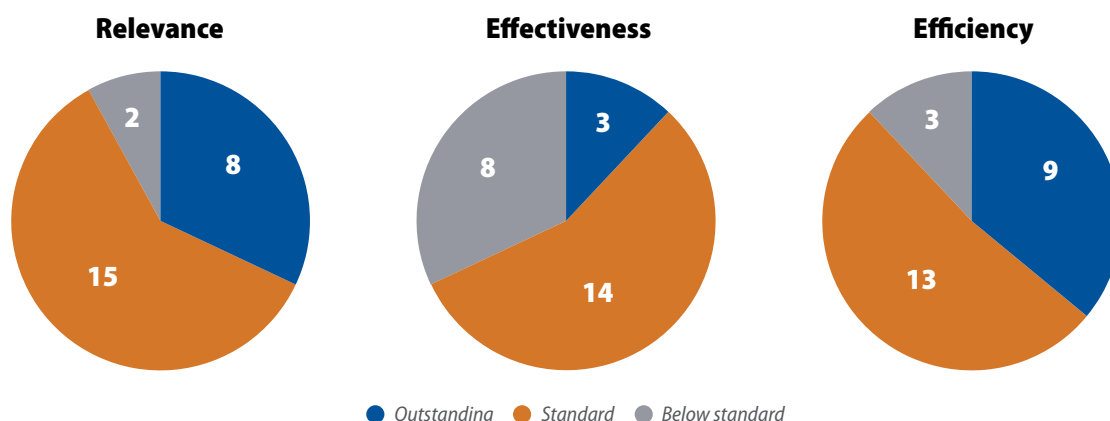
⁸ For projects that are validated, the intended outcomes from the results framework are used as a proxy for transition objectives.

⁹ For projects where no results framework exists, EvD prepares a results framework based on the project document for Management review and acceptance.

¹⁰ Overall performance ratings have a six-point scale: excellent, good, satisfactory, marginal, unsatisfactory, highly unsatisfactory. Category ratings have a four-point scale: outstanding, standard, below standard, deficient.

¹¹ Based on 25 projects that were self-evaluated and then validated by EvD.

FIGURE 4: EVD CATEGORY PROJECT PERFORMANCE RATINGS 2019



Looking at the individual category ratings, most projects were rated 'standard' or better. Effectiveness was rated less highly than Relevance and Efficiency. This is because a number of projects had lower ratings for outcomes and impact, meaning that while they achieved specific objectives, they were less effective than expected in changing behaviours or having an impact beyond the individual project.

Lessons from projects

EvD is the sponsor of the Lessons Investigation Application at EBRD. OPAs, validations and operation evaluations produce specific lessons at the project level, which are entered into the Application. In years past, EvD lessons were formally incorporated as part of the project cycle. The project approval requirement was eliminated several years ago, but operations teams are strongly encouraged to consult the Lessons Investigation Application prior to creating their approval documents for the Operations Committee. Some lessons are developed by EvD staff but most are developed by Operations teams. These conform to a specified template and are then thoroughly reviewed by EvD staff.

There were 109 lessons entered into the Application in 2019. Colleagues are asked to identify the project phase that generated the lesson: due diligence phase, project planning and design phase, or implementation phase. Of the 109 lessons, 86 were from the project planning and design phase, which may indicate that EvD findings over recent years, which emphasise results measurements, linkage to strategy, appropriate resources, and monitoring and reporting, are appropriate.

The most prevalent lesson in 2019 concerned 'client relations/commitment' (14 lessons), while 'client appraisal, capacity and selection' was another important theme (11 lessons). 'Stakeholder relations' – the relationship with stakeholders other than the client (e.g. equity partners, other lenders and authorities) – accounted for six lessons. Bankers clearly felt that the client's capacity to manage projects through difficult situations, and the maintenance of a close relationship between the Bank, its clients and other important stakeholders, were key factors for success. 'Bank handling' covers a wide range of issues and accounted for 13 lessons, while 'financial, market and technical analysis' (due diligence) and 'objectives/benchmarks' were also important areas.

Findings from project-related evaluations

In 2019, EvD completed two larger studies focused on clusters of individual operations: Hydropower in Georgia and Mining Operations in Mongolia. Both of these considered clusters of operations in sectors of major importance to relatively small countries of operation, comprising a substantial part of EBRD's investments in those economies. Part of the rationale for doing these studies was that when there is a concentration of projects in smaller countries, as in these cases, there is a better-than-normal opportunity to connect projects to wider country strategies. These evaluations are summarised below.

Hydropower projects, Georgia

This evaluation considered all the Bank's Georgian hydropower projects from 1998 to 2018: rehabilitation of power plants, transmission system improvements, corporate investment programmes, and a low-carbon framework for renewable energy investments totalling almost €700 million, as well as 15 TC projects.

The evaluation found that EBRD's support for the transformation of the sector was relevant by helping to secure the availability of electricity and improve the efficiency of the Georgian power sector. Furthermore, EBRD:

- assisted in the transition from dependence on natural gas and diesel imports to hydropower
- supported government policy to commercialise and privatise the power sector
- contributed to the greening of the power sector.

In the long run, this was effective.

- 7 of the 15 investment programmes and projects experienced significant challenges and delays, most outside the direct control of EBRD.
- Ultimately, EBRD helped increase reliability and profitability, attract foreign direct investment, and with the modernisation and augmentation of capacity.

EBRD contributed to the envisaged transition impacts and qualities in the following ways:

- a more competitive power sector through the expansion of hydropower plants by different private sponsors
- new power capacity, which contributes to resilience of the power sector by mitigating the need for imports
- better governance by aligning Georgia's regulatory framework to the EU framework
- a greener, more integrated and resilient economy through the consistent expansion of hydropower electricity supply, transmission capacity and cross-border trading.

Lessons:

- Sectoral transformation takes time.
- IFI support – including from EBRD – is valuable to transform a power sector.

- Local EBRD resident office support is critical.
- There were contributions through policy dialogue, both informal and formal, but it is difficult to understand their effectiveness. Management's establishment of Priority Policy Objectives may mitigate this problem.
- 100 per cent compliance with the Environmental and Social Policy is challenging and political. Hydropower projects attract opposition and not all complaints are upheld.

Recommendation:

- Continue to complement investment finance and TC with a specific programme of policy dialogue correlated to the country's strategy results framework. This can be critical for long-term success in sectoral transformation. Such a programme should be regularly monitored and evaluated to ascertain progress in the transformation process, draw lessons and account for EBRD's support.

Mining operations, Mongolia

The mining sector in Mongolia is critical to the economy, representing around 27 per cent of gross domestic product, 19 per cent of the state budget, and 88 per cent of exports. The top mineral exports are coal, followed by copper and gold. The role of the state is substantial and politically high-profile and sensitive. The sector is highly cyclical, with a boom in 2006-12 followed by a global commodity slump. EBRD has invested a net total of €734 million in 14 private-sector projects since 2006. The Oyu Tolgoi copper/gold project alone constitutes nearly 50 per cent of the entire EBRD Mongolia mining portfolio.

The evaluation resulted in the following findings.

- Around 50 per cent of portfolio projects have gone to Corporate Recovery due to cyclical factors, business conduct issues and lack of sponsor support.
- Corporate Recovery has been effective at working down substantial amounts, with some concrete successes. Recoveries are affected by the enforceability of contractual rights and local sponsor integrity issues.
- On country priorities: there has been no progress on the privatisation of state-owned mining companies, no explicit support for infrastructure, and only two projects attempting to support supply chains.

- IFI collaboration started strongly, with a memorandum of understanding signed between IFIs and the government, but there is no evidence of it being acted upon, no evident results, and EBRD staff were found to be mostly unaware of it.
- Frequent changes in government and personnel have posed a real challenge to policy dialogue. Policy dialogue was often cited as a project attribute, but projects lacked specific objectives, activities and monitoring of results.

Recommendations:

- Complete a self-assessment of the Oyu Tolgoi project, validated by EvD, before requesting further financing or extension.
- Strengthen project design with clear and appropriately ambitious transition objectives linked to country priorities and targets.
- Identify lines of causality and assumptions for TC and policy dialogue; resourcing and responsibilities for monitoring; and opportunities to develop supply chains and infrastructure needs.
- Work with other IFIs and authorities to develop an agreed programme of policy dialogue to support reform.

Findings from thematic studies

Chapter 3 summarises the findings and recommendations from thematic studies. Recurring themes stand out.

Availability and usability of metrics and data

Use of metrics, adequate monitoring and reporting are among the key themes of the Kirk Report and other work emanating from it, such as the Review of Self-Evaluation. The Kirk Report explicitly found that evaluation quality is constrained by the quality of self-evaluation, the evaluability of operations, and the limitations of EBRD's results-monitoring systems. Despite significant progress in recent years on the Bank's results architecture and results management, the lack of concrete information on results, beyond client financial performance, remains a problem that arises repeatedly in project and programme evaluations.

The **WiB** study built on 2018's **Credit Lines** study in recommending that monitoring of, and data collection from, projects should be based around the

programme's two-layer structure: the ultimate sub-borrower/beneficiary as well as the partner financial intermediary. This might take the form of a review of at least a sample of sub-borrowers, both ex ante and ex post. The **EBRD-Ukraine MDA** evaluation also recommended enhancement of reporting standards for MDA projects and the Fund in general, including metrics with monitorable indicators, which might require an additional allocation of MDA budget. The **WiB** study recommended that functions such as monitoring and reporting are intrinsic administrative functions that should be funded from the Bank's budget, rather than from donor funds.

The evaluation of **Climate Initiatives** observed that no verification of forecasts is available; monitoring, reporting and verification is limited to ex-ante estimates of expected savings. The Bank's Energy Efficiency and Climate Change team (E2C2) indicates that it samples projects to verify ex-ante estimates but there is no reporting process or documentation in place. The Bank's Environmental and Economics teams collect ex-post data for selected projects but figures are not compared to ex-ante estimates.

Some studies also struggled to locate necessary information in the Bank's systems. The Climate Initiatives evaluation noted that project-level data on TC funds is patchy and not reconcilable across different information systems – an issue that EvD has been raising for decades in its TC evaluations. The **Delegated Authority** study found that in some cases, the project-level transition benchmarks were stored separately from other project approval documents and were difficult to locate. It also proposed enhancements to the Board Online Information System to provide consistent and comparable data for projects. The recommendations from the latter study were quickly implemented.

A solution to the problem of inadequate results monitoring and data will entail increased resources. In the wake of the Kirk Report, Management has established a working group on Self-Evaluation and Results Management to recommend solutions to this problem, among others. EvD hopes that the current increased attention on the issue by the Board and the highest levels of Management will allow difficult decisions to be taken in response to the high-level question posed by the review of Self-Evaluation: what resources (financial, staffing, Board time) is the Bank prepared to devote to a results-management system?

Incentivising strategic results and evaluation

Several studies raised the issue of staff incentives and their alignment with strategic objectives. They noted that Bankers' incentives appeared to focus on business volume from investment operations, with little or no incentives targeting policy dialogue, TC or achievement of transition results.

The **Climate Initiatives** evaluation observed that, while there are clear incentives to achieve the Green Economy Transition (GET) target of 40 per cent of EBRD annual business investment, the performance management framework, staff incentives and resourcing are not focused on actual results at an operational or programmatic level.

The **EBRD-Ukraine MDA** evaluation noted that recognition of policy dialogue and TC achievements in Bankers' individual performance matrices is weak. It recommended that individual performance matrices of Bankers who are leading non-transactional TC projects and intensive policy dialogue must be expanded to include these elements.

The review of **Country Strategies** also observed a lack of formal incentives to promote the achievement of country strategy objectives. It found little evidence that country strategies had influenced operational 'selectivity' (i.e. the origination of projects and composition of country portfolios).

The **Kirk Report** highlighted the finding from the earlier Report on Self-Evaluation Systems of the World Bank Group that incentives, norms, values and organisational culture are of critical importance. Following up on this, one of the next steps proposed in the Evaluation of Self-Evaluation at EBRD was that Management working groups should "consider the inclusion of self-evaluation metrics in scorecards".

Leveraging EBRD's influence through cooperation with other IFIs

Cooperation and coordination with other IFIs often arises in evaluations. In 2019, the **TurWiB** evaluation identified considerable scope to leverage other IFIs' resources: "TurWiB could be better used as a platform for wider policy engagement. Collaborating with other IFIs was a missed opportunity for EBRD in the first phase of the programme." It recommended using the programme as a platform to engage in systematic policy dialogue for greater access to finance for women by collaborating with other IFIs when interacting with ministries and relevant bodies in the country.

Other evaluations have found that EBRD staff on the ground in Resident Offices often cooperate well with other IFIs, even playing a coordinating role in some cases. One of the OPAVs completed in 2019 was of an investment in a deposit insurance fund. EvD observed that EBRD had initiated and maintained close coordination with the World Bank since the project's inception. The two IFIs proposed such interactions to be open and coordinated in the interest of achieving a structure that was optimal for all stakeholders. The national authorities did not welcome the idea of holding multilateral meetings, however, and maintained separate parallel discussions with each of the IFIs. Nevertheless, the two IFIs coordinated the structuring of their financing and the project-related conditions and reform milestones to be incorporated in the financing agreements, in an effort to jointly and consistently incentivise and support reform of the national deposit insurance system. The OPAV concluded that although active multilateral coordination may sometimes be discouraged by government authorities, the Bank should make efforts to remain transparent and, where relevant, actively seek cooperation and coordination with like-minded IFIs, so as to design optimally structured and more impactful projects.

Resource sufficiency

As in previous years, EvD evaluations in 2019 raised the issue of sufficient resources for results management. The **TurWiB** study recommended enhanced monitoring at beneficiary level while ensuring that programme-wide administrative functions, such as monitoring and reporting, be fully funded by the Bank outside of donor funds. The review of **Self-Evaluation in EBRD** noted that no resources are explicitly dedicated to self-evaluation, though a lot of staff time goes into it. It questioned what resources (e.g. financial, staffing, Board time) the Bank was prepared to devote to results-management and knowledge-management systems. The year 2019 was a record one for EBRD, with its highest net profit since 2007. And 2020 will see a high level of activity directed at tackling the coronavirus crisis, with shareholder governments donating large sums in response. With the new Strategic and Capital Framework coming up this year, it is a good time to consider the resources to be assigned to results and knowledge management at the Bank.



3

Thematic evaluations

EvD delivered several substantial thematic studies in 2019 and this chapter presents brief summaries of them. The study on **Climate Initiatives** evaluated an evolving set of strategic initiatives – Sustainable Resource Initiative to Sustainable Energy Initiative to Green Economy Transition (GET) – designed to reduce energy waste and greenhouse gas emissions, but also EBRD’s fastest-growing area of business. A review of **Country Strategies** assessed operational selection, integration of policy priorities and linkages relating to results architecture, the transition mandate and the strategic planning process. At the Board’s request, EvD reviewed the Bank’s use of **Delegated Authority** for project approvals, which has increased markedly in recent years. Studies of two important Bank programmes took place throughout 2019 and were delivered in final form in January 2020. **Women In Business** is a programme of lending to women-led SMEs supported by substantial TC funds and involving cooperation among the Financial Institutions (FI), Gender, and Advice to Small Businesses teams. The programme was first launched in Turkey and EvD evaluated its performance in that country. At the special request of Management and donors, EvD conducted an additional large study on the **EBRD-Ukraine MDA**, ahead of discussions about its possible extension. Launched in 2014, the MDA is due to expire in July 2020 unless a decision is taken to extend it. A study on **Project Self-Evaluation in EBRD** is summarised in Chapter 4.

Climate initiatives

Background

Recognition of climate change as a major global public policy challenge has grown since key concerns were raised in 1992. A comprehensive framework was agreed in Paris in 2015 based on enforceable country-level commitments to carbon targets. Developed countries were urged to mobilise US\$100 billion annually by 2020 from multiple sources to be channelled through the Green Climate Fund and complement other funding. Against this backdrop, EBRD substantially increased the strategic priority to be given to work on sustainability. The Sustainable Energy Initiative was approved in 2006 and subsequently widened beyond energy. The ‘Green’ transition quality was introduced as a transition priority, and the GET initiative of 2015 committed to a sharp increase in green finance as a share of bank investment. This evaluation focuses principally on their climate dimensions and for this reason refers to them collectively as the Bank’s Climate Initiatives.

Main findings

The study found that the Bank had become a leading multilateral development bank (MDB) implementing global climate agreements and was competing effectively for the external concessional resources critical to delivery. It had achieved all its targets for

financial volumes and transition benchmarks, while portfolio financial performance compared favourably with the Bank’s overall portfolio. Investment is largely denominated in foreign currency. The study found opportunities for improvement in several areas.

Metrics, evidence and data adequacy: No verification of forecasts is available; monitoring, reporting and verification is limited to ex-ante estimates of expected savings. The Bank’s Energy Efficiency and Climate Change team (E2C2) indicates that it samples projects to verify ex-ante estimates, but there is no reporting process or documentation in place. The Bank’s environmental and economics teams collect ex-post data for selected projects, but figures are not compared to ex-ante estimates.

Internal incentives: There are clear incentives to achieve the GET target of 40 per cent of EBRD annual business investment, but the performance management framework, staff incentives and resourcing are not focused on actual results at an operational or programmatic level.

Use of TC funds: Project-level data are patchy and not reconcilable with other reporting systems. TC funds are not targeted at the types of projects achieving the highest greenhouse gas savings per euro of finance.

Country-level issues: There is no country detail on adaptation requirements, carbon budget,

baselines or target. There is little incentive to target greenhouse gas savings at the country level; country plans in support of Nationally Determined Contributions do not yet exist. Funding for policy advice appears to be prioritised more by prospective lending than by country needs.

Recommendations

EvD's specific recommendations follow directly from these assessed opportunities and are situated firmly in the central context of the Climate Initiative programmes, namely that: climate-related concerns were at the heart of MDB and shareholders' Paris commitments; EBRD is making an institution-wide effort and has accumulated rich experience; but that there is both need and scope for design and delivery changes to improve strategic focus and programmatic effectiveness.

Strengthen and clarify the broader strategic context and objectives of the climate-related components of GET.

Clear alignment with the Paris Agreement, using selective programmatic approaches in line with low-carbon pathways and taking account of Nationally Determined Contributions.

Intensify private mobilisation. Improve risk-return profiles for private sector financiers by developing new/innovative unfunded and funded instruments.

Strengthen institutional arrangements. Provide E2C2 with a mandate to manage concessional funds portfolio, with mitigating climate change and vulnerability as core objectives.

Increase capacity to use local currency finance. This could be through country strategies, Bank scorecards and support to Treasury.

Strengthen the Management Information System. The Technical Cooperation Reporting System or some equivalent urgently needs to be made operational to capture project-level TC data. Climate Initiative databases need to be made more comprehensive.

Management Report to the Board. Management should submit a report to the Board within no more than 12 months, discussing implementation of these recommendations, including explicitly identifying resources, responsibilities and timelines.

Country strategies

Background

In recent years, EBRD has taken significant steps to redesign its approach to strategic planning and performance monitoring and reporting. At the root of these efforts was a shared Board and Management concern that existing systems did not provide sufficient information on actual performance against the Bank's core transition mandate. A disconnect was evident between project-level performance and wider effects, limiting the Bank's ability to identify and claim success at the country level. This coincided with a substantial expansion of the Bank's operational scope and aspirations.

In this context, the Board sought a significant strengthening of country strategies, from what had largely been a compilation of expected business opportunities into strategic planning documents connecting institutional strategic priorities, country diagnostics, and the Bank's institutional and operational capacities. The first comprehensively redesigned country strategy was presented in 2017.

In 2018-19 EvD carried out a review of the new-format Country Strategies with respect to their contribution to the Bank's ability to more effectively identify and translate its mandate and medium-term priorities into country-level objectives, and to recognise, measure and report on its performance.

Main findings

Integration into strategic planning processes:

Country strategies are not meaningfully integrated in the institutional strategic planning processes. Country strategies do not have material links to institutional planning tools; there are no mechanisms translating the Strategic Capital Framework directions into the country strategies, and country strategies do not influence annual business planning (SIPs) in terms of regional allocations or investment activity.

Incentives: There are no formal incentives in place to promote the achievement of country strategy objectives. There is, so far, little evidence that country strategies have influenced operational 'selectivity', i.e. the origination of projects and composition of country portfolios.

Link with sector strategies: The link between country and sector strategies is weak.

Integration of policy priorities: There has been notable progress on the integration of policy priorities and policy engagements in the country strategies. There is some lack of transparency on the operationalisation of policy priorities, which is exacerbated by the lack of comprehensive information of ongoing policy work.

Definition of success: There is no expression of what success will look like: specific objectives are fairly broad and not calibrated by any targets. Tracking indicators represent only an aggregation of the Bank's own outputs, and likewise lack any targets. In the absence of strategic ambition to measure progress against, any reporting consists only of bottom-up aggregation of the Bank's activity.

Delegated authority

Background

This study was requested by the Board Effectiveness and Efficiency Group following implementation of a pilot which increased EBRD's delegated authority threshold from €10 million to €25 million. On the completion of this pilot, the increased threshold became the Bank's permanent policy and 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.

Main findings

Portfolio characteristics: The raised threshold pushed the number of delegated approvals to 54 per cent of total approvals in 2017 from 44 per cent in 2016. Volume almost doubled to 15 per cent. Financial Institutions (28 per cent), Manufacturing & Services (23 per cent) and Municipal and Environmental Infrastructure sectors (15 per cent) accounted for the largest share of the volume approved under the expanded threshold. Only 3 of 111 projects were equity transactions, accounting for 3.5 per cent of the total volume. Larger countries, such as Turkey, Ukraine and selected EU and SEMED countries were the main beneficiaries of the expanded threshold. Early transition countries and Western Balkans continued to dominate the number of all projects approved by delegated authority (55 per cent).

Time savings: Delegation reduces approval time by 2.5 weeks on average, and saves Management an

estimated 65 staff-hours and Board 75 staff-hours per project. In terms of the total project life-cycle, Board approval is a minor element adding only 7-10 per cent to the total appraisal and approval time. Projects where speed of approval was key, such as investments into bonds or involving competitive bidding, accounted for 16 per cent of projects approved under the expanded threshold. The downside is limited opportunities for knowledge transfer and learning, with fewer internal discussions.

Quality of project design and reporting:

The quality of project approval documents under Delegated Authority was largely in line with that of Board Reports, but some suffered from unambitious transition benchmarks, weak additionality justification or vague descriptions of the use of funds. Older documents had no transition impact or additionality sections; transition impact sections were submitted separately and difficult to locate. Selected frameworks had pre-determined transition impact ratings per country (according to country-specific transition challenges), providing an incentive to direct more financing to countries with the widest gaps, but less inducement to set more ambitious transition benchmarks. Delegated Approval Reporting Sheets were a useful tool for informing the Board about delegated approvals, but some contained information gaps. The Bank lacks a system for informing the Board about material changes to projects approved by delegation. Bank online information systems generate useful summary lists of delegated approvals, but the systems are not integrated and are not presented in a common currency, preventing group analysis. There are useful annual reports on frameworks, but these have room for improvement.

Evaluation results: EvD did not find significant differences in the performance of projects approved under delegated authority relative to existing norms and trends.

Other issues: EBRD delegation is by far the highest among all IFIs; the International Finance Corporation is second with 21 per cent. The increase of the delegated threshold had no impact on the frequency of projects from smaller countries of operation being presented at the Board, as most such projects were below €10 million. However, it substantially decreased the frequency of Board discussions on projects from selected medium-sized countries, such as Belarus, Jordan or Morocco. Most Board

respondents to EvD's survey were broadly satisfied with the Bank's current delegated authority approval system, but indicated room for improvement (e.g. better Delegated Approval Reporting Sheets, longer time for host country no-objections, improved 'user-friendliness' of online information systems).

Recommendations

Enhance the Board Online Information system related to delegated projects, adding information on projects' euro equivalent, sector, expected transition impact rating and current status to enable grouping and simple analysis. Consider adding a short project description.

Develop a system for informing the Board about critically important material changes to projects approved under delegated authority.

Improve the Delegated Approval Reporting Sheet template to require a more precise and complete description of a sub-project's use of funds, transition benchmarks, additionality and associated TC funds.

Formally survey the Board's views on extending the time for host country no-objections on sub-projects approved by delegation.

Enhance the quality of current annual reporting on main frameworks to ensure that all include qualitative information, project case studies and examples of policy dialogue and TC, and key financial performance indicators.

Ensure that transition benchmarks for delegated projects are filed with approval documents in cases where they are submitted separately, so that they can be easily located.

Turkey women in business

Background

WiB programmes aim to promote women's participation in business by addressing: (1) bottlenecks on the supply side through the facilitation of access to finance (via EBRD credit lines, First Loss-Risk Cover [FLRC], technical assistance to PFIs); and (2) bottlenecks on the demand side through the increase of access to know-how (via advisory services and other activities that support women-led micro, small and medium-sized enterprises). The programme is co-led by three

teams: the Advice for Small Business, the Gender & Inclusion team and the FI team.

The first phase in Turkey comprised seven credit lines to five PFIs. A dedicated credit line of up to €300 million was intended for on-lending to at least six commercial banks and leasing companies in Turkey, each under a stand-alone project. The programme was of interest to the EU and Turkey due to its capacity to increase the participation of women in the labour market. The overall objective of the TC programme was to promote women's entrepreneurship in Turkey, and more broadly their participation in business by assisting women-led SMEs to access finance, know-how and non-financial business development services. Funding was provided by the EU Instrument for Pre-Accession Assistance fund (€32.3 million) and the Turkish Ministry of Labour, Social Security and Family (€6.7 million).

Main findings

TurWiB successfully increased the offer for on-lending to women-led SMEs and increased access to finance. This was achieved through an increase of the PFIs' WiB loan portfolios, targeting start-ups and first-time loan customers. It allocated funding outside of the three big cities (Ankara, Istanbul and Izmir). It was essential to raise PFIs' knowledge of the women-led SME segment and its potential.

The availability of FLRC was essential to the success of the programme. However, it may not be sustainable without a risk-sharing mechanism. The FLRC helped incentivise PFIs to consider lending to the WiB segment, but at least two PFIs will not offer similar products after termination of the WiB loan.

There were limited synergies between the financial and non-financial components of the programme. Regional seminars proved successful in bringing together PFIs and women-led SMEs and disseminating information on the programme. Yet there is little evidence that the diagnostic services helped women-led SMEs obtain a WiB loan. Advice to Small Businesses services were not promoted effectively, or at all by the PFIs.

The sustainability of changes at the PFI level is questionable. All PFIs valued the baseline assessment carried out by the consultants, but some avoided making significant changes in their

management information systems, SME strategies, products offered to the women-led SMEs and the collection of gender-disaggregated data. Most stated that they did not follow the consultants' recommendations because the implementation cost was greater than the value created.

There is considerable scope to leverage other IFIs' resources. TurWiB could be better used as a platform for wider policy engagement. Collaborating with other IFIs was a missed opportunity for EBRD in the first phase of the programme.

Recommendations

Strategy should phase out the FLRC for the next programme phase. The TurWiB board document says: "the goal [of the FLRC] is to obviate the need for the subsidised risk cover". For that purpose, the strategy should phase out the FLRC component in the medium- to long-term horizon and avoid perpetuating PFIs' expectations of subsidised lending to finance the WiB sector.

Use TurWiB as a platform to engage in policy dialogue for greater access to finance for women. This could be achieved by:

- collaborating with other IFIs: use WiB as a platform to engage in systematic policy dialogue with other IFIs and ministries and relevant bodies in the country
- further engaging with current partners: a working partnership with the Turkish Employment Agency would mean more outreach to potential loan clients and recipients of advisory services across Turkey, and open the way for EBRD policy discussions with the Ministry of Labour and Social Security.

Ensure that programme-wide administrative functions such as monitoring and reporting are fully funded outside of donor funds. The dependence of the programme on donor funding exposed it to donor requests that were difficult or sometimes impossible to fulfil (such as reporting on employment figures for women-led SMEs). The programme should be fully funded from EBRD's own resources. Failing that, it should have sufficient baseline capacity and resources to deal with donor and corporate demands.

Advance advisory services to a next phase to enhance outreach and provide more relevant services.

- Improve the use of the Business Lens tool for WiB loan clients: systematic access for borrowers to the Business Lens would be beneficial, as WiB's advisory services can prioritise trainings, coaching and mentoring focused on the most urgent needs of specific businesses.
- Enhance the mentoring programme: add a signed commitment between mentors and mentees to avoid absenteeism.
- Consider revising the design and delivery of training: training should be designed for different levels of financial knowledge and delivery methods should be considered, such as training via webinars.

Introduce a Results Framework and ensure monitoring and data collection focused on TurWiB's two-layer structure (PFI level and beneficiary level). The introduction of a Results Framework will improve clarity on results of the two components (financial and non-financial) and flag the programme's intended efficiencies that come principally from joint fundraising, reporting and marketing events. EvD has recommended in previous studies the need to report on outcome indicators at the beneficiary level for credit lines. This may take the form of a review of at least a sample of sub-borrowers (both ex ante and ex post).

EBRD-Ukraine Stabilisation and Sustainable Growth Multi-Donor Account

Background

The EBRD-Ukraine Stabilisation and Sustainable Growth MDA was launched in 2014 as part of a multilateral crisis-response measures to provide urgent support to Ukraine in the wake of major political, security, economic and humanitarian crises.

Fourteen donors have contributed a total of €53.5 million to the Ukraine MDA, out of which a portfolio of 38 projects have so far been or are being delivered, with a total earmarked value of €36.9 million. The MDA is managed by EBRD and is the only such single-country focused arrangement within the Bank. Support was targeted at the

design and implementation of policy reforms and institutional capacity-building in sectors where EBRD has considerable experience as an investor and partner, such as financial policy, the banking sector, capital markets, energy, infrastructure and agribusiness. Originally intended to last for three years, the MDA was extended for another three in 2017.

EBRD management and MDA donors asked EvD to produce an interim evaluation on an accelerated basis in order to inform discussion and decisions about the MDA's effectiveness and potential extension ahead of its current July 2020 closure date.

Main findings

The MDA's scope is in line with EBRD's mandate and core capabilities.

The MDA's core principles – additionality, alignment with Ukraine's priority agenda and international coordination – are sound and relevant.

The MDA has proven to be strategically relevant, operationally efficient and effective, and enabled key institutional changes in Ukraine.

The MDA is managed efficiently and donors are broadly satisfied.

The flexibility of allocations across five pillars is one of the MDA's most useful features.

Only one instrument – technical assistance – has been used; no investment grants, concessional funding or first-loss guarantees have been used.

MDA support has contributed to specific institutional and structural reforms, including the creation of new institutions such as a Business Ombudsman, a Network of Integrity and Compliance, an Investment Council, a Financial Restructuring Secretariat, and a Prozorro e-procurement platform; turnaround of the Deposit Guarantee Fund; improvements in monetary policy and the banking sector; improvements in technical capacity at multiple public agencies; reforms at several strategic state-owned enterprises and state-owned banks; the abolition of price regulations on food products and services; a new approach to solid waste management; and various other reforms.

The MDA is likely to have contributed to an improvement in Ukraine's position in key international indices, including the Doing Business

survey, the Global Open Data index and the Corruption Perception Index. The Ukrainian economy has stabilised since 2014, and has started to grow.

Scope for improvement

Strategic anchoring: EBRD's strategic frameworks have evolved since 2014, including a new transition concept. The MDA's structure should be adjusted to fit the delivery of transition impact.

Currently, there is a gap between high-level objectives and activity-level results in the MDA's and projects' results chains.

Reporting standards are inconsistent and sometimes insufficient.

Recognition of policy dialogue and TC achievements in bankers' individual performance matrices is weak.

Communication with donors between regular assemblies is inconsistent.

Recommendations

For contributors and EBRD:

Extend the MDA and maintain its current focus on EBRD's comparative advantages in Ukraine as identified in the EBRD Country Strategy for Ukraine 2018-23.

Preserve the key elements of the General Conditions and maintain the flexibility of funding allocations without earmarking funds to specific pillars. Discontinue the sector pillars structure.

Use 'well-governed' transition quality as the premise for Ukraine MDA activities, along with three components (pillars): (1) enhancing the quality of economic governance in public institutions; (2) improving standards and practices in corporate governance; (3) building and sustaining partnership between public and private sectors.

Include key indicators in results metrics, which might trigger graduation from certain project areas.

Review unutilised MDA instruments (e.g. investment grants, incentive payments, first-loss guarantees, access available to other IFIs) and decide whether to discontinue or continue them.

Significantly strengthen results-based Fund management and enhance reporting standards for MDA projects and the Fund in general, including

metrics with monitorable indicators – possibly allocating an additional MDA budget for this.

For EBRD:

Individual performance matrices of bankers who are leading non-transactional TC projects and intensive policy dialogue must be expanded to include these elements.

The DCF, possibly jointly with other departments in the Bank, should design a training programme for operational leaders managing projects funded from the MDA, and similar accounts focused on the principles and core elements of results-based management and project evaluability.

Enhance and enforce standards of reporting in internal information systems, such as the TCRS (TC Reporting System).

The EBRD team in the Kyiv Resident Office should establish a communications channel with key interested contributors to provide regular and relevant updates between the annual assemblies.



4

Special topic:
independent external
evaluation of EBRD's
evaluation system

The most significant report delivered in 2019 was the Kirk Report, an independent external evaluation of EBRD's evaluation system conducted at the request of the Audit Committee by Colin Kirk, former head of evaluation at UNICEF, DfID and the AfDB. It was the first such review since an independent Evaluation Department was created and made directly accountable to the Board in 2005. The report was finalised in mid-2019. It contained a wealth of findings and recommendations directed not only at EvD, but also at Management and the Audit Committee.

Main findings

The **Evaluation Policy remains sound** but should be widened and updated in some specific areas and complemented by a medium-term plan for EvD.

Management has not been meeting its responsibilities under the evaluation policy regarding self-evaluation.

A striking divergence of views on many aspects of evaluation exists between Board Directors, who place a high value on independent evaluation and seek to use it in decision-making, and senior managers, some of whom are critical of evaluation practices and products. Given the increased focus on results management at the Bank and higher-level thematic evaluations by EvD, establishing a Board committee responsible for issues relating to performance and results could strengthen oversight.

Independent evaluation at the Bank largely meets international standards for organisational and behavioural independence. The portfolio of recent thematic evaluations has wide coverage and is relevant to the Bank's work. EvD work programmes have achieved much, but timely delivery has been challenging.

EvD's product mix has shifted towards more strategic, high-level evaluations at the expense of project-level evaluations. Thematic studies are generally of satisfactory quality, but EvD needs to produce more project-level evaluations, and requires enhanced staffing and budget to do so.

Compared with other MDBs, EvD's budget is low as a percentage of EBRD's total administrative budget.

Evaluation quality is constrained by the quality of self-evaluation, the evaluability of operations and the limitations of EBRD's results-monitoring systems.

EvD has worked to improve the quality and uptake of recommendations. The mechanism for tracking management response has been enhanced,

but responses are not always comprehensive and implementation of agreed actions is unvalidated. Uptake of lessons is weak. Further work is required to realise the potential contribution of evaluation to the achievement of EBRD's goals.

Management needs to take ownership of self-evaluation and develop a medium-term plan to strengthen self-evaluation and integrate it with the Bank's results architecture. The self-evaluation system is extensive, but widely perceived as an overhead rather than an essential feature of organisational learning and accountability. Some senior managers confuse monitoring and evaluation. Comprehensive, independently validated reporting on institutional performance is no longer undertaken, exposing the institution to reputational and operational risks. The Evaluation Policy assigns responsibility for self-evaluation to Management, but in practice it is EvD which runs the system.

Recommendations

EvD: for Board approval: **Upgrade the Evaluation Policy** with necessary updates, revisions and additions.

EvD: for Board approval: **Prepare a multi-year strategic plan for EvD** complementing the evaluation policy.

EvD: for consideration by Management and the Board: **Identify key issues and develop practical options for improving the EBRD self-evaluation system** and report by the end of 2019. Issues to be addressed include rating methodologies, alignment with ECG standards, and assessment of the contribution to transition impact.

EvD: for consideration by Management and the Board: **Undertake a thematic evaluation of organisational learning at EBRD.**

Management and EvD: for Board review and approval: **Work jointly to develop proposals for**

an effective and appropriate self-evaluation system for EBRD.

Management, with EvD: **Formalise arrangements for regular EvD participation in senior-level committees.**

Management: for Board approval: **Prepare a medium-term plan for strengthening the self-evaluation system and integrating it within the Bank's results architecture.**

Audit Committee: for consideration by full Executive Board: **Recommend the Executive Board to consider establishing a Board committee with specific responsibility for issues relating to performance and results.**

Audit Committee: for consideration by full Executive Board: **Recommend the Executive Board to consider a significant increase in budget resources for evaluation**, based on well-documented medium-term plans for independent evaluation (EvD) and self-evaluation (Management).

Audit Committee: **Request the Chief Internal Auditor to review performance around preparation and implementation of Management responses to evaluation recommendations.**

Audit Committee: **Arrange for regular review of EBRD evaluation system:**

- Request Management to arrange for a Multilateral Organisation Performance Assessment Network (MOPAN) review of EBRD's organisational effectiveness and results in 2022-23.
- Arrange for another independent external review of EBRD's evaluation system in 2024-25.

Audit Committee: **Maintain close oversight of the implementation of recommendations agreed from those listed in this evaluation.**

Response and follow-up

EvD welcomed the Kirk Report and accepted its findings in full. It reinforces many points that EvD has been making over several years. In November 2019, the Board and Management held a half-day retreat to discuss the report findings and recommendations. The President, Board Directors, Senior Management and the Chief Evaluator endorsed the key recommendations. There was a strong and shared

conviction that the Bank has significant potential to improve its evaluation system and, in particular, its evaluation culture, and that this would require a multi-year effort and additional resources.

Management, EvD and the Board are committed to work together to achieve the following:

- Strengthening results management and the role of evaluation in the Bank's results architecture.
- Taking ownership and achieving a meaningful change and a genuine improvement of self-evaluation to increase its value for the Bank.
- Embedding the importance of self-evaluation, results management and continuous learning in the culture of the Bank.
- Enhancing knowledge management and learning.
- Developing an effective incentive structure to enhance the role of evaluation in the Bank.
- Bringing major EvD papers to the full Board on a regular basis.

EvD and Management brought a joint Action Plan to the Audit Committee in February 2020, setting out actions and deliverables for 2020-21.

Management agreed to give high visibility to the report in order to achieve a real cultural change within EBRD with regard to self-evaluation and independent evaluation. As a result, the President highlighted the importance of evaluation in his Townhall and Corporate Leadership Group meetings. He issued a high-level statement on the Kirk Report and invited staff to actively participate in the implementation efforts.

Management has created a cross-departmental Senior Management Steering Group to guide implementation of the Kirk Report recommendations. A working group on Self-Evaluation & Results Management is jointly chaired by the Managing Director, Banking Portfolio, and the Director, Country Strategy Coordination & Results Management. The working group on Knowledge Management & Learning is chaired by the Managing Director, Economics, Policy & Governance. EvD is represented on both working groups, which will prepare concrete plans and options for approval by the Senior Management Steering Group.

Management has taken over ownership of the existing self-evaluation system while it devises an enhanced system. It will improve results frameworks for projects

and country strategies to increase their evaluability, and improve reporting and communication of the Bank's results and impact, disseminate evaluation findings more broadly, and strengthen the feedback loops to integrate lessons from evaluations into the design of new projects and policy engagements.

The Board, through the Audit Committee, has given priority to systematic and sustained follow-up of

the Kirk Report. The Audit Committee has requested regular reporting from Management and EvD on the status of the Action Plan.

EvD has also moved forward with a study on self-evaluation, delivered in January 2020 as an input to the working groups (see Box 4), and a review of the evaluability of transition qualities was largely completed in the first quarter (see Box 5).

Box 4: Project self-evaluation in EBRD

EvD reviewed project self-evaluation in EBRD as part of the follow-up to the Kirk Report. This box summarises its findings.

Problems with the existing self-evaluation system:

- **Clarity of purpose:** project self-evaluation is not obviously focused on either accountability or learning, and does not convincingly serve either objective.
- **Lack of Management ownership:** EvD has been the driver and designer of the system; there is no single point of ownership or support in Management; there are no dedicated resources.
- **Transparency and use:** OPAs are not widely shared or used by Management or operational staff; they are not shared with the Board; there is no consolidated Management tracking or reporting; and they do not feed into a Bank-wide knowledge-management framework.
- **Coherence with EBRD processes:** EvD's template uses terminology that is unfamiliar to most Bank staff; the current version does not reflect developments in the results architecture, strategic initiatives, transition qualities, OE&E, or the increased use of delegated authority.
- **Incentives:** self-evaluation is regarded as non-core for Banking; there is no coverage in scorecards; work is often delegated to junior levels; the quality varies widely.
- **Comprehensiveness:** investment operations and policy dialogue are often poorly linked; there are no means to assess aggregate results; the problem often starts with the original project documents.

The Bank needs a comprehensive project self-evaluation system that:

- is owned by Management, useful to Management and used by Management
- is consistent with the Bank's systems and approach to operations
- enables Management to satisfy shareholder and public accountability and performance-reporting demands
- provides evidence-based learning at both strategic and operational levels
- serves a distinct, complementary purpose, taking account of the potential strengths and weaknesses of project self-evaluation within a broader monitoring and evaluation system.

Key decisions are needed at both Board and Management level to provide strategic direction from which the choice of instrument and process will flow.

- What primary purpose should self-evaluation fulfil at EBRD, within the context of a wider monitoring and evaluation system?
- Where in Management should responsibility be located? How should self-evaluation be incentivised?
- What kind of accountability and reporting on results does the Board require from Management? How important are project ratings? Comparability with other MDBs? Independent validation by EvD?
- What resources (financial, staffing, Board time) is the Bank prepared to devote to a results-management system and a knowledge management system?
- How will Management use the findings from self-evaluation to inform its activities at strategic and operational levels?

Box 5: Evaluation of transition qualities – preliminary findings

The Kirk Report notes that because the six transition qualities are broad, abstract and challenging to translate into a coherent programme of evaluations, it is difficult to validate specific claims regarding transition. The report also gives prominence to more general issues of evaluability in EBRD and returns many of the same observations that EvD has made consistently.

Another key finding was that Management was not meeting its obligations under the evaluation policy to ensure an adequate level of evaluability of the Bank's interventions, including that operations clearly specify expected results and related performance indicators, and that programmes, policies and strategies identify their expected results with sufficient specificity to allow effective evaluation. As a result, the Kirk Report recommends "a brief assessment of the evaluability of the transition qualities as concepts and operational tools".

EvD's assessment is that the evaluability of the Transition Qualities is limited. The issues identified are directly relevant to many institutional matters, including strategic objectives, institutional structure, organisation, resourcing, accountabilities and core business processes.

There have been major efforts within EBRD to build an improved approach to transition measurement and monitoring, especially in recent years. The Bank's work has in many respects been creative and innovative, but the challenge is a very difficult one. Experience with performance and results-measurement challenges across the IFI system, and within individual shareholder governments, confirms that, while there is much good practice on which to draw, a gold standard in practice does not exist. While much has been accomplished in the Bank over the past five years, systems and processes do not in aggregate provide a satisfactory basis for effective performance assessment and evaluation at multiple levels. Many discrete elements bring targeted improvements, but there remain substantial issues of internal linkage, consistency, integration and coherence.

Enhancing the evaluability of the Transition Qualities requires substantial further and joint efforts by the Board and Management, touching on strategy, systems, culture, skills and resources. The EvD study suggests several specific opportunities.

EvD will prepare a medium-term strategy and undertake a review of the Evaluation Policy as part of its 2020 work programme. EvD internal learning and capacity enhancement continues, with additional budget approved for an extra senior position in the department, once current restrictions on recruitment are lifted. EvD will also engage external expertise to improve its communications and outreach, and conduct a thematic evaluation of organisational learning at EBRD. Following the recommendation of the Kirk Report, EvD will engage with the full Board

on a quarterly basis on important evaluation matters. The first such topic to be scheduled is a discussion of the evaluation of Mobilisation of Private Finance, a topic of great interest to the entire Bank.

Current disruptions to normal working practices and a high volume of operational work related to the coronavirus crisis are expected to delay progress by a few months, but Management and EvD have expressed their determination to push this agenda forward with minimal delay.



5

Outlook for 2020: expectations, changes and advances

Against a backdrop of substantial disruption, EvD expects 2020 to be a year of significant developments in the system of evaluation and self-evaluation at the Bank. At the same time, EvD will continue to deliver on its core mandate: acting as both the cornerstone and main driver of an effective and efficient evaluation system in the Bank. This chapter summarises a few selected areas of particular interest to the Board and Management.

EvD's 2019 work programme was a year of substantial delivery in terms of thematic studies, providing both the Board and Management with high-value analysis, findings, insights and recommendations on matters of direct strategic interest and relevance. Both the Board and Management have noted on multiple occasions that EvD should seek to provide high-value findings on strategic issues upstream of decision points wherever possible. In the second half of the year, work began on implementing the recommendations of the Kirk Report. The 2020 work programme will continue in this direction.

Major studies for delivery in 2020

- **Policy Dialogue Support in SEMED Countries:** An evaluation of structured policy dialogue efforts in EBRD's newest region.
- **Legal Transition Programme:** EvD will evaluate selected elements of this flagship programme to support operations and policy dialogue in many areas. Finalisation of this report was delayed to allow prioritisation of the EBRD-Ukraine MDA study.
- **Regional Integration:** A cluster evaluation of projects with cross-border, physical connectivity components (e.g. international corridors, airports, seaports, pipelines).
- **Health-focused Interventions:** A variety of interventions (projects and advisory) in the health area, including Manufacturing & Services projects and the public-private partnership portfolio in Turkey.
- **Mobilisation of Private Investment:** Mobilisation is a major issue of concern and a challenging area. It is central to the Bank's expected role and contribution in key sectors, a key element of the current Strategic Review, and a major element of multiple cross-IFI systemic analyses.

Major studies launched in 2020 for delivery in 2020-21

- **Sovereign Operations:** Sovereign operations have grown substantially, are central to strategic and business plans for a range of initiatives and priorities, and have been flagged as being of major Board interest and concern in the Strategic Review.
- **EBRD Nominee Directors:** Nominee Directors are an important element of the Bank's equity engagement; they are often considered central to managing EBRD's interests as a shareholder and are embedded in Management's enhanced equity approach.
- **Trade Facilitation Programme:** First approved in 1999, and with its limit recently expanded to €2 billion, this large and high-profile Bank programme is central to the Bank's priorities and delivery in the financial sector. EvD has reviewed it before, most recently in 2008-09.
- **Shareholder Special Fund:** EvD completed a first-ever evaluation of the Shareholder Special Fund in late 2014. It identified several important issues around priorities, resourcing and governance. Recommendations were endorsed by the Board and fed into a reform plan. This follow-up evaluation will assess current structure, operations and effectiveness.
- **Strategy Implementation Plan Evaluation:** The SIP aims to provide a three-year perspective on how Board-approved priorities of the Strategic and Capital Framework will be operationalised. It sets the context for Board consideration of the Bank's annual Administrative Expense Budget and Corporate Scorecard.
- **Sustainable Infrastructure Operations in Advanced Transition Countries:** Sustainable infrastructure investments have been a Bank focus in advanced transition countries (central Europe) in recent years. These include, but are not limited to, expanding capacity in renewable energy production.

- **Hydrocarbon Sector Investments:** EBRD has been an active investor in the hydrocarbon sector, including for extraction, refining and transport. These investments can have significant upstream and downstream linkages, are potentially relevant across multiple transition qualities, and are often areas of joint public/private engagement.
- **Oyu Tolgoi Project Mongolia:** EBRD's investment in Oyu Tolgoi is its single largest ever investment, and accounts for a large share of its portfolio in Mongolia. The recently completed cluster evaluation of mining projects in Mongolia recommended that Management prepare and EvD independently validate a full self-assessment of the Oyu Tolgoi investment as a prior condition to any follow-up investment.

EvD will also continue to offer briefing papers for Board consultation visits. The briefing papers, syntheses of previous evaluations combined with current issues, will be produced for each Board consultation visit in 2020.

Evaluation evolution and enhancement continued

In 2019, EvD made efforts to be responsive to emerging demands while delivering specific studies that it had already undertaken. It delivered the review of the EBRD-Ukraine MDA on an accelerated basis at the request of EBRD Management and the MDA donors, in order to inform discussions and decisions about the Fund's potential extension ahead of its current July 2020 closure date. It delivered the Delegated Authority evaluation at the request of the Board. EvD also launched or adapted a number of pieces of work arising from the Kirk Report, including reviews of self-evaluation at EBRD (delivered in January 2020) and the evaluability of the transition qualities, which is close to completion. In 2020, EvD will continue to be responsive to demands arising from the Bank's work and envisages specific pieces of work arising in connection with the coronavirus crisis and its expected economic impacts. It may be necessary to adjust the planned schedule of report delivery in order to react swiftly to organisational needs.

This is part of an effort by EvD and the larger evaluation community to be more forward-looking and strategic in evaluations. While ex-post evaluations remain the core of EvD's work, completing evaluations earlier, possibly in real-time, and being more focused on future results, is emphasised over concentrating on a forensic analysis of performance from projects completed years earlier.

Developments in Bank systems continue to be integrated into evaluation work, with the launch of Project Monarch and continued development of the Bank's portfolio management function. The management of self-evaluation has now been handed over to the Portfolio Management Group, which is working to develop new approaches based on recommendations in the Kirk Report and EvD's Assessment of Project Self-Evaluation in EBRD.

In summary, EvD will continue to increase the relevance of its products in 2020 through creating more strategic and forward-looking evaluations, and will embark on the necessary changes to evaluation systems, reflecting available resources and intervening environmental factors.

Improving methodologies and techniques through international engagement

Current travel restrictions mean that many of the usual opportunities for interaction with other evaluators at international seminars and conferences are not expected to materialise in 2020. The IPDET normally held annually in Bern will not take place in 2020, while the planned meeting of the European Evaluation Society in Copenhagen has been postponed for one year.

Nevertheless, other gatherings continue in modified formats and EvD will be represented at 'virtual' meetings of the Evaluation Cooperation Group and the OECD EvalNet. Online meetings are already taking place among heads of evaluation at the MDBs under the auspices of the ECG to discuss handling of the coronavirus crisis in terms of operational processes, contributions to institutional work, and eventually evaluation of the way MDBs handle the crisis.



Annex 1. Management comments

- Management thanks the Evaluation Department (EvD) for the Annual Evaluation Review (AER) 2019. Management also appreciates the insights provided through thematic studies that help our understanding and learning on important topics relevant for ongoing decision-making processes and strategic documents.
- Management remains committed to addressing recommendations raised by individual studies and evaluations, appreciating EvD's continued focus on producing fewer but more useful actionable recommendations. Management notes that as with past reviews, it will not comment here on individual studies, as comments are provided for each in the respective review processes.
- Management thanks EvD for the acknowledgement of improvements in operational processes and procedures for responding to EvD studies and recommendations. Addressing the need for more trackable action plans and setting out resources and responsibilities, Management will continue to work with EvD to maintain focus on improvements in 2020. The latest update on Management follow-ups will be presented to the Audit Committee in June 2020.
- Management acknowledges EvD's findings on existing limitations in the results-monitoring and self-evaluation systems, and notes the upcoming Board Information Session on results architecture in June 2020 will provide a deeper analysis of the topic.
- Management specifically acknowledges the significance of the independent external evaluation conducted during the year and the issues raised by the Kirk Report. Management emphasises its commitment to work with EvD to implement its recommendations outlined in the Joint Action Plan.
- Management continues to maintain focus on improvements and implementing the Joint Action Plan through the working group on Self-Evaluation and Results Management and the Knowledge Management working group, guided by the Senior Management Steering Group as

mentioned in the AER. In summary, Management, EvD and the Board are committed to work together to achieve the following:

- Strengthening results management and the role of evaluation in the Bank's results architecture.
- Taking ownership and achieving a meaningful change and a genuine improvement of self-evaluation to increase its value for the organisation.
- Embedding the importance of self-evaluation, results management and continuous learning in the culture of the Bank.
- Enhancing knowledge management and learning.
- Developing an effective incentive structure to enhance the role of evaluation in the Bank.
- Management also appreciates the recognition of insufficient resources for results and knowledge management, and welcomes the open discussion in the forthcoming budget discussions under SIP.
- Management welcomes the recommendation for greater collaboration with other IFIs and continues to engage in dialogue with IFI counterparts, in particular on policy dialogue, as well as diagnostics and projects and knowledge-sharing.
- Management appreciates the enhanced approach to ensure consistency in project selection for the self-evaluation process, and welcomes the full handover to Management going forward. Management is committed to refocusing and streamlining the process and looking forward to working with EvD for further improvements.
- Management thanks EvD for their continued collaborative effort across the Bank beyond studies and evaluations through knowledge management, training, conferences and other contributions.
- Management looks forward to the upcoming studies identified in EvD's work programme, particularly as EvD seeks to provide further high-value findings on strategic issues.

Acknowledgements

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