

Special study

PCR assessment report
(Technical cooperation operations)

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Evaluation Department
(EvD)



European Bank
for Reconstruction and Development

PREFACE

This special study is an assessment of project completion reports (PCRs) that is performed annually by the Evaluation Department (EvD) and has been executed as part of EvD's 2006 Work Programme.

The purpose is to assess independently a structured sample of PCRs prepared by operation leaders (OL) for technical cooperation (TC) projects between September 2005 and August 2006. The individual PCR assessment (PCRA) is concerned with the reliability of the information provided by the teams in the banking department (BD). It also looks into the issues of project results, impact achievements and lessons learned (LL). The assessment exercise is carried out as a short desk study, of approximately one to two days per case after gathering relevant information from the responsible operations staff and the Official Co-Financing Unit (OCU).

The assessment reviews the PCR as well as other project documentation, such as documentation from operation approval authorities, tender documents, consultant proposals, consultant reports and written correspondence with the parties involved. These documents were obtained from the respective OLs and through the archives. Interviews with OLs are also carried out to clarify the issues stated in the PCRs and to discuss EvD's findings, as necessary. The process of finalising this special study includes (i) discussions with the BD teams concerned, very similar to the process involved for other types of EvD reports, (ii) discussions with the OCU and (iii) draft distribution to all relevant units within the Bank as called for under Chapter 8 of the Bank's Operations Manual (OM). Comments received through these dialogues were considered when finalising the report.

In addition, some valuable recommendations have been received as to the structure and content of this special study from the discussion of last year's PCR assessment by the Audit Committee of the Board of Directors. Consequently, the PCR assessment this year outlines the position and role that the PCR assessment plays within the overall framework of TC evaluation activities carried out by EvD.

This assessment was carried out by Amelie Gräfin zu Eulenburg (Evaluation Manager) under the supervision of Wolfgang Gruber (Senior Evaluation Manager) who are both collectively hereafter referred to as the assessment team.

It is important to note that (i) while this assessment report benefits from EvD's objectivity, independence and post-evaluation hindsight, these advantages confer no unique claim to truth, and (ii) while other reports may confirm that this report's lessons have broader applicability, this report's findings relate largely to a group of TC operations and do not by themselves support any more general inferences about Bank operations.

TABLE OF CONTENTS

	Page
PREFACE	
ABBREVIATIONS AND DEFINED TERMS	ii
EXECUTIVE SUMMARY	iii
1. INTRODUCTION	
1.1 EvD activities in respect of TC operations	1
1.2 Evaluation framework for the PCR assessment	1
1.3 Presentation of a PCR assessment sample	3
2. OVERALL ASSESSMENT	
2.1 Summary of overall ratings	4
2.2 Outcomes of composite ratings among the sample	5
2.2.1 Fulfilment of objectives	6
2.2.2 Contribution to a Bank investment	7
2.2.3 Transition impact (TI)	8
2.2.4 Client commitment	8
2.2.5 Consultant performance	9
2.2.6 Bank handling	10
2.2.7 Donor visibility	11
3. GENERAL DEVIATIONS IN RATING	11
4. KEY ISSUES AND LESSONS LEARNED THAT CAN HELP ENHANCE TC QUALITY	
4.1 Bank handling	12
4.2 Standardisation in setting objectives	14
4.3 Enhancement of donor visibility	15
4.4 Clarification of TI in TC operations	17
4.5 Administrative/technical matters	17
5. RECOMMENDATIONS FOR FUTURE TC OPERATIONS	
5.1 Fulfilment of objectives	18
5.2 Client commitment	19
5.3 Bank handling	19
5.4 Donor visibility	20
5.5 Transition impact	20
5.6 Project administration	21
5.7 Summary of key recommendations to enhance TC quality	21
ANNEXES	
Annex 1	TC-related evaluation performed by EvD
Annex 2	Understanding of the parameters included in the PCR assessment
Annex 3	Selection of structured sample and features provided by population and sample in the 2006 PCR assessment
Annex 4	Evaluation matrix (explanation of ratings)
Annex 5	Deviations in rating the 2006 sample of PCRs
Annex 6	Selected examples of objectives defined for TC operations
Annex 7	Overview of lessons learned in former PCRA reports 2003-06 and their meaning for bank handling

ABBREVIATIONS

AEOR	Annual Evaluation Overview report
BD	Banking department
CSU	Consultancy Services Unit
EvD	Evaluation Department
EDP	Electronic Data Processing
LL	Lessons Learned
MEI	Municipal and environmental infrastructure
OCE	Office of the Chief Economist
OCU	Official Co-financing Unit
OL	Operation leader
OM	The Bank's Operations Manual
OPER	Operation Performance Evaluation Review
PCR	Project completion report
PCRA	Project completion report assessment
TC	Technical cooperation
TCCom	TC review committee
TCFP	Technical cooperation funds programme
TI	Transition impact
ToR	Terms of Reference (for consultant assignment)

DEFINED TERMS

The Bank, EBRD	European Bank for Reconstruction and Development
PCR	Project completion report: a self-evaluation document prepared by the operation leader for a technical cooperation operation in line with the Bank's operational procedures as specified in Chapter 10 of its Operations Manual.
PCR assessment	A special study on a number of PCRs undertaken by EvD in the frame of its Annual Work Programme. The PCR contents are challenged against EvD's evaluation experience.
PCRA	The individual report, assessing one of the projects within the sample and rating it from the perspective of EvD assessment team. Presented in the appendix (Part II) of this study.
Population	A set of PCRs submitted during the past year for standard TC operations, excluding any TCs that were linked to already evaluated loans or equity operations by EvD.
Sample	A sample of PCRs selected from the population (see above) for more in-depth study. The sample selection follows a similar distribution to the population along various categories.
PCR submission date	Date when the OLs submit their PCR to OCU.
Contract end date	End date according to consultant contract.
Commitment closure date	Date when all invoices have been paid in full to the consultant.

EXECUTIVE SUMMARY

EvD evaluates TC in several ways, including the Operational Performance Evaluation Report (OPER), special studies and sector studies, as well as the project completion report assessment (PCR assessment).

The Annual PCR assessment looks into a number of TC operations that were self-evaluated by their OLs in the BD by delivering the mandatory PCR to the OCU.

For the 2006 PCR assessment, the sample of 19 PCRs was selected from a population of 172 in total, as submitted between 1 September 2005 and 31 August 2006. The sample is structured in a similar way to the population and aims to cover as many banking teams, countries and donors as possible.

Some projects could not be assessed due to there being no former OL or team member able to provide information and/or due to the lack of sufficient documentation available. This may affect future evaluations on the part of donor organisations who may wish to collect evidence on usage and achievements reached with their funds, as they would clearly face the same obstacles.

For each individual PCR, EvD assessment team conducts comprehensive desk studies drawing on resources available at the Bank's Headquarters, mainly operation files and Bank staff involved. Essentially, the assessment methodology relates to input factors (Bank handling, client commitment and consultant performance) and output factors (fulfilment of objectives, TC contribution to Bank's investment, and transition impact), as well as donor visibility.

Out of 19 operations in the sample, some 84 per cent achieved a rating of *successful* or *highly successful*. In comparison with the findings from the OLs' self-evaluations, EvD has downgraded four projects and upgraded one. Consultant performance and client commitment was overwhelmingly rated positive, while Bank handling and donor visibility received rather moderate ratings from the assessment team.

Bank handling was the area that was re-rated the most. The fundamental difference between the OLs' view and that of the assessment team was the effort one is ready to make for TC administration and documentation.

Highly successful TCs in the sample are often driven by *excellent* client commitment or consultant performance, in combination with *good* or *excellent* Bank performance. Less successful projects show mostly *marginal* ratings for Fulfilment of objectives, as well as Bank handling, client commitment and TI.

There are a number of issues that are likely to perforate the Bank's institutional memory in the medium term. These include the high turn-over rate of OLs, lack of clarity on formal hand-over procedures and poor file administration/record keeping, as observed in a number of the sample projects.

The assessment team generated some 40–50 lessons from the PCRs, interviews with the OLS and through the consultant reports that cover all project parameters, as well as general TC administration. Among the most important LL are the following:

- The definition and monitoring of project objectives and project success indicators should be further encouraged, for instance, through relevant training sessions for operational and evaluation staff.
- OLS are encouraged to apply the standard methodology on the definition and assessment of TI that relates to a TC operation: by way of its own transitional effects (for example, at institutional level) as well as those within the context of the underlying investment operation. This approach should be reflected within the TC review Committee (TCCom) review documents and then be used in progress and completion reporting as well, which might require a slight amendment of reporting templates.
- Banking teams are advised to seek guidance on the desirable donor visibility with OCU and the donor organisation. For instance, information to the public can easily be enhanced by locating a brief project description on the local client's website and by including a disclaimer in electronic hand-outs such as newsletters or monthly bulletins.
- More attention should be given to the generation of LL, especially in cases with a rating of partial or no success. OCU's efforts in this area are appreciated and encouraged further. For example, upon the presentation of less than *successful* ratings in PCRs, OCU is recommended to call a meeting with the operational team, and possibly EvD, in order to jointly conclude on LL and recommendations for future operations.
- The practice of having a TC coordinating/contact person is highly encouraged for each banking team, as it would help to prevent the loss of files and information when there is a changeover of OLS.
- Until the new *TCLink* system is established,¹ OLS are advised to maintain an electronic "master file" of their own including the most important documents of a TC project for easy access.
- OCU is advised to adapt the existing reporting template with regard to those assignments that relate to Bank internal assignments, such as in the case of special employees and internal consultants.
- Recommendation to develop specific "TC incentives" for banking staff. New ideas for including aspects related to TC obligations within the annual performance assessments of teams in the BD are highly encouraged.

¹ According to the information provided by OCU, *TCLink* will be implemented at the end of 2007.

1. INTRODUCTION

1.1 EvD activities in respect of TC operations

TC funding is a substantial resource input for the Bank with ever rising importance and is predominantly for the preparation and implementation of investment operations. According to the technical cooperation funds programme (TCFP) status report of 9 August 2006, the total contribution from donors (mainly shareholders of the Bank), since the establishment of the Bank has amounted to €1.18 billion. This funding translates into 4,228 TC projects.

It is within EvD's mandate to perform independent evaluations of TC operations. More specifically, TC evaluations are carried out by EvD through the following:

- ❖ **TC OPERs** (Operation Performance Evaluation Review): about six of these reports are carried out per year for completed projects with a volume of at least €200,000. These require a full-scale revisit of an operation including missions to the field and consultations with clients, consultant and other relevant parties. OPERs may also involve consultant input.
- ❖ **Special studies:** about six a year (such as sector strategy evaluations, thematic synthesis reports and mid-term reviews), which do also report on TC operations, as support measures for investment preparation and implementation. This **PCR assessment** is also counted as a special study.

In addition, the **Annual Evaluation Overview Report** (AEOR) provides in its Chapter 5 a comprehensive overview of EvD's evaluation coverage and findings in the field of TC.¹ According to the AEOR 2006, the total volume of evaluated TC operations based on an OPER exercise, as a percentage of the volume of TC operations with a completed PCR, is 21.5 per cent (2005). If groups of TC commitments covered in special studies on sectors and themes are included, the coverage ratio rises to almost 50 per cent. Annex 1 illustrates the TC evaluation performed by EvD.

1.2 Evaluation framework for the PCR assessment

The purpose of this PCR assessment – as for evaluations in general – is twofold. In compliance with the Bank's fiduciary obligation towards its shareholders and fund providers, evaluation serves (i) accountability aspects as an *external* obligation concerning transparency and information and (ii) quality management aspects as an *internal* obligation, by retrieving LL from past experience for dissemination and feedback to benefit future TC activities.

TC operations are – similar to the Bank's investments – subject to a diligent appraisal, monitoring and self-evaluation process. The results of these process steps are documented in: (a) the technical cooperation request package to the TCCom for the appraisal stage, notably including the TC project profile and consultant terms of

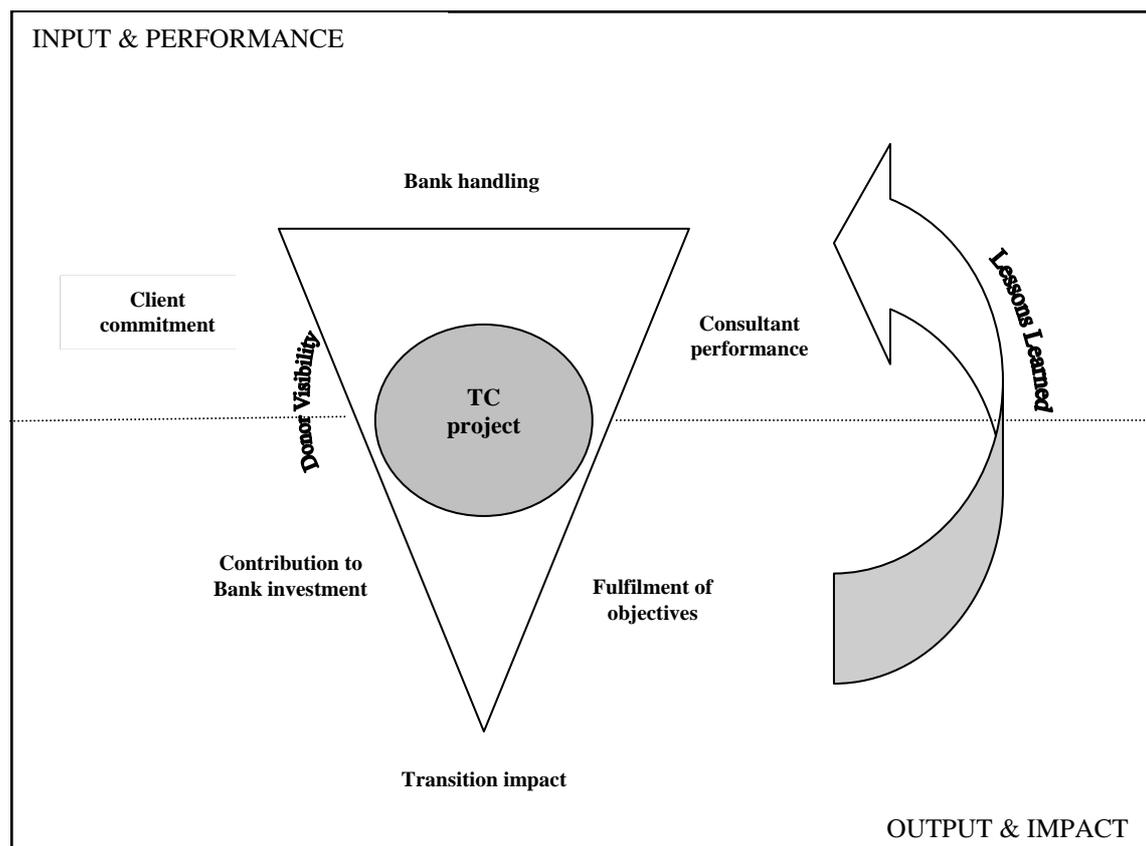
¹ It should be noted that through the evaluation of investment operations that have an important TC component, the EvD provides further assessments to TC donors.

reference; (b) the project progress reports during monitoring stages; and (c) the PCR upon completion.

More specifically, the handling of the PCR is described in the OM. To give an example, completion reporting is outlined in Section 10.10 as follows: “the Operational Leader (OL) will, on closure of the commitment (...) fill in a project completion report (PCR). This shall be done within three weeks after closure of the commitment.” The PCR² covers such issues as: fulfilment of objectives, performance of project participants, TI and contributions to Bank’s investment as well as LL. It is, thus, a mandatory self-evaluation to be carried out for each completed TC project by the OL.

The PCRs are submitted to the OCU, the Bank’s custodian for TC resources, for general review after clearance by the management of the operation unit concerned. The individual PCRA, in turn, takes a closer look at the performance described by the OL. Annex 2 provides a more specific understanding of the parameters included in the assessment whilst their general perception is illustrated below:

Figure 1: Aspects of a TC operation and related PCR assessment



² There are two types of TC projects for which PCRs are delivered: "standard" and "framework". The latter is where the assignment is made up of several sub-projects (“call-offs”) included under one overall “umbrella” approval.

In preparing a PCR assessment,³ EvD uses information provided by teams in the BD and the TC-related documentation, namely the TC project profile, Terms of Reference (ToR), contract dossier, reporting files and correspondence with parties involved. Interviews are performed with every OL concerned to clarify issues stated in the PCRs and to discuss the findings in general and any LL in particular. Finally, the assessment team goes through each individual PCR, confirming or changing it by either downgrading or upgrading the ratings and adding their comments (see Part II of this report, “Appendices – project completion report assessments (PCRAs), February 2007”).

As will be seen further on, this study does not aim to yield any conclusions in quantitative terms for a wider population and is only applicable to the non-random sample assessed. The focus lies on “quality aspects” and to encourage discussions when raising questions such as: When do we assume bank handling to be excellent? What are common problems in defining and fulfilling objectives? Can the concept of donor visibility be improved? What about the PCR form and its appropriateness for different kinds and types of projects?

1.3 Presentation of the PCR assessment sample

The sample of 20 TC PCRs for the PCR assessment was taken from all PCRs submitted between September 2005 and August 2006, excluding projects executed under TAM/BAS, and further referred to as the “population”. This year’s population consisted of 172 PCRs,⁴ implemented by banking and other departments. The selection of the PCR assessment sample followed similar patterns to the overall population of PCRs along categories such as country, sector, donor, volume, project type and rating, and aimed to achieve a wide extent among BD staff members. The selection also followed practical considerations, especially the availability of files, information and OLs at Headquarters (see Annex 3 for details).

Regardless of the efforts taken to avoid unsuitable projects, some cases in the final sample still proved to be complicated.⁵ Some projects were initially considered for this PCR assessment but had to be dropped. This was for reasons such as there being no available representative or because the teams were not able to provide information or due to the lack of sufficient documentation to assess the case. The rather worrying message here pertains to donor organisations who may wish to collect evidence on usage and achievements reached with their funds, as they would clearly face the same obstacles.

Table 1: List of final sample – projects selected for PCR assessment 2006/07

Number	Country	Sector name	€amount	TC operation type
1	Regional	Energy	49,810.00	Project preparation
2	Serbia and Montenegro	Transport, Storage	59,992.50	Project implementation
3	Regional	Transport, Storage	49,417.57	Advisory services
4	Russia	municipal and environmental	398,121.82	Project implementation

³ The principal approach of the PCR assessment is described in the “Evaluation Policy Review” 2006, chapter 2.4.8 “Project completion on TC operations”.

⁴ The Population in 2006 is much larger than the previous year when a total of 97 PCRs was submitted.

⁵ One project had to be evaluated without the OL or any other representative of the team being available for discussion and, in two instances, OLs had to be involved with more than one project.

		infrastructure (MEI)		
5	Kyrgyz Republic	Finance, Business	198,559.19	Project implementation
6	Azerbaijan	Finance, Business	298,749.80	Project implementation
7	Regional	Agriculture, Forestry, Fishing	123,919.00	Advisory services
8	Romania	Energy	32,590.00	Project preparation
9	Bosnia and Herzegovina	Energy	98,690.28	Project preparation
10	Regional	Finance, Business	35,177.98	Project implementation
11	FYR Macedonia	Finance, Business	96,840.00	Sector work
12	Slovenia	Finance, Business	76,440.00	Advisory services
13	Kyrgyz Republic	Finance, Business	32,195.43	Advisory services
14	Bosnia and Herzegovina	Transport, Storage	179,463.10	Project preparation
15	Poland	Energy	180,000.00	Project preparation
16	Ukraine	Energy	55,000.00	Project implementation
17	Russia	Transport, Storage	48,014.42	Project preparation
18	Regional	Finance, Business	51,082.92	Project implementation
19 ⁶	Bulgaria	Local Authority Services	49,930.00	Sector work

The financial volume per project ranges from some €30,000 to almost €400,000, with an average budget of approximately €18,000. In total, almost €2.25 million was spent within the sample, which is a 7.7 per cent share of the total budget of the population (€29.4 million).

2. OVERALL ASSESSMENT

2.1 Summary of overall ratings

The overall assessment of PCRs is presented in Table 2 below. The related PCR evaluation matrix, attached in Annex 4, shows the basic features and quality of parameters for the ratings given. In EvD's view, the OLS have done their self-evaluation work reasonably well. This is reflected by the fact that EvD agrees with 14 of the overall ratings of the sample of 19 TCs. In one instance, the assessment arrived at a better (upgrading) rating but in four instances at less favourable (downgrading) ratings.

Table 2: List of overall ratings

TEAM NAME	Overall rating	
	PCR	EvD
Energy Efficiency and Climate Change ⁷ (2 Operations)	<i>Partly successful</i>	<i>Partly successful</i>
	<i>Unsuccessful</i>	<i>Unsuccessful</i>
Financial institutions	<i>Successful</i>	<i>Successful</i>
	<i>Successful</i>	<i>Successful</i>
	<i>Highly successful</i>	<i>Successful</i>
	<i>Highly successful</i>	<i>Successful</i>

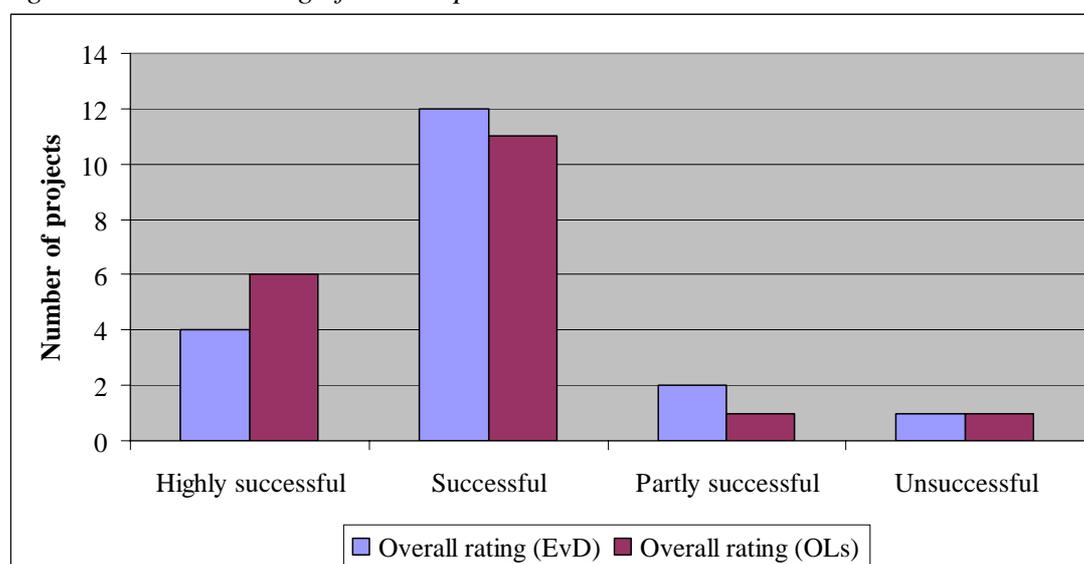
⁶ The Sample originally contained 20 projects. However, it was decided that one should be excluded, a large EU-Tacis funded project, which will be part of the 2007 EvD Work Programme as a TC OPER.

⁷ The performance of this sector team should not be misinterpreted by having selected two less successful projects. As a matter of fact, the basic sample of 47 projects contained two more projects from this Banking Group showing *successful* ratings, but the selection was necessary with a view to the structure of the Sample.

(5 Operations)	<i>Highly successful</i>	<i>Highly successful</i>
MEI (2 Operations)	<i>Successful</i>	<i>Successful</i>
	<i>Highly successful</i>	<i>Highly successful</i>
Group for Small Business (2 Operations)	<i>Successful</i>	<i>Successful</i>
	<i>Successful</i>	<i>Successful</i>
Power and energy (3 Operations)	<i>Highly successful</i>	<i>Successful</i>
	<i>Successful</i>	<i>Successful</i>
	<i>Successful</i>	<i>Successful</i>
SEECCA Headquarters (2 Operations)	<i>Successful</i>	<i>Partly successful</i>
	<i>Successful</i>	<i>Highly successful</i>
Transport (3 Operations)	<i>Highly successful</i>	<i>Highly successful</i>
	<i>Successful</i>	<i>Successful</i>
	<i>Successful</i>	<i>Successful</i>

Graphically, the overall rating results of the sample are shown in Figure 2. It should be noted that performance outcomes of the evaluation of TC operations do not lend themselves to aggregation of overall evaluation results in the same way as investment operations. Therefore, and as was stated before, this PCR assessment focuses rather on the analysis of qualitative aspects in TC implementation. Deviations between the ratings applied by EvD and OLs are described in greater detail in Chapter 3 and Annex 5.

Figure 2: Overall rating of the sample



2.2 Outcomes of composite ratings among the sample

The section below presents individual ratings for different parameters in the fields of “Output and impact” as well as “Input and performance” that make up the overall rating. In addition, some practical examples taken from the Sample and illustrating best and worst cases are presented in boxes 1–6. The individual PCRA’s providing all details for each operation are included in Part II of this study. As an illustration as to how the rating system works on individual TC assignments, boxes 1–6 are presented in the remainder of this section.

2.2.1 “Output and impact”: Fulfilment of objectives

The rating of fulfilment of objectives is sensitive as the assessment team found that in most cases the original description of the objectives lacked clarity. After having discussed the matter with OLs, the project objectives were slightly amended and rated based on their fulfilment. The same procedure was applied for the distinction between “primary”, “secondary” and “overall” objectives.⁸ With these new ratings, the assessment team had to re-rate the achievement of objectives in just over a quarter of projects assessed.

Box 1: Practical example of a water legislation TC operation

Bank handling	Client’s commitment	Consultant’s Performance	Fulfilment of objectives	Contribution to Bank investment	Transition impact
Overall rating: highly successful					
<i>Good</i> Rapid, albeit precise implementation of project activities; minor defaults only in definition of objectives and monitoring of success indicators	<i>Excellent</i> Local client stayed committed, supportive and actively involved throughout lifetime of the project; transfer of knowledge and skills were well absorbed	<i>Excellent</i> Consultant showed high dedication; established an excellent relationship on site, not only to the client, but to other fields players as well; continuously adapted course of action according to requirements	<i>Excellent</i> objectives achieved in an excellent manner despite tight timeframe and political interferences	<i>Excellent</i> Directly contributed to attached investment; in addition, improvements in legal/regulatory framework conducive to future investments and an improved management of public utilities’ companies	<i>Excellent</i> TI generated in a triple manner: (1) improvement of market conditions, (2) institutional development and transfer of skills, and (3) support to one of the Bank’s investment with further TI effects

The assessment team noted, moreover, that – apart from a lack in clarity when defining objectives – the ones laid down in the ToR of the consultant are quite often not in accordance with those defined earlier in the TC project profile, and again the consultant’s reporting and sometimes even their description in the PCR read differently. It should be noted that the projects within the sample do not represent the current “state-of-the-art” in terms of linking original objectives with specific results. Progress in this regard has already taken place, as the TCCom is now requesting the definition of “success indicators” for every project proposal. Some further recommendations for improvement are discussed in greater detail in section 4.2.

Not surprisingly, there is a strong link between the fulfilment of objectives and the overall rating of the project success. That is to say, all four cases that were rated *highly successful* show *excellent* achievement of objectives as well, while another 10 operations rated *good* overall showed *good* achievement of objectives. The same is true at the lower end of the scale, albeit with some variations.

⁸ Whilst the PCR provides only one summary rating for the achievement of secondary objective(s), the EvD has rated any secondary objective and its achievement separately. EvD gives an explicit rating for the fulfilment of “Overall objectives”, whilst the PCR format does not include this item.

2.2.2 “Output and impact”: Contribution to Bank investment

The sample shows that the overwhelming majority (68 per cent) of single operations were directly related to a Bank investment, for instance, through preparation (six cases) or implementation (seven cases) projects. The remaining operations either focused on internal support to the Bank itself or were meant to support legal improvements and institutional development in the Bank’s countries of operation more generally, which might have an indirect impact on the investment “enabling environment” in future. There was no issue with up- or downgrading here, as the PCR format only asks the OLs to name any underlying investment operation but not to describe its purpose and contents. For matters of completeness, it appears reasonable to include a brief description of the related investment in the reporting templates as well.

Box 2: Practical example of a power distribution TC operation

Bank handling	Client commitment	Consultant performance	Fulfilment of objectives	Contribution to Bank investment	Transition impact
Overall rating: <i>successful</i>					
<i>Excellent</i> Bank handling designed by a highly motivated OL; considerable support and input to client(s) and consultant where necessary.	<i>Excellent</i> Client(s) especially well committed: all necessary information was provided, and majority of consultant’s recommendations implemented; sometimes disturbing political interferences were compensated for by project partners.	<i>Excellent</i> Consultant offered excellent inter-cultural and communication skills; gained confidence and full support of client(s); pragmatic handling of technical recommendations in order to suit existing infrastructure in the region.	<i>Good</i> Project objectives well defined and almost all achieved in an excellent manner (with the exception of one).	<i>Excellent</i> Assignment led – as planned – to a succeeding investment operation with an amount of €5 million within a very short period of time (12 months after the start of the TC project).	<i>Good</i> Key institutions in political decision-making have been advised on international good practice in energy distribution activities and – despite the politically fragile status-quo – managed to follow the same approach in different parts of the country.

Three out of the *highly successful* TC operations in the sample show *excellent* ratings for their contributions to investments, while another five operations with *successful* ratings revealed a *good* contribution to a Bank investment. By its very nature, the TC operation is “necessary” to prepare the investment operation by providing appropriate knowledge, skills, techniques and so on. Despite a TC operation being carried out successfully, in the sense that all objectives have been achieved, there might not be a resultant investment. A typical example is a Feasibility Study that showed an investment as not being economically viable. Thus, the TC is not “sufficient” to reach this outcome, which is dependent on other factors including economic viability, political support, legal/regulatory framework and the like. Although it is desirable and usually positive when an investment operation follows a TC preparatory assignment, it cannot be assumed that when this does not happen, the outcome will be negative.

2.2.3 “Output and impact”: transition impact

The link between overall rating and TI seems to be similar to the one described for the contribution to a Bank investment.⁹ Three out of four operations rated *highly successful* overall also provided an *excellent* TI rating, while seven *successful* operations show a *good* TI. The same appears to be valid with regard to a negative correlation, as the two *partly successful* and *unsuccessful* rated operations have an equally modest TI, rated *marginal* in both cases.

Box 3: Practical example of a mortgage loan TC operation

Bank handling	Client commitment	Consultant performance	Fulfilment of objectives	Contribution to Bank investment	Transition impact
Overall rating: <i>highly successful</i>					
<i>Good</i> Definition of objectives and project concept well grounded on findings from earlier engagements; participation at international conferences ensured good visibility and reputation of the donor.	<i>N/A</i>	<i>Excellent</i> Consultant offered unique knowledge in the development of mortgage products as well as working experience in the region; high-quality products were developed.	<i>Excellent</i> Systematic and compliant way of defining services; consultant and banking team shared a clear view on the outputs and outcomes.	<i>Good</i> Outputs contributing to future Bank investments; the Mortgage Manual became a practical and widely used tool to facilitate the handling of mortgage investments that are already in the Bank’s pipeline.	<i>Excellent</i> Skills transfer through training sessions with participants from all EBRD operation countries; comprehensive link between mortgage lending, business promotion and increased income levels.

Despite the clear methodology applied by the Office of the Chief Economist (OCE) for rating the TI of TC operations (which is the same as that applied for rating the TI of investment projects), as well as attendance at TCCom meetings, considerable uncertainty was shown by OLS on this issue. Contrary to the contents of some documents, such as the TC project profile, there was a wide perception among OLS that TC operations by their very nature are not able to generate (significant) impact. Rather, they are regarded as a “towing vehicle” for the underlying investment operation and are thus entirely dependent on the TI achieved by the latter. This issue was mentioned in last year’s PCR assessment report as well as the AEOR 2006 and will be discussed in greater detail in section 4.4.

2.2.4 “Input and performance”: client commitment

There are two different types of client: in the majority of TC operations, it is an external client, addressed by both the TC and the investment operation. Bank operations usually have transition goals attached that in turn define reform requirements from the client. In other cases, the Bank itself is the client, for instance,

⁹ Which in turn confirms the theory that significant TI will first and foremost be yielded by an investment operation and not a TC operation alone. However, this does not rule out the possibility that a large portion of the TI of an investment project, particularly related to regulatory changes, tariff reforms and other institutional components, is delivered through the related TC operation by enabling the changes included in the covenants of the investment operation.

when entering into a service contract with a senior industrial expert for the identification, structuring and elaboration of investment operations. Obviously, in the latter case, a rating for client commitment is not necessary.

The following main observations have been made in respect of client commitment. First, it has been perceived generally that OLs did not face significant problems concerning a lack of client commitment. Secondly, only one case appeared where client commitment was rated *unsatisfactory*, which did lead to a downgrading of the overall rating at the same time. Finally, there is a strong link between the client’s commitment and the overall rating, as there are 11 cases in total where a *good* or better client commitment is seen in projects with a *successful* or better rating.

Box 4: Practical example of a municipal project implementation support TC operation

Bank handling	Client commitment	Consultant performance	Fulfilment of objectives	Contribution to Bank investment	Transition impact
Overall rating: <i>partly successful</i>					
<i>Satisfactory</i> Bank handling good at the beginning but deteriorated during project implementation, suspending the need for consultant reporting scheme and delaying the approval of important decisions.	<i>Marginal</i> Despite excellent expertise delivered by the consultant, the client remained ill-equipped to fully appreciate the value of support given and has implemented only parts of the recommendations.	<i>Excellent</i> Experienced Team Leader and pro-active approach towards project implementation; “consultant often went the extra mile needed to sort out difficult situations”.	<i>Good/marginal</i> Secondary objectives (to be delivered by the consultant) achieved all well; project rational (primary objectives), however, spoiled by lack of client-commitment.	<i>Good</i> Activities targeted directly at improving skills within the Project Implementing Unit (PIU).	<i>Satisfactory</i> High potential due to transfer of skills and institutional development; however, great risk attached given the client’s weak commitment to substantial reform.

2.2.5 “Input and Performance”: *consultant performance*

There was apparently a high quality of service delivered by consultants: in 95 per cent of cases, a *good* or *excellent* mark was attached to consultant performance. Four cases have seen an upgrading from EvD in order to appreciate extra efforts made by a consultant to go beyond the scope of the ToR and their handling of difficult circumstances.

This is another substantial parameter for the overall rating, as the consultant is directly responsible for achieving the secondary objectives. In accordance with this, the sample shows a close correlation between these two dimensions – all seven cases of *excellent* consultant performance are seen in projects with a *highly successful* or *successful* rating overall. There is just one case in which a *marginal* rating was given to the consultant’s performance, which is unfortunately not available for more specific discussion as the OL has since left the Bank.

Box 5: Practical example of a district heating TC operation

Bank handling	Client commitment	Consultant performance	Fulfilment of objectives	Contribution to Bank investment	Transition impact
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Bank handling	Client commitment	Consultant performance	Fulfilment of objectives	Contribution to Bank investment	Transition impact
Overall rating: <i>Unsuccessful</i>					
<i>Unsatisfactory</i> Insufficient oversight and control of consultant; poor file administration and documentation; OL left the Bank without generating/disseminating LL	<i>(Marginal)*</i> Clients were inexperienced in working with international consultants	<i>Marginal</i> Consultant worked with a very difficult task in a challenging environment; dispute between Bank and consultant on “Success Indicators” and related fees spoiled the relationship	<i>Unsatisfactory</i> objectives failed due to lack of serious investor interest, and non-conducive environment for concessions in Romania at the time	<i>Unsatisfactory</i> No identification and contracting of a private concessionary; no investment operation followed	<i>Marginal</i> Intended investment in one Municipality failed; other TC effects supporting institutional development unknown

* There is not enough information available about the Local client commitment, thus the assessment team abstained from giving a rating and used the original one from the OL as given in brackets.

2.2.6 “Input and performance”: Bank handling

Confirming the findings of previous PCR assessment reports, this year’s study suggests a built-in bias in the self-evaluation of OLs’ own performance. Bank handling was downgraded in almost half of the cases, while not a single case was upgraded and only one case of excellent Bank handling appeared in the sample. Overall, the assessment team has concluded that the fundamental difference between their views and those of the OLs is the effort one is ready to make towards TC administration and documentation. This issue is further discussed in section 4.1.

Box 6: Practical example of an ESCO TC operation

Bank handling	Client commitment	Consultant performance	Fulfilment of objectives	Contribution to Bank investment	Transition impact
Overall rating: <i>Partly successful</i>					
<i>Marginal</i> Poor project design with the aim of using it as a framework contract for different purposes rather than a clear-focused TC operation; poor file administration and handling of reports.	<i>N/A</i>	<i>Good</i> Consultant provided profound expertise and experience in the field of energy efficiency and accomplished the tasks assigned well.	<i>Marginal</i> Majority of objectives not achieved, mainly due to unfavourable developments and <i>force majeure</i> .	<i>Marginal</i> Intended investment operation failed; indirect contribution to other investments possible through revised ESCO concept.	<i>Marginal</i> Failure of pilot investment; no skill transfers; limited funds assigned (below €50,000).

Unsurprisingly, in respect of Bank handling and overall rating there appears to be a direct link. Four *highly successful* and eight *successful* projects go together with *good* Bank handling. Looking at less successful projects confirms this theory, as the *unsuccessful* and *partly successful* projects go together with *marginal* Bank handling.

There is just one exception to the rule, a case where Bank handling is rated *marginal*, while the overall rating of the project was *successful*. In this instance, the consultant's good performance and the client's strong commitment have outweighed the deficiencies in the TC administration.

2.2.7 Donor visibility

Unlike the PCR format that places donor visibility under outputs, EvD's view is to consider this aspect more as a design and execution feature than as a generic deliverable under the TC. This year's assessment revealed rather modest results with regard to donor visibility. Discussions revealed that OLs are in principle uncertain of what exactly is expected from them in this respect.

It also seems to be the only aspect in the TC assignment that does not carry an immediate link to the overall project rating. Looking more closely at ratings reveals a *highly successful* and a *successful* project, both of which had *unsatisfactory* donor visibility. The assessment team learned of a number of difficulties in practice including, among other things, assignments inappropriate for a display of donor funds, and problems with donor presentation in the case of multi-donor and multi-annual contracts.

The issue of donor visibility has been discussed in the Audit Committee, when the 2005 PCR assessment was presented.¹⁰ More specifically, the point was raised that more was needed than just ticking a box in the PCR format when following up on this issue. As this finding was confirmed again during this year's PCR assessment, specific recommendations for enhancing donor visibility are discussed in the next chapter.

3. GENERAL DEVIATIONS IN RATING

As in the past, the assessment analysed the spread, on the one hand, between self-evaluations by OLs as manifested in individual PCRs and, on the other, the related ratings that emerged from this independent desk study work. Box 7 below presents the average rating deviations for each aspect as summarised in the PCR assessment reports between 2003 and 2006.

¹⁰ "Minutes of the Meeting of the Audit Committee" of 16 October 2006.

Box 7: Average rating Deviations between OLs and EvD in PCR assessments 2003–06¹¹

PCR	Deviation (average per cent)
<i>Overall rating</i>	35
Bank handling	45
Client commitment	26
Consultant performance	35
Donor visibility	22
Fulfilment of objectives	31
Contribution to Bank Investment	25
Transition impact	33

There appears to be a rather low degree of divergence in rating an aspect like the “contribution to Bank investment”, and a higher one for issues such as “Bank handling”. This makes perfect sense when considering the highly complex nature of the latter, which is likely to foster more discussions on the right approach. Indeed, the interviews showed the understanding of such parameters to be subjective and that differences occur readily when discussing more in-depth issues connected to them.¹²

Moreover, and despite EvD attempts to evaluate each TC as neutrally as possible, the conclusions that the assessment team draws when assessing each PCR may be distorted due to this study’s nature as a desk study that relies heavily on input from self-evaluations. The PCR assessment is not a “360°-review”, which is to say, it does not usually benefit from comments from the clients, the consultant or other stakeholders, including “third parties” involved in the TC.

Single rating deviations for this years’ PCR assessment are presented in Annex 5.

4. KEY ISSUES AND LL THAT CAN HELP TO ENHANCE TC QUALITY

During the PCR assessment process, the assessment team generated some 40–50 lessons from the PCRs, consultant reports and interviews with the OLs. Each individual lesson is presented in its context in the Appendix Part II, PCRAs. The ones appearing suitable for a wider range of TC operations are presented below with regard to the different parameters.

4.1 Bank handling

The way one handles an assignment is rather subjective. For instance, some OLs admitted suspending their consultant from the required reporting, which they saw as a positive sign of being flexible and of resource-saving. They were quite surprised to learn the opposite position of the assessment team which believes that, apart from

¹¹ It should be noted that in PCRA 2006/07, “donor Visibility”, “Contribution to Bank Investment” and “Transition Impact” have not been re-rated as the PCR format required a narrative description solely. Figures therefore reflect the average value for the period 2003 to 2005.

¹² Discussions during this PCR assessment confirmed that judgements in general are influenced by non-rational or business-related factors including culture, education, experience and the like.

being tied to contractual obligations, reporting has a vital role to play in an Operation team and should, under all circumstances, be maintained throughout the duration of the project.

Another issue is the OLs' inherent perception of client commitment and consultant performance as external factors out of their control, while the assessment team is vesting the OL with significant power in directing and influencing both. It sometimes seems difficult to distinguish between these and parameters that are truly "external" (such as political interference, overall economic development and so on). The project profile contains a section to describe "Risks and mitigating factors" (6.2) as does the PCR template (3.2 Describe identified risks – external and internal – and mitigating measures taken). However, OLs tend not to fill this section out, often because they do not understand it as risks associated to the Transition impact. A practical and guiding example of what exactly is meant to be reported might be of assistance to the Operation Teams in this and other regards. In addition, it seems reasonable to include such a section in the template for project progress reports as well to allow OLs to report early on external factors potentially affecting the project.

It appears that OLs often perceive the implementation of TC operations as cumbersome procedures and seem only ready to tackle these when they might support the much more interesting lending operations. This is evidenced in particular when it comes to file administration. The issue of poor record keeping has been raised in all former PCR assessments, in TC OPER reports and subsequent AEORs. Fortunately, and with special regard to the implementation of consultant assignment reports¹³ (CAR), the situation has definitely improved. Still, in far too many cases (6 out of 19) there were important files (such as contracts, consultant reports and so on) missing or misplaced.

In those instances, EvD was obliged to obtain the documents through OCU, Consultancy Services Unit (CSU) and other units within the Bank but even so, this did not always prove to be successful. In three cases, the consulting firm had to be contacted directly in order to get access to the outputs. In this context, it is especially regrettable that neither OCU, nor Business Information Centre, nor CSU maintain a copy of the consultant's report for each completed TC operation on file. OCU fully shares the view of the assessment team and foresees including a copy of (or, if necessary for confidentiality reasons, a link with limited access to) consultant reports in the computer-based file administration system for TC operations, "TCLink".

These negative effects contribute in an unfortunate way to another difficulty: frequent OL changes. Out of the 19 projects in the sample, in 8 cases (42 per cent) the OL changed over the project lifetime, in some cases even several times. In three cases, no staff member could be identified within the Bank possessing any knowledge of the project. Related TC files seem – in the best case – to be physically passed from one colleague to another without further discussion/briefing. Most interviewees argued

¹³ A tool for reporting on bank funded consultancy assignments, during both the progress and completion stages, introduced with a view to make the process quicker and less complicated.

that a formal hand-over procedure would not be necessary, as they assumed the colleague to be familiar with the project anyway.¹⁴

The above might seem to be a minor or administrative flaw but the information vacuum, created by frequent OL change and the partial absence of proper TC records, are eventually perforating the institutional memory of the Bank. It makes it difficult, if not impossible, for the department to ensure accountability towards the donors and to generate LL for its own future operations. Finally, it casts an unnecessary shadow on the Bank's seriousness towards handling TC operations.

Nevertheless, there is a substantial improvement to be reported in comparison with previous PCR assessments: an extraordinary decrease in time delays could be observed between the contract end date and the PCR submission date.¹⁵ In the last PCR assessment, the time difference between contract end date and the submission of PCR was 12 months on average. This year's sample showed a decrease to 2.5 months on average.¹⁶ Similarly, the duration between contract end date to commitment closure date¹⁷ has decreased from 7 to 2.8 months, which will help EvD to access first-hand information from the OL concerned.

Another positive invention is the Annual donor reporting award which OCU assigns to the best performing banking team in the area of donor reporting, usually handing it over on the occasion of donor meetings. These are important elements and help to stimulate the banking teams' motivation to be more dedicated to good-quality reporting and overall proper TC handling.

4.2 Standardisation in setting objectives

The general impression gained by the assessment team is the reluctance among OLs to define objectives, milestones, success indicators and other signs of achievements in a "crisp" way. Even if these are somehow spelled out, they do not seem to be strictly followed thereafter. In one case out of four, secondary objectives were simply forgotten during project implementation. In two instances, problems occurred between the Bank and the consultant over whether the objectives had been fulfilled or not. In both cases, these discussions concerning technical terms should have been clarified beforehand.¹⁸

The description of objectives is the foundation around which the rest of the project design is built. Thus, if the initial project design does not provide clear objectives at

¹⁴ Actually, TC-related procedures ensuring an orderly hand-over of files do not seem to exist. In general, the Bank's Record Management Policy notes a "hand-over" as mandatory but does not provide further details on this. The same applies to the "Change of OL Form" that is to be found on OCU website but does not contain a section for the hand-over of files and records.

¹⁵ The date the self-evaluation of the TC (the PCR) is submitted to OCU by the OLs.

¹⁶ This seems to be largely due to the IT system of automatic reminder messages sent to the OLs at the time when the assignment closes, followed by another reminder thirty days later and every week thereafter.

¹⁷ The closure of a commitment is done by the Funds Financial Control Unit upon payment of the final (Consultant's) invoice and the OL's written confirmation that the operation is completed and disbursements accurate.

¹⁸ In one (rare) case, a benchmark for project success has been defined as: 50 per cent of project-supported Partner Banks graduate from the TC [at the project end]. However, only after the Consultant delivered his Final report did it become apparent that the OL and Consultant had a different understanding of the term "graduation".

the outset, the entire assessment process will almost certainly lose its point and focus. The problem in current Bank practice is illustrated below:

Box 8: Three different approaches employed (at different stages) by the EBRD for defining objectives of one and the same TC operation

- 1.) **The TC project profile** delivered within the technical cooperation request system asks to determine:
 - “1.10 Main rationale for the proposed TC project”,¹⁹ and
 - “1.11 Short description of services to be provided (main components/tasks)”
- 2.) **Terms of Reference (ToR)** usually elaborated by banking team for the consultant after cooperation/consultation with the client. The ToR essentially divide the objectives from the scope of work, and thus follow the approach shown within the TC project profile (albeit using different terms). For describing objectives, a whole range of terms is used, such as “objective of the assignment”, “overall objective”, “project objective” and so on.
- 3.) The **standard project completion report (PCR)** provides under Section 2, “objectives and tasks”, questions on two different groups of objectives
 - Para 2.1 The EBRD's “primary objective” for the assignment, and
 - Para 2.4 How well were the “secondary objectives” achieved

OLs when asked about their own understanding of these terms stated that they are not aware of any formal “overarching” definition methodology. Thus, it is not surprising that the description of objectives suffers in the majority of PCRs from methodological flaws and lacks overall consistency. This is especially apparent in operations that were carried out under larger “umbrellas”, as project extensions, and in operations repeated over several phases when OLs tend to stick to the original objectives for each phase without further specification.

Some support on drafting of appropriate ToRs for consultancy assignments is given by the CSU²⁰ but further measures are highly recommendable. OCU is aware of this situation and has already initiated actions to address the problem. Annex 6 shows exemplary definitions of objectives taken from single PCRAs to illustrate common problems and give recommendations for improvements.

4.3 Enhancement of donor visibility

The principle of donor visibility is understood as the EBRD’s obligation to display the donor organisation when using bilateral funds for a special purpose. Furthermore, it is necessary as beneficiaries will typically perceive all funds managed by EBRD to originate from its Bank budget. This means that in addition to the banking team

¹⁹ It should be noted that in addition, the TC Project Profile provides section 6.1: “Introduction: Why is the TC Needed and Why Use TC Funds?”, something that is usually defined within the rationale.

²⁰ For example, in providing a Guidance Note for the Preparation of Terms of Reference on the Intranet as well as *ad-hoc* advice and review of ToR to banking teams.

providing information, they would also immediately have to correct a given misconception of Counterparts and clients.

More specifically, the donor institution will have an interest that their engagement is known by i) the beneficiary itself, ii) related actors and present parties in the area/country/issue, and iii) the public at large. The three target groups for this information vary from project to project but it is crucial that the beneficiary be informed at all times. Points ii) and iii) seem to vary in accordance with the amount of funds, the specific topic and so on.

An OL seeking guidance on this issue will find the following advice on the Bank's Intranet:²¹ *“donor ... visibility, is a key element ... The Bank and the consultant are responsible for making the client, the donor community and the general public aware of who provided funding for a given assignment. This is done e.g. through local press releases or by mentioning the donor in board documents, contract award notices and consultant reports. Representatives of the donor Government should also, where appropriate, be invited to signing ceremonies for related investment projects.”*

In practice, however, it appears that only the client is informed in all instances. The donor community seems sporadically updated by news and information provided by the Bank's resident offices (ROs). The general public, however, does not seem to be informed at all. For instance, it would be a minor effort to draft a three or four line project description and make this available on the client's website²² to reach the public. Only two projects within the sample used such a method.

Also, local press releases and statements do not seem to be used in general. Although a few OLs made reference to this method, there was only a single exemplary sheet provided.²³ It is acknowledged that there are only a few projects justifying such an effort, in terms of providing enough significant funds to address the public. It would be most interesting to learn what the donor organisation in question feels about this issue but, surprisingly, almost none of the OLs concerned has asked for guidance, templates, samples and so on, in this regard.²⁴

Finally, there are certain project types where the necessity of donor visibility is highly questionable. These are the cases when the Bank is also the client, and purchases services for its own benefit, such as a market study on topics for possible investments or the assignment of industrial advisers. In the latter case, the display of the origin of donor funds could even lead to a misperception of the consultant's neutrality by other players in the field. Another difficulty arises when projects are conducted in multi-annual replication, with funding provided one year by donor A and another year by donor B. Similar problems arise to those regarding the definition of objectives in these cases – it is unclear which achievement was met and with whose funds.

OCU agrees with the assessment team on these findings and has proposed facilitating meetings between OLs and donor organisations to address the problem on a case-by-case basis. It has also recommended including “donor visibility” at the design stage, preferably by adding a relevant section to the current project profile.

²¹ <http://intranet.ebrd.com/ebdnet/operations/opsman/ch10/ch10.htm> Chapter 10 providing an “Introduction to Technical Co-operation Funds Programme - the use of donor funds”.

²² It was found that all clients within this sample had a website and sometimes even a regular distribution of bulletins or newsletters giving updates on current activities.

²³ And this one even proved to be counter-productive, as it contained incorrect information on the actual donor organisation (see Appendices).

²⁴ As a matter of fact, only one project in the Sample undertook this laudable effort.

4.4 Clarification of TI related to TC operations

Although addressing TI potentials in TC operations appears to have improved in recent years, the majority of OLs are still uncertain about it. It is understood that OLs prepare the project profile for the TCCom session, including the description of TI, while OCE provides its independent assessment of the TC operation for the TCCom discussion in a separate way.²⁵ The comments of OCE, however, appear to be only discussed orally among the committee members without necessarily being shown in the minutes of meeting or being used to amend the TC project profile. This is regrettable, as a closer look at the TI section of the TC project profiles within the sample revealed the following:

- In eight cases, the TI has been assigned to the TC operation solely.
- In five cases, TI has been described for the underlying investment operation.
- In three cases, TI was described as being reached by both operation types together.
- In another three cases, TI has not been described at all.

The principal distinction that is jointly seen by the assessment team and OCE is between TC operations carrying their “own” TI (for example, on an institutional level through skills transfer to clients and other organisations) and those solely enabling the TI expected from the investment operation. In the latter case, the TC operation acts as a “towing vehicle”. Consequently, it seems sufficient for OLs to recognise and clearly label their operation in question with regard to these two possibilities, without having to apply any sophisticated methodology.

4.5 Administrative/technical matters

As described in Chapter 2, projects within this sample mainly show a budget of between €30,000 and €200,000 (a few exceptions were made to the rule when the project was not yet covered by an evaluation activity). The greater amounts are subject to individual evaluation, for example through a TC-OPER. However, the question arises, how and when the smaller projects (below €30,000-50,000) are to be evaluated, if not in the framework of TC OPERs nor during this special study. The same is true for framework contracts and call-off operations, which tend to have lower budgets by their nature. In principal these were excluded from the sample. However, in two cases, the alleged “stand-alone” operation was eventually shown to be part of a framework contract²⁶ or running under another type of “umbrella”.

Thanks to the new CAR system the timing of project progress reports and the PCR has improved drastically over recent years. One interviewee has complained that in the case of one TC operation that involved co-financing by two different donors, it was found necessary by OCU to deliver two separate PCRs with exactly the same contents. According to OCU, this is recognised as counter-productive in terms of motivation and solutions to amend this are currently being explored.

²⁵ Provided the projects are not processed through the “fast track” procedure, such as when carrying a value of less than €100,000.

²⁶ It is especially difficult to recognise relations between projects that were funded by different donors and, thus, received different commitment numbers.

It was also discovered in interviews that in practice different types of TC operations exist with their own features, thus possibly not suiting the standard PCR format. There is, indeed, a difference between a €500,000 advisory project for an external client and the recruitment of a part-time adviser for a specific BD within the EBRD. Being forced to report in accordance with an unsuitable format is awkward and undermines the motivation to substantial reporting as a whole. OCU will also be addressing this issue in further enhancements to CAR.

It is generally well understood that OLs are not keen on being evaluated. In addition, and with regard to the PCR assessment that is usually carried out between October and January, it was noted that the BD is under especially high pressure due to high workload in the winter season. Thus, the delivery of files, holding of meetings and discussions of draft assessments is especially time-consuming for all staff concerned, including the assessment team. It might therefore, be reasonable to undertake this special study at another time of year, for example between August and November.

5. RECOMMENDATIONS FOR FUTURE TC OPERATIONS

In the following, recommendations for enhancing the quality of future TC operations are presented. EvD will continuously consult with OCU on how to facilitate progress in the respective areas.

5.1 Fulfilment of objectives

A standardised approach to setting objectives according to good standards in project management should be developed and related training should be provided to relevant staff from the BD, OCE, OCU, the CSU and EvD.

Additional sections and/or lines for presenting primary and secondary objectives should be inserted in relevant documents, including the TC project profile (section 1.11) and the PCR template (section 2.4). If the format allowed a detailed presentation of several secondary objectives, it would possibly encourage OLs to present objectives more clearly and enable them to monitor their achievements in a better way.

For framework contracts, a coherent logic and relationship between objectives on different levels should be defined, presenting a clear hierarchy and providing appropriate links to single projects/call-offs. The objectives and outputs of single call-offs would thus be easier to recognise in relation to the framework operation.

It appears that a couple of projects are replicated, without assessing possible variations and alternatives in detail. In future, it is recommended that potential alternatives be explored with a view to improving efficiency, such as shorter programmes, new instruments, increased training measures and so on.

OCU is encouraged to continue checking any inconsistencies in objectives and activities between different project stages, and to encourage the OL to stay consistent with the original planning or to follow formal procedures for changes, if necessary.

5.2 Client commitment

OLs should ensure the client's understanding and abilities from the outset and, if necessary, provide appropriate training/coaching activities to enhance skills in order to make best use of the client's knowledge in the elaboration of the ToR as well as in the procurement/selection of the consultant.

If a lack of client commitment is based on a lack of knowledge, these skills could be improved through training and/or exposure to international practice and, thus, address the bottleneck in a "neutral" way. If it is caused by lack of will and courage, both the Bank and consultant should agree on an emergency plan to save the project objectives. This might require the support of other local high-level officials or stakeholders to increase pressure on the client's will for cooperation on reform.

5.3 Bank handling

Through professional training in project management, TC-related staff in all departments concerned could save some time currently needed for project appraisal and implementation.

Until *TCLink* is established, OLs are encouraged to maintain an electronic master file of their own for easy access, including the most important documents of a project, such as the TCCom request, ToR, budget, contract and reporting files. In addition, all hardcopies could be located with the TC contact person in the respective BD.

It is strongly recommended that formal hand-over procedures be introduced and followed as a standard procedure when OLs change. This includes written records on substantial information (for example, the number of project files and where to find them, contact persons at banking, client and consultant, problems encountered during project implementation, LL, and so on).

Each business group for which TC funds are of relevance is encouraged to identify a person responsible for the TC files administration²⁷ (for instance, a senior administrative assistant) to act as the central point for research on TC projects for the entire business group.

If consultant reports are considered too long and time-consuming to be read by the OL, the format should be adapted to a short monthly reporting sheet including only the most important data. Similarly, the OL should encourage the consultant to generate LL and recommendations that can serve as an additional source of project information and which will possibly be taken over to the PCR.

Even though there are a couple of cases where frequent reporting does not seem to be required – for example, in assignments where Industrial (Investment) Advisers work directly with the respective BD – OLs should in any case insist on a kind of final report that outlines the consultant's achievements and LL during the assignment period.

The OL has the overall responsibility to support both consultant and client in order to assure commitment and performance. Even when facing large workloads, the OL must regularly assess the status of formal decisions (such as approvals) and other

²⁷ Some Business Groups already have such a responsibility, such as the Group for Small Business, and suffer much less (if at all) from file problems.

important issues requested from the project stakeholders and foster their timely implementation.

Recommendation to develop specific “TC incentives” for banking staff. In the view of the assessment team, it is advisable to include TC aspects in the annual individual and/or team performance records (score cards), namely the number and size of TC operations managed, project performance and quality of LL generated by the operation team.²⁸

5.4 Donor visibility

Donor visibility can easily be enhanced by locating a brief project description on the local client’s website. It might be worth including a clause in the grant agreement between the EBRD and the client to disclose a press release or similar information on the TC project and its funding organisation on both institutional web sites.

Furthermore, a short disclaimer, no longer than 2-3 lines, explaining the TC fund’s purpose and origin could be incorporated in every official project document, such as Training Programmes, Updating reports and Newsletters.

The OL – in cooperation with OCU – should meet the donor organisation to discuss preferences and instruments for donor visibility beforehand, if this is feasible. Depending on the operation, it could also be clarified as to how to proceed in a multi-annual programme, where one phase is financed by donor A and another by donor B.

TC funds used for the part-time recruitment of advisers for the Bank should be released from the obligation of donor visibility. The adviser is put in an awkward position when displaying the origin of funding sources, especially towards external actors, as he could be perceived to be biased.

5.5 Transition impact

OLs are encouraged to apply the available standard methodology on the definition and assessment of Transition impact that relates to a TC operation: in terms of its own transitional effects (for example, at institutional level) as well as within the context of the underlying investment operation.

The above should be reflected in the TC project profile and should be treated accordingly in project progress and completion reporting. The TI section should incorporate different sub-sections accordingly, requiring success indicators for both the institutional and sector level. OCE comments that are delivered to the TCCom discussions should be utilised to improve the relevant sections in the project profile.

Ensure that maximum efforts are made to obtain an institutional TI on the local client via skills transfers, coaching and advice. Especially when projects fail to attract the investment envisaged, a sort of “minimal” TI at the level of the partner institution could still ensure reaching part of the project objectives.

²⁸ The SEECA BG includes information on TCs in their banking teams’ score cards, in order to take into account the different structure of operations – investment versus TC – managed by their teams. However, this has been reported not to be of direct relevance for the individual performance assessment.

5.6 TC project administration (outside the OL's control)

OCU agrees on the principle of distinguishing Bank-internal assignments from external project and/or client-related assignments and is going to look into the possibility of separating the reporting requirements for special employees and internal consultants from those of “external” assignments.

In order to encourage OLs to report on external shocks and unprecedented political events in the relevant section within the PCRs, a practical example of how to fill out the different parts of the PCR might be elaborated and placed on OCU's website. In this context it seems advisable to include a sub-section that describes risks and other external factors in the project progress reports as well.

As OCU is responsible for checking the PCR for matters of compliance and formality, it might consider extending its activities to “files” checks, at least randomly.

Appreciating the present efforts OCU makes in generating LL, it might consider the possibility of fully reviewing LL in projects that are self-rated as *partly successful* or less.²⁹ A short personal meeting could be held in these cases, with participants from OCU, EvD and the banking team to draw joint conclusions on present challenges and their meaning for future operations.

5.7 Summary of key recommendations to enhance TC quality

There are ten key recommendations most frequently quoted in this year's and previous PCR assessments, as well as in AEORs, which are illustrated below:

Table 3: Ten key recommendations to enhance TC quality

1. Design realistic ToR, scope, delivery time, and output details, balanced with budget/resources by making sure to ***address the client's needs*** (and both the Bank and the client to agree on these needs);
2. ***Define and describe clear objectives and deliverables*** for both the overall and the individual parts of a programme, including success indicators and/or other verifiable outcomes to enable monitoring and evaluation of project activities;
3. ***Allow adequate time for the preparation and design of the TC assignment.*** Include extra time to coach team and client in related tasks such as tender procedures, ToR, contract design and the like;
4. ***Clearly state the risks of the TC*** beforehand, plus its expected TI potential and risk. Anticipate unforeseen events and how to deal with them. Monitor and report on “force majeure” in the course of the project;
5. ***Verify client commitment from the outset,*** including: client involvement in ToR/consultant selection; level of budget support; staff allocation; supply of required information/data; and senior management time as appropriate;

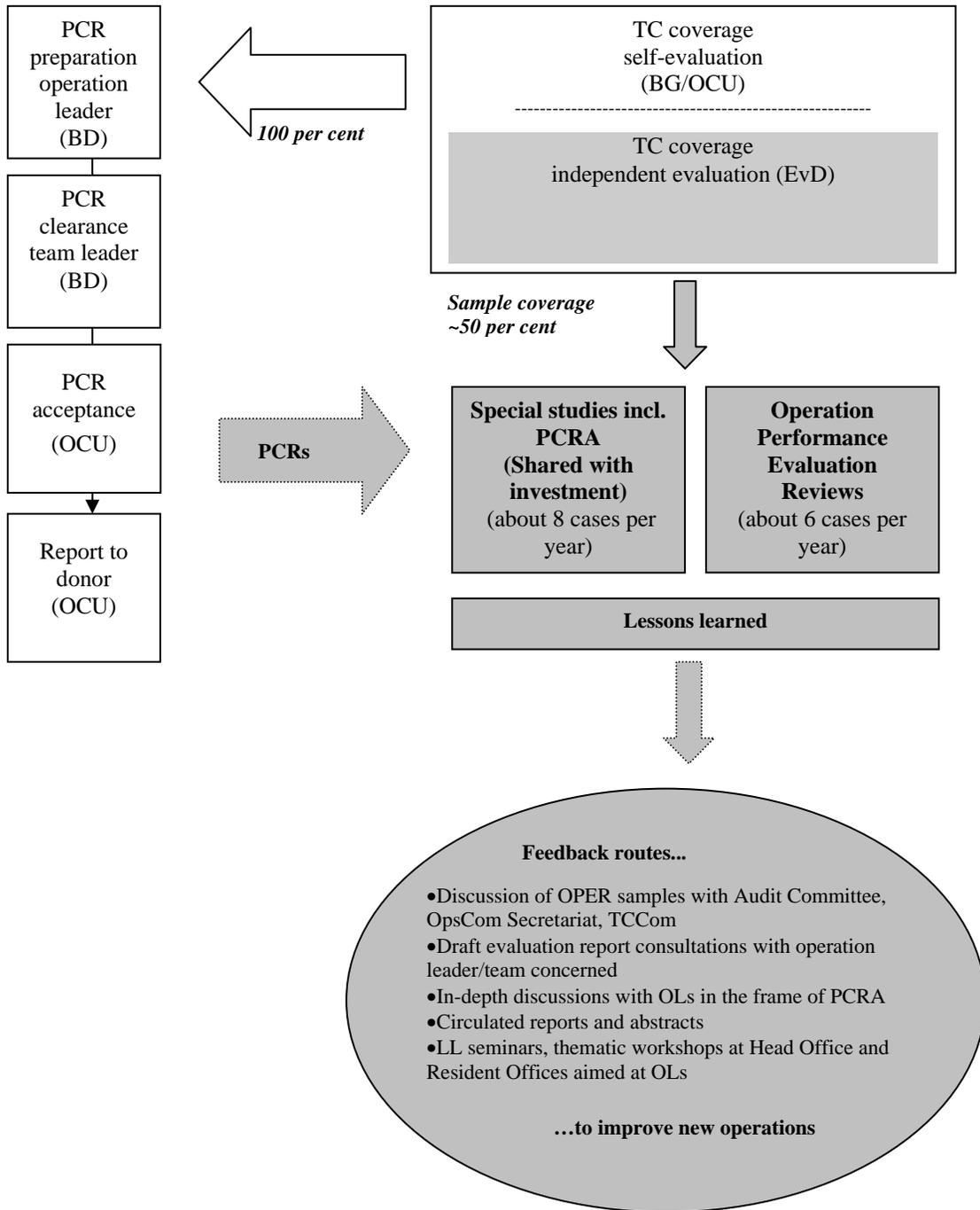
²⁹ This might sound like a substantial additional workload but in fact there were only about 20 projects in the entire PCR population in 2006 rated *partly successful* or below.

6. Discuss with OCU and the donor organisation involved whether and how to ensure *donor visibility*. Include elaboration of disclaimers, logos, features for presentation on the client's website, and so on;
7. Develop good relations with *local actors*, the state authorities and business community to ensure that they are *aligned with the objectives of the TC*;
8. *Keep regular contact with the consultant and client and maintain supervision of their obligations*, including response to reports, monitoring of project results, more frequent feedback and timely decision-making on any matters for approval;
9. Wherever possible and feasible, *incorporate activities facilitating knowledge transfer and client's further development*. Thus, a minimum TI can be achieved at institutional level, even if the related investment operation fails;
10. Be reasonably *flexible* with actions in the course of a project *but make sure to follow the formal procedures* for adapting them, proving perseverance with regard to objectives, contractual obligations and deliverables;

More specifically, Annex 7 shows further LL as presented in previous PCR assessments (2003–05) with particular regard to recommendations for better Bank handling.

TC-related evaluation performed by EvD

Annex 1



Understanding of the parameters included in the PCR assessment

Annex 2

There are two spheres identified with a TC operation, the *Input and performance Sphere* and the *Output and impact Sphere*. Consequently, most aspects of a TC operation are identified as relating to either one or the other. For instance, client commitment, Bank handling and consultant performance are treated as Project Inputs, whilst Fulfilment of objectives, TI and Contribution to Bank Investment are regarded as Project Outputs. Apart from the TC operation itself, only the aspects of LL and donor visibility stretch over both spheres.

Input and performance

Bank handling

Aspects of Bank handling do not only include the business group/project team that is conducting the single operation, but also other concerned departments such as OCU, OCE and the CSU.

Client commitment

The understanding, good will and support of the TC client – who is in most cases also the direct beneficiary of the operation – is crucial for any TC project. However, being dependent on political climates in the region, client commitment is sometimes volatile and changes substantially during the course of project implementation.

Consultant performance

Consultant performance is regarded as another key input. Almost all TC operations managed by the Bank are subcontracted to single consultant or consulting companies. The performance is, among other things, dependent on professional experience, technical and managerial skills, and experience in the region and with transition processes.

Output and impact

Fulfilment of objectives

As will be shown in this PCR assessment, there is no clear and standardised concept provided by the Bank on how to design project objectives in TC operations. As a consequence, the OLs interpret terms such as “Specific objective(s)” and “overall objective” in accordance with their own understandings. Nonetheless, whatever is defined as an objective by the OL will be taken into consideration by the assessment team.

Contribution to the Bank's investment project

The major intention of a TC project is to support present or future investment operations of the Bank, through either assisting in preparation or implementation. The desire is usually to have a positive correlation between a TC project and an underlying investment operation. There are, however, cases where it could be judged positively if an investment does not materialise: for instance, when a feasibility study shows negative results and thus prevents the Bank from launching an inefficient investment operation later on.

Transition impact

In principle, the same concept as for investment projects is said to be applied to TC projects, albeit the assessment team revealed a number of uncertainties. Responsible staff from the BD seem not to be aware of TI that is attached to a TC project alone (that is to say, at institutional level) and the TI expected to be generated from the underlying investment operation (that is to say, at macro-economic level). The conflict in timing is a further hindrance: while the PCR assessment tries to follow as soon as possible after a TC project has been concluded, the TI needs

a certain time passage in order to materialise.

Donor visibility

Donor visibility will usually show more on the output side of a TC project and has been handled in this way in most previous PCR assessments. However, the assessment team is of the view that it is not a generic deliverable under the TC but rather a design and execution feature.¹

¹ It was also handled in this way in the previous PCR assessment (2005).

Selection of *structured sample* and features provided by population and sample in the 2006 PCR assessment
Annex 3

1. Selection of the structured sample

Total number of PCRs received between September 2005 and August 2006: 172

Deduction of:

Operations conducted by EBRD Departments other than the BD, as they are not considered to fall within EBRD “core business” = 34 projects

Operations already covered by other evaluation exercises in the past, such as XMRA, OPERs, special studies, and so on = 51 projects

Operations led by Bank Resident Offices and projects approved prior to 2002, as experience shows that collection of information can be difficult = 20 projects

Small operations (not exceeding the amount of €30,000) as well as obvious duplications (for example, project extensions with identical purpose) and operations for which the OL was no longer available at EBRD Headquarters = 20 projects

Remaining pool of operations suitable for assessment: 47

Selection of the final sample with respect to the following criteria:

Project rating

TC operation type

Project size

Country split

Sector split

Business group

Availability of OL and project-related information

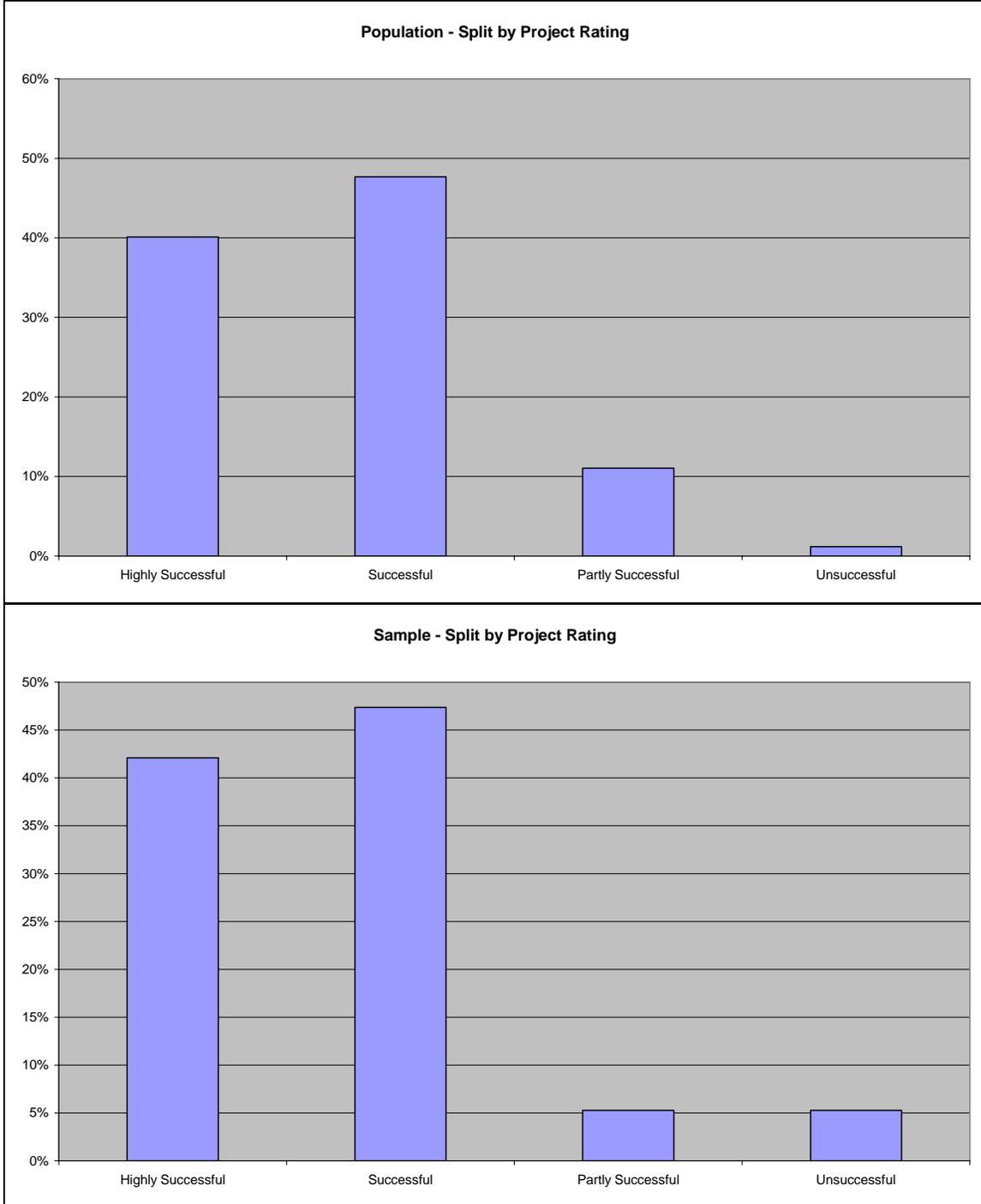
Number in final sample: 20²

² Later on decreased to 19.

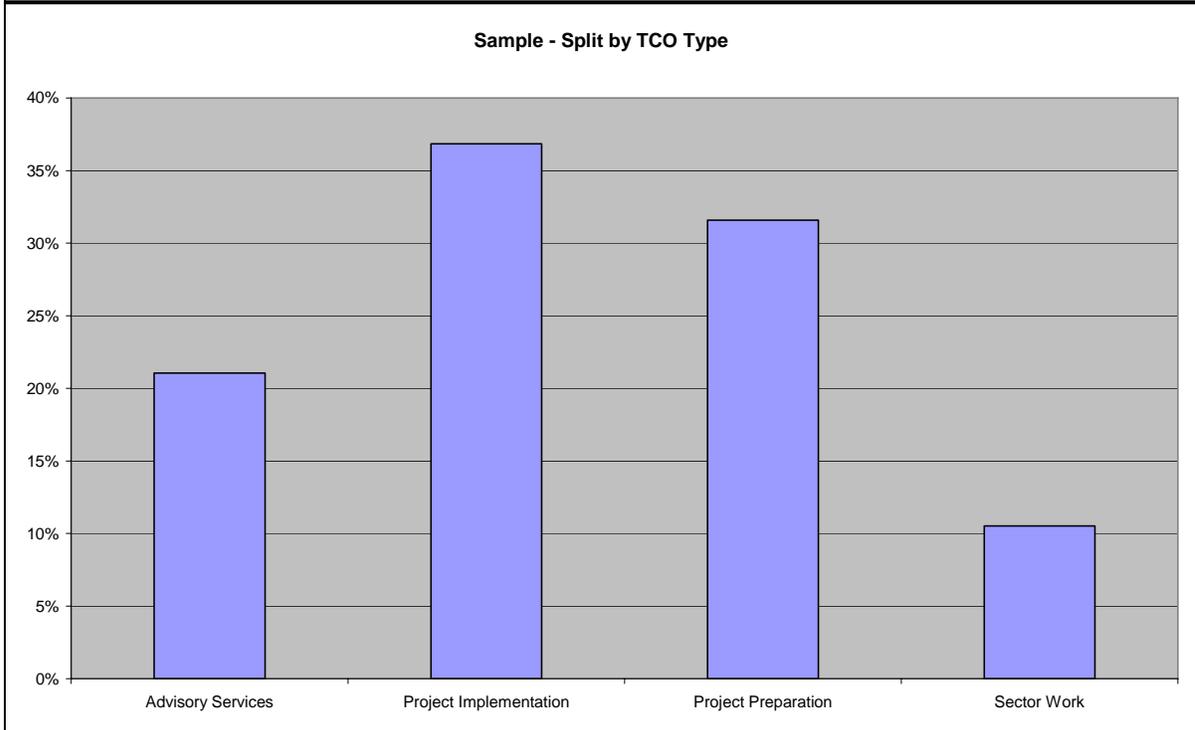
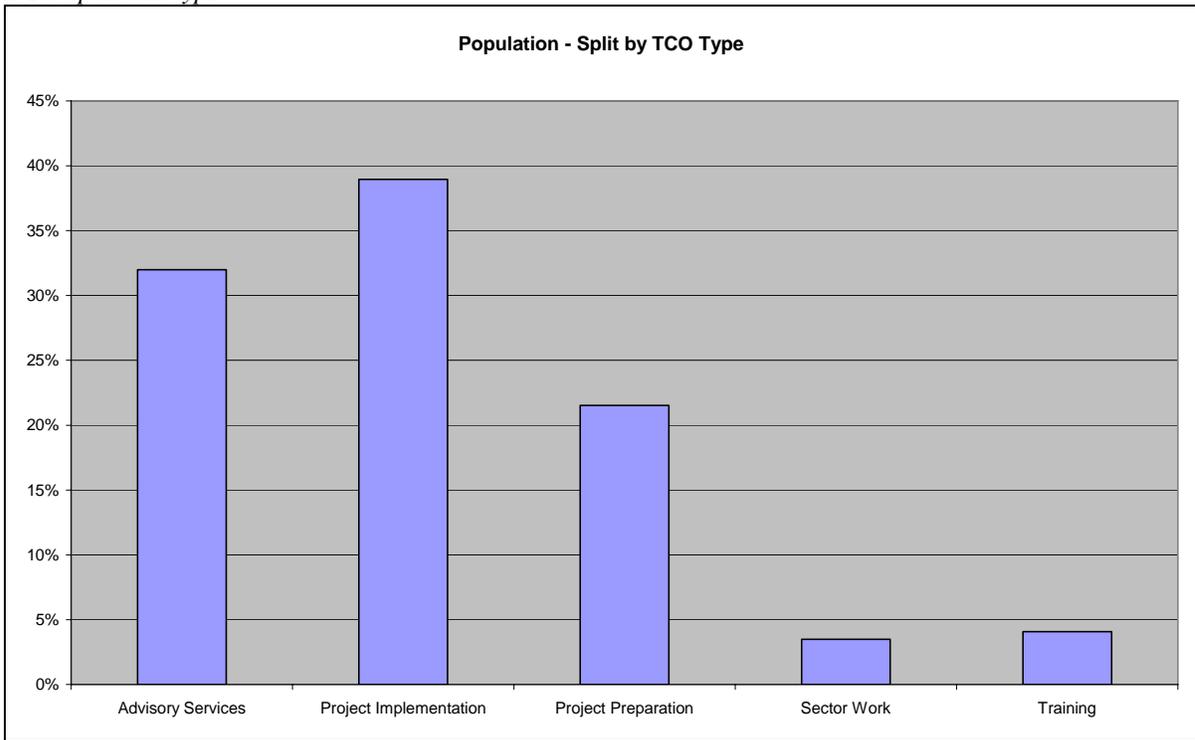
Annex 4

2. Features provided by population and sample

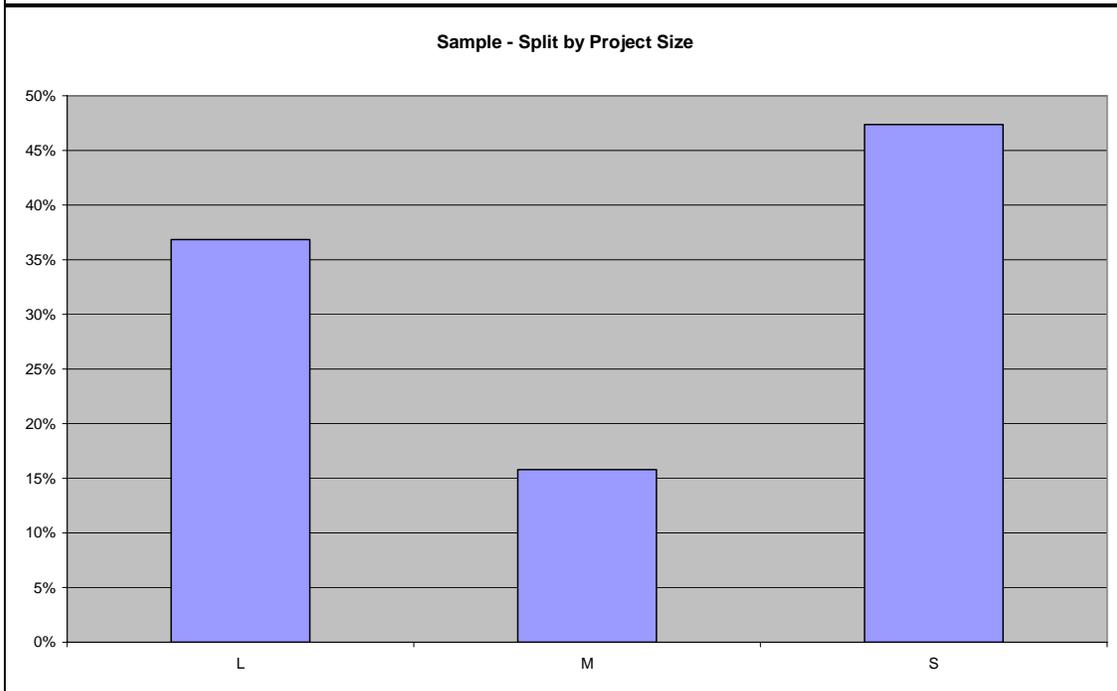
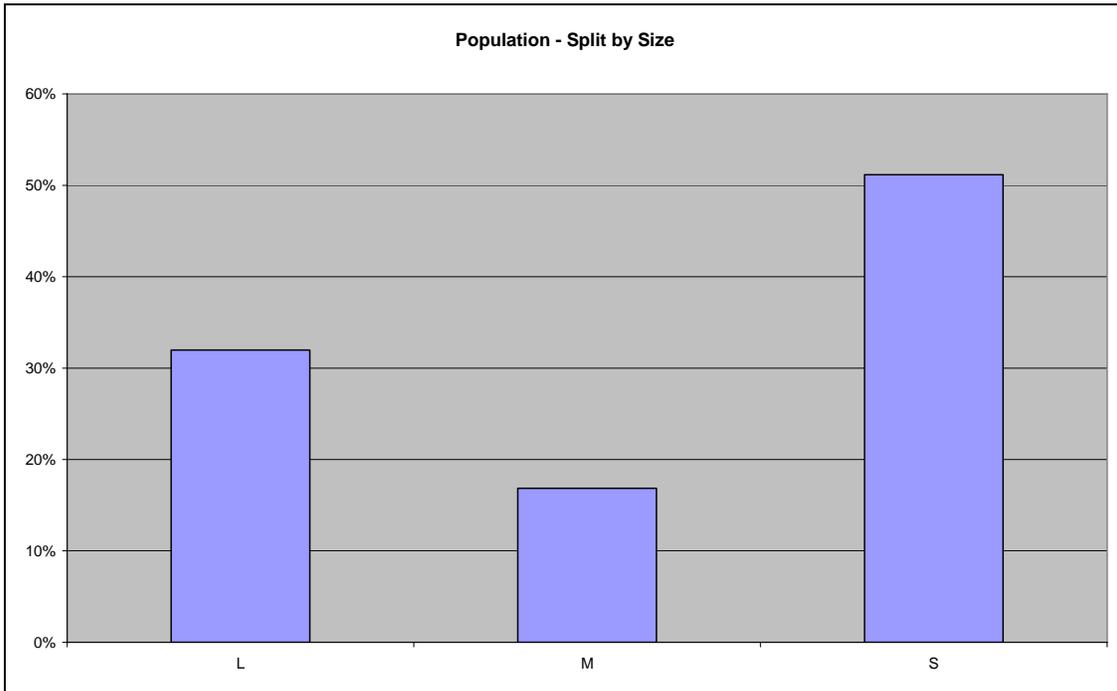
A Project rating



B TC operation type



C Project size

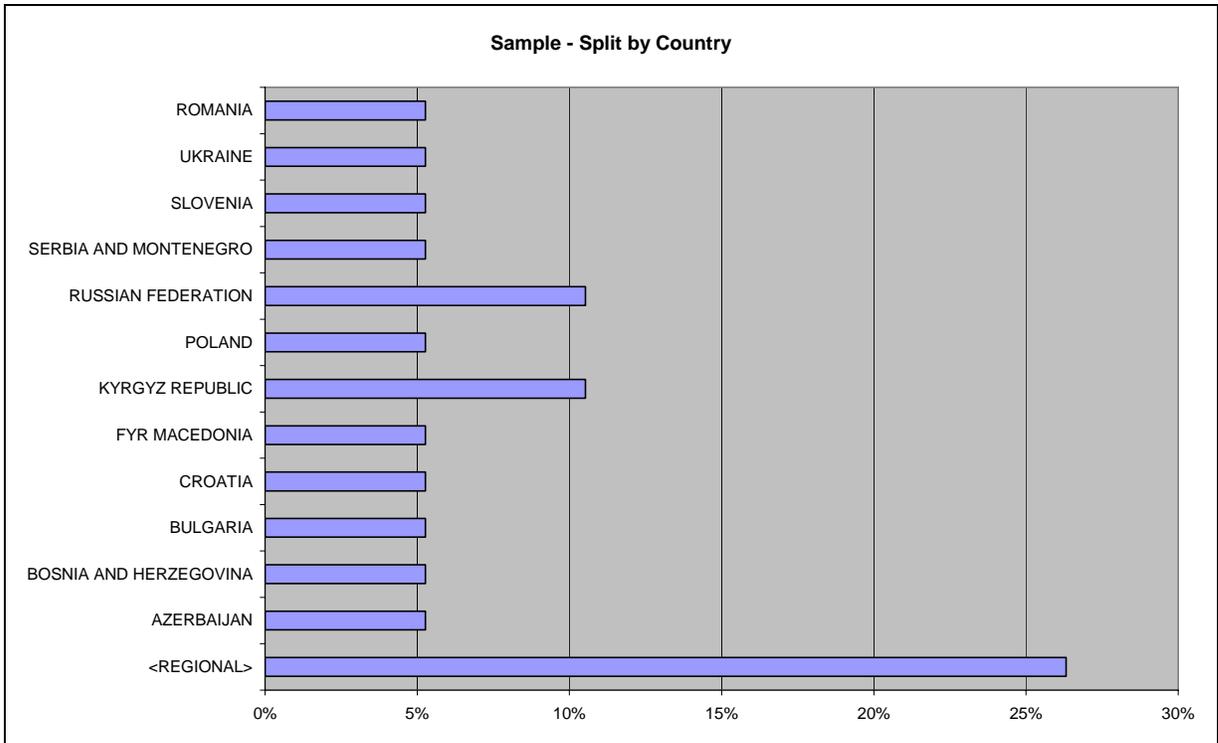
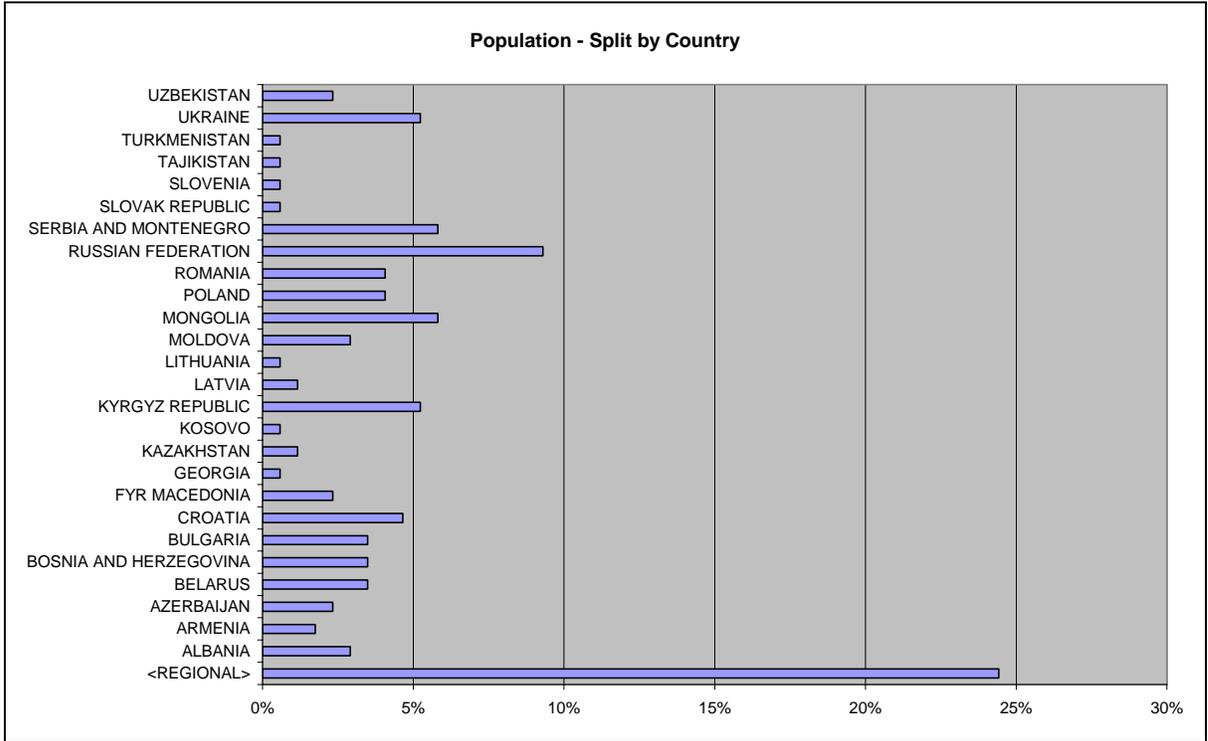


L = > €150,000

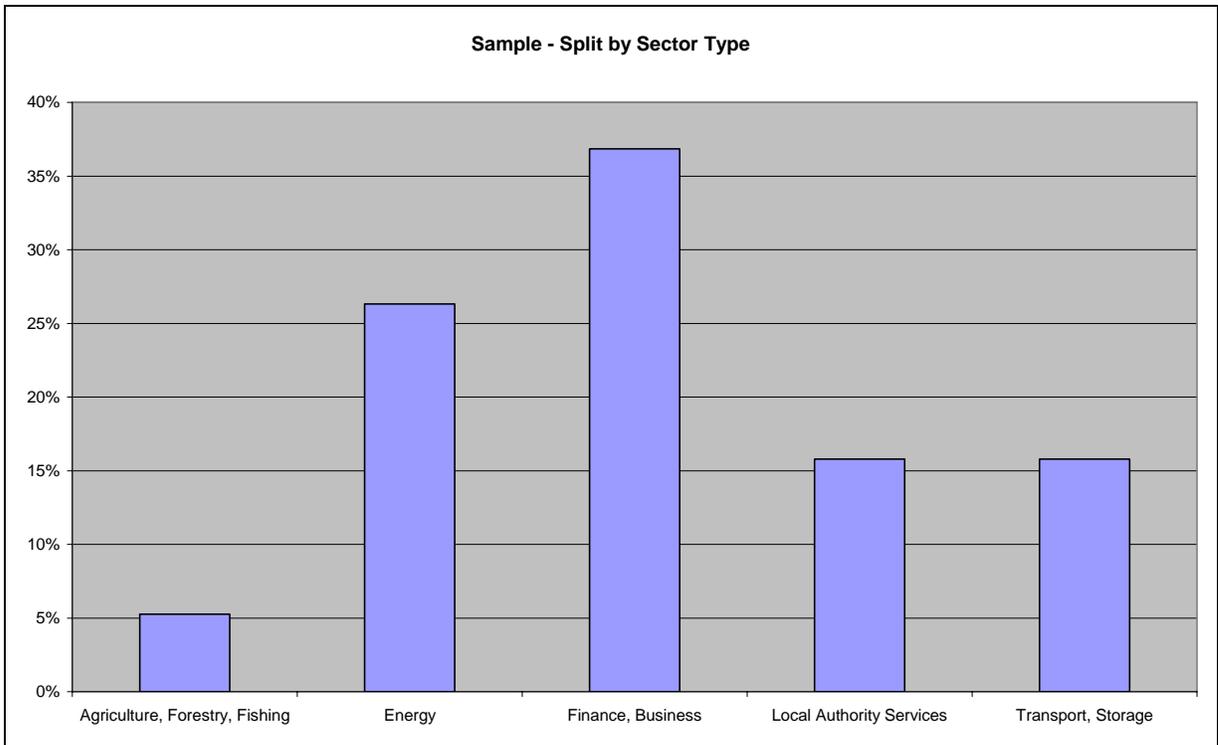
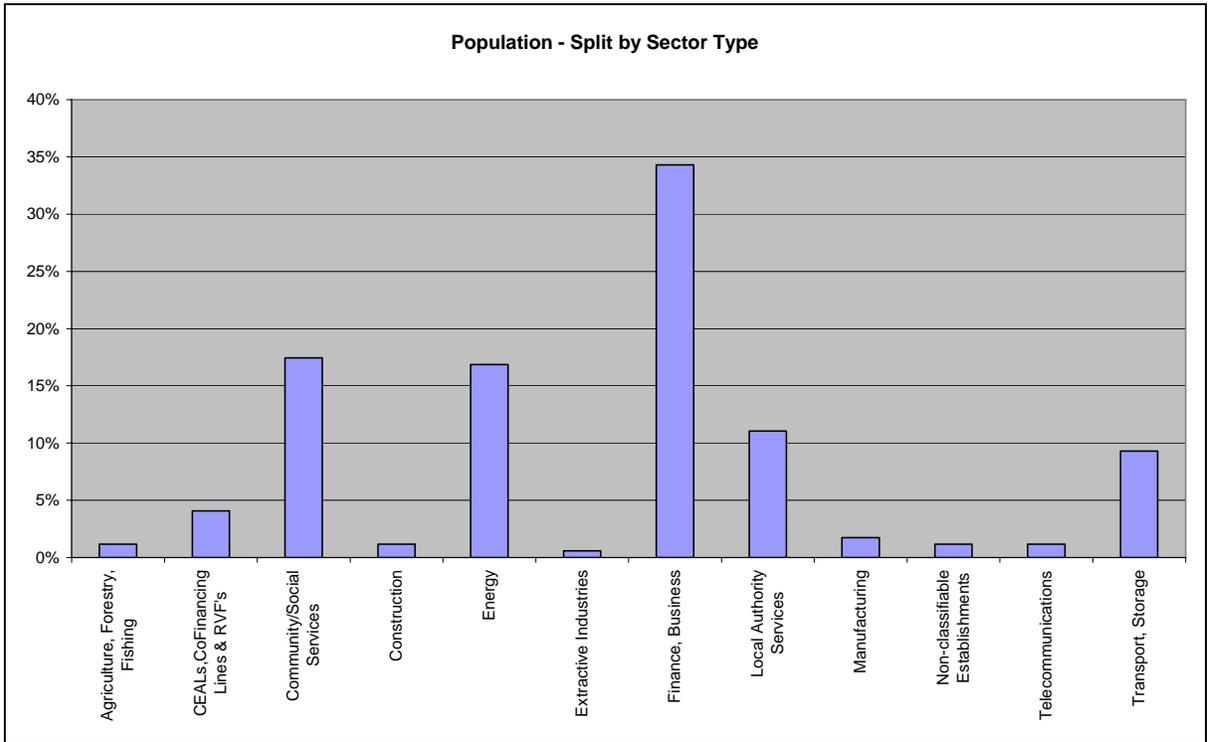
M = €75,000–150,000

S = €30,000–75,000

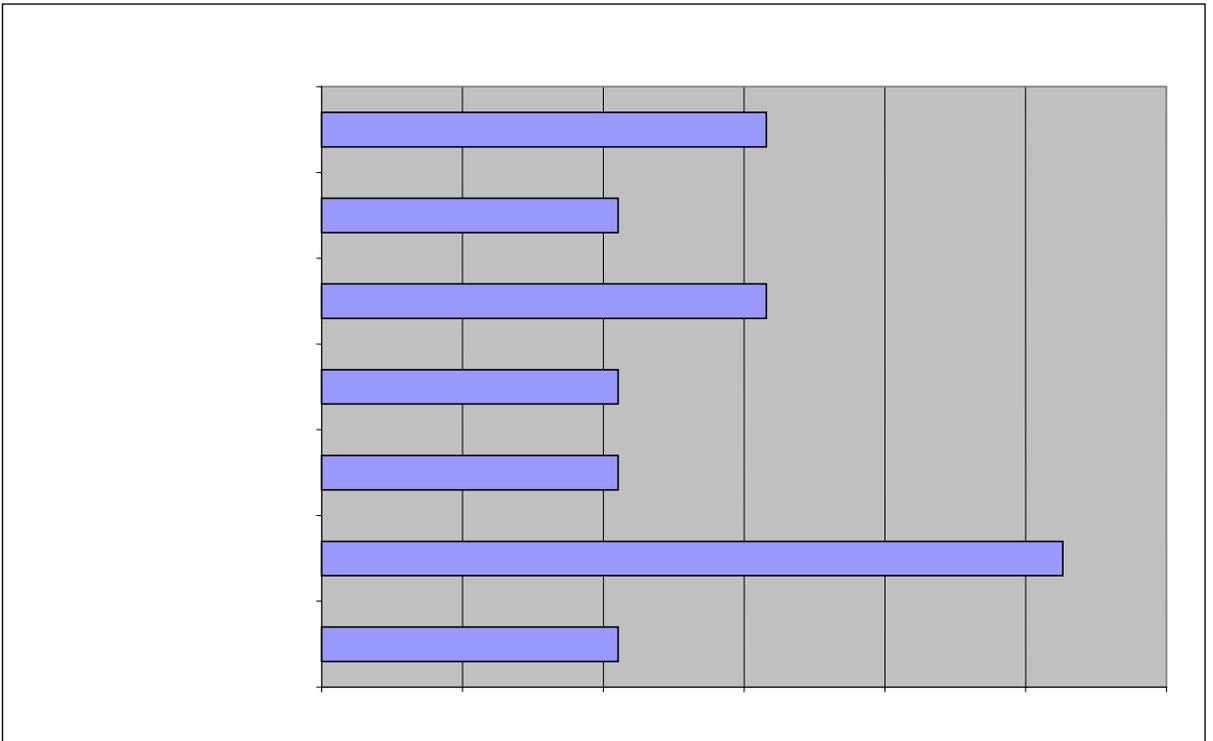
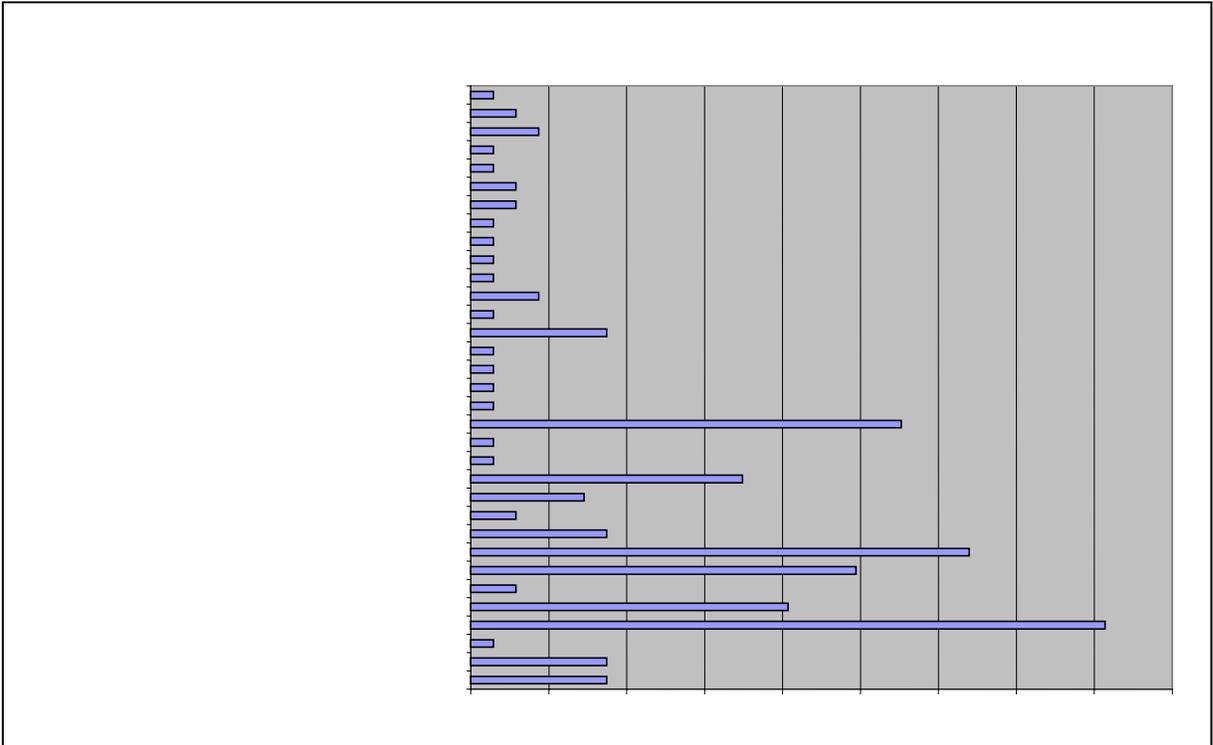
D Country



E Sector type



F Business group



DIMENSIONS	AREAS	1.1 RATING*					
		Highly unsatisfactory	U	M	S	G	Excellent
INPUTS							
INPUTS – Bank handling							
Project preparation	Relevance of ToR	Neither in line with country strategy/sector strategy nor with current visible needs in host country					Clearly in line with country strategy/sector strategy and current visible needs in host country
	Policy dialogue and investment	No explicit link to reform policy/investment; no definitions of milestones and alternative political scenarios					Clear link to reform policy/investment; definition of milestones and worst case scenarios
	Aims, objectives and outputs	objectives unclear regarding hierarchy and priority; outputs outdated/not counterchecked with current situation on site; no/incorrect indicators given					Logical relation between objectives and outputs on different levels; fulfilment of single objectives possible through correctly defined success indicators
	Involvement of client in ToR design	Not involved in ToR design at all					Fully involved in ToR design
	TC request design	Poor or incomplete TC design neglecting experiences/lessons learned in the past					Excellent TC design with an active attempt to build on experiences/lessons learned in similar undertakings of the past
	Tendering/recruitment process	Hastened recruitment/selection process without proper quality criteria; insufficient time/resources provided					Thorough definition of required consultant's profile; dedication of time/resources for ensuring best possible choice
Project implementation	Contracting of consultant	Contracting of consultant without in-depth consultation on ToR and timely requirements					Contracting of consultant after thorough discussions on ToR and related timely requirements
	Project start	No kick-off meeting at the initial stage of the project held					Kick-off meeting with relevant stakeholders held, supported by clear agenda and proficient information
	Coordination/liasing	No regular/only superficial contact with client and consultant					Regular and intense contact with client and consultant allowing for proper coordination and monitoring of project progress
	Supervision/information	OL at HQ hardly informed on current project stage, achievements of consultant and client's support					OL at HQ fully informed on current project stage, achievements of consultant and client's support

* U = Unsatisfactory, M = Marginal, S = Satisfactory, G = Good

DIMENSIONS	AREAS	1.1 RATING*					
		Highly unsatisfactory	U	M	S	G	Excellent
Project implementation	Crisis management	Poor handling of unforeseen events, such as political changes, <i>force majeure</i> , and so on.					Flexible and objective-oriented handling of unforeseen events in close cooperation with client and consultant
	Administration/change of OLs and internal hand-over	Client and consultant not informed about change of OL (in time); no formal hand-over meeting; no hand-over minutes existing					New OL sufficiently informed on project; client and consultant briefed/introduced in time; official hand-over meeting documented
	Reporting	Poor/incomplete/delayed reporting, missing files and insufficient information for judging project success					Excellent reporting, files complete and centrally stored; sufficient information (for example, on success indicators) to allow objective project rating
INPUTS – Consultant performance							
Knowledge and skills	Expertise	Skills proved to be not relevant/inappropriate to current requirements of project and area					Excellent skills not only in general (area and transition process) but also with regard to specific project areas/activities
	Client handling	Undiplomatic approach, entering into unnecessary conflicts with the client					Builds excellent rapport with the client and other relevant stakeholders, even when telling “unwanted truths”
	Team abilities	Poor team player, working in a rather isolated manner without drawing on knowledge provided by local team					Excellent team player, being able to motivate local staff and to make best use of skills and knowledge provided by local team
Management	Consortium management	Conflicts within the consortium; members poorly informed on project; unclear/unbalanced separation of tasks and duties					Consortium well managed; members equally informed on project; clear separation of tasks and duties
	Staff management	Replaces staff along the way with staff with less capabilities					Maintain staff with high capabilities throughout the project
	Quality control	No active quality control system for assignment (and required outputs) in place; sluggish reaction to requirements from the Bank and/or client					Active quality control system for assignments (and required outputs) in place; active provision of relevant information to Bank and client
Reporting	Content	Reports of poor standard					Reports of excellent standard
	Timeliness	Unjustified delays of deliverables					Deliverables submitted on time
	Focus	Focus not in line with Bank requirements; performance below ToR					Focus in line with Bank requirements; performance beyond ToR
INPUTS – Client commitment							

DIMENSIONS	AREAS	1.1 RATING*					
		Highly unsatisfactory	U	M	S	G	Excellent
Involvement in project preparation	Initiative/confirmation of mandate	No explicit support for initiative; no mandate letter provided					Explicit and firm support for initiative; mandate letter provided
	Elaboration of ToR	Not interested in cooperating in ToR elaboration; no/insufficient understanding of project's strategic purpose					Strongly interested in cooperating in ToR elaboration; thorough understanding of project's strategic purpose
	Involvement in selecting consultant	Not interested in participating in Consultant's selection/outcomes of the recruitment process					Strongly interested in participating in consultant's selection/outcomes of the recruitment process
Support during project implementation	Access to information	No fluent access to relevant data; no active support in collecting required information					Fluent access to relevant data; active support in collecting required information
	Expert support	No/insufficient client Team provided for project implementation					client Team with relevant skills provided for project implementation
	Political support/liaising	No facilitation of meetings or contact with other parties relevant to the project in question					Active facilitation/introduction to other parties relevant to the project in question
Appreciation of project outcome	Promotion/marketing of project achievements	No dissemination of project results and recommendations to the public					Active dissemination of project results and recommendations to the public
	Payment of consultant	Serious delays in payment to the consultant					Timely payment to the consultant
	Ownership	Ownership perceived to stay with the Bank/consultant					Ownership fully taken over by client
OUTPUTS							
OUTPUTS – Achievement of objectives							
Primary objective	Secondary objective	RATING				Excellent	
		Unsatisfactory	Marginal	Good			
Overall Bank objective to which the project shall contribute	Specific achievements defined for this project/the consultant's assignment in particular	Achieved far less (or nothing) in comparison to the output/impact envisaged	Achieved only parts of the outputs/impact envisaged	Matched expected output/impact	Exceeded expectations; achieving more than was foreseen in ToR and so on		
OUTPUTS – Transition impact							
DIMENSIONS	AREAS	1.2 RATING					
		Unsatisfactory	U	M	S	G	Excellent

DIMENSIONS	AREAS	1.1 RATING*					
		Highly unsatisfactory	U	M	S	G	Excellent
Institutional/corporate micro-level	Structure and extent of markets	Project/client/beneficiary does not contribute at all to the competitive environment in the project sector					Project/client/beneficiary contributed visibly to the competitive environment in the project sector
	Market institutions and policies	No contribution to institutions and policies that support markets (for instance, private ownership)					Direct contribution to institutions and policies that support markets (for instance, private ownership)
	Market-based behaviour, skills and innovation	No transfer of skills, attitudes and other behavioural patterns within the project environment (Demonstration effects)					Significant transfer of skills, attitudes and other behavioural patterns within the project environment (Demonstration effects)
sector/market, macro-level	Structure and extent of markets	Project/client/beneficiary does not (or is not expected to) realise a long-term impact on the competitive environment					Project/client/beneficiary realises (or is clearly expected to realise) a long-term impact on the competitive environment
	Market institutions and policies	No contribution to institutions and policies that support markets (for instance, private ownership)					Direct contribution to institutions and policies that support markets (for instance, private ownership)
	Market-based behaviour, skills and innovation	No transfer of skills, attitudes and other behavioural patterns beyond the project sector (Demonstration effects)					Significant transfer of skills, attitudes and behavioural patterns beyond the project sector (Demonstration effects)
OUTPUTS –		Contribution to Bank's investment					
Influencing a decision on Bank's investment	Positively/negatively	For example, a feasibility study led to the result that investment operation is not expected to be successful					For instance, enquiries led to a positive decision on the planned investment operation
Enabling/preparing the investment operation	Technically/operationally	Technical requirements identified and formulated for effective operation design					Commitment of counterparts and local stakeholders confirmed to increase confidence in future cooperation.
		TC made low contribution to the Bank's existing investment					TC made significant contribution to the Bank's existing investment
Donor visibility							
Public events and information policy	Informing relevant parties	Consultant, client, project sponsor and relevant parties are not informed about donor's name					All relevant parties are informed about donor's name
	Invitations	Donor not invited to signing ceremony and press not informed					Donor attended signing ceremony and event published in local media
	Media/project web site	Donor never mentioned in press releases					Donor mentioned in all press releases
	Final reports	Donor not mentioned in consultant's final report or related presentations					Donor mentioned in consultant's final report and related presentations

OVERALL RATING	<i>UNSUCCESSFUL</i>	<i>PARTLY SUCCESSFUL</i>	<i>SUCCESSFUL</i>	<i>HIGHLY SUCCESSFUL</i>
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Examples of definition of objectives found in the sample

Annex 6

EXAMPLE 1: FRAMEWORK PROGRAMME

Objectives and scope of work

Commercial banks in the countries covered by the programme are faced with considerable opportunities and risks as well as competition. The banking system of each of these Central Asian countries is evolving rapidly albeit from a low base. The assignment will consist of some or all of the following main advisory components:

- *Improvement of Partner Bank's strategy and planning;*
- *Asset/liabilities management;*
- *FX operations;*
- *Treasury management;*
- *Branch network control;*
- *Corporate governance and organisation;*
- *Technology;*
- *Internal audit/MIS;*

EvD comments: Description mixes between features of current situation, expected development in the future, and areas in which the consultant shall become active. In summary: no coherent definition of objective in the sense of “what situation do we want to see after this (and other) projects are over” is available (with the exception of first bullet point: “Improvement of PB’s strategy and planning”).

Proposal for primary objective: Commercial banks in the region are able to successfully participate in competition.

Proposal for secondary objective(s):

- A number of partner banks have improved their strategy and planning by receiving advice and training in the following fields: asset liabilities management, FX operations and so on.
- Improvements to be achieved in the institutional framework of banks, for instance, by establishment of credit advisory bureaus (CIB).

EXAMPLE (CALL-OFF)

Primary objective: To support the CIB to develop into an efficient and sustainable bureau that provides reliable information to the commercial banks, retail creditors and other participants in the commercial markets.

Secondary objective(s):

- review and revise the fee system for CIB services
- Draft/review the Credit Bureau Law
- Develop CIB business plan(s) for the years X and Y

EXAMPLE 2: STAND-ALONE

The assignment is divided into two phases. The objectives of the assignment are:

Phase 1: to assist in preparation and appraisal of the proposed investment; and

Phase 2: subject to the positive results of the due diligence, to provide support in review of the procurement strategy for the project, and assistance in review of the pre-qualification documentation and pre-qualification results.

EvD comments: No overall objective is stated but a hierarchy of objectives is expressed in time phases; Phase 1 outcomes (preparation and appraisal of investment) is boiled down in the description of Phase 2 to due diligence. It is not clear whether the consultant is expected to elaborate any further documents.

Proposal for primary objective: A Bank investment operation in sector XY is approved, or alternatively: “to possess all information required in order to take the decision on a strategic investment operation in sector XY.”

Proposal for secondary objective(s):

- The consultant conducts the necessary steps for preparation of investment (due diligence, and so on).
- Assistance in procurement procedures for a two-stage tender is provided.

EXAMPLE 3: STAND-ALONE

Overall objective: *The overall objective of this assignment is to assist the working group within the Ministry of Regional Development and Public Works and SERC in developing the essential components of the new regulatory framework.*

Specific objective: *The framework shall contain the following:*

- (a) development of methodologies for the setting of prices;*
- (b) development of quality of service standards;*
- (c) development of methodology for defining the admissible losses of water supply systems.*

EvD comments: Example of good practice for logic and hierarchy of objectives, plus target group is named as well. The only remark here is that the use of verbs points to an activity rather than to an overall aim. It is thus, better to formulate objectives (especially overall/primary ones) as a situation: for example, “A new regulatory framework is developed by the working group...”

EXAMPLE 4: STAND-ALONE

Primary objective: *An overall objective of the EBRD in this area is to facilitate the development of secondary mortgage markets in the EBRD’s countries of operations through creating pools of primary mortgage sub-loans that are capable of secondary market re-financing.*

Secondary objective(s): *The objective of the assignment is:*

- (1) in Module One: the identification of the common features that these sub-loans, financed through on-lending by the EBRD, would have to display in order to be able to be used in this way.*
- (2) In Modules Two: application of these features to the environment in Romania, and*
- (3) in Module Three: application of the objective in two other countries in South-Eastern Europe*

EvD comments: The primary objective is well defined, although a bit complicated. Secondary objectives as described, however, are rather different phases/sequences of activities than sub-sectors of the Primary objective. The application of the features to other countries of operations can better be described in the section on scope of work.

Proposal for secondary objective (s):

- To elaborate an analysis on minimum features that mortgage sub-loans should display
- To elaborate country-specific analyses based on the above for Romania and two other countries (to be selected)
- To present a manual on mortgage loan minimum standards that serves as a mandatory part in the Bank’s future mortgage contracts.

Overview on selected LL with regard to INPUT....

Annex 7

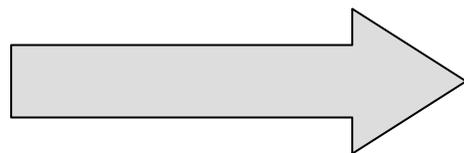
PCR assessment/ year	Client commitment	Consultant performance	Bank handling
2003	<ul style="list-style-type: none"> • Absence of client/loss of key-client support causes unsatisfactory achievements • Client to fully understand the project's benefits • Project-related expertise (for instance, technical) to be provided by the client and/or its staff • Appropriate language skills to be ensured or provided through translators • Full information provision and transparency to be guaranteed between client and Bank • Delays in payments of consultant to be avoided 	<ul style="list-style-type: none"> • Previous working experience of the consultant with the Bank is an asset • Consultant shall aim to get the client's confidence and establish/keep close contacts • Consultant shall provide significant expertise in the area required 	<ul style="list-style-type: none"> • Bank team shall perform regular visits to client • Bank team shall work closely with consultant and client and ensure close contact between the two • Foster additional engagement of external actors, such as donors, ministries, Bank local office and others to support the project's goals • Delays in payments of consultant to be avoided
2004	<ul style="list-style-type: none"> • Client shall provide a client mandate letter for the project in question (a necessary, albeit insufficient, condition) • Client can get concerned if project seems to them too ambitious • Political interference could suddenly change/reduce client's commitment 	<ul style="list-style-type: none"> • Consultant staff changes along the way shall be minimized • Consultant shall have an emphasis that is not in line with the Bank 	<ul style="list-style-type: none"> • Enhance Policy Dialogue efforts and channels • Make sure to align client's incentives well with the goals of the initiative • Compensate for eventual lack of client's capabilities to manage/support the TC project

PCR assessment/ year	Client commitment	Consultant performance	Bank handling
	<ul style="list-style-type: none"> Client shall allocate sufficient time for the project 		<ul style="list-style-type: none"> Consider an initial trial period for checking out consultant's performance, for instance by dividing the project into two stages Detect early any conflict potentials, for instance, between consultant-client or consultant-Consortium Members. Improve project management performance and minimise OL changes
2005	<ul style="list-style-type: none"> Client shall be committed to the assignment at a sufficiently senior level to ensure adequate resources Investment projects requiring sovereign backing carry a very high risk of a change in the budgetary policy of any given country 	<ul style="list-style-type: none"> Consultant's experience and contacts in the region can add an extra dimension to a project A thorough understanding of the region and/or of the process of transition is particularly important when dealing with assignments in early transition countries or involving large state enterprises. 	<ul style="list-style-type: none"> Due diligence in public sector projects should pay careful attention to possible political difficulties including pressure on elected officials from their electorate The EBRD should consider whether it is possible to break up a complex TC into components without increasing the cost, and to pay by deliverables Contract payments based on deliverables shifts risk onto the consultant, thus making them even more determined to make progress Management to give a clear message to clients that TC assignments cost time and money and deserve full attention of the client
2006	<ul style="list-style-type: none"> Clients should possess the necessary abilities to fulfil their part of duties in project design, elaboration of ToR, 	<ul style="list-style-type: none"> Consultant should clarify their obligations, such as the achievement of aims and objectives and indicators of 	<ul style="list-style-type: none"> Aims and objectives of TC operations need a universal clarification and standardisation of approach to support OLs in their

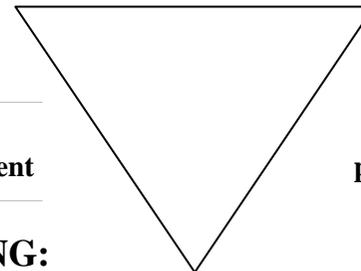
	<p>tendering and selection procedures</p> <ul style="list-style-type: none"> Insufficient commitment by the client prevents opportunity to make optimum usage of the TC offered 	<p>success, beforehand with the banking team</p> <ul style="list-style-type: none"> Consultant should stick in any case to the reporting regime and deliverables as per contract, despite their interest to save time and resources 	<p>definition of activities</p> <ul style="list-style-type: none"> OLs need additional support for definition and measurement of TI (impact and risk) for the TC operation and its distinction from the Investment operation respectively Filing, administration and hand-over procedures must be formalised and standardised OLs motivation to carry out TC operation and to collect and pass on LL should be encouraged
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and their **TRANSLATION ...**

Bank handling



**Client
commitment**

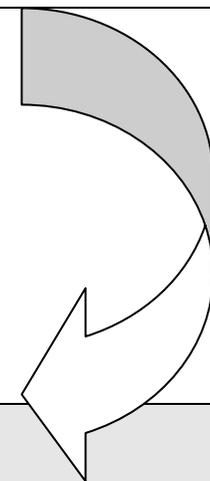


**Consultant
performance**

to **RECOMMENDATIONS for better BANK HANDLING:**

Project design and appraisal

- Align timing of the underlying investment operation with the TC operation.
- Include the client in project design/client involvement at an early stage/client involvement in ToR/consultant selection.
- Follow a clear and standardised approach for setting aims, objectives and indicators of achievement for TC operations.
- In framework contract/“umbrellas”, make sure the assignment in question can clearly be identified, by period, donor, objectives and achievements.
- Make sure that the client is fully aware of the objectives and benefits of the TC from the outset.
- Ensure strong commitment from top client management and at the same time their abilities to efficiently support project preparation and implementation.
- Design realistic ToR, scope, delivery time and output detail, balanced with budget/resources.



- Take some time to be clear over the project's TI, especially in respect to correlations to the underlying investment (draw emergency plans, if investment fails).
- Incorporate proper time for the preparation and design of the assignment, determine officers in charge for project files and technical administration.
- Use sufficient time in the preparation phase to thoroughly assess risks related to external factors and potential changes in the approach.
- Clearly state beforehand the risks of the TC, anticipate unforeseen events and how to deal with them, build flexibility in ToR.
- Budget adequate Bank resources, in particular to manage complex assignments in a difficult sector.
- Seek consultation from donor organisation as to how to ensure donor visibility, and so on.

Selection and contracting of consultant

- Perform systematic evaluation and follow-up of Bank's experience with consultants, by country/sector/topic.
- Consider comprehensive selection procedure in complicated and/or difficult (innovative) assignments under €200,000.
- Use sufficient time to select the consultant.
- Make sure that the consultant has a solid track record of implementing similar projects and, thus, possesses experience and technical expertise required.
- Conduct (phone) interviews before selecting consultants for smaller TCs (do not rely entirely on CVs), check relevant references and speak with previous clients, if appropriate.
- Consider the consultant's prior experience in the region or, alternatively, clearly inform consultant on key regional issues, country intelligence and knowledge of the local political and legal situation when applicable.
- Assure the consultant's understanding/awareness of all the tasks and deliverables to be performed, screen any term that might carry different meanings and tackle it by finding a common understanding (include the client in this process, if feasible).
- When there are several TCs related to an investment project, ensure that the all the work is understood by all consultant involved and ensure proper coordination and management performance.

Preparation of project start

- Clarify the relationship between the Bank's resident offices and the consultant/client.
- Organise kick-off meeting at the outset to clarify objectives and to demonstrate the Bank's commitment.
- Ensure principle methods of ensuring donor visibility, draft a short project description to put on the client's web site, draft a disclaimer with the most relevant information to incorporate into project documents, send to external agents, and so on.
- Develop good relations with the state authorities and the business community to ensure that they are aligned with the objectives of the TC.
- Make sure to develop emergency plans in case the client suffers from "commitment fatigue" during the course of the project.

Handling the client relationship

- Establish Policy Dialogue at higher level to follow events.
 - Verify client contribution from the outset, including level of budget support, staff allocation, supply of required information/data, and senior management time as appropriate.
 - Ensure that procedures for contracting and for invoices are in place and well understood.
 - Explore shared payment of TC to avoid "free riding".
 - Maintaining regular meetings/contact with the client throughout the TC assignment.
-

Monitoring project implementation and success

- Ensure a high degree of Bank monitoring throughout the assignment with regard to timely implementation and obligations on all sides — Bank, consultant and clients.
- Maintain regular contact with and supervision of the consultant, including more frequent feedback to the consultant. Also include Resident Office in this regard.
- Follow the consultant reporting thoroughly. If a need for adaptation is agreed, change the volume of a single report rather than cancel the report itself.
- Ensure that there are no key issues affecting project implementation; seek required support from other Bank Departments in time (Bank Legal Counsel, Resident Offices, and so on).
- Maintain a greater “hands-on” approach throughout the TC to effectively deal with any problems that could lead to potential project delays/failures of investment, and so on.
- Make sure to be clear about the LL and pass on relevant recommendations and conclusions in writing to relevant business groups/colleagues, OCU and EvD.

Administrative/technical matters

- Maintain your own master file (set of electronic documents) for easy reference and hand over all hardcopies to the officer in charge for TC administration.
 - Keep obtaining feedback from management teams about applicability of PCR format and timing for report delivery.
 - Further adapt/adjust reporting schemes and formats to meet specific needs in order to reduce quantity and increase quality of reporting.
 - Ask proactively to generate LL with management teams in cases of *partly successful* and *unsuccessful* projects.
 - Enable the set-up of TC operations in LL database or other adequate and accessible forum.
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