
APPROACH PAPER

Supply Chains – Backward Linkages

Regional

May 2015

EBRD EVALUATION DEPARTMENT



European Bank
for Reconstruction and Development

The Evaluation Department (EvD) at the EBRD evaluates the performance of the Bank's completed projects and programmes relative to objectives in order to perform two critical functions: reinforcing institutional accountability for the achievement of results; and, providing objective analysis and relevant findings to inform operational choices and to improve performance over time. EvD reports directly to the Board of Directors, and is independent from the Bank's Management. Whilst EvD considers Management's views in preparing its evaluations, it makes the final decisions about the content of its reports.

This approach memo has been prepared by EvD and is circulated under the authority of the Chief Evaluator. The views expressed herein do not necessarily reflect those of EBRD Management or its Board of Directors. The Gender Team were consulted in preparation of the report.

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

This approach memo was prepared by Tomasz Bartos, Senior Evaluation Manager of the EBRD Evaluation department.

© European Bank for Reconstruction and Development, 2014
One Exchange Square
London EC2A 2JN
United Kingdom
Web site: www.ebrd.com

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

Contents

1. Introduction	4
1.1 Scope and nature of the study	
1.2 Rationale for inclusion in the work programme	
1.3 Background to the evaluation	
1.4 Other relevant evaluation work	
2. Monitoring and self-assessment	10
2.1 Monitoring reports	
2.2 Transition monitoring	
2.3 Self-evaluation	
1. Evaluation methodology	11
3.1 Methodology	
3.2 Evaluation questions	
3.3 Potential problems and limitations	
2. Administrative arrangements	15
4.1 Evaluation team	
4.2 Timetable	
4.3 Budget	
Annex 1: Current status of case study projects (in relation to their supply chain and backward linkages objectives)	
Annex 2: Consultant’s terms of reference	
Annex 3: Evaluation design mix	

1. Introduction

1.1 Scope and nature of the study

This paper outlines the proposed approach to evaluating the impact of the European Bank for Reconstruction and Development's (EBRD's) projects on supply chains and backward linkages. This impact, beyond the EBRD's client-borrower, often features as a key transition objective of Bank projects, particularly in the Agribusiness and Manufacturing & Services (M&S) sectors, where it sometimes constitutes the only expected transition impact. Yet, the actual impact on suppliers and others co-operating with Bank clients has never been fully researched and verified.

This evaluation will assess the extent to which the expectations of a positive impact on suppliers and other entities cooperating with the client, as articulated at project approval, have been fulfilled and whether other, unintended impacts on the wider economy in terms of supply chains and backward linkages can be identified. The evaluation will review both qualitative and quantitative impacts on suppliers, trying to capture the main features of the former and quantify the latter. It will also try to identify mechanisms or processes through which third party local suppliers benefit from Bank projects. The evaluation will also examine how (if at all) the Bank's objectives related to the improvement of supply chains and backward linkages have been articulated in the Agribusiness and M&S sector strategies and in selected country strategies.

The evaluation will focus on two Agribusiness and M&S sub-sectors – food retail and automotive respectively. Under each sub-sector, four case studies of projects with very strong supply chain and backward linkages enhancement objectives will be selected and examined in detail, including surveys and interviews with the key suppliers under each project. Additionally, the achievements in relation to supply chains and backward linkages in automotive and food retail projects evaluated or validated by EvD in the last four years will be analysed. Combined with the case studies, this analysis will contribute to the evaluation's conclusions, findings and recommendations.

1.2 Rationale for inclusion in the work programme

As mentioned, a project's expected "spill over" effect on local primary products and service suppliers is often identified as its main transition potential, and used to justify the provision of Bank financing. However, few of the results in this area have been recorded, particularly regarding the qualitative impacts of Bank projects on primary suppliers, i.e. any behavioural changes due to the project. Information has been limited as the Bank does not normally maintain a relationship with such suppliers. Reporting in this respect (if any) has been relatively sparse, sourced only from the clients and often based on rough estimates or anecdotal evidence. Therefore, given the importance and recurrence of this aspect of transition impact potential in the Bank's projects, it has been decided to evaluate a sample of projects with pronounced expectations of supply chain benefits, in order to assess the extent to which they actually benefited primary local suppliers or supported other links to the local economy, with the ultimate objective of providing recommendations for improvements in project design and/or monitoring, which could increase the likelihood of achieving such benefits.

In March 2015, a themed OPAV cluster– "Supply Chain and Backward Linkage Issues in Project Evaluations" was presented to the Audit Committee, generating interest and encouraging further examination of backward linkages in the Bank's projects. This special study will build on this cluster theme, expanding on the supply chain issues identified in selected OPAVs covered by this presentation.

Moreover, following a special study completed by EvD in 2014 – “Evaluation of 2010 Agribusiness Strategy and its Implementation”, Management commented that the weak impact of food retail projects on primary suppliers identified by this study could be due to the small sample size (primarily the absence of larger projects) and the exclusion of findings drawn from food retail projects evaluated/validated in the past. Some of these evaluations indicated that such projects had benefitted local suppliers. Therefore, given the importance of food retail for the Bank’s agribusiness activities (which accounts for nearly a third of the total financing in this sector), it was agreed to examine their impact on local suppliers more closely, as a part of a separate study.

1.3 Background to the evaluation

The definition of transition impact set out by OCE provides the conceptual underpinning for the inclusion of supply chain enhancement as a source of transition impact. It is considered specifically in the project’s contributions to the structure and extent of markets:

“Expansion of competitive markets. A project can help expand access to market services or put relationships in other markets on a more competitive basis, **through interactions of the project entity with suppliers and clients, or project contributions to the integration of economic activities into the national or international economy**. Examples include development of input suppliers; expanding client access to finance, enhancing distribution networks; trade integration; cross-border infrastructure investments, and FDI/ M&A among transition economy firms.”¹

It is implicit here that to be considered a contributor to transition a supply chain effect should have a **qualitative** dimension (e.g. reducing existing supply chains barriers, or improving supply chain structure to enhance efficiency or competitiveness). Cases where a client’s increased production capacity results in a greater volume of inputs or higher number of suppliers should not therefore automatically fall under this category, even if it is undeniably positive from a socio-economic perspective (job creation, economic growth).

This understanding of Supply Chain TI is also implicit in the Bank’s Agribusiness sector strategy, which says:

“[...] significant challenges remain in **promoting market linkages to primary production** in order to create incentives to upgrade quality and hygiene standards. Low capacity and expertise of processors and the packaging industry represent a significant bottleneck in the food supply chain between primary production and food distributors across the Region. [...] Agro-processors face the challenge of upgrading their own standards and **translating the standards required by modern distributors back towards primary producers** [...] further development would raise sectoral standards by **promoting backward and forward linkages**. [...] the Bank will continue to support improvements in and upgrading of effective and qualitative production processes and integration of activities **along the production supply chain**, leading to improvements in productivity.”

These quotes also point to an additional objective for the role of supply chains in the sector – the dispersion of standards and good practices along vertical links. This objective, while equally important, does not really focus on market structure but rather on the setting of standards for business conduct and/or transfer of skills and technology.

A preliminary review of projects with objectives related to enhancing backward linkages has already identified the need for substantial improvements to clarity at the project design/approval stage as to specific expectations for the channels through which supply chain effects are expected to occur; and from this to a plausible set of associated benchmarks and targets, and a monitoring and reporting plan capable of providing useful feedback.

This was amply illustrated in the supply chain themed OPAV cluster presented to the Audit Committee in March 2015. The relevant TI sections of the Board documents for these projects were invariably entitled “Market expansion – backward linkages”. However, the actual explanation of the TI rationale and its specific content showed there were a variety of objectives being pursued, sometimes in parallel within the same project:¹ These included number/volume of supplies, development of new market segments, dispersion of standards, transfer of skills/technology/know-how and regional localisation of suppliers (mainly in the automotive industry projects).

The impact of a project on suppliers is also difficult to measure because a simple increase in their number, while potentially an integral part of the success of the project, does not in itself point to transition impact as traditionally understood. Qualitative changes in suppliers’ behaviour (e.g. adoption of higher standards, higher value-added products) are critical for the achievement of TI in this area.

Furthermore, aligned with the spirit of extending competitive markets is the aim of developing new market segments. This objective was represented in several Bank projects (e.g. emergence of a new product supplier, development of a market for a new project). Promoting business standards and the transfer of skills and technology expected to affect suppliers through backward linkages are other common objectives. A specific case is represented by projects in the automotive industry, where the objective of localising suppliers is expected ultimately to drive the development of more sophisticated technological manufacturing and R&D in the country.

1.4 Other relevant evaluation work

There has been no dedicated evaluation of the impact of the Bank’s projects on supply chains and backward linkages, although on 16 March 2015 EvD gave a presentation to the Audit Committee on “Transition Impact through Supply Chain Effects”. This presentation informed the Audit Committee about results related to supply chains and backward linkages from 14 projects in various sub-sectors, which were subject to OPA validations during 2013-14 and contained objectives related to strengthening/developing supply chains. In relation to this presentation, EvD also prepared a paper titled “Review of Supply Chains and Backward Linkages Issues in Project Evaluations”. This evaluation will build upon and expand the findings and recommendations contained in this paper.

The paper and the presentation identified some consistently observed impediments to the achievement of supply chain-related TI:

- i. Disconnect between specific project activities and intended supply chain impacts (lack of clear causal links cause and effect);
- ii. Specified benchmarks not aligned with stated TI rationale and objectives; and,

¹ See EvD document: Review of Supply Chain and Backward Linkage Issues in Project Evaluations, February 2015

-
- iii. Insufficient consideration for contextual determinants – policy environment; institutional circumstances.

In relation to the automotive sub-sector the OPAV cluster presentation made the two following observations:

- i. Projects often delivered the expected increase in the share of local content;
- ii. Nevertheless, benchmarks could include more aspects of the value added by local suppliers or aspects of local product R&D to reflect the underlying objective of increased manufacturing sophistication.

The presentation offered the following main conclusions from OPAV analysis:

- i. Generally, there is room for project documents to be substantially strengthened in cases where market expansion/backward linkages are expected to deliver transition impact;
- ii. Greater clarity is often needed on how (through which channels) project-level activities will cause specific intended effects outside of their direct scope;
- iii. In this respect a stylised flow chart could be a useful addition to project documents;
- iv. This should also capture any key elements of the policy context such as missing or changing regulatory and legislative frameworks, and any key assumptions about political will;
- v. Benchmarks for monitoring should be causally related to stated transition objectives;
- vi. Where supplier-level responses are both intended and necessary to deliver wider transition effects, monitoring should be sufficient to capture them;
- vii. Where TC may be critical to facilitate transition impacts – e.g., dispersion of new standards and skills – it should be embedded and effectively monitored.

Two of the 14 projects covered by this OPAV cluster presentation were in the automotive sub-sector and one in food retail. Two of these projects will be subject to a rigorous desk-review as sample projects in this study.

Moreover, to increase the review sample, the evaluation team will review older evaluations (OEs/OPERs and OPAVs) completed by EvD between 2011-2012 for food retail and automotive projects, to identify any issues related to supply chains and backward linkages. The following table shows the completed evaluations/validations in the food retail and automotive sectors from 2011-2014 identified so far, with supply chain and backward linkages issues. All of them (except for Ford Otosan²) will be investigated further as sample projects under this study:

² Ford Otosan project was excluded from this review on request of the Management (due to sensitivities related to this project).

No. and date of evaluation	Project Name, Country, signing date	Brief description	Main issues related to supply chains and backward linkages	Overall rating and TI rating
Food retail				
PEX12-456 2012	Kaufland regional Expansion, Romania Signed Jul 2009	\$40 mil loan to finance 20 new stores in Romanian regional cities.	Strengthening of backward linkages to local suppliers was mentioned throughout the Board Report but TI benchmarks weak on specifics (e.g. open days for suppliers at Distribution Centres, or transfer of best practice skills to the region). According to TIMS and OPA both benchmarks were achieved.	Successful/ Satisfactory
PE11-522 2011	Idea Konzum, Serbia and BiH Signed Jul 2009	€35 mil loan to Idea and €25 mil loan to Konzum (both owned by Agrokor of Croatia) for network expansion in Serbia and BiH respectively.	<ul style="list-style-type: none"> - target for locally produced food exceeded by Konzum (not defined in Idea project). - suppliers encouraged to get HACCP certified to gain contracts – target exceeded. - target missed for private label products (using local produce) in both projects. - no evidence of impact on lowering retail prices (through procuring more food locally). 	Partly Successful/ Good (Idea) Successful/ Good (Konzum)
PEX14-552 2014	Azbuka Vkusa extension, Russia Signed Mar 2011	\$43.6 mil loan for supermarket expansion in Russia and Ukraine	Follow up on a similar project signed in 2008, which was only partially successful. Ambitious backward linkages targets were repeated under the new project but as the expansion was only partially implemented (e.g. failed in Ukraine), most of these benchmarks were also only partially met (but according to OPAV, they could be achieved in the future).	Partly Successful/ Satisfactory
Automotive				
PE11-525 2011	GM Russia Signed 2007	\$98 mil loan to GM Russia to build a car assembly plant in St Petersburg.	Backward linkages were critical to the project's TI. However Russian independent supply base turned out to be weak. Existing suppliers did not meet GM quality standards. The suppliers' park was not implemented. The project turned out to be highly import-dependent, with localisation of only 15% of content (in 2011)	Partly Successful/ Satisfactory
PEX12-478 2012	Renault Technologies Test Centre, Romania Signed Jul 2009	€44 mil portage equity to co-finance the construction of an automotive testing centre (sole example of this type in CEE)	Objectives included the increase of Dacia fleet developed and designed in Romania from 60% to 100%, as well as the increase of local component sourcing from 80 to 85%. Both benchmarks were reportedly met.	Successful/ Good
PEX13-530 2013	Ford Otosan Signed Sept 2010	€150 m loan to a joint venture of the industry leader in Turkey.	The loan was specifically designed to finance purchase of tools and equipment by Ford Otosan for its local suppliers. All supplier-related benchmarks have been met, although only half of the project's physical objectives have been achieved by the time of validation.	Partly Successful/ Satisfactory

The assessments of the extent and quality of backward linkages in the four validations listed above relied primarily on client reports or estimates. To EvD's knowledge, no direct contact with the suppliers was established to verify data, discuss contract terms or determine the exact nature of behavioural changes. The impact of these projects on supply chains/backward linkages will be explored further as part of this review.

EvD met with selected suppliers during the evaluation of two projects, which were subject to full operation evaluations (Idea/Konsum and GM Russia). Conclusions from these interviews will be included in the study.

In addition, during the course of this study EvD will also review selected articles and publications related to any evaluation of the impacts made on supply chains and backward linkages by projects financed by other international organisations or IFIs. In particular two reports prepared by FAO will be analysed: “Central and Eastern Europe - Impact of Food Retail Investments on the Food Chains” and “Poland, Romania and Bulgaria – Social Impact of Discount Food Retail in Remote Regions”, as well as PWC’s report: “Assessment of the Economic Impact of the Automotive Sector”.

It should be also noted that in 2014, as part of the Agribusiness Strategy Review (SS14-076), three smaller food retail projects were subject to “light evaluations”, including achievement of their transition objectives, some of which were related to enhancement of backward linkages to local suppliers. The table below summarises the key findings from these evaluations.

Project Name, Country, signing date	Brief description	Main issues related to supply chains and backward linkages	Overall rating and TI rating
Novus, Ukraine Signed Jun 2011	\$50 mil loan to finance supermarket expansion	Two supply chain-related objectives (increase in certified organic suppliers and increased range of local food sold). <u>Result:</u> both objectives were missed as farmers were unable to meet quality standards and Novus was uninterested in increasing local food sales.	Successful (+)/ Satisfactory (+/-)
Smart Retail, Georgia Signed Oct 2012	\$26 mil loan to local mid-size food retailer to finance expansion throughout Georgia	Objective to increase supplier standards by introducing environmental and social requirements in supply chain management. <u>Result:</u> about 50% of products of Georgian origin, however direct linkages to farmers negligible as according to the client they can't meet quality requirements or accept client's payment terms.	Partly Successful (+/-)/ Satisfactory(+/-)
Voli Trade, Montenegro Signed Oct 2009	€4.6 m loan to Voli Trade for acquisition of another supermarket chain and construction of cash & carry store	Objective of better conditions for local producers/suppliers, including access to finance, better payment terms, new quality requirements. <u>Result:</u> the number of suppliers decreased as the expanded Voli consolidated its supplier base. Over half of the products sold are imported. Premium shelf fee introduced by Voli discouraged some local suppliers (but terms of payment improved).	Successful (+)/ Good (+)

2. Monitoring and self-assessment

2.1 Monitoring reports

The PMM reports of five previously evaluated projects and eight projects proposed as case studies under this review focus on physical project implementation and the clients' financial performance. They provided relatively few references to backward linkages and supply chain issues.

2.2 Transition monitoring

Some of the TIMS (saved in ProjectLink) for the above mentioned projects are outdated and indicate status for 2013 or beginning of 2014 only (Getrag, Metro) or even 2012 (Globus), while some TIMS have not yet been prepared (Draexlmaier). The review of (outdated) TIMS indicated a mixed performance in respect of meeting TI benchmarks related to supply chains and backward linkages.

In the food retail sub-sector, backward linkages were reportedly expended as planned under the Kaufland, Konzum and Idea projects, primarily in respect of the number of suppliers. However more ambitious benchmarks related to the increase of private label products (manufactured using local produce), were usually missed. In several cases expansion plans were only partially implemented (Azbuka Vkusa, Metro Kazakhstan and Louis Delhaize) and this reportedly resulted in backward linkages expansion benchmarks being only partially met. This issue will be further investigated as part of the review. Objectives related to training of local suppliers or creation of dedicated supplier days or centres were usually missed.

The impact of Bank automotive projects on supply chains and backward linkages was similarly mixed. The related benchmarks were reportedly met under the Renault Technologies Centre project in Romania. GM Russia largely failed in its expectations of a spill-over effect on local suppliers as most of the "kits" are imported for assembly in Russia.

2.3 Self-evaluation

For the purpose of this evaluation, TIMs, rather than OPAs for the case study projects will be of key importance, as the scope of this evaluation will be limited to supply chains and backward linkages, which usually constitute part of the project's transition impact potential. Therefore, EvD requests that up to date TIMS are filed in LiveLink for the eight case study projects and five sample projects as many are outdated and several are missing (see above).

However information on the current status and overall performance of a project will also be of interest to the evaluation team, therefore existing OPAs prepared for some of the case study projects will be reviewed.

Out of eight projects proposed as case studies, OPAs were prepared relatively recently for two:

- Metro Kazakhstan, OPA submitted in June 2014 (for a Review) and;
- Louis Delhaize, OPA submitted in January 2015 (for a Review)

Moreover, an OPA for Turk Traktor is scheduled for July 2015 while those for GFT Getrag, Draexlmaier and PCMA are due in September 2015 and the information they provide will be utilised for this study. An OPA for Globus Russia and Spar Logistics Slovenia will not be required but the evaluation team will interview the project teams to obtain all background information required to properly assess supply chains and backward linkages issues in these projects.

1. Evaluation methodology

3.1 Methodology

The subject of this evaluation is one, well-defined aspect of the transition impact of Bank projects. Therefore the methodology applied will be different from EvD's usual approach, i.e. no other aspect of the Bank's performance (e.g. additionality, physical project implementation or financial performance) will be evaluated, only the impact of the selected projects on local suppliers and other entities cooperating with the Bank's client within the precincts of the Bank-financed project.

Two sectors with the most pronounced supply chains and backward linkages are Agribusiness and Manufacturing and Services (M&S). Following consultations with the project economist group in VP partnerships and policy, a sub-sector from each of the two sectors was selected as the focus for this study - food retail and automotive.

Food retail sub-sector – during 2007-2014 the Bank signed 28 food retail projects, representing €0.9 billion of financing, accounting for nearly a third of the total volume signed in Agribusiness sector. Almost all food retail projects included the enhancement of backward linkages to local producers (usually primary/farmers but also secondary/ processors) as an expected transition impact potential/objective. It was usually expressed as a percentage increase or a numerical target of newly contracted suppliers. Training suppliers or increasing the quality of their products was also targeted by some projects.

Following a review of the food retail portfolio, four projects with strong backward linkages enhancement objectives were selected as **case studies** for this review:

- Louis Delhaize – Cora, Romania
- Globus I, Russia
- Metro, Kazakhstan
- Spar Logistics, Slovenia

The projects were selected primarily based on the importance given in their design to the enhancement of backward linkages (usually in terms of their transition impact objectives). Moreover, mainly projects of a substantial size were taken into account (as three smaller food retail projects were evaluated as part of the Agribusiness strategy review in 2014). Care was given to choose projects representing diverse regions and countries at different levels of transition. Some good case study candidates (e.g. Globus II and Lenta Sustainable Development) were turned down due to their relatively recent signing and their TI benchmarks not yet being due.

A short description of these projects and the current status of their features related to supply chain/backward linkages is presented in Annex 1.

Automotive sub-sector – during 2010-14 the Bank signed 18 projects classified as “motor vehicles and components manufacturing” for a total of €0.77 billion, accounting for 18 per cent of the M&S team's total volume. However the real share of the Bank's automotive sub-sector projects probably exceeds 20 per

cent as some projects, which financed (non-exclusive) auto-parts production, have been classified under different sub-sector names e.g. “plastics and rubber production” (dashboards and tyres), “non-mineral mineral production” (glass), or “primary metal manufacturing” (various parts, car batteries, etc.). Most (but not all) of the automotive projects had an objective of strengthening backward linkages to local suppliers. In addition, some projects attempted to transfer advanced technical knowledge to the country of operation, through increased R&D or by forging relations with local universities.

Following a review of the automotive project portfolio, four projects with strong backward linkages enhancement objectives were selected as case studies for this review:

- PCMA (Peugeot, Citroen, Mitsubishi joint venture, Russia)
- Turk Traktor, Turkey
- GFT-Getrag, Slovakia
- Draexlmaier, Regional

Unlike the food retail sub-sector, the pool of automotive projects from which to choose the case studies was relatively limited and several projects were not considered by the M&S team to be appropriate for evaluation as the loans were pre-paid.

Getrag and Draexlmaier are leading suppliers to OEMs themselves and relay on lower tier local suppliers. The objectives of these projects were focused on strengthening links to such local suppliers as well as to universities and research institutes in order to spearhead innovation and transfer advanced designing knowledge.

A short description of these projects and the current status of their features related to supply chain/backward linkages is presented in Annex 1.

To summarise, the evaluation will comprise:

Eight case studies, which will assess the extent of the impact the projects made on supply chains and backward linkages, including intended and unintended impacts. The evaluation questions listed in section 3.2 will be answered. Case studies will entail questionnaires/surveys of clients and most likely of several of their key suppliers and, where applicable, other entities cooperating with the client (universities, R&D centres).³ After the receipt of survey responses, the evaluation team will interview the clients and suppliers to establish the extent of behavioural changes brought about by the project.

The extent of enhancement to supply chain and backward linkages in an additional six sample projects (three from food retail and three from automotive) will be assessed through desk studies. Idea/Konsum, Azbuka Vkusa, Kaufland Regional Expansion, GM Russia, Renault Technologies and Gebauer & Griller. Five of these projects were subject to either validation or evaluation in the past and this review will concentrate on identifying the nature and extent of changes to supply chains and backward linkages brought about by the projects. In addition, one more project – Gebauer & Griller (DLF) in Moldova was suggested for such a review by the M&S team and will be included in such a desk review. This type of evaluation may entail e-mail communication with the clients and their suppliers (possibly including parts of the surveys, as prepared for the case studies). Selected clients/suppliers might be visited if preliminary communication reveals important issues, which could contribute to the clarification of specific findings or formulation of important recommendations.

³ Effectiveness of surveying suppliers will be tested in the first two case studies. Based on the response rate and quality of answers received, surveys/questionnaires will be applied in the subsequent cases. Otherwise, meetings will be scheduled with suppliers to obtain responses through personal interviews only. It is considered that the suppliers might be more inclined to provide honest comments on their relations with their (and the Bank's) clients during more informal conversation, rather than in a written form.

In total, 14 projects with strong supply chains and backward linkages objectives will be reviewed, in order to provide answers to evaluation questions (listed below), as well as to help formulate recommendations to strengthen impact on supply chains and backward linkages in the Bank's future projects.

Under the case studies, the Evaluation team will strive to interview representatives of the following groups:

- Bank clients
- Client's main suppliers
- Industry associations (where feasible)
- Universities, R&D centres and suppliers of other services to the clients (where applicable)
- Government representatives (where applicable, to establish projects impact on wider economy)

The sequence of interactions with clients and suppliers will be as follows:

- Evaluation team and its study will be introduced to the client by the Banking OL (by e-mail);
- Evaluation team will email a short description of the study's objectives to the client and request an introduction to three-four of his main suppliers;
- Evaluation team will email a questionnaire to the client;
- After receipt of survey responses, decision will be made whether to send surveys to key suppliers suitable or to schedule meetings with them to discuss their relations with the client;
- Country visits will follow, during which the Evaluation team will meet with the clients and selected suppliers to discuss issues identified in the questionnaire/ survey.
- During the country visit, EvD will also strive to meet with an industry association to obtain an independent views and information, as well as with other local project counterparts (universities, R&D centers).

Surveys/questionnaires will be prepared with the assistance of sector consultants, however they will primarily seek answers to the evaluation questions listed in section 3.2. Moreover, they will also cover project-specific issues related to supply chains and backward linkages. To increase the response ratio, the number of questions in the survey will be usually limited to 10. Surveys will be sent as much as possible in advance but at least three weeks before the planned country visit, giving the respondents sufficient time to send answers.

Based on the pool of evidence, the case study reports will include a theory of change results framework for each case, also showing the most important contextual factors and principal assumptions. This work will reveal common gaps in the intervention logic as well as channels of effect that appear to be successful. It will also allow the validity of assumptions to be tested and important contextual factors to be identified. This type of analysis will provide a more robust basis for generalising findings.

The output of this exercise will be a Special Study report (of approximately 30 pages plus linked documents/annexes with more detailed case study analysis). A presentation and Q&A session with Audit Committee will be held if requested. A presentation to EvD, as well as the Agribusiness and M&S teams will be made.

3.2 Evaluation questions

The study will answer the following key general and more specific questions:

A. Was ex-ante specification adequate?

1. Was there sufficient clarity at the project design/approval stage as to specific expectations for the channels through which supply chain effects were expected to occur; and from this to a plausible set of associated benchmarks and targets, and a monitoring and reporting plan capable of providing useful feedback? (to be analysed and answered at desk review stage)

B. What were the results at the client level?

2. Has the Bank's financing resulted in increased client contracts with local suppliers (in terms of value and number)? Can a link between such an increase and Bank financing be firmly established? Through which channels has such impact been realised?

C. What were the results at the supplier level?

3. What kind of changes in supplier behaviours has the Bank's financing brought about (in terms of supplied product quality improvements, higher value-added products, sanitary/hygiene standards (agri), environmental practices, packaging expertise (agri), etc.)? How much assistance (if any) did suppliers receive from the Bank's client to achieve such changes? To what extent has such assistance been encouraged by the Bank?
4. To what extent has Bank financing contributed to skills/knowledge transfer, forging innovation and advance technological developments?

D. What were the results at the sector or higher economy level?

5. What does the evidence suggest about higher level effects at the sector level or beyond (e.g. innovation, technological advancement, knowledge economy enhancement) ?
6. Is there evidence that the Bank's financing resulted in such benefits to the wider economy as e.g. enhanced supplier access to finance, enhanced distribution networks; trade integration; cross-border infrastructure investments , and FDI/ M&A?
7. Has the Bank's financing had any negative impacts on local suppliers/supply chains or the wider economy?

Based on the answers to these questions the evaluation will distil its findings, lessons and recommendations.

In addition, the case studies review will seek answers to project-specific issues to measure the fulfilment of the case study project's transition objectives and to identify any unintended impacts.

3.3 Potential problems and limitations

The main challenge related to this study will be to ensure cooperation of the client's suppliers and other entities, such as universities, technology centres, etc. Neither of these groups have had any relationship with the Bank, or been Bank clients and therefore they might not be willing to discuss their business openly with the Bank, particularly not to make any critical comments about their relations with the Bank's clients.

Moreover, attributing changes in the wider economy to the Bank's financing/projects, which often had narrow objectives, could be difficult.

Finally, care will need to be taken in drawing more general conclusions from a limited number of case studies, in two corporate sub-sectors and from projects in countries at very different transition stages (e.g. Slovenia and Kazakhstan).

The study will require a very high degree of sensitivity and tact in dealing with entities with which the Bank has no direct relationship. Any conclusions will have to take into account the wider country context and acknowledge the limitation to generalisation of findings and recommendations.

2. Administrative arrangements

4.1 Evaluation team

Tom Bartos, Senior Evaluation Manager, will lead this review and will be supported by two consultants, each an expert in food retail supply chains and automotive supply chains analysis (TORs enclosed in annex 2).

If an Intern/Secondee is available to the EvD during the summer, he or she will be assigned to this special study. His/her main tasks will be the following:

- Manage questionnaire/survey process (inputs and outputs), contributing to survey results analysis;
- Contribute to internet research of clients and suppliers/partners related to the case studies and sample projects;
- Participate in internal meetings and interviews;
- Contribute to the preparation of the evaluation report (principally in terms of completing selected annexes, graphs, tables, etc.).

4.2 Timetable

Milestone	(2015) Date
Approach paper circulated and approved	May-June
Background documentation review	April - June
Internal data collection and internal interviews	May-July
Desk studies	May-July
Field missions (food retail supply chains)	July – September
Field missions (automotive supply chains)	September-November
Draft report circulated to internal peer reviewer	EndNovember
Draft sent to External Panel	Mid December
Draft submitted to CE	Late December
Draft circulated for Management Comments	January 2016
Final editing and final distribution	Late January 2016

4.3 Budget

EvD travel budget - up to £17,000.

Consultancy budget – up to £60,000 (two contracts for approximately £ 30,000 each)

Annex 1: Current status of case study projects (in relation to their supply chain and backward linkages objectives)

1. Food retail sub-sector

Louise Delhaize - Cora, Romania

€140 million loan (the Bank's largest single financing in this sub-sector), signed in February 2012, provided to a Romanian subsidiary of a Belgian supermarket to expand its store network in regional cities (outside of Bucharest). Objectives related to supply chains and backward linkages were described in the Board Report and TIMS as follows:

"The large scale regional expansion will involve increased backward linkages to local Romanian suppliers as well as new suppliers from the neighbouring countries such as Serbia, Bulgaria and Moldova (since some of Cora's stores will be located in close proximity to the borders with these countries)".

TI benchmarks related to backward linkages, all due by end-2015, were as follows:

- 12 new stores to be located in smaller cities throughout Romania outside Bucharest (with eight in regions classified as PRR or SRR as per the OECD definition in the Board document)
Comment: seven new stores opened (by mid-2014), located in smaller cities outside Bucharest (Baia Mare, Drobeta, Constanta x2, Arad, Bacau, Ploiesti).
- Annual open day for suppliers in Cora distribution centre
Comment: No open day has been organised yet (by mid-2014)
- Increase the number of local suppliers by 15 per cent (from 690 to 800)
Comment: The management team is focusing on increasing the number of local fruit and vegetable producers (40 as of June 2014). The SAP system allows the client to track only the fruit and vegetable suppliers for now, so the Banking team was to follow-up with the client on this point.

Globus I

A loan of €28.6 million signed in 2008, for five new stores in regional cities outside Moscow provided to a subsidiary of a German middle-size food retailer. The loan was followed by another one of €50 mil under Globus II, signed in 2012 for additional stores. Five stores under Globus I were constructed and are operating, a further two were opened and one more is to open in Q3 of 2015.

The TI objectives of Globus I related to backward linkages enhancement were formulated as follows:

"Market expansion through backward linkages. Procurement of products locally will generate strong backward linkages and encourage local producers to process according to best business practices not only in terms of quality but also in terms of hygiene standards. The high degree of locally produced products, in particular food where 80-85% is locally procured means that the growth in sales through the retail chains will have a direct and positive effect on local producers, especially in 19 the regions. The suppliers are benefiting from the expansion as their products are marketed to a larger part of the country and growing demand. On the back of Globus' expansion its suppliers are developing and expanding and are able to seek commercial bank financing as a result."

TI in relation to backward linkages in Globus I was formulated as follows (with comments taken from the most recent TIMS):

- Further increase private label food retail sales to more than 3% of sales from third party production and 10% of total food sales including on-site production.

Comment: According to the 2012 TIMS, Partially achieved. Current share in total sales is 1.6 per cent, plan to increase to 2-3 per cent in the future. In the medium term, private labels should constitute 5 per cent of total sales. Current share of on-site food production in total sales is 17 per cent.

- 20 per cent of the local suppliers shall have implemented high-quality standards (HACCP), compared with below 5 per cent currently.

Comment: Partially Achieved. A set of minimum standards have been introduced for all suppliers with an undertaking to further improve those standards towards HACCP. The current focus is on meat products for butcher operations and other fresh products. The exact share is unknown, but qualitative evidence suggests the proportion of HACCP compliant suppliers is growing as Globus continues to elevate the standard of suppliers via training and audits (Note: 100 per cent of suppliers compliant with HACCP by 2017, objective of the Globus II project).

- The share of locally produced food products sold to be above 90 per cent.

Comment: Achieved At the moment, close to 100 per cent of products are sourced locally (100 per cent of food, 95 per cent of non-food products). The number might be slightly blurred as sourcing is done via distributors who might import a certain share of supplies. According to the client, the figure should definitely be in the range of 96 per cent for 2011.

- Training of 10 per cent of local suppliers especially suppliers of milk, bread and fruit & vegetables and implementing specific criteria for the packaging, labelling and quality of their products.

Comment: Partially Achieved. The Borrower is working with suppliers of fresh products (dairy, fruit and vegetables, meat) to conform with international standards in hygiene, quality and packaging. The client carries out frequent site audits with private label suppliers, as well as audits at suppliers where quality issues arose. Further training on quality standards are ongoing at Globus sites. However, no statistics are available with regard to the percentage of local suppliers trained.

It is noted that Globus II also had relatively ambitious TI objectives related to backward linkages, however most of them are due only in 2017 or later. Therefore this project was not selected as part of this study. However during its interviews with Globus' management, the evaluation team will make enquiries about the status of TI benchmarks related to the Globus II project. These benchmarks were formulated as follows:

- Globus will increase the number of its local suppliers through its supplier audits in three stages, to reach a total of 350 new suppliers (of which 50 per cent are not currently supplying other retailers) from the current 1,050 suppliers: 150 in the next three years (by 2015), another 100 by 2017, another 100 by 2019
- All new suppliers will attend Globus Training Academy (throughout the project)
- 100 per cent of suppliers to have introduced ISO standards (currently 30 per cent) – by

2017

- 30 per cent of suppliers to have introduced IFS standards (currently 3 per cent) – by 2017
- 100 per cent of all suppliers to have introduced HACCP standards - by 2017

Metro Kazakhstan

€80 million loan to Metro Cash & Carry, a subsidiary of a leading German food retailer, signed in May 2011 for the expansion of its stores network.

Objectives related to backward linkages were formulated in the Board Report as follows:

“The Company expects to source up to 40% of its food products locally. The backward linkages are expected to be particularly strong in the fresh produce segment (fruit, vegetable and meat) where the Company intends to procure products mainly from local SMEs and farms. In addition, Metro also plans the introduction of private labels in Kazakhstan. This will result in strong backward linkages encouraging local producers to both produce higher quantities and enhance quality up to standards required by Metro. To ensure locally sourced products meet the Company’s high quality standards, the Company will develop a local procurement network and collaborate closely with its local suppliers.”

All TI benchmarks of this project were related to backward linkages and were formulated as follows (with the latest TIMS comments):

- The share of locally produced food products sold to be above 40 per cent from currently ca. 30 per cent.

Comment: On Track. The share of locally produced food products in Metro’s product offering reached 45 per cent by 9M 2012. No further updated information available, yet, so this will need to be verified in the next review.

- Increase private label food retail- sales from local suppliers to more than 20 per cent of total sales from a currently negligible level.

Comment: Not Yet Applicable According to PMR the Borrower is still concentrating on achieving profitability of its existing stores. Numbers should be provided in the next review (2015).

- Introduction of the “Traders support programme” to at least 250 small retail outlets including advice on best practise store analysis and layout, hygiene and store equipment as well as store equipment financing schemes.

Comment: Delayed The original roll-out plan discussed at the time of project signing included 15 stores and was delayed due to overestimated market potential, fewer synergies with Russian purchasing and supply than expected, price competition, and lack of procurement synergies, logistics, etc. (for more details on the reasons see Restructuring Memo). Metro Kazakhstan has eight stores in operation as of 30 September 2013, of which two opened in 2012, however further roll-out is delayed to focus on making the existing eight stores profitable. Consequently, any additional expenses such as the Traders’ support programme are also shelved.

- Training 80 per cent of local suppliers, especially suppliers of fresh products, and implementing specific criteria for the packaging, labelling and quality of their products.

Comment: At Risk - during 2012, approximately 125 suppliers have been trained with regard to specific criteria for the packaging, labelling and quality of their products in

cooperation with IFC and governmental organisations. However, the company is currently focusing on the challenging market situation. Therefore, the benchmark will need to be re-verified once the restructuring is complete.

Spar Logistics, Slovenia

€40 million loan signed in 2013 for expansion of store network and refurbishment of existing stores, provided to the Slovenian subsidiary of an Austrian food retailer.

Objectives related to backward linkages were formulated as follows:

“The Project’s transition impact will be derived from demonstrating how to manage environmental risks in supply chain management. The Bank has conducted a high-level review of the Company’s current procedures and practices with respect to the environmental impact of products distributed by Spar Slovenia. Based on the findings of the review, the Company agreed to set up a basket of critical products (i.e. products with high environmental and social risks⁶) as well as to set up a list of specific criteria (KPIs) to be monitored and reported for these products. During the pilot stage, the basket will be composed of minimum five products. The KPI will be identified and agreed during Project implementation. This is the first time that a review of this extent of the environmental impact of products in the retail supply chain is carried out in the EBRD region. The Project will play a key role in defining practical tools for monitoring and reporting environmental risk, which could subsequently be further disseminated.

Moreover, encouraging suppliers to adopt GRI (Global Reporting Initiative) standards will contribute to the further dissemination of good sustainability reporting practices”.

The project's TI benchmarks were formulated as follows (with the latest TIMS comments):

- Supply Chain Management Roadmap: Finalisation of the "critical product basket" and critical reporting criteria on the sustainability of products

Comment: On Track. Given the very high level of expertise required to undertake the task, the team experienced difficulty finding it in the market. The team is now in negotiations with PwC on preparing the methodology for the product risk assessment and its pilot application. It is envisaged that PwC will deliver the methodology in three-four months with a product risk assessment of SPAR's critical product basket to follow after the development of the methodology.
- Organise a workshop for at least 10 selected suppliers on the use of Global GAP standard.

Comment: On Track. The Company confirmed they are on track to organise a workshop for 10 suppliers in H2 2014.
- Increase the number of suppliers complying with GAP standard from three to five

Comment: On Track. Following a workshop the Company will determine the interest of suppliers in introducing Global GAP and reporting on it by end 2014, when the team will update OCE on this benchmark.
- Organise a workshop for at least five selected suppliers on the use of GRI.

Comment: On Track. The Company has confirmed that a workshop will be organised for five suppliers, most probably by E&Y or PwC (costs to be covered by the Company) in H2 2014.

2. Automotive sub-sector

Turk Traktor, Turkey

€75 million loan (€45 million syndicated) to the leading tractor producer in Turkey (a joint venture of local and Austrian companies) for increased production plant capacity and R&D on a new low-emission tractor engine. Signed 2013.

Objectives related to supply chains and backward linkages were formulated in great detail, as follows:

1. Skills transfer

The Project involves a substantial organisational restructuring including the transfer of the R&D function (for all new products in the 55-130 hp tractor segment) from CNH Austria to Turk Traktor. This means moving the entire know-how about product innovation, research and development, product and manufacturing process engineering of all future engines and tractors to the local staff. The R&D department of Turk Traktor will thus become the global centre of excellence of CNH Group for this market segment. CNH is the only company among the major international leaders of the sector having a structured plan to transfer core R&D functions to operations in the Bank's Country of Operations.

2. Backward linkages

Local manufacturing of specialised components is currently limited, due to lack of suitable manufacturing facilities with high enough precision and quality assurance (the high-tech components have typically complex design, often innovative materials and need to be tailor-made around the new vehicles). With the introduction of Tier IV models, which represent a substantial upgrade in the technology and not just a gradual evolution from Tier III models, the share of high-tech components required to produce a tractor is set to increase substantially. This implies that without significant transfer of know-how, the share of locally supplied parts needed for the new Tier IV engines is bound to decrease substantially. The Project thus plays a key role in promoting the growth of the local suppliers of components in terms of contribution to the development and actual manufacturing of high-tech products. Indeed, local suppliers will be directly involved throughout the R&D phases (actively contributing to testing, prototyping, development and production set-up of the new parts and products). In this transition towards more specialised production expertise, the suppliers will benefit from the very close relation with Turk Traktor, by receiving support for improving their manufacturing procedures and quality standards to meet the new high technical requirements. The quality monitoring will be achieved also through the set-up of a shared project management platform, which will allow keeping track of the work progress and providing quality assurance scores to each supplier in real time. The end result will be a growth in local expertise for developing and producing high-tech products for demanding industries such as the automotive one. The project will thus contribute further to the dissemination of skills in the country through 200 suppliers, and the Company expects that, by 2016, 90 per cent of the Tier IV parts to be sourced from local suppliers, as opposed to the current 70 per cent ratio for Tier III models."

The project's TI benchmarks were formulated as follows (with the latest TIMS comments):

- R&D department to go from current 50 employees in 2012 to 65 employees
- R&D department to reach over 100 employees
- Launch of nine new Tier IV engine models

-
- Deliver training for over 200 man-months
 - Creation of an internship programme for at least three university students per year
 - At least 20 suppliers involved in the development of the new Tier IV products
 - 90 per cent of the Tier IV parts to be sourced from local suppliers, as opposed to the current 70 per cent ratio for Tier III models.

Current status

The product development engineer from CNH has already given 120 man-months of training to Turk Traktor R&D engineers. Moreover, Turk Traktor has provided five man-months of training to four of its suppliers to increase product quality. Considering the strong progress towards the target, the 2015 target has updated from 200 to 250 man-months.

The company has now 105 R&D employees as of April 2014. The target has been updated from 100 to 120. Design of three and four cylinder engines has almost been completed and the works related to their integration/optimization to tractor is in progress. Three students benefited from the long-term internship programme at the R&D departments at Ankara plant in 2013. The target was increased from three to five students in 2014.

The company currently works with more than 20 local suppliers for Tier IV engines. The target has been updated from 20 to 30 for 2015. However the production of Tier IV engines has not started yet. No info on local sourcing available.

GFT – Getrag, Slovakia

€50 million loan signed in July 2012, to Getrag, a leading vehicle transmission manufacturer, to be used for capacity expansion, and dedicated R&D (launch costs, manufacturing development, R&D implementation work) in the Kechnec plant, related to know-how transfer from GFT's Innovation Centre in Cologne due to ongoing improvement and adaptation of dual clutch transmission (DCT).

The project's objectives related to supply chains and backward linkages were formulated as follows:

1. Technology and skill transfer

As part of this project, the Bank will support increasing R&D cooperation between GFT's development centre in Cologne and GFT's engineering unit in Kechnec, Slovakia: the Kechnec investment is part of a broad R&D programme carried out by GFT with respect to dual clutch transmission (DCT).

The project will provide the funding required to introduce Powershift transmissions into the new car models, but it will also allow GFT to design, develop and implement production of its own in-house wet dual-clutch – a critical component for production of DCT, the world production of which is currently dominated by BorgWarner (70 per cent market share), a US based leading supplier of engineered automotive systems and components.

The know-how developed in Cologne, in close co-operation with engineers in Kechnec, is being transferred to Kechnec for implementation by the skilled local engineering workforce. After additional training, the Kechnec plant will be one of very few producers in the world of wet dual-clutch.

As a result of the increased capacity and the introduction of new manufacturing processes, the project will result in stronger cooperation between GFT Slovakia, Technical University in Kosice and other technical schools in the region (mainly high schools). As a result of the investment, GFT Slovakia will increase the number of students working in the factory who will potentially become full time employees. In the case of

Technical University, the cooperation also assumes the provision of highly technical services in line with the specification provided by GFT. GFT Slovakia has been using high-end technology available to the University, which is required for some of the more complex manufacturing testing and processes.

2. Market expansion through linkages to local suppliers

One of management's key goals is to increase the share of both local suppliers and regional suppliers (i.e. Hungary, Poland, Czech Republic). Since production started in Kechnec, reliable cooperation with local quality suppliers has been tested and developed; new suppliers meeting GFT strict requirements have been consistently sought in the region to provide necessary savings. Ford has very strict criteria for contracting new suppliers and very few companies within the EBRD region have been able to obtain the Ford supplier code. As a matter of policy, all Ford suppliers are required to continuously improve quality standards and adopt the highest industry standards. In addition, by becoming a supplier to a factory producing technologically advanced products, the local suppliers are strongly incentivised to provide higher value-added products.

The project's TI benchmarks were formulated as follows (with the latest TIMS comments):

- Outsource at least one new production or quality testing process to Technical University in Kosice
- Increase the number of hours per annum spent in the factory per university student from 120 to 160
- At least four new suppliers of production materials from the EBRD region to be identified and contracted by the Company.
- At least one local supplier to be awarded a Ford supplier code.
- Share of suppliers from the EBRD region of the total Production Material supplier base to increase from 5 per cent to 15 per cent.

Current status

Two first benchmarks at risk. The performance of the plant has been driven by the overall market situation. The automotive industry in Europe has recorded a significant drop in sales of new cars, which has had a negative effect on GFT Slovakia, which is a supplier of a key car part. Plant production is currently 150,000 transmissions a year, which is just above 50 per cent of capacity. As a result 30 people were let go during Q1 2013 (mostly temporary employees or employees that were hired through agencies) and it was impossible to achieve all the three benchmarks within 12 months. However, during the Team's visit to the plant in 2013, the Company assured that management continues to develop the relationship with the university as well as local colleges in order to be ready to react promptly as soon as the market picks up (some 300 people will have to be employed to reach full plant capacity).

Three last benchmarks. At risk. However the Team got a clear message that the plant is actively looking for local suppliers, as it is also their preference to work with local companies. However the current situation doesn't allow them to sign new supplier contracts.

Draexlmaier Group (Regional)

€50 million for capacity expansion in the Balkan countries and Tunisia, as well as a greenfield plant in FYR of Macedonia.

The project's objectives related to supply chains and backward linkages were formulated as follows:

Expansion of the market:

The expansion of activities by Draexlmaier is expected to attract further FDI investments by tier-two suppliers (wire producers) especially in Serbia and Moldova, thus contributing to the development of the whole sectorial value

chain. In particular, Gebauer & Griller, one of the Company's key suppliers from Austria, is relocating to Moldova upon request by Draexlmaier and will supply 100% of Draexlmaier's cable needs starting from 2014. Other suppliers are considering similar plans to relocate their production closer to Draexlmaier's sites in Eastern Europe.

Demonstration of ways to restructure activities:

As recently highlighted in the Board information session on the automotive sector in the EBRD region, the remaining key transition challenge in Romania is to support manufacturing of higher value added products and to trigger substantial local R&D investments. The Company will expand R&D processes to support prototype development and advanced tool-making and programming in Romania. This will be done in close cooperation with the OEMs in the context of new car models development. In addition, the Company intends to start interior components manufacturing in Romania, such as instrument panels, consoles, door trims. This is high value-added

production of car parts. Attracting higher levels of R&D activity is one of the key challenges facing Romania, and currently Draexlmaier's direct competitors have no R&D activities in Romania.

Facilitate the transfer and dispersion of skills:

Cooperation with technical universities/colleges: the Company is actively involved in cooperation with local schools/universities to promote the development of courses and programmes which support the transfer of skills to

the EBRD's countries of operations. This project, which entails significant capacity expansion and a greenfield investment in FYR Macedonia, will contribute to the strengthening of the Company's links with the local education community. In addition to being an active promoter of German-style dual education systems for high school graduates, the Company has developed and implemented curriculum courses in 'Engineering and management in Automobile Construction' at Balti University in Moldova. The programme is to be reviewed and improved upon by 2015. In Romania, a concept for an automotive degree has already been agreed with the University of Timisoara and is expected to be implemented in 2015. In Tunisia, the Company is in early stage contact with Sousse University to develop a technical course, with implementation expected in year 2015. In Macedonia, the company is in early discussions with the Skopje University to cooperate in the automotive sector.

The project's TI benchmarks were formulated as follows:

Market expansion:

- Gebauer&Griller to supply 100% of cable needs for the Company's operations in Moldova starting from 2014.
- At least one Tier 2 supplier to invest in a production facility in one of the Project countries.

Demonstration effect:

- R&D centre development (investment of at least 10% of the EBRD loan).

Transfer of skills:

- Implementation of new university/technical college programmes in Romania and one at least one other country of operations part of the project (based on existing degree/master format in place in Moldova).

Current status: unknown as the TIMS for this project has not been prepared yet. A recent PMR indicates that the project is on track with investments of €110 m completed.

PCMA, Russia - €320 million loan (€110 m and RUB equivalent of €60 m for the Bank's account) for co-financing of a greenfield factory manufacturing passenger cars in Kaluga region.

The project's objectives related to supply chains and backward linkages were formulated as follows:

Market expansion: Backward linkages through local sourcing of parts

The PCMA Rus factory signals a new approach which was initiated by Volkswagen, another project supported by EBRD. Contrary to the SKD phase, which is exclusively based on kits received from the Sponsors, the CKD phase implies the possibility to source components locally. The Borrower has a period of 54 months from start of production (SKD) for the local content to reach 30 percent. Effectively, they plan to accelerate the local integration and reach the 30 percent target 18 months earlier, for reasons described in Section 1.4.2. The size of the plant and its focus on two platforms only, will permit higher volume production of components. This in turn will foster the development of the auto parts suppliers industry in Russia, which itself is necessary for the competitiveness of the automotive industry as a whole. The local sourcing of components is likely to take place first through international suppliers, who will bring their own technology and expertise to Russia. For example, the Sponsors are considering sourcing locally stampings and seats, which are expensive and inconvenient to transport. The Sponsors have also started to look for Russian suppliers. They have visited a large number of companies, ranking them according to their capabilities and sending requests for proposals to the best ones. The interaction with PCMA Rus, a highly demanding client for quality, reliability and price, will force the auto suppliers to improve those aspects greatly.

The project's TI benchmarks were formulated for Faurecia University as follows:

Market expansion:

Percentage of parts sourced locally = 30% (by end 2013)

Percentage of parts sourced locally = 50% (by end 2016)

Percentage of parts from Russian suppliers = 10% (by end of 2014)

Annex 2: Consultant's terms of reference

TERMS OF REFERENCE FOR CONSULTANCY SUPPORT Special Study Supply Chains and Backward Linkages

Background

The Evaluation Department (“EvD”) of the European Bank for Reconstruction and Development (the “EBRD or the “Bank”) routinely evaluates the Bank’s sector programmes, projects and themes to enhance learning and accountability at the EBRD in accordance with its Evaluation Policy. EvD’s 2015 Work Programme requires EvD to independently evaluate the impact of EBRD’s selected projects on Supply Chains and Backward Linkages (the “Special Study”).

The Special Study will concentrate on the assessment of the extent to which the expectations of positive impact on suppliers and other entities cooperating with the Bank’s clients, articulated at projects approval stage, have been fulfilled and whether other, unintended impacts of the Bank’s projects on the wider economy in terms of supply chains and backward linkages can be identified. The study will look at both qualitative and quantitative impacts on suppliers, trying to capture main features of the former and quantify the latter. It will also try to identify mechanisms or processes, through which third party local suppliers benefit from the Bank’s projects.

The evaluation will focus on two sub-sectors from each Agribusiness and M&S filed – **food retail and automotive**. Four case studies from each sub-sector with very strong supply chain and backward linkages enhancement objectives will be selected and examined in detail, including surveys and interviews with the key suppliers under each project. Moreover, the achievements in relation to supply chains and backward linkages in the automotive and food retail projects, which were evaluated or validated by EvD in the last 4 years will be analysed. Combined with case studies, these analyses will contribute to the evaluation’s conclusions, findings and recommendations.

The case studies will be the following:

Food retail
Louis Delhaize – Cora, Romania
Globus I, Russia
Metro, Kazakhstan
Spar Logistics, Slovenia
Automotive
Ford Otosan, Suppliers Loan, Turkey
Turk Traktor, Turkey
GFT-Getrag, Slovakia
Faurecia, Russia and Poland

Additionally, 3 completed food retail projects evaluations and 2 completed automotive projects evaluations (plus one project which has not been evaluated) will be analysed to establish the related projects’ impact on supply chains and backward linkages.

The EBRD seeks two individual consultants (the “Consultants”), one expert in food retail supply chain and one in automotive supply chain analysis to work with the Evaluation Operation Leader (EvD OL) to carry out the evaluation as further described below.

Each of the two consultants will be contracted separately and will have separate TORs for his/her assignment as part of the contract. For presentation purposes, both TORs have been combined below.

Objectives

The overall objective of this assignment is to provide assistance to EvD in surveying and interviewing Bank’s clients and their suppliers, as well as other entities cooperating with the clients to establish the extent to which the Bank’s projects impacted relevant suppliers, as well as assess other backward linkages stemming from the project to local economy, extracting key findings and recommendations for the future operations.

Scope of services

The Consultants shall perform the following services and tasks:

- Finalise the preparation of the surveys for clients and separate surveys for suppliers/partners for each of the case study projects. The survey questions will be based on those listed as Evaluation Questions in the Approach Paper, section 3.2. However, a few additional questions will need to be included, reflecting specificity of each project. (e.g. provide assistance to the Evaluation Analyst with the design of the surveys, and their dispatch).
- Translate the survey questions into Russian (for Globus and Metro projects) and Romanian (for Louis Delhaize project) - Food retail consultant only.
- After receipt of surveys from the Bank’s clients (which will include indication of their main suppliers/partners), analyse the responses and contact the suppliers/partners explaining the purpose of the study and requesting cooperation (pre-survey/interview visits might be required to be made by the food retail consultant to Russia and/or Romania to meet with the suppliers in person and explain the study’s objectives).
- Send by e-mail or Smart Survey (software accessible for EBRD) surveys/questionnaires to the suppliers/partners and provide any additional explanations to them as might be required. Follow up with phone calls and monitor responses, ensuring they arrive within a week or other response timeframe as requested (contact and encourage suppliers/partners to respond in case of a delay).
- Analyse responses and issues stemming from the surveys. Recommend suppliers/partners which should be visited to discuss the issues in more detail.
- Based on surveys received, prepare questions to the clients and suppliers/partners, which would help to establish nature and details of the impact stemming from the Bank’s projects.
- Establish contacts with relevant industry associations, one of the clients’ key competitors and where applicable with government officials (to assess project’s impact on wider economy). Set up meetings with their representatives during the planned country visits.
- Assist Evaluation Manager in the country visits, interviews with the clients, suppliers/partners, industry associations and competitors.

-
- Perform quantitative analysis of the case study projects' impact on suppliers/partners, to establish its approximate monetary value.
 - Draft a short report from each of the case studies, highlighting issues which arose from the surveys and/or client/suppliers interviews.
 - In close coordination with the EvD OL, draft selected sections of the evaluation report, particularly annexes, related to the case studies
 - Propose a draft of lessons/findings and recommendations for the report.

During the preparation of questionnaires/surveys, their analysis and the client/supplier/partner/industry associations' interviews, the consultant should pay particular attention to:

- Establishing the nature of qualitative changes in supplier/partner behaviours, particularly in terms of product quality improvements, sanitary and environmental standards (mainly the food retail), skills and knowledge transfer, and R&D development (mainly in the automotive);
- Evidence of a broader impact of the project on wider local economy in relation to supply chains effectiveness improvements (e.g. reduction of trade barriers).
- Evidence of achievement of transition objectives/benchmarks related to supply chains and backward linkages set out for each of the projects.
- Identification of unintended (positive and negative) impacts the Bank's projects might have had on suppliers /partners of the Bank's clients.
- Identification of mechanisms or processes, through which third party local suppliers benefit from the Bank's projects.

Implementation arrangements

The Consultant shall report to the EvD OL for the assignment: Tomasz Bartos, Senior Evaluation Manager (bartost@ebrd.com) at the Bank's Headquarters in London and provide regular verbal or e-mail reports on the progress of the work. The consultant will also cooperate with the Survey Advisor and the Evaluation Analyst, assigned to this evaluation.

The EBRD's operations and the independent impartial role of its Evaluation Department will call for strict confidentiality and non-disclosure clauses in the consulting contract.

Deliverables

The following deliverables will be required:

- Finalised surveys for each of the case studies clients and then for their suppliers/partners (up to 4 for each). Translated into Russia and Romania, for selected case studies as indicated above;
- Brief analysis of the survey's responses with a list of recommended suppliers to visit and interview;
- Questions and issues for suppliers, clients and industry associations;
- Brief reports from country visits (to feed into the report's annexes);

- Selected sections of the evaluation report;
- Draft of lessons/findings and recommendations.

The Consultants will neither discuss nor distribute the report (draft or otherwise) or any aspects or details relating to the findings to parties outside the Bank, without the Bank's explicit written authorisation.

Implementation plan

Food retail supply chains consultant

Assuming the start of Consultant's assignment on 1 June 2015, the deliverables will be due as follows:

Deliverables	Due date
Deliverable 1: Surveys finalised (in English)	By mid of June
Deliverable 2: Survey for L. Delhaize and its suppliers translated and sent	By 2 nd week of June
Deliverable 3: Survey received from L. Delhaize, brief responses analysis, list of suppliers and issues, questions to suppliers, industry association and the client	By 3 rd week of June
Deliverable 4: Visit to Romania (L. Delhaize)	2 nd week of July
Deliverable 5: Report on L. Delhaize	By end of July
Deliverable 7: 3 surveys received, brief responses analysis, list of suppliers and issues, questions to suppliers, industry associations and clients	By 3 rd week of July
Deliverable 8: Visit to Slovenia (Spar)	By the end of August
Deliverable 9: Visit to Kazakhstan (Metro)	By mid September
Deliverable 10: Visit to Russia (Globus)	By mid October
Deliverable 11: Report on each client and its suppliers.	One week after the end of each visit
Deliverable 12: Draft sections of the report, lessons and recommendations	By end of October

Automotive supply chains consultant

Assuming the start of Consultant's assignment on 15 June 2015, the deliverables will be due as follows:

Deliverables	Due Date
Deliverable 1: Finalised surveys	By 2 nd week of June
Deliverable 2: Surveys for all 4 clients sent	By 2 nd week of July
Deliverable 3: Surveys received from 4 clients and suppliers,	By 2 nd week of August
Deliverable 4: Brief responses analysis, list of suppliers and issues, questions to suppliers, industry associations and clients	By end of August
Deliverable 5: Visit to Turkey (Ford Otosan, Turk Traktor)	By end of September
Deliverable 6: Visit to Russia (Faurecia)	By mid October
Deliverable 7: Visit to Slovakia (Getrag)	By end of October
Deliverable 8: visit to Romania/Moldova (Draexlmaier)	Mid November
Deliverable 9: Report on each client and its suppliers.	One week after the end of each visit
Deliverable 10: Draft sections of the report, lessons and recommendations	By November

Any potential delay should be discussed with and authorised by the EvD OL in advance.

Budget

The consultants are expected to carry out all of the tasks above during the period indicated starting on 1 June and ending by mid-November 2015 for an agreed lump sum contract of GBP 30,000 each, including travel costs and expenses (GBP 60,000 budget for two consultants). The consultants will receive an advance payment of 20% of the total contract amount for the purposes of mobilisation, travel etc. and the balance of the total contract amount payable upon the acceptance by the Bank of all deliverables.

Annex 3: Evaluation design mix

Evaluation Question	Source of Data	Collection Method	Data Limitations
<p>1. <i>Was ex-ante specification adequate?</i> Was there sufficient clarity at the project design/approval stage as to specific expectations for the channels through which supply chain effects were expected to occur; and from this to a plausible set of associated benchmarks and targets, and a monitoring and reporting plan capable of providing useful feedback?</p> <p>2. <i>What were the results at the client level?</i> Has the Bank's financing resulted in increased client contracts with local suppliers (in terms of value and number)? Can a link between such an increase and Bank financing be firmly established? Through which channels has such impact been realised?</p> <p>3. <i>What were the results at the supplier level?</i> What kind of changes in supplier behaviours has the Bank's financing brought about? How much assistance (if any) did suppliers receive from the Bank's client to achieve such changes? To what extent has such assistance has been encouraged by the Bank?</p> <p>4. <i>To what extent has Bank financing contributed to skills/knowledge transfer, forging innovation and advance technological developments?</i> What were the results at the sector or wider economy level?</p> <p>5. <i>What kind of impact has the Bank's financing (in the corporate sector) most frequently had on a project country's wider economy? Was it narrowly focused (e.g. on the client's suppliers) or did it have a wider impact (e.g. in terms of reducing existing supply chain barriers, or improving supply chain structure to enhance efficiency or competitiveness)?</i></p> <p>6. <i>Has the Bank's financing resulted in the development of any new market segments (e.g. emergence of a new product supplier, development of a market for a new project)?</i></p> <p>7. <i>Has the Bank's financing to the client promoted such benefits to the wider economy as e.g. enhanced supplier access to finance, enhanced distribution networks; trade integration; cross-border infrastructure investments, and FDI/ M&A?</i></p> <p>8. <i>Has the Bank's financing had any negative impacts on local suppliers/supply chains or the wider economy?</i></p>	<ul style="list-style-type: none"> – Agribusiness and M&S sectors strategies Selected country strategies – Board reports – loan and equity market review, interviews with client companies management. – Supplier/partner interviews – Independent party interviews (industry associations and competitors) – Government officials/authorities interviews (where applicable, to assess impact on wider economy) – OPAs for selected projects, interviews with OLs and country managers. – TIMs reports, – ESD reports and interviews with Bank's and clients' environmental staff. – Internal bank interviews with OCE, ESD, LTT. – Transition Reports (transition gaps analysis in respect of supply chains) 	<ul style="list-style-type: none"> – Boldnet – Project link, – Desk reviews and internal interviews. – Surveys (Smart Survey software) – Interviews with clients, suppliers/ partners, industry associations and competitors. – Consultants reports – Internet searches 	<ul style="list-style-type: none"> – Difficulty to obtain frank responses from suppliers/ partners – Quality of transition impact benchmarks