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Evaluation Policy Review of 2004

Project Evaluation
Department



European Bank
for Reconstruction and Development

Evaluation Policy Review of 2004

Preface

When the first evaluation policy paper was prepared in early 1992 (Project Evaluation: The Bank's Policy Approach, BDS92-6 [Final]), the Bank's portfolio was still small and no investment projects had yet reached the stage where an evaluation would have been meaningful. However, at the time an update of the policy (Evaluation Policy Update [BDS97-96]) was prepared in 1997, the experience of four years of evaluation activities could be used. As the Bank has now passed its 10th anniversary, the Board has requested to review the policy and amend the text to reflect the changes in procedures, practices, organisational structure and the independent position of the Project Evaluation Department (PED) and the Corporate Director for Evaluation.

The Evaluation Policy Update of 1997 followed the same structure of the Evaluation Policy Approach paper of 1992 describing an evaluation function with clear objectives and a good balance between discovering the results of projects/programmes (the accountability function) and generating the lessons learned from past experience (the quality management orientation). It also presented information on activities to be carried out by project evaluation at the different stages of the project cycle and the level of self-evaluation required on the side of the Banking Department. In addition it described the evaluation methodology and reporting requirements and reviewed staffing needs. This Evaluation Policy Review of 2004 reviews the evaluation practices and procedures as they have evolved over the years in the Bank and presents the necessary updates. The report is based on: (a) integration of experience gained by PED during the six years of project evaluation since the last update; (b) more than 10 years of the Bank's learning experience; (c) changes in the Bank's modus operandi and its organisation, and; (d) enhanced harmonisation efforts in recent years with the other multilateral development banks (MDBs).

Special attention is given to: (i) define project evaluation distinctly from other functions; (ii) establish an approach to project evaluation which places critical importance on two principles: independent accountability and transparency, and; (iii) highlight the urgency of the evaluation process in view of dynamic changes in the region. Appendix 4 provides a recently updated comparison table with main features of the evaluation functions in other MDBs.

The sections in the main part of the report that are presented in italics are primarily amendments to the former Evaluation Policy Update of 1997.

EVALUATION POLICY REVIEW OF 2004

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EVALUATION POLICY REVIEW

ABBREVIATIONS

AEOR	Annual Evaluation Overview Report
CSE	Country strategy evaluation
CRU	Corporate recovery unit
ECG	Evaluation Cooperation Group
EIRR	Economic internal rate of return
EPR	Evaluation progress review
FIRR	Financial internal rate of return
GPS	Good practice standards
IA	Internal Audit
IFI	International finance institution
LLD	Lessons learned database
LLM	Lessons learned memorandum
MDB	Multilateral development bank
MR	Monitoring report
MTR	Mid-term review
MTS	Medium term strategy
OCE	Office of the Chief Economist (EBRD)
OCU	Official Co-financing Unit (EBRD)
OGC	Office of the General Counsel (EBRD)
OL	Operation Leader
OPER	Operation Performance Evaluation Review
OpsCom	Operations Committee
PCR	Project completion report
PED	Project Evaluation Department
PIP	Public information policy
RO	Resident Office
SCPB	Strategic and Corporate Planning and Budgeting Department (EBRD)
TIMS	Transition impact monitoring system
TC	Technical cooperation
TCFP	Technical cooperation fund programme
ToR	Terms of Reference
WCR	Work-out completion report
XMR	Expanded monitoring report
XMRA	Expanded monitoring report assessment

EVALUATION POLICY REVIEW OF 2004

1. EVALUATION FUNCTION

1.1 INTRODUCTION

For the purpose of this policy paper, project evaluation is defined as the process of assessing the performance of completed projects (see section 2.4.1) and programmes through systematic analysis of their outputs or outcomes against expected or planned results, and the evaluation of categories of operations and patterns of experience. This process is also called “post-evaluation” and the projects to be evaluated are those which are considered completed. However, in view of the need, in selected cases, to learn from experience earlier during the project cycle, PED sometimes evaluates on-going projects and existing programmes through carrying out mid-term reviews. (see section 2.3 and 2.5.1) Evaluation practices can be enriched by carrying out occasional studies on specific procedural and process aspects.

Project evaluation does not refer to the appraisal process which occurs prior to the decision to provide financing. Although appraisal has sometimes been called "evaluation", or "ex ante evaluation", the activity leading to a financing decision is different from the post-evaluation of project results in terms of responsibility and focus. Project monitoring within the Bank, an essential activity to maintain investment quality, is the responsibility of the Banking Department, with the necessary control tasks allocated to the Risk Management Vice Presidency. Starting in 2003, the Office of the Chief Economist (OCE) and the Banking Department operate a transition impact monitoring system (TIMS). The review of controls and procedures within the Bank is primarily the task of Internal Audit (IA). To avoid possible overlaps, good coordination between PED and IA is needed.

In other multilateral development banks (MDBs) self-evaluation by operations departments have become more important over the years. The independent evaluation functions have shifted their attention more to monitoring of and reporting on this self-evaluation process combined with assessing key thematic and country related issues. Although the Bank's evaluation system has over the years - in view the increased number of operations ready for evaluation - gradually put more emphasis on validation of self-evaluation outcomes and on sectors and themes; the practice of “direct evaluation” of a substantial sample of projects ready for evaluation has been maintained. It is experienced that an evaluation system that is based to a great extent on “direct evaluation” whereby projects are selected based on their lessons learned potential and relevance for the Bank’s current operations generate important lessons learned that can be used to enhance the quality of projects under preparation. In particular the ample contact by Evaluation Staff with the projects through field visits and with operation teams contributes to the quality and credibility of the evaluation outcomes.

Stimulated by directives from their shareholders, MDBs participating in the Evaluation Cooperation Group (ECG), are actively pursuing harmonisation of evaluation procedures and practices. As a result, good practice standards (GPS) on private sector as well as public sector evaluations have been prepared. Many features of the harmonisation process through application of the GPS are reflected in this Evaluation Policy Review.

1.2 EVALUATION OBJECTIVES

Project evaluation has two basic objectives:

- a) To discover what were the results, both intended and otherwise, of the Bank's portfolio of projects and programmes (accountability function);
- b) To determine whether there were significant lessons to be learned from past experience to make future operations better, thereby contributing to the "institutional memory" of the Bank (lessons learned or quality management orientation);

Project evaluation provides the basis for a system of accountability for operational outcomes to managers, and ultimately to the Board of Directors of the Bank. Because independence, equal ranking vis-à-vis other relevant Bank units and objectivity are vital for the credibility of the evaluation work, project evaluation is conducted by an independent department. While integrated into the organisational structure of the institution, the department is located in the Office of the Secretary General at arms-length from operations, and the Corporate Director for Evaluation reports directly to the President. At the same time he reports to the Audit Committee of the Board of Directors which has an important supervision role vis-à-vis PED (see also section 4).

Project evaluation considers not only the financial results of projects and programmes, but also the economic benefits and other externalities as well as the Bank's performance on transition impact. The current system for project evaluation is intended to improve quality through enhancing the Bank's productivity and effectiveness, in particular in the context of the Bank's mandate. This demonstrates the Bank's willingness to learn on a timely basis from the strengths and weaknesses of completed operations, both its own and those of other institutions. The Bank, therefore, also relies on the lessons and experiences from the evaluation activities of other IFIs, in particular the MDBs active in the Bank's countries of operation. To maintain an overall high project quality it is essential that a system of constant learning from past experience functions adequately, including the use of lessons learned in general and the application of lessons on transition impact in particular.

1.3 ACCOUNTABILITY HIGHLIGHTED

Project evaluation involves various actors: the Bank's management, Staff involved in the operation process¹ (including support departments/units), the clients of the Bank and the Bank's Evaluation Staff. Each has a role in the evaluation process. Over the years the complementary roles of the actors have become clearer and this has helped create a well-functioning evaluation system. This clear distinction of roles is especially important if an accountability system is to be maintained: managers are held accountable for the results of their work and, through a transparent independent evaluation system, lessons learned are generated at an early stage so that they can be applied when preparing new projects. If the evaluation function interferes with the operations process responsibilities become unclear and the operations manager could no longer be held accountable for outcomes and PED's independence would no longer be guaranteed.

¹ Staff involved in the operation process are from the following Vice Presidencies/departments: Banking, OCE, Office of the General Counsel (OGC), Risk Management and Finance.

Independent evaluation activities carried out by Evaluation Staff normally begin after projects are completed, i.e. when they are ready for post-evaluation (see section 2.4.1). As part of the Bank's accountability requirements it is important that the evaluation function also looks beyond projects and assesses performance of groups of projects and certain themes of importance to the Bank's mandate. This type of evaluation is carried out in the form of a special study. As with the evaluation of projects, the purpose of these special studies is to look for patterns of experience which provide insights that can help the Bank improve future performance. (see section 2.5)

Activities of a department such as PED thus contribute not merely to operational efficiency, but also to a wider accountability; not only to the Board of Directors and shareholders, but also to the general public.

2. EVALUATION PROCESS

To allow Project Evaluation to achieve its objectives with maximum operational efficiency and effectiveness, during the evaluation process, independent evaluators must be able to enter the Bank's project cycle (and its components) at any stage and at any place, but generally ex post when projects are ready for evaluation (see sections 2.4.1 and 3.2). This provides an integrated evaluation system based on, in particular, completed operations and actual Bank practices. This chapter describes the evaluation process through presenting key procedures and responsibilities of PED and of other participants in the operations and evaluation process at different stages of the project cycle. It is important to highlight here the key function of an optimal self-evaluation process conducted by the operation teams and the use of the self-evaluation outcomes as an important input for independent evaluation.

PROJECT PREPARATION AND IMPLEMENTATION

2.1 INSTITUTIONAL PRIORITIES AND COUNTRY STRATEGIES

The starting point of the project cycle is the identification of whether a project is consistent with: (i) the Bank's policies, strategies and operational priorities as described in the medium term strategy updates (MTS) and in other key strategy documents of the Bank, such as *Moving Transition Forward: Operational Priorities for the Medium Term of 1999* (BDS99-24 Final)); and (ii) the priority areas as determined in the Bank's country strategy papers for the Bank's countries of operations. Another key element when judging a project ex post is whether the Bank was additional at the time of project approval.

The Staff in the Strategic and Corporate Planning (SCPB) Department in the Finance Vice Presidency in cooperation with Staff in the Banking Department and OCE prepare the medium term strategy (MTS) updates annually covering a four years rolling strategy period. Staff in the Banking Department, in cooperation with Staff in OCE are responsible for preparing the country strategy papers on all the Bank's countries of operations, which are presented to the Board of Directors for approval. Already at this stage, lessons from experience identified by PED can be used.

Evaluation Staff are not directly involved in the process of preparing the country strategy papers and the MTS update. At the time of post-evaluation PED verifies whether the operations are in

line with the country strategy paper at the time of appraisal and makes a comparison with the latest country strategy paper. In order to optimise the retrospective analysis of each country strategy Staff in the Banking Department contact PED to obtain relevant lessons so that new country strategies take into account lessons learned from past experience. Evaluation Staff then provide relevant lessons learned material. PED can comment on draft MTS updates as the findings in PED's Annual Evaluation Overview Reports (AEORs) sometimes present elements of a strategic nature.

From September 2003, Evaluation Staff has been carrying out, as an evaluation special study, country strategy evaluation (CSE) work on a pilot basis² on one of the Bank's countries of operations.

2.2 PROJECT DESIGN AND APPRAISAL

Staff in the Banking Department in consultation with Staff in OCE specify project performance objectives on transition impact and sound banking, as well as more general objectives, with precise description and quantification. They provide in their operations reports at structure or final review, comprehensive accounts on transition impact and the underlying data, including financial projections that show the project's feasibility. They also identify the main risk factors that can jeopardise a project's success. At the time of project appraisal, Staff in OCE assign an ex ante rating on transition impact potential and a risk rating to realise this potential. This information enhances the post-evaluation of a project as they provide the benchmarks against which project ex post evaluation can take place. Early on during the project cycle, already at the time of concept review, the operation team consults with PED in order to obtain internal and external lessons learned. This consultation process provides the material for a section on "Lessons Learned from Past Experience" which forms an integral part of the Board Reports on Bank operations.

Observing the independence of the evaluation function, Evaluation Staff are not actively involved in the preparation of the projects. PED directs Staff in the Banking Department to the lessons learned through the on-line Lessons Learned Database (LLD) and through identifying experience on similar projects with other banking teams and external lessons with other MDBs. (see section 2.8.2 for details on lessons learned dissemination)

2.3 PROJECT IMPLEMENTATION

During project implementation, normal project supervision and monitoring takes place and the bankers are sometimes assisted by an industry expert. Monitoring reports (MRs) are prepared by the operation teams on a regular basis to report on a project's progress, incorporating the experience in project implementation. Since early 2003 a transition impact monitoring system (TIMS) has been maintained which complements the credit review system.

Staff in the Banking Department review and file all client reports obtained according to reporting requirements in a project's legal documentation, along with information obtained during project monitoring visits. According to the procedures in document BDS03-25 Review of Credit Process, 22 April 2003, the operation teams prepare MRs, twice-yearly for private sector and yearly for state sector operations. The MRs provide information on project progress (and

² Management and the Board of Directors will review the outcomes of the pilot country strategy evaluation to assess the usefulness of the exercise to the Bank.

transition impact) and highlight key issues for Staff involved in the operation process to take immediate action due to emerging or acute problems. OCE, in close cooperation with the banking teams, under the TIMS, reviews fulfilment of transition impact objectives formulated at project appraisal and assesses the associated risk to transition potential and the possible risk mitigating factors. If justified OCE upgrades or downgrades these ratings which have been assigned ex ante.

Due to PED's independent position, Evaluation Staff are not involved during the project implementation stage. However, PED identifies lessons on project implementation when carrying out evaluation reviews on projects ready for evaluation and channels these lessons back to Staff involved in the operation process to improve project implementation. Although, in selected cases when an operation's implementation prospects are considered critically important, PED can, for instance, at the request of the Banking Department, conduct a special study in the form of a mid-term review (MTR)³, PED also reviews the outcomes of TIMS on a project-by-project basis when projects are ready for evaluation. In addition, PED reports in the AEOR (see section 2.6) on the functioning of TIMS in the form of a performance review of the system based on a sample of projects.

THE SELF-EVALUATION PROCESS

2.4 PROJECT COMPLETION

2.4.1 Project completion of investment operations. Only those projects which are substantially completed are subject for evaluation. In respect of non-financial institution operations, a project is considered “ready for evaluation” or “having reached early operating maturity” if the project financed will have generated at least 18 months⁴ of operating revenues for the company after last disbursement of loans and at least 24 months of operating revenues after last disbursement of equity participations. In addition to the constraints already cited, 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.

In cases where financial institution projects have identifiable sub-projects financed by the Bank, operations are deemed to have reached “early operating maturity” when: (a) for lending operations, at least 18 months shall have elapsed after final disbursements of the loan, and (b) in case of investment funds, substantially all of the projects financed will have generated at least 12 months of operating revenues.

When a project is ready for evaluation, the operation team prepares a self-evaluation document, the Expanded Monitoring Report (XMR). The XMR builds on the basic monitoring report (MR) by adding information requirements that are relevant for a self-evaluation document (i.e. relating to achievement of objectives, environmental performance, transition impact, lessons learned generated and overall assessment). The XMR, having the character of a project completion report, substitutes the MR that is due for that specific period. PED covers all operations ready for evaluation for which an XMR was produced, either through detailed or less detailed evaluation exercises or through assessing or reviewing XMRs. Appendix 3 presents details on

³ Carrying out MTRs is also referred to as “real-time” evaluation.

⁴ To comply with the Good Practice Standards of the Evaluation Cooperation Group, the time to start a post-evaluation exercise has been extended from 6 to 18 months.

the selection and sampling of projects for evaluation. PED also checks the operations that were cancelled or prepaid before an evaluation took place. PED agrees with management of the Banking Department about the timing of the XMRs to be prepared by the Operation Leader thereby taking into account that the due dates of the XMRs are spread evenly throughout the year. This is important to secure an even workload during the execution of PED's work programme.

To make sure that PED does not miss out on projects for evaluation that the Banking Department considers not to be ready for evaluation, the Corporate Director for Evaluation reviews PED's list of ready operations with the Director of the Risk Management Department (RM) and the Director of the Portfolio Credit Review Unit. This interaction with RM whereby PED's list is compared with the list containing all those operations that the Banking Department considers ready for evaluation makes an optimum use of RM's knowledge of the Bank's portfolio.

2.4.2 Preparation of XMRs and lessons learned memoranda. The Operation Leader (OL) prepares the XMR when due. The environmental section of the XMR must be agreed with the ED. For projects on which an XMR is produced, the OL carries out a field visit to the country of operation to improve knowledge of the project and to enhance XMR quality. During the visit the OL obtains the company managers' insight and assesses project outcomes. Discussions will take place with relevant parties (MDB staff, company employees and auditors, suppliers, customers, competitors, bankers and any relevant government officials, industry associations and local NGOs). The XMR is composed of two sections:

- (a) one section refers to the content of the MR containing all the monitoring issues such as highlights of implementation and operational experience to date based on the supervision record. For the XMR, the MR section should be more elaborate and PED gives guidance to bankers respectively;
- (b) the other section is the "expanded" post-evaluation part of the XMR. It contains a review of the project's transition impact⁵, explains the difference between appraisal performance indicators and actual outcomes and requires an overall assessment of the operation and highlights the lessons learned as a result of the self-evaluation process.

The electronic version of the XMR allows for all relevant departments⁶ in the Bank to sign-off electronically on the XMR, including the sector or country team director. If one of the departments signing-off on the XMR disagrees with the content of the XMR, it will be noted in the XMR text in the appropriate place. The XMR will specify when the OL's XMR visit took place and who participated in the mission. A copy of the latest XMR template is attached as Appendix 5.

These XMRs are the Bank's basic self-evaluation products for accountability of project performance prepared by the Operation Leader. They provide the building blocks for detailed evaluation reviews as part of an effective and efficient post-evaluation process. PED gives guidance to the Staff in the Banking Department on the preparation of the XMR to promote consistency and objectivity in execution scope, analysis and ratings. PED's respective suggestions are incorporated in the electronic version of the XMR through drop-down lists of relevant subjects and examples. To help Evaluation Staff and Staff in the Banking Department with consistency in the performance evaluation rating process, Appendix 1 of this report

⁵ Applying the seven transition indicators to the level of the company, the industry and the economy as a whole. See Appendix 2 for the latest version of the list with the transition indicators that help measure transition impact.

⁶ Apart from PED, the Banking Department, OGC and the Environmental Department (ED) sign-off on the XMR.

contains an overview on benchmarking the performance indicators including transition impact. Evaluation Staff give guidance to the Staff in the Banking Department in preparing the XMRs to enhance the efficiency and quality of the XMR production. This is achieved through targeted workshops or bilateral contacts with Staff in the Banking Department. During these contacts the steps of the most efficacious XMR preparation process are discussed and good practice examples of XMRs are presented.

All XMRs are discussed in a credit review meeting organised by the Risk Management Department. In these meetings, which are chaired by Staff of Risk Management, the respective OL, a representative of OCE and ED, and the respective evaluator and/or senior economist from PED participate. If the OL or monitoring OL is located in one of the Bank's ROs a conference call link is established. Other Staff involved in the operation process that have been involved in project preparation of the project can also attend the review meeting.

For signed operations that are cancelled before a disbursement has taken place, the Operation Leader prepares a Lessons Learned Memorandum (LLM), within three months of the cancellation. The LLM presents the lessons learned and highlights the reasons why the operation was cancelled. Evaluation Staff reviews the LLMs to identify important lessons learned. For operations which were cancelled and where some disbursements had already taken place, the Operation Leader produces an XMR, also within three months of the cancellation. In respect of fully pre-paid operations where no full post-evaluation or XMR Assessment (see section 3.4.4 below) has yet taken place, the respective Operation Leader prepares an XMR three months after pre-payment. Evaluation Staff review these XMRs to verify the scope, responsiveness, evident reliability of the analysis, impartiality and consistency in ratings judgements, and appropriateness and completeness of the identified lessons and assess overall XMR quality. Evaluation Staff incorporate relevant lessons learned, together with important lessons from the LLMs in PED's Lessons Learned Database. These cancelled and pre-paid operations on which an XMR is prepared are to be added to the sample of projects ready for evaluation from which the Corporate Director for Evaluation will choose when establishing the evaluation programme for the next year.

DIRECT EVALUATION OF INVESTMENT OPERATIONS

2.4.3 Preparation of OPER and in-depth OPER reports. Evaluation Staff conduct an independent evaluation review of selected operations⁷ on which an XMR has been produced as a basic Operation Performance Evaluation Review (OPER) report or in a more in-depth form as an In-depth OPER report depending on PED's work load and the characteristics and complexity of the operation.⁸ PED concentrates, as part of its quality management function, on identifying quality lessons learned from as many investment operations ready for evaluation as possible. In 1996, PED started carrying out XMR Assessments (see section 2.4.4 below), which allowed the department to maintain an adequate evaluation coverage ratio (see section 2.4.5 below).

⁷ For selecting projects for evaluation PED takes a purposive sample of projects (on which an OPER report will be produced) amongst the operations ready for evaluation on the basis of selection criteria such as: adequate sector and country coverage; generating lessons; high-profile and size of the investment. From the same population of projects PED takes a random sample of operations on which an XMR Assessment (XMRA) is carried out. In reporting annual success rates PED combines the OPER and XMRA findings using a stratified sampling methodology. (see Appendix 3 for the sampling methodology and the full list of selection criteria). The size of the two samples depends on the evaluation coverage ratio as presented in section 2.4.5 below.

⁸ Whereas the time spent by Evaluation Staff on preparing OPER reports on average amounts to approximately 25 working days, the time involved in preparing in-depth OPER reports is approximately 45 working days.

As part of PED's accountability function a judgement is made of a project's success on the basis of key evaluation performance indicators presented in the box below.

MEASURING EVALUATION PERFORMANCE

Mandate-related indicators:

- *transition impact*
- *environmental performance and change*
- *the Bank's additionality*

Sound banking principles-related indicators:

- *project and company financial performance*
- *fulfilment of project objectives (other than transition-related objectives)*

Bank effectiveness-related indicators:

- *the Bank's investment performance*
- *Bank handling of the operation*

These seven performance indicators are the basis for PED to assign an **Overall Performance rating**⁹ to an operation which is post-evaluated. In Appendix 1 the rating methodology is presented showing the Overall Performance rating system¹⁰ and the composite performance categories. Indications of benchmarks used during the process of rating projects are also presented. During the evaluation process, project outcomes for each of the indicators are assessed on a "with" versus "without" project basis.

As many of the Bank's public sector operations are in fact organised and run as corporations, and are mirrored on the private sector, there are few differences between the way in which a post evaluation of a private sector project and a public sector project are carried out. However, project implementation, procurement issues and issues of sector policy do get special attention in an evaluation exercise of a public sector project.

Apart from reaching a judgement on the performance of each project based on the above described evaluation performance criteria, in the context of the accountability objective of the evaluation function, the OPER reports also highlight in a separate section specific issues and lessons learned to satisfy the quality management dimension of the basic evaluation objectives. Sometimes specific recommendations are formulated.

2.4.4 Carrying out XMR Assessments and Reviews. For those operations that are ready for post evaluation and for which an XMR has been produced and for which no OPER report or an In-depth OPER report can be produced (see section below on evaluation coverage) the Evaluation Staff carry out an XMR Assessment (XMRA). An XMRA is a short desk review during which the operation file and key issues are discussed with the Operation Team. An

⁹ Apart from the Overall Performance rating presented here, a "transition outcome" rating (reflecting results on the ground), focussing on the mandate related indicators, exclusive of the Bank's additionality and the Sound Banking principle-related indicators, is assigned as well. This is done to make the outcomes of EBRD's rating system more comparable with the outcomes of the performance evaluation systems of other MDBs.

¹⁰ The synthesis rating for the three dimensions (mandate, sound banking and Bank effectiveness) reflect summary qualitative performance judgements based on the underlying indicator ratings. They are not simple averages of the indicator ratings.

XMRA takes Evaluation Staff in principle 3-4 working days. These assessments aim at enhancing the quality of the lessons learned in the XMRs generated by the bankers-driven self-evaluation process, so that these lessons can be incorporated into PED's lessons learned database. The Overall Performance rating of the XMR, following the same rating methodology as presented in section 2.4.3 above¹¹, is validated by PED and new ratings are assigned if warranted. As part of this assessment, Evaluation Staff review with the respective Staff in the Banking Department the basis for PED's rating judgements in particular where the ratings differ. On all projects ready for evaluation for which no OPER exercise is carried out or no XMRA is done, PED will carry out an XMR Review. For an XMR Review Evaluation Staff review the quality¹² of the XMR and through discussions with the operation team tries to enhance its quality. These XMR Reviews take Evaluation Staff in principle half a day. In case of an XMR Review, because of the relatively limited time spent by PED Staff in reviewing the quality and findings of XMRs, the respective ratings are not validated and amended by PED.

2.4.5 Evaluation coverage of investment operations. Until the end of 1997 when the Bank's portfolio of projects had not reached the size it has today, all projects that were identified as ready for evaluation could be evaluated by PED. As it was the intention of the Bank to maintain an efficient and effective evaluation function, the focus has been to develop an evaluation system that would be based on a sample of projects "ready for evaluation" or having reached "early operation maturity". However, the size of the sample should be large enough to generate a sufficient number of quality lessons learned and to present an adequate level of representation to be able to reach more general conclusions on the portfolio as a whole. In 1997 it was decided by the Bank that a coverage ratio of at least 50 per cent of projects ready for evaluation should be maintained as a minimum ratio. However, ECG's Good Practice Standards (GPS) on private sector operation require under "transitional good practice that the minimum annual coverage ratio should be 60 per cent". This coverage ratio takes into account projects on which an OPER report has been prepared and on which Evaluation Staff have done an XMRA. This level of evaluation coverage is incorporated in the GPS to preserve an adequate representativeness of the total sample. At the present time the relationship between inputs and outputs at the level of the department allows PED to reach a cumulative evaluation coverage ratio of 76 per cent while the annual evaluation coverage ratio amounts to 66 per cent. In Appendix 3 the methodology for selecting projects for evaluation is presented.

2.4.6 Project work-outs and impaired investments. Most of the Bank's work-out operations, as part of the group of classified investment operations, become the responsibility of the Staff in the Bank's Corporate Recovery Unit (CRU) which unit reports jointly to the Risk Management Vice President and the Banking Department First Vice President. The timing of evaluation activities of work-out projects is delicate as an evaluation may interfere with ongoing recovery work and because the Bank tries to exit from these investments at the least possible cost. Therefore, the selection of such operations for evaluation and the timing of the evaluation exercises are done in close cooperation with CRU. In case of unexpected developments evaluation missions in respect of impaired operations can be postponed.

¹¹ In an annex to the XMR, the QL presents the financial and economic rate of return derivations, if relevant, with transparent assumptions and cash flow statements. The XMR will also contain clear statements on a project's environmental performance and change, thereby referring to workers health and safety, pollution load and energy efficiency status, a project's environmental management and the level of public consultation.

¹² When assessing the quality of XMRs the following elements will be assessed by the evaluator: (a) scope responsiveness; (b) reliability of the analysis; (c) impartiality and consistency in rating judgements; (e) appropriateness and completeness of the identified lessons.

When a project is handed over by an operation team to CRU the respective Staff in the Banking Department will prepare an XMR. As the basis for the evaluation of impaired operations, PED will use these XMRs, as well as subsequent internal reports produced by Corporate Recovery Staff during the work-out. Both the XMR and subsequent work-out progress reports will include lessons learned. Work-out Completion Reports (WCR) will be requested to include comprehensive lessons learned on the experiences gained during the work-out. As impaired projects provide important sources of lessons learned, PED will continue its focus on post-evaluating operations with risk rating 7 or worse. PED's Work Programme for 2004 confirms this focus and stipulates that for the Overall performance rating a weighted outcome will be used in order not to create a bias towards impaired operations.

2.4.7 Client involvement. The involvement of the Bank's clients in the evaluation process concentrates on providing the necessary support during field visits, thereby providing Evaluation Staff with all possible information (e.g. financial, marketing and technical) and facilitating the necessary contacts with customers, suppliers, auditors, local authorities, etc. PED values highly the feedback of clients on how they feel the Bank has performed and incorporates this client feedback in the evaluation reports. Whether to seek comments on evaluation reports from clients who contributed to the evaluation process depends on the type of project. In the case of private sector projects, to allow PED to be as candid as possible in the presentation of its findings, comments from clients on evaluation reports are usually not sought. It is left to the operation teams to decide whether to share the evaluation results with clients. In the case of public sector operations the borrower may be invited to provide comments.

EVALUATION OF TECHNICAL COOPERATION (TC) OPERATIONS

2.4.8 Project completion of technical cooperation (TC) operations. The Bank carries out TC operations that focus on hiring consultants for the preparation of Bank projects or on the transfer of know-how in cases where specific knowledge is not available with the borrower or in other cases where the use of grant funds is warranted. These funds are mainly provided through the Bank's Technical Co-operation Fund Programme (TCFP), containing a variety of donor trust funds. As these funds are given in trust, the Bank has an important accountability obligation towards the donors on the use of these funds.

Staff in the Banking Department produce a Project Completion Report (PCR) at the time of completion of a TC operation, within 3 months of the earlier of (i) receipt of the consultant's final report or (ii) final disbursement or cancellation of the balance of the funds involved in a TC operation. Staff from the Official Co-financing Unit (OCU) review the quality of all PCR documents and feed back the respective findings to the operation teams to enhance PCR quality. This work is assisted by an IT-based PCR progress reporting quality assurance system.

In order to enhance the quality of the preparation of PCRs, Evaluation Staff selects in total 20 TC operations per year on which a PCR Assessment will be carried out. A PCR Assessment comprises a short desk review during which Staff in the Banking Department will be consulted and short file reviews be made. The PCR Assessments focus on: objectives, task, risk and mitigating factors, Bank handling, client's performance, consultant's performance, assignment in relation to overall assessment, donor visibility, identification of additional TC assignment, know-how transfer, transition impact and completeness of overall assessment. The general findings of the PCR Assessments activities of PED are presented in the form of a special study and the results of the analysis can be incorporated in a annual TC report for Bank internal and external consumption jointly produced with OCU.

Evaluation Staff make a selection among the group of large TC operations for preparing in total six operation performance evaluation review (OPER) reports during the year. Of these six OPER exercises Evaluation Staff will use consultancy services in a supporting role during three exercises. Three of the six TC evaluations will comprise In-depth OPER reports. The selection is made in consultation with OCU and other Bank units as deemed appropriate and may also take into account requests by TC donors as well as members of the Board of Directors and senior management. Further selection criteria are whether a TC operation can generate interesting lessons learned material, the represented sector's importance within the Bank's overall portfolio and PED's Work Programme. In executing the evaluation exercise of a TC operation, the Evaluation Staff communicate actively with the client/recipient of the TC and in most cases a field visit is carried out.

Apart from the evaluation of TC operations as described above, TC operations are also subject to evaluation when PED carries out special studies on themes and sectors. The results of the TC evaluations are shared with the respective donor countries.

INDIRECT EVALUATION

2.5 SPECIAL STUDIES

2.5.1 Project- and programme-related special studies. Direct evaluation of key Bank programmes, mid-term reviews (MTRs) of existing Bank projects or evaluation progress reviews (EPR) on the progress with projects since they were evaluated several years ago, can be important sources of lessons learned. These studies can be carried out at PED's initiative or at the request of the Board of Directors and/or senior Bank management.

Evaluation Staff carry out special studies that evaluate key Bank programmes, MTRs concerning existing Bank operations (credit lines or other operations) or EPRs through re-visiting operations already evaluated in previous years. These studies can sometime result in improving project implementation based on experience gained. Special studies in general often refer to a variety of technical cooperation operations that were essential in setting up the programmes or projects.

2.5.2 Impact and thematic evaluation-related special studies. Impact Evaluation is a special type of evaluation (indirect evaluation) which examines the actual impact and effects of projects and thereby attempts to distil lessons of experience in a certain sector or country. In case the evaluation concentrates on a special topic referring to a group of projects, the results of the evaluation will be presented in a thematic synthesis study. In case of sector studies the evaluation work can concentrate on evaluating the Bank's sector operations policies applicable to a certain sector. These studies can also be carried out at PED's initiative or at the request of the Board of Directors and/or senior Bank management.

Evaluation Staff are responsible for carrying out impact and thematic evaluation special studies. These types of evaluations are carried out on groups of projects operating in the same sector or country to allow the preparation of sector synthesis reports or country synthesis reports (see section 2.1 and next section). Examples of thematic evaluations are the analysis of transition impact or environmental impact related issues in groups of projects or countries. Special themes can also relate to procurement, supervision/monitoring of projects, delays in implementation, cost over-runs, etc.

2.5.3 Country strategy evaluation reports. During the preparation of the country strategy evaluations, Evaluation Staff work in close collaboration with Staff in OCE and in the Banking Department (including Resident Offices) who provide their views on past strategies, as self-evaluation is encouraged in the process. The country strategy evaluation pilot study referred to in section 2.1 above is to be reviewed by ExCom before it is sent to the Board for review and discussion. Under the CSE Evaluation Staff assesses:

- Whether the challenges of the strategies were properly identified; and
- To what extent the stated objectives in a strategy matched the challenges that the country and the Bank were facing;
- Strategy implementation;
- Environmental standards;
- Long-term impact of the strategies: progress towards fully functioning market in a democratic framework.

Where PED carries out a country strategy evaluation, the outcomes are used when management prepares the next strategy. The timing of the preparation of the respective reports will be properly planned among the Banking Department, OCE and PED. Country strategy evaluation exercises could be done in cooperation with other MDBs active in the region.

EVALUATION SYNTHESIS REPORTING AND WORK PROGRAMME

2.6 THE ANNUAL EVALUATION OVERVIEW REPORT (AEOR)

Evaluation Staff produce an AEOR in which PED reports on its evaluation findings and presents an analysis of the performance of projects evaluated during the year, which includes a synthesis of PED's findings from all validated XMRs and OPERs generated and reviewed during the year. Comparisons are made between outcomes of the group of projects evaluated in previous years to show how performance is evolving. The projects are judged against the same key performance criteria as applied in the OPER reports (see section 2.4.3 and Appendix 1). For each rating dimension and indicator, the AEOR shows the proportion of the evaluated sample in each performance rating category. In a separate Appendix the report presents detailed outcomes of performance indicators thereby providing a synthesis of the rating patterns and their cross-cutting performance drivers under each indicator. The document provides adequate information to make the reader aware of possible biases in the sample of projects covered by the annual review. PED will highlight the rating criteria and benchmarks in the report by making reference to this evaluation policy review document which will be posted on the Bank's website. PED also reports in the AEOR on the quality and efficacy of the evaluation system, including the self-evaluation system, any gaps in coverage of the Bank's operations, the work of PED and the generation and application of lessons in new operations.

The AEOR highlights thematic lessons and/or specific OPER lessons learned gathered during the year. It presents the findings of reviewing the XMR Assessment process thereby giving assurance to management and the Board that past experience is used on a wide basis. The AEOR also presents key quality management suggestions that give guidance to senior management and the Board of Directors for improvements in a wide range of key areas for the Bank. PED reports in the AEOR on conclusions reached by the Audit Committee, presented in the minutes, reporting on their deliberations in respect of evaluation reports which are reviewed periodically by the Committee. (see section 2.8.1)

The AEOR also aims at reaching generic findings and lessons that have a wider connotation than just the projects from which the findings are gathered. The findings presented in the report can

also have consequences for the Bank's strategic orientation, in particular as it refers to transition impact related issues. In this respect PED can review the MTS updates and other strategy-related documents so that specific evaluation-related findings can be brought to the attention of Staff in the SCPB department responsible for the preparation of these updates.

Management prepares and submits to the Board, for simultaneous consideration with the AEOR in an Audit Committee meeting and a full Board of Directors meeting, a Management Commentary paper on the AEOR which responds to the recommendations and findings.

2.7 PED'S WORK PROGRAMME

PED's annual Work Programme reports present the way in which investment operations and technical cooperation operations are selected for evaluation. For these categories of operations it also highlights the number of projects ready for evaluation that will be evaluated during the year with different degrees of evaluation intensity: through OPER reports, in-depth OPER reports, XMR Assessment and XMR Reviews. The reports also present the selection of special studies which is based on suggestions from Management, the Board of Directors and PED.

The report on the Work Programme prepared in the fourth quarter each year focuses on the business plan for the following year. The report prepared in the first quarter of the following year, apart from the selection of projects for evaluation, reviews the completion of the Work Programme of the previous year to give account to management and the Audit Committee how and to what extent the Work Programme was completed. The Audit Committee reviews the Work Programme documents and gives advice to the Corporate Director for Evaluation. However, the final decision on the content of the Work Programme will be taken by the Corporate Director for Evaluation.

LEARNING LESSONS FROM PAST EXPERIENCE

2.8 REPORTING ON AND DISSEMINATION OF LESSONS

2.8.1 Distribution of evaluation reports. In order to maximise the effects of PED's quality management-related findings and to enhance the results of its accountability function, it is essential that evaluation reports are distributed to Staff involved in the operation process, senior management and the Board of Directors. It is important for the institution that the evaluation process is as open and transparent as possible and that the results are widely available in order to demonstrate that the Bank's output is subject to independent review with proper accountability.¹³ However, in this process it is very important that confidentiality of information on private sector operations is adequately guaranteed.

In view of the above, all OPER reports on investment operations and special studies are available to all Staff involved in the operation process to be used in the performance of their duties¹⁴. PED sends a hard copy of these documents to senior management and the Operation Team and an e-mail with a link to the report on PEDnet (available on the Bank's intranet) is sent to a selected group of managers in the Bank. Electronic copies can be obtained by all Staff

¹³ Independent review with proper accountability by PED on a project by project basis is not in conflict with the Bank's independent recourse mechanism (IRM).

¹⁴ However, the OPER reports on private sector operations, where a confidentiality agreement was concluded with the sponsor/borrower are available on a more restrictive, need-to-know basis.

involved in the operation process on PEDnet. The OPER reports and special studies contain a preface in which it is stated that the operations team of the specific project has been consulted on an earlier draft of the report and that the Secretary General of the Bank has been consulted on the final draft of the report. Board summaries of OPER reports edited for commercial confidentiality in cooperation with the Banking Department are distributed directly by the Corporate Director for Evaluation to the Board of Directors. Full OPER reports on investment operations are available in PED for review by Directors, or a confidential copy can be obtained by Directors for review for a period of in principle one week. All TC-related OPER reports are distributed directly in full by the Corporate Director for Evaluation to the Operation Team, Senior Management and to the Board of Directors. The TC-related OPER reports contain the same type of preface as the OPER reports on investment operations and special studies. As is the case for OPER reports on investment operations, the same group of managers in the Bank is sent by e-mail the link to the OPER report on PEDnet.

Evaluation Staff contribute to special meetings of the Audit Committee on projects. The Committee schedules in total three sessions per year during which selected OPER reports on investment operations are discussed. Several of the Committee's members review the full evaluation reports in detail in order to identify key issues for discussion. In this way, the Audit Committee provides important feedback to management and PED on the content and quality of a selection of PED's outputs.

The AEOR is submitted directly by the Corporate Director for Evaluation to the President and the Board of Directors before the report is discussed in the ExCom. The AEOR is reviewed and discussed in the Audit Committee and, based on a report by the Chairman of the Audit Committee, discussed in a meeting of the full Board of Directors. In September each year the AEOR is sent by the President to the Board of Governors together with Management's Commentary on the AEOR indicating the follow-up to the recommendations of the AEOR.

The reports on PED's Work Programmes as presented in Section 2.7 are sent directly by the Corporate Director for Evaluation to the Executive Committee for discussion in ExCom, prior to dispatch to the full Board of Directors for discussion in the Audit Committee. The Corporate Director for Evaluation can amend the Work Programme documents if the Corporate Director feels that amendments are warranted. After possible amendments, the Corporate Director sends the Work Programme document directly to the President and the Board of Directors for review in the Audit Committee.

2.8.2 Dissemination of lessons learned.¹⁵ One of PED's main tasks is to make sure that the lessons learned from evaluation reports are widely disseminated in the Bank and adequately used in the preparation of Bank projects. The followings activities can be identified in which Evaluation Staff communicates with other staff in the Bank on lessons learned:

- As Operation Staff, according to the Operations Manual, must use lessons learned from past experience in Bank projects, direct contacts take place with operation teams on lessons learned during the process of project preparation. A process has been established whereby PED provides comments at concept review to the OpsCom to advise bankers to consult lessons learned material from evaluated projects relevant to the projects under preparation

¹⁵ Lessons should be concise, prescriptive, and placed in the context of a material issue that was encountered in the evaluation so that its relevance to new operations can be determined easily, on a stand-alone basis.

- and to introduce them to possible bottlenecks or themes identified in other projects that might have some relevance for the respective projects;
- Organisation of lessons learned workshops for Staff in the Banking Department (including in resident offices) with the aim of promoting and discussing evaluation findings and lessons learned.
 - For an adequate distribution of lessons learned, PED also maintains an on-line lessons learned database (LLD) to which Staff involved in the operation process have easy access.

In order to make sure that the lessons learned process has worked, during the various stages of the project cycle (at Structure Review and Final Review) Evaluation Staff check whether the lessons learned have been adequately used. In this respect PED makes a judgement on the quality of sections in Board Reports on “Lessons Learned from Past Experience”. PED e-mails its opinion on the quality of the mentioned sections to members of the OpsCom secretariat before each OpsCom meeting. Staff in the Banking Department involved in the preparation of the projects are copied on this e-mail. In case PED is of the opinion that a section lacks the necessary quality, the section has to be rewritten.

PUBLIC ACCOUNTABILITY

2.8.3 Publication of Evaluation reports and lessons

(a) Which evaluation reports are published?

As stipulated in the Bank’s Public Information Policy (PIP) the Bank will release and post on the Bank’s website certain evaluation reports prepared by PED, subject to editing on commercial confidentiality. The following documents will be disclosed:

- **Summaries of operation performance evaluation review (OPER) reports.** Summaries of OPER reports on investment operations will be put on the Bank’s website. In view of the commercial confidentiality requirements, the names of the companies and the respective sponsors will not be disclosed. Neither the name of country nor the region will be mentioned if this information could lead to the identification of the client company. In order to preserve commercial confidentiality for projects with a high profile, where project particulars cannot be easily disguised, an exception has to be made and a summary of the OPER report will not be disclosed.
- **Evaluation Special Studies.** Evaluation special studies prepared by PED on themes, sectors, programmes, etc. will be disclosed on the Bank’s website in full. The documents, however, will be edited in order to avoid the identification of client companies and to preserve confidential information.
- **OPER reports on TC operations.** OPER reports on TC operations will be published on the Bank’s website in full. Also these reports will be edited so as to avoid the identification of client companies and to preserve commercial confidentiality.
- **The Work Programme of PED.** PED’s annual Work Programme will be published on the Bank’s website in full. The document will be edited in order to avoid the identification of client companies and to preserve commercial confidentiality.

- **The Annual Evaluation Overview Report (AEOR).** The AEOR will be published on the Bank's website. The document will be edited in order to avoid the identification of client companies and to preserve commercial confidentiality.

(b) Consultation process within the Bank:

Prior to disclosure of any evaluation report PED will consult the respective Staff in the Banking Department and Staff in the Office of the General Counsel (OGC) to screen the reports in order to secure the necessary commercial confidentiality.¹⁶

(c) External lessons learned database

To further enhance the Bank's accountability PED is developing an external lessons learned data base on EBRD's Website which can be accessed by the general public.

3. EVALUATION METHODOLOGY

3.1 ANALYSIS OF KEY PERFORMANCE INDICATORS

The basic methodology for carrying out a project evaluation is the methodology that is used for its appraisal. Operations ready for evaluation will be judged against the Bank's mandate and therefore important issues such as transition impact, environmental performance, sound banking principles and the Bank's additionality require special attention during the evaluation process (see also Section 2.4.3 and Appendix 1 for rating categories of performance indicators and benchmarks). Post-evaluation of operations requires agreed objectives and performance criteria. It is therefore crucial that the criteria against which completed projects are to be assessed should be as clear as possible ex ante, at appraisal, for these will be the performance benchmarks with which comparisons are made ex post. A continuous task of PED will be to ensure that the information and methodology of appraisal will make post-evaluation possible. In many cases, objectives and performance indicators will be measurable and unambiguous. In some cases, however, they can only be qualitative. For instance, measuring transition impact at appraisal might not always be easy; however, it is important that Staff in the Banking Department with the help of Staff in OCE make all possible efforts to specify the transition indicators through which transition impact is measured.¹⁷ The transition monitoring system TIMS which is integrated with the Bank's portfolio management system became operational early 2003. This has resulted in the formulation of clearer transition objectives ex ante, with an improved assessment of the

¹⁶ Additional information on the internal editing process: (a) should the deliberations between PED and the Banking Department and OGC on issues of commercial confidentiality in a summary of an OPER report require consultation with the client, this would be a trigger not to publish the report; (b) the staff to be consulted in both the Banking Department and OGC are: (1) on investment and TC operations, the respective Operation Leader and the OGC lawyer assigned to the project; (2) for Special Studies, the team involved with the subject of the special study or if no specific team can be identified the Chair of the OpsCom Secretariat; (3) for PED's Work Programme and the AEOR the Deputy General Counsel, or an OGC lawyer assigned by him.

¹⁷ While ex ante a project is judged on its transition impact potential and perceived risk to realise the transition potential (a rating is provided by OCE since 1999), other important factors such as financial strength, additionality, development aspects (sometimes regional or social), environmental performance, etc. are taken into account implicitly by management and the Board of Directors when judging projects, in the absence of a specific rating. Post-evaluation has the benefit of applying a strict set of performance indicators, which cannot be measured ex ante. The relative strength of a project ex ante is, however, based on perceptions of management and the Board of Directors how the project will score on the indicators that are perceived to play an important role in the project. For the evaluation policy it is important that judgements are made by PED on the basis of objectives formulated at appraisal in respect of overall project objectives and in respect of transition impact. Sometimes implied objectives can be taken into account if they turn out to be important for a project's success.

risk to realise transition impact. This will greatly help to enhance the quality of evaluating transition impact ex post.

3.2 TIMING OF PROJECT EVALUATION

To make sure that the Bank learns lessons from projects which have applicability for the projects that the Bank is currently preparing it is important that projects are evaluated relatively early in their lives. As mentioned in section 2.4.1 above projects are evaluated 1.5-2 years after last disbursement. This urgency in deriving lessons from projects also facilitates consultations with Bank staff that were responsible for project preparation and implementation and in addition enhances the lessons learned process. If the evaluations would take place much later, Members of the Operation Team might have left the Bank and also responsible managers on the side of the Bank's client might not be available any longer.

If warranted PED can revisit a project later in its life to carry out an evaluation progress review. (see section 2.5.1)

3.3 CONDUCTING EVALUATION EXERCISES

3.3.1 Evaluation field missions. An important part of PED's evaluation work is carried out through direct evaluation of projects ready for evaluation. To maintain an acceptable report quality, in principle, field missions are carried out in all cases where an OPER report is prepared. During field missions Evaluation Staff consult or visit all key sources of information on the project, such as the company/project management, external auditor, the local law firm who gave the legal opinion, relevant local authorities and if possible and/or relevant some of the company's customers and suppliers. Sometimes it is also important to have contact with competing companies. Evaluation exercises are conducted in close cooperation with the Staff involved in the operation process, in particular in the Banking Department. Evaluation Staff have access to all relevant project data and parties involved, notably including project sites and related facilities and will be informed by the Members of the Operation Team adequately of any new events or facts which emerge during the time an evaluation exercise takes place. Although evaluation missions are mostly composed of Evaluation Staff and their consultant(s), in some cases Members of the Operation Team involved in project preparation, implementation and monitoring can take part in the mission. If a project is co-financed by another MDB, the post-evaluation of the project can be done jointly with the MDB partner in the project. Operations with a financial involvement by donors (grants or co-financing) can be jointly evaluated with the donor. During field missions, contacts with NGOs are sought when relevant. For other evaluation deliverables, such as XMR Assessments, no field missions are required by Evaluation Staff, short desk studies suffice. However, as mentioned in section 2.4.2 above, for the preparation of the XMR, a field visit has to be made by the respective Operation Leader. Special studies and other evaluation reports usually require field visits.

3.3.2 Evaluation of projects in work-out situations. In cases where the corporate recovery unit (CRU) in the Risk Management Vice Presidency is carrying has a work-out in progress or has just completed a work-out, and access to the project is still possible, a field visit will be carried out. When a field visit to the project is difficult or has limited relevance due to legal or other circumstances, the evaluation might have to concentrate primarily on a Bank headquarter-based review in selected cases supported by advice from an industry expert (see also section 2.4.6 above). However, in these cases Evaluation Staff can consider in consultation with CRU to

visit local authorities or having meetings with other local sources on the evaluation. PED will inform the Board of Directors about those cases where a field visit was not possible because of circumstances surrounding the work-out.

3.3.3 Skill mix of Evaluation Staff. Conducting direct evaluation of ready operations requires a specific skill mix on the side of the evaluation manager to carry out the work satisfactory, which is normally found with professionals that have many years of banking experience. This is why the work in PED has been increasingly conducted by more senior staff, i.e. senior evaluation managers. The interaction with the Bank's clients during the visits to the field and extensive interaction of Evaluation Staff in a controlling and lesson learned fashion with the Staff in the Banking Department responsible for a project requires a great deal of experience on project finance and development financing gained preferably in the Bank's countries of operations on the side of the Evaluation Staff. Complex situation, occurring when projects are evaluated where developments are not according to expectations and where serious problems may lead to a situation where the Bank's money being at risk, require Evaluation Staff with wide experience and skill mix as mentioned above. Over the years, during the recruitment of PED Staff the above considerations have gradually increased in priority.

3.3.4 Using consultant expertise. To enhance the quality of the evaluation reports on investment operations, especially from a technical and/or marketing point of view, in about 50 per cent of OPERs and 2/3 of In-depth OPERs PED hires industry experts for short periods of time to assist the Evaluation Staff during the evaluation exercises. This allows for a thorough evaluation of all aspect of a project and provides the operation teams with guidance on project issues sometimes of a more technical nature that might need immediate attention. However, consultants hired by PED, in principle, always operate in an advisory capacity, also when contributing to evaluation special studies. Some exceptions have been made over the past years when consultants produced stand-alone documents. This occurred when PED evaluated programmes of a highly technical nature (Nuclear Safety Programme and the Legal Transition Programme).

3.4 RECONCILING DIFFERENT OPINIONS ON A POST-EVALUATION EXERCISE

It is possible that Staff involved in the operation process responsible for project preparation, implementation and monitoring do not agree with certain evaluation observations and judgements. They may have one view of the experience, while the Evaluation Staff may have another view of the project's results and the lessons of experience. In practice, as the process is genuinely transparent and open to frank discussion, most differences are reconciled and the final text reflects the nuances involved. However, where disagreement persists at the end of the post-evaluation exercise, the dissent is registered in the final version of the evaluation report in the form of footnotes or an appendix, or in the form of a separate Management Commentary. If in the case of a public sector operation the possible consultative process with the borrower results in a different opinion on the evaluation findings, their views are treated in the same way as described above for the internal dissent process.

3.5 COOPERATION WITH OTHER MDBS

It is essential that PED taps into the wealth of accumulated evaluation material produced by similar organisations engaged in loan and equity financing, especially those active in the region. The contacts in the evaluation cooperation group (ECG), the forum in which the heads of

evaluation departments of the MDBs collaborate, are important in the process of sharing relevant external lessons. For private sector operations the Bank benefits from consulting relevant IFC evaluation synthesis reports and in respect of public sector operations from relevant evaluation findings from other MDBs. At times Staff in the Banking Department can communicate with other MDBs on lessons learned. In case another MDB evaluates an investment operation in which the Bank is financially involved, sometimes a joint evaluation can take place. On the evaluation of country strategies, as presented in section 2.5.3 above, close cooperation with other MDBs can be beneficial. Information sharing among MDB's evaluation departments on the internet (through a joint website) presents important opportunities for learning from each others' experiences and allows sharing work programmes and other evaluation reports.

The ECG also puts considerable emphasis on developing good practice standards (GPSs) on public and private sector operations. The GPS of private sector evaluation is particularly relevant for the Bank. The policy presented in this evaluation policy review paper to a great extent reflects the good practice standards adopted by ECG in June 2003. In Appendix 4 the comparison table used among MDBs, plus the EIB and the IMF to compare the evaluation practices and procedures as well as the position of the evaluation functions in the respective institution, is presented.

4. INDEPENDENCE OF THE EVALUATION FUNCTION¹⁸

The independence of the evaluation function is evidenced by the dual reporting lines of the Corporate Director for Evaluation to the President and to the Audit Committee of the Board of Directors. The position of the Corporate Director for Evaluation is one level below Vice President.¹⁹ As highlighted in the new Terms of Reference of the Audit Committee (BDS04-45) of 31 March 2004 in sections 3.1 and 3.2 the reporting to the Audit Committee materialises through reporting twice a year on PED's Work Programme as described in detail in section 2.8.1 above. As described in section 3.3 of the above mentioned Terms of Reference the Corporate Director maintains regular contacts with the Chairman of the Audit Committee. This is also in view of planning the review by the Committee of several OPER reports and special studies which takes place three times a year. In respect of hiring and firing of the Corporate Director the new Terms of Reference of the Audit Committee mention in section 3.4 that the Committee shall be consulted prior to the engagement of the Corporate Director of the Project Evaluation Department. The same section stipulates that the President shall take the decision to remove the Corporate Director of the Project Evaluation Department in accordance with guidance given by the Board in an Executive Session.

In view of PED's accountability function the AEOR is reviewed by the Audit Committee, and the Chairman of the Audit Committee reports in a Chairman's report on the discussions in Committee to the Board of Directors. The independence of the evaluation function is also accentuated by the distribution of evaluation reports by the Corporate Director for Evaluation directly to the President and the Board of Directors. To secure the lessons learned process a consultation process with the Secretary General is maintained on OPER reports and evaluation specials studies. Regarding the AEOR a peer review process takes place on the facts presented

¹⁸ See Note to the Board on "Independence of the Project Evaluation Department in the EBRD" (SGS03-264) of 1 October 2003.

¹⁹ The Good Practice Standards of the ECG state that the head of the evaluation department is at least at a level equal to that of operational department directors.

in that report. The Corporate Director for Evaluation talks with the Secretary General on the final draft of the AEOR. Such contact also takes place on PED's Work Programme documents. There is an important link between PED's Work Programme and the required budget to carry out its functions. The budget is prepared by the Corporate Director for Evaluation and the Secretary General is consulted on the budget proposal before it is submitted to management for consideration and incorporation in the total Bank's budget that will be presented to the Board of Directors. To operate at a satisfactory distance from operations and to have an adequate proximity to the Board of Directors, the Project Evaluation Department is located in the Office of the Secretary General.

EBRD's OPERATION PERFORMANCE RATING SYSTEM AT POST-EVALUATION

1. THE RATING METHODOLOGY

The **Overall Performance rating** is the composite of the following individual ratings.

- *Mandate-related indicators:*

- Transition impact
- Environmental performance and change
- The Bank's additionality

- *Sound-banking principle-related indicators:*

- Project and company financial performance
- Fulfilment of project objectives

- *Bank effectiveness-related indicators:*

- The Bank's investment performance
- Bank handling of the project

Weightings of indicators will vary with the sector/industry and country context, although Transition Impact will be one of the prime factors in judging a project's *overall performance*.

A separate rating, the "*transition outcome*" rating (comparable with the "*development outcome*" rating of other MDBs), captures results on the ground in the country that can be verified during the evaluation process.¹ This rating refers to the following rating categories:

- transition impact
- environmental performance and change
- project and company financial performance (sustainability element)
- fulfilment of objectives (efficacy).

Sections 1.1-1.3 refer to the mandate-related indicators, sections 1.4 and 1.5 refer to the sound-banking principles-related indicators and sections 1.6 and 1.7 refer to the Bank effectiveness-related indicators.

1.1 TRANSITION IMPACT

The *ex post* evaluation of transition impact relies upon the check list of seven key transition criteria (see Appendix 2) which gives guidance to identify specific transition objectives during project appraisal. While transition impact is assessed at three levels, company, industry and economy as a whole, the rating is mainly based on the last two items, since most of transition impact at the company level is already accounted for in the evaluation of 'Project and Company Financial Performance of the Company' and the 'Fulfilment of Project Objectives'.

In applying the transition criteria PED reviews the short term realised transition impact of projects as distinct from the longer term transition impact potential that can still be realised². Regarding the latter, PED assigns a risk rating indicating the risk in realising a project's full transition potential.

It has been the practice at appraisal stage to single out a few objectives among the seven and to concentrate on them to ensure that the project could deliver realistic transition progress, within the capacities of the client and tailored to the boundaries of the EBRD project. PED will focus on the one hand on assessing the transition objectives identified during project preparation, but will on the other hand review which other transition criteria have generated important transition effects. In assessing transition impact PED will also question whether the most relevant transition impact criteria/objectives were selected, given the business environment and the related challenges prevailing at the time of appraisal. This question on relevance gives guidance to the evaluator to

¹ The *transition outcome rating* makes the findings more comparable with other Multilateral Development Banks (MDBs).

² See Appendix 5 for the transition impact analysis template used in OPER reports.

identify the appropriate major transition impact objectives and corresponding monitoring indicators as formulated in operation reports.

The rating categories for transition impact are³:

- *Excellent, Good, Satisfactory, Marginal, Unsatisfactory and Negative.*

The rating categories in respect of risk to realise a project's full transition impact potential are:

- *Low, Medium, High and Excessive.*

1.2 ENVIRONMENTAL PERFORMANCE

The environmental performance ratings measures two different environmental dimensions:

a. Environmental performance of the project and the sponsor. The Environmental performance, which takes into account the Bank's Environmental Policy⁴, measures how well the environmental objectives of the project (institutional, emissions control, regulatory compliance, social issues, and public participation) were identified and have been met. Performance targets, if appropriate, are defined in project EAPs (environmental action plans), Board Papers, and the Environmental Department's internal Environmental Summary (ES).

The rating categories for environmental performance are the following:

- *Excellent, Good, Satisfactory, Marginal, Unsatisfactory and Highly Unsatisfactory.*

b. Extent of Environmental Change. The extent of environmental change⁵ is measured as the difference between the environmental performance before the project started and its performance at the time of evaluation.

The rating categories for the extent of environmental change are the following:

- *Outstanding, Substantial, Some, None/Negative.* (the None and Negative rating categories are now combines to have a score of four rather than five)

1.3 ADDITIONALITY

The Bank's additionality in projects is verified in terms of whether the Bank provides financing that could not be mobilised on the same terms by markets and/or whether the Bank can influence the design and functioning of a project to secure transition impact.

The rating categories for the additionality rating are:

- *Verified in all respects, Verified at large, Verified only in part and Not Verified.*

1.4 PROJECT AND COMPANY FINANCIAL PERFORMANCE

Project and Company financial performance of *non-financial operations* provide the sustainability elements required to allow transition impact to enfold beyond the project/company. Evaluation looks at the project as it is the project that should provide the company with added value and secure transition impact. However, PED also looks at the financial performance of the company as the strength of the company within which the project is implemented gives the evaluator an indication

³ Since the Evaluation Policy Update in 1997, the rating categories on Transition Impact of High, Medium, Low, Non and Negative have been changed to be in line with the rating categories used by the Office of the Chief Economist *ex-ante*.

⁴ The Bank's 2003 Environmental Policy section I.3 mentions in this respect: "In line with its mandate to promote environmentally sound and sustainable development, the term "environment" is used in this Policy in a broad sense to incorporate not only ecological aspects but also worker protection issues (these include occupational health, harmful child labour, forced labour, and discriminatory practices) and community issues, such as cultural property, involuntary resettlement, and impacts on indigenous peoples. (for the definition of the terms cultural property, involuntary resettlement and indigenous people, the EBRD refers to IFC OPN 11.03 on cultural property (August 1986), IFC OD 4.30 on voluntary resettlement (June 1990) and IFC)D 4.20 on indigenous peoples (September 1991))"

⁵ Environmental change captures environmental impact through assessing health and safety, pollution loads, energy efficiency, environmental risk management, public consultation, etc.

of the risks to the project by being implemented within the company. Financial market operations are rated on whether the sub-projects financed are viable or on assessing portfolio financial performance and the extent to which the intermediary or investment company invests in protected industries.

a. Project financial performance. A non-financial market project's financial performance is based on verified and projected risk weighted future performance at the time of evaluation with use of various return ratios. The analysis focuses on financial performance, through the FIRR while economic performance will be reflected in the project's EIRR, when use of this complementary indicator is required⁶. At the same time an assessment is made of the project's sales, profitability and solvency, relative with original projections. Financial market projects involving a credit line are judged based on the project portfolio's profit contribution to the financial intermediary or investment fund.

Rating categories for project financial performance are⁷:

- *Excellent, Good, Satisfactory, Marginal, Unsatisfactory and Highly Unsatisfactory.*

b. Company financial Performance. For non-financial market operations, the company financial performance rating concerns performance of the company who implements the project. Often project and company performance are difficult to separate and the project financial performance remains. An analysis of the strength of the company will be made based on key performance indicators at the level of the company, such as sales and profitability and the company's debt/equity position. In respect of financial market operations the company performance will be judged by assessing the company's portfolio credit and equity FIRR performance as well as their liquidity position.

The rating categories of company financial performance are (see footnote five):

- *Excellent, Good, Satisfactory, Marginal, Unsatisfactory and Highly Unsatisfactory.*

1.5 FULFILMENT OF PROJECT OBJECTIVES

The assessment of fulfilment of objectives concerns the extent of verified and expected risk weighted fulfilment potential of the operation's "process" and "project" objectives ("efficacy") upon validation of their relevance.

- The rating categories are (see footnote seven): *Excellent, Good, Satisfactory, Marginal, Unsatisfactory and Highly Unsatisfactory*

1.6 INVESTMENT PERFORMANCE

The Bank's investment performance, measures the extent to which the gross contribution of a project is expected to be sufficient to cover its full average transaction cost and contribute during its live to the Bank's net profit.

The rating categories are the following⁸:

- *Excellent, Good, Satisfactory, Marginal, Unsatisfactory. Highly Unsatisfactory*

⁶ Under Operational Guidelines in the in the section Policies, Strategies and Guideline on the Bank's Intranet, descriptions of the FIRR and EIRR calculations are described.

⁷ In the former evaluation policy paper the rating categories were: Excellent, Good, Marginal, Unsatisfactory. However, the gap between the two rating categories Good and Marginal in the middle was considered too big, reason why the rating category Satisfactory has been inserted between Marginal and Good. To keep an even number of rating categories, which is very important principle of evaluation, the category Highly Unsatisfactory was introduced at the end.

⁸ In the former evaluation strategy paper the rating categories on investment performance were: Outstanding, Excellent, Satisfactory, Marginal, Inadequate and Unsatisfactory. The new ratings presented here better fit the rating categories used in measuring the other performance indicators.

1.7 BANK HANDLING⁹

Bank handling assesses the due diligence, structuring and monitoring of the project, as undertaken by all departments and units involved in the operation process, and the Bank as a whole. A judgement is made on the quality of the work and on how effectively the Bank carried out its work during the life of the project. Positive and negative lessons are generated. In case operations are evaluated that are handled by the Corporate Recovery Unit, Bank Handling will also take into account problem recognition, remedial action and recovery efforts.

The rating scale is the following (see footnote 7 above):

- *Excellent, Good, Satisfactory, Marginal, Unsatisfactory and Highly Unsatisfactory.*

2. OVERALL PERFORMANCE MATRIX

Table 1 below shows the weighting process to arrive at the *Overall Performance* rating. The table gives combinations of ratings applying four major performance indicators (transition impact, project/company financial performance, fulfilment of objectives and environmental performance), whereby transition impact gets the highest weight when judging the overall performance of an operation. Apart from these four major indicators, of course the remaining indicators, additionality, bank handling and investment performance, also play a role when assigning the overall performance rating, but to a lesser degree define the overall performance outcome of a project. The table further shows the importance of the performance indicators on sustainability (financial performance and fulfilment of objectives) that help in realising transition impact to unfold during the life of a project. Compared with the previous Evaluation Policy Update paper, environmental performance has been added to the table as during evaluation exercises this indicator is experienced to be an important determinant factor that sometimes can push the overall performance rating either to the positive or to the negative side.

Table 1 GUIDELINES FOR ASSIGNING THE OVERALL PERFORMANCE RATING FOR COMBINATIONS OF RATINGS ON FOUR MAJOR PERFORMANCE INDICATORS				
OVERALL PERFORMANCE RATING	Transition Impact rating	Project/Company Financial Performance rating	Fulfilment of Project Objectives	Environmental Performance
HIGHLY SUCCESSFUL	Excellent	Excellent	Excellent	<i>Excellent</i>
	Excellent	Good	Excellent	<i>Good</i>
	Excellent	Excellent	Good	<i>Good</i>
	Good	Excellent	Excellent	<i>Excellent</i>
SUCCESSFUL	Excellent	Good	Good	<i>Good</i>
	Excellent	Marginal	Satisfactory	<i>Good</i>
	Good	Good	Excellent	<i>Good</i>
	Good	Good	Good	<i>Good</i>
	Good	Satisfactory	Good	<i>Good</i>
	Good	Good	Satisfactory	<i>Good</i>
	Good	Good	Satisfactory	<i>Satisfactory</i>
	Good	Marginal	Excellent	<i>Good</i>
	Satisfactory	Satisfactory	Good	<i>Good</i>
	Satisfactory	Satisfactory	Satisfactory	<i>Excellent</i>
PARTLY SUCCESSFUL	Good/Excellent	Marginal	Marginal	<i>Satisfactory</i>
	Good	Marginal	Good	<i>Satisfactory</i>
	Satisfactory	Satisfactory	Satisfactory	<i>Satisfactory</i>
	Satisfactory	Marginal	Satisfactory	<i>Satisfactory</i>
	Marginal	Good	Good	<i>Satisfactory</i>
	Good	Good	Good	<i>Marginal</i>
UNSUCCESSFUL	Marginal	Marginal	Good	<i>Marginal</i>
	Marginal	Marginal	Marginal	<i>Marginal</i>
	Unsatisfactory	All	All	<i>All</i>
	Negative	All	All	<i>All</i>

⁹ Bank handling is rated in XMRs since 1994. In 1999 this rating category was introduced in XMR Assessments, and in OPER reports in 2001.

The combinations of ratings for assigning an overall performance rating in the above table are not exhaustive. The combinations listed give an indication of how the weighting process works and gives guidance to Evaluation Staff and Staff in the Banking Department during the subjective process of assigning ratings to overall project performance. However, in assigning ratings of Good or Excellent, etc., it is important to define, as elaborated on in the next section, what are benchmarks to assign these rating categories.

2. BENCHMARKING PERFORMANCE RATINGS

2.1 TRANSITION IMPACT

PED tends to evaluate a project relatively soon after disbursement (18 months as described in the main text) and the evaluator should be conscious that concrete evidence of the achievement of some transition objectives may not become visible for some time. As presented in the transition impact criteria table in Appendix 2 and transition impact rating table in Appendix 5, the evaluation methodology allows for three ratings on each of the criteria which are relevant for the specific operation: (a) judging the realised transition impact at the time of evaluation; (b) assessing the transition potential that can still be reached, and (c) assigning a risk rating (Low, Medium, High, Excessive) in respect of the likelihood to reach the full transition impact potential over time. A high rating could be appropriate where the transition impact potential in the future is considered substantial. However, if the probability that the transition impact potential can be reached is low due to considerable risk, the evaluator will award a higher 'risk-to-transition-impact' rating and explain the nature of the risk. As explained in section 1.1 above, the transition impact is measured at the industry level and the level of the economy as a whole, including possible regional and cross-border effects. During the evaluation of transition impact PED concentrates on assessing performance under the “major relevant transition impact objectives” as mentioned in Table 2. They are those objectives (mostly two or three) identified by the Operation Team during project appraisal which are presented in the operation reports to the Board of Directors and monitored through TIMS. PED also reviews performance under the other transition impact criteria to identify whether any important transition effect might have been missed. Therefore, PED reviews all seven criteria in the overall assessment of transition impact.

The ratings, as under current practice range from Excellent, Good, Satisfactory, Marginal, and Unsatisfactory to Negative. In assigning these ratings the benchmarks provided in Table 2 below are applied:

Table 2 RATING TRANSITION IMPACT	
RATINGS	BENCHMARKS
Excellent	<i>The project achieved significant progress toward all major relevant transition impact objectives. Best practice was achieved in one or more areas.</i>
Good	<i>The project achieved significant progress toward all major relevant transition impact objectives, possibly with minor shortcomings.</i>
Satisfactory	<i>The project achieved acceptable progress toward a majority of the major relevant transition impact objectives, but did not make acceptable progress towards one major objective.</i>
Marginal	<i>The project failed to achieve acceptable progress towards a majority of relevant transition impact objectives. However, progress toward at least one major objective was acceptable.</i>
Unsatisfactory	<i>The project failed to achieve acceptable progress toward any of its major relevant transition impact objectives.</i>
Negative	<i>The project failed to achieve acceptable progress toward any of its major relevant transition impact objectives and even had in some cases a negative effect.</i>

2.2. PROJECT AND COMPANY FINANCIAL PERFORMANCE

a. Project financial performance. In the analysis of a non-financial market project financial performance PED uses an appropriate range of performance indicators in project financing such as: sales figures, net profit, debt service coverage, FIRR and EIRR. Suitable project return analysis will supplement balance sheet and income related indicators. Apart from financial internal rates of return (FIRR) calculation, imperfect markets, significant subsidies or factor price distortions, or externalities justify calculation of the economic internal rate of return (EIRR). Annex 1 to this appendix contains a table with the financial performance indicators use in the evaluation. It should be taken into account that the various performance indicators might somewhat differ per sector, due to specific financial characteristics of the sector. In respect of *financial market operations* the evaluator has to judge the project portfolio's profit contribution to the financial intermediary or investment fund. Table 3 gives guidance to assign ratings in respect of project financial performance:

Table 3 RATING PROJECT FINANCIAL PERFORMANCE	
RATINGS	BENCHMARKS
Excellent	Actual and re-assessed performance indicators are <i>in principle</i> on average 10% better than anticipated at appraisal. Prospects are positive.
Good	Actual and re-assessed performance indicators are <i>in principle</i> on average between 0-9.90% better than anticipated at appraisal. Prospects are positive
Satisfactory	Indicators are in principle in line with appraisal estimates, but some problems (management, financial, economic, etc.) have been encountered that can influence the prospects of the project negatively.
Marginal	Indicators are <i>in principle</i> up to 25% below expectations at approval, but prospects of financial improvement exist.
Unsatisfactory	The project shows performance indicators <i>in principle</i> >25% below expectations with limited prospect of improvements in the immediate future.
Highly Unsatisfactory	Complete project failure whereby the Bank loses part or its entire investment.

b. Company financial performance. When a non-financial market company's financial performance is assessed by PED it uses an appropriate range of corporate performance indicators: sales figures, net profit, debt/equity position, debt service coverage. As under project financial performance the various performance indicators might somewhat differ per sector, due to specific financial characteristics of the sector in which the company operates. In respect of financial market operations the company performance will be judged by assessing the company's portfolio credit and equity FIRR performance as well as their liquidity position. Table 4 gives guidance assign ratings in respect of company financial performance:

Table 4 RATING COMPANY FINANCIAL PERFORMANCE	
Ratings	BENCHMARKS
Excellent	Actual and re-assessed performance indicators of the company are <i>in principle</i> on average 10% better than anticipated at appraisal. Prospects are positive.
Good	Actual and re-assessed performance indicators are <i>in principle</i> on average between 0-9.90% better than anticipated at appraisal. Prospects are positive.
Satisfactory	Indicators are in principle in line with appraisal estimates, but some problems (management, financial, economic, etc.) at the level of the company have been encountered that can influence the prospects of the project negatively.
Marginal	Indicators are <i>in principle</i> up to 25% below expectations at approval, but prospects of financial improvement exist.
Unsatisfactory	The company shows performance indicators <i>in principle</i> >25% below expectations with limited prospect of improvements in the immediate future
Highly Unsatisfactory	Complete company failure that can have dramatic effects on the project and even terminate the project so that the Bank loses all its investments.

2.3 FULFILMENT OF PROJECT OBJECTIVES (EFFICACY)

The assessment of fulfilment of objectives concerns verified and risk weighted fulfilment potential of the operation's "process" and "project" objectives upon validation of their relevance. The "project" objectives under review are for instance those related to carrying out an investment plan in respect of plant and equipment and the establishing of a strong management team. In respect of "process" objectives these can be the introduction of an IAS accounting system or for a financial institution the improvement of credit manuals and the training of staff. Fulfilment of project objectives does not incorporate the transition impact objectives which are captured under the transition impact performance rating. Table 5 presented below provides benchmarks for the fulfilment of project objectives:

Table 5 RATING FULFILMENT OF PROJECT OBJECTIVES	
RATINGS	BENCHMARKS
Excellent	The stated operation objectives at approval are deemed relevant. Early fulfilment or potential fulfilment, with low risk is verified for all objectives. Plant and equipment are fully operational. A capable management team is effectively in charge and the market built-up is in full swing. The sponsor is fulfilling all its obligations, financial- as well as market-related.
Good	Most of the objectives have been fulfilled or are deemed within reach with low applicable risk. Plant and equipment are operational. The management team is functioning adequately. The Sponsor is fulfilling its obligations.
Satisfactory	Most of the objectives have been fulfilled or are deemed within reach with some risk to their realisation. Most of plant and equipment are operational, but some delays in installation occurring.. The management team is functioning adequately, though their coming on board saw some delays. The Sponsor is fulfilling its obligations.
Marginal	Some of the project objective have not yet been fulfilled or face a deemed medium-higher risk that they may not be achieved. The sponsor is actively trying to comply with its obligations, but has so far been only partly successful. Some doubts exist about a final positive outcome.
Unsatisfactory	The project objectives have not yet been fulfilled with a high risks that many will also not be met later on. Serious doubt exists whether the sponsor is able to fulfil all its obligations. A positive final outcome is doubtful or deemed impossible.
Highly Unsatisfactory	The project objectives have not been fulfilled and the chance of their realisation is practically zero. It is certain that the sponsor is not able to fulfil its obligations in full. A positive final outcome is deemed impossible.

2.4 ENVIRONMENTAL PERFORMANCE

2.4.1 *Environmental performance of the project and the sponsor.* Environmental performance of projects is measured by assessing the status of the environment in the vicinity of the project and if warranted important wider effects (e.g. captive mines as part of a steel project), the health and safety situation in the project company, the pollution loads and energy efficiency status, the project's environmental management and the level of public consultation and participation. Table 6 below gives the necessary details of rating categories of the environmental performance of the sponsor and the Bank.

Table 6 RATING ENVIRONMENTAL PERFORMANCE OF THE PROJECT AND THE SPONSOR	
RATINGS	BENCHMARKS
Excellent	All appropriate environmental and social (see footnote 4) measures are secured and environmental conditionality implemented. No significant outstanding issues. The Sponsor has gone beyond the expectations of the environmental action plan (EAP) and serves as a best practice example. ¹⁰
Good	Appropriate environmental and social (see footnote 4) measures are secured and environmental conditionality implemented. The EAP is on or ahead of schedule.
Satisfactory	The appropriate environmental risk factors were properly identified and the sponsor is implementing the EAP as prescribed.
Marginal	Some environmental and social (see footnote 4) measures are secured and only part of environmental and social conditionality was implemented. Several outstanding issues remain. Performance of the sponsor was partly unsatisfactory.
Unsatisfactory	Few if any environmental and social (see footnote 4) measures were implemented. Significant outstanding issues are experienced. Performance of the sponsor was less than satisfactory.
Highly Unsatisfactory	The project is out of compliance with the objectives as established in the EAP and/or host country or World Bank environmental standards for this type of project; has experienced significant adverse events (spills, deaths, etc.); is an on going risk to the environment; and presents a vulnerability risk to EBRD.

2.4.2 Extent of environmental change. An essential part of the Environmental Performance is to identify the extent of environmental change, as a result of the project. In view of the large problems of the region with regards to the environmental pollution, Bank projects should address the positive or negative environmental and social (see footnote 4) effects of projects in an adequate way. It is therefore a very important part of the evaluation exercises to rate the extent of environmental change. To do this, it is important to consider both the ex ante and ex post conditions against the stated objectives as defined above. Table 7 below gives details on the rating categories for this.

Table 7 RATING EXTENT OF ENVIRONMENTAL CHANGE	
RATING	BENCHMARKS
Outstanding	This project will result in significant environmental and social (see footnote 4) benefits and/or additionality. The extent of the change is extensive, either because environmental legacies were extensive, or because the project achieves a high level of performance and has excellent potential long-term improvements. Projects which have positive impacts beyond the immediate project (e.g. by positive example lead to new environmental standards) should also be considered Outstanding.
Substantial	Environmental and social (see footnote 4) benefits and/or additionality resulting from the project are significant and have good potential for the future. Beyond the project benefits may also be positive.
Some	Some environmental and social (see footnote 4) benefits and/or additionality resulting from the project. No measurable benefits beyond the immediate project.
None/Negative	No significant environmental and social (see footnote 4) benefits associated with the project; or significant adverse (negative) environmental impacts associated with the project. Also under this category would be projects that have a negative demonstration effect.

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In case a change of environmental policy has occurred between the time of appraisal and evaluation of the project, and higher standards become applicable, the environmental performance of the project would be rated higher if the project would comply with the new environmental policy.

2.5 THE BANK'S ADDITIONALITY

The Bank's additionality in a project is assessed by judging to what extent the client would have been able to secure financing from market financiers on acceptable terms. Another necessary condition is the extent of the Bank's impact on the existence, design or functioning of a project to enhance transition impact. There is a critical level of conditions above which a project becomes and remains additional. In judging additionality at evaluation one tries to verify whether the Bank was additional or not at the time the project was financed by the Bank. Therefore the Bank has introduced the ratings Verified in all respects, Verified at large, Verified only in part and Not verified, as presented in the table below, where the benchmarks for the ratings is given: Benchmarks on rating additionality are presented in Table 8 below.

Table 8 RATING ADDITIONALITY	
Ratings	BENCHMARKS
Verified in all respects	No other financial institutions are willing to provide financing at the same or better condition than the Bank. The terms and conditions are not attractive to other banks and the country risk is still high. The client accepts tough conditionality to secure transition impact.
Verified at large	Some competition with market financiers, but the Bank's terms and conditions, although more demanding than competition's, prevail since sponsors/clients or co-financiers appreciate the Bank's political comfort. In such cases, specific project design and structuring may also be significant for enhanced transition impact. The Bank may also have contributed specific country- or sector knowledge or helped enhance corporate governance standards. Repeat financing to a second phase of a project, may fall into this category.
Verified only in part	Competition from commercial financiers is significant and terms and conditions are almost identical, but the Bank's participation (e.g. in a bond issue) may have helped an earlier implementation of the project than would have otherwise been possible. No significant features are added to design and functioning to enhance transition and/or catalyse other financing.
Not verified	Competition fully established for financing and the Bank's terms and conditions fail to provide for any material transition impact enhancement and pricing premium to account for the availability of the Bank's Preferred Creditor Status.

2.6 THE BANK'S INVESTMENT PERFORMANCE

The Bank's investment performance in an operation is measured by the Project's net profit contribution. The respective performance rating reflects the extent to which the actual and expected Net Contribution (after risk adjustment) over the life of a Project is sufficient to cover its full transaction cost and to contribute to the Bank's net profit. The rating scale and the profit contribution performance criteria are presented in Table 9 below. The lower end of the scale reflects whether the transaction covers its direct costs and contributes towards general overheads. An operation which makes a satisfactory contribution to overheads achieves a *Satisfactory* rating. From this level onwards, higher ratings will also need to satisfy comparative tests against performance projections at appraisal.

TABLE 9 THE BANK'S INVESTMENT PERFORMANCE RATING A LOAN OR EQUITY INVESTMENT'S <i>PROFIT CONTRIBUTION</i> PERFORMANCE	
RATINGS	BENCHMARKS
Excellent	NPVNME ¹¹ is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost allocation ¹² is more than 40% higher than the level foreseen at appraisal.
Good	NPVNME is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost Allocation is more than 10% but not more than 40% higher than the level foreseen at appraisal.
Satisfactory	NPVNME is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost allocation is not more than 10% higher than the level foreseen at appraisal.
Marginal	NPVNME is greater than or equal to Direct Cost but less than twice Direct Cost.
Unsatisfactory	NPVNME is less than Direct Cost but greater than or equal to zero (i.e. discounted project contribution after Direct Cost allocation is negative).
Highly Unsatisfactory	NPVNME is negative (i.e. discounted project contribution after Direct Cost allocation is negative).

For the purpose of calculating and rating the investment performance of a project PED uses the financial model that is operated by the Finance Department and that is also used at project appraisal stage.

2.7 BANK HANDLING OF AN OPERATION

“Bank handling”, a performance indicator in use since 1994 (see footnote 9) but not yet incorporated in the Evaluation Policy Update of 1997, assesses the due diligence, structuring and monitoring of the project and judges the quality of the work of the Banking Department, in particular the Operation Teams, and support departments involved in the operation process, including the Environmental Department. An assessment is made on how effectively the Bank carries out its work during the life of the project. In case operations are evaluated that are handled by the Corporate Recovery Unit, Bank Handling will also take into account problem recognition, remedial action and recovery efforts. Table 10 below presents benchmarks that are used by Evaluation Staff when judging Bank handling in a project:

¹¹ NPVNME (Net Present Value Net Margin Earned): the project's revenue contribution to the Bank's income statement, net of its financing cost and after risk adjustment to cover the Bank's expected losses as per the Bank Provisioning Policy, but before recovery of its incremental (direct) transaction cost (for generation and monitoring) or any attributed overheads.

¹² Discounted profit contribution after Direct Cost allocation is the same as NPVNME but after deduction of direct transaction costs. This measure is presented at appraisal in the Final Review Memorandum and Board Document, enabling a direct comparison of projections at appraisal and results at evaluation.

Table 10 RATING BANK HANDLING	
RATINGS	BENCHMARKS
Excellent	Appraisal ¹³ was very well conducted, did not show any gaps and provided an excellent basis to make the investment decision. The Bank structured the operation very well under difficult circumstances thereby securing excellent initial conditions to realise transition impact during the life of the project. Risk to transition was adequately mitigated through a strong conditionality package. Implementation ¹⁴ was very skilful and contributed to the success of the operation.
Good	Appraisal was well conducted, and although not all relevant issues were addressed, provided an adequate basis to make the investment decision. The Bank structured the operation so that adequate initial conditions formed a good basis to realise transition impact during the life of the project. Risk to transition was mitigated through a conditionality package that could have been somewhat stronger. Implementation was skilful and contributed to the success of the operation.
Satisfactory	Appraisal could have been better and there is evidence that not all relevant issues were addressed. Nonetheless, it provided a sufficient basis to make the investment decision. Structuring of the operation increased the risk to realise transition impact some important risk mitigating factors were in place. Implementation could have been more skilful and constituted a risk to the project's success.
Marginal	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. Deficiencies in the structuring of the operation enhanced the risk to realise transition impact although some important risk mitigating factors were in place. Implementation was deficient, resulting in a high risk of loss for the Bank. Prospects for recovery of the Bank's investment exist.
Unsatisfactory	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. A flawed structuring of the operation was an important reason for the complete failure of the project. Transition impact could not be realised. Implementation was deficient resulting in a high chance for the Bank to lose all its investment. Some prospects for recovery of part of the Bank's money still exist.
Highly Unsatisfactory	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. A flawed structuring of the operation was an important reason for the complete failure of the project. Transition impact could not be realised. Implementation was deficient and was partly the cause for losing the entire investment in the operation. No prospects for recovery of part of the Bank's money exist.

¹³ Appraisal refers to all handling practices relevant to the pre-approval phase: project and sponsor selection, project design, due diligence, financial analysis, market analysis, risk analysis, etc.

¹⁴ Implementation refers to all handling practices relevant to the post-approval phase: implementation, documentation and security, syndication, disbursement, monitoring, problem recognition, remedial management, and recovery.

PROJECT AND COMPANY PERFORMANCE INDICATORS

	Projection at Appraisal for [Year - same as B]	Most recent figure [Year]
	A	B
Sales (Currency)		
EBDIT - %		
Debt Service Ratio		
Equity Ratio		
FIRR		
EIRR		
Other		

Performance ratings	Company	Project
PED's OPER rating		
OL's XMR rating		

Formulae

Indicators for the most recent financial year figures (Column B) are compared to the projections made for that same year at the time the project went to the Board for approval (Column A).

EBDIT -% Gross Profit (Margin) / Sales

Debt Service Free cash flow / total Debt Service (Interest & Principal)

Equity Ratio Equity / Total Liabilities & Shareholders' Equity

Post-Evaluation Performance Indicators and Rating Categories

Performance Indicators	Rating Categories
MANDATE-RELATED INDICATORS	
1.0 OVERALL TRANSITION IMPACT RATING	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative
1.1 REALISED TRANSITION IMPACT (Short-Term, at evaluation using TIMS material):	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative
1.2 TRANSITION IMPACT POTENTIAL (Longer-Term, for the remaining life of the project)	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative
1.2 RISK TO TRANSITION POTENTIAL (remaining after evaluation)	Low, Medium, High, Excessive
2.1 ENVIRONMENTAL PERFORMANCE OF THE PROJECT AND SPONSOR	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory
2.2 EXTENT OF ENVIRONMENTAL CHANGE	Outstanding, Substantial, Some, None/Negative
3. ADDITIONALITY (Financial additionality and "design and functioning")	Verified in all respects, Verified at large, Verified only in part, Not verified
SOUND BANKING-RELATED INDICATORS	
4. PROJECT FINANCIAL PERFORMANCE	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory
5. COMPANY FINANCIAL PERFORMANCE	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory

ANNEX 2 to Appendix 1

6. FULFILMENT OF PROJECT OBJECTIVES (Relevance, "efficacy")	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory
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Post-Evaluation Performance Indicators and Rating Categories (cont.)

Performance Indicators	Rating Categories
BANK EFFECTIVENESS-RELATED INDICATORS	
7. BANK's INVESTMENT PERFORMANCE (Profit Contribution)	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory
8. BANK HANDLING	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory
OVERALL PERFORMANCE	
OVERALL PERFORMANCE RATING (Composite of ratings from indicators 1-8)	Highly Successful, Successful, Partly Successful, Unsuccessful

ASSESSMENT OF STRENGTH OF TRANSITION POTENTIAL & CHECKLIST OF TRANSITION CRITERIA/OBJECTIVES FOR *EX ANTE* AND *EX POST* APPLICATION

ASSESSMENT OF STRENGTH OF TRANSITION POTENTIAL

1. COUNTRY SECTOR AND REGIONAL CONTEXT

- a. Current stage of transition (*advance transition country or otherwise*)
- b. State of sector reform and development (*largely unreformed or otherwise*)
- c. Conditions for market entry and competition (*few players versus strong competitive pressures*)

2. THE TRANSITION CHALLENGES FACING SECTOR, COUNTRY AND REGION

- a. Market reform objectives in the Bank's country or sector strategy
- b. Economic priorities facing the country
- c. Application of the transition indicators (*TI Checklist*)
 - Structure and extent of markets
 - Market organisations, institutions and policies that support markets
 - Business behaviour and practices

3. THE WAY CHALLENGES ARE ADDRESSED IN THE SELECTION AND DESIGN OF THE PROJECT

- a. Consistency with Bank country/sector strategy;
- b. Key project covenants and undertakings (*strong set of transition-related covenants is likely to be a sufficient sign of transition potential; it is not a necessary condition*);
- c. TC components (*TC-funded programmes that can help achieve some of the transition objectives*);
- d. Policy dialogue

CHECKLIST OF SEVEN TRANSITION CRITERIA/OBJECTIVES

PROJECT CONTRIBUTIONS TO THE STRUCTURE AND EXTENT OF MARKETS

1. GREATER COMPETITIVE PRESSURES

Project contributes to greater competition in the project sector: efficiency, innovation and customer orientation of other suppliers through competitive pressure.

To what extent does the project directly improve the competitive environment and/or extend the use of market-type mechanisms in the economy? (e.g. more rational pricing, significant new entry into the market, setting new quality or technical standards that other firms must follow, trade facilitation, etc.)

2. MARKET EXPANSION VIA LINKAGES TO SUPPLIERS AND CUSTOMERS

Stimulation of competitive behaviour through the project entity's interactions with suppliers (*backward/upstream linkages*) and clients (*forward/downstream linkages*); project contributions to the integration of economic activities into the national, regional or international economy, in particular by lowering the cost of transactions.

(a) To what extent does the project change the market behaviour of local suppliers of inputs? (backward linkages);

(b) To what extent does the project change the market behaviour of downstream marketing and/or processing activities of customers? (forward linkages)

CHECKLIST OF TRANSITION CRITERIA/OBJECTIVES (CONT.)

PROJECT CONTRIBUTIONS TO MARKET ORGANISATIONS, INSTITUTIONS AND POLICIES THAT SUPPORT MARKETS

3. INCREASED PRIVATE SECTOR PARTICIPATION

Significant increase or consolidation of private provision of goods and services, including provision of public goods and services and support for entrepreneurial initiative (e.g. unbundling in infrastructure projects).

To what extent does the project contribute directly to increased private ownership?

4. INSTITUTIONS, LAWS, REGULATIONS AND POLICIES THAT PROMOTE MARKET FUNCTIONING AND EFFICIENCY

Creation/strengthening of public and private institutions that support the efficiency of markets; improvements to the functioning of regulatory entities and practices; contributions to government policy formation and commitment, promoting competition, predictability and transparency; contributions to laws that strengthen the private sector and the open economy. Improved legislation, regulation and legal and regulatory implementation.

To what extent is the project associated with institutional spin-offs effects giving rise to improvements in the functioning of existing institutions or in the establishment of new institutions and practices important for a market-type economy?

PROJECT CONTRIBUTIONS TO BUSINESS BEHAVIOUR AND PRACTICES

5. TRANSFER AND DISPERSION OF SKILLS

Project contributes to significant upgrading of technical and managerial skills in the economy beyond the project entity.

To what extent does the project create, upgrade or transfer new skills relevant to a market economy? (e.g. management, marketing, financial and banking skills, specialised technical skills, etc.)

6. DEMONSTRATION EFFECTS FROM INNOVATION

Demonstration of (replicable) products and processes which are new to the economy; demonstration of ways of successfully restructuring companies and institutions; demonstration to both domestic and foreign financiers of ways and instruments to finance activities. New ways of financing restructuring instruments.

To what extent does the project create a new and easily replicable line of activity? (demonstration effects, e.g. in manufacturing or finance, incl. new modes of financing industrial projects, new products, enterprise restructuring)

7. HIGHER STANDARDS OF CORPORATE GOVERNANCE AND BUSINESS CONDUCT

Improved governance standards that are highly visible and invite replication in non-project entities.

To what extent does the project give rise to improvements in corporate governance and/or the business culture? (incl. fostering entrepreneurship, improving decision-making processes, encouraging innovation and strategic thinking in business)

SELECTION METHODOLOGY OF PROJECTS FOR EVALUATION

SAMPLING PROJECTS FOR EVALUATION

The Good Practice Standards (GPS) for private sector evaluation of the Evaluation Cooperation Group (ECG)¹ stipulate that if the evaluation coverage is less than 100 per cent that the sample drawn should be both random and representative. In the context of the GPS the evaluation departments can select projects to be covered by OPERs and XMR Assessments (XMRA), based for instance on the potential for *learning*, the high profile of an operation, or the desirability of balanced country and sector coverage. The GPS further stipulate that when the project evaluation department wishes to combine the OPER with the XMRA findings in reporting annual success rates (*for accountability*), it should use stratified sampling methodology. Following the GPS PED is sampling projects for evaluation in the following way:

- The population is split into two strata. The first stratum consists of the projects that are selected for OPERs based on the selection criteria presented in detail in the next section. The second consist of the remaining projects, i.e. the population other than the projects selected for the first stratum.
- PED evaluates 100 per cent of the first stratum. The success rates are, thus, identical to the success rates for this portion of the population.
- Then PED selects a random sample from the second stratum. The Operations Staff prepares XMRs on the projects selected, and PED prepares XMRA on these projects (or a random sample of them). The sample should be sufficiently large to give reliable estimates of the success rate for that stratum.
- Based on the weight of each stratum in the overall population, PED then calculates the weighted average success rates and sampling errors, following the normal procedures for stratified sampling and will report on this in the AEOR.

PED so far has used the above sampling methodology without weighting the two strata, as through the random sampling of the second stratum an adequate representativeness could be secured. This is demonstrated through a coverage ratio of 76 per cent of projects ready for evaluation was maintained and the sample satisfactorily represented country, sector and impaired operations coverage of the portfolio as a whole. This methodology, amended with the weighting of the two strata, as described above, which allows for an optimal *learning* from past experience and at the same time fulfils important *accountability* requirements through the representativeness of the sample will be maintained in the future.

¹ The ECG is the working group in which the heads of the evaluation departments of the MDBs plus the EIB and the IMF collaborate in respect of harmonisation of evaluation processes and practices. The heads of evaluation of UNDP and the OECD/DAC secretariat on Aid Evaluation are observers to the working group.

CRITERIA FOR SELECTING PROJECTS FOR THE FIRST STRATUM ON WHICH AN OPER EXERCISE WILL BE CARRIED OUT

The selection of projects ready for evaluation is based on meetings between PED and Business Group Directors or Team Leaders and Portfolio Managers in the Banking Department. These meetings take place in order to verify whether projects are ready for evaluation. Projects might have experienced an implementation delay, reason why the evaluation might need to be postponed. During these discussions PED gains knowledge on which projects have an important lessons learned dimension. PED also consults the Credit/Portfolio Review Unit and the Corporate Recovery Unit in the Risk Management Vice Presidency to learn which project might need extra attention during the evaluation process from a credit and lessons learned perspective. In the final selection of operations for evaluation in respect of the first stratum which is done by the Corporate Director for Evaluation, the following selection criteria are applied:

- **Lessons learned potential of an operation:** the expectation that the evaluation can generate rich lessons;
- **Whether a project is high profile:** these projects can have important political/transition connotations or can be flagship operations in a country where the project has high demonstration effects;
- **The Bank's risk in a project, including environmental risks:** this can be reputation risks for the Bank or risks due to the size of the investment;
- **Whether an operation is under-performing:** impaired operations tend to contribute considerably to the crop of lessons learned.
- **Likelihood of replication of the operation:** lessons from these projects help in enhancing the projects that the Bank is working on at the moment or will work on in the future.
- **Country and sector coverage:** it is important to evaluate projects from as many sectors, Banking teams and countries as possible to represent a cross-section of the portfolio;

MDB EVALUATION COMPARISON TABLE
Organisation and activities among members of the
Evaluation Cooperation Group (ECG)
January 2004

	European Bank for Reconstruction and Development	International Finance Corporation	World Bank	Inter-American Development	Asian Development Bank	African Development Bank
1.1 Separate Evaluation Department	Yes, Project Evaluation Department (PED)	Yes, Operations Evaluation Group (OEG)	Yes, Operations Evaluation Department (OED)	Yes, independent Office of Evaluation and Oversight (OVE)	Yes, Operations Evaluation Department (OED)	Yes, Operations Evaluation Department (OPEV)
1.2 Location in Organisation Chart and budget	The Corporate Director for Evaluation has a dual reporting line. He reports directly to the President and to the Audit Committee (AC) of the Board of Directors. The reporting to the AC takes place through providing regular reports on PED's Work Programme, presenting directly its Annual Evaluation Overview Report (AEOR) and other evaluation reports. PED's Budget is decided upon by Management based on a proposal from PED's Corporate Director. The budget is prepared by the Corporate Director for Evaluation and the Secretary General is consulted on the budget proposal before it is submitted to management for consideration.	Functionally, unit reports to the Board through the DG for Operations Evaluation of World Bank (DGO); for administrative purposes, unit reports to IFC Exec VP (chief operating officer).	Unit reports to Board of Executive Directors via Director General, Operations Evaluation. For managing personnel and budgets advice is sought from Vice Presidents responsible for HR and budget; however, OED's budget and work plan are approved by Board Committee for Development Effectiveness (CODE).	OVE Director reports to the Board of Executive Directors and submits the Work Program and Budget for their approval.	OED reports directly to the Board through the Development Effectiveness Committee (DEC). Within the overall ADB-wide budgetary framework, the Director General of OED, in consultation with the DEC and the Budget, Personnel and Management System Department, will prepare an annual budget proposal for the department which will be subject to review by the Budget Review Committee. The budget proposal will be presented by the President for consideration and approval by the Board in a separate resource envelope as part of ADB's monitoring and control mechanism, including OED's inputs to ADB's midyear review and other budget reports.	Since 1995, OPEV reports directly to the Board and administratively to the President. Work Programme and outputs are under the oversight of the Committee of Operations and Development Effectiveness of the Board. Budget is decided within the corporate Budget presented by Management based on OPEV proposal

	European Bank for Reconstruction and Development	International Finance Corporation	World Bank	Inter-American Development	Asian Development Bank	African Development Bank
1.3 Seniority of Head of Department	The Corporate Director for Evaluation is in principle one level below VP. He is appointed by the President.	OEG Director is one level below VP, same level as investment department and other IFC department Directors.	Director General Operations Evaluation (DGO) is VP level. Head of Operations Evaluation : Director is one level below VP and is selected by the DGO in consultation with the President and Chair of CODE.	Director of Office: one level below VP, equiv. to Department Manager	Director General, one level below VP, same level as operations department directors general	Head: Director
2.1 Staffing	1 Corporate Director; Professional Staff: 5 senior evaluation managers, 1 principal evaluation manager, 1 senior environmental evaluation manager, 1 senior economist, and 2 externally funded evaluation managers; Support staff: 1 senior research officer and 3 secretaries (one on a temporary basis)	Head of Unit (Director): 1 Chief Eval Officers: 2 Eval Officers: 8 Research Assistants: 2 Support Staff: 3 Total: 16	Director General + 1 Dir. & 4 Group Mgrs Principal & Sr. Eval. Specialist: 44 Eval. Officer: 5 Support Staff: 34	Dir. + Deputy Director: 1 Principal Evaluation Officers: 1 Sr. Evaluation Officers: 6 Evaluation Officers: 5 Jr. Evaluation Officer: 3 Jr. Professional: 1 Research Assistants: 6 Support Staff: 5 + 1 consultant	Director General: 1 Senior Advisor: 1 Division Directors: 2 Lead Evaluation Specialist: 1 Professional Staff: 20 Support Staff: 16	Director + 2 Chief Evaluation Officers+ 8 Principal Evaluation Officers (2 Economist; 1 Statistician; 1 Industrial Engineer; 2 Agronomist; 1 Financial Analyst; 1 Transport Economist).
2.2 Average Tenure of Head of Evaluation and other evaluation staff	Management appoints the Corporate Director. No limitations on tenure. The Audit Committee shall be consulted prior to engagement of the Corporate Director of the Project Evaluation Department and the President shall take the decision to remove the Corporate Director in accordance with guidance given by the Board in an Executive Session.	No limitations except for Director who is appointed by DGO WB, in consultation with the EVP and CODE chair (see WB 1.2). His term is renewable 5-yr; may not rotate within IFC. He can only be removed by the DGO, for just cause. Rotation of other staff is encouraged after 4 years but not required.	Board appoints DGO for renewable terms of 5 years. Selection process and remuneration of the DGO are managed under the oversight of CODE (with advice from the relevant Vice President, Human Resources). The DGO can only be removed by the Board and is ineligible for appointment or reappointment to the staff of the Bank. Other staff serve approximately 5-7 years, but are not limited.	No limitations except for Director who has 5-year one time-renewable mandate. In general, the Bank encourages staff rotation after 5 years, but it is often difficult to find an even exchange. The third Bankwide mobility exercise is scheduled for fall 2003.	The Director General is appointed for an initial term of 3 years which may be renewed for a maximum of 2 years. During this period the Director General can only be removed by the Board on the grounds of inefficiency and misconduct. Currently, the average tenure of staff is less than 3 years. Rotation is encouraged (about 20% have been rotated for the past two/three years).	Director is appointed for 5 years renewable only once. Rotation of evaluation staff back to operational posts is recommended.
3.1 Consultants: Proportion of Business Covered	Industry expert consultants are employed for approximately approx. 50-60% of post evaluation exercises on investment operations. The assignments are short term (max. 3 weeks) and in a support capacity. For special studies (thematic, etc.) longer assignments are usual.	12% (FY04 consultants & temps as % of staff full costs) = 9% of total budget	22% of budget; (60 consultants/years incl. research assistants).	30% (about 20% of budget)	19%	15-20% of Administrative Budget. About 7 person-years (including consultants recruited under bilateral cooperation funds).

	European Bank for Reconstruction and Development	International Finance Corporation	World Bank	Inter-American Development	Asian Development Bank	African Development Bank
3.2 Internal Secondment	Not so far, but some junior level secondment from other Departments is possible.	Yes, possible and actual in the form of fixed-term deveopment assgts (usually 6-12 mos)	No, but possible	Yes, through Bank mobility (rotation) exercise. Staff may rotate in and out of OVE for 2-3 year terms.	No	Not from Operations Depts, but for Crosscutting themes such as gender, environment-poverty alleviation (specialists from Environment & Sustainable Devel. Unit)-
4.1 Work Programme	In consultation with the Banking Department (operations), PED prepares an annual work programme on post evaluation of investment operations. Suggestions for selection of TC operations and themes for special studies can come from the Board and management. Programme is reviewed by Executive Committee (management) and the Audit Committee of the Board. Final project selection and choice of special studies is done by the Corporate Director for Evaluation.	Every year, OEG Director prepares a 3-yr strategy, work program, and new FY budget proposal, reviewed by DGO & Management & discussed with CODE, who sends a report commenting on it to the full Board prior to Board's final decision on IFC's budget	Prepared by OED Dept., discussed with management, regions and networks & Board's Committee on Develop. Effectiveness, submitted to Board for discussion & approval	OVE prepares an annual work plan based on requests from Board of EXDs and input from Bank management. OVE submits Plan to the Policy and Evaluation Committee of the Board for discussion and then Board approval.	The Director General will prepare, in consultation with the DEC and the President, an annual weork programme of activities, taking into account the issues of relevance to development member countries and the current institutional priorities. The Board will be responsible for the final approval of the work programme.	OPEV prepares its three-year rolling work programme on a basis of a large consultation with operations departments. Priority areas, sectors or themes from Board members are also included in the work programme, which is reviewed and approved by the Committee of the Board on operations and development effectiveness (CODE).

	European Bank for Reconstruction and Development	International Finance Corporation	World Bank	Inter-American Development	Asian Development Bank	African Development Bank
4.2 Percentage of Projects Subject to Evaluation	<p>100% Investment Operations ready for evaluation, of which approximately:</p> <ul style="list-style-type: none"> 30% direct-evaluated projects whereby PED staff makes field visit; 40% assessment of Expanded Monitoring Reports (XMRs) the self-evaluation report prepared by operation staff (no field visit by PED staff); validation process on ratings takes place. 30% review of quality and completeness of self-evaluation reports (no validation of performance ratings by PED); <p>Selection of the approx. 30% direct-evaluated projects based on purposive sample with emphasis on:</p> <ul style="list-style-type: none"> - Potential for Lessons Learned; - Financial performance of project; - Size of bank's exposure; - Adequate spread among operation type, countries and sectors. <p>For Overall performance structured sampling technique applied according to ECG's GPS on private sector evaluation.</p> <p>Approx. 20% of completed Technical Cooperation (TC) Operations (by volume) are evaluated; including TC operations covered in special studies.</p> <p>Total coverage is 60%.</p>	<p>51% stratified random sample (CY04) by self-evaluation reports. All desk-reviewed by OEG, some by field visits following review of self-evaluation reports. Also, all special studies (sector, country) are based on field visits and relevant mini-XPSRs by OEG staff.</p>	<p>100% self-eval of ICRs by operat. staff</p> <p>100% ICRs reviewed by OED; 25% of completed projects evaluated by OED Dept.</p>	<p>100% self-eval. by operations staff. 20% Ex-post Performance and Sustainability Assessments (EPSAs) by OVE. Two independent impact evaluations by OVE per year. Six pilot ex-post evaluation studies to be conducted jointly with Borrower and Operations.</p>	<p>100% self evaluation (PCRs) by operating units. 100% of completed programs and 40% of completed projects (randomly selected) are evaluated by OED</p>	<p>Actually 40-50% due to budget constraints. Selection criteria: quality of PCR, importance of sectoral or country issues raised; sectoral or crosscutting issues & priorities.</p> <p>New procedures put in place starting February 2001: PCRs reviewed at 100% (target) with PCR review notes prepared and sampling method used for PPER preparation.</p>

	European Bank for Reconstruction and Development	International Finance Corporation	World Bank	Inter-American Development	Asian Development Bank	African Development Bank
4.3 Basis of Studies (country, project by project, sector...)	<p><u>Special studies</u> can have a thematic character or can refer to a specific sector.</p> <p><u>Mid-term review</u> of projects can be prepared to advance their progress.</p> <p><u>Evaluation Progress reviews</u> whereby PED revisits former evaluations.</p> <p><u>Country Strategy Evaluation (CSE)</u> pilot study on the Slovak Republic to be carried out. Then assessment by Management and the Board on whether to continue with CSE.</p> <p><u>Operation Performance Evaluation Reviews (OPERs)</u> on investment operations (IOs) are carried out project-by-project. Later on projects can be grouped together to do a sector study.</p>	<p>Annual Reviews based on OEG-validated self-evaluation findings and supplementary portfolio and market data.</p> <p>Special eval. studies : sector, special program, process, country, thematic development impact, all drawing from project-level results. Priority given to topics relevant to IFC's corporate strategic priorities, joint studies with WB-OED & MIGA-OEU.</p>	<p>ICR Reviews and cluster performance assessment audits in single countries, CAS Completion Reports</p>	<p>OVE: Evaluations of development impact, ex-post performance and sustainability, country programs, sector and thematic, Bank policies, strategies and programs.¹</p> <p>Oversight and harmonization of self-evaluation reporting standards at HQ and country offices.</p> <p>Bank operations staff: Projects/activities.</p>	<p>Project; country; subregional; sectoral; thematic topics for special studies; ADB processes; policy reviews; impact assessments.</p>	<p>Policy Review prior to a Revision by Policy Dept. Country Assist. Evaluation prior to new Country strategy or country portfolio review. Thematic studies + Process Reviews + Impact studies.</p>
5.1 Types of Report & Timing	<ul style="list-style-type: none"> - <u>Operation Performance Evaluation Review (OPER)</u> reports and in-depth OPER reports on investment operations. Timing: 1.5 years after full loan disbursement and 2 years after last disbursement of equity investment. After at least one year of commercial operation and in principle one year of audited accounts must be available. - Timing for evaluation of TC operations: within a year of final disbursement of grant funds when Project Completion Report (PCR) is available. - <u>XMR Assessments</u> are done at the same time as OPER reports; - <u>Special Studies, mid-term reviews and evaluation progress reviews</u> are carried out at the initiative of PED and/or at the request of the Board of Directors or Management; - Reports on PED's <u>Work Programme</u> are prepared bi-annual) - <u>Annual Evaluation Overview Report (AEOR)</u> 	<ol style="list-style-type: none"> 1. Self Evaluation Reports (Expanded Project Supervision Reports) at project level (completion + min. 1-2 yrs operation) 2. OEG special studies: per above topical range (ditto plus up to date credit reviews of all mature portfolio) 3. Annual Review of Eval. Results 4. Annual Report on Evaluation (process) 	<ol style="list-style-type: none"> 1. Project Performance Assessments 2. Country Evaluations 3. Thematic & Sector Evaluation 4. Corporate & Process Evaluation 5. Impact Evaluation 6. Annual Review of Development Effectiveness (ARDE) 7. Annual Report on Operations Evaluation (AROE) 	<ol style="list-style-type: none"> 1. Project Completion (Bank Ops. Staff) 2. Ex-post Project Performance and Sustainability Assessments 3. Country Program Evaluation 4. Sector & Thematic Evaluation 5. Corporate Performance 6. Oversight of Self-evaluation and Bank-wide standards 7. Thematic Oversight Reports 8. Annual Report of the Office of Evaluation and Oversight 	<ol style="list-style-type: none"> 1. Project/Program Performance Audit Rep. (PPAR) 3 years after project completion 2. Technical Assistance (TA) Performance Audit Report 3. Impact Evaluation Studies 4. Re-evaluation (5 yrs after post-evaluation stage) 5. Special Evaluation Studies 6. Annual Review of Evaluation activities. 7. Country Assistance Program Evaluation (CAPE) 8. Annual Report on Loan and TA Portfolio Performance 	<ol style="list-style-type: none"> 1. Project/programme performance evaluation Reports (PPERs) 2. Ann. Review of Eval. Results 3. Ann. of Activity Report 4. Review of Bank experience (sectoral or thematic) 5. Country Assistance Evaluation 6. Sector policy Review 7. Lending Process Reviews

¹ Strategy evaluations have been done through 2003, but will be replaced by sector and thematic evaluations in the future.

	European Bank for Reconstruction and Development	International Finance Corporation	World Bank	Inter-American Development	Asian Development Bank	African Development Bank
5.2 Discussion and Clearing of Reports	<p>The corporate director for evaluation signs-off on all evaluation reports that can be distributed to the Board of Directors and Management.</p> <p>Draft OPER reports and special studies are reviewed/commented on by relevant operation team & support units. The preface of these reports refer to the consultation process of the Corporate Director for Evaluation with the Secretary General of the EBRD. No clearance is required from management before eligible reports are dispatched to the Board and the President.</p> <p>PED seeks comments from a peer group within the EBRD on a draft of the "Annual Evaluation Overview Report" (peer review). The AEOR is reviewed by the Audit Committee of the Board before a review of the document in the full Board of Directors. The AEOR is sent to the Bank's Board of Governors after the review process between Management and the Board of Directors has taken place.</p> <p>Selected reports are reviewed by the Audit Committee of the Board every four months.</p>	<p>Self-evaluation: All staff involved with project in past and present consulted, 100% of reports are formally reviewed by OEG and (for about half, designated by OEG) discussed by committee chaired by VP or Credit Director or relevant senior Credit staff.</p> <p>OEG: Draft reports submitted to management for comment; final versions of all reports submitted to Board following review and comment by DGO.</p>	<p>Discussed with appropriate operations staff. OED reports are issued under DGO signature and approval. Reports are then forwarded to the Board.</p>	<p>Internal OVE peer review, discussion with relevant Bank technical and operational staff, and the Audit and Evaluation Committee of senior management (chaired by Exec. V.P.). Management does not clear or approve the report. Report submitted to the Policy and Evaluation Committee of the Board (Country Program Evaluations go instead to the Programming Committee of the Board), and then to entire Board of Executive Directors.</p>	<p>Discussed with peers; then forwarded to operational departments and governments (executing agencies) for comments. Final draft cleared by Director General OED, and circulated to the Board.</p>	<ul style="list-style-type: none"> - Internal Working Group or Quality Control Working Group - Reports sent for comments to Operat. Depts. + Borrowers + Co-financiers- - Formal Management Response provided by Operations Vice Presidency and Evaluation Reports discussed by the Boards Committee (CODE) on sectoral or thematic basis
5.3 Distribution of evaluation reports	<p>The evaluation documents that can be disclosed to the Board of Directors are signed off by the Corporate Director for Evaluation and sent to the President and the Board of Directors at the same time. He consults the respective project team and the Secretary General before distribution of project-related evaluation reports and special studies.</p>	<p>OEG transmits its reports to IFC's Directors through the DGO following IFC management review and comment.</p> <p>Except for non-investment topical studies and joint studies, disclosure to public of OEG reports is restricted to an abstract.</p>	<p>OED Reports are submitted directly by the DGO to the Committee on Development Effectiveness, and are disclosed to the public in line with its disclosure policy. Reports are posted on OEDs website.</p>	<p>OVE reports are submitted by the Director directly to the Board's Policy and Evaluation Committee and, for Country Program Evaluations, to the Board's Programming Committee.</p>	<p>All public sector evaluation reports are fully disclosed through the President to the Board of Directors, respective governments, executing agencies, and the general public. Reports circulated since 1995 are available online.</p>	<p>HR management of evaluation staff falls within the corporate HR policies and procedures.</p>

	European Bank for Reconstruction and Development	International Finance Corporation	World Bank	Inter-American Development	Asian Development Bank	African Development Bank
5.4 Publication	Disclosure of evaluation documents is incorporated in EBRD's public information policy (PIP). The following documents are disclosed: - Summaries of OPER reports on investment operations (no names of companies and sponsors are disclosed); - OPER reports on TC operations; - Special studies; - Reports on the Work Programme of PED; - AEOR; All reports will be edited for commercial confidential information. An amended lessons learned database has been published on EBRD's Web site.	No, mainly because of confidentiality of either company or IFC investment results data, generally only report abstracts are released and done via Internet Homepage and via points of public contact.	Country Assistance Evaluations Thematic & Sector Eval. Some Corporate Evaluations ARDE AROE OED working papers Precis All reports are disclosed in line with its disclosure policy, placed on the web and printed.	Annual Report of Evaluation Office is published. Reports distributed to Board of Directors and governments. Evaluation abstracts appear on the OVE website except when the affected government objects (in the case of Country Program Eval.). The Bank is revising the overall disclosure policy, including that of OVE.	All public sector reports available for distribution. Always distributed to Board of Directors, respective governments, and executing agencies. Reports circulated since 1995 are available online at http://www.adb.org/evaluation	Reports available for wide distribution after discussion by the Board Committee. Reports' Abstracts are distributed internally. Evaluation Website under construction
5.5 Identity of Promoters of Projects	No names of projects, project sponsors and promoters will be disclosed outside the Bank because of confidentiality obligations towards the Bank's clients, as most of EBRD's activities are with the private sector.	Not disclosed	Not applicable	Not disclosed. Source data is subject to disclosure policy.	No specific measures taken to protect identity of project/promoter. Provide sector reports not disclosed	No restriction on the identity of the promoters/projects
6.1 Costs	A strict budget system is in place. Budget is approved annually by the Board based on management recommendations & controlled monthly. Average cost per evaluation exercise: 25-45 man-days (Bank staff) + consultant time for OPER reports; up to 12 weeks (evaluation staff) for special studies plus 3-4 weeks consultant time.	Self-evaluation: XPSRs consume approx. 2% of operations and enrgs/envrmt spec. staff time OEG: Budget for costs per study (which vary) are included in approach papers	Cost for individual studies depends on nature of the study:	Budget for evaluation reports and services estimated by staff time, consultants and travel costs required, and are reported by gross activity. Budget is approved by the Board.	Depends on nature of study.	Total Unit Cost* (000 USD) PPERs (evaluation reports) Process Reviews: (av.) Thematic studies: (av.) 75 Country assistance review 90-120 * (administrative budget and resources from bilateral cooperation funds)
6.2 Budget	1.56% of EBRD's net general administrative expenses plus depreciation.	OEG: 0.9% of IFC total (FY04)	1.5% Bank's admin. budget	1.1%	3% of ADB's administrative budget	1.6% of administrative budget of AfDB. (2003)

	European Investment Bank	International Monetary Fund
1.1 Separate Evaluation Department	Yes, Operations Evaluation Department (EV). Established 1995	Yes, Independent Evaluation Office (IEO)
1.2 Location in Organisation Chart and budget	EV reports to the Board of Directors via Management Committee; administrative link to one member of the Management Committee. Budget approval annually. EV's budget is approved by the Management Committee, within the overall EIB budget approved by the Board. EV as any Directorate has budget autonomy to reallocate funds within certain limits and rules.	The IEO reports directly to the Executive Board of the Fund. It is completely independent of Management, and operates at "arm's length" from the Board.
1.3 Seniority of Head of Department	Title: Director, who is Head of Directorate.	The Director of the IEO is at the same level as other Heads of Department, i.e., the level immediately below that of the Deputy Managing Directors of the IMF.
2.1 Staffing	Director + 2 associate directors + 1 special adviser + 2 senior executive staff + 2 junior executive staff + 2 assistants	Director plus 3 B-level staff, 7 professionals, and 2 Administrative Assistants. At least half of full time staff must be recruited from outside the Fund.
2.2 Average Tenure of Head of Evaluation and other evaluation staff	3 to 5 yrs, no limitations except Director 5 year non-renewable mandate.	The Director is appointed by the Board of Directors for 4 years, with the possibility of an extension for up to 3 years. To ensure against a conflict of interest the Director cannot subsequently join IMF staff in any capacity. Staff serving in the IEO can have a maximum tenure of 6 years with no restrictions on future employment in the Fund.
3.1 Consultants: Proportion of Business Covered	Generally, post –evaluations prepared with the help of consultants.	20% of staff resources used in evaluation studies are expected to be outside consultants
3.2 Internal Secondment	Not so far, but provided for.	Up to 50% of staff can be from the Fund. However, they are not seconded by Management. They are recruited by the Director and allowed to go to the IEO with the option to return to Fund staff at the same grade as before they joined IEO. Returns at a higher grade are neither ruled out nor automatic.
4.1 Work Programme	Two-year rolling work programme prepared by EV in consultation with other directorates and approved by Management Committee	Prepared by the Director based on consultations with Executive Board, Management, and a variety of interested groups outside the Fund. The work program is reviewed by the Executive Board but is not approved by it.

	European Investment Bank	International Monetary Fund
4.2 Percentage of Projects Subject to Evaluation	<p>Goal is 100% for self evaluation by operational staff (and independent summary report prepared by EV) ;</p> <p>Goal 15% of all individual projects financed annually by the Bank are subject to full evaluation with field visits.</p> <p>Goal 10% of financial intermediation operations (global loans)</p>	<p>There is no fixed percentage. The IEO can evaluate all aspects of Fund activity, not just programs.</p>
4.3 Basis of Studies (country, project by project, sector...)	<p>All types of studies, mainly by sectoral themes or grouped according to country or region.</p>	<p>Studies include thematic studies across several countries and studies focused on individual country programs. Draft issues papers for all evaluation projects are posted on the IEO website for comments. Final terms of reference are determined after taking account of comments. The final terms of reference is also published and interested parties are invited to submit substantive inputs for consideration by the evaluation team.</p>
5.1 Types of Report & Timing	<ul style="list-style-type: none"> - Project Evaluations – synthesis reports (3-4 per year), covering 45-55 in-depth investment evaluations - Annual Report on Evaluation activities. - Annual report on self evaluation 	<p>3 to 4 evaluation reports will be submitted to the Board each year. IEO will also issue an Annual Report. The International Monetary and Financial Committee (IMFC) receives regular reports on the activities of the IEO.</p>
5.2 Discussion and Clearing of Reports	<p>All reports discussed with all (in-house) services concerned & when practicable, with relevant Promoters. Management Committee decides to send report to Board of Directors without change of substance.</p>	<p>IEO reports submitted to Management and to the relevant country authorities for comments (not clearance). Comments of Management and the country authorities will be appended to the IEO report along with comments of IEO, and transmitted to the Board for consideration.</p>
5.3 Distribution of evaluation reports	<p>In-depth evaluations (on which synthesis reports are based) to all staff concerned; synthesis reports, annual report and annual self-evaluation reports to all staff, plus Management Committee, plus Board of Directors.</p>	<p>IEO reports are circulated simultaneously to IMF Management and the Evaluation Committee of the Executive Board but are not changed in light of comments received (except for factual corrections). IEO may submit its own comments on management's comments for consideration by the Board. With Board approval, reports are published along with comments of management, staff and – where appropriate – the relevant country authorities. , IEO's comments on management comments, and the Chairman's summary of Board discussions are also published.</p>
5.4 Publication	<p>Management Committee decides to publish or not without change or substance. Synthesis ex-post evaluation reports are posted on the Bank's internet site (paper copies distributed as requested). In-depth reports, annual reports and annual self-evaluation reports are posted on the Bank's intranet.</p>	<p>To be determined after Board discussion of each evaluation. The terms of reference indicate that there is a strong presumption that reports will be published</p>
5.5 Identity of Promoters of Projects	<p>Promoters and projects should not be identifiable in published reports.</p>	<p>Not applicable</p>

	European Investment Bank	International Monetary Fund
6.1 Costs	Cost per study measured on basis of time management system and consultants contracts Budget approval annually	IEO budget is approved by the Executive Board based on a proposal prepared by the Director of IEO. The budget approval process does not influence the content of the evaluation program, but does determine its overall size.
6.2 Budget	About 1% total EIB admin. budget.	0.5% of IMF Administrative Budget in 2003

**TRANSITION IMPACT ANALYSIS
OF OPER REPORTS ON INVESTMENT OPERATIONS**

Project name

TI checklist categories	STEPS OF RATING TRANSITION IMPACT <i>EX POST</i>	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	Rating ¹	Rating ²	Rating ³
3	Private ownership			
5	Skill transfers			
6	Demonstration effects			
7	New standards for business conduct			
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	Rating	Rating	Rating
1	Competition			
2	Market expansion			
3	Private ownership			
4	Frameworks for markets			
5	Skills transfers			
6	Demonstration effects			
7	New standards for business conduct			
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS			
	OVERALL TRANSITION IMPACT RATING:⁴			

¹ This range is: Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative.

² This range is: Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative.

³ This range is: Low/Medium/High/Excessive.

⁴ This range is: Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative.



European Bank
for Reconstruction and Development

EXPANDED MONITORING REPORT

BASIC INFORMATION FOR CLIENT : [Name]

Client Id :		Latest Financial Statements :	
Monitoring Report For Period :		Client Fiscal Year Ends :	

SUMMARY OF CLIENT EXPOSURE

	Operation Name	DTM Op Id:	Product Type	EBRD Commitment (EUR)	Disbursed Outstanding (EUR)
Total:					

Note: * = Lead / Extension Operation

DISTRIBUTION LIST

Task	Role	Name
For Review:	Credit	
For Information:	Credit	
For Information:	EAU	
For Information:	DVP	
For Information:	OAU	
For Information:	Procurement Unit	
For Information:	Country Monitor	
For Information:	Team Monitor	
For File:	Credit	
For File:	OFS	
For File:	Banking	
Report Prepared By:		

SIGNATURE LIST

	Name	Ext.	Electronic Sign-off (Y/N)	Sign-off Date
Primary OL				
Country Team Leader				
Sector Team Leader				
OGC Lawyer				
Project Evaluation Department				
Environmental Assessment Unit				

BASIC INFORMATION FOR OPERATION:

Report Sequence No.:		Board Approval Date:	
Sic Code:		Signing Date:	
Industry Sector Description:		Effectiveness Date:	
Sector Risk Class		1st Disbursement Date:	
Country Of Operation:		Implementation Status:	
Monitoring Class:		Physical Status:	
Project Sponsor:		Implementation Schedule Variance (In Months):	
Nationality Of Sponsor:		Disbursement Status:	
Environment Code:		Repayment Status:	
Operation Description:			

	Y/N	Date	Reason
Returned to Board ?			
Early Warning Memo ?			

EBRD COMMITMENT BY PRODUCT TYPE

Product Type:	Currency:	Amount:	EUR Equivalent Amount:	Pricing

PAYMENT INFORMATION - DISBURSEMENTS AND OUTSTANDINGS

Product type: Loan	Currency	Commitment Amount	Total disbursed to date	Undrawn commitment to date	Total future expected disbursement	Total repaid to date	Outstanding Amount	Non Accrual? (Y/N)
Last Availability Date:				Revised Last Availability Date:				
Comments:								

DISBURSEMENTS AND OUTSTANDINGS (GUARANTEE)

Product type: Guarantee	Currency	Commitment Amount	Current Outstandings	Unutilised Commitment
Last Availability Date:				
Revised Last Availability Date:				
Comments:				

SCHEDULED PRINCIPAL REPAYMENTS

Product type	Currency	Scheduled instalment Amounts	Frequency of payments	Schedule type	First payment date	Last payment date	Revised last payment date

PAYMENTS OVERDUE

Product type	Currency	Payment Type	Amount	Date due
Explain briefly any overdue payments:				
Specific provisions:				

TREASURY UPDATE

	Y/N	Comment
Have you discussed with your client during the last 12 months the possibility of Fixing the interest rate ?		
Have you discussed with your client during the last 12 months the possibility of Switching Loan Currency?		

LIST OF MAJOR SHAREHOLDERS/INV. (10% OR MORE + OTHER)

Shareholders	Number of shares		% Ownership	
	Initial	Revised	Initial	Revised
Comments:				

PAYMENT INFORMATION - DISBURSEMENTS (EQUITY)

Equity type	Currency		Total Of Subscriptions	Total Invested	Total Divested	Total Currently Held	Total Future Expected Disbursement
Last availability date:					Revised last availability date:		
Brief description of subscription arrangements:							

DIVESTMENTS

Equity Class	Currency	Number of shares	Price per share	Total Proceeds	EUR Proceeds Equivalent
			Total EUR Proceeds Equivalent :		
Comments:					

CASH DIVIDENDS RECEIVED

Date	Currency	Amount	EUR Equivalent
Expected Future Dividend Policy:			

SECURITY (COLLATERAL)

Collateral Description	Currency	Valuation	Last Valuation Date	Name of Valuer
Security To Loan Value %:				
Commentary:				

SECURITY (GUARANTEE)

Guarantee Description	Currency	Amount	Issuer
Commentary:			

BREACHED COVENANTS

Covenant Description	Section of Agreement	Due date	Actual Performance	Remedial Action Proposed
Commentary:				

PROJECT COST CONTROL REPORT

	Currency:	DEM	Initial Amount (from Board report)	Latest Revision Amount	Variance	
Item					Amount	%
Total Cost:						
Total Costs in EUR equivalent:						
Latest Revision date:						
Commentary to explain revision:			Number of Revisions:			

FINANCING PLAN

		Initial (from Board report)			Latest Revision			Signed? (Y/N)	EBRD %
Organisation Name	Financing Type	Currency	Amount	% of Total	Currency	Amount	% of Total		
Total Financing in EUR equivalent									
					Latest Revision date:				
Commentary to explain revision:					Number of Revisions:				

VALUATION AND EXIT

Valuation Method	Most Appropriate Valuation (Y/N)	Calculation Formula	Value of EBRD Holding		EUR Equivalent
			Currency	Amount	
High Market Price during last 12 months (if applicable):					
Low Market Price during last 12 months (if applicable):					
Commentary :					

EXIT STRATEGY DETAILS

Counterparty Name	Start Date	End Date	Option Type	Description	Price Agreed
Expected IRR%:			Revised IRR %:		
Specific provisions (Currency/Amount) or Other Comments:					

CONTRACT AWARD DATA

Contracts signed since the last monitoring report					
Name of Supplier/Contractor	Nationality	Type of Contract	Contract Description	Date of Award	Signed Contract Amount (EUR)
Total:					

IMPLEMENTATION PLAN & PROGRESS REPORT (PRIVATE)

[illegible]

PHYSICAL PROJECT PERFORMANCE INDICATORS FROM BOARD DOCUMENT

Performance Indicator	Target	Actual Performance	Comments on Variance

PROJECT PERFORMANCE CLASSIFICATIONS

CATEGORIES	This Report	Last Report	Brief Justification	Follow-up Action
Project Execution and Implementation				
Project Management				
Production Performance				
Procurement				
Covenant Compliance including Financial and Operational Covenants				
Reporting				
Policy Undertaking and Institutional Reform				
Availability of Counterparty Funds				
Economic & Political Environment				
Financial Performance, Project Level				
Overall Project Performance Rating:				
Justification				
Ratings Spread: 1. Fully satisfactory 2. Minor problems 3. Serious problems 4. Recovery in doubt NOP No opinion possible N/A Not applicable				
Overall Project Performance Rating Spread: Excellent, Good, Marginal, Unsatisfactory				

CREDIT RATINGS

	Current Rating	Previous Rating	Last Date Of Change
Country Risk Rating			
Project Risk Rating			
Overall Risk Rating			

NON-COMPLIANCE WITH INSURANCE REQUIREMENTS

Policy Cover	Description Of Deficiencies	Required By Agreement?

OPERATION OBJECTIVES (as established at project approval)

OPERATION OBJECTIVES (as established at project approval)				
Objective	Rating	Measurement Targets	Actual Performance	Comments on Variance
Objectives:				
Justification of Overall Fulfillment Rating :				
Key to Ratings: 1. Excellent, 2. Good, 3.Marginal, 4. Unsatisfactory				
Overall Fulfilment Ratings Spread: Excellent, Good, Marginal, Unsatisfactory				

PROJECT RATES OF RETURN

	Appraisal	New Est.	New Est. Date	Reasons For Variation:
FIRR %				
EIRR %				

PROJECT RATIONALE

	Assessment
Project or Business Concept : Review of goals and concepts as stated at approval, including their relevance and realism in past and present perspectives with conclusions	
Rationale in light of the Bank's Mandate: (reflected in sector-, country-, and operation policy) Assessment of rationale as stated at approval and in the light of reviewed perspectives and conditions.	

TRANSITION IMPACT

Type of Impact	Short Term	Longer Term		Comments/Justification
	Verified Impact	Impact Potential	Risk to Transition	
Step 1: Project Affected Change At Corporate Level				
Private Ownership				
Know How				
New Standards for Business Conduct at enterprise level				
Step 2: Transition Impact At Industry Level and in the Economy as a whole				
Enhanced Competition				
Market Expansion via competitive interaction in the sector and industry				
Frameworks for Markets, institutions, laws and policies that promote market function and efficiency				
Skills Transfer and dispersion to the industry and economy as a whole				
Demonstration Effects; transfer of new behaviour and patterns				
Setting of new Domestic Standards for corporate governance and business conduct				
Overall Rating:		Ratings Spread : Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative.		
Justification:				

ADDITIONALITY

Rating	
Justification	
Ratings Spread: Verified in all respects, Verified at large, Verified only in part, Not verified	

ENVIRONMENTAL IMPACT

	Rating	Justification
Environmental Performance of the Sponsor and the Bank		
Extent of Environmental Change		
Comments		
Ratings Spread : Environmental Performance of the Sponsor and the Bank : Excellent, Good, Marginal, Unsatisfactory		
Extent of Environmental Change : Substantial, Some, None, Negative		

BANK HANDLING

Item	Achievements	Shortcomings / Problems
Bank Policy Compliance		
Bank Policy Compliance		
Preparations, Design, Structuring		
Project Selection		
Appraisal quality, coverage (incl of sponsor/client, project)		
Documentation at Approval		
Operation Design to meet its objectives		
Risk identification and mitigation in retrospect		
Structuring and negotiations		
Client relationships		
Syndication aspects		
Monitoring and Reporting		
Site visits		
Board work/meeting records		
Quality for MRs		
Waivers, consents		
Early warnings, etc		
Environmental monitoring		
Trouble Shooting		
Other monitoring issues		
Other		
Other Issues		
Overall Assessment of the Bank's Handling		
Justification		
Ratings Spread : Excellent, Good, Marginal, Unsatisfactory		

RISK ASSESSMENT

Major Project Risks	Identified at appraisal	Emerging to Date: Identified and New	Mitigation: Existing and Required plus Remarks
IMPLEMENTATION STAGE			
Sector/industry specific completion risk			
Impl. Management / control / contractor risk			
Technical			
Staff, operators, training			
Cost Overruns / Delays			
Finance risks			
Other			
OPERATIONS STAGE			
Regulation, Macro-Economic Conditions			
Sector/industry specific risk			
Sponsor risk			
Markets / Marketing			
Competitive position			
Technology / Productivity			
Management / Financial control / Reporting			
Environmental protection / Liability			
Financial structure, funding Bank share			
Cash flow / debt service capacity - Project Level			
Cash flow / debt service capacity - Corporate Level			
Seniority / Collateral / Guarantor Risk			
Equity Risk			
Client Off Balance Sheet Exposure (currency, interest, other)			
FINANCIAL INTERMEDIARIES			
Liquidity-, Credit- (Portfolio quality and diversification, collateral, guarantees, assignments, provisioning), Risks			
Currency-, Interest- and Off Balance Sheet Risks			

Other		
Adequate Reflection of above Project Risk in Latest Credit Portfolio Rating ? (Yes/No)		
Latest Portfolio Management Review Date (PMR Report Date)		
Remarks on Changes in Project Risk		

OVERALL ASSESSMENT

	Overall Rating
Project Performance (<i>Excellent, Good, Marginal, Unsatisfactory</i>)	
Fulfilment of Objectives (<i>Excellent, Good, Marginal, Unsatisfactory</i>)	
Overall Client Financial Performance (<i>Excellent, Good, Marginal, Unsatisfactory</i>)	
Transition Impact (<i>Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative</i>)	
Additionality (<i>Verified in all respects, Verified at large, Verified only in part, Not verified</i>)	
Environmental Impact Performance of Sponsor / Bank (<i>Excellent, Good, Marginal, Unsatisfactory</i>) Extent of Environmental Change (<i>Substantial, Some, None, Negative</i>)	
Bank Handling (<i>Excellent, Good, Marginal, Unsatisfactory</i>)	
Risk Assessment Agrees With Latest Portfolio Risk Rating? (<i>Yes, No</i>)	
Overall Operation Performance Rating (<i>Highly Successful, Successful, Partly Successful, Unsuccessful</i>)	
Justification	

KEY OPERATION ISSUES AND LESSONS LEARNED

Types of Issues	Key Issues	Related Lesson
Country, Sector- or Industry generic issues, public or private		
Relating to indirect financing via intermediaries		
Relating to Bank policy and its mandate		
Relating to Bank handling		
Relating to TC (Technical Collaboration)		
Other thematic issues		
Other issues		
Recommendations (Optional)		

MONITORING ACTIVITIES

Monitoring Activities	Last 6 Months to 04-Aug-2000	Next 6 Months to 04-Feb-2001
On-Site Visits:		
Client Meetings:		
Client Reports:		
Consultant Reports:		
Other:		

CLIENT FINANCIAL ANALYSIS AND PERFORMANCE CLASSIFICATIONS

Categories	Rating this report	Rating previous report	Analysis	Follow-up Action
Margins & Profitability				
Balance Sheet Strength				
Asset Quality & Provisioning				
Cashflow and Liquidity				
Peer Group Analysis and Competitive Position				
Corporate Management				
NAV Growth				
Collateral Valuation & Other External Support				
Unrecognised Gains and Losses				
Fund Financial Performance				
Project Sponsor/ Guarantor Financial Perf and Strength				
Overall Client Financial Performance				
Justification				
Key to Ratings: 1. Fully satisfactory, 2. Minor problems, 3. Serious problems, 4. Recovery in doubt, NOP. No Opinion Possible, N/A. Not Applicable				
Rating Spread Overall Performance: Excellent, Good, Marginal, Unsatisfactory				

PAPER ATTACHMENTS

Item description

ELECTRONIC ATTACHMENTS

Description	File name

YEAR 2000 COMPLIANCE

Have you received a reply to the Year 2000 questionnaire ?	
Year 2000 risk rating applied	
Mitigating action being taken if high or medium risk	