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Update of the Evaluation Policy of the EBRD

Evaluation Department



European Bank
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EVALUATION POLICY OF THE EBRD

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EVALUATION POLICY OF THE EBRD

1. EVALUATION FUNCTION

1.1 INTRODUCTION

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

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

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

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

1.2 EVALUATION OBJECTIVES

Evaluation has two basic objectives:

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

Evaluation provides the basis for a system of accountability for operational outcomes to managers, and ultimately to the Board of Directors of the Bank. Because independence, equal ranking vis-à-vis other relevant Bank units and objectivity are vital for the credibility of the evaluation work, evaluation is conducted by an independent department. While EvD is integrated into the organisational structure of the institution, the head of the department, or Chief Evaluator, is directly and solely responsible to, and takes his/her instructions only from, the Board of Directors as a whole (see also section 4).

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

1.3 ACCOUNTABILITY HIGHLIGHTED

Evaluation involves various actors: the Bank's management, Staff involved in the operation process¹⁵ (including support departments/units), the clients of the Bank and the Bank's Evaluation Staff. Each has a role in the evaluation process. Over the years the complementary roles of the actors have become clearer and this has helped create

¹⁵ Staff involved in the operation process are from the following Vice Presidencies/departments: Banking, Environment and Sustainability Department (ESD). OCE, Office of the General Counsel (OGC), Risk Management and Finance.

a well-functioning evaluation system. This clear distinction of roles is especially important if an accountability system is to be maintained: managers are held accountable for the results of their work and, through a transparent independent evaluation system, lessons learned are generated at an early stage so that they can be applied when preparing new projects. If the evaluation function interferes with the operations process responsibilities become unclear and the operations manager could no longer be held accountable for outcomes.

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

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

2. EVALUATION PROCESS

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

PROJECT PREPARATION AND IMPLEMENTATION

2.1 INSTITUTIONAL PRIORITIES AND COUNTRY LEVEL EVALUATIONS

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

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

Evaluation Staff are not directly involved in the process of preparing the country strategy papers and the MTS update. At the time of ex post evaluation EvD verifies whether the operations are in line with the country strategy paper at the time of appraisal and makes a comparison with the latest country strategy paper. In order to optimise the retrospective analysis of each country strategy Staff in the Banking Department contact EvD to obtain relevant lessons so that new country strategies take into account lessons learned from past experience. Evaluation Staff then provide relevant lessons learned material. EvD can comment on draft MTS updates as the findings in EvD's Annual Evaluation Overview Reports (AEORs) sometimes present elements of a strategic nature.

The Evaluation Department can include in its Work Programme a country level evaluation in the form of an evaluation special study which takes into account the working document of the Evaluation Cooperation Group (ECG) on good practice standards for country strategy and program evaluation. (see further Section 2.5.3)

2.2 PROJECT DESIGN AND APPRAISAL

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

Observing the independence of the evaluation function, Evaluation Staff are not actively involved in the preparation of the projects. EvD directs Staff in the Banking Department to the lessons learned through the on-line Lessons Learned Database (LLD) and through identifying experience on similar projects with other banking teams and external lessons with other MDBs. (see section 2.8 for details on lessons learned dissemination)

2.3 PROJECT IMPLEMENTATION

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

Staff in the Banking Department review and file all client reports obtained according to reporting requirements in a project's legal documentation, along with information obtained during project monitoring visits. According to the procedures as described in the most recent document on the Review of Credit Process the operation teams prepare MRs, typically twice-yearly for private sector and yearly for state sector operations. The MRs provide information on project progress (and transition impact) and highlight key issues for Staff involved in the operation process to take immediate action due to emerging or acute problems. OCE, in close cooperation with the banking teams, under the TIMS, reviews fulfillment of transition impact objectives formulated at project appraisal and assesses the associated risk to transition potential and the possible risk mitigating factors. If justified OCE upgrades or downgrades these ratings which have been assigned ex ante.

Due to EvD's independent position, Evaluation Staff are not involved during the project implementation stage. However, EvD identifies lessons on project implementation when carrying out evaluation reviews on projects ready for evaluation and channels these lessons back to Staff involved in the operation process to improve project implementation. Although, in selected cases when an operation's implementation prospects are considered critically important, EvD can, for instance, at Management's request and with the Board of Directors' prior approval, conduct a special study in the form of a mid-term review (MTR)¹⁶, EvD also reviews the outcomes of TIMS on a project-by-project basis when projects are ready for evaluation. In addition, EvD reports in the AEOR (see section 2.6) on the functioning of TIMS in the form of a performance review of the system based on a sample of projects.

THE SELF-EVALUATION PROCESS

2.4 PROJECT COMPLETION

2.4.1 Project completion of investment operations. Only those projects which are substantially completed are subject for evaluation. In respect of non-financial institution operations, a project is considered "ready for evaluation" or "having reached early operating maturity" if the project financed will have generated at least 18 months¹⁷ of operating revenues for the company after last disbursement of loans and at least 24 months of operating revenues after last disbursement of equity participations. In addition to the constraints already cited, a project is considered

¹⁶ Carrying out MTRs is also referred to as "real-time" evaluation.

¹⁷ To comply with the Good Practice Standards of the Evaluation Cooperation Group, the time to start a post-evaluation exercise has been extended from 6 to 18 months.

ready for evaluation after at least one year of commercial operation, while at least one set of audited financial accounts should have been received by EBRD covering at least 12 months of operating revenues by the project.

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

When a project is ready for evaluation, the operation team prepares a self-evaluation document, the Expanded Monitoring Report (XMR). The XMR builds on the basic monitoring report (MR) by adding information requirements that are relevant for a self-evaluation document (i.e. relating to achievement of objectives, environmental performance, transition impact, lessons learned generated and overall assessment). The XMR, having the character of a project completion report, substitutes the MR that is due for that specific period. EvD covers all operations ready for evaluation for which an XMR was produced, either through detailed or less detailed evaluation exercises or through assessing or reviewing XMRs. Appendix 3 presents details on the selection and sampling of projects for evaluation. EvD also checks the operations that were cancelled or prepaid before an evaluation took place. EvD agrees with management of the Banking Department about the timing of the XMRs to be prepared by the Operation Leader thereby taking into account that the due dates of the XMRs are spread evenly throughout the year. This is important to secure an even workload during the execution of EvD’s Work Programme.

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

2.4.2 Preparation of XMRs and lessons learned memoranda. The Operation Leader (OL) prepares the XMR when due. Two forms of XMRs exist: a “Long-Form XMR” which is used for ready operations on which an OPER report or XMR Assessment will be prepared and a “Short-Form XMR” for those ready operations on which an XMR Review will be carried out. The environmental section of the Long-Form XMR must be agreed with the ED. For projects on which a Long-Form XMR is produced, the OL carries out a field visit to the country of operation to improve knowledge of the project and to enhance XMR quality. During the visit the OL obtains the company managers’ insight and assesses project outcomes. Discussions will take place with relevant parties (MDB staff, company employees and auditors, suppliers, customers, competitors, bankers and any relevant government officials, industry associations and local NGOs). The Long-Form as well as the Short Form XMR is composed of two sections:

- (a) one section refers to the content of the MR containing all the monitoring issues such as highlights of implementation and operational experience to date

- based on the supervision record. For the Long-Form XMR, the MR section should be more elaborate and EvD gives guidance to bankers respectively;
- (b) the other section is the "expanded" post-evaluation part of the XMR. The Long-Form XMR contains a detailed review of the project's transition impact¹⁸ and other evaluation performance indicators (financial performance, additionality, environmental impact, fulfillment of objectives and Bank Handling). It also explains the difference between appraisal performance indicators and actual outcomes and requires an overall assessment of the operation and highlights the lessons learned as a result of the self-evaluation process. The Short-Form XMR reviews the project's objectives and provides a rating for all the evaluation performance categories with justification for the rating, without giving a detailed review of the rating categories. The Short-Form XMR also requires the identification of lessons learned but not as comprehensive as in the Long -Form XMR.

The electronic version of each form of the XMR allows for all relevant departments¹⁹ in the Bank to sign-off electronically on the XMR, including the sector or country team director. If one of the departments signing-off on the XMR disagrees with the content of the XMR, it will be noted in the Bank's project monitoring module (PMM) in the appropriate place. The Long-Form XMR will specify when the OL's XMR visit took place and who participated in the visit. A copy of the Long-Form XMR template and a template for the Short-Form XMR are attached as Appendix 5.1 and 5.2.

These XMRs are the Bank's basic self-evaluation products for accountability of project performance prepared by the Operation Leader and other Banking Department staff amongst others based on findings collected in the field.²⁰ They provide the building blocks for detailed evaluation reviews as part of an effective and efficient post-evaluation process. EvD gives guidance to the Staff in the Banking Department on the preparation of the XMR to promote consistency and objectivity in execution scope, analysis and ratings. EvD's respective suggestions are incorporated in the electronic version of the XMR through drop-down lists of relevant subjects and examples. To help Evaluation Staff and Staff in the Banking Department with consistency in the performance evaluation rating process, Appendix 1 of this report contains an overview on benchmarking the performance indicators including transition impact. Evaluation Staff give guidance to the Staff in the Banking Department in preparing the XMRs to enhance the efficiency and quality of the XMR production. This is achieved through targeted workshops or bilateral contacts with Staff in the Banking Department. During these contacts the steps of the most efficacious XMR preparation process are discussed and good practice examples of XMRs are presented.

All XMRs are discussed in a credit review meeting organised by the Risk Management Department. In these meetings, which are chaired by Staff of Risk Management, the respective OL, a representative of OCE and EvD, and the respective evaluator and/or senior economist from EvD participate. If the OL or monitoring OL

¹⁸ Applying the seven transition indicators to the level of the company, the industry and the economy as a whole. See Appendix 2 for the list with the transition indicators that help measure transition impact.

¹⁹ Apart from EvD, the Banking Department, OGC and the Environmental and Sustainability Department (ESD) sign-off on the XMR.

²⁰ The names of the persons responsible at Headquarters and ROs are listed in the XMR.

is located in one of the Bank's ROs a conference call link is established. Other Staff involved in the operation process that have been involved in project preparation of the project can also attend the review meeting.

For signed operations that are cancelled before a disbursement has taken place, the Operation Leader prepares a Lessons Learned Memorandum (LLM), within three months of the cancellation. The LLM presents the lessons learned and highlights the reasons why the operation was cancelled. Evaluation Staff reviews the LLMs to identify important lessons learned. For operations which were cancelled and where some disbursements had already taken place, the Operation Leader produces a Short-Form XMR, also within three months of the cancellation. In respect of fully pre-paid operations where no XMR (see section 2.4.4 below) has been prepared, the respective Operation Leader prepares a Long-Form XMR within three months after pre-payment. Evaluation Staff review these XMRs to verify the scope, responsiveness, evident reliability of the analysis, impartiality and consistency in ratings judgements, and appropriateness and completeness of the identified lessons and assess overall XMR quality. Evaluation Staff incorporate relevant lessons learned, together with important lessons from the LLMs in EvD's Lessons Learned Database. These cancelled and pre-paid operations on which a Long-Form XMR is prepared are to be added to the sample of projects ready for evaluation from which the Chief Evaluator will choose when preparing the evaluation programme for the next year.

DIRECT EVALUATION OF INVESTMENT OPERATIONS

2.4.3 Preparation of OPER and in-depth OPER reports. Evaluation Staff conduct an independent evaluation review of selected operations²¹ on which a Long-Form XMR has been produced, as a basic Operation Performance Evaluation Review (OPER) report or in a more in-depth form as an In-depth OPER report depending on EvD's work load and the characteristics and complexity of the operation.²² EvD concentrates, as part of its quality management function, on identifying quality lessons learned from as many investment operations ready for evaluation as possible. As part of EvD's accountability function a judgement is made of a project's success on the basis of key evaluation performance indicators presented in the box below.

²¹ See Section 2.4.5 and Appendix 3 for the selection process of projects for evaluation where the use of the Good Practice Standards of the Evaluation Cooperation Group of the multilateral development banks is highlighted.

²² Whereas the time spent by Evaluation Staff on preparing OPER reports on average amounts to approximately 25 working days, the time involved in preparing In-depth OPER reports is approximately 45 working days.

MEASURING EVALUATION PERFORMANCE

Mandate-related indicators:

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

Sound banking principles-related indicators:

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

Bank effectiveness-related indicators:

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

These seven performance indicators are the basis for EvD to assign an Overall Performance²³ rating to an operation which is post-evaluated. In Appendix 1 the rating methodology is presented showing the Overall Performance rating system²⁴ and the composite performance categories. Indications of benchmarks used during the process of rating projects are also presented. During the evaluation process, project outcomes for each of the indicators are assessed on a “with” versus “without” project basis.

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

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

2.4.4 Carrying out XMR Assessments and Reviews. For those operations that are ready for post evaluation which have been randomly selected, excluding those operations for which an OPER report or In-depth OPER report will be produced (see next paragraph on evaluation coverage) the Evaluation Staff carry out an XMR Assessment (XMRA). In addition some extra XMR Assessments can result from the application of best practice on sectors and countries (see Section 2.4.5 for further explanations). An XMRA is a short desk review during which the operation file and

²³ Apart from the Overall Performance rating presented here, a “transition outcome” rating (reflecting results on the ground), focussing on the mandate related indicators, exclusive of the Bank's additionality and the sound banking principle-related indicators, is assigned as well. This is done to make the outcomes of EBRD's rating system more comparable with the outcomes of the performance evaluation systems of other MDBs.

²⁴ The synthesis rating for the three dimensions (mandate, sound banking and Bank effectiveness) reflect summary qualitative performance judgements based on the underlying indicator ratings. They are not simple averages of the indicator ratings.

key issues are discussed with the Operation Team. An XMRA takes Evaluation Staff in principle 2-3 working days. These assessments aim at enhancing the quality of the lessons learned in the Long-Form XMRs generated by the bankers-driven self-evaluation process, so that these lessons can be incorporated into EvD's lessons learned database. The Overall Performance rating of the Long-Form XMR, following the same rating methodology as presented in section 2.4.3 above²⁵, is validated by EvD and new ratings are assigned if warranted. As part of this assessment, Evaluation Staff review with the respective Staff in the Banking Department the basis for EvD's rating judgments in particular where the ratings differ. XMRA reports are formally communicated to Bank Management who may wish to respond. Subsequently EvD can amend the XMRA report if warranted and the report is posted on EvDnet, the Department's database stored on the Bank's Intranet.

On all projects ready for evaluation for which no OPER exercise is carried out or no XMRA is done, EvD will carry out an XMR Review. For an XMR Review Evaluation Staff review the quality²⁶ of the Short-Form XMR and through discussions with the operation team tries to enhance its quality. These XMR Reviews take Evaluation Staff in principle half a day. In case of an XMR Review, because of the relatively limited time spent by EvD Staff in reviewing the quality and findings of Short-Form XMRs, the respective ratings are not validated and amended by EvD.

2.4.5 Evaluation coverage of investment operations.

The Bank takes into account the Good Practice Standards (GPS) of the ECG in respect of selection of projects for evaluation. The selection of projects is based on a random representative sample of sufficient size to establish, for a combined three year rolling sample, success rates at the 95% confidence level, with sampling error not exceeding ± 5 percentage points, for the population's development (transition outcome, MDB investment outcome, additionality and MDB work quality). Furthermore, best practice is achieved through using the same confidence level and sampling error within current strategically targeted groups of projects for the EBRD. Each year, when defining EvD's Work Programme for the next year, the Board of Directors will decide, on the basis of a proposal from EvD on the application of best practice, which strategically targeted groups or priority areas should be selected for evaluation. In Appendix 3 the methodology for selecting projects for evaluation is presented in more detail.

2.4.6 Project work-outs and impaired investments. Most of the Bank's work-out operations, as part of the group of classified investment operations, become the responsibility of the Staff in the Corporate Recovery Unit (CRU), which unit reports jointly to the Vice President in charge of Risk Management and the Banking Department First Vice President. The timing of evaluation activities of work-out projects is delicate as an evaluation may interfere with ongoing recovery work and because the Bank tries to exit from these investments at the least possible cost.

²⁵ In an annex to the XMR, the OL presents the financial and economic rate of return derivations, if relevant, with transparent assumptions and cash flow statements. The XMR will also contain clear statements on a project's environmental performance and change, thereby referring to workers health and safety, pollution load and energy efficiency status, a project's environmental management and the level of public consultation.

²⁶ When assessing the quality of XMRs the following elements will be assessed by the evaluator: (a) scope responsiveness; (b) reliability of the analysis; (c) impartiality and consistency in rating judgements; (e) appropriateness and completeness of the identified lessons.

Therefore, the selection of such operations for evaluation and the timing of the evaluation exercises are done in close cooperation with CRU. In case of unexpected developments evaluation missions in respect of impaired operations can be postponed.

When a project is handed over by an operation team to CRU, the respective Staff in the Banking Department will prepare a Long-Form XMR. As the basis for the evaluation of impaired operations, EvD will use these XMRs, as well as subsequent internal reports produced by Staff in CRU during the work-out. Both the Long-Form XMR and subsequent work-out progress reports will include lessons learned. Work-out Completion Reports (WCR) will be requested to include comprehensive lessons learned on the experiences gained during the work-out. As impaired projects provide important sources of lessons learned, EvD will continue its focus on post-evaluating operations with risk rating 7 or worse.

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

EVALUATION OF TECHNICAL COOPERATION (TC) OPERATIONS

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

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

In order to enhance the quality of the preparation of PCRs, Evaluation Staff selects in total 20 TC operations per year on which a PCR Assessment will be carried out. A PCR Assessment comprises a short desk review during which Staff in the Banking Department will be consulted and short file reviews be made. The PCR Assessments

focus on: objectives, task, risk and mitigating factors, Bank handling, client's performance, consultant's performance, assignment in relation to overall assessment, donor visibility, identification of additional TC assignment, know-how transfer, transition impact and completeness of overall assessment. The general findings of the PCR Assessment activities of EvD are presented in the form of a special study.

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

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

INDIRECT EVALUATION

2.5 SPECIAL STUDIES

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

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

2.5.2 Impact and thematic evaluation-related special studies. Impact Evaluation is a special type of evaluation (indirect evaluation) which examines the actual impact and effects of projects and thereby attempts to distil lessons of experience in a certain sector or country. In case the evaluation concentrates on a special topic referring to a group of projects, the results of the evaluation will be presented in a thematic synthesis study. In case of sector studies the evaluation work can concentrate on evaluating the Bank's sector operations policies applicable to a certain sector. In order to optimise the learning process, before a new sector strategy would be presented to the Board, an evaluation of the strategy by the Evaluation Department should have

taken place. To allow this to happen in good time, coordination with staff in the Banking Department and OCE is essential so that the outcomes of the respective sector strategy evaluations can be used during the preparation of new sector operations policies/strategies. These studies can also be carried out at EvD's initiative or at the request of a member of the Board of Directors and/or Management and are subject to prior approval by the Board of Directors.

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

2.5.3 Country level evaluation reports. As highlighted in Section 2.1 above, EvD can propose in its Work Programme to carry out a country level evaluation special study which takes into account the working document of the ECG on good practice standards for country strategy and program evaluation. During the preparation of the country level evaluation special studies, Evaluation Staff work in close collaboration with Staff in OCE and in the Banking Department (including Resident Offices). For each country level evaluation exercise, EvD will prepare an Approach Paper in cooperation with Management, in which a specific special study case on country level evaluation will be presented for endorsement by the Audit Committee. The Approach Paper will propose sector(s) and/or theme(s) that would have the most added value for the Bank. The methodology on Country Level Evaluation will be finalised after completion of a pilot study as part EvD's Work Programme for 2009 (to be completed in 2010).

Where EvD carries out a country level evaluation special study, the outcomes are used when management prepares the next country strategy. The timing of the preparation of the respective reports will be properly planned among the Banking Department, OCE and EvD so that the findings of the evaluation can feed into the next country strategy. Country level evaluation exercises could be done in cooperation with other MDBs active in the region.

EVALUATION SYNTHESIS REPORTING AND WORK PROGRAMME

2.6 THE ANNUAL EVALUATION OVERVIEW REPORT (AEOR)

Evaluation Staff produce an AEOR in which EvD reports on its evaluation findings and presents an analysis of the performance of projects evaluated during the year, which includes a synthesis of EvD's findings from all validated XMRs and OPERs generated and reviewed during the year. Comparisons are made between outcomes of the group of projects evaluated in previous years to show how performance is evolving. The projects are judged against the same key performance criteria as applied in the OPER reports (see section 2.4.3 and Appendix 1). For each rating dimension and indicator, the AEOR shows the proportion of the evaluated sample in each performance rating category. In a separate Appendix the report presents detailed outcomes of performance indicators thereby providing a synthesis of the rating

patterns and their crosscutting performance drivers under each indicator. The document provides adequate information to make the reader aware of possible biases in the sample of projects covered by the annual review. EvD will highlight the rating criteria and benchmarks in the report by making reference to this evaluation policy review document which will be posted on the Bank's website. EvD also reports in the AEOR on the quality and efficacy of the evaluation system, including the self-evaluation system, any gaps in coverage of the Bank's operations, the work of EvD and the generation and application of lessons in new operations. The AEOR highlights thematic lessons and/or specific OPER lessons learned gathered during the year. It presents the findings of reviewing the XMR Assessment process thereby giving assurance to management and the Board that past experience is used on a wide basis. The AEOR also presents key quality management suggestions that give guidance to senior management and the Board of Directors for improvements in a wide range of key areas for the Bank. EvD reports in the AEOR on conclusions reached by the Audit Committee, presented in the minutes, reporting on their deliberations in respect of evaluation reports which are reviewed periodically by the Committee. (see section 2.8.2) The Chief Evaluator also reports in the AEOR on the working of the system of follow-up of evaluation recommendations. (see further Section 2.9)

The AEOR also aims at reaching generic findings and lessons that have a wider connotation than just the projects from which the findings are gathered. The findings presented in the report can also have consequences for the Bank's strategic orientation, in particular as it refers to transition impact related issues. In this respect EvD can review the MTS updates and other strategy related documents so that specific evaluation-related findings can be brought to the attention of Staff in the Strategic and Corporate Planning and Budgeting Department responsible for the preparation of these updates.

2.7 EvD'S WORK PROGRAMME

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

The contents and timing of the Work Programme reports are designed to enable the preparation of the EvD budget, as follows:

- The Work Programme Preliminary report, which outlines the volume of work and number of evaluations for the next year and provides an estimate of the work resources needed to carry out such programme, is prepared on a timely basis to allow EvD's Work Programme and budget to be commented on by Management as part of the preparation of the Bank's budget. Subsequently, the Work Programme Preliminary report, and associated budget, with possible MCs on the report, and associated budget, will be reviewed by the Audit Committee and by the Budget and Administrative Affairs Committee in back-to-back meetings and

agreed by the Board of Directors at the same meeting as the Board decision on the Bank's budget, in a separate vote on EvD's Work Programme and budget. It is important that the Board decision on EvD's budget takes place at the Board meeting in which the Bank's general budget will be approved, so that this decision will be informed by full knowledge of the general budget proposal of the Bank; and

- The Work Programme Final report, which identifies the projects, programmes, sector(s) and theme(s) for a country level evaluation and sector strategies to be submitted to evaluation, as well as special studies to be undertaken in the next year, are prepared on a timely basis to allow for Audit Committee review in January of the next year and Board approval in February. During the course of the year, material changes to the Work Programme Final report are submitted to the Board for approval on a no-objection basis.

EvD also reports on the Work Programme for the previous year through a Work Programme Completion report which is submitted to the Board of Directors during the first quarter after the end of the year.

The Work Programme Preliminary, Final and Completion reports, including reports concerning material changes to the Work Programme Final report, are distributed by the Chief Evaluator (through the Office of the Secretary General) to the Board of Directors, together with Management's Comments (MCs), for approval by the Board. After receiving a Work Programme report from the Chief Evaluator, Management has ten working days to provide MCs. The Chief Evaluator informs the Audit Committee that he/she has delivered a Work Programme report to Management to seek their Comments.

Before distribution to the Board, the Chief Evaluator may still correct the Work Programme reports to take account of MCs; if he/she does so, the Chief Evaluator also gives Management an opportunity to adjust MCs accordingly, before such Comments are distributed to the Board of Directors together with the Work Programme reports.

LEARNING LESSONS FROM PAST EXPERIENCE

2.8 REPORTING ON AND DISSEMINATION OF LESSONS

2.8.1 Consultation on and distribution of OPER reports and special studies. In order to maximise the effects of EvD's quality management-related findings and to enhance the results of its accountability function, it is essential that evaluation reports are distributed to Staff involved in the operation process, Management and the Board of Directors. It is important for the institution that the evaluation process is as open and transparent as possible and that the results are widely available in order to demonstrate that the Bank's output is subject to independent review with proper accountability²⁷. However, in this process it is very important that confidentiality of information on private sector operations is adequately guaranteed.

²⁷ Independent review with proper accountability by EvD on a project by project basis is not in conflict with the Bank's independent recourse mechanism (IRM).

In view of the above, as a principle, operations teams in charge of a project or programme under evaluation are consulted on EvD's draft report and given a period of time (two to three weeks) to provide comments. The Evaluation Department also consults any other member of Management or staff who has played a specific and substantial role in the process of preparation or implementation of the project or programme under evaluation. Furthermore, all OPER reports on investment and TC operations and special studies are available to all Staff involved in the operation process to be used in the performance of their duties²⁸. EvD sends a hard copy of these documents to Management and the Operation Team and an e-mail with a link to the report on EvDnet (available on the Bank's intranet) is sent to a selected group of managers in the Bank. Electronic copies can be obtained by all Staff involved in the operation process on EvDnet.

Board summaries of OPER reports on investment operations, TC-related OPER reports and special studies are distributed by the Chief Evaluator (through the Office of the Secretary General) to the Board of Directors, together with MCs. If Management has elected not to provide Management's Comments, the Chief Evaluator so informs the Board when distributing the report.

After receiving an OPER report, a Board summary of an OPER report or a special study from the Chief Evaluator, Management has ten working days to provide MCs.²⁹ The Chief Evaluator informs the Audit Committee that he/she has delivered such a report to Management to seek their Comments. Before distribution to the Board (or publication), the Chief Evaluator may still correct the Evaluation Department document to take account of MCs; if he/she does so, the Chief Evaluator also gives Management an opportunity to adjust MCs accordingly, before such Comments are distributed (or made available) to the Board of Directors together with the Evaluation Department document. MCs are published or posted on the Bank's website at the same time as the Evaluation Department reports to which they relate.

If an OPER report on an investment operation is selected for discussion in the Audit Committee, confidential copies of the full OPER report are distributed by the Chief Evaluator (through the Office of the Secretary General) to the Board of Directors, together with MCs, and returned to the Chief Evaluator after discussion. If an OPER report on an investment operation is not selected for discussion in the Audit Committee, confidential copies of the full OPER report can be obtained by Directors, together with MCs, for the period necessary for its review.

Evaluation Staff contribute to special meetings of the Audit Committee on projects. The Committee schedules at least three sessions per year during which selected OPER reports on investment operations and other evaluation reports are reviewed. In this way, the Board of Directors, through its Audit Committee, provides important feedback to management and EvD on the content and quality of a selection of EvD's outputs. All evaluation reports which contain one or more evaluation recommendations will in principle be reviewed by the Audit Committee.

²⁸ However, the OPER reports on private sector operations, where a confidentiality agreement was concluded with the sponsor/borrower are available on a more restrictive, need-to-know basis.

²⁹ In exceptional cases when important issues have to be resolved in the Executive Committee, the Chief Evaluator can grant an extension of the deadline.

2.8.2 Consultation on and distribution of AEOR.

When preparing the AEOR, the Chief Evaluator holds consultations as he/she deems appropriate. The AEOR is distributed by the Chief Evaluator (through the Office of the Secretary General) to the Board of Directors, together with MCs, first for review in the Audit Committee and then for approval by the Board. After receiving an AEOR from the Chief Evaluator, Management has fifteen working days to provide MCs. The Chief Evaluator informs the Audit Committee that he/she has delivered an AEOR to Management to seek their Comments.

Before distribution to the Board, the Chief Evaluator may still correct the AEOR to take account of MCs; if he/she does so, the Chief Evaluator also gives Management an opportunity to adjust MCs accordingly, before such Comments are distributed to the Board of Directors together with the AEOR.

In September each year the AEOR is sent by the President to the Board of Governors together with MCs on the AEOR indicating the follow-up to the recommendations of the AEOR.

2.8.3 Dissemination of lessons learned.³⁰ One of EvD's main tasks is to make sure that the lessons learned from evaluation reports are widely disseminated in the Bank and adequately used in the preparation of Bank projects. The followings activities can be identified in which Evaluation Staff communicates with other staff in the Bank on lessons learned:

- For an adequate distribution of lessons learned, EvD maintains an on-line lessons learned database (LLD) to which Staff involved in the operation process have easy access.
- As Operation Staff, according to the Operations Manual, must use lessons learned from past experience in Bank projects, direct contacts can take place between Evaluation Staff and operation teams on lessons learned during the process of project preparation. A process has been established whereby bankers consult the LLD to find material from evaluated projects relevant to the projects under preparation and to identify possible bottlenecks or themes in other projects that might have some relevance for the projects under preparation;
- Organisation of lessons learned workshops for Staff in the Banking Department (including in resident offices) with the aim of promoting and discussing evaluation findings and lessons learned.

In order to make sure that the lessons learned process has worked, Evaluation Staff check whether the lessons learned have been adequately used³¹. In this respect EvD makes a judgment on the quality of sections in Board Reports on "Lessons Learned from Past Experience". EvD e-mails its opinion on the quality of the mentioned sections to members of the OpsCom secretariat before each OpsCom meeting. Staff in the Banking Department involved in the preparation of the projects are copied on this

³⁰ Lessons should be concise, prescriptive, and placed in the context of a material issue that was encountered in the evaluation so that its relevance to new operations can be determined easily, on a stand-alone basis.

³¹ Except for confidential items which are dealt with on an ad hoc basis.

e-mail. In case EvD is of the opinion that a section lacks the necessary quality, the section has to be rewritten.

PUBLIC ACCOUNTABILITY

2.8.4 Publication of Evaluation reports and lessons

(a) Overview of evaluation reports which are published.

As stipulated in the Bank's Public Information Policy (PIP) the Bank releases and posts on the Bank's website certain evaluation reports prepared by EvD, subject to editing on commercial confidentiality. The following documents are disclosed:

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

MCs in respect of any of the foregoing documents (summaries, reports, etc.) are posted in full on the Bank's website at the same time as the document to which they relate. The document is also edited in order to avoid the identification of client companies and to preserve commercial confidentiality.

(b) Consultation process within the Bank:

Prior to disclosure of any evaluation report EvD will consult the respective Staff in the Banking Department and Staff in the Office of the General Counsel (OGC) to screen the reports in order to secure the necessary commercial confidentiality.³²

(c) External lessons learned database

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

2.9 UPTAKE BY MANAGEMENT IN RESPECT OF EVALUATION RECOMMENDATIONS³³

When Management prepares MCs on an evaluation report, in cases where Management rejects a recommendation it provides clear explanations in the MCs so that the Audit Committee when reviewing the evaluation report and the respective MCs can reflect on Management's opinion concerning individual recommendations. Where recommendations are accepted by Management, EvD and those responsible within Management for follow-up should discuss in advance of Audit Committee review how Management intends to follow-up the recommendation and in which time frame.

During the discussion in the Audit Committee of the selected evaluation reports the Audit Committee has the opportunity to discuss the recommendations of the reports and the respective MCs and where appropriate it will present its opinion in the minutes of the Audit Committee. The content of the Minutes in respect of the evaluation recommendations will appear in the Annual report of the Audit Committee to the Board of Directors, following the Terms of Reference of this Committee. This allows the full Board to elaborate on certain evaluation recommendations at the time this report is presented to them. In the selection of evaluation reports for discussion in the Audit Committee the Committee will take into account whether recommendations have been presented in evaluation reports. In principle all evaluation reports where MCs have been presented will be selected.

In the spring of each year, well before the AEOR is prepared, EvD and Management present a joint report to the Board of Directors called "Follow-up of Evaluation Recommendations" referring to the recommendations presented in the evaluation reports that have been sent to the Board in the previous year and agreed in light of Audit Committee discussions. On each evaluation report which contains one or more evaluation recommendations the following sections are completed in the joint report: i) Introduction of EvD-prepared evaluation recommendations; ii) Discussion in the Audit Committee; iii) Follow-up by Management of the Evaluation Recommendations; iv) Comments by EvD on follow-up of evaluation

³² Additional information on the internal editing process: (a) should the deliberations between EvD and the Banking Department and OGC on issues of commercial confidentiality in a summary of an OPER report require consultation with the client, this would be a trigger not to publish the report; (b) the staff to be consulted in both the Banking Department and OGC are: (1) on investment and TC operations, the respective Operation Leader and the OGC lawyer assigned to the project; (2) for Special Studies, the team involved with the subject of the special study or if no specific team can be identified the Chair of the OpsCom Secretariat; (3) for EvD's Work Programme and the AEOR a Deputy General Counsel, or an OGC lawyer assigned by him.

³³ It is important that recommendations are presented by EvD in a clear and concise way and that the recommendations have adequate operational relevance. Each recommendation should be answerable in principle with a simple "yes" or "no", of course followed by the necessary explanations. Recommendations of a more generic nature can be better presented as lessons learned.

recommendations. Sections i), ii) and iv) are prepared by EvD while Section iii) is prepared by Management. In the AEOR, EvD reports to the Board on the functioning of the system of follow-up of evaluation recommendations. (see also section 2.6)

3. EVALUATION METHODOLOGY

3.1 ANALYSIS OF KEY PERFORMANCE INDICATORS

The basic methodology for carrying out a project evaluation is the methodology that is used for its appraisal. Operations ready for evaluation will be judged against the Bank's mandate and therefore important issues such as transition impact, environmental performance, sound banking principles and the Bank's additionality require special attention during the evaluation process (see also Section 2.4.3 and Appendix 1 for rating categories of performance indicators and benchmarks). Post-evaluation of operations requires agreed objectives and performance criteria. It is therefore crucial that the criteria against which completed projects are to be assessed should be as clear as possible ex ante, at appraisal, for these will be the performance benchmarks with which comparisons are made ex post. A continuous task of EvD will be to ensure that the information and methodology of appraisal will make post-evaluation possible. In many cases, objectives and performance indicators will be measurable and unambiguous. In some cases, however, they can only be qualitative. For instance, measuring transition impact at appraisal might not always be easy; however, it is important that Staff in the Banking Department with the help of Staff in OCE make all possible efforts to specify the transition indicators through which transition impact is measured.³⁴ The transition monitoring system TIMS which is integrated with the Bank's portfolio management system became operational early 2003. This has resulted in the formulation of clearer transition objectives ex ante, with an improved assessment of the risk to realise transition impact. This has helped to enhance the quality of evaluating transition impact ex post.

3.2 TIMING OF PROJECT EVALUATION

To make sure that the Bank learns lessons from projects which have applicability for the projects that the Bank is currently preparing it is important that projects are evaluated relatively early in their lives. As mentioned in section 2.4.1 above, projects are evaluated 1.5-2 years after last disbursement. This urgency in deriving lessons from projects also facilitates consultations with Bank staff that were responsible for project preparation and implementation and in addition enhances the lessons learned process. If the evaluations would take place much later, Members of the Operation Team might have left the Bank and also responsible managers on the side of the

³⁴ While ex ante a project is judged on its transition impact potential and perceived risk to realise the transition potential (a rating is provided by OCE since 1999), other important factors such as financial strength, additionality, development aspects (sometimes regional or social), environmental performance, etc. are taken into account implicitly by management and the Board of Directors when judging projects, in the absence of a specific rating. Post-evaluation has the benefit of applying a strict set of performance indicators, which cannot be measured ex ante. The relative strength of a project ex ante is, however, based on perceptions of management and the Board of Directors how the project will score on the indicators that are perceived to play an important role in the project. For the evaluation policy it is important that judgements are made by EvD on the basis of objectives formulated at appraisal in respect of overall project objectives and in respect of transition impact. Sometimes implied objectives can be taken into account if they turn out to be important for a project's success.

Bank's client might not be available any longer. If warranted EvD can revisit a project later in its life to carry out an evaluation progress review. (see Section 2.5.1)

3.3 CONDUCTING EVALUATION EXERCISES

3.3.1 Evaluation field missions. An important part of EvD's evaluation work is carried out through direct evaluation of projects ready for evaluation. To maintain an acceptable report quality, in principle, field missions are carried out in all cases where an OPER report is prepared. During field missions Evaluation Staff consult or visit all key sources of information on the project, such as the company/project management, external auditor, the local law firm who gave the legal opinion, relevant local authorities and if possible and/or relevant some of the company's customers and suppliers. Sometimes it is also important to have contact with competing companies. Evaluation exercises are conducted in close cooperation with the Staff involved in the operation process, in particular in the Banking Department. Evaluation Staff have access to all relevant project data³⁵ and parties involved, notably including project sites and related facilities and will be informed by the Members of the Operation Team adequately of any new events or facts which emerge during the time an evaluation exercise takes place. Although evaluation missions are mostly composed of Evaluation Staff and their consultant(s), in some cases Members of the Operation Team involved in project preparation, implementation and monitoring can take part in the mission. If a project is co-financed by another MDB, the post-evaluation of the project can be done jointly with the MDB partner in the project. Operations with a financial involvement by donors (grants or co-financing) can be jointly evaluated with the donor. During field missions, contacts with NGOs are sought when relevant. For other evaluation deliverables, such as XMR Assessments, no field missions are required by Evaluation Staff, short desk studies suffice. However, as mentioned in section 2.4.2 above, for the preparation of the Long-Form XMR, a field visit has to be made by the respective Operation Leader. Special studies and other evaluation reports usually require field visits.

3.3.2 Evaluation of projects in work-out situations. In cases where CRU has a work-out in progress or has just completed a work-out, and access to the project is still possible, a field visit will be carried out. When a field visit to the project is difficult or has limited relevance due to legal or other circumstances, the evaluation might have to concentrate primarily on a Bank headquarters-based review in selected cases supported by advice from an industry expert (see also section 2.4.6 above). However, in these cases Evaluation Staff can consider in consultation with CRU to visit local authorities or having meetings with other local sources on the evaluation. EvD will inform the Board of Directors about those cases where a field visit was not possible because of circumstances surrounding the work-out.

3.3.3 Skill mix of Evaluation Staff. Conducting direct evaluation of ready operations requires a specific skill mix on the side of the evaluation manager to carry out the work satisfactory, which is normally found with professionals that have many years of banking experience. This is why the work in EvD has been increasingly conducted by more senior staff, i.e. senior evaluation managers. The interaction with the Bank's clients during the visits to the field and extensive interaction of Evaluation Staff in a

³⁵ See Paragraph 3.3.5 and Appendix 6 for details on EvD's Access to Information.

controlling and lesson learned fashion with the Staff in the Banking Department responsible for a project requires a great deal of experience on project finance and development financing gained preferably in the Bank's countries of operations on the side of the Evaluation Staff. Complex situation, occurring when projects are evaluated where developments are not according to expectations and where serious problems may lead to a situation where the Bank's money being at risk, require Evaluation Staff with wide experience and skill mix as mentioned above. Over the years, during the recruitment of Evaluation Staff the above considerations have gradually increased in priority.

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

3.3.5 Access to information. Full and unrestricted access to information during the evaluation process is essential for the independence of EvD and for executing its function. This allows EvD to prepare factually accurate reports as required by the Board of Directors. In view of the fact that the Bank is concentrating on the private sector in its operations, matters of confidentiality play an important role in the Bank-client relationship and also EvD has to take this into account when carrying out evaluations. Therefore, a protocol in respect of Access to Information has been established to take the above factors into account. (see Appendix 6)

3.4 RECORDING DIFFERENT OPINIONS ON AN EVALUATION EXERCISE

It is possible that Staff involved in the operation process responsible for project preparation, implementation and monitoring do not agree with certain evaluation observations and judgments. They may have one view of the experience, while the Evaluation Staff may have another view of the project's results and the lessons of experience. In practice, as the process is genuinely transparent and open to frank discussion, most differences are reconciled and the final text reflects the nuances involved. However, where disagreement persists at the end of the evaluation exercise, Management's views are reflected in MCs which are distributed to the Board of Directors at the same time as the EvD document to which they relate. After receiving an OPER report, a Board summary of an OPER report or a special study from the Chief Evaluator, Management has ten working days to provide MCs. (see footnote 31) The Chief Evaluator informs the Audit Committee that he/she has delivered such a report to Management to seek their Comments.

Before distribution to the Board (or publication), the Chief Evaluator may still correct the Evaluation Department document to take account of MCs; if he/she does so, the

Chief Evaluator also gives Management an opportunity to adjust MCs accordingly, before such Comments are distributed (or made available) to the Board of Directors together with the EvD document.

If in the case of a public sector operation the possible consultative process with the borrower results in a different opinion on the evaluation findings, their views are treated in the same way as described above for the internal dissent process.

3.5 COOPERATION WITH OTHER MDBS

It is essential that EvD benefits from the wealth of accumulated evaluation material produced by similar organisations engaged in loan and equity financing, especially those active in the region. The contacts in the evaluation cooperation group (ECG), the forum in which the heads of evaluation departments of the MDBs collaborate, are important in the process of sharing relevant external lessons. For private sector operations the Bank benefits from consulting relevant IFC evaluation synthesis reports and in respect of public sector operations from relevant evaluation findings from other MDBs. At times Staff in the Banking Department can communicate with other MDBs on lessons learned. In case another MDB evaluates an investment operation in which the Bank is financially involved, sometimes a joint evaluation can take place. On the country level evaluation exercises, as presented in section 2.5.3 above, close cooperation with other MDBs can be beneficial. Information sharing among MDB's evaluation departments on the internet (through a joint website) presents important opportunities for learning from each others' experiences and allows sharing work programmes and other evaluation reports.

The ECG also puts considerable emphasis on developing good practice standards (GPSs) on public and private sector operations. The GPS of private sector evaluation is particularly relevant for the Bank. The policy presented in this evaluation policy paper to a great extent reflects the good practice standards adopted by ECG in 2006.³⁶

4. INDEPENDENCE OF THE EVALUATION FUNCTION

The Chief Evaluator is directly and only responsible to, and only takes his/her instructions from, the Board of Directors as a whole (and not from any Board committee, except as may be provided under the Terms of Reference of any such committee³⁷, or from any individual Board member). He/she is not part of Management. Furthermore, the independence of the evaluation function is ensured as follows:

(a) Selection and appointment of Chief Evaluator

The Chief Evaluator is selected in accordance with a selection procedure established by the Board of Directors.³⁸ The Selection Committee for the Chief Evaluator

³⁶ MDB-ECG Good-Practice Standards for Evaluation of Private Sector Investment Operation (Third Edition), April 18, 2006.

³⁷ See BDS05-39, approved on 19 April 2005, as amended on 7 June 2005.

³⁸ At least six months before the end of his/her term, the incumbent Chief Evaluator lets the Board of Directors know, in writing, whether he/she is interested in seeking a new term. If so, the President consults with the Board of Directors in an Executive Session and thereafter sends a recommendation to the Board for its approval. If the Chief Evaluator is not interested in a renewal, or if the renewal has not been

consists of the members of the Audit Committee, the Chair of the Board Steering Group and the Vice President in charge of Human Resources and is chaired by the Audit Committee's Chair. The Selection Committee appoints an executive search firm which conducts an extensive search. Subsequently, the Committee reviews a shortlist of candidates and conducts interviews and proposes a candidate by majority vote. After completion of the selection procedure, the Selection Committee will make a recommendation to the President for the engagement of the Chief Evaluator, without prejudice to the role of the BAAC. The BAAC will review the remuneration and employment package of the Chief Evaluator taking into account any views the Audit Committee may have and will provide its recommendation concerning these aspects to the President.

Before the end of the selection process, a hearing of the proposed candidate will be organized with interested Board Directors. The President will then consult with the Board in an Executive Session before sending a formal recommendation to the Board for its approval.

(b) Term and removal of Chief Evaluator

The Chief Evaluator is appointed for a term of up to four years which may be renewed. In principle a Chief Evaluator will not hold his/her position for more than eight years. During his/her term, any decision to remove him/her for cause is subject to approval by the Board and such decision is made on the basis of a Report prepared by the Audit Committee to be transmitted by the President to the Board. In the transmittal document, the President may express his disagreement with the course of action recommended by the Audit Committee. The Chief Evaluator can only be removed under the same circumstances and conditions as applicable to other staff members (e.g., for misconduct pursuant to the Disciplinary Procedures) and any such decision is subject to recourse in accordance with the Grievance and Appeals Procedures.

(c) Remuneration of Chief Evaluator

The Chief Evaluator is not entitled to variable remuneration based on performance. The remuneration of the Chief Evaluator is reviewed periodically by the Budget and Administrative Affairs Committee (BAAC) after consultation with the Bank's Vice President in charge of Human Resources, and taking into account any comments the Audit Committee may have, is submitted to the Board for approval.

(d) Ineligibility of Chief Evaluator

At the end of his/her term(s) or after removal, the Chief Evaluator is ineligible to perform remunerated services for the EBRD, unless the Board of Directors decides otherwise.

approved, the vacancy is advertised (with Bank staff being eligible to apply) and the selection process is initiated.

(e) Management of EvD's financial and human resources

Based on the Work Programme for the following year, the budget is prepared by the Chief Evaluator, and is presented separately from the rest of the Bank's budget, as an annex to both the Work Programme Preliminary report and the Bank's budget document. Such budget must be sufficient to enable EvD to carry out the proposed Work Programme. The EvD budget, as presented in the Work Programme Preliminary report, is distributed to the Board of Directors with possible MCs on the mentioned report, first for review by the Audit Committee and by the Budget and Administrative Affairs Committee in back-to-back meetings and then for approval by the Board, at the same meeting as the Board decision on the Bank's general budget, in a separate vote on EvD's Work Programme and budget.

The Chief Evaluator manages the Evaluation Department staff to whom the Bank's human resources and other relevant policies apply.³⁹ The Chief Evaluator has freedom to make recruitment decisions by him/herself, within the limits of the EvD budget, without Management or the Board being involved.

The salaries of the professional staff members of the Evaluation Department are determined by the Chief Evaluator. The allocation of salary increases is based on performance and market positioning. In addition to a salary, the remuneration of the Evaluation Department's professional staff may include performance based compensation. The percentage of the pool for performance based compensation available to the Chief Evaluator for distribution to professionals in the Evaluation Department corresponds to the percentage of the pool for performance based compensation actually available to Bank professional staff members in the rest of the Bank. The remuneration of the support staff members of the Evaluation Department is determined in accordance with the system applicable to support staff in the Bank.

In managing the EvD financial and human resources, the Chief Evaluator consults and cooperates with relevant departments and units in the Bank, in particular the Budget Unit and the Human Resources Department. He/she regularly reports to the Board of Directors, through the Audit Committee, on the execution of the Work Programme and utilisation of the EvD budget.

³⁹ Among others, the Evaluation Department's staff may seek other positions in the Bank but (consistent with rules applicable to staff) need to inform the Chief Evaluator if they have been short listed.

EBRD's OPERATION PERFORMANCE RATING SYSTEM AT POST-EVALUATION

1. THE RATING METHODOLOGY

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

- *Mandate-related indicators:*

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

- *Sound-banking principle-related indicators:*

- Project and company financial performance
- Fulfilment of project objectives

- *Bank effectiveness-related indicators:*

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

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

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

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

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

1.1 TRANSITION IMPACT

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

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

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

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

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

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

The rating categories for transition impact are:

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

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

- *Low, Medium, High and Excessive.*

1.2 ENVIRONMENTAL AND SOCIAL PERFORMANCE

The environmental and social performance ratings measures two different environmental dimensions:

a. Environmental and social performance of the project and the sponsor. The environmental and social performance, which takes into account the Bank's Environmental Policy³, measures how well the environmental and social objectives of the project (institutional, emissions control, regulatory compliance, social issues, and public participation) have been met. Performance targets, if appropriate, are defined in project EAPs (environmental action plans), Board Papers, and the Environmental and Sustainability Department's internal Environmental Summary (ES).

The rating categories for environmental and social performance are the following:

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

b. Extent of Environmental Change. The extent of environmental and social change⁴ is measured as the difference between the environmental and social performance before the project started and its performance at the time of evaluation.

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

- *Outstanding, Substantial, Some, None/Negative.*

1.3 ADDITIONALITY

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

The rating categories for the additionality rating are:

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

1.4 PROJECT AND COMPANY FINANCIAL PERFORMANCE

Project and Company financial performance of *non-financial operations* provide the sustainability elements required to allow transition impact to enfold beyond the project/company. Evaluation looks at the project as it is the project that should provide the company with added value and secure transition impact. However, EvD also looks at the financial performance of the company as the strength of the company within which the project is implemented gives the evaluator an indication of the risks to the project by being implemented within the company. Financial market operations are rated on whether the sub-projects financed are viable or on assessing portfolio financial performance and the extent to which the intermediary or investment company invests in protected industries.

a. Project financial performance. A non-financial market project's financial performance is based on verified and projected risk weighted future performance at the time of evaluation with use of various return ratios. The analysis focuses on financial performance, through the FIRR while

³ In 2008 the Bank's Environmental Policy was updated and further defined social factors.

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

economic performance will be reflected in the project's EIRR, when use of this complementary indicator is required⁵. At the same time an assessment is made of the project's sales, profitability and solvency, relative with original projections. Financial market projects involving a credit line are judged based on the project portfolio's profit contribution to the financial intermediary or investment fund.

Rating categories for project financial performance are:

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

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

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

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

1.5 FULFILMENT OF PROJECT OBJECTIVES

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

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

1.6 INVESTMENT PERFORMANCE

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

The rating categories are the following:

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

1.7 BANK HANDLING

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

The rating scale is the following:

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

2. OVERALL PERFORMANCE MATRIX

Table 1 below shows the weighting process to arrive at the *Overall Performance* rating. The table gives combinations of ratings applying four major performance indicators (transition impact, project/company financial performance, fulfilment of objectives and environmental and social performance), whereby transition impact gets the highest weight when judging the overall performance of an operation. Apart from these four major indicators, of course the remaining

⁵ Under Operational Guidelines in the in the section Policies, Strategies and Guideline on the Bank's Intranet, descriptions of the FIRR and EIRR calculations are described.

indicators, additionality, bank handling and investment performance, also play a role when assigning the overall performance rating, but to a lesser degree define the overall performance outcome of a project. The table further shows the importance of the performance indicators on sustainability (financial performance and fulfilment of objectives) that help in realising transition impact to unfold during the life of a project.

OVERALL PERFORMANCE RATING	Transition Impact rating	Project/Company Financial Performance rating	Fulfilment of Project Objectives	Environmental and Social Performance
HIGHLY SUCCESSFUL	Excellent	Excellent	Excellent	<i>Excellent</i>
	Excellent	Good	Excellent	<i>Good</i>
	Excellent	Excellent	Good	<i>Good</i>
SUCCESSFUL	Good	Excellent	Excellent	<i>Excellent</i>
	Excellent	Good	Good	<i>Good</i>
	Excellent	Marginal	Satisfactory	<i>Good</i>
	Good	Good	Excellent	<i>Good</i>
	Good	Good	Good	<i>Good</i>
	Good	Satisfactory	Good	<i>Good</i>
	Good	Good	Satisfactory	<i>Good</i>
	Good	Good	Satisfactory	<i>Satisfactory</i>
	Good	Marginal	Excellent	<i>Good</i>
	Satisfactory	Satisfactory	Good	<i>Good</i>
PARTLY SUCCESSFUL	Satisfactory	Satisfactory	Satisfactory	<i>Excellent</i>
	Good/Excellent	Marginal	Marginal	<i>Satisfactory</i>
	Good	Marginal	Good	<i>Satisfactory</i>
	Satisfactory	Satisfactory	Satisfactory	<i>Satisfactory</i>
	Satisfactory	Marginal	Satisfactory	<i>Satisfactory</i>
UNSUCCESSFUL	Marginal	Good	Good	<i>Satisfactory</i>
	Good	Good	Good	<i>Marginal</i>
	Marginal	Marginal	Good	<i>Marginal</i>
	Marginal	Marginal	Marginal	<i>Marginal</i>
	Unsatisfactory	All	All	<i>All</i>
	Negative	All	All	<i>All</i>

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

2. BENCHMARKING PERFORMANCE RATINGS

2.1 TRANSITION IMPACT

EvD tends to evaluate a project relatively soon after disbursement (18 months as described in Section 2.4.1 of the main text) and the evaluator should be conscious that concrete evidence of the achievement of some transition objectives may not become visible for some time. As presented in the transition impact criteria table in Appendix 2 and transition impact rating table in Appendix 5, the evaluation methodology allows for three ratings on each of the criteria which are relevant for the specific operation: (a) judging the realised transition impact at the time of evaluation; (b) assessing the transition potential that can still be reached, and (c) assigning a risk rating (Low, Medium, High, Excessive) in respect of the likelihood to reach the full transition impact potential over time. A high rating could be appropriate where the transition impact potential in the future is considered substantial. However, if the probability that the transition impact potential can be reached is low due to considerable risk, the evaluator will award a higher 'risk-to-transition-impact' rating and explain the nature of the risk. As explained in section 1.1 above, the transition impact is

measured at the industry level and the level of the economy as a whole, including possible regional and cross-border effects. During the evaluation of transition impact EvD concentrates on assessing performance under the “major relevant transition impact objectives” as mentioned in Table 2. They are those objectives (mostly two or three) identified by the Operation Team during project appraisal which are presented in the operation reports to the Board of Directors and monitored through TIMS. EvD also reviews performance under the other transition impact criteria to identify whether any important transition effect might have been missed. Therefore, EvD reviews all seven criteria in the overall assessment of transition impact.

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

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

2.2. PROJECT AND COMPANY FINANCIAL PERFORMANCE⁶

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

Table 3 RATING PROJECT FINANCIAL PERFORMANCE

⁶ Evaluators can, in exceptional cases, take into account local industry performance when judging project and company financial performance of a project based on initial conditions. Exceptional cases are those whereby the difference in perception of financial performance between the evaluator and the project team differs at least two rating categories.

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

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

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

2.3 FULFILMENT OF PROJECT OBJECTIVES (EFFICACY)

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

transition impact performance rating. Table 5 presented below provides benchmarks for the fulfilment of project objectives:

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

2.4 ENVIRONMENTAL AND SOCIAL PERFORMANCE

2.4.1 Environmental and social performance of the project and the sponsor. Environmental and social performance of projects is measured by assessing the status of the environment in the vicinity of the project and if warranted important wider effects (e.g. captive mines as part of a steel project, the health and safety situation in the project company, the pollution loads and energy efficiency status, the project's environmental management, social factors⁷ and the level of public consultation and participation. Table 6 below gives the necessary details of rating categories of the environmental performance of the project and the sponsor.

⁷ For instance community impacts on indigenous people in the neighbourhood of the project and any resettlement issues.

Table 6 RATING ENVIRONMENTAL AND SOCIAL PERFORMANCE OF THE PROJECT AND THE SPONSOR	
RATINGS	BENCHMARKS
Excellent	All appropriate environmental and social (see footnotes 4 and 11) measures are secured and environmental conditionality implemented. No significant outstanding issues. The Sponsor has gone beyond the expectations of the environmental action plan (EAP) and serves as a best practice example. ⁸
Good	Appropriate environmental and social (see footnotes 4 and 11) measures are secured and environmental conditionality implemented. The EAP is on or ahead of schedule.
Satisfactory	The appropriate environmental and social (see footnotes 4 and 11) risk factors were properly identified and the sponsor is implementing the EAP as prescribed.
Marginal	Some environmental and social (see footnotes 4 and 11) measures are secured and only part of environmental and social conditionality was implemented. Several outstanding issues remain. Performance of the sponsor was partly unsatisfactory.
Unsatisfactory	Few if any environmental and social (see footnotes 4 and 11) measures were implemented. Significant outstanding issues are experienced. Performance of the sponsor was less than satisfactory.
Highly Unsatisfactory	The project is out of compliance with the objectives as established in the EAP and/or host country or World Bank environmental standards for this type of project; has experienced significant adverse events (spills, deaths, etc.); is an on going risk to the environment; and presents a vulnerability risk to EBRD.

2.4.2 Extent of environmental and social change. An essential part of the environmental and social performance is to identify the extent of environmental and social change, as a result of the project. In view of the large problems of the region with regards to the environmental pollution, Bank projects should address the positive or negative environmental and social (see footnote 4 and 11) effects of projects in an adequate way. It is therefore a very important part of the evaluation exercises to rate the extent of environmental and social change. To do this, it is important to consider both the ex ante and ex post conditions against the stated objectives as defined above. Table 7 below gives details on the rating categories for this.

Table 7 RATING EXTENT OF ENVIRONMENTAL AND SOCIAL CHANGE	
RATING	BENCHMARKS
Outstanding	This project will result in significant environmental and social (see footnotes 4 and 11) benefits and/or additionality. The extent of the change is extensive, either because environmental legacies were extensive, or because the project achieves a high level of performance and has excellent potential long-term improvements. Projects which have positive impacts beyond the immediate project (e.g. by positive example lead to new environmental and social standards) should also be considered Outstanding.
Substantial	Environmental and social (see footnotes 4 and 11) benefits and/or additionality resulting from the project are significant and have good potential for the future. Beyond the project benefits may also be positive.
Some	Some environmental and social (see footnotes 4 and 11) benefits and/or additionality resulting from the project. No measurable benefits beyond the immediate project.
None/Negative	No significant environmental and social (see footnotes 4 and 11) benefits associated with the project; or significant adverse (negative) environmental and social impacts associated with the project. Also under this category would be projects that have a negative demonstration effect.

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

2.5 THE BANK'S ADDITIONALITY

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

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

2.6 THE BANK'S INVESTMENT PERFORMANCE

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

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

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

2.7 BANK HANDLING OF AN OPERATION

“Bank handling”, assesses the due diligence, structuring and monitoring of the project and judges the quality of the work of the Banking Department, in particular the Operation Teams, and support departments involved in the operation process, including the Environmental and Sustainability Department. An assessment is made on how effectively the Bank carries out its work during the life of the project. In case operations are evaluated that are handled by the Corporate Recovery Unit, Bank Handling will also take into account problem recognition, remedial action and recovery efforts. Table 10 below presents benchmarks that are used by Evaluation Staff when judging Bank handling in a project:

⁹ NPVNME (Net Present Value Net Margin Earned): the project's revenue contribution to the Bank's income statement, net of its financing cost and after risk adjustment to cover the Bank's expected losses as per the Bank Provisioning Policy, but before recovery of its incremental (direct) transaction cost (for generation and monitoring) or any attributed overheads.

¹⁰ Discounted profit contribution after Direct Cost allocation is the same as NPVNME but after deduction of direct transaction costs. This measure is presented at appraisal in the Final Review Memorandum and Board Document, enabling a direct comparison of projections at appraisal and results at evaluation.

Table 10
RATING BANK HANDLING

RATINGS	BENCHMARKS
Excellent	Appraisal ¹¹ was very well conducted, did not show any gaps and provided an excellent basis to make the investment decision. The Bank structured the operation very well under difficult circumstances thereby securing excellent initial conditions to realise transition impact during the life of the project. Risk to transition was adequately mitigated through a strong conditionality package. Implementation ¹² was very skilful and contributed to the success of the operation.
Good	Appraisal was well conducted, and although not all relevant issues were addressed, provided an adequate basis to make the investment decision. The Bank structured the operation so that adequate initial conditions formed a good basis to realise transition impact during the life of the project. Risk to transition was mitigated through a conditionality package that could have been somewhat stronger. Implementation was skilful and contributed to the success of the operation.
Satisfactory	Appraisal could have been better and there is evidence that not all relevant issues were addressed. Nonetheless, it provided a sufficient basis to make the investment decision. Structuring of the operation increased the risk to realise transition impact some important risk mitigating factors were in place. Implementation could have been more skilful and constituted a risk to the project's success.
Marginal	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. Deficiencies in the structuring of the operation enhanced the risk to realise transition impact although some important risk mitigating factors were in place. Implementation was deficient, resulting in a high risk of loss for the Bank. Prospects for recovery of the Bank's investment exist.
Unsatisfactory	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. A flawed structuring of the operation was an important reason for the complete failure of the project. Transition impact could not be realised. Implementation was deficient resulting in a high chance for the Bank to lose all its investment. Some prospects for recovery of part of the Bank's money still exist.
Highly Unsatisfactory	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. A flawed structuring of the operation was an important reason for the complete failure of the project. Transition impact could not be realised. Implementation was deficient and was partly the cause for losing the entire investment in the operation. No prospects for recovery of part of the Bank's money exist.

¹¹ Appraisal refers to all handling practices relevant to the pre-approval phase: project and sponsor selection, project design, due diligence, financial analysis, market analysis, risk analysis, etc.

¹² Implementation refers to all handling practices relevant to the post-approval phase: implementation, documentation and security, syndication, disbursement, monitoring, problem recognition, remedial management, and recovery.

Post-Evaluation Performance Indicators and Rating Categories

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

ANNEX 2 to Appendix 1

6. FULFILMENT OF PROJECT OBJECTIVES (Relevance, "efficacy")	Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory
---	---

Post-Evaluation Performance Indicators and Rating Categories (cont.)

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

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

ASSESSMENT OF STRENGTH OF TRANSITION POTENTIAL

1. COUNTRY SECTOR AND REGIONAL CONTEXT

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

2. THE TRANSITION CHALLENGES FACING SECTOR, COUNTRY AND REGION

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

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

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

CHECKLIST OF SEVEN TRANSITION CRITERIA/OBJECTIVES

PROJECT CONTRIBUTIONS TO THE STRUCTURE AND EXTENT OF MARKETS

1. GREATER COMPETITIVE PRESSURES

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

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

2. MARKET EXPANSION VIA LINKAGES TO SUPPLIERS AND CUSTOMERS

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

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

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

CHECKLIST OF TRANSITION CRITERIA/OBJECTIVES (CONT.)

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

3. INCREASED PRIVATE SECTOR PARTICIPATION

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

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

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

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

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

PROJECT CONTRIBUTIONS TO BUSINESS BEHAVIOUR AND PRACTICES

5. TRANSFER AND DISPERSION OF SKILLS

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

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

6. DEMONSTRATION EFFECTS FROM INNOVATION

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

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

7. HIGHER STANDARDS OF CORPORATE GOVERNANCE AND BUSINESS CONDUCT

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

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

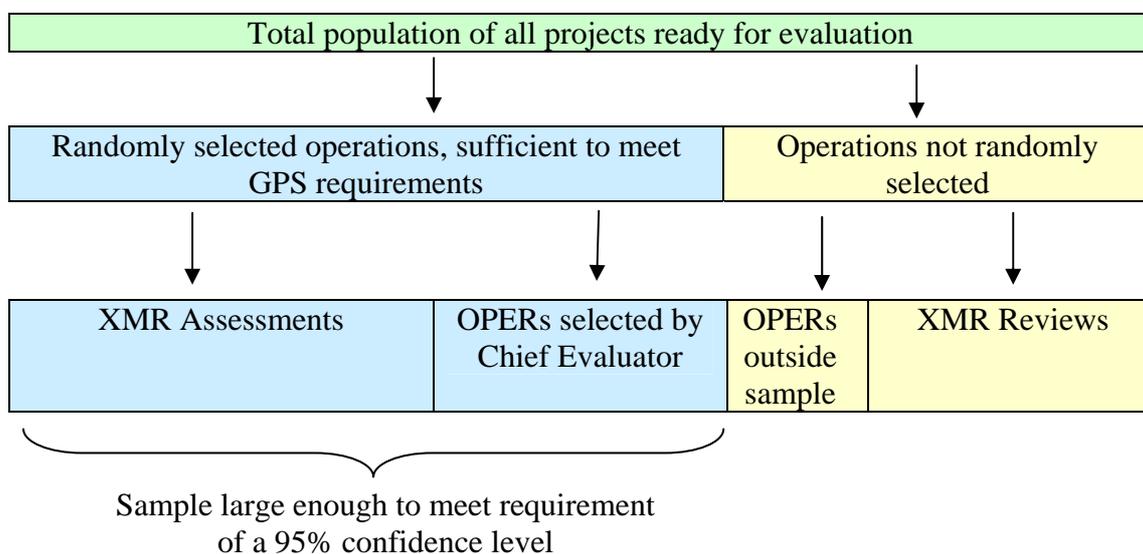
**SELECTION METHODOLOGY OF PROJECTS FOR EVALUATION
ENHANCED EVALUATION SAMPLING METHOD TO HELP COPING WITH
GROWING NUMBER OF PROJECTS IN THE BANK’S PORTFOLIO**

1. Sampling method for adequate statistical significance

A random selection is made of all projects ready for evaluation. This will be large enough to meet the Good Practice Standards (GPS) of the Evaluation Cooperation Group (ECG) of the multilateral development banks (MDB) requirements of a 95 per cent confidence level and maximum ± 5 per cent sampling error. The operations selected in this way form the basis of EvD’s reporting under the *Accountability Function*, i.e. the figures in the AEOR and Annual Report for the aggregate number of projects achieving satisfactory performance overall and under the individual indicators.

Independently, the Chief Evaluator selects the operations to be covered through 23 OPER reports, this being the purposive sample. The purposive sample is then compared to the random sample. Operations appearing in the random sample but not selected by the Chief Evaluator in the purposive sample are evaluated through XMR Assessments. Operations in the purposive sample but not appearing in the random sample are evaluated through OPER reports, but their project outcomes and related ratings will not be included in EvD’s aggregate reporting in the AEOR and Annual Report. These projects are represented in Diagram 1 below by the yellow shaded part of the OPERs box. They are outside the randomly selected 60% and are not counted in determining the performance of EBRD overall. Therefore this direct selection does not affect the statistical validity of the results.

Diagram 1: Method of selecting projects for evaluation



This method results in the evaluation of more operations than necessary to meet the minimum GPS requirements and, as the above diagram shows, the number of excess projects (“OPERs outside sample”) depends on the extent to which the selection made by the Chief Evaluator coincides with the random sample. The excess projects do not affect the aggregate performance outcomes reported on by EvD. An important feature of the calculation of required sample size is that the bigger the population, the smaller the coverage required to achieve a given confidence level and sampling error.

Therefore, it is expected that there will be less pressure in the future to increase the staff of the evaluation function in the same proportion as portfolio growth.

2. Application of Best Practice of the Good Practice Standards in respect of project selection for evaluation

The GPSs referred to under Section 1 also presents a “best practice” option, which is to achieve the desired confidence levels within “each of the MDB’s current strategically targeted groups”. When taking a random sample from a smaller group of projects, such as from a sector or a country, the sample needs to be bigger (as a percentage of the total sub-group) than from the entire population of projects ready for evaluation. Each year, when defining EvD’s Work Programme for the next year, the Board of Directors will define which strategically targeted groups should comply with best practice. For 2009 the Audit Committee accepted EvD’s proposal to reach best practice for financial institutions under *sectors* and for early transition countries and Russia under *countries*.

4. Criteria for selecting projects on which an OPER exercise will be carried out

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

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

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

Project name

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

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

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

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

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



European Bank
for Reconstruction and Development

LONG-FORM EXPANDED MONITORING REPORT FOR PERIOD

Basic Client Details

CLIENT DETAILS

Last saved :

Client Id	
Country of client incorporation	
Portfolio Class	
Sov/Non-sov Risk	
Primary SIC	
Secondary SIC	
Country of Operation	
Brief description of Client	

OPERATIONS WITH CLIENT AND RISK RATINGS

Last saved:

DTM Id	Operation Name	Country Rating	Project Rating	Overall Rating	S&P	Fitch	Moody's

SUMMARY OF CLIENT EXPOSURE

Last saved:

Op Id:	Fac Id:	Product Type	CCY	Signed (ccy)	Disbursed (ccy)	Repaid (ccy)	Operating Assets (ccy)	Operating Assets (€)
Total:								

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

Last saved:

Shareholder Type	Shareholders	% Ownership	
		Initial	Current
Comments:			

SPONSOR AND/OR GUARANTOR

Last saved:

Name of Sponsor	
Country of incorporation	
S&P rating	
Fitch rating	
Moody's rating	
Comments	

TOTAL GROUP RELATED EXPOSURE

Last saved:

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NEW TRANSACTIONS UNDER CONSIDERATION

Last saved:

Under Consideration?	N		
Project Name	Stage	Currency	Amount
Comments			

INTEGRITY & MONEY LAUNDERING

Last saved:

Are there any Integrity, Money Laundering or Corporate Governance issues?	
Comments	

**REVIEW OF COUNTERPARTY OWNERSHIP
RECORDED IN SAP HIERARCHY SYSTEM**

Last saved:

Is the shareholder ownership information still correct Y/N ? NOTE: Please review ownership information for ALL counterparties under the projects covered in this report, and including direct clients, guarantors and put option counterparties.	

Operation Details

KEY OPERATION DETAILS

Last saved:

Operation name	
Op ID	
Country(ies)	
Framework ID	
Primary Organisation Unit	
Operation Leader	

EBRD APPROVAL TIMETABLE

Last saved:

	Date	Comments if any
Concept Review		
Final Review		
Board Approval		
Signing		

BOARD UPDATES AND EARLY WARNING MEMO

Last saved:

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

SUMMARY OF FACILITIES

Last saved :

Op Id:	Fac Id:	Product Type	Signed (€)	Fac Signing date:	Fac Status:

SUMMARY OF KEY LOAN TERMS

Last saved:

Currency and Amount	
Facility type	
Scheduled Principal Repayment	
Irregular repayments	
Grace period	
Interest rate base	
Margin	
Fees	
When is loan available/ effective	
Last availability date	
Final Maturity Date	
Prepayment options to the borrower	
Are there B-Lenders ?	
Multicurrency?	
Use of EBRD proceeds	
Is there a convertibility option	
Key Documents	

SECURITY

Last saved:

Description	CCY	Valuation	Last Valuation Date	Name of Valuer
Security to Loan Value %:				
Commentary & progress to perfection of security				

RECOURSE AND SUPPORT

Last saved:

Description	CCY	Amount	Issuer
Commentary:			

PAYMENTS/ FEES OVERDUE

Last saved :

Fac Type	Product type	Fac Id	Currency	Payment Type	Amount	Date due
Explain briefly any overdue payments:						

PROVISIONS

Last saved :

Fac Id	Date	Provision %	Currency	Amount	EUR Amount
Total					
Comments					

REPORTING AND NON FINANCIAL COVENANTS IN EXCEPTION

Last saved :

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

NON-COMPLIANCE WITH INSURANCE REQUIREMENTS

Last saved :

Policy Cover	Description Of Deficiencies	Required By Agreement?

DISBURSEMENTS FORECAST

Last saved :

Cumulative Disbursements to end of previous quarter (n)	
Disbursements to end of current quarter (n+1)	
Quarter (n+2)	
Quarter (n+3)	
Quarter (n+4)	
Quarter (n+5)	
Quarter (n+6)	
Comments	

TREASURY UPDATE

Last saved :

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

KEY EBRD STAFF INVOLVED

Last saved:

	Name	Ext.	Sign-off (Y/N)	Sign-off Date
Operation Leader				
Country Team Leader				
Sector Team Leader				
OGC Lawyer				

Project Implementation

OPERATIONS

Last saved:

DTM ID	Operation name

PROJECT DESCRIPTION

Last saved:

Categories	Commentary
Brief Summary of overall project and EBRD Participation	
If EBRD is part of a wider financing or project, give details	
Estimated date of completion	
Time delays months	
Cost Overruns (%)	

USE OF PROCEEDS

Last saved:

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

FINANCING PLAN

Last saved :

Organisation Name	Initial (from Board report)			Latest Revision			Signed (Y/N)	EBRD %
	CCY	Amount	%	CCY	Amount	%		
Total Financing								
Total Financing in EUR equivalent	Initial			Revised				
				Latest Revision date:				
Commentary to explain revision:								
Any unfunded external financing or B-Lenders?								

PROJECT IMPLEMENTATION STATUS

Last saved :

Current Status	
Project Management	
Project Physical Completion	
Project Financial Completion	
Non Physical Implementation	
Are there any procurement issues ?	

Credit Analysis

CLIENT PERFORMANCE

Last saved:

Categories	Analysis
Executive Summary	
Margins & Profitability	
Balance Sheet Strength	
Working Capital Management	
Cashflows and Debt Service Coverage	
Liquidity and Availability of Funding	
Business Outlook Forecasts / Projections	
Assessment of Management and corporate governance	
Industry Analysis and Competitive Position	
Assessment of Recourse counterparty and/or Sponsor	
Any important matters in the notes to the accounts	

FINANCIAL COVENANTS

Last saved :

Financial Covenant Description	OpId	Section	Due date	Actual	In Exception	Comment / Remedial Action Proposed (if necessary)
Commentary:						

Operation Objectives, Environmental and Transition Impact

OPERATION OBJECTIVES

Last saved: 07-May-2008

Operation Objectives (as established in Board Document):

On the basis of the Board Document, set out the key objectives that define the principal aims and scope of the project and that will drive achievement of the Bank's transition, financial and other expectations.

1	
2	
3	

COMMENT ON OVERALL ENVIRONMENTAL IMPACT AND ISSUES (if any)

Last saved:

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TRANSITION IMPACT AND RISKS TO TRANSITION RATINGS

Last saved:

Operation name	Review Status	DTM ID	At approval		Latest	
			TI	Risk	TI	Risk

ASSESSMENT OF TRANSITION IMPACT POTENTIAL AND RISKS

Last saved:

Operation :			
Objective 1 :			
Benchmark 1.1	Timing:	Conditionality :	Status Quo :
Comments:			
Objective 2 :			
Benchmark 2.1	Timing:	Conditionality :	Status Quo :
Comments:			
Benchmark 2.2	Timing:	Conditionality :	Status Quo :
Comments:			
Objective 3 :			
Benchmark 3.1	Timing:	Conditionality :	Status Quo :
Comments:			

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Ex-post evaluation - self-assessment and ratings

PROJECT RATIONALE Last saved:

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

OPERATION OBJECTIVES (as established at project approval)

Last saved:

Objective	Rating	Measurement Targets	Actual Performance AND Comments on Variance
Overall Fulfilment of Objectives Rating:			
Justification of Overall Fulfilment of Objectives Rating:			
Key to Ratings on Individual Objectives: 1. Over Achieved, 2. Achieved, 3. Partly Achieved, 4. Not Achieved			
Overall Fulfilment of Objectives Ratings Spread: Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory			

EXPANDED COMMENTS ON PROJECT IMPLEMENTATION AND PERFORMANCE

Last saved :

Free format comments on the relevant aspects of the project execution, management, physical and financial performance against initial projections and more recent forecast. This should also cover, where appropriate, covenants compliance, institutional reform and procurement policy compliance.

PROJECT RATES OF RETURN

Last saved:

New estimated FIRR is to be calculated using the Bank's Project Profitability Model, including *actual* pre-signing expenses and recoveries as well as *actual* project allocated cost and projected allocated cost *consistent with past experience*, until maturity of the facility. EIRR can be disregarded if not calculated at the time of appraisal.

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

TRANSITION IMPACT

Last saved:

Type of Impact	Short Term	Longer Term		Comments/Justification
	Verified Impact	Impact Potential	Risk to Transition	
Step 1: Project Affected Change At Corporate Level				
Private Ownership				
Know How				
New Standards for Business Conduct at enterprise level				
Step 2: Transition Impact At Industry Level and in the Economy as a whole				
Enhanced Competition				
Market Expansion via competitive interaction in the				

sector and industry				
Frameworks for Markets, institutions, laws and policies that promote market function and efficiency				
Skills Transfer and dispersion to the industry and economy as a whole				
Demonstration Effects; transfer of new behaviour and patterns				
Setting of new Domestic Standards for corporate governance and business conduct				
Overall Rating:		Ratings Spread: Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative.		
Justification:				

ADDITIONALITY Last saved:

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

ENVIRONMENTAL IMPACT Last saved: 8

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

BANK HANDLING Last saved:

Item	Achievements	Shortcomings / Problems
Bank Policy Compliance		
Bank Policy Compliance		
Preparations, Design, Structuring		
Project Selection		
Appraisal quality, coverage (incl of sponsor/client, project)		
Documentation at Approval		
Operation Design to meet its objectives		
Risk identification and mitigation in retrospect		
Structuring and negotiations		
Client relationships		
Syndication aspects		
Monitoring and Reporting		
Site visits		
Board work/meeting records		

Quality for MRs		
Waivers, consents		
Early warnings, etc		
Environmental monitoring		
Trouble Shooting		
Other monitoring issues		
Other		
Other Issues		
Overall Assessment of the Bank's Handling		
Justification		
Ratings Spread : Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory		

OVERALL ASSESSMENT

Last saved:

	Overall Rating	Justification
Transition Impact <i>(Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative)</i>		
Project Financial Performance <i>(Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)</i>		
Company Financial Performance <i>(Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)</i>		
Fulfilment of Project Objectives <i>(Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)</i>		
Environmental Performance of the Project and the Sponsor <i>(Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)</i> Extent of Environmental Change <i>(Outstanding, Substantial, Some, None/Negative)</i>		
Additionality <i>(Verified in all respects, Verified at large, Verified only in part, Not verified)</i>		
Bank Handling <i>(Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)</i>		
Overall Operation Performance Rating <i>(Highly Successful, Successful, Partly Successful, Unsuccessful)</i>		
Comments		

KEY OPERATION ISSUES AND LESSONS LEARNED

Last saved:

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

Miscellaneous

ADDITIONAL KEY EBRD STAFF INVOLVED

Last saved:

	Name	Ext.	Sign-off (Y/N)	Sign-off Date
Portfolio Manager				
Credit/PRU				
OAU				
ED				
OCE				
PED				

MONITORING ACTIVITIES

Last saved:

Monitoring Activity	Description
On-Site Visits:	
Client Meetings:	
Client Reports:	
Consultant Reports:	
Other:	

DISTRIBUTION LIST

Last saved:

Task	Role	Name
For Information:	Credit/PRU	
For Information:	OAU	
For Information:	OAU	
For Information:	Team Monitor	
For Information:	OCE	
For Information:	OCE	
For File:	Credit/PRU	
Report Prepared By:		

PAPER ATTACHMENTS

Last saved:

Description

ELECTRONIC ATTACHMENTS

Last saved:

Description	File name



European Bank
for Reconstruction and Development

SHORT-FORM EXPANDED MONITORING REPORT FOR PERIOD

Basic Client Details

CLIENT DETAILS

Last saved :

Client Id	
Country of client incorporation	
Portfolio Class	
Sov/Non-sov Risk	
Primary SIC	
Secondary SIC	
Country of Operation	
Brief description of Client	

OPERATIONS WITH CLIENT AND RISK RATINGS

Last saved:

DTM Id	Operation Name	Country Rating	Project Rating	Overall Rating	S&P	Fitch	Moody's

SUMMARY OF CLIENT EXPOSURE

Last saved:

Op Id:	Fac Id:	Product Type	CCY	Signed (ccy)	Disbursed (ccy)	Repaid (ccy)	Operating Assets (ccy)	Operating Assets (€)
Total:								

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

Last saved:

Shareholder Type	Shareholders	% Ownership	
		Initial	Current
Comments:			

SPONSOR AND/OR GUARANTOR

Last saved:

Name of Sponsor	
Country of incorporation	
S&P rating	
Fitch rating	
Moody's rating	
Comments	

TOTAL GROUP RELATED EXPOSURE

Last saved:

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NEW TRANSACTIONS UNDER CONSIDERATION

Last saved:

Under Consideration?	N		
Project Name	Stage	Currency	Amount
Comments			

INTEGRITY & MONEY LAUNDERING

Last saved:

Are there any Integrity, Money Laundering or Corporate Governance issues?	
Comments	

Operation Details

KEY OPERATION DETAILS

Last saved:

Operation name	
Op ID	
Country(ies)	
Framework ID	
Primary Organisation Unit	
Operation Leader	

EBRD APPROVAL TIMETABLE

Last saved:

	Date	Comments if any
Concept Review		
Final Review		
Board Approval		
Signing		

BOARD UPDATES AND EARLY WARNING MEMO

Last saved:

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

SUMMARY OF FACILITIES

Last saved :

Op Id:	Fac Id:	Product Type	Signed (€)	Fac Signing date:	Fac Status:

SUMMARY OF KEY LOAN TERMS

Last saved:

Currency and Amount	
Facility type	
Scheduled Principal Repayment	
Irregular repayments	
Grace period	
Interest rate base	
Margin	
Fees	
When is loan available/ effective	
Last availability date	
Final Maturity Date	
Prepayment options to the borrower	
Are there B-Lenders ?	
Multicurrency?	
Use of EBRD proceeds	
Is there a convertibility option	
Key Documents	

SECURITY

Last saved:

Description	CCY	Valuation	Last Valuation Date	Name of Valuer
Security to Loan Value %:				
Commentary & progress to perfection of security				

RECOURSE AND SUPPORT

Last saved:

Description	CCY	Amount	Issuer
Commentary:			

PAYMENTS/ FEES OVERDUE

Last saved :

Fac Type	Product type	Fac Id	Currency	Payment Type	Amount	Date due
Explain briefly any overdue payments:						

PROVISIONS

Last saved :

Fac Id	Date	Provision %	Currency	Amount	EUR Amount
Total					
Comments					

REPORTING AND NON FINANCIAL COVENANTS IN EXCEPTION

Last saved :

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

NON-COMPLIANCE WITH INSURANCE REQUIREMENTS

Last saved :

Policy Cover	Description Of Deficiencies	Required By Agreement?

DISBURSEMENTS FORECAST

Last saved :

Cumulative Disbursements to end of previous quarter (n)	
Disbursements to end of current quarter (n+1)	
Quarter (n+2)	
Quarter (n+3)	
Quarter (n+4)	
Quarter (n+5)	
Quarter (n+6)	
Comments	

TREASURY UPDATE

Last saved :

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

KEY EBRD STAFF INVOLVED

Last saved:

	Name	Ext.	Sign-off (Y/N)	Sign-off Date
Operation Leader				
Country Team Leader				
Sector Team Leader				
OGC Lawyer				
Project Evaluation Department				
Environmental Department				

Project Implementation

OPERATIONS

Last saved:

DTM ID	Operation name

PROJECT DESCRIPTION

Last saved:

Categories	Commentary
Brief Summary of overall project and EBRD Participation	
If EBRD is part of a wider financing or project, give details	
Estimated date of completion	
Time delays months	
Cost Overruns (%)	

USE OF PROCEEDS

Last saved:

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

FINANCING PLAN

Last saved :

Organisation Name	Initial (from Board report)			Latest Revision			Signed (Y/N)	EBRD %
	CCY	Amount	%	CCY	Amount	%		
Total Financing								
Total Financing in EUR equivalent	Initial			Revised				
	Latest Revision date:							
Commentary to explain revision:								
Any unfunded external financing or B-Lenders?								

PROJECT IMPLEMENTATION STATUS

Last saved :

Current Status	
Project Management	
Project Physical Completion	
Project Financial Completion	
Non Physical Implementation	
Are there any procurement issues ?	

Credit Analysis

CLIENT PERFORMANCE

Last saved:

Categories	Analysis
Executive Summary	
Margins & Profitability	
Balance Sheet Strength	
Working Capital Management	
Cashflows and Debt Service Coverage	
Liquidity and Availability of Funding	
Business Outlook Forecasts / Projections	
Assessment of Management and corporate governance	
Industry Analysis and Competitive Position	
Assessment of Recourse counterparty and/or Sponsor	
Any important matters in the notes to the accounts	

FINANCIAL COVENANTS

Last saved :

Financial Covenant Description	OpId	Section	Due date	Actual	In Exception	Comment / Remedial Action Proposed (if necessary)
Commentary:						

Operation Objectives, Environmental and Transition Impact

COMMENT ON OVERALL ENVIRONMENTAL IMPACT AND ISSUES (if any)

Last saved:

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TRANSITION IMPACT AND RISKS TO TRANSITION RATINGS

Last saved:

Operation name	Review Status	DTM ID	At approval		Latest	
			TI	Risk	TI	Risk

ASSESSMENT OF TRANSITION IMPACT POTENTIAL AND RISKS

Last saved:

Operation :			
Objective 1 :			
Benchmark 1.1	Timing:	Conditionality :	Status Quo :
Comments:			
Objective 2 :			
Benchmark 2.1	Timing:	Conditionality :	Status Quo :
Comments:			
Benchmark 2.2	Timing:	Conditionality :	Status Quo :
Comments:			
Objective 3 :			
Benchmark 3.1	Timing:	Conditionality :	Status Quo :
Comments:			

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Ex-post evaluation - self-assessment and ratings

OPERATION OBJECTIVES (as established at project approval)

Last saved:

Objective	Rating	Measurement Targets	Actual Performance AND Comments on Variance
Overall Fulfilment of Objectives Rating:			
Justification of Overall Fulfilment of Objectives Rating:			
Key to Ratings on Individual Objectives: 1. Over Achieved, 2. Achieved, 3. Partly Achieved, 4. Not Achieved			
Overall Fulfilment of Objectives Ratings Spread: Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory			

OVERALL ASSESSMENT

Last saved:

	Overall Rating	Justification
Transition Impact (Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Negative)		
Project Financial Performance (Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)		
Company Financial Performance (Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)		
Fulfilment of Project Objectives (Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)		
Environmental Performance of the Project and the Sponsor (Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory) Extent of Environmental Change (Outstanding, Substantial, Some, None/Negative)		
Additionality (Verified in all respects, Verified at large, Verified only in part, Not verified)		
Bank Handling (Excellent, Good, Satisfactory, Marginal, Unsatisfactory, Highly Unsatisfactory)		
Overall Operation Performance Rating (Highly Successful, Successful, Partly Successful, Unsuccessful)		
Comments		

KEY OPERATION ISSUES AND LESSONS LEARNED

Last saved:

Types of Issues	Key Issues	Related Lesson
Country, Sector- or Industry generic issues, public or private		
Relating to indirect financing via intermediaries		
Relating to transition impact		
Relating to environment		
Relating to legal issues		
Relating to governance and integrity issues, etc.		
Relating to Bank handling		
Relating to TC (Technical Collaboration)		
Other thematic issues		
Other issues		
Recommendations (Optional)		

Miscellaneous

ADDITIONAL KEY EBRD STAFF INVOLVED

Last saved:

	Name	Ext.	Sign-off (Y/N)	Sign-off Date
Portfolio Manager				
Credit/PRU				
OAU				
ED				
OCE				
PED				

MONITORING ACTIVITIES

Last saved:

Monitoring Activity	Description
On-Site Visits:	
Client Meetings:	
Client Reports:	
Consultant Reports:	
Other:	

DISTRIBUTION LIST

Last saved:

Task	Role	Name
For Information:	Credit/PRU	
For Information:	OAU	
For Information:	OAU	
For Information:	Team Monitor	
For Information:	OCE	
For Information:	OCE	
For File:	Credit/PRU	
Report Prepared By:		

PAPER ATTACHMENTS

Last saved:

Description

ELECTRONIC ATTACHMENTS

Last saved:

Description	File name

ACCESS TO INFORMATION PROTOCOL FOR THE EVALUATION DEPARTMENT

A. The working of Access to Information in evaluation of Bank operations

1. Once an operation has been identified for evaluation, EvD will be provided with all the information on the individual project that is available at the Bank, in particular, complete information from Banking Department files as well as those of other functions involved e.g. Credit, Environment, legal, Procurement and Syndication. Moreover, ProjectLink will be available for the operation under evaluation and other completed operations related or relevant to the evaluation. Staff in operational department and units will be available for consultation by EvD during the evaluation period.

2. EvD will continue to have full access to BOLD.

3. EvD will continue to receive all Credit Review Memoranda.

4. EvD will have full access to the Opscom and Project Link databases on the understanding that the Chief Evaluator will be the gatekeeper of this access and there will be transparency to the Audit Committee Chair and the Secretary General on extended usage (going beyond point 1) of the databases (see Section B below for the modus operandi).

5. On confidential items, the Evaluation Policy states: “ ... evaluation staff checks whether lessons learned have been adequately used, except for confidential items which are dealt with on an ad-hoc basis.” For the future, it is specified that this will be implemented as follows: the Head of EvD will receive a list of such confidential items before they are discussed in the Opscom and, on request, will be given full access to such items.

6. Credit will favourably consider requests from EvD to participate in Credit Review meetings.

B. Modus operandi for EvD’s full access to OpsCom and ProjectLink databases

All evaluation professional staff and the executive assistant of the Chief Evaluator will have access to the OpsCom Website and to selected projects on ProjectLink. The Chief Evaluator will act as gatekeeper of this process as follows: when preparing OPER reports, special studies, sector studies and other evaluation reports, evaluation staff who consider they need to go beyond the information as described in item 1 of the Agreement, will first request permission from the Chief Evaluator to carry out a search. The staff member will explain the reason for the search and the Chief Evaluator will grant access to information about the operation on the OpsCom Website and/or in ProjectLink if he believes that the information is important for the ongoing evaluation. This interaction between the Chief Evaluator and evaluation staff on requests for access to information will be conducted in principle through e-mail.

The Chief Evaluator will maintain an Access to Information Log listing all such searches and mention the operation under evaluation from its current Work Programme to which the search is related. To ensure the necessary accountability and transparency of the system, every month the Chief Evaluator will send a copy of the Access to Information Log related to the previous month to the Chair of the Audit Committee and to the Secretary General.