June 2008

Annual Evaluation Overview Report for 2008

Evaluation Department
(EvD)

European Bank
for Reconstruction and Development

ANNUAL EVALUATION OVERVIEW REPORT FOR 2008

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ABBREVIATIONS AND DEFINED TERMS

ADB	Asian Development Bank
AEOR	Annual Evaluation Overview Report
BAS	Baltic Advisory Service
BTA	Bank TuranAlem
CEB	Countries of central and eastern Europe and the Baltic states
CIS	Commonwealth of Independent States
CSE	Country Strategy Evaluation
EAP	Environmental Action Plan
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EP	Environmental Performance
ESI	Environmental Social Impact
ESSD	Environmentally sound and sustainable development
ETC	Early transition countries
ETCF	Early Transition Countries Fund
ETCI	Early Transition Countries Initiative
EU	European Union
EUR	Euro
ESD	Environmental and Sustainability Department
EvD	EBRD's Evaluation Department
FI	(1) Financial institutions business group (2) Financial intermediary
FIRR	Financial internal rates of return
FOPC	Financial and Operations Policies Committee
GPS	Good practice standards for private sector evaluation of the ECG
IFC	International Finance Corporation
IFI	International financial institution
IPO	Initial public offering
IUF	Investment under framework
JECF	Japan-Europe Cooperation Fund
LLD	Lessons Learned Database
MC	Management comments
MEI	Municipal and Environmental Infrastructure
MR	Monitoring report
MSE	Micro and small enterprise
MTR	Mid-term review
s**OCE**	Office of the Chief Economist
OCU	Official Cofinancing Unit
OL	Operation leader
OM	Operations manual
OPER	Operation Performance Evaluation Review
OT	Operation team
PCR	Project Completion Report
Phare	EC assistance programme for central Europe
PMM	Portfolio Monitoring Module
PPP	Public-private partnership

RO	Resident office (of EBRD in a country of operation)
RSBF	Russian Small Business Fund
RVF	Regional Venture Fund
SEE	(1) Southern and eastern Europe (2) Countries of southern and eastern Europe
SME	Small and medium-sized enterprises
Tacis	EC Assistance Programme for eastern Europe, the Caucasus and Central Asia
TAM	Turnaround Management Programme
TC	Technical Cooperation
TC Com	Technical Cooperation Committee
TCFP	Technical Cooperation Funds Programme
TI	Transition impact
TIMS	Transition Impact Monitoring System
WB	World Bank
XMR	Expanded Monitoring Report (investment operations)
XMRA	XMR Assessment

ex-ante	before project signing at project appraisal
ex-post	after project signing at post-evaluation

EXECUTIVE SUMMARY OF THE ANNUAL EVALUATION OVERVIEW REPORT FOR 2008

The Annual Evaluation Overview Report (AEOR) synthesises the findings of the EBRD's Evaluation Department (EvD), regarding the Bank's mandate performance, helping the Bank to fulfil its accountability obligations towards the Board of Directors. EvD also helps preserve the corporate memory of the Bank by collecting "lessons learned" through project evaluation and preparation of special studies.

1. INVESTMENT PERFORMANCE JUDGED AGAINST THE BANK'S MANDATE

Overall assessment of Bank performance based on evaluated projects. EvD concludes that the Bank has been relatively successful in operating according to its mandate, especially in view of the difficult operating environment. As highlighted in *Chapter 1 and 7*, the overall performance ratings have improved generally since 2001.

Key performance ratings of investment operations. As highlighted in *Chapter* 1 of the report the EBRD has continued to do well on ***Transition Impact*** (TI) where the Bank's projects continue to score positively, with 79 per cent achieving a *Satisfactory - Excellent* rating for 1996-2007. In respect of ***Overall Performance*** of projects, 58 per cent of evaluated projects achieved *Successful - Highly Successful* ratings during 1996-2007, indicating that the good scores on transition impact are tempered by a more modest financial performance of the projects during the period of observation, compared with original projections. The fact that 21 per cent of the evaluated projects were given a *Negative – Marginal* rating on *Transition Impact* shows that some of the Bank's operations are implemented in difficult environments where obstacles to realising transition impact remain. Of the projects which were evaluated in 2007, 63 per cent achieved a *Successful - Highly Successful* overall performance rating, while 90 per cent were rated *Satisfactory - Excellent* for transition impact.

Performance of country groups. Transition impact over the last three years has been highest in the south-eastern Europe group of countries and in Russia, while projects evaluated in central and eastern Europe and the Baltic States and in other CIS countries score lower on transition impact. Performance in the ETC group of countries continues to improve steadily but still remains lower than in other regions. The full effects of the Early Transition Countries Initiative cannot yet be judged as only a few projects approved since it initiation have reached the evaluation stage.

Performance of sectors. Ratings for *Overall Performance* and *Transition Impact* are now very similar across all three sectors. Formerly Infrastructure projects had better results than projects in other sectors. While this sector has maintained a steady performance in recent years, projects in the Financial Institutions and Industry and Commerce sectors have shown a marked improvement.

2. MONITORING AND EVALUATION OF TRANSITION IMPACT

Review of the Transition Impact Monitoring System (TIMS). In *Chapter 2* it is explained that the Transition Impact Monitoring System which was implemented in January 2003 constitutes an important addition to the Bank's "scorecard". The main objective of the TIMS exercise is to strengthen the monitoring of the transition impact while projects are being implemented. The process requires interventions from the staff of the Office of the Chief Economist (OCE), the Credit/Portfolio Review Unit and the Banking Department.

Comparison of outcomes of TIMS outcomes with EvD evaluations. The report makes a comparison between the outcomes on 138 operations that have been evaluated by EvD and are monitored in TIMS. Although the sample is still small, it appears that EvD's ratings for transition impact are higher than those of OCE. This may be because EvD considers all transition indicators in its ratings, while OCE concentrates on the two or three main transition priorities selected at Board Approval for the project. Furthermore, many operations in TIMS fall into category 5, just below the Bank's threshold of 4. A number of projects in this category could move above the threshold of 4 towards the end of their life, so the differences between TIMS and EvD results may not be as high as they appear in the first instance.

Review of TIMS process and methodologies. EvD reviewed progress on a number of recommendations made in the AEORs of 2004 and 2006, and found that many of them had been implemented. They related to OCE resources, monitoring of project transition covenants, monitoring of TI in PMMs and through Credit Meetings and transmission of findings to ExCom. A recommendation to add a Short Term Realised transition impact rating to TIMS is becoming unnecessary since over the years OCE has been systematically applying a final rating to realised transition impact to completed operations, and has also taken the initiative to tighten up the benchmarking of realised transition impact in its TIMS review checklists. OCE is also taking necessary steps to further improve the quality of the TIMS system and will report to the Board separately on this issue.

EvD also notes the recent OCE paper reviewing how the Bank's appraisal of the transition impact of projects reflects project contributions to environmentally sound and sustainable development. EvD is following this development closely and will interact with Management to ensure that the new approach will allow EvD to adequately evaluate environmental and social as well as transition impact performance of the Bank. EvD understands that the new approach does not lead attention away from the necessary compliance requirements on environment at the project level.

3. OPERATIONAL FACTORS OF PROJECT SUCCESS

In Chapter 3, EvD updates and extends an analysis of factors affecting project performance, which was introduced in the AEOR of 2004. The analysis is extended to 79 investment OPERs issued between 2004 and 2007, of which 58 were rated *Successful* or better overall. In the case of the successful projects, the study concludes that the cause of success was more internal to the project than external (business cycle, government action). However, in unsuccessful projects it finds that external factors are a more significant cause of project failure, especially in the case of infrastructure projects. The chapter concludes by identifying several features which are essential to ensuring project success, including government support for public sector projects, good governance, strong management and attention to the competitive environment. It recommends closer monitoring and more in-depth evaluation of failed projects to learn lessons from them.

4. EVALUATION OF TECHNICAL COOPERATION OPERATIONS

In compliance with its fiduciary responsibility towards the contributors to its Technical Cooperation (TC) Funds Programme, the Bank puts emphasis on the evaluation of TC projects. Accordingly, TC projects are subject to a mandatory self-evaluation process, in the form of Project Completion Reports (PCRs), and to an independent evaluation process on a sample of the PCRs. *Chapter 5* explains that since 1993, when EvD started TC evaluation work, it has conducted 70 operation performance evaluation reviews (OPERs) and 26 special

studies on sectors and themes, covering numerous TC operations. Overall, 20.4 per cent of completed TC operations had been evaluated in-depth through an OPER report by the end of 2007. When TC operations evaluated through special studies are added, the cumulative coverage ratio for the period 1991-2007 is 61.8 per cent. The report reviews the outcomes of key TC evaluations in 2007 and presents lessons learned.

5. VALIDATION BY THE EVALUATION DEPARTMENT OF PERFORMANCE RATINGS ASSIGNED DURING SELF-EVALUATION

The Banking Department prepares a self-evaluation report in the form of an expanded monitoring report (XMR) on each project ready for evaluation. EvD's evaluation may result in different performance ratings than assigned by the operation team in the respective XMRs. As described in *Chapter 7*, XMR ratings were validated by EvD without changing the ratings in 63 per cent of cases. Five per cent of XMR ratings were upgraded by EvD and 32 per cent downgraded. Transition impact was the indicator most likely to be rated lower (41 per cent) by evaluators. As the gap between XMR and evaluation ratings does not appear to be narrowing, EvD and Management should continue actively to train bankers through existing XMR training workshops. It is EvD's view that the differences observed do not represent a cause for concern, but that there is room for improvement. Discussions could be conducted in cooperation with the BGD on Monitoring with those teams which show the most substantial differences in respect of the rating of transition impact.

6. ROLE OF THE AUDIT COMMITTEE IN THE BOARD OF DIRECTORS' OVERSIGHT OF THE EVALUATION FUNCTION

Chapter 6 lists the evaluation reports that have been discussed in the Audit Committee during 2007. It highlights a number of key issues on which the Committee commented during the year, including country strategy evaluation, evaluation coverage, joint evaluation with other MDBs and the importance of formulating an equity policy. EvD will present the issue of country strategy evaluation to the Audit Committee after a forthcoming ECG report on good practice standards becomes available in the second quarter of 2008. A report by EvD on evaluation coverage has been prepared recently.

7. CHIEF EVALUATOR'S ASSESSMENT

Overall Performance of EBRD activities based on evaluation findings. *Chapter 7* starts with a presentation of the overall performance of the Bank based on evaluated projects since 1996 as mentioned under section 2 above. The Chief Evaluator proposes that in future Annual Reports of the Bank, a summary of evaluation performance data be presented early in the report, in the section where the Bank presents highlights of its financial performance. In addition, it is suggested that the Bank should consider presenting more detailed information on expected transition impact of projects along side data on transition potential.

The independence of the Evaluation Department assessed. The Chief Evaluator highlights a letter sent in 2007 by the Chair of the Evaluation Cooperation Group (ECG) to MDB Presidents and Boards of Directors, on the subject of independence of evaluation. In 2005, the new Evaluation Policy was amended to make the Chief Evaluator responsible only the Board of Directors as a whole. In the fourth year of implementation of the policy, the Chief Evaluator concludes that independence of the evaluation department is functioning well, also thanks to some improvements that have been made, which still need to be integrated in the Evaluation Policy:

1. Agreement on "Access to Information" by staff in the Evaluation Department as concluded between Management and EvD in 2006;
2. System of Follow-up of Evaluation Recommendations approved by the Board in 2006 and fully implemented in 2007;
3. Efficiency improvement through the introduction of a "light" short version of the Expanded Monitoring Reports in cases where an XMR Review is made by EvD and no more extensive evaluation product such as an OPER report or XMR Assessment is prepared; the "light" version XMR can also be an efficient self-evaluation product in cases of frameworks.

The Chief Evaluator reminds the Board of Directors that it still needs to take a decision on the "selection process" when a new Chief Evaluator needs to be appointed.

Assessment of environmental/social issues. The Chief Evaluator recommends that EvD and ESD work together in the coming six months to:

(1) Review and jointly report on the Special Study findings of the "2003 Environmental Policy Review" and OPER findings of the past 2 years in relation to Environmental Categorisation;
(2) Taking into account the new 2008 Environmental and Social Policy requirements; ESD should prepare a guidance note on categorisation that would guide Banking and ESD staff in advance of implementation of the new Policy. Clarity on the process of categorisation and requirements should also be incorporated into the new Environmental and Social Procedures, which will be provided to the Board of Directors for information.

Process review of the system of follow-up of evaluation recommendations 2008. Since the Evaluation Department became fully independent from Management in June 2005, Management has had the opportunity to provide formal Management Comments (MCs) to evaluation reports. In 2006, the Board of Directors confirmed a new system on follow-up of evaluation recommendations by Management, as proposed by EvD in the AEOR of that year. The Chief Evaluator reviews this process and concludes that it worked well and that many lessons have been learned.

1. PERFORMANCE OF INVESTMENT OPERATIONS ASSESSED AGAINST THE EBRD'S MANDATE

1.1 INTRODUCTION

The European Bank for Reconstruction and Development's (EBRD) Evaluation Department (EvD) helps preserve the corporate memory of the Bank by evaluating projects, strategies and policies as well as by carrying out special studies on sectors, programmes and special themes. The way in which EvD carries out evaluations is presented in the Bank's evaluation policy.[1]

EvD synthesises its overall findings, including the Bank's performance on its mandate, in this Annual Evaluation Overview Report (AEOR). It thereby complies with its *accountability obligations* towards the Board of Directors. In order to ensure an optimal *lessons learned orientation*, EvD assists the Banking teams and others during the early stages of project preparation in using the relevant lessons. This process ensures that this experience is applied to the selection and design of future projects.

Experience gained from the Bank's past performance as well as the generic and specific lessons and recommendations presented in this and other evaluation reports are also available for the Bank's future strategic orientation. Management's Comments to this report are presented to the Board of Directors in a separate communication in parallel to this document. This chapter presents the Bank's overall performance of evaluated projects and the performance on its mandate over the period from 1996 to 2007.

1.2 EVALUATION PERFORMANCE INDICATORS

By the end of 2007, 1,371 investment operations of the Bank's total cumulative portfolio of 2,600 operations had reached a stage where they were ready for evaluation. For the purposes of calculating the evaluation coverage ratio, EvD separates 382 investments that fell under large frameworks and investment programmes because their inclusion would distort the coverage figures.[2]

For evaluation purposes, EvD sometimes groups individual yet linked operations into one report. This has resulted in a total of 601 individually rated projects, of which 574, evaluated since 1996, form the basis of the analysis. These 574 evaluations cover 710 of the 989 regular operations ready for evaluation. This represents a coverage ratio of 72 per cent. However, this coverage ratio, which is based on cumulative figures, has dropped to almost 60 per cent in more recent years.

The evaluation activities also covered a number of large frameworks, comprising an additional 355 investments under frameworks. A well balanced sector and country coverage in the sample of evaluated projects has secured a broad representation of the overall portfolio of the Bank. Section 1.3 of this chapter and Section 10 of Appendix 8 provide further details about the size and representation of the sample of evaluated projects.

The evaluation performance indicators, which allow EvD to assign the *overall performance* rating, are primarily based on the Bank's mandate to foster transition in its countries of operations. The relevant indicators consist of the following:

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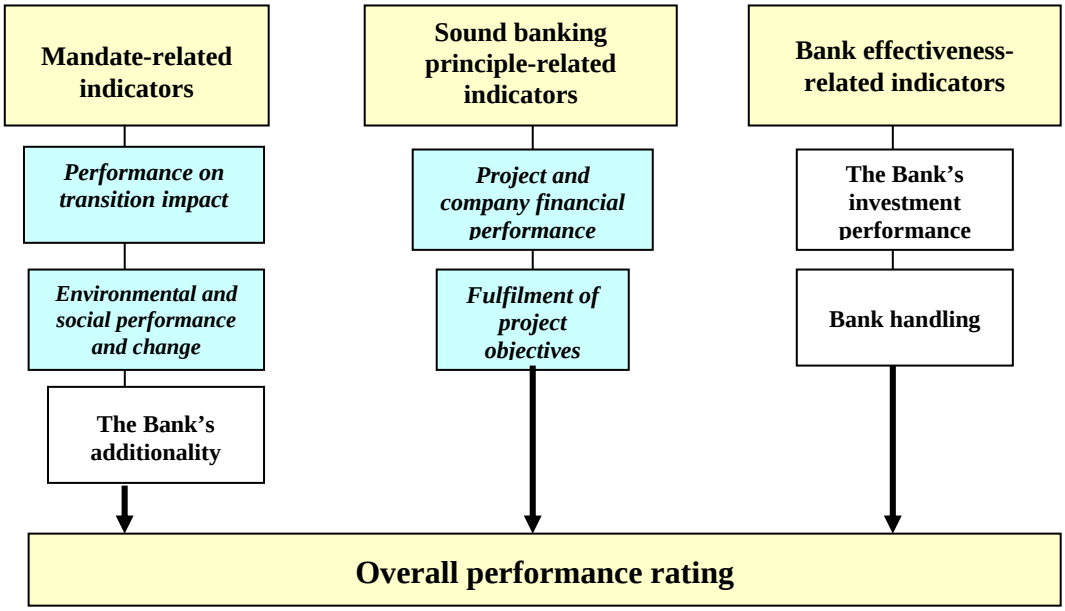
[1] The evaluation policy of the EBRD is presented on the Bank's web site at www.ebrd.com/projects/eval/showcase/core.htm.

[2] The Bank counts all the individual investments under frameworks, while EvD generally evaluates the framework as a whole. Hence, a decision to evaluate one large framework would add dozens of operations to the number evaluated by EvD. Excluding these frameworks, EvD has evaluated a total of 738 (or 75 per cent) of the 989 investment operations ready for evaluation.

Diagram 1: Evaluation performance indicators[3]



The indicator boxes that are presented above in Diagram 1 (blue boxes) constitute the indicators that define "results on the ground" and as such make up the *transition outcome* rating.[4]

The evaluation of *transition impact* focuses on the broader effects that the project has on the sector and economy at large. Three key areas covering seven transition impact indicators, which are used by the Bank during the screening and approval of projects, are applied when evaluating transition impact in Bank projects:

A. PROJECT CONTRIBUTIONS TO THE STRUCTURE AND EXTENT OF MARKETS
1. Greater competitive pressures
2. Market expansion via linkages to suppliers and customers

B. PROJECT CONTRIBUTIONS TO MARKET ORGANISATIONS, INSTITUTIONS AND POLICIES THAT SUPPORT MARKETS
3. Increased private sector participation
4. Institutions, laws, regulations and policies that promote market functions and efficiency

C. PROJECT CONTRIBUTIONS TO BUSINESS BEHAVIOUR
5. Transfer and dispersion of skills
6. Demonstration effects and innovation
7. Higher standards of corporate governance and business conduct

EvD assigns a rating to the *short-term verified transition impact* of a project that can be checked at the post-evaluation stage. A rating is also assigned to the *longer-term transition impact potential* that can still be realised. EvD then reviews the *risk* that the project may not realise its full transition potential and assigns a rating of *Low*, *Medium*, *High* or *Excessive* risk.

[3] Details on the EBRD's operation performance rating system at post-evaluation, with details on the benchmarks for each of the rating criteria, are presented in Appendix 1 of "Evaluation Policy of the EBRD", which is posted on EBRD's web site at www.ebrd.com.

[4] Presenting evaluation findings based on "results on the ground", that is, on *transition outcome*, makes the findings more comparable with other multilateral development banks (MDBs). See further details in Appendix 8, Section 1.

Appendix 7.1 presents the list of transition objectives that is used by EvD and the Office of the Chief Economist (OCE) when assessing transition impact *ex-ante* (before project signing) and *ex-post* (after project signing at post-evaluation). The transition matrices highlighted in Appendix 7.2 for projects evaluated in 2007 illustrate how EvD deals with measuring *ex-post.* Appendix 8 gives details on the *overall performance* scores and shows how the seven underlying performance rating categories behave for all evaluated projects.

The main findings of the detailed analysis presented in Appendix 8 are described in Sections 1.4 to 1.8 of Chapter 1. Appendix 11 presents detailed descriptions of the benchmarks attached to ratings for overall performances (*Highly Successful*, *Successful* and so on) and for the individual seven rating categories (*Excellent*, *Good*, *Satisfactory* and so on).

1.3 EVALUATION SYSTEM AND JOINT EVALUATION

1.3.1 Functioning of the evaluation system

The evaluated operations referred to in this AEOR are based on

- the post-evaluation of a sample of evaluated projects undergoing an operation performance evaluation review (OPER)
- the assessment of expanded monitoring reports (XMRs), the self-evaluation reports prepared by operational staff.

With the existing evaluation system, EvD fulfils the objective of evaluating a sufficient number of operations and fully complies with its *accountability objective* by covering all of the Bank's ready operations with different degrees of evaluation intensity. This involves looking at all self-evaluation reports that are produced by operation staff during the year.

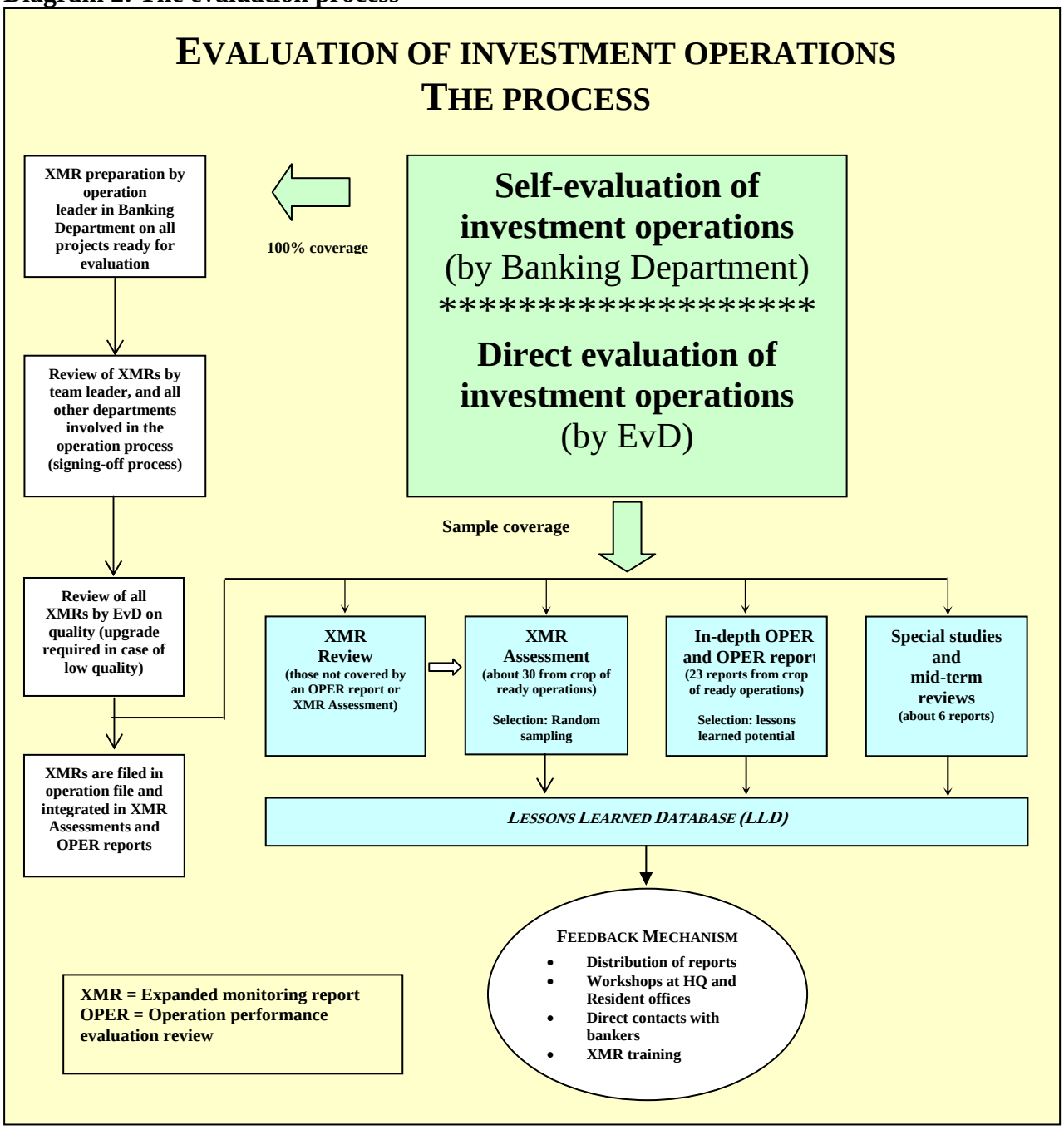
The *quality management objective* is adequately fulfilled through gathering lessons when carrying out OPERs and maintaining a sophisticated lessons learned dissemination process. Here, evaluation staff provide lessons through the lessons learned database (LLD) to operation staff so that this important material is available early on during the project appraisal and preparation process. EvD staff check on the use of lessons through reviewing the quality of the "Lessons from past experience" section in operation reports before Board approval.

EvD is of the view that the self-evaluation system works well in generating lessons learned. This system requires operational staff to prepare XMRs while evaluation staff provide bankers with the necessary assistance during the preparation of the self-evaluation documents. However, as suggested in Chapter 5, there is room for improvement in respect of assigning performance ratings by operational staff during the self-evaluation process.

As in previous years EvD conducted an analysis that compared the ratings assigned to projects by bankers with the ratings assigned by EvD during the validation process of performance ratings in the self-evaluation XMR reports. The overall level of downgrades by EvD over the past years stays at a level of just over 30 per cent. Transition impact was the indicator downgraded most by EvD (in 41 per cent of the cases). The regular training sessions for bankers on the preparation of their XMRs, which are conducted by EvD, aim at further improving the quality of the self-evaluation process.

The process of evaluation and self-evaluation of investment operations is presented in Diagram 2.

Diagram 2: The evaluation process



1.3.2 Project selection for evaluation

In line with the Bank's evaluation policy, OPER exercises are normally undertaken by EvD after the investment has been made, that is, 18 months after last disbursement of a loan and two years after last disbursement of equity. In addition, at least one year of commercial operation, evidenced by one year of audited financial accounts, must have occurred. In 2007 a total of 29 projects ready for evaluation were evaluated through 24 OPER reports. This was based on a purposive sample that comprised 30 per cent of operations ready for evaluation.[5]

The XMR assessments (XMRAs) carried out by EvD comprised a total of 30 projects (or 31 per cent of ready operations) and are selected on a random basis. Evaluation, therefore, covered a total

[5] Projects ready for evaluation on which an OPER report is prepared are selected on a purposive basis. This means that projects are selected based on lessons-learned potential, risk for the Bank, a project's high profile and so on.

of 61 per cent of projects ready for evaluation in 2007. Appendix 8, Section 1.3 presents the selection methodology of projects for evaluation.

1.3.3 Joint evaluation

Over the past years the Audit Committee of the Board of Directors has emphasised the importance to carry out evaluation exercises jointly with other international financial institutions (IFIs) and bilateral institutions. The first joint evaluation exercise took place in 1997 when EvD evaluated the Bank's Regional Venture Funds (RVFs) jointly with the European Commission (EC).

In 2005 one project in Croatia was jointly evaluated with the Council of Europe Development Bank in Paris thereby gaining further experience. In 2006 EvD evaluated an environmental project in northern Russia together with the European Investment Bank. The results were shared with the Nordic Investment Bank. Information was also shared with the Asian Development Bank (ADB) on a small and medium-sized enterprise (SME) project in Uzbekistan.

During 2007 EvD cooperated with the Independent Evaluation Group of the International Finance Corporation (IFC) on two evaluations: a bank in south-eastern Europe and a pipeline project. EvD will expand its joint evaluation activities with other IFIs over the coming years as this is an important area of learning. EvD reported in more detail on joint evaluation in its Work Programme Completion Report for 2007 (BDS08-050 [Rev 1]).

1.4 OVERALL PERFORMANCE

From 1996 to 2007, 58 per cent of evaluated operations were given *Successful* or *Highly Successful* ratings.[6] This is shown in Chart 1.1 below, which presents the cumulative scores of the overall performance ratings are presented.

For the period from 1996 to 2007, 58 per cent of evaluated operations were given *Successful* or *Highly Successful* ratings on overall performance.

As highlighted in Chart 1.2 below, in 2004 the *Successful* and *Highly Successful* rated projects reached 73 per cent. This is a very high level compared to previous years. They have been somewhat lower since then, totalling 63 per cent in 2007. This level is more in line with the steady improvement observable since hitting a low point of 46 per cent in 2001.

The level also remains higher than in any year before 2004. The proportion of projects rated *Highly Successful* rose from none in 2001 to 19 per cent in 2006 but dropped back to six per cent in 2007. At the same time, the number of projects with an *Unsuccessful* rating has remained steady at around nine per cent since 2003.

[6] Weighting by volume of investment yields better results, with 72 per cent *Successful* or higher and 18 per cent *Partly Successful*. The *Unsuccessful* ratings share is 10 per cent.

Chart 1.1: Overall performance, cumulative percentage distribution of assigned ratings (574 investment operations evaluated 1996-2007)

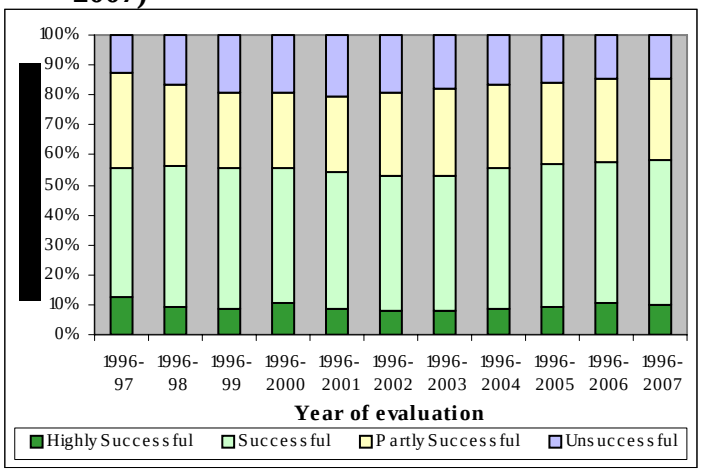
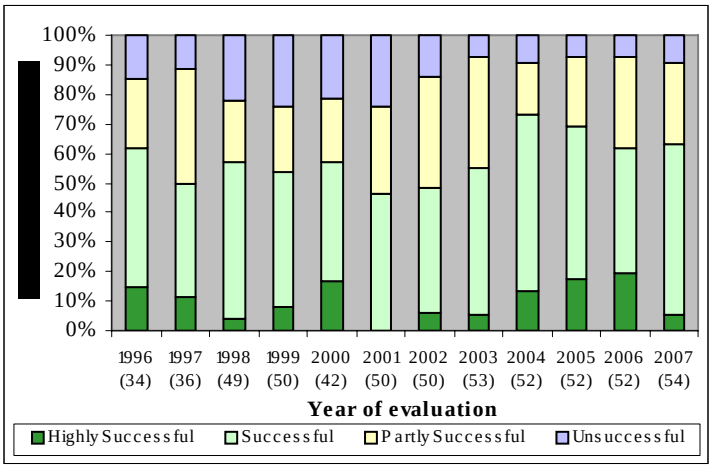


Chart 1.2: Overall performance, percentage distribution of assigned ratings (574 investment operations evaluated 1996-2007)



The cumulative overall performance outcome of 58 per cent with positive scores may seem modest compared with the average score on transition impact which, at 79 per cent *Satisfactory* to *Excellent*, is much higher than the above score on the overall performance (see Section 1.5). However, experience has shown that projects scoring *Satisfactory* on transition impact tend to be associated with an overall rating of *Partly Successful*.[7]

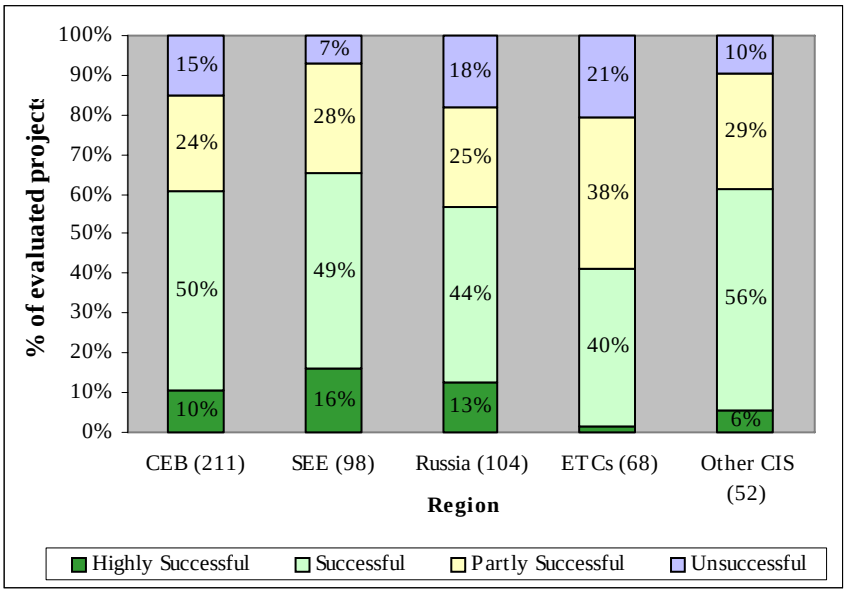
Indeed, the number of projects rated *Good* to *Excellent* for transition impact (55 per cent) is more closely aligned to the results for overall performance. In addition, the relatively lower than average rating on financial performance (66 per cent rated *Satisfactory* to *Excellent* and only 41 per cent rated *Good* or *Excellent*) partly drives the outcome on overall performance (see Section 1.7).

Many regions in which the Bank operates remain risky from an investment perspective. Chart 1.3 below shows the breakdown of overall performance ratings by country groups for all investment operations evaluated since 1996. The performance of projects in Russia has improved in recent years. Therefore, the region is now only slightly behind others in overall performance ratings. Only projects in early transition countries (ETCs) are significantly less successful than projects in other regions.[8]

[7] Of the 137 projects rated *Satisfactory* on transition impact since 1996, 75 had an overall performance rating of *Partly Successful*.

[8] The ETCs are Armenia, Azerbaijan, Georgia, the Kyrgyz Republic, Moldova, Mongolia, Tajikistan and Uzbekistan.

Chart 1.3: Percentage distribution of overall performance ratings on 533 post-evaluated investment operations in 1996-2007 by country groups



Note: 41 regional projects are omitted

The analysis in Section 2.3 of Appendix 8 shows, however, that performance in ETCs is better than in the late 1990s when only 27 per cent were rated *Successful* or better. In the period from 2000 to 2003, the figure was 41 per cent. In 2004 to 2007, 50 per cent of projects in this sector were rated *Successful* or better including, for the first time in 2007, a *Highly Successful* project. Furthermore, the proportion of *Unsuccessful* projects in this region has fallen from 33 per cent in the late 1990s to only 13 per cent in 2004 to 2007.

ETCs have suffered from political instability and face difficult transition challenges. This is mainly due to

- the small size of domestic and export markets
- underdeveloped financial systems
- public governance issues
- corruption.

This very poor investment climate results in a low level of foreign investment and creates major challenges which the EBRD has sought to address through its Early Transition Countries Initiative (ETCI). So far only a relatively small number of projects approved under the ETCI have become ready for evaluation. As this number increases, it will become possible to comment on the impact of the initiative.

1.5 TRANSITION IMPACT AND ENVIRONMENTAL AND SOCIAL PERFORMANCE AND CHANGE

1.5.1 Performance on transition impact

Charts 1.4 and 1.5 below present the performance ratings on transition impact, applying the six-point rating scale that was introduced in 1999. Of the total 574 projects evaluated in 1996 to 2007, 79 per cent achieved *Satisfactory* to *Excellent* ratings.

For the period from 1996 to 2007, 79 per cent of evaluated operations obtained *Satisfactory* to *Excellent* ratings on transition impact.

This is a very important accomplishment. It led the Chief Evaluator to formulate a positive statement on the Bank's mandate compliance in Chapter 7. However, 21 per cent of the evaluated projects obtained a rating of *Negative* to *Marginal*. This shows that the Bank operates in difficult environments where many obstacles to transition remain.

Chart 1.5 shows that ratings for transition impact have risen significantly from a low point in 2001, when the repercussions of the Russian financial crisis of 1998 had a severe impact on evaluation outcomes (see Section 3 of Appendix 8 for further analysis).[9] Unusually good results in 2004 have again been followed by a drop in the period from 2005 to 2007.

However, the results for 2007 are still better than in most years before 2004. The proportion of projects rated *Excellent* has continued to rise, although the proportion rated *Good* has fallen since 2004. In 2007 very few projects (around 10 per cent) were rated less than *Satisfactory*.

Chart 1.4: Cumulative percentage distribution of transition impact ratings on 574 post-evaluated investment operations in 1996-2007

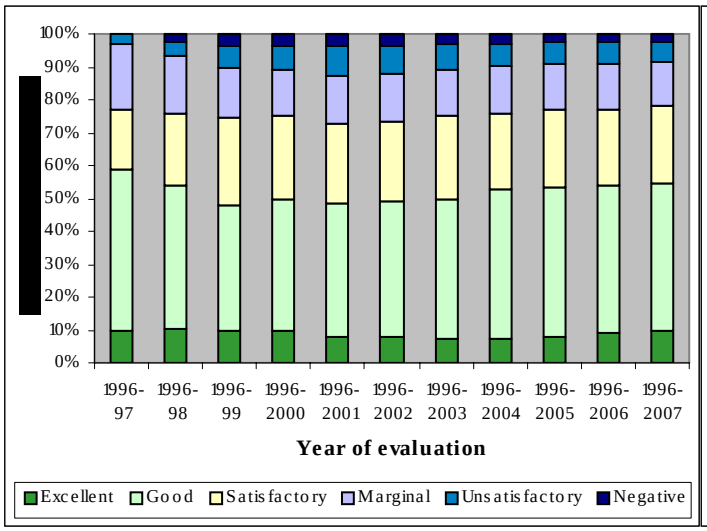


Chart 1.5: Percentage distribution of transition impact ratings on 574 post-evaluated investment operations in 1996-2007

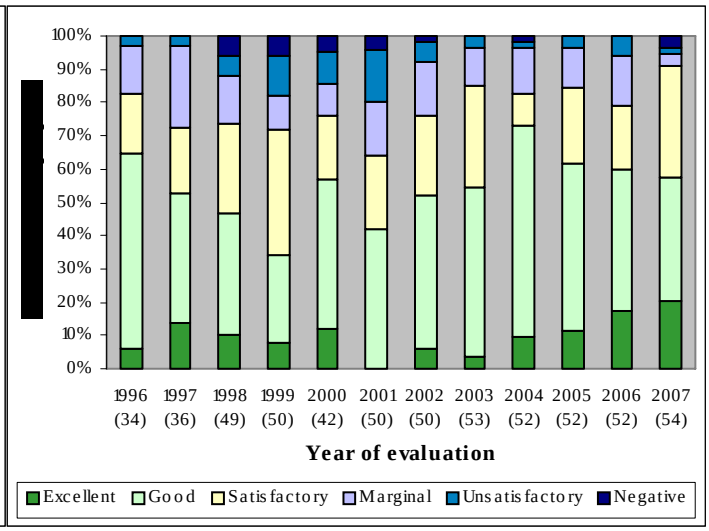


Chart 1.6 below presents the transition impact (TI) rating distribution by country groups of the 533 projects evaluated from 1996 to 2007, after a deduction of 41 regional projects. The best performance is found in south-eastern Europe (SEE). The time-sequence analysis in Appendix 8, Section 3.3 shows that the number of projects rated *Satisfactory* to *Excellent* for transition impact has risen in every region compared to the period from 2000 to 2003.

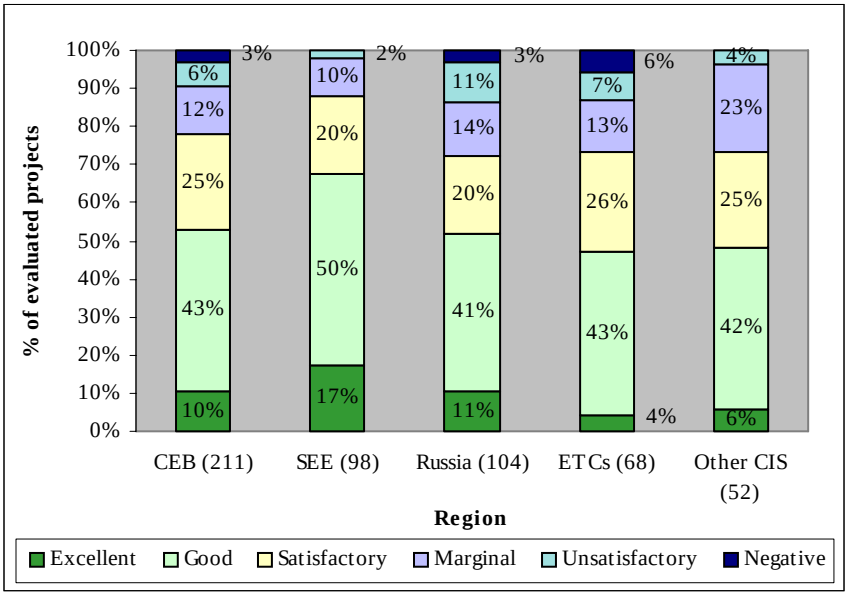
The region has had the lowest transition impact ratings in recent years (77 per cent *Satisfactory* to *Excellent* in 2004 to 2007) and is also the only region showing a fall in projects rated *Good* and *Excellent*. In the ETCs the proportion of projects rated *Satisfactory* to *Excellent* for transition impact reached 80 per cent in the period from 2004 to 2007. This is lower than in most other regions but a continuing improvement on previous years.

It reflects a strong improvement in the financial performance of projects in this region. This is further described in Section 1.7. Positive financial performance, where the sustainability of a project is not threatened, is a necessary condition for transition impact. Nevertheless, it is not a

[9] Most of the projects evaluated in 2001 were approved by the Board in or before 1998 and, therefore, potentially affected in their early stages by the 1998 financial crisis.

sufficient condition on its own as some financially successful projects can still score low on transition impact.

Chart 1.6: Percentage distribution of transition impact ratings on 533 post-evaluated investment operations in 1996-2007 by country groups

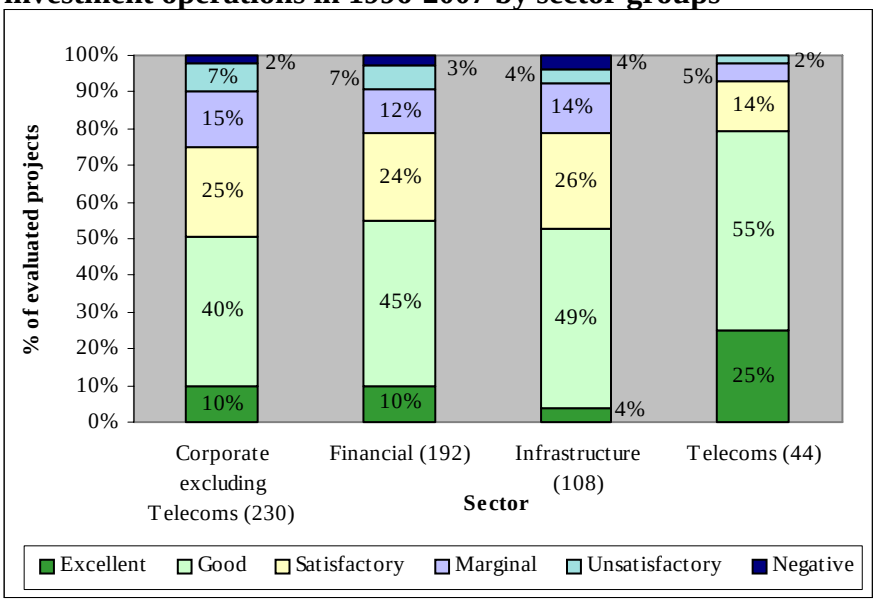


Note: Forty-one regional operations are omitted.

Chart 1.7 shows assigned TI ratings by sector. Differences in results between sectors that had been observed in past years have become much less apparent. In recent years, transition impact has improved in both the financial and corporate sectors. In the corporate sector, formerly the weakest performer, 62 per cent of projects are now rated *Good* or *Excellent* for transition impact.

Only 50 per cent of infrastructure projects, formerly the best performing sector for projects evaluated between 2004 and 2007, were rated *Good* or *Excellent* although another 32 per cent were rated *Satisfactory*. The financial sector is now the best performing sector, containing 69 per cent of projects rated *Good* or *Excellent* in the period from 2004 to 2007 (see Appendix 8, Section 3.4).

Chart 1.7: Percentage distribution of transition impact ratings on 574 post-evaluated investment operations in 1996-2007 by sector groups



Note: Infrastructure includes municipal, power, energy efficiency and transport. Industry and commerce includes agribusiness, general industry, natural resources, property/tourism and telecommunications.

1.5.2 Environmental and social performance and environmental change

The EBRD was established with a specific environmental mandate. Article 2, Clause (vii) of the Agreement Establishing the EBRD encourages the Bank "to promote in the full range of its activities environmentally sound and sustainable development". Environmental and social performance is included in the *ex-post* assessments.[10]

As presented in Chart 1.8 and 1.9 below, environmental and social performance in the period from 1996 to 2007 was rated *Good* or *Excellent* in 56 per cent of cases and *Satisfactory* in a further 31 per cent. Over the period from 1996 to 2007, only three per cent of the projects evaluated were rated *Unsatisfactory* in respect of environmental and social performance and none were rated *Highly Unsatisfactory.*

For the period from 1996 to 2007, 87 per cent of evaluated operations obtained ratings of *Satisfactory* to *Excellent* on environmental and social performance.

[10] Environmental performance of projects is measured by accumulating the following environmental and health and safety performance indicators: *environment* (the status of the environment in the project vicinity), *health and safety* (the way in which health and safety and respective risk assessment systems are effectively applied and the extent of compliance in this respect), *pollution loads and energy efficiency* (the extent to which the emissions are significantly lower that the regulatory limits), *environmental management* (the level of compliance with the agreed environmental action plan) and *public consultation and participation* (whether the public consultation and participation has been carefully planned and organised with a responsible person in charge). It is important to note that from 2003 onwards, the social elements were incorporated in the new environmental policy. From that time onwards the rating category covers environmental as well as social performance.

Chart 1.8: Cumulative ratings on environmental and social performance (1996-2007)

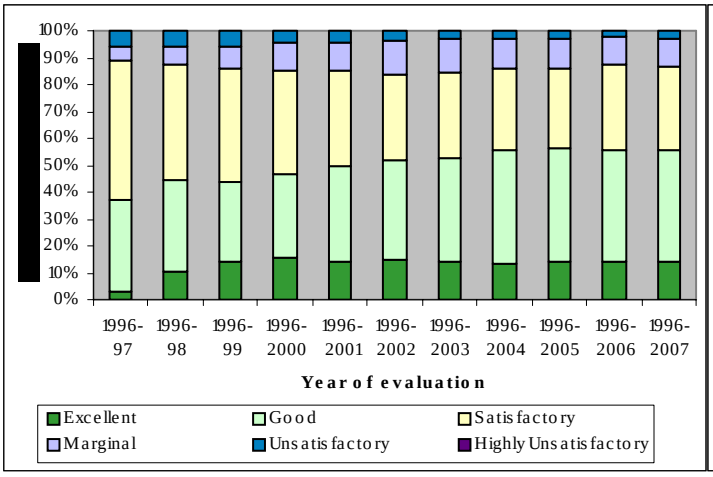
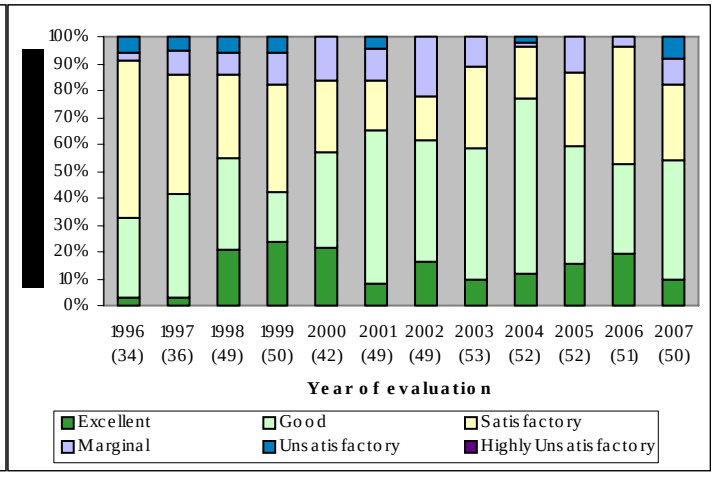


Chart 1.9: Ratings on environmental and social performance (1996-2007)



In terms of environmental change, 23 per cent of the evaluated projects were rated *Substantial* or *Outstanding*, while 53 per cent achieved *Some* environmental change.[11] In previous AEORs, EvD noted that the Bank achieved its most impressive results for environmental change in category A projects (which are judged on entry to represent significant environmental liability).[12] This observation implies that the EBRD is best able to achieve its environmental mandate in projects that present the largest amount of environmental risk.

The Banking Department and the Environmental and Sustainability Department have been emphasising appropriate measures to mitigate risk for projects in this category. Cumulative results through this year confirm this observation: 54 per cent of category A projects have achieved *Outstanding* or *Substantial* environmental change in the period from 1996 to 2007, compared to 23 per cent of all projects during the period. Ninety-three per cent of category A projects and 76 per cent of all projects achieved at least *Some* environmental change.

EvD considers the above ratings for environmental and social performance and change to be positive. It is particularly noteworthy that the potential for change is not a primary consideration at the time of project selection, except in areas that have a significant environmental impact, such as energy efficiency, municipal and environmental infrastructure (MEI) and a few other sectors.[13] Further details on environmental performance and change are presented in Appendix 8, Section 7 and in Chapter 7.

1.6 THE BANK'S ADDITIONALITY IN PROJECTS

Since the establishment of the EBRD, the Bank's additionality in projects has been very good in the majority of cases.[14] On a cumulative basis, from 1996 to 2007, 62 per cent of the projects

[11] The extent of environmental change (environmental impact) is measured as the difference between the environmental performance before the project started and its performance at the time of evaluation.

[12] The EBRD's environmental categories are defined on the web site at www.ebrd.com/about/policies/enviro/procedur/procedur.pdf. Category A projects are those projects presenting the greatest environmental risk.

[13] The initiatives in respect of energy efficiency of the Bank might improve the ratings on environmental change in the coming years.

[14] 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.

evaluated rated the Bank's additionality as *Verified in All Respects*, 27 per cent *Verified at Large* and only 11 per cent *Verified in Part* or *Not Verified* (Chart 1.10).

The Bank's additionality in projects was rated *Verified in All Respects* and *Verified at Large* in 89 per cent of the cases for the period from 1996 to 2007.

Chart 1.10: Cumulative ratings on the Bank's additionality (1996-2007)

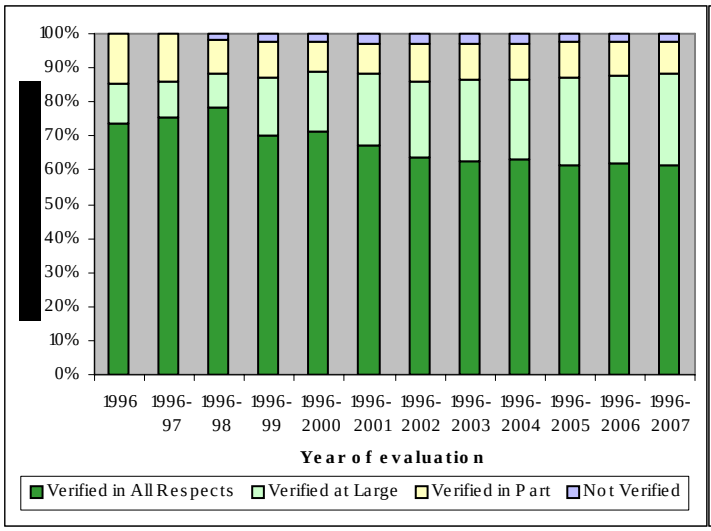
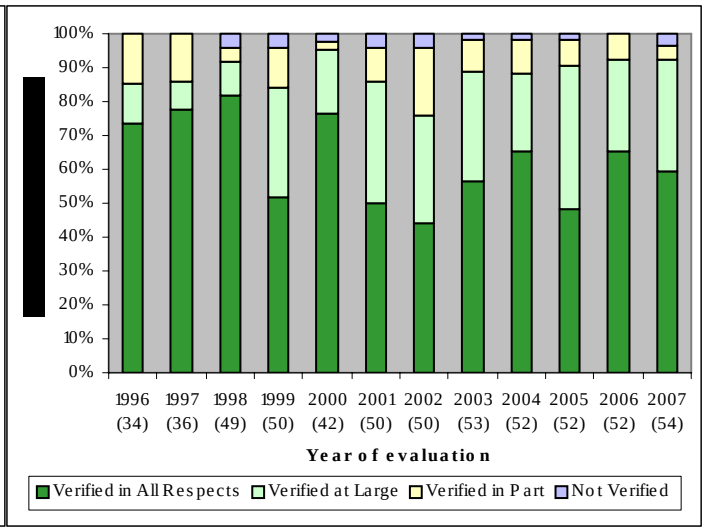


Chart 1.11: Ratings on the Bank's additionality (1996-2007)



Compared with the previous year, the figures in Chart 1.10 and Chart 1.11 show very little variation for additionality in both the *Verified in All Respects* and the *Verified at Large* categories. Looking just at the *Verified in All Respects* category, additionality from 2001 onwards has been much lower then in the late 1990s but has shown no obvious pattern in recent years.

Section 4.2 of Appendix 8 shows that in Russia, the ETCs and SEE, projects evaluated in the period from 2000 to 2003 had lower additionality than those evaluated in the 1990s. However, there has been an improvement in recently evaluated projects. CEB and Other CIS show a continuing fall in the number of projects rated *Verified in All Respects*. By far the majority of all the projects rated *Not Verified* or *Verified in Part* (53 out of a total of 68, or 78 per cent) are found in CEB or Russia.

Additionality ratings by sector and over the same periods as above show that the financial institutions sector has recovered somewhat from a downturn in 2000 to 2003. Outcomes in the infrastructure and corporate sectors have continued to fall in terms of projects rated *Verified in All Respects*, while performance has been consistent or even improved if projects rated *Verified at Large* are also considered.

1.7 PROJECT FINANCIAL PERFORMANCE[15]

Project financial performance compares the findings at evaluation with the original expectations when the project was appraised. These findings show that the share of investment operations that achieved ratings of *Satisfactory* to *Excellent* on project financial performance has improved over several years from a 2001 low point of 42 per cent to 81 per cent in 2007. The total score in these categories over the period from 1996 to 2007 was 66 per cent.[16] Almost one in six of all project financial performance ratings, however, remain *Unsatisfactory* or *Highly Unsatisfactory*.

Project financial performance was rated *Satisfactory* to *Excellent* in 66 per cent of the cases for the period from 1996 to 2007.

Chart 1.12: Cumulative ratings on project financial performance (1996-2007)

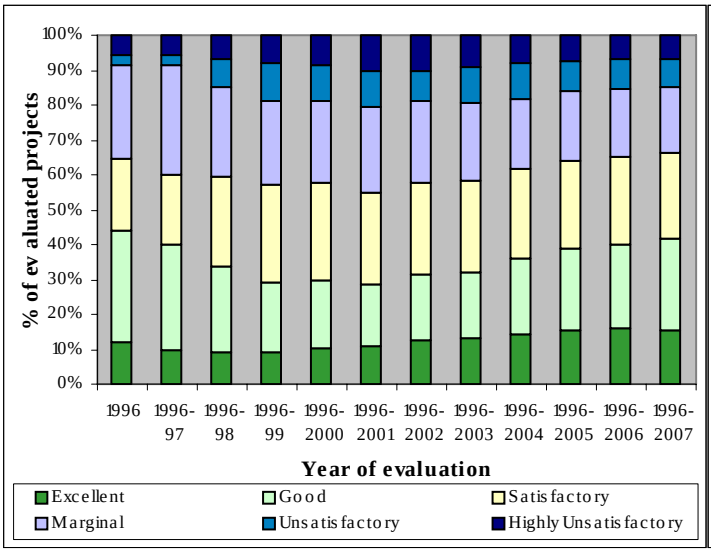
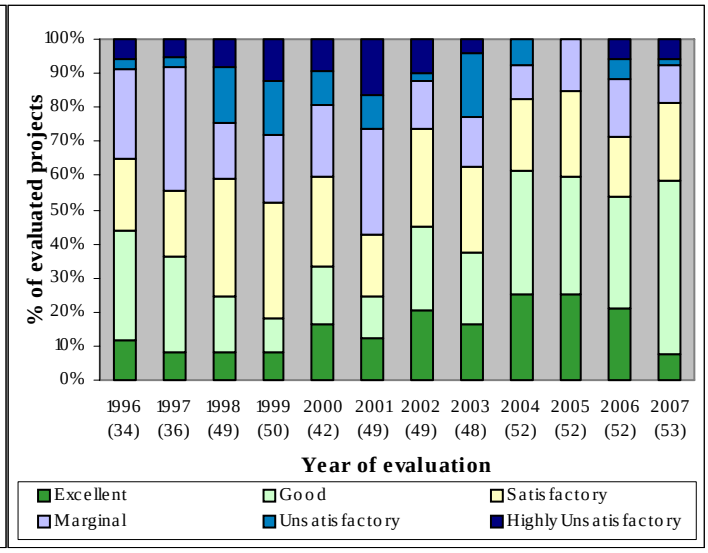


Chart 1.13: Ratings on project financial performance (1996-2007)



Evaluation data support the fact that financially sustainable projects are more difficult to achieve in the earlier transition countries, particularly in the ETCs where systemic constraints and risks are high. The percentage of projects rated *Satisfactory* to *Excellent* for financial performance is as low as 49 per cent in the ETCs (Appendix 8, Section 5). Nevertheless, this is a clear improvement over previous years. The limited results show the need to focus attention on the systemic constraints at sector level that are likely to directly affect the financial performance of the project. Good results were obtained for the "Other CIS" group of countries but this was mostly due to good performance in Ukraine.

The best performing sector in recent years has been the financial sector, where 86 per cent of projects evaluated in the period from 2004 to 2007 achieved a *Satisfactory* or better rating for project financial performance. There has been very little difference between the other two sectors, as the corresponding figure is 76 per cent for the corporate sector and 78 per cent for the infrastructure sector. Infrastructure shows the lowest proportion of projects rated either *Excellent* or *Highly Unsatisfactory*. This perhaps reflects the relative stability of projects in this sector as many projects are either state-run or have some state or municipal involvement.

[15] In Appendix 8, Section 5, more details are given on project financial performance while in the same section company financial performance is also dealt with.

[16] The project financial performance by volume of investments is *Good or Excellent* for 48 per cent of evaluated projects.

1.8 FINDINGS AND CONCLUSIONS BASED ON PERFORMANCE OF EVALUATED OPERATIONS IN 2007

Results of evaluated operations in 2007 as described in this chapter have fallen a little from the exceptionally high levels of 2004. However, it is still early to say that a new downward trend is visible. Russia in particular has continued its improved performance of recent years. Only the ETCs still lag behind other regions. More detailed findings and conclusions are the following:

- In total 58 per cent of the evaluated projects in the period from 1996 to 2006 achieved *Successful* to *Highly Successful* **overall performance** ratings, a lower outcome than for transition impact alone. This mainly reflects the modest financial performance of projects compared with original projections. Of evaluated projects in the period from 1996 to 2007 a total of 79 per cent scored positively on **transition impact**.

  These outcomes reflect the overall performance of Bank projects and highlight their transition impact. They differ from the financial results of the Bank which have been very positive over the past years as described in the Bank's annual reports.

- **Performance ratings across all the indicators** show a pattern of recovery from a low point in 2001 and 2002, which was due to the Russian crisis of 1998. Improvements in performance ratings for most indicators have levelled off in the past two to three years, though transition impact ratings continue to improve. However, there is variation among regions and sectors, with performance in the ETCs still lagging behind other regions.

- **Transition impact** over the last three years has been highest in the evaluated projects in the SEE group of countries and in Russia, while projects evaluated in CEB and Other CIS countries score lower on transition impact.

- Performance of evaluated projects in the **ETC group of countries** continues to improve steadily but still remains lower than in other regions. The full effects of the ETCI cannot yet be judged as only a few projects approved since its initiation have reached the evaluation stage. As mentioned in previous years, continued focus should be given to project quality in the ETC group through improved project selection, Banking monitoring mechanisms and more institutionally targeted TC that is supported by an enhanced policy dialogue.[17]

  This will ensure that the improvements in overall project performance since the late 1990s are not lost. It is important to enable this group of countries to reach and maintain a level of performance comparable to the higher levels seen in other regions several years ago.

- The level of projects rated at least *Verified at Large* for **additionality** has remained steady for the last four years.

[17] In 2007 EvD carried out an evaluation of the ETC Fund (SGS/07-188) which was discussed in the Audit Committee on 7 March 2008 (see Section 4.3.2 of this report for further details).

2. MONITORING AND EVALUATION OF TRANSITION IMPACT

2.1. INTRODUCTION

The Transition Impact Monitoring System (TIMS), which was approved in December 2002 and implemented in January 2003, constitutes an important addition to the Bank's "scorecard" that has been developed over the past years. The main objective of the TIMS exercise is to strengthen the monitoring of the transition impact whilst projects are being implemented.[18] The process requires interventions from the OCE staff, the Credit/Portfolio Unit and the Banking Department.[19] The OCE is responsible for operating TIMS with the help of the Banking Department.

EvD paid regular attention to the developments of the entire process as well as to TIMS findings and ratings.[20] Given the continuous growth in TIMS activities, it is useful to provide an updated comparison between TIMS outcomes and the EvD evaluations for a sample of 138 operations. These have all an *ex-ante* as well as an *ex-post* transition impact rating, as presented in Section 2.2. Section 2.3 focuses on the TIMS processes and methodologies, including the current prospect to enhance environmental and sustainability objectives in TIMS through a new rating methodology.

2.2 COMPARISON OF TIMS OUTCOMES WITH EVD EVALUATIONS

2.2.1 What is to be compared

The TIMS process generates a series of reports for each project that reflect the history of the transition performance during the life of the project. In contrast, EvD evaluations are typically made after project completion for selected projects. Both EvD and TIMS use a rating structure that summarises the performance of a project at a particular time.

While there are some methodological differences (see Box 2.1), both approaches rely upon the same fundamental rating categories established in 1999. Therefore, they have enough in common to allow a comparison of their respective aggregated outcomes.

The comparison places TIMS outcomes in a broader framework of the evaluation cycle that goes beyond project implementation. In this section EvD

- identifies a common sample of projects that had both TIMS monitoring and EVD ratings
- uses the sample to compare the latest TIMS to the EvD *ex-post* ratings
- derives conclusions on current TIMS rating properties.

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[18] The transition monitoring system is expected to essentially meet three objectives: (a) improve the *structure* of the projects by fine tuning the balance between transition target, covenants and risk mitigating factors; (b) address *transition impact issues* as soon as they arise; and (c) provide a regular assessment of *progress* in achieving transition impact (see the ExCom Paper of December 2002). A summary description of the TIMS methodology is provided in the 2005 Strategic Portfolio Review (BDS06-52), pages 28-29.

[19] The Banking Department shares recent achievements or failures in relation to project objectives with the OCE. It also discusses with the OCE further actions which will help accelerate transition in the context of the portfolio monitoring module (PMM) reporting. The Credit/Portfolio Unit provides a space for discussion by allowing economists to hear from bankers in credit review meetings. Debate on transition issues is facilitated at the end of the meeting, although the OCE holds separate meetings with bankers if required. The OCE economists are assigned to specific sectors and convey their findings in a *TIMS review checklist*. This checklist monitors the progress against at least two predefined transition objectives set at appraisal and translates the outcome of the analysis into ratings. The TIMS overall approach statement starts from page 28 as recorded in the Bank's 2005 Strategic Portfolio Review.

[20] A first evaluation of the process was reported in the AEOR for 2004 and preliminary comparisons of TIMS and EvD project ratings were presented in the AEORs of 2005, 2006 and 2007. For further information see the AEOR for 2004 (BDS04-069), Chapter 7, Section 7.3.1 and the AEORs for 2005 (BDS 05-117), 2006 (BDS 06-122-Final) and 2007 (BDS07-123-Final), Chapter 2.

Box 2.1: Commonality and variants in the TIMS and EvD rating systems

The OCE and EvD make the same distinction between the transition impact potential of a project and the risks to transition impact in their respective evaluations. The transition potential and risk are measured along the same ordinal scales. The methodology was presented first to the Financial and Operations Policies Committee (FOPC) in a 1997 memorandum entitled "Transition impact of projects" (CS/FO/97-3). This was later confirmed by the Board following the adoption of the memorandum Moving Transition Forward (see BDS99-24-Rev1).

EvD focuses on *ex-post* performance and works with three categories of ratings that separate

- short-term *realised* transition
- remaining transition *potential*
- *risk* attached to the remaining potential.

These components enter into an overall transition impact rating. The rating scale used by EvD (and Banking for projects at entry and XMRs) includes all the above components at different levels of TI performance, which are:

1 Excellent
2 Good
3 Satisfactory
4 Marginal
5 Unsatisfactory
6 Negative (only *ex-post*).

While bankers concentrate in principle on three categories of transition indicators selected at appraisal and reported on in TIMS, EvD assesses possible scores in respect of the remaining categories. This is done so that no possible transition impact effects are lost.

The ***OCE*** monitors ongoing implementation and uses only two categories: transition *potential* and *risk*. Any change in short-term observed performance in TIMS is mostly registered within changes of original risk: the higher the short-term performance, the lower the risk to the overall potential. In the context of the strategic management of the Bank's portfolio, the OCE has developed an 8-level "*expected* transition" rating system that combines *risk* with transition impact *potential*.

This assesses how both flow and stock of projects are achieving their expected impact on transition (see the 2006 Strategic Portfolio Review, BDS07-069, pages 29-41). The OCE's combinations of transition impact potential and risk are classified and ranked as:

1 Excellent/Negligible
2 Excellent/Low – Good/Negligible
3 Excellent/Medium – Good/Low – Satisfactory/Negligible
4 Excellent/High – Good/Medium – Satisfactory/Low
5 Good/High – Satisfactory/Medium
6 Satisfactory/High – Marginal/Low or Negligible
7 Marginal, High/Medium
8 Unsatisfactory/any risk, any rating/Excessive.

On the part of the Bank's portfolio, which includes both *ex-ante* and *ex-post* ratings, it appears appropriate to compare TIMS's *expected* transition impact with EvD's *overall* transition impact because they both reflect the realised transition in addition to the remaining potential. The TIMS assessment of *expected* transition is rated according to the 8-level ordinal scales defined in the

portfolio analysis of the budget for 2005. EvD's *ex-post* overall transition ratings refer to the six levels of the OCE/EvD scale of 1999.

2.2.2 The common sample of 138 projects

There are now 138 projects that are rated by means of both TIMS (in the OCE/TIMS portfolio database) and *ex-post* (in the EVD evaluation database).[21] The sample, however, is still relatively small as it only represents 15 per cent of the 916 projects currently being monitored in TIMS. In addition, as shown in Box 2.2 below, the sample is not yet fully representative of the population of all projects evaluated by EvD. Therefore, the findings could still change substantially over the coming years when the sample size increases.

Box 2.2: Transition impact ratings in the 138 project sample compared with larger EvD project groups

The distribution of EvD ratings in the sample of 138 projects is now compared with the distribution of ratings of all the projects evaluated by EvD during the period from 2001 to 2007. The data show that the sample of 138 projects carries fewer *Unsatisfactory* and *Negative* projects and a higher proportion of projects rated *Excellent* or *Good.*

	Excellent	Good	Satisfactory	Marginal	Unsatisfactory	Negative
EvD all projects 1996-2007	**10%**	**45%**	**24%**	**13%**	**6%**	**2%**
EvD all projects 2001-2007	**10%**	**47%**	**23%**	**12%**	**6%**	**2%**
Sample of 138 projects	**18%**	**51%**	**20%**	**8%**	**2%**	**1%**

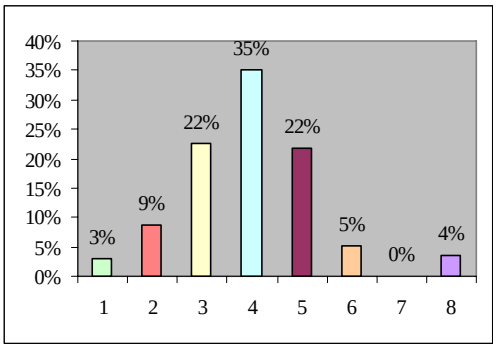
In addition, the sample does not closely mirror the sectoral distribution of projects in the Bank's portfolio. About one third of the evaluated projects in the sample are in the financial institutions sector (30 per cent), half (52 per cent) in the corporate sector and the remaining projects (18 per cent) in the infrastructure sector. Among the approximately 1,700 projects signed by the Bank since April 2000 (and, hence, in the same timeframe as the operations in this sample), around 52 per cent are in the financial sector, 33 per cent in the corporate sector and 15 per cent in infrastructure sector.

2.2.3 The results of the comparison

When compared with the most recent TIMS ratings of the sample of 138 projects, the results show further improvement in transition impact from the EvD evaluations. The highest proportion of TIMS ratings (35 per cent) is in rank 4 which extends from the *Excellent/High* and *Good/Medium* to *Satisfactory/Low*. The highest score in EvD's categories (51 per cent) is in rank 2 and covers the *Good* range only (Charts 2.1 and 2.2).

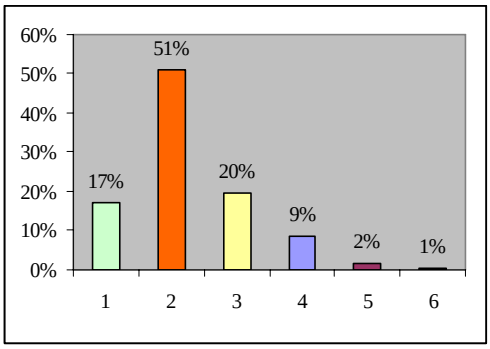
[21] Several features affect the number of projects in common. First, although EvD sometimes groups operations for evaluation purposes, care was taken to include only the results from evaluation reports which had a clear "lead operation" monitored in TIMS. Evaluations that covered several distinct operations or focused on a different lead operation from the corresponding TIMS reports were excluded. Secondly, these 138 projects include a few operations which were completed before the introduction of the new final TIMS review system and for which EVD uses data from their last regular TIMS review (impact plus risk).

Chart 2.1: Latest TIMS updated expected transition impact ranking of 138 projects assessed and evaluated in 2000 to 2007



Key: 1=Excellent/Negligible
2=Excellent/Low – Good/Negligible
3=Excellent/Medium – Good/ Low – Satisfactory/ Negligible
4=Excellent/ High – Good/Medium – Satisfactory/Low
5=Good/ High – Satisfactory/Medium
6=Satisfactory/High – Marginal/Low or Negligible
7=Marginal, High/Medium
8=Unsatisfactory/any risk, any rating/Excessive

Chart 2.2: EvD overall transition impact rating of 138 projects assessed and evaluated in 2000 to 2007



Key: 1=Excellent
2=Good
3=Satisfactory
4=Marginal
5=Unsatisfactory
6=Negative

When the rating categories are aggregated on both sides (Charts 2.3 and 2.4 below), the results also appear to differ. TIMS project ratings show 69 per cent of projects in the positive range from 1 to 4 (from *Excellent/Negligible* to *Satisfactory/Low*), while in the EvD ratings, 89 per cent of projects fall in the range from 1 to 3 (*Excellent* to *Satisfactory*). One reason for the difference could be that EvD evaluates transition impact systematically through the full range of standard indicators, while TIMS focuses on the two or three main transition priorities selected at the time of Board approval for the project.[22]

Chart 2.3: Latest TIMS updated expected transition impact ranking of 138 projects assessed and evaluated 2000-2007

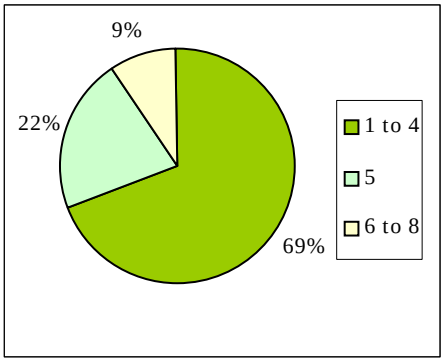
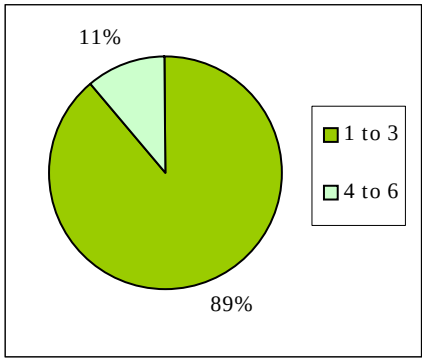


Chart 2.4: EvD overall transition impact rating of 138 projects assessed and evaluated 2000-2007



Another reason for the difference may result from the timing of TIMS reviews. The category 5 in TIMS, which is the tranche immediately below the Bank's threshold of 4, remains, with 22 per cent of projects, fairly large (see Chart 2.3 above). A number of projects that enter this category, either from the start or during monitoring, tend to move above the threshold of 4 towards the end of their life.[23]

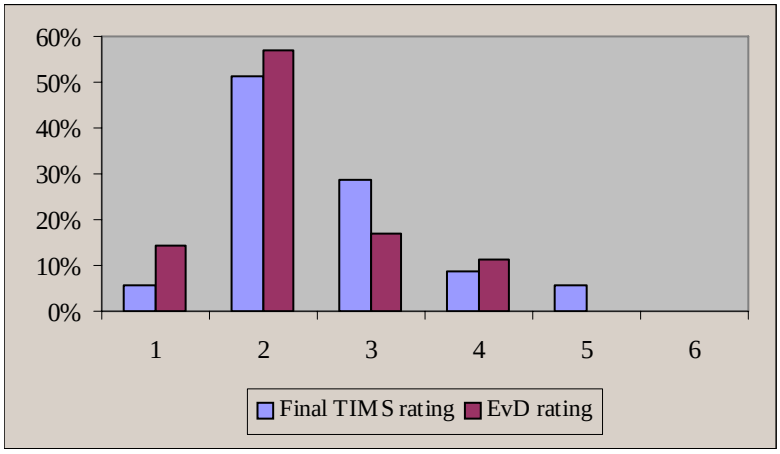
Therefore, the differences between TIMS and EvD results are not as high as they appear in the first

[22] In its *ex-ante* assessment of the transition potential of an operation, the Bank typically concentrates on its two, perhaps three, most salient transition indicators/objectives, and so does TIMS. This is different from EvD, which reviews *ex-post* the transition impact of a project through all the seven transition indicators of EBRD guidelines.
[23] See for example Institutional Performance: First Quarter 2008 (BDS08-066), 18 April 2008, page 9.

instance. Indeed, this is what can be observed when the final TIMS rating, which is given at the closure of a project, is compared with the EvD rating of the same project. The evaluation scale used by TIMS at closure then becomes directly comparable to the 6-point EvD scale for overall TI performance (see Box 2.1).

Chart 2.5 below provides the results for a common sample of 35 projects that have been closed and rated at closure (or after) by both EvD and TIMS.[24] The differences observed in the previous charts (Chart 2.3 and Chart 2.4) are now reduced.[25]

Chart 2.5: Comparison of EvD overall transition impact ratings with OCE final transition ratings for 35 projects assessed and evaluated 2000-2007



2. 3 REVIEW OF TIMS PROCESS AND METHODOLOGIES

2.3.1 Assessment of current processes

The *TIMS review checklist* is the core monitoring report of TIMS. It periodically records and rates the project's accomplishments and its potential for supporting the client's transition progress towards the realisation of a full market economy. The current process is well tuned for gathering information and aggregating results for quarterly reporting. The report is fairly complete as it includes seven highly relevant items.[26] Project covenants related to transition impact, however, are not required to be spelled out as a separate item in the checklist.

The benchmarking system that tracks realised performance is getting more accurate and sophisticated. It now allows a better assessment of realised transition and the transition's incorporation into the risk attached to the remaining potential (that is, the more transition is realised, the lower the risk attached to remaining potential). The developed benchmark approach also facilitates the conversion by the OCE of its *potential* rating and associated *risk* into an equivalent *realised* TI rating at the end of the TIMS review (when a project is closed).

[24] Last year TIMS introduced a new category of ratings for completed projects which have been subject to a final TIMS review. These ratings do not follow the OCE's usual 8-point categorisation because the risk component has been deleted at this stage. The completed project carries only a rating of the impact level achieved at completion. There are 35 of these projects, and their final impact rating can be directly compared with EvD's overall transition impact rating.
[25] Perhaps the differences could become even less pronounced if the period between two TIMS reviews is lengthened for projects whose transition impact only appears after long delays like, for example, tariff increases in infrastructure projects.
[26] The checklist comprises: project ID, main transition objectives, main risks to transition, indicators to monitor transition impact, rationale for transition impact, review comments and a summary table with ratings.

TIMS fulfils its primary objective to provide continuous information on transition performance in projects. Nevertheless, it still has some way to go to become a complete monitoring device and a rating structure that could work as an early warning system which would trigger corrective actions when the observed performance significantly departs from the benchmarks.

In the 2004 and 2006 AEORs, recommendations were made to support the very good start and to further improve the process.[27] In this review EvD is assessing the extent to which the recommendations have been followed:

- *Additional time should be allocated to OCE staff to deal with the additional demands from TIMS*. This is accomplished because a new member of staff was appointed a few years ago to coordinate the process, collate data and analyse the results.

- *The TIMS review checklist should include a separate section exclusively dedicated to the monitoring of project transition covenants*. This is done in the new monitoring report format of the PMM.[28]

- *More time should be devoted to transition impact in the meetings of the Credit/Portfolio Unit.* This recommendation has not been followed according to its original formulation but EvD understood the practical difficulties of implementing it given the tight meeting schedules of the Credit Group. Therefore, EvD amended the recommendation by suggesting a formal parallel system of exchanges with Bank staff. This system consists of separate discussions/meetings with Banking operation leaders (OLs) at headquarters and in resident offices.[29] The system has been widely implemented and, as expected, the participation of the OCE in credit review meetings is becoming less frequent.

- *TIMS review summary findings should be regularly transmitted for discussion to Executive Committee (ExCom) in order to increase institutional awareness across departments*. Beginning this year the OCE has been sending a monthly TIMS note to the Banking Department. This note references all the TIMS reviews carried out during the previous month and emphasises the changes made in transition impact ratings and the corresponding explanations and recommendations.

  The OCE also reports quarterly on TIMS as part of the institutional performance report (IPR). This is a definite step towards increasing the awareness of Bank staff and senior management in relation to what has been accomplished and what remains to be done in this area.

- *In the PMMs the reporting requirements on transition impact should be more developed and regularly updated*. This is done. Templates for credit monitoring reports and memos in the PMM system now include transition impact objectives and benchmarks that contain expected achievement dates. More discipline is now integrated into the reporting on progress in transition impact prior to credit meetings.

- *To eventually add a short-term realised transition rating to TIMS.* The purpose would be to *directly* reflect the extent to which all set performance benchmarks are met in a project. This recommendation is no longer applicable since, over the years, the OCE has been systematically applying a final rating to realised transition impact for operations that have been completed,

[27] See the AEOR for 2004 (BDS04-069), Chapter 7, Section 7.3.1.
[28] See the section entitled "Assessment of transition impact potential and risks".
[29] In this system emails with OLs and minutes of key discussions are kept on a separate record.

prepaid or cancelled. In addition, the OCE has recently taken initiative to tighten up the benchmarking of realised transition impact in its TIMS review checklists.

2.3.2 Enhancing environmental and sustainability objectives in TIMS

A recent OCE paper reviewed how the Bank's appraisal of transition impact reflects the projects' contributions to environmentally sound and sustainable development (ESSD).[30] It described refinements to the Bank's existing appraisal methodology as the Bank seeks to further deepen its strategic commitment to ESSD. The paper argued that the transition impact of individual projects can have both an incremental and an aggregate (or "strategic") ESSD dimension.

For the assessment of incremental impact in projects, the paper provides an enhanced transition impact checklist that allows for a more systematic account of environmental aspects in project appraisal. The paper also takes transition impact assessments beyond current practice. This is done by considering aggregate effects of projects (strategic fit) or of combinations of projects, policy dialogue and technical assistance.

The OCE intervention is understood by EvD as an attempt to include environmental and sustainability objectives under the transition impact umbrella. EvD follows this development closely and will interact with Management in order to make sure that the new approach, which is still work in progress, will allow EvD to adequately evaluate environmental and social as well as transition impact performance of the Bank.

EvD has further understood that the introduction of the strategic framework approach in respect of environment to "correct" or "amend" the transition impact overall rating does not divert attention away from the necessary compliance requirements on environment at the project level. These requirements have so far been the basis for *ex-post* evaluation of the *environmental and social* and *environmental change* performance categories.

2.3.3 Relevance and effectiveness of TIMS benchmarks

EvD's assessment of TIMS in the AEOR for 2007 concluded that the OCE should set more unequivocal definitions of objectives and benchmark in order to provide a better basis for the assessment of transition impact. In this respect it is important to mention that the OCE is taking the necessary steps to further improve the quality of the TIMS system. The OCE will report on this issue to the Board separately through the preparation of a progress report.

[30] See the OCE report Considering Environmental and Sustainability Objectives in Assessing Project Transition Impact (CS/FO/08-13), 14 April 2008.

3. OPERATIONAL FACTORS OF PROJECT SUCCESS

3.1 INTRODUCTION

This chapter updates the analysis of factors affecting project performance that was described in Chapter 3 of the 2004 AEOR. The methodology remains the same.[31] However, the sample of investment operations analysed in the update differs in two ways.[32] First, the 79 projects evaluated by EvD cover the entire range of success in the ratings instead of only concentrating on the *Highly Successful* and *Unsuccessful* ones. Secondly, the sample refers to a later range of projects which have been evaluated during the period from 2004 to 2007.

The factor analysis in this chapter employs the 4-point rating scale that EvD uses to assess "overall performance".[33] The analysis draws the line between *Successful* and *Unsuccessful* in the middle of this scale. Therefore, all projects (58 of 79) placed above this line have been rated *Highly Successful* or *Successful* according to the usual EvD scale. The projects below this line comprise the remaining 21 *Partly Successful* or *Unsuccessful* projects from the sample.

In the course of the previous exercise in 2004, ten recurrent factors were known from evaluation practices to affect project performance. This updated analysis did not preclude the addition of any new separable factors that might have emerged from the review of the new sample. However, after careful consideration it was decided that the earlier set of ten factors was complete and robust enough to be applied to the updated analysis.[34] This also facilitates the comparison of results across both studies.

3.2 MAIN CATEGORIES OF FACTORS AFFECTING PERFORMANCE

As in the previous study, the ten key factors affecting project performance are regrouped into five functional categories (see Table 3.1). Three are internal to the project: financial, commercial and institutional performances. The two others were external to the project: effect of business cycle and role of government. Bank handling of the process is added as a determinant factor, both in project design and implementation.

It must be recalled that these categories are not intrinsically part of the OPERs. The factors affecting performance are tightly linked to the specific characteristics of each project. They are not recorded in a systematic way.[35] Therefore, the factors must be identified from a careful review of each OPER. They are at times explicitly mentioned and, on other occasions, more difficult to apprehend, especially for financial and commercial categories. Institution building factors are more easily found in OPERs since they often appear in the transition impact section.

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[31] The methodology tracks positive factors for success and negative factors for failure.

[32] "Investment operations" cover direct loan and equity investments by the Bank to individual financial institutions and enterprises.

[33] EvD's evaluation of projects systematically focuses on specific areas: project rationale, achievement of objectives, transition impact, additionality environment and Bank handling. The "overall assessment", which encompasses all the above, is rated on a scale of four ratings: *Highly Successful, Successful, Partly Successful* and *Unsuccessful*.

[34] It was debated whether TC was to be added as a separate factor. However, further analysis showed that TC was largely present in infrastructure projects and primarily aimed at improvements in project management and reduction of cost overruns. Therefore, it was decided that adding TC could constitute "double counting" as management and cost factors were already present in the factor analysis.

[35] This is because OPERs are prepared by EvD for accountability and lessons learned purposes. They rely upon a methodology and structure that is directly designed to fulfil these objectives.

Table 3.1: Recurrent factors affecting performance from OPERs

Main factors	Secondary factors	Comments
Financial	Financial analysis	Quality of financial analysis as part of project appraisal **1/**
	Cost performance	Actual costs versus expected costs at appraisal
Commercial	Sales performance	Actual sales of the client company versus projected sales
	Market analysis	Understanding of demand and competition, as part of project analysis at appraisal
	Competition	On both quality and price of the product **2/**
Institutional	Sponsor commitment	Local or international sponsor
	Management skills	Including senior management skill, experience and entrepreneurship **3/**
	Governance	Quality of corporate governance at Board level
External	Business cycle	Includes financial crises
	Government behaviour	Positive or negative government interference with client's implementation of the project
Bank Handling		EBRD's management of the project at appraisal and implementation, including quality of relations with the client **4/**

Footnotes:
(i) This is identified in OPER reports mostly when the project appraisal is clearly off track.
(ii) This also takes into consideration increased market share of the company in presence of competitors.
(iii) This includes any observed positive effect on the organisation of the company.
(iv) This relies upon either *Good* (and better) or *Marginal* (and worse) OPER ratings for Bank handling.

3.3 THE SAMPLE

The composition of the sample of 79 projects is represented in Table 3.2 according to standard Bank sectors and sub-sector classifications. Successful projects represent 73 per cent of the OPERs. The majority comes from the enterprise sector (47 per cent), followed by infrastructure (29 per cent) and financial sector (24 per cent).

Table 3.2: Sectors definition and performance of projects

Sectors	Subgroups in the sector	Performance of projects		
		Successful	Unsuccessful	Total
Financial Sector	Banking, NBFI, Private Equity Funds, SME	14	7	21
Enterprise Sector	Agribusiness, Industry, Natural Resources, Property & Tourism, Telecommunications	27	11	38
Infrastructure	Power, Energy Efficiency, MEI, Transport	17	3	20
TOTAL	Number of projects	58	21	79
	Percentage	(73%)	(27%)	(100%)

3.4 MAIN FACTORS IN *HIGHLY SUCCESSFUL* AND *SUCCESSFUL* PROJECTS

Among the investment operation OPERs issued between 2004 and 2007, 48 were rated *Successful* and ten were rated *Highly Successful*. Table 3.3 provides the distribution of success factor occurrences across projects in the finance, enterprise industry and infrastructure sectors. The percentages represent the number of occurrences for each independent factor in the total number of OPERs for each sector.[36]

The highest concentration of occurrences can be observed in institutional building factors, especially management skills and governance. This indicates their importance in the Bank's investment decisions and choice of projects. Another major influence on success stems from increased competition which is found in 43 per cent of the projects. In general, the *Highly Successful* projects show more factors of success than the plain *Successful* projects.[37]

Bank handling is also considered as a recurrent factor contributing to the success of a project.[38] In 79 per cent of the cases, Bank handling successfully supported financial sector projects. This decreases to 74 per cent for the enterprise sector and 71 per cent for infrastructure. This decline perhaps indicates the complexity of preparing and implementing the latter type of projects.

Table 3.3: *Highly Successful* and *Successful* projects (% of factor occurrence)

Sector	Categories determining outcomes	Finance sector (14 projects)	Enterprise sector (27 projects)	Infrastructure (17 projects)	Average all sectors (58 projects)
Financial factor	Financial analysis	-	11%	6%	7%
	Cost performance	-	7%	24%	10%
Commercial factor	Sales performance	14%	33%	6%	21%
	Market analysis	29%	19%	12%	19%
	Competition	36%	48%	41%	43%
Institutional building factor	Sponsor commitment	14%	56%	12%	33%
	Management skills	79%	41%	59%	55%
	Governance	57%	63%	65%	62%
External factor	Business cycle	21%	15%	-	12%
	Government behaviour	7%	11%	12%	10%
Bank handling		79%	74%	71%	74%

Keeping in mind that it covered only the *Highly Successful* projects, the 2004 study recorded sales performances, sponsor commitment and management skills as the main factors for success. In the present study there has been a shift towards governance (62 per cent of factor occurrence). The investment projects of this new cohort (from 2004 to 2007) have focused more systematically on governance as a result of transition deepening policy.

The projects aimed at successful governance in order to achieve sustainability beyond good financial and commercial performance. Conversely, the sales performance factor dropped from 78

[36] For example, the 63 per cent listed under the enterprise sector column in the governance category row indicate that 17 OPERs (of 27 OPERs related to the enterprise sector) cited governance as a factor of success. The 62 per cent listed under the average for all sectors (last column) represent the number of hits (36) for governance found in all the OPERs that were rated *Successful* and *Highly Successful* across sectors (58).

[37] One *Highly Successful* infrastructure project in the Czech Republic collected seven factors.

[38] The determination of success in Bank handling relies upon *Excellent* and *Good* ratings only. *Satisfactory* as been excluded as it did not appear in practice to clearly support success in this area.

per cent to 21 per cent, sponsor commitment from 61 per cent to 33 per cent and management skills from 72 per cent to 55 per cent. The competition factor remained close to 44 per cent confirming its important position for successful projects. The governance shift could reflect the content of the new range of projects evaluated.

3.5 MAIN FACTORS IN *PARTLY SUCCESSFUL* AND *UNSUCCESSFUL* PROJECTS

This sub-sample represents the remaining 21 projects, with 12 rated *Partly Successful* and 9 rated *Unsuccessful*. Results by sector are provided in Table 3.4. Negative government behaviour is associated with unsuccessful projects in infrastructure. In the enterprise sector the negative factors are linked to financial and commercial risks. Governance and management skills were lacking in unsuccessful financial sector operations. Negative market factors also appeared in that sector.

Cases of relatively poor Bank handling in the preparation and implementation of investment projects are usually rated as *Marginal* or *Unsatisfactory* in OPERs.[39] Relatively poor Bank handling occurred in 33 per cent of the 21 *Unsuccessful* (and *Highly Unsuccessful*) projects analysed. By contrast, good Bank handling reached 74 per cent of occurrences in successful projects. Therefore, it seems that Bank handling tends to be a key factor of project success. It is not a significant factor in project failure.

Of course, it is recognised that unsuccessful projects have often been exposed to adverse and risky business environments or have sometimes involved difficult clients. Nevertheless, the Bank retains some share of responsibility in the limited outcome and impact of an unsuccessful project since it selected and implemented the project.

Table 3.4: *Partly Successful* and *Unsuccessful* projects (% of unsuccessful occurrence)

Sector	Categories determining outcomes	Finance (7 projects)	Enterprise Sector (11 projects)	Infrastructure (3 projects)	Average All Sectors (21 projects)
Financial Factor	Financial Analysis	14%	36%	33%	29%
	Cost Performance	-	45%	67%	33%
Commercial Factor	Sales Performance	-	18%	-	10%
	Market Analysis	43%	36%	67%	43%
	Competition	-	18%	-	10%
Institutional Building Factor	Sponsor Commitment	29%	18%	33%	24%
	Management Skills	57%	18%	33%	33%
	Governance	57%	27%	-	33%
External Factor	Business Cycle	43%	27%	-	29%
	Government Behaviour	-	18%	100%	24%
Bank Handling		43%	27%	33%	33%

3.6 SEARCHING FOR COMMON FACTORS

Using the 2004 AEOR methodology

This methodology essentially relied on a comparison of the frequencies of factor occurrences in both successful and unsuccessful projects, using a format similar to Table 3.3 and Table 3.4. The

[39] At times, the rating of Bank handling could also be *Satisfactory* on balance but include some significantly negative components.

comparison of the distribution of frequencies for this updated exercise leads to the conclusion that only a few factors appear to cause project success or failure.

This is the case of governance and management skills in the financial sector and, to a lesser extent, infrastructure. Therefore, the updated analysis departs somewhat from the findings of the 2004 AEOR. These findings indicated a greater number of common factors that could lead to either successful or unsuccessful projects across categories.

Generally, the factors leading to success are concentrated more on institutional building, such as management skill and governance, and to a lesser extent on the commercial function. Nevertheless, competition remains important, occurring in 43 per cent of the cases (Table 3.3). Unsuccessful projects, however, are commanded by factors, which are much more spread out along the different categories (Table 3.4).[40]

3.7 CONCLUSIONS FROM THE STUDY

The 2004 AEOR concluded that the cause of success or failure was internal to the project rather than brought about by external conditions (business cycle, government). The conclusion of this study concurs with the previous one in the case of successful projects. It differs somewhat for unsuccessful projects where external factors are a more significant cause of project failure, especially in the case of infrastructure projects.

The updated analysis recalls a number of conclusions and lessons that are well understood by the Bank. However, they are more difficult to apply in a systematic way across sectors.

- In government-sensitive areas, projects should not be pursued without the full agreement and continuous positive participation of the authorities at all levels.
- Good governance, even more than good management, is a primary source of long-term project success.
- Strong management qualifications obtained through training (and/or coaching by sponsor) are a major factor for the company to reach new markets and successfully face competition.
- The Bank should keep paying attention to the competitive environment in its projects as it represents an important factor for success.
- While it is important that the Bank pays adequate attention to the successful projects, it is often through the unsuccessful projects that the Banks can learn most. Therefore, the following suggestions are pertinent:
    - Deeper self-assessment and *ex-post* evaluation of all aspect of such failed operations and, in particular, of Bank handling is warranted.
    - Complete monitoring plans need to be in place and executed so that initial project failures can be spotted early on.
    - Sufficient staffing of local offices is needed with experienced bankers to cope with an increased number of smaller projects.
    - Enhance the capacity to analyse and prepare equity investments at the local level. The EBRD's resident offices need to be able to cope with the various stages of development of an equity operation, in particular during the project monitoring phase when a Bank representative occupies a seat on the board of directors of the company.

[40] The finding may also reflect limitations attached to the binary analysis employed here to check the presence or absence of factors without measuring their intensity. It provides a rather crude interpretation of the role of the factors. While this approach is fully relevant for an analysis focusing only on *Highly Successful* and *unsuccessful* projects, the picture appears somewhat different in the case of just S*uccessful* or *Partly Successful* projects. There, a wider range of intensity or positive and negative effects can be attached to the factors to obtain these intermediary ratings.

4. EVALUATION OF TECHNICAL COOPERATION OPERATIONS

4.1 TC EVALUATION COVERAGE

4.1.1 Introduction

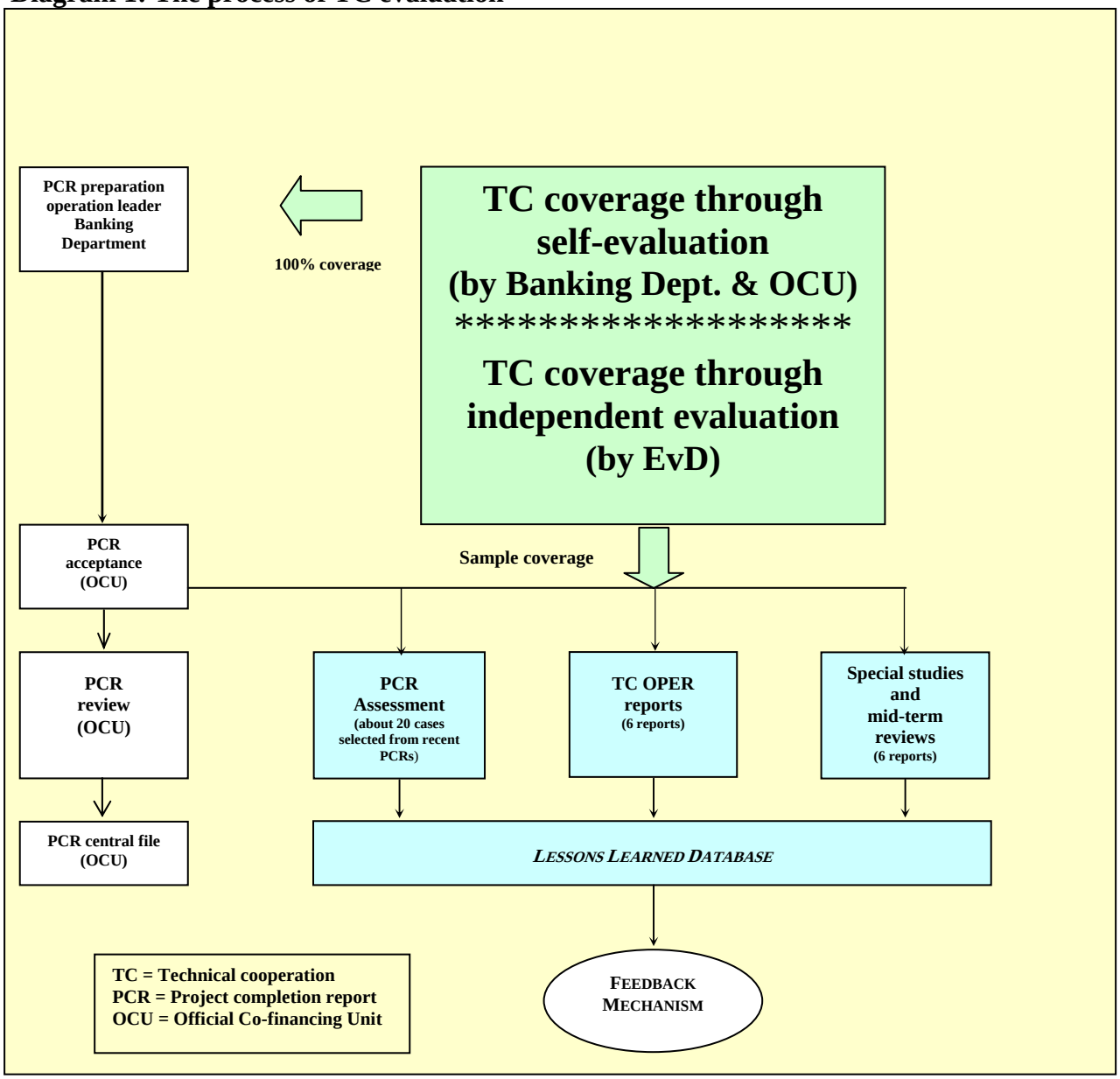
Technical cooperation (TC) activities are primarily used to facilitate the EBRD's core investment operations and enhance the fulfilment of its transition impact mandate. In compliance with its fiduciary responsibility towards the contributors to its Technical Cooperation Funds Programme (TCFP), the Bank's main TC funding source and other funding facilities, the Bank is obliged to exercise the same attention to TC operations as it does for investments funded from the Bank's own resources.

Accordingly, TC operations are subject to a diligent appraisal, monitoring and self-evaluation process. The results of these procedural steps are documented in:

- the TC request package to the TC review committee for the appraisal stage, notably including the TC project profile and consultant terms of reference
- the project progress reports during monitoring stages
- the project completion report (PCR).

The TC evaluation and self-evaluation process is presented in Diagram 1.

Diagram 1: The process of TC evaluation



Aside from the mandatory self-evaluation process for each TC operation, EvD carries out independent evaluations based on a sample of completed TC operations. Independent TC evaluation work falls broadly into three categories:

- *In-depth evaluations of individual TC operations* in the form of an OPER: Around six TC OPERs are completed per year. Occasionally, they are supported by consultant input.
- *Special study*: This is often a mid-term review of a TC fund or programme that typically involves a field visit. At times, they are supported by a consultant. Since 2002 there have been six such special studies prepared per year, not all related to TCs.
- *Desk-study-type review of a group of PCR assessments* (which is also counted as a special study): This is annually conducted involving around 20 TC projects. It attempts to verify the information provided by the OL's self-evaluation through a review of available files and interviews conducted with the OL.

4.1.2 TC evaluation coverage by EvD

Since 1993, when EvD started TC evaluation work, 70 OPERs and 26 special studies on sectors and themes have been carried out. In addition, since 1998 a total of four PCR reviews and assessment synthesis exercises and six PCR assessment synthesis studies have been completed.[41] Overall, these reports, though very different in scope and evaluation focus, have covered over 1,550 TC-funded consultant assignments. These involved approximately €461 million of funding from some 30 individual countries and 28 multilateral funds under the EBRD's TCFP.[42]

The total volume of evaluated TC operations based on an OPER exercise, as a percentage of the volume of TC operations with a completed PCR (see Table 4.1), has increased from 13.3 per cent in 1997 (shortly before the PCR review and assessment work was introduced) to 20.4 per cent in 2007. If groups of TC commitments covered in special studies on sectors and themes are included, the coverage ratio rises to 61.8 per cent.

Table 4.1: Technical cooperation evaluation coverage status in 1991-2007 (€ million)

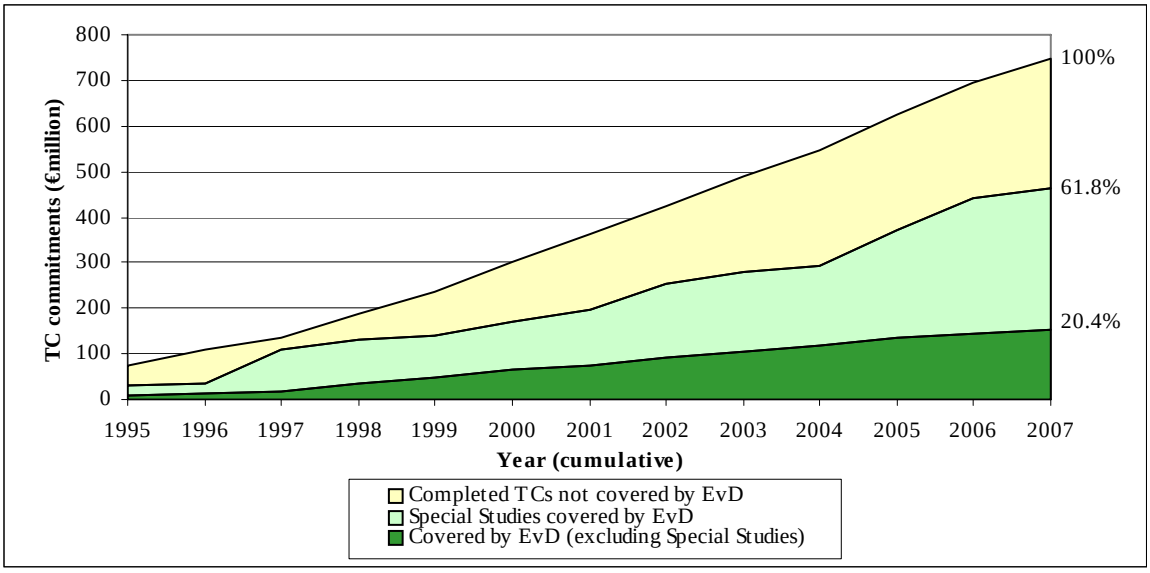
TC completion and PCR coverage		1991-1997	1991-1998	1991-1999	1991-2000	1991-2001	1991-2002	1991-2003	1991-2004	1991-2005	1991-2006	1991-2007
a.	PCRs completed	134	188.8	236.5	302.8	364.8	424.4	491.8	547.4	623.1	694.4	746.2
b.	TC operations evaluated through OPER reports	17.8	29.3	32.1	36.6	41.1	49.2	56.5	63.4	74.2	82.7	87
c.	PCR assessments by EvD	-	3.4	8.7	13.8	18.9	23.1	27.9	34.5	40.5	42.7	46.1
d.	PCR reviews by EvD	-	3.1	6.3	13	13	19.3	19.3	19.3	19.3	19.3	19.3
e.	Total TC operations (**b+c+d**)	17.8	35.8	47.1	63.5	72.9	91.6	103.7	117.2	134	144.7	152.4
f.	Evaluation coverage (**b+c+d**)/**a** (%)	13.3%	18.9%	19.9%	21%	20%	21.6%	21.1%	21.4%	21.5%	20.8%	20.4%
g.	TC operations related to Evaluation Special Studies	93.4	93.4	93.4	106.4	121.7	160.7	174.5	175.3	239.5	298	309
h.	Total TC operations evaluated (**b+c+d+g**)	111.1	129.1	140.5	169.9	194.6	252.3	278.2	292.5	373.9	442.7	461.4
i.	Evaluation coverage (**b+c+d+g**)/**a** (%)	82.9%	68.4%	59.4%	56.1%	53.4%	59.5%	56.6%	53.4%	59.9%	63.8%	61.8%

Chart 4.1 presents the information from Table 4.1 in graphic form. It clearly shows the trends of TC evaluation over the past ten years. It should be noted that through the evaluation of investment operations that have an important TC component (fore example, project preparation, implementation and so on), EvD provides further important assessments of TC performance. In fact, the evaluation results of these projects indirectly reflect on the outcome of the respective TC operations.

[41] From 2003 the OCU has taken on the PCR review function, concentrating on reviewing report quality and fulfilment of objectives.

[42] This represents about 41 per cent of total TCFP funding commitments or 37 per cent of cumulative TCFP funding mobilisation. As at 31 December 2007 the Bank was successful in mobilising €1,3 billion of TC funding of which €1,1 billion or 90 per cent was committed.

Chart 4.1: Evaluation coverage of TC commitments for 1995-2007 (€ million)



When selecting TC operations for evaluation, EvD takes into account:

- TCFP funding sources
- sector distribution of evaluation work in general
- lessons learned potential of TC operations.

Appendix 9 highlights the contributions of donors to TC operations that have been evaluated by EvD through an OPER exercise. It shows that most of the donors with relatively high contributions to the Bank's TCFP are adequately represented in the Bank's evaluation activities through TC OPER exercises.

4.2 PERFORMANCE EVALUATION OF TC OPERATIONS

Performance outcomes of the evaluation of TC operations do not lend themselves to aggregation of overall evaluation results in the same way as investment operations. This is because of two reasons. First, given their mainly facilitating role as noted earlier, only a part of TC results are assessable upon TC completion. Often, the full impacts only come to full fruition in the wake of investment implementation and, hence, can be ascertained only at a later stage.

Secondly, EvD does not select TC operations randomly. Rather, it selects TC operations for which an OPER report will be produced on the basis of *size* (individual or group of related TC operations exceeding €200,000), *lessons learned* relevance and potential, and *other practical considerations* (for example, country, sector, banking unit spread; more recent TC operations where direct beneficiary counterparts are assumed to be still with the TC recipient and so on).

Nevertheless, EvD's TC evaluation experience leads to the conclusion that the Bank has improved the preparation of TC operations in recent years. This can be attributed in part to the TC review committee, which reviews and approves all acceptable TC funding requests.

An important role is played by the OCU, which aims to increase the quality of TC operations through providing guidance to operation leaders and ensuring a systematic and unified reporting regime to the donors. In addition, the assistance provided by the Consultancy Services Unit (CSU), which reviews the terms of reference and assists with consultant selection, helps secure a good quality at entry.

A more recent development that raises the status of TC operations deserves mentioning in this context. In connection with the proposal to allocate part of the Bank's 2007 net income for "other purposes", a new special fund, the EBRD Shareholder Special Fund, has been approved by the Bank's Governors during the 2008 annual general meeting.

This fund, to which €115 million are allocated, notably caters, amongst other purposes, for the EBRD's TC needs. The fund's governance structure provides for an initial independent evaluation two years after the fund has become operational and every three to five years thereafter.

EvD enjoys a steady and cooperative dialogue with the OCU and the CSU for TC work and regularly discusses individual issues and findings from its reports in order to find pragmatic solutions and ways of improvement. In addition, these units join EvD in its view that a more systematic provision of TC-related skills (that is, in project management) is desirable in the Bank.

Responding to the recommendations from the 2006 PCR assessment evaluation special study, the OCU readily took the lead in developing a basis for future training of bankers, including general project management techniques and internal process-related knowledge.[43] This appears even more necessary as the forthcoming substantial increase of available annual TC funds (see previous paragraph) will also challenge the EBRD's administrative and managerial capacities, which ensure the efficient and effective usage of resources.

4.3 TC-RELATED EVALUATION WORK IN 2007

TC operations directly evaluated through TC OPER exercises in 2007 were funded by donor contributions from Italy, the Netherlands, Taipei China, the United Kingdom, the United States, European Commission (EC) Phare, EC Tacis, the EBRD-EC Municipal Investment Support Programme and the Kozloduy International Decommissioning Support Fund. TC operations evaluated indirectly (through special studies) were funded by donor contributions from Japan and the ETC Fund.

These operations were approved between 2000 and 2007 and cover the following sectors:

- CEALS, co-financing lines and regional venture funds (RVFs)
- community/social services
- energy
- finance
- local authority services
- manufacturing
- telecommunications
- transport and storage.

By TC type, they involved advisory services, project implementation, project preparation and training. They were linked to investment operations representing €708.8 million.

4.3.1 TC OPER reports and lessons learned

Under its work programme for 2007, EvD carried out six TC OPER exercises. For the TC OPERs the following ratings were assigned:

[43] According to the most recent information received from the OCU, the training is expected to be piloted during this year and will hopefully be systematically implemented thereafter.

- Energy efficiency and renewable energy credit lines (Bulgaria): *Successful*
- Pre-privatisation loan for Kombinat Aluminium Podgorica (Montenegro): *Partly Successful*
- Surgut municipal services development programme (Russian Federation): *Successful*
- Sofia public transport project (Bulgaria): *Partly Successful*
- Prioritisation of investment needs in power generation and transmission (Azerbaijan): *Partly Successful*
- Port of Dubrovnik institutional strengthening (Croatia): *Successful.*

Selected lessons learned from these TC operations are presented in Appendix 4.

4.3.2 TC-related special studies

a. Early Transition Countries Fund (ETC Fund)
A mid-term review (MTR) was conducted of the ETC Fund that was established in November 2004 and that comprises 12 EBRD donor countries as the main TC instrument of the Bank's wider Early Transition Country Initiative (ETCI). The ETC Fund aims to "promote transition to market-oriented economies and, through investment projects and capacity strengthening, help alleviate poverty within the ETCs.

The MTR focused on two levels. First, it covered the overall governance and management arrangements, including the ETC Fund's ability as an instrument for implementing the ETCI and for taking forward EBRD's country strategies in the ETCs. Secondly, it evaluated specific activities in order to identify achievements to date and lessons for the future. Overall, the MTR team arrived at a *Successful* rating.

The ETC Fund has had a promising start and the handling of its individual operations is sound. It complements the Bank's backbone bilateral funding and helps increase the provision of TC support in the ETCs. The overall rating was neutral with regards to *impact* and *sustainability*, due to the early stage of the ETC Fund's activities.

However, donors and the EBRD are recommended to seek greater clarity about the treatment of social and poverty aspects and effective guidance on how the poverty reduction element of the ETC Fund mandate is to be interpreted. Another observation was that there is room for improvement of ETC Fund related statistics, documentation and reporting regimes. This report was discussed in the Audit Committee on 7 March 2008.

b. Japan-Europe Cooperation Fund (JECF)
This special study is similarly designed to the MTR of the ETC Fund, aiming at evaluating the relevance, effectiveness, efficiency/efficacy, transition impact and sustainability of JECF-funded TC operations. Phase I of the evaluation has focused on planning activities, data collection and sampling from the entire JECF population with a focus on the period from 2000 to 2007.

Phase II consisted of field visits to conduct in-depth assessments of 16 projects. Phase III is still ongoing and involves drawing together findings and analyses into synthetic draft and final reports. The conclusions and recommendations that will be developed in connection with this evaluation are expected to be presented and discussed within the Bank in the course of June/July 2008.

c. Special study on PCR assessment
EvD conducted assessments of 19 PCRs submitted by bankers on the completion of TC assignments during the previous year. The TC operations assessed totalled €3.15 million for projects in 14 countries of operation (and three regional commitments). Funds came from ten

individual bilateral donors and five European Union (EU) commitments as well as two other multilateral funds.

These commitments funded advisory services, project preparation, project implementation and sector work. Sectors covered included energy, finance, activities related to micro, small and medium-sized enterprises, transport, local authority services and power/energy. EvD is of the opinion that the OLs responsible for the TC operations covered under the 2007 PCR assessment have done their self-evaluation work well and agreed with 12 out of the 19 ratings provided.

Successful TCs in the sample are often driven by excellent client commitment or consultant performance combined with *Good* or *Excellent* ratings of Bank performance. Less successful projects mostly show *Marginal* ratings for fulfilment of objectives as well as for Bank handling, client commitment and transition impact. This report was discussed in the Audit Committee on 9 July 2007.

5 VALIDATION BY EvD OF PERFORMANCE RATINGS ASSIGNED DURING SELF-EVALUATION

5.1 THE SELF-EVALUATION PROCESS AND VALIDATION OF RATINGS BY EvD

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 that is relevant for a self-evaluation document (that is, relating to achievement of objectives, environmental performance, transition impact, lessons learned generated and overall assessment). The operation team provides a qualitative description of the performance of the project and assigns a performance rating to each indicator.

The evaluation that is conducted by EvD, which starts with a review of the XMR, may result in different performance ratings than assigned by the operation team. As a member of the Evaluation Cooperation Group (ECG), EvD has to conform to the ECG's good practice standards for private sector evaluation.[44] Therefore, EvD's annual overview report must include an analysis of the differences between the self-evaluation ratings of the operation team and the independent evaluation ratings of EvD.

5.2 COMPARING THE RATINGS FROM THE SELF-EVALUATION AND THE INDEPENDENT EVALUATION PROCESS

Ratings are provided for nine indicators: overall performance, transition impact, environmental performance, extent of environmental change, additionality, project financial performance, company financial performance, fulfilment of objectives and Bank handling. This analysis covers the 498 projects evaluated since the current, automated XMR system was introduced in the first half of 1998.

Before that time, the XMR was almost entirely descriptive and formally and systematically rated only the overall performance. In addition, there have been a small number of operations for which a full XMR was not provided.[45] For this analysis it is necessary to have a clear rating assigned both in the XMR and in the OPER and XMR assessment reports.[46]

[44] The ECG is an official working group in which the heads of evaluation departments of the multilateral development banks (MDBs) plus the European Investment Bank (EIB) and the International Monetary Fund (IMF) collaborate.

[45] This might occur, for example, if the project was in corporate recovery and an XMR was not practical. Further reasons include if a single evaluation covered several linked projects with separate XMRs, or if a project was completed and the relevant staff left the Bank before an XMR was completed, in which case a briefer memo from portfolio management staff might be accepted instead.

[46] Evaluation reports dating back to 1996 were revisited in 2005 and missing ratings assigned to create a complete database, as mentioned in Chapter 1. However, a number of XMRs have individual performance categories rated "not applicable" to the project under review. These missing ratings could not be retrospectively assigned by EvD. Therefore, the figures presented below clearly indicate the number of comparisons which were possible to make for each indicator. These vary from one indicator to another.

Table 5.1: Differences in performance ratings between self-evaluation and independent evaluation

Indicator	Upgraded by EvD	Unchanged by EvD	Downgraded by EvD	Number of comparisons
Overall Performance	4%	66%	30%	483
Transition Impact	5%	54%	41%	480
Environmental Performance	6%	62%	32%	467
Extent of Environmental Change	10%	72%	18%	457
Additionality	9%	70%	21%	482
Company Financial Performance	5%	65%	29%	468
Project Financial Performance	3%	61%	36%	474
Fulfilment of Objectives	4%	60%	36%	474
Bank Handling	3%	57%	40%	476
All ratings	5%	63%	32%	4261

Table 5.1 above and Chart 5.1 below show that while the majority of XMR ratings remained unchanged (63 per cent of all the ratings compared), 32 per cent were downgraded. The greatest number of downgrades was on transition impact (41 per cent) and Bank handling (40 per cent).

Overall performance rating was downgraded in 30 per cent of projects. Far fewer ratings were upgraded: only 5 per cent in total. The highest number of upgrades occurred in relation to environmental change, which also displays the smallest number of downgrades.

Chart 5.1: Graphic representation of the differences in performance ratings between self-evaluation and independent evaluation

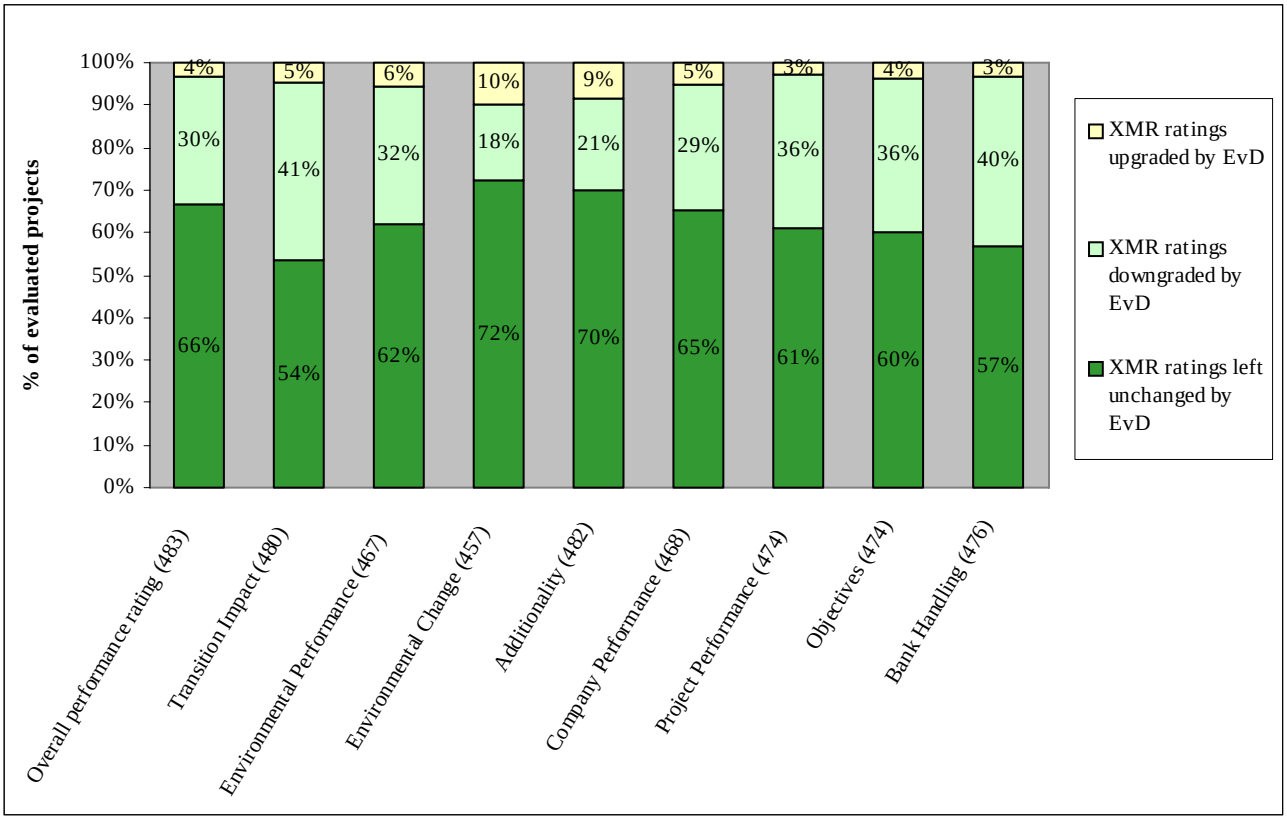


Table 5.2 shows the maximum upgrade and downgrade for each rating category. The maximum upgrade for any category is never greater than the maximum downgrade. Not only are ratings more likely to be downgraded than upgraded but they are likely to be downgraded further.

Table 5.2: Overview of maximum downgrades and upgrades when comparing the differences between the self-evaluation and independent evaluation ratings

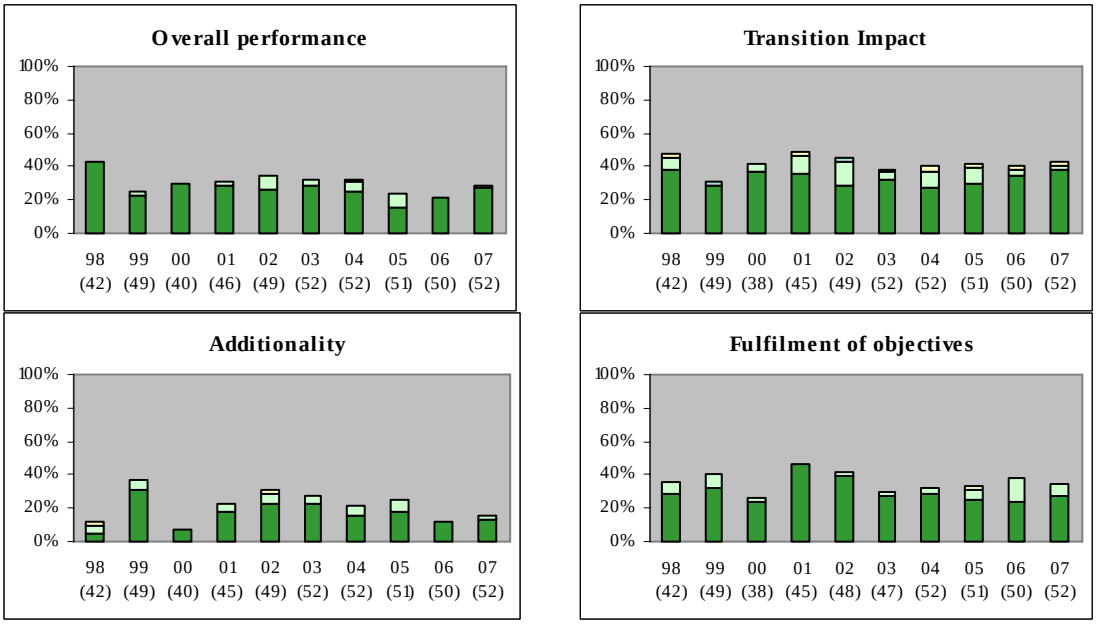
Indicator[47]	Maximum upgrade (no. of rating points)	Maximum downgrade (no. of rating points)	Number of reports with maximum downgrade
Overall Performance	1	3	2
Transition Impact	3	4	2
Environmental Performance	2	4	1
Extent of Environmental Change	3	3	1
Additionality	3	3	2
Company Financial Performance	2	3	3
Project Financial Performance	2	3	1
Fulfilment of Objectives	2	3	1
Bank Handling	1	4	1

5.3 DEVELOPMENT OF THE OBSERVED DIFFERENCES OVER TIME

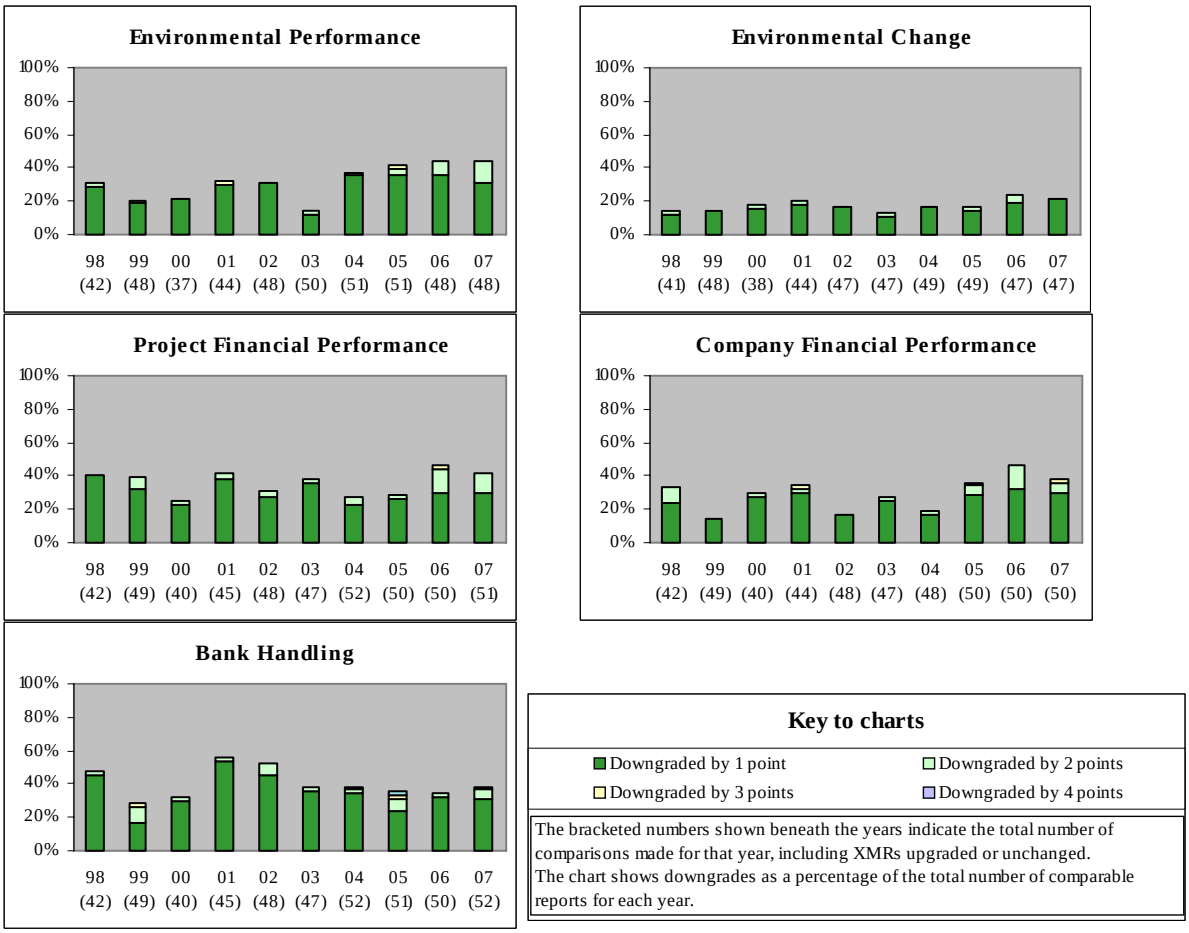
A study of the results over time does not show a trend towards decreasing differences between XMR and evaluation ratings. There is no discernible pattern for most indicators (see Charts 5.2 to 5.10 below). In 2007, compared to 2006, there was a fall in the number of adjustments for fulfilment of objectives, environmental change and project and company financial performance. There was a moderate increase in overall performance, additionality and Bank handling.

Transition impact showed a slight increase in the number of downgrades but a fall in the number downgraded by more than one point. The total cumulative proportion of ratings downgraded remained almost the same, changing from 31 to 32 per cent. It is important that the development of the difference between the ratings is monitored in the AEOR and that efforts are made to reduce the differences.

Charts 5.2-5.10: Differences over time in evaluation performance ratings assigned by operation staff and independent evaluators



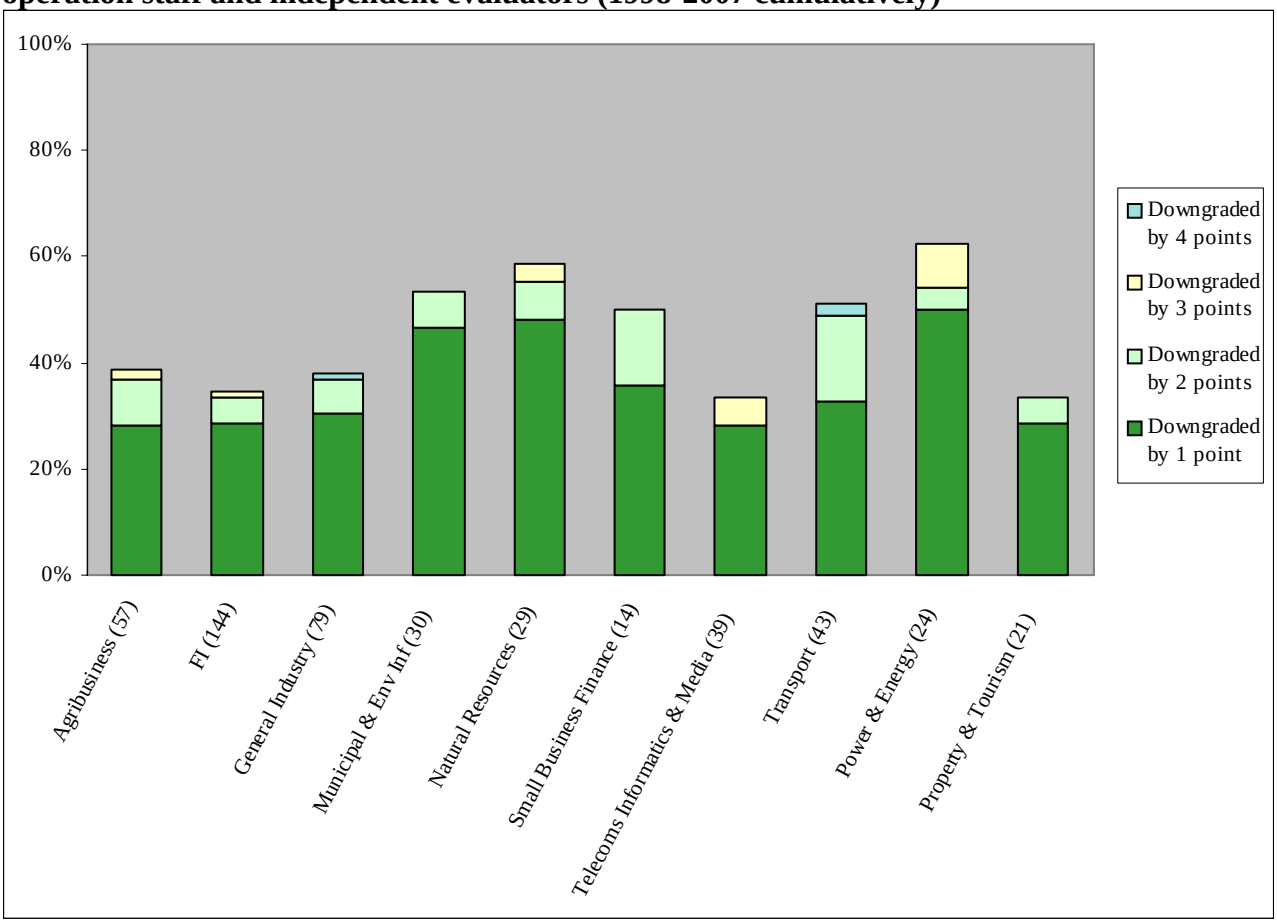
[47] For rating indicators on all performance categories, including Overall Performance see Appendix 11.



5.4 THE DIFFERENCES IN THE TRANSITION IMPACT RATING FURTHER ANALYSED

The indicator which was most frequently downgraded by EvD was transition impact, at 41 per cent, as was shown in Table 5.1 and Chart 5.1. Further analysis of this rating reveals a great deal of variation between sector teams. Chart 5.11 below shows that the teams whose ratings were most frequently downgraded by EvD were power and energy (63 per cent), natural resources (59 per cent) and municipal and environmental infrastructure (53 per cent). This shows some improvement over previous years when the highest cumulative score was 70 per cent or more.

Chart 5.11: Differences across sector teams in transition impact ratings assigned by operation staff and independent evaluators (1998-2007 cumulatively)



5.5 CONCLUSIONS

Overall, XMR ratings were validated by EvD without any change in the ratings in 63 per cent of cases. Five per cent of XMR ratings were upgraded by evaluators and 32 per cent downgraded. Transition impact was the indicator most likely to be rated lower (41 per cent) by evaluators. The gap between XMR and evaluation ratings does not appear to be narrowing. Indeed, for some indicators it has increased in recent years.

The above developments indicate that EvD and Management should continue to actively train bankers through existing XMR training workshops. These workshops should also enhance communication with the operation teams during the preparation of the XMR. Although there will always be a positive bias in the self-evaluation performance ratings, the aim remains to bring the standards applied by the bankers more closely in line with the standards applied by EvD.

However, it should be noted that XMR training is aimed at new bankers. They often have the task of drafting XMRs, while the final decision on ratings in an XMR may be taken by more senior staff, whom XMR training does not reach.

EvD is of the view that the differences observed do not represent a cause for concern but there is room for improvement. It is expected that, by monitoring the differences observed over time, a better judgement can be made about developments in the future, with possible further corrective actions. Nevertheless, discussions about monitoring could be conducted in cooperation with the BGD with those teams which show the most substantial differences in respect of rating transition impact.

6. ROLE OF THE AUDIT COMMITTEE IN THE BOARD OF DIRECTORS' OVERSIGHT OF THE EVALUATION FUNCTION

6.1 INTRODUCTION

This chapter highlights how the Audit Committee, the Board Committee which oversees the evaluation function in the EBRD, has reacted to important evaluation findings and lessons learned. Section 6.2 lists the evaluation reports that have been discussed in the Audit Committee during 2007. This gives an impression of the extent of the Committee's oversight of the evaluation function. In Section 6.3 EvD reviews observations that the Committee has made on evaluation findings and lessons learned as presented in the minutes of meetings of the Audit Committee during 2007.

6.2 REVIEW OF EVALUATION REPORTS BY THE AUDIT COMMITTEE

During 2007 the Audit Committee discussed 11 OPER reports on investment operations, three OPER reports on TC operations, five special studies, the 2007 AEOR, three reports on EvD's work programme and one report prepared by an ECG task force on peer reviews of evaluation functions in MDBs. Details are presented in Table 6.1 below:

Table 6.1: Evaluation reports discussed in the Audit Committee during 2007

12 January 2007
Report on EvD's work programme:
- Work Programme Final Report for 2007

5 February 2007
Operation Performance Evaluation Review on:
- Power transmission project in Central Europe
- Technical cooperation for Warsaw metro

5 March 2007
Evaluation special study on
- Telecommunications, informatics and media sector policies

Operation Performance Evaluation Review on:
- Hotel project in Central Europe
- Tyre manufacturing company, Russia

19 March 2007
Report on EvD's work programme:
- Work Programme Completion Report for 2006

Operation Performance Evaluation Review on
- Equity investment, Russia

16 April 2007
Evaluation special study on
- Business Advisory Services Programme

Operation Performance Evaluation Reviews on:
- Bank relationship in Central Asia
- Internet-related investment framework

15 May 2007
Operation Performance Evaluation Reviews on:
- Water treatment plant project, Russia
- Technical cooperation project for Russian road sector reform

31 May 2007
Report on review framework for the evaluation function:
- Framework for peer reviews of evaluation systems in multilateral development banks

Operation Performance Evaluation Reviews on:
- Solid waste in Central Asia
- Technical cooperation on Microfinance Bank of Azerbaijan

11 June 2007
Evaluation special study on
- Post-privatisation funds

29 June 2007
Operation Performance Evaluation Review on
- Selection of equity funds

9 July 2006
Evaluation report:
- Annual Evaluation Overview Report for 2007

Evaluation special study:
- Assessment of technical cooperation project completion reports

17 September 2007
Evaluation report:
- EvD Work Programme Preliminary Report for 2007

Operation Performance Evaluation Review on:
- Project financing of a gold mine operation

2 October 2007
Evaluation special studies:
- Financial Sector Operation Sector Policy

10 December 2007
Operation Performance Evaluation Review on
- Commercial-based micro-lending

6.3 OBSERVATIONS ON EVALUATION FINDINGS AND LESSONS LEARNED AS PRESENTED IN THE MINUTES OF AUDIT COMMITTEE MEETINGS DURING 2007

Based on the issues raised and lessons learned which were presented in the above mentioned reports, the Committee commented on a number of key issues.[48] Some of the observations made during the discussions and considered relevant by the Committee are the following:

- **Country strategy evaluation:** During a discussion of EvD's work programme for 2007 the Chair of the Audit Committee concluded that it would be appropriate to revisit the issues of formal country strategy evaluation (CSE) by EvD. This should be done on the occasion of a presentation to the Committee of an upcoming ECG report on good practice standards (GPS) for country strategy and programme evaluation in MDBs.

  One Committee member recalled a discussion in the Financial and Operational Policies Committee (FOPC) where it was considered that country strategy evaluations should not go beyond the pilot phase, which had been completed in July 2005. EvD will present the issue to the Audit Committee after the ECG's GPS have become available in the second quarter of 2008.

- **Evaluation coverage:** Some Directors queried what the best evaluation coverage ratio would be taking into account that for 2007, 63 per cent coverage ratio was reached and for 2008, 60 per cent was expected. However, these percentages are in line with the Bank's evaluation policy and also follow the ECG's GPS in respect of private sector evaluation. An important motivation for the question was whether EvD would be able to cope with the increasing number of operations ready for evaluation as the Bank moves East and finances a larger number of, on average, smaller operations.

  EvD's future human resources requirements and the budgetary consequences motivate further consideration. The Chief Evaluator promised the Board of Directors to prepare a report on evaluation coverage in 2008 in order to deal with the above questions, noting that the important issue of harmonisation of evaluation procedures and practices among the multilateral development banks (MDBs) would have to be taken into account.

- **Joint evaluation with other MDBs:** The Audit Committee stressed the importance of carrying out more joint evaluations with MDBs. This is important not only for joint learning purposes but also for enhancing efficiency at the country level as it would probably require less evaluation missions.

  Despite many years of harmonisation efforts by the ECG, joint evaluation still has to come of age. In EvD's experience this is due to differences of evaluation procedures and practices among the MDBs in respect of public and private sector evaluation. More recent developments seem promising. There is a clear will among ECG members to make joint evaluation a success. The increasing importance of joint evaluation is anchored in EvD's work programme reports.

- **The importance of formulating an equity policy:** Several meetings of the Audit Committee discussed evaluation reports that dealt with lessons on equity investments in operations and equity funds. These meetings concluded that there was a need for an updated and strategic paper on private equity that would describe the current market as well as the Bank's transition objectives. In the autumn of 2007, Management presented a document entitled "EBRD Equity

[48] Comments on the evaluation recommendations by the Audit Committee are presented in document "Follow up of Evaluation Recommendations 2008" (BDS08-065) which was discussed by the Board of Directors on 29 April 2008.

Financing: Past Experience, Current Practices and Future Approaches" (CS/FO/07-29) to the FOPC of the Board of Directors.

- **Enhancement of legal transition work:** The Committee evoked a previously expressed view about the key importance of legal transition work, especially in early transition countries. It recommended that, if necessary, the Bank should put more resources into this area. Through the creation of the EBRD Shareholders Special Fund these requirements seem adequately addressed under "other initiatives" in the "sustainable energy initiative" TC and "enterprise and other" TC (BDS08-35 [Final]). However, continuous donor support for legal transition work of the Bank remains essential.

7. CHIEF EVALUATOR'S ASSESSMENT

7.1 OVERALL PERFORMANCE OF EBRD ACTIVITIES BASED ON EVALUATION FINDINGS[49]

When determining the overall success of EBRD activities, EvD assigns to each project an overall performance rating. This rating gives a high weighting to transition impact but also includes other performance ratings, such as the fulfilment of project objectives, financial performance, environmental performance and additionality (the Bank's ability to complement rather than replace private sources of finance).

Since 1996, 58 per cent of evaluated projects achieved a rating of *Successful* or *Highly Successful* (see Chart 1.2 on page 5). This percentage can substantially fluctuate on an annual basis (for example, 73 per cent in 2004 but only 46 per cent in 2001) but the percentage has improved generally since 2001. In 2007 there were somewhat fewer projects rated *Highly Successful* than in the previous year, but more projects rated *Successful*, giving a similar number of positive results overall.

The *Successful* or *Highly Successful* score for overall performance is much lower than the percentage of projects that received *Excellent* to *Satisfactory* ratings for transition impact (85 per cent in 2007). This difference is partly due to lower ratings for financial performance that reduce the overall performance score. These lower ratings are triggered by the high-risk investment climate in countries where the EBRD operates, particularly in countries at early or intermediate stages of the transition process.

Furthermore, the limited progress in institutional reforms and the slow implementation of privatisation programmes have added to the investment risks. However, during 2007, five projects scored an overall rating of *Highly Successful*.

Based on these cumulative evaluation findings since 1996, EvD concludes that the Bank has been relatively successful in operating according to its mandate, especially in view of the difficult operating environment. As highlighted above, the overall performance ratings have generally improved since 2001.

The above information is presented in the Bank's Annual Report 2007, Chapter 10 on Evaluating EBRD Activities. The Chief Evaluator proposes that, in future, the EBRD's annual report should include a summary of evaluation performance data. This should be provided in the beginning section where the Bank presents the highlights of its financial performance of the previous year.

In addition, the Bank could consider providing more detailed information on ***expected transition impact****, whereby* ***transition potential*** *is combined with the* ***risk*** *to realise* ***the transition potential****. This should be presented next to the financial highlights and information on* ***transition potential*** *of the projects. The Bank's Institutional Performance Report: Fourth Quarter 2007 and the Year Ended 31 December 2007 (BDS08-020) already presents outcomes of stock performance data on* ***expected transition impact****.*

7.2 THE INDEPENDENCE OF THE EVALUATION DEPARTMENT ASSESSED

It is important to highlight the independence of the evaluation functions, such as EvD, as part of the governance structure of the MDBs and to assess how the independence of EvD has progressed

[49] The text in this section is taken from Chapter 10 "Evaluating EBRD Activities" in the Bank's Annual Report of 2007.

in the EBRD. Details on independence are presented in the GPS for private and public sector evaluation that have been established by the ECG.[50] The ECG constitutes a collaborative body in which the heads of MDB evaluation departments collaborate and work towards harmonisation of evaluation procedures and practices.

In 2007 the ECG Chair sent a letter on the importance of independence for the evaluation functions to MDB presidents and boards of directors.[51] The letter stated the ECG's belief that serious or repeated breaches of good practice would not only undermine the credibility and effectiveness of the evaluation function but could lead some stakeholders and observers of the institutions to call for alternative ways and means of assessing the performance and impact of the organisations.

Such initiatives, the letter argued, could well be partial or ad hoc and thereby cloud the performance picture rather than illuminate it. It also suggested that such novel mechanisms reported outside established lines would lack coherent linkage with management follow-up and could eventually undermine the authority and mandate of the institutions' boards.

In the EBRD, EvD became fully independent from Management in June 2005. The independence of EvD is anchored in the 2005 Evaluation Policy which stated in Section 4: "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 committee, or from any individual Board member). He/she is not part of Management."

Now being in the fourth year of implementation of the new evaluation policy, it can be concluded that independence of EvD is functioning well. This is also thanks to some improvements that have been made over time. These improvements are presented below.

In 2007 the ECG completed a working document entitled "Framework for Peer Reviews of evaluation systems" (recently renamed "Review Framework for the Evaluation Function"). This review framework concentrated on the application of good practice standards in the MDBs and provided guidelines on how such review could work. The Audit Committee of 21 January 2008 concluded that the Committee should note the approach proposed in the document rather than endorsing it.

The Committee looked forward to reports from the Chief Evaluator on how this framework would be taken forward in other IFIs (where it was understood there was some interest) and reserved its view on how it might be taken forward in the EBRD. If the Bank was to engage in this process more fully, it would need to be closely reviewed by the Audit Committee, Board and Management.

The Chief Evaluator is of the view that the independence of the function is very well secured in the Bank's Evaluation Policy. Furthermore, the Chief Evaluator is of the opinion that, in the oversight role of the Board through its Audit Committee, extensive attention is given to evaluation findings

[50] The ECG was established by the heads of the MDBs in 1998 in response to a report from a development committee task force, which asked the MDBs to harmonise evaluation practices in order to contribute to "...the public accountability of the MDBs and their ability to justify their use of public resources to shareholder governments, parliaments, and the public." The group was tasked with promoting harmonisation of evaluation practices and to that end has concentrated on the development of evaluation methods and the promotion of good practice standards for the conduct of evaluation work.

[51] On 4 September 2007 the Chair of the ECG wrote a letter to the chairs of MDB board committees overseeing the evaluation functions, to the deans of the boards and to the MDB presidents on the importance of independent evaluation functions (see Appendix 10).

and recommendations. This fully supports EvD's accountability and lessons learned focus. The Chief Evaluator concludes that the implementation of the independence of EvD is developing well.

Individual Board Directors are showing adequate consideration in their direct contacts with the Chief Evaluator and channel their observations in meetings of the Board of Directors and the Audit Committee. The President has also helped actively preserve the independence of the evaluation function. The current Evaluation Policy has functioned well.

In the meantime the following improvements have been made to the evaluation process, which require amendments to the Evaluation Policy:

1. *Agreement on "Access to Information" by EvD staff as concluded between Management and EvD in 2006*
2. *System of follow-up of evaluation recommendations approved by the Board in 2006 and fully implemented in 2007*
3. *Efficiency improvement through the introduction of "light" and shorter XMRs in cases where an XMR review is made by EvD and no other extensive evaluation products such as OPERs or XMR assessments are prepared (the "light" version XMR can also be an efficient self-evaluation product in cases of frameworks).*

In respect of the "selection process" for the appointment of a new Chief Evaluator, an important issue bearing on the independence of the evaluation function, the Board of Directors still needs to take a decision on the following:

- *A selection procedure for the Chief Evaluator has been established by the Bank in the new Evaluation Policy but Section 4.1 (a) of the Evaluation Policy on "Selection and appointment of Chief Evaluator" still needs to be completed with details on the "selection process".*

7.3 ASSESSMENT OF ENVIRONMENTAL/SOCIAL ISSUES

7.3.1 Environmental/social categorisation of projects

The Environmental and Sustainability Department (ESD) assigns *ex-ante* project categorisation (that is, A, B, C, FI, and 0/1). This is in fact a measure of the Bank's perceived risks and opportunities with respect to environmental and social impacts.[52] In previous AEORs, EvD has noted a trend towards an increasing number of category C projects, partly driven by the changing nature of how projects are structured.

Further, in a number of specific 2007 OPER reports, EvD has questioned the *ex-ante* categorisation applied to individual projects. This issue resurfaced in its 2007 special study 2003 Environmental Policy Review: Achieving the Bank's Environmental Mandate through Direct Investments (CS/AU/08-03).

The choice of category, the nature and amount of public disclosure/consultation, and the project risk determines the extent of project due diligence and monitoring undertaken by ESD.

Under the new 2008 Environmental and Social Policy, the categories (A, B, C, F1) remain but the "0/1" categories have been dropped. Further, the Bank has provided for a six-month implementation period to prepare guidelines and to train Bank staff on the new policy.

[52] For further explanation of the categorisation of environmental risks (A, B, C and FI) see the new 2008 Environmental and Social Policy which is available on the EBRD's web site at www.ebrd.com/about/policies/enviro/policy/index.htm.

Based on the above, the Chief Evaluator recommends that EvD and ESD work together in this six-months period in the following way:

(1) EvD and ESD should review and jointly report on the special study findings of the 2003 Environmental Policy Review and OPER findings of the past two years in relation to environmental categorisation.

(2) Taking into account the new 2008 Environmental and Social Policy requirements, ESD should prepare a guidance note on categorisation that would guide Banking and ESD staff in advance of implementation of the new policy. Clarity on the process of categorisation and requirements should also be incorporated into the new environmental and social procedures, which will be provided to the Board of Directors for information.

7.3.2 Measuring environmental and social impact

In the 2008 special study mentioned above, EvD recommended that the Bank introduce an *environmental and social impact indicator* (ESI) to be assessed and monitored every six months *in parallel to TIMS* throughout the life of a project (for the detailed proposal see Appendix 5). EvD recognises that it needs to work with ESD and the OCE to identify appropriate evaluation indicators for assessing social impacts.

The proposed new ESI indicator is based on the two current EvD indicators, *environmental and social performance* and *environmental change* but, in addition, incorporates a new dimension "P" – a measure of the potential to achieve change. It should be noted that ESI is designed to capture both change within the life of the project and performance/compliance as a measure of achieved results.

On a pilot basis, the Chief Evaluator proposes to start using this new indicator in its 2008 OPERs. Thus, EvD would, as in previous years, first report on environmental and social performance and environmental change before estimating P and calculating ESI. This would then be presented as an additional outcome variable. If this new environmental and social impact indicator proves useful, then the Bank might consider mainstreaming ESI into the Bank's project appraisal and monitoring systems.

Social requirements were only specified in the Environmental Policy in 2003. Projects approved under that policy are only just beginning to be evaluated. ESD and EvD should work together to develop evaluation indicators for social impacts and build those into EvD's evaluation methodology.

7.4 PROCESS REVIEW OF THE SYSTEM OF FOLLOW-UP OF EVALUATION RECOMMENDATIONS 2008

7.4.1 Background

Since EvD has become fully independent from Management in June 2005, Management has had the opportunity to provide formal Management's Comments (MCs) to evaluation reports. However, as no system existed to inform the Board of Directors on the follow-up of evaluation recommendations by Management, EvD proposed the establishment of a new system as presented in the AEOR for 2006. The Board of Directors confirmed the proposed system in July 2006.

In April 2008 the report Follow-up of Evaluation Recommendations 2008 (BDS08-065), which was prepared jointly by EvD and Management, was presented to the Board of Directors. This Board discussion concluded a full cycle of reporting to the Board of Directors on follow-up of evaluation recommendations from 2007. In the next section EvD presents its views on the working of the system.

7.4.2 Process analysis of the system established by the Follow-up of Evaluation Recommendations 2008

Management has responded in a balanced and constructive way to evaluation recommendations, extensively referring back to the respective MCs and, in some instances, to Board deliberations on evaluation. The process also benefits from the fact that the Audit Committee now pays good attention to the evaluation recommendations in its discussions.

This affords clarity on the Committee's position respectively. The Audit Committee chairman's report to the Board of Directors and the minutes of the meetings explain the position of the Committee in respect of the evaluation recommendations and give guidance to Management regarding of the follow-up of these recommendations.

EvD was able to reiterate its views and some issues will be further addressed by Management in upcoming updates of sectors policies. On 29 April 2008, the Board noted with great appreciation that the report provided them with the necessary insights into the process. It also commended the fact that Management takes the follow-up in respect of the evaluation recommendations seriously.

Hence, the 2008 Board review of the joint report of EvD and Management successfully concluded the follow-up of the 2007 evaluation recommendations.

The Chief Evaluator is of the view that the process described in the report Follow-up of Evaluation Recommendations 2008, whereby Management reports on the follow-up of evaluation recommendations presented in evaluation reports that were distributed to the EBRD Board in 2007 and whereby a review is made by EvD on Management's accomplishments respectively, worked well and that many lessons have been learned.

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LIST OF APPENDICES

Basic data sheet: Operation performance ratings on the 24 OPERs prepared in 2007

Operation	Year of Board Approval	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2003	ROMANIA	Bank Equity	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 2	1996	POLAND	Equity Funds	PRIVATE	E	Excellent	Good	Substantial	Successful
Project 3	2003	TAJIKISTAN	Small Business Finance	PRIVATE	L	Excellent	Good	Some	Successful
Project 4	2005	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Excellent	Satisfactory	Some	Successful
Project 5	2003	AZERBAIJAN	Bank Equity/Bank Lending	PRIVATE	E	Excellent	Marginal	None/ Negative	Successful
Project 6	2003	<REGIONAL>	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 7	2003	SLOVAK REPUBLIC	Power and Energy	PRIVATE	L	Good	Good	Some	Successful
Project 8	2004	ALBANIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 9	2004	SERBIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 10	2003	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 11	2004	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E/L	Good	Satisfactory	Some	Successful
Project 12	2004	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Marginal	Outstanding	Successful
Project 13	2002	POLAND	Property and Tourism	PRIVATE	L	Good	Marginal	None/ Negative	Successful
Project 14	2005	KAZAKHSTAN	Telecoms Informatics & Media	PRIVATE	L	Good	NA	NA	Successful
Project 15	2005	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Good	NA	NA	Successful
Project 16	2004	FYR MACEDONIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 17	1999	UKRAINE	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 18	2003	AZERBAIJAN	Natural Resources	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 19	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 20	2001	SERBIA	Municipal & Env Inf	STATE	L	Satisfactory	Marginal	Outstanding	Partly Successful
Project 21	2002	CROATIA	Transport	STATE	L	Satisfactory	NA	NA	Partly Successful
Project 22	2003	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Unsatisfactory	None/ Negative	Unsuccessful
Project 23	1999	LITHUANIA	General Industry	PRIVATE	E/L	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 24	1996	UZBEKISTAN	General Industry	PRIVATE	E/L	Negative	NA	NA	Unsuccessful

[1] E=Equity; L=Loan
[2] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative
[3] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Highly Unsatisfactory
[4] The range is Outstanding/Substantial/Some/None/Negative
[5] The range is Highly Successful/Successful/Partly Successful/Unsuccessful

Basic data sheet: Operation performance ratings on the 30 XMR assessments prepared in 2007

Operation	Year of Board Approval	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Operation 1	2000	ROMANIA	Power and Energy	STATE	L	Excellent	Excellent	Substantial	Highly Successful
Operation 2	2004	UZBEKISTAN	Telecoms Informatics & Media	PRIVATE	E	Excellent	Excellent	None/ Negative	Highly Successful
Operation 3	2002	BULGARIA	Power and Energy	PRIVATE	L	Excellent	Good	Substantial	Successful
Operation 4	2002	POLAND	General Industry	PRIVATE	L	Excellent	Good	Some	Successful
Operation 5	2004	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Excellent	Good	Some	Successful
Operation 6	2004	BULGARIA	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Successful
Operation 7	1999	ARMENIA	Bank Equity/Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Operation 8	2005	HUNGARY	Transport	PRIVATE	L	Good	Good	Some	Successful
Operation 9	2000	POLAND	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Operation 10	2003	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E	Good	Good	Some	Successful
Operation 11	2004	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Good	Some	Successful
Operation 12	2002	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Operation 13	2005	ROMANIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Substantial	Successful
Operation 14	2002	SERBIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Operation 15	2002	<REGIONAL>	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Operation 16	2000	UKRAINE	Transport	STATE	L	Satisfactory	Satisfactory	Substantial	Successful
Operation 17	2002	POLAND	Municipal & Env Inf	STATE	L	Satisfactory	Satisfactory	Substantial	Successful
Operation 18	2002	BOSNIA AND HERZEGO	Telecoms Informatics & Media	STATE	L	Excellent	Marginal	None/ Negative	Partly Successful
Operation 19	1997	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Good	Some	Partly Successful
Operation 20	2005	AZERBAIJAN	Non Bank Financial Institutions	PRIVATE	E/L	Good	Good	None/ Negative	Partly Successful
Operation 21	2002	ARMENIA	General Industry	PRIVATE	L	Good	Unsatisfactory	Some	Partly Successful
Operation 22	2001	POLAND	Municipal & Env Inf	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Operation 23	2003	SERBIA	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Operation 24	2004	MOLDOVA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Operation 25	2004	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Operation 26	2005	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Good	None/ Negative	Partly Successful
Operation 27	2004	ESTONIA	General Industry	PRIVATE	E/L	Satisfactory	Satisfactory	Some	Partly Successful
Operation 28	2001	UKRAINE	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Operation 29	2000	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Marginal	Unsatisfactory	None/ Negative	Unsuccessful
Operation 30	2002	SLOVAK REPUBLIC	Equity Funds	PRIVATE	E	Negative	Unsatisfactory	None/ Negative	Unsuccessful

[1] E=Equity; L=Loan

[2] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative

[3] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Highly Unsatisfactory

[4] The range is Outstanding/Substanital/Some/None/Negative

[5] The range is Highly Successful/Successful/Partly Successful/Unsuccessful

Basic data sheet: Operation performance ratings on the 227 OPERs prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2000	2005	CZECH REPUBLIC	Municipal & Env Inf	PRIVATE	L	Excellent	Excellent	Outstanding	Highly Successful
Project 2	2001	2004	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Excellent	Excellent	Outstanding	Highly Successful
Project 3	2003	2006	SLOVAK REPUBLIC	Non Bank Financial Institutions	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 4	1995	1997	CROATIA	General Industry	PRIVATE	E/L	Excellent	Excellent	Substantial	Highly Successful
Project 5	1993	1996	HUNGARY	General Industry	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 6	2003	2005	UKRAINE	General Industry	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 7	1999	2004	UKRAINE	Natural Resources	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 8	2000	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 9	1997	2000	KAZAKHSTAN	General Industry	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 10	2002	2006	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 11	2004	2006	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 12	2000	2004	POLAND	Non Bank Financial Institutions	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 13	1998	2000	CROATIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 14	1995	1999	LITHUANIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 15	1991	1997	HUNGARY	Telecoms Informatics & Media	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 16	1993	1997	SLOVENIA	Bank Lending/Bank Equity	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 17	1992	1996	<REGIONAL>	Equity Funds	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 18	1998	2000	CZECH REPUBLIC	Bank Equity	PRIVATE	E	Excellent	Satisfactory	Some	Highly Successful
Project 19	1993	2000	SLOVENIA	Power and Energy	STATE	L	Good	Excellent	Some	Highly Successful
Project 20	1992	1996	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Substantial	Highly Successful
Project 21	2003	2005	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Highly Successful
Project 22	1994	1996	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Good	Some	Highly Successful
Project 23	1994	1996	POLAND	Property and Tourism	PRIVATE	L	Good	Good	Some	Highly Successful
Project 24	1994	1999	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	E/L	Good	Satisfactory	None/ Negative	Highly Successful
Project 25	1997	2000	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 26	1994	1997	POLAND	Agribusiness	PRIVATE	L	Excellent	Good	Some	Successful
Project 27	2003	2005	HUNGARY	Natural Resources	PRIVATE	L	Good	Excellent	Outstanding	Successful
Project 28	1999	2002	UKRAINE	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 29	1996	2002	LATVIA	Municipal & Env Inf	STATE	L	Good	Excellent	Substantial	Successful
Project 30	1995	2002	UKRAINE	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 31	1995	2001	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 32	1995	1998	UKRAINE	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 33	2001	2004	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Excellent	Some	Successful
Project 34	2002	2004	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Excellent	Some	Successful
Project 35	1997	1999	ESTONIA	General Industry	PRIVATE	L	Good	Excellent	Some	Successful
Project 36	1997	2002	CZECH REPUBLIC	Non Bank Financial Institutions	PRIVATE	E	Good	Excellent	None/ Negative	Successful
Project 37	1999	2006	POLAND	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful

Basic data sheet: Operation performance ratings on the 227 OPERs prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 38	2004	2006	<REGIONAL>	Natural Resources	PRIVATE	E	Good	Good	Substantial	Successful
Project 39	2001	2006	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 40	1995	2005	<REGIONAL>	Agribusiness	PRIVATE	E	Good	Good	Substantial	Successful
Project 41	1999	2005	TURKMENISTAN	Natural Resources	PRIVATE	L	Good	Good	Substantial	Successful
Project 42	2000	2004	AZERBAIJAN	Natural Resources	PRIVATE	E/L	Good	Good	Substantial	Successful
Project 43	2000	2004	ESTONIA	Municipal & Env Inf	PRIVATE	E/L	Good	Good	Substantial	Successful
Project 44	1996	2004	<REGIONAL>	Municipal & Env Inf	PRIVATE	E/L	Good	Good	Substantial	Successful
Project 45	2002	2004	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 46	2001	2003	UKRAINE	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 47	1999	2002	CROATIA	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful
Project 48	1998	2001	SLOVAK REPUBLIC	Agribusiness	PRIVATE	L	Good	Good	Substantial	Successful
Project 49	1996	2000	<REGIONAL>	General Industry	PRIVATE	E	Good	Good	Substantial	Successful
Project 50	1996	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	E/L	Good	Good	Substantial	Successful
Project 51	1992	1997	LATVIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 52	1994	1997	SLOVENIA	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 53	1994	1996	POLAND	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 54	1994	2005	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 55	2002	2006	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Good	Some	Successful
Project 56	1999	2006	KAZAKHSTAN	Power and Energy	STATE	L	Good	Good	Some	Successful
Project 57	2000	2005	POLAND	Municipal & Env Inf	STATE	L	Good	Good	Some	Successful
Project 58	1996	2004	RUSSIAN FEDERATION	Transport	STATE	L	Good	Good	Some	Successful
Project 59	1999	2004	CROATIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 60	1997	2003	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 61	1997	2003	KYRGYZ REPUBLIC	Property and Tourism	PRIVATE	L	Good	Good	Some	Successful
Project 62	2000	2003	BULGARIA	Municipal & Env Inf	PRIVATE	L	Good	Good	Some	Successful
Project 63	1999	2002	<REGIONAL>	Bank Lending/Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 64	1998	2001	POLAND	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 65	1997	2001	ESTONIA	Transport	STATE	L	Good	Good	Some	Successful
Project 66	1996	2001	FYR MACEDONIA	Bank Equity	PRIVATE	E/L	Good	Good	Some	Successful
Project 67	1998	2001	AZERBAIJAN	Natural Resources	PRIVATE	L	Good	Good	Some	Successful
Project 68	1998	2001	KAZAKHSTAN	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 69	1997	2000	BULGARIA	Bank Lending/Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 70	1997	2000	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Good	Good	Some	Successful
Project 71	1995	1998	HUNGARY	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 72	1994	1996	ESTONIA	Bank Lending/Bank Equity	PRIVATE	L	Good	Good	Some	Successful
Project 73	2002	2004	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Good	None/ Negative	Successful
Project 74	1999	2004	BULGARIA	Non Bank Financial Institutions	PRIVATE	E	Good	Good	None/ Negative	Successful
Project 75	2001	2002	POLAND	Bank Lending	PRIVATE	L	Good	Good	None/ Negative	Successful
Project 76	1999	2002	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/ Negative	Successful

Basic data sheet: Operation performance ratings on the 227 OPERs prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 77	1994	2001	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Good	Good	None/ Negative	Successful
Project 78	1997	2000	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/ Negative	Successful
Project 79	2000	2006	CROATIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 80	1999	2005	AZERBAIJAN	Transport	STATE	L	Good	Satisfactory	Substantial	Successful
Project 81	1997	2003	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 82	1995	1999	ESTONIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Substantial	Successful
Project 83	1995	1998	HUNGARY	Municipal & Env Inf	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 84	1994	1998	ROMANIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Substantial	Successful
Project 85	1992	1996	HUNGARY	Transport	STATE	L	Good	Satisfactory	Substantial	Successful
Project 86	1995	2006	ROMANIA	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 87	1996	2006	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 88	2002	2006	UZBEKISTAN	Small Business Finance	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 89	1996	2006	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 90	1999	2005	GEORGIA	Bank Lending/Bank Equity	PRIVATE	E/L	Good	Satisfactory	Some	Successful
Project 91	1997	2005	KAZAKHSTAN	Small Business Finance	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 92	1997	2004	UKRAINE	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 93	2000	2003	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 94	2001	2003	ROMANIA	General Industry	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 95	1997	1999	BOSNIA AND HERZEGOVINA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 96	1993	1998	ROMANIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 97	1992	1996	UKRAINE	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 98	2000	2005	CZECH REPUBLIC	Telecoms Informatics & Media	PRIVATE	E	Good	Satisfactory	None/ Negative	Successful
Project 99	2002	2005	CROATIA	Bank Lending	PRIVATE	L	Good	Satisfactory	None/ Negative	Successful
Project 100	1993	1996	LATVIA	Transport	STATE	L	Good	Satisfactory	None/ Negative	Successful
Project 101	2003	2005	SERBIA	Agribusiness	PRIVATE	L	Good	Marginal	Some	Successful
Project 102	1995	2002	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E	Good	Marginal	Some	Successful
Project 103	2003	2006	HUNGARY	Municipal & Env Inf	PRIVATE	L	Satisfactory	Excellent	Outstanding	Successful
Project 104	1993	2001	SLOVAK REPUBLIC	General Industry	PRIVATE	L	Satisfactory	Good	Outstanding	Successful
Project 105	2003	2005	LITHUANIA	Municipal & Env Inf	STATE	L	Satisfactory	Good	Substantial	Successful
Project 106	1997	2001	UZBEKISTAN	Natural Resources	STATE	L	Satisfactory	Good	Substantial	Successful
Project 107	1996	1999	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Good	Substantial	Successful
Project 108	2000	2004	UKRAINE	Transport	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 109	2000	2003	RUSSIAN FEDERATION	Transport	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 110	1994	1999	ESTONIA	Bank Lending/Bank Equity	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 111	1994	1999	BELARUS	Transport	STATE	L	Satisfactory	Good	Some	Successful
Project 112	1994	1998	ROMANIA	Property and Tourism	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 113	1993	1998	SLOVENIA	Transport	STATE	L	Satisfactory	Good	Some	Successful
Project 114	1997	1999	BOSNIA AND HERZEGOVINA	Small Business Finance	PRIVATE	E	Satisfactory	Good	None/ Negative	Successful
Project 115	2002	2006	RUSSIAN FEDERATION	Municipal & Env Inf	PRIVATE	L	Satisfactory	Satisfactory	Outstanding	Successful

Basic data sheet: Operation performance ratings on the 227 OPERs prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 116	1995	1998	<REGIONAL>	Natural Resources	PRIVATE	E/L	Satisfactory	Satisfactory	Substantial	Successful
Project 117	1999	2006	KAZAKHSTAN	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 118	2000	2005	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 119	1999	2004	KAZAKHSTAN	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 120	1997	2003	ESTONIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 121	1993	1997	UZBEKISTAN	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 122	2001	2005	UKRAINE	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Successful
Project 123	1997	2004	RUSSIAN FEDERATION	Municipal & Env Inf	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Successful
Project 124	1999	2003	KAZAKHSTAN	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Successful
Project 125	2002	2003	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Successful
Project 126	1998	2005	GEORGIA	Transport	STATE	L	Satisfactory	Marginal	Some	Successful
Project 127	1996	1999	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	None/ Negative	Successful
Project 128	1992	2000	POLAND	General Industry	PRIVATE	L	Good	Excellent	Outstanding	Partly Successful
Project 129	1997	1999	POLAND	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 130	1996	1998	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 131	1997	2001	GEORGIA	Agribusiness	PRIVATE	E/L	Good	Good	Substantial	Partly Successful
Project 132	2000	2002	LITHUANIA	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/ Negative	Partly Successful
Project 133	1999	2004	FYR MACEDONIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Partly Successful
Project 134	1999	2003	UKRAINE	Small Business Finance	PRIVATE	E/L	Good	Satisfactory	Some	Partly Successful
Project 135	2001	2003	SERBIA	Small Business Finance	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 136	2000	2003	GEORGIA	Small Business Finance	PRIVATE	E/L	Good	Satisfactory	Some	Partly Successful
Project 137	1999	2003	ALBANIA	Small Business Finance	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 138	1995	1997	GEORGIA	Transport	STATE	L	Good	Satisfactory	Some	Partly Successful
Project 139	1996	2002	GEORGIA	Bank Lending	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 140	1997	2000	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Good	Satisfactory	None/ Negative	Partly Successful
Project 141	2000	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Marginal	None/ Negative	Partly Successful
Project 142	1992	1998	BULGARIA	Power and Energy	STATE	L	Good	Unsatisfactory	None/ Negative	Partly Successful
Project 143	2000	2006	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 144	1999	2003	GEORGIA	Power and Energy	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 145	2003	2006	RUSSIAN FEDERATION	Natural Resources	STATE	L	Satisfactory	Good	Some	Partly Successful
Project 146	2002	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 147	1999	2002	CROATIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 148	1995	2002	FYR MACEDONIA	Bank Lending/Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 149	1998	2002	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Good	None/ Negative	Partly Successful
Project 150	2001	2006	POLAND	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 151	1997	2005	MOLDOVA	Bank Lending/Bank Equity	PRIVATE	E	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 152	1994	1999	AZERBAIJAN	Power and Energy	STATE	L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 153	1992	1996	POLAND	General Industry	PRIVATE	E/L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 154	2000	2003	MOLDOVA	Small Business Finance	PRIVATE	E/L	Satisfactory	Satisfactory	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 227 OPERs prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 155	1996	1999	MOLDOVA	Small Business Finance	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 156	1992	1998	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	E	Satisfactory	Satisfactory	Some	Partly Successful
Project 157	1993	1996	HUNGARY	Agribusiness	STATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 158	1998	2000	BULGARIA	General Industry	PRIVATE	E/L	Satisfactory	Marginal	Some	Partly Successful
Project 159	1999	2004	<REGIONAL>	Property and Tourism	PRIVATE	E	Satisfactory	Marginal	None/ Negative	Partly Successful
Project 160	1997	2003	HUNGARY	General Industry	PRIVATE	E	Satisfactory	Marginal	None/ Negative	Partly Successful
Project 161	1994	1997	BULGARIA	Bank Equity	PRIVATE	E	Satisfactory	Unsatisfactory	None/ Negative	Partly Successful
Project 162	1995	2002	RUSSIAN FEDERATION	Small Business Finance	PRIVATE	E/L	Satisfactory	NR	NR	Partly Successful
Project 163	2000	2003	FYR MACEDONIA	Natural Resources	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 164	2000	2002	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 165	1993	1998	POLAND	General Industry	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 166	1996	2001	LATVIA	Property and Tourism	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 167	2001	2004	<REGIONAL>	Transport	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 168	1997	2003	UZBEKISTAN	Power and Energy	STATE	L	Marginal	Good	Some	Partly Successful
Project 169	1996	2002	KAZAKHSTAN	Transport	STATE	L	Marginal	Good	Some	Partly Successful
Project 170	1995	2001	TURKMENISTAN	General Industry	PRIVATE	E/L	Marginal	Good	Some	Partly Successful
Project 171	1999	2000	LITHUANIA	Agribusiness	PRIVATE	E	Marginal	Good	Some	Partly Successful
Project 172	1996	2000	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 173	1998	2006	UZBEKISTAN	Municipal & Env Inf	STATE	L	Marginal	Satisfactory	Outstanding	Partly Successful
Project 174	1995	2006	SLOVAK REPUBLIC	Equity Funds	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 175	1996	2006	KAZAKHSTAN	Equity Funds	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 176	1995	2001	AZERBAIJAN	Municipal & Env Inf	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 177	2003	2005	AZERBAIJAN	Property and Tourism	PRIVATE	L	Marginal	Satisfactory	None/ Negative	Partly Successful
Project 178	1998	2003	HUNGARY	Municipal & Env Inf	PRIVATE	L	Marginal	Satisfactory	None/ Negative	Partly Successful
Project 179	1994	1997	HUNGARY	Property and Tourism	PRIVATE	E/L	Marginal	Satisfactory	None/ Negative	Partly Successful
Project 180	1998	2006	KAZAKHSTAN	Bank Lending	PRIVATE	L	Marginal	Marginal	Substantial	Partly Successful
Project 181	1998	2001	SLOVENIA	General Industry	PRIVATE	E/L	Marginal	Marginal	Some	Partly Successful
Project 182	1995	1997	UKRAINE	Natural Resources	PRIVATE	L	Marginal	Marginal	Some	Partly Successful
Project 183	1993	1997	RUSSIAN FEDERATION	Natural Resources	STATE	L	Marginal	Marginal	Some	Partly Successful
Project 184	1993	1996	BULGARIA	Bank Equity	PRIVATE	E	Marginal	Marginal	Some	Partly Successful
Project 185	1999	2002	HUNGARY	Bank Equity	PRIVATE	E	Marginal	Marginal	None/ Negative	Partly Successful
Project 186	1996	1999	RUSSIAN FEDERATION	Transport	PRIVATE	E/L	Unsatisfactory	Marginal	Some	Partly Successful
Project 187	1994	1999	MOLDOVA	Agribusiness	STATE	L	Satisfactory	Satisfactory	None/ Negative	Unsuccessful
Project 188	1995	2003	CZECH REPUBLIC	General Industry	PRIVATE	L	Satisfactory	Marginal	Some	Unsuccessful
Project 189	1996	1999	POLAND	Agribusiness	PRIVATE	L	Marginal	Excellent	Some	Unsuccessful
Project 190	2001	2005	CROATIA	Bank Lending	PRIVATE	L	Marginal	Good	Some	Unsuccessful
Project 191	1994	2002	BULGARIA	Equity Funds	PRIVATE	E	Marginal	Good	Some	Unsuccessful
Project 192	1998	2004	KAZAKHSTAN	Power and Energy	PRIVATE	L	Marginal	Satisfactory	Outstanding	Unsuccessful
Project 193	1995	1999	LATVIA	Bank Lending/Bank Equity	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful

Basic data sheet: Operation performance ratings on the 227 OPERs prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 194	1998	2004	SERBIA	Equity Funds	PRIVATE	E	Marginal	Satisfactory	None/ Negative	Unsuccessful
Project 195	1993	1997	HUNGARY	Agribusiness	PRIVATE	L	Marginal	Satisfactory	None/ Negative	Unsuccessful
Project 196	1997	2001	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Marginal	Substantial	Unsuccessful
Project 197	1993	1997	UZBEKISTAN	Natural Resources	PRIVATE	L	Marginal	Marginal	Some	Unsuccessful
Project 198	1994	1998	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Marginal	Marginal	None/ Negative	Unsuccessful
Project 199	1995	1998	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Marginal	Unsatisfactory	None/ Negative	Unsuccessful
Project 200	1994	1996	CZECH REPUBLIC	General Industry	PRIVATE	L	Marginal	Unsatisfactory	None/ Negative	Unsuccessful
Project 201	1997	1999	CZECH REPUBLIC	General Industry	PRIVATE	E	Unsatisfactory	Excellent	Some	Unsuccessful
Project 202	1997	2001	POLAND	Agribusiness	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 203	1998	2001	CROATIA	Agribusiness	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 204	1995	2000	MOLDOVA	Transport	STATE	L	Unsatisfactory	Good	Some	Unsuccessful
Project 205	1997	2006	BULGARIA	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 206	1995	1998	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 207	1996	2003	UZBEKISTAN	Bank Lending	PRIVATE	L	Unsatisfactory	Satisfactory	None/ Negative	Unsuccessful
Project 208	1995	2002	UKRAINE	General Industry	PRIVATE	L	Unsatisfactory	Satisfactory	None/ Negative	Unsuccessful
Project 209	1997	2001	POLAND	General Industry	PRIVATE	E	Unsatisfactory	Satisfactory	None/ Negative	Unsuccessful
Project 210	2001	2006	SLOVAK REPUBLIC	General Industry	PRIVATE	L	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 211	2003	2005	KAZAKHSTAN	Bank Equity	PRIVATE	E	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 212	2000	2005	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	L	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 213	1996	2000	BULGARIA	Agribusiness	PRIVATE	E/L	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 214	1996	1998	RUSSIAN FEDERATION	Transport	PRIVATE	L	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 215	1992	1997	CZECH REPUBLIC	General Industry	PRIVATE	L	Unsatisfactory	Unsatisfactory	Some	Unsuccessful
Project 216	2000	2006	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Unsatisfactory	NA	NA	Unsuccessful
Project 217	1994	2001	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Unsatisfactory	NA	NA	Unsuccessful
Project 218	1993	1999	HUNGARY	Transport	PRIVATE	E/L	Negative	Excellent	Some	Unsuccessful
Project 219	1994	1998	SLOVAK REPUBLIC	Natural Resources	PRIVATE	L	Negative	Satisfactory	Substantial	Unsuccessful
Project 220	1994	2000	CZECH REPUBLIC	Transport	STATE	L	Negative	Satisfactory	None/ Negative	Unsuccessful
Project 221	1997	2001	POLAND	General Industry	PRIVATE	E	Negative	Marginal	Substantial	Unsuccessful
Project 222	1995	1999	KYRGYZ REPUBLIC	Agribusiness	PRIVATE	L	Negative	Marginal	Some	Unsuccessful
Project 223	1995	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Negative	Marginal	None/ Negative	Unsuccessful
Project 224	1996	1999	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Negative	Marginal	None/ Negative	Unsuccessful
Project 225	1993	1998	ARMENIA	Power and Energy	STATE	L	Negative	Marginal	None/ Negative	Unsuccessful
Project 226	1995	2004	MOLDOVA	Transport	PRIVATE	E/L	Negative	Unsatisfactory	None/ Negative	Unsuccessful
Project 227	1997	1998	ESTONIA	Bank Equity	PRIVATE	E	Negative	Unsatisfactory	None/ Negative	Unsuccessful

[1] E=Equity; L=Loan

[2] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative

[3] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Highly Unsatisfactory

[4] The range is Outstanding/Substanital/Some/None/Negative

[5] The range is Highly Successful/Successful/Partly Successful/Unsuccessful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2003	2006	CROATIA	Municipal & Env Inf	STATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 2	2004	2006	POLAND	General Industry	PRIVATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 3	1995	1998	HUNGARY	General Industry	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 4	2003	2006	ALBANIA	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 5	2001	2005	BULGARIA	Small Business Finance	PRIVATE	E/L	Excellent	Excellent	Some	Highly Successful
Project 6	1996	2004	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 7	2001	2003	BULGARIA	General Industry	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 8	2002	2006	FYR MACEDONIA	Small Business Finance	PRIVATE	E/L	Excellent	Excellent	None/ Negative	Highly Successful
Project 9	2001	2003	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	E/L	Excellent	Excellent	None/ Negative	Highly Successful
Project 10	2002	2005	ROMANIA	Natural Resources	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 11	1995	1997	HUNGARY	General Industry	PRIVATE	E	Excellent	Good	Substantial	Highly Successful
Project 12	2003	2006	ROMANIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 13	2003	2006	BULGARIA	Telecoms Informatics & Media	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 14	1997	2005	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 15	1998	2002	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Excellent	Satisfactory	Some	Highly Successful
Project 16	2003	2005	ROMANIA	General Industry	PRIVATE	E	Good	Excellent	Outstanding	Highly Successful
Project 17	1996	1999	RUSSIAN FEDERATION	General Industry	PRIVATE	E/L	Good	Excellent	Outstanding	Highly Successful
Project 18	2002	2005	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 19	1997	2000	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 20	2003	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Good	Substantial	Highly Successful
Project 21	1997	2005	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Good	Some	Highly Successful
Project 22	2002	2004	BULGARIA	Bank Equity	PRIVATE	E	Good	Good	Some	Highly Successful
Project 23	2001	2003	CROATIA	Bank Lending	PRIVATE	L	Good	Good	Some	Highly Successful
Project 24	1996	2000	HUNGARY	General Industry	PRIVATE	E/L	Good	Good	Some	Highly Successful
Project 25	1996	1998	ESTONIA	Bank Lending	PRIVATE	L	Good	Good	Some	Highly Successful
Project 26	2003	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/ Negative	Highly Successful
Project 27	1998	2004	ROMANIA	Property and Tourism	PRIVATE	E/L	Good	Good	None/ Negative	Highly Successful
Project 28	1999	2002	SLOVENIA	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Highly Successful
Project 29	1993	1999	HUNGARY	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Highly Successful
Project 30	1997	2000	ROMANIA	Bank Equity	PRIVATE	E	Good	Marginal	Some	Highly Successful
Project 31	1995	2000	ROMANIA	Agribusiness	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 32	1997	1999	HUNGARY	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 33	1997	1999	BULGARIA	General Industry	PRIVATE	L	Excellent	Good	Substantial	Successful
Project 34	1995	1998	CROATIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Successful
Project 35	1992	1998	BULGARIA	Telecoms Informatics & Media	STATE	L	Excellent	Good	Some	Successful
Project 36	1997	1999	LATVIA	Telecoms Informatics & Media	PRIVATE	E/L	Excellent	Good	None/ Negative	Successful
Project 37	1993	1998	ALBANIA	Property and Tourism	PRIVATE	E/L	Excellent	Good	None/ Negative	Successful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 38	2002	2005	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	E/L	Excellent	Satisfactory	Some	Successful
Project 39	1995	1998	POLAND	Non Bank Financial Institutions	PRIVATE	E	Excellent	Satisfactory	None/ Negative	Successful
Project 40	1999	2002	FYR MACEDONIA	Telecoms Informatics & Media	PRIVATE	L	Excellent	Marginal	None/ Negative	Successful
Project 41	1994	1998	POLAND	Power and Energy	PRIVATE	L	Good	Excellent	Outstanding	Successful
Project 42	2002	2006	<REGIONAL>	General Industry	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 43	2000	2005	UZBEKISTAN	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 44	2001	2003	CROATIA	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 45	1997	2000	<REGIONAL>	Municipal & Env Inf	PRIVATE	E/L	Good	Excellent	Substantial	Successful
Project 46	1995	1998	HUNGARY	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 47	1993	1998	POLAND	General Industry	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 48	2002	2005	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Excellent	Some	Successful
Project 49	2000	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Excellent	Some	Successful
Project 50	1992	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Excellent	Some	Successful
Project 51	1996	1999	CROATIA	Bank Lending	PRIVATE	L	Good	Excellent	Some	Successful
Project 52	1997	1999	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Good	Excellent	Some	Successful
Project 53	1998	2004	UKRAINE	General Industry	PRIVATE	L	Good	Excellent	None/ Negative	Successful
Project 54	1994	1999	KYRGYZ REPUBLIC	Telecoms Informatics & Media	STATE	L	Good	Excellent	None/ Negative	Successful
Project 55	2003	2005	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 56	1999	2004	POLAND	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 57	1997	2001	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 58	1995	1998	LITHUANIA	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 59	1995	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	Good	Substantial	Successful
Project 60	1992	1997	LITHUANIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 61	1992	1997	ESTONIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 62	1993	1997	ROMANIA	Bank Equity	PRIVATE	L	Good	Good	Substantial	Successful
Project 63	1992	1996	ROMANIA	Natural Resources	STATE	L	Good	Good	Substantial	Successful
Project 64	1996	1996	ESTONIA	Bank Lending	PRIVATE	L	Good	Good	Substantial	Successful
Project 65	1993	1996	SLOVAK REPUBLIC	Natural Resources	PRIVATE	L	Good	Good	Substantial	Successful
Project 66	1998	2006	LATVIA	Transport	STATE	L	Good	Good	Some	Successful
Project 67	2001	2005	<REGIONAL>	Agribusiness	PRIVATE	E/L	Good	Good	Some	Successful
Project 68	2002	2005	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 69	2001	2005	SLOVAK REPUBLIC	Power and Energy	STATE	L	Good	Good	Some	Successful
Project 70	1999	2005	FYR MACEDONIA	Bank Equity	PRIVATE	L	Good	Good	Some	Successful
Project 71	2001	2005	HUNGARY	Non Bank Financial Institutions	PRIVATE	L	Good	Good	Some	Successful
Project 72	2000	2005	SERBIA	Small Business Finance	PRIVATE	E/L	Good	Good	Some	Successful
Project 73	2001	2004	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Good	Some	Successful
Project 74	1999	2004	BOSNIA AND HERZEGOVINA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 75	2000	2004	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E/L	Good	Good	Some	Successful
Project 76	2002	2004	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 77	2001	2004	SERBIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 78	2002	2004	SLOVENIA	Bank Equity	PRIVATE	E/L	Good	Good	Some	Successful
Project 79	1999	2004	UZBEKISTAN	Transport	STATE	L	Good	Good	Some	Successful
Project 80	2002	2004	ESTONIA	Non Bank Financial Institutions	PRIVATE	E	Good	Good	Some	Successful
Project 81	1999	2004	FYR MACEDONIA	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 82	2002	2004	CZECH REPUBLIC	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 83	2000	2003	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 84	1996	2003	CROATIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 85	1996	2003	KYRGYZ REPUBLIC	Bank Equity	PRIVATE	L	Good	Good	Some	Successful
Project 86	2001	2003	CROATIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 87	1996	2003	ROMANIA	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 88	2000	2003	KYRGYZ REPUBLIC	Bank Equity	PRIVATE	E/L	Good	Good	Some	Successful
Project 89	2000	2002	POLAND	Property and Tourism	PRIVATE	E	Good	Good	Some	Successful
Project 90	1999	2002	BOSNIA AND HERZEGOVINA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 91	1997	2002	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 92	1998	2002	MOLDOVA	Transport	STATE	L	Good	Good	Some	Successful
Project 93	1999	2001	GEORGIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 94	2000	2001	ARMENIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 95	1995	2001	FYR MACEDONIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 96	1999	2001	TAJIKISTAN	Transport	STATE	L	Good	Good	Some	Successful
Project 97	1996	2001	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 98	1999	2001	ROMANIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 99	1995	2000	POLAND	Property and Tourism	PRIVATE	L	Good	Good	Some	Successful
Project 100	1994	1998	POLAND	Equity Funds	PRIVATE	L	Good	Good	Some	Successful
Project 101	1994	1998	UKRAINE	Telecoms Informatics & Media	STATE	L	Good	Good	Some	Successful
Project 102	1992	1998	ALBANIA	Telecoms Informatics & Media	STATE	L	Good	Good	Some	Successful
Project 103	1995	1997	CZECH REPUBLIC	General Industry	PRIVATE	L	Good	Good	Some	Successful
Project 104	1994	1996	POLAND	General Industry	PRIVATE	L	Good	Good	Some	Successful
Project 105	2003	2006	SERBIA	Property and Tourism	PRIVATE	L	Good	Good	None/ Negative	Successful
Project 106	2003	2006	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/ Negative	Successful
Project 107	1999	2004	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/ Negative	Successful
Project 108	1999	2004	HUNGARY	Transport	STATE	L	Good	Good	None/ Negative	Successful
Project 109	2001	2003	SLOVENIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/ Negative	Successful
Project 110	1998	2003	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Good	None/ Negative	Successful
Project 111	2000	2003	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/ Negative	Successful
Project 112	1998	2001	BOSNIA AND HERZEGOVINA	Telecoms Informatics & Media	STATE	L	Good	Good	None/ Negative	Successful
Project 113	1997	2001	KYRGYZ REPUBLIC	Power and Energy	STATE	L	Good	Good	None/ Negative	Successful
Project 114	2005	2006	KYRGYZ REPUBLIC	Property and Tourism	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 115	1994	1997	CZECH REPUBLIC	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 116	2004	2006	LITHUANIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Some	Successful
Project 117	1998	2003	GEORGIA	General Industry	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 118	2000	2003	UKRAINE	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 119	1994	2002	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 120	1999	2002	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 121	1999	2002	UKRAINE	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 122	1996	2001	ROMANIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 123	1996	2000	CROATIA	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 124	1996	2000	CROATIA	Bank Equity	PRIVATE	E/L	Good	Satisfactory	Some	Successful
Project 125	1996	2000	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 126	1996	1998	CROATIA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 127	1993	1997	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 128	1994	1997	POLAND	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 129	1994	1997	HUNGARY	Natural Resources	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 130	1993	1996	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 131	1993	1996	POLAND	General Industry	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 132	1993	1996	BULGARIA	Agribusiness	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 133	1994	1996	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 134	1993	1996	HUNGARY	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 135	1997	2006	UKRAINE	Transport	STATE	L	Good	Satisfactory	None/ Negative	Successful
Project 136	2004	2006	KAZAKHSTAN	Agribusiness	PRIVATE	L	Good	Satisfactory	None/ Negative	Successful
Project 137	2003	2006	<REGIONAL>	Municipal & Env Inf	PRIVATE	E	Good	Satisfactory	None/ Negative	Successful
Project 138	1995	2004	<REGIONAL>	Bank Lending	PRIVATE	L	Good	Satisfactory	None/ Negative	Successful
Project 139	1999	2004	CROATIA	Non Bank Financial Institutions	PRIVATE	E	Good	Satisfactory	None/ Negative	Successful
Project 140	1992	1999	POLAND	Equity Funds	PRIVATE	E	Good	Satisfactory	None/ Negative	Successful
Project 141	1997	1999	SLOVENIA	General Industry	PRIVATE	E	Good	Satisfactory	None/ Negative	Successful
Project 142	1991	1997	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Satisfactory	None/ Negative	Successful
Project 143	1993	1997	UKRAINE	Transport	STATE	L	Good	Satisfactory	None/ Negative	Successful
Project 144	1994	1996	HUNGARY	Bank Equity	PRIVATE	E	Good	Satisfactory	None/ Negative	Successful
Project 145	1998	2002	GEORGIA	Bank Equity	PRIVATE	E/L	Good	Marginal	Some	Successful
Project 146	1997	2000	HUNGARY	Bank Equity	PRIVATE	E	Good	Marginal	Some	Successful
Project 147	2001	2003	LATVIA	Non Bank Financial Institutions	PRIVATE	E	Good	Marginal	None/ Negative	Successful
Project 148	1995	1999	SLOVAK REPUBLIC	Agribusiness	PRIVATE	L	Satisfactory	Excellent	Some	Successful
Project 149	1999	2000	SLOVAK REPUBLIC	Natural Resources	STATE	L	Satisfactory	Excellent	None/ Negative	Successful
Project 150	1993	1999	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Excellent	None/ Negative	Successful
Project 151	1995	1998	SLOVENIA	General Industry	PRIVATE	L	Satisfactory	Excellent	None/ Negative	Successful
Project 152	1993	1998	SLOVENIA	General Industry	PRIVATE	L	Satisfactory	Excellent	None/ Negative	Successful
Project 153	2001	2005	RUSSIAN FEDERATION	Natural Resources	STATE	L	Satisfactory	Good	Substantial	Successful
Project 154	1997	2000	POLAND	General Industry	PRIVATE	E/L	Satisfactory	Good	Substantial	Successful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 155	2003	2005	UKRAINE	General Industry	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 156	2000	2003	CROATIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 157	1999	2003	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 158	1999	2002	POLAND	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 159	1995	2002	LATVIA	Power and Energy	STATE	L	Satisfactory	Good	Some	Successful
Project 160	2000	2002	ALBANIA	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Successful
Project 161	1996	2001	<REGIONAL>	Agribusiness	PRIVATE	E/L	Satisfactory	Good	Some	Successful
Project 162	1998	2001	ESTONIA	General Industry	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 163	1996	1999	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Good	None/ Negative	Successful
Project 164	1995	1998	KYRGYZ REPUBLIC	Power and Energy	STATE	L	Satisfactory	Good	None/ Negative	Successful
Project 165	1993	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	E/L	Satisfactory	Satisfactory	Substantial	Successful
Project 166	1994	1999	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Satisfactory	Substantial	Successful
Project 167	1999	2001	HUNGARY	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 168	1993	1999	<REGIONAL>	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	Some	Successful
Project 169	1995	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 170	1994	1998	LITHUANIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 171	1992	1996	POLAND	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 172	1993	1999	SLOVENIA	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	None/ Negative	Successful
Project 173	1997	1999	POLAND	General Industry	PRIVATE	L	Satisfactory	Marginal	Some	Successful
Project 174	2001	2004	POLAND	Agribusiness	PRIVATE	L	Excellent	Good	Some	Partly Successful
Project 175	2003	2006	UZBEKISTAN	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 176	2003	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Excellent	Some	Partly Successful
Project 177	1997	2000	ROMANIA	General Industry	PRIVATE	E/L	Good	Excellent	Some	Partly Successful
Project 178	1997	2003	RUSSIAN FEDERATION	Power and Energy	STATE	L	Good	Good	Substantial	Partly Successful
Project 179	2002	2005	GEORGIA	Transport	PRIVATE	L	Good	Good	Some	Partly Successful
Project 180	2000	2004	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Partly Successful
Project 181	1994	2001	SLOVENIA	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 182	1997	1999	TAJIKISTAN	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Partly Successful
Project 183	1993	1996	ALBANIA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Partly Successful
Project 184	1995	1998	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Good	Satisfactory	None/ Negative	Partly Successful
Project 185	1996	1997	POLAND	Telecoms Informatics & Media	PRIVATE	E/L	Good	Satisfactory	None/ Negative	Partly Successful
Project 186	1993	1996	HUNGARY	Property and Tourism	PRIVATE	E	Good	Satisfactory	None/ Negative	Partly Successful
Project 187	1997	2005	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 188	1998	2002	POLAND	General Industry	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 189	1995	2002	ROMANIA	Power and Energy	STATE	L	Good	Marginal	Some	Partly Successful
Project 190	1995	2001	<REGIONAL>	Agribusiness	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 191	1999	2003	BOSNIA AND HERZEGOVINA	Agribusiness	PRIVATE	L	Good	Marginal	None/ Negative	Partly Successful
Project 192	1996	2002	ROMANIA	Transport	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 193	1996	2001	POLAND	Agribusiness	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 194	1998	2001	BULGARIA	Agribusiness	PRIVATE	E/L	Satisfactory	Excellent	Some	Partly Successful
Project 195	1997	2003	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Excellent	None/ Negative	Partly Successful
Project 196	1999	2006	<REGIONAL>	Power and Energy	PRIVATE	E	Satisfactory	Good	Substantial	Partly Successful
Project 197	1999	2003	POLAND	Bank Lending	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 198	1997	2003	AZERBAIJAN	Power and Energy	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 199	1996	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 200	1994	1998	ESTONIA	Municipal & Env Inf	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 201	1994	1997	LITHUANIA	Bank Lending/Bank Equity	PRIVATE	E	Satisfactory	Good	Substantial	Partly Successful
Project 202	1994	1997	BULGARIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 203	1996	2005	<REGIONAL>	General Industry	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 204	1997	2003	POLAND	Equity Funds	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 205	2000	2002	CROATIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 206	1997	2002	CROATIA	Agribusiness	STATE	L	Satisfactory	Good	Some	Partly Successful
Project 207	2000	2002	POLAND	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 208	1997	2001	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 209	1995	2001	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 210	1998	2001	LITHUANIA	Bank Lending/Bank Equity	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 211	1997	2000	BELARUS	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 212	1997	2004	HUNGARY	Transport	STATE	L	Satisfactory	Good	None/ Negative	Partly Successful
Project 213	1998	2005	CROATIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 214	1998	2002	ESTONIA	General Industry	PRIVATE	E/L	Satisfactory	Satisfactory	Some	Partly Successful
Project 215	1994	1999	POLAND	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	Some	Partly Successful
Project 216	1993	1998	ALBANIA	Property and Tourism	PRIVATE	E/L	Satisfactory	Satisfactory	Some	Partly Successful
Project 217	1994	1997	ROMANIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 218	1992	1996	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 219	2002	2006	KAZAKHSTAN	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 220	2004	2006	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E/L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 221	1999	2005	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 222	1995	2001	<REGIONAL>	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 223	1992	2000	BELARUS	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 224	1994	1999	KYRGYZ REPUBLIC	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 225	1996	1999	UZBEKISTAN	Bank Equity	PRIVATE	E	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 226	1993	1997	SLOVAK REPUBLIC	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 227	1992	1997	<REGIONAL>	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 228	1992	1996	HUNGARY	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 229	1994	1996	LATVIA	Bank Equity	PRIVATE	E	Satisfactory	Satisfactory	None/ Negative	Partly Successful
Project 230	1993	1998	ROMANIA	General Industry	PRIVATE	E/L	Satisfactory	Marginal	Substantial	Partly Successful
Project 231	2002	2005	POLAND	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 232	2002	2005	<REGIONAL>	General Industry	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 233	1995	1999	POLAND	General Industry	PRIVATE	E	Satisfactory	Marginal	Some	Partly Successful
Project 234	1997	2003	ALBANIA	Bank Lending	PRIVATE	L	Satisfactory	Marginal	None/ Negative	Partly Successful
Project 235	1995	2000	UZBEKISTAN	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Marginal	None/ Negative	Partly Successful
Project 236	2003	2006	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 237	2002	2005	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 238	2000	2005	POLAND	Municipal & Env Inf	STATE	L	Marginal	Good	Substantial	Partly Successful
Project 239	2001	2004	TURKMENISTAN	General Industry	PRIVATE	L	Marginal	Good	Substantial	Partly Successful
Project 240	1996	1997	ROMANIA	General Industry	PRIVATE	E	Marginal	Good	Substantial	Partly Successful
Project 241	1994	1997	ROMANIA	Agribusiness	PRIVATE	L	Marginal	Good	Substantial	Partly Successful
Project 242	1997	2003	MOLDOVA	Municipal & Env Inf	STATE	L	Marginal	Good	Some	Partly Successful
Project 243	1996	2003	UZBEKISTAN	Bank Equity	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 244	1998	2002	SLOVAK REPUBLIC	General Industry	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 245	1994	2001	BELARUS	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 246	1996	1999	HUNGARY	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 247	2000	2004	SLOVAK REPUBLIC	Telecoms Informatics & Media	PRIVATE	E	Marginal	Good	None/ Negative	Partly Successful
Project 248	2003	2006	UKRAINE	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 249	2002	2005	RUSSIAN FEDERATION	Transport	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 250	2001	2004	SERBIA	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 251	2001	2003	KAZAKHSTAN	Bank Equity	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 252	1999	2001	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 253	1996	1999	BULGARIA	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 254	1994	1998	RUSSIAN FEDERATION	Transport	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 255	1994	1997	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 256	1999	2006	CZECH REPUBLIC	Property and Tourism	PRIVATE	E	Marginal	Satisfactory	None/ Negative	Partly Successful
Project 257	1996	2002	RUSSIAN FEDERATION	Bank Equity	PRIVATE	L	Marginal	Marginal	None/ Negative	Partly Successful
Project 258	1996	2003	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Good	Some	Unsuccessful
Project 259	1994	2000	ARMENIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Unsuccessful
Project 260	1993	1999	ROMANIA	Agribusiness	STATE	L	Satisfactory	Satisfactory	Some	Unsuccessful
Project 261	1993	1998	BELARUS	Agribusiness	STATE	L	Marginal	Excellent	Substantial	Unsuccessful
Project 262	2000	2002	ROMANIA	General Industry	PRIVATE	L	Marginal	Excellent	Some	Unsuccessful
Project 263	1999	2002	LATVIA	Transport	PRIVATE	L	Marginal	Excellent	None/ Negative	Unsuccessful
Project 264	1995	1998	UZBEKISTAN	General Industry	PRIVATE	E	Marginal	Good	Some	Unsuccessful
Project 265	1999	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Marginal	Good	None/ Negative	Unsuccessful
Project 266	1995	1998	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Satisfactory	Substantial	Unsuccessful
Project 267	1994	1997	CZECH REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 268	1991	1996	CZECH REPUBLIC	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 269	1993	1996	ROMANIA	Non Bank Financial Institutions	PRIVATE	E	Marginal	Satisfactory	Some	Unsuccessful
Project 270	1997	2006	<REGIONAL>	Agribusiness	PRIVATE	E	Marginal	Satisfactory	None/ Negative	Unsuccessful
Project 271	2002	2005	POLAND	Transport	STATE	L	Marginal	Satisfactory	None/ Negative	Unsuccessful

Basic data sheet: Operation performance ratings on the 293 XMR assessments prepared in 1996-2006

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 272	1993	2000	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Marginal	Satisfactory	None/ Negative	Unsuccessful
Project 273	1992	1996	POLAND	Bank Lending	PRIVATE	L	Marginal	Satisfactory	None/ Negative	Unsuccessful
Project 274	1995	2000	UKRAINE	Agribusiness	PRIVATE	E/L	Marginal	Marginal	None/ Negative	Unsuccessful
Project 275	1995	2001	MOLDOVA	Municipal & Env Inf	STATE	L	Marginal	Unsatisfactory	None/ Negative	Unsuccessful
Project 276	1994	2001	SLOVENIA	General Industry	PRIVATE	E	Unsatisfactory	Unsatisfactory	None/ Negative	Unsuccessful
Project 277	1993	1998	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Unsatisfactory	Good	Substantial	Unsuccessful
Project 278	1997	2000	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 279	1998	2001	POLAND	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 280	1995	2000	<REGIONAL>	Bank Equity	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 281	1999	2004	AZERBAIJAN	Transport	STATE	L	Unsatisfactory	Satisfactory	None/ Negative	Unsuccessful
Project 282	1997	2002	CZECH REPUBLIC	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	None/ Negative	Unsuccessful
Project 283	1996	2002	GEORGIA	Bank Equity	PRIVATE	E/L	Unsatisfactory	Marginal	Some	Unsuccessful
Project 284	1995	1999	POLAND	General Industry	PRIVATE	E	Unsatisfactory	Marginal	Some	Unsuccessful
Project 285	1999	2003	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 286	1997	2001	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 287	1997	2001	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E/L	Unsatisfactory	Marginal	None/ Negative	Unsuccessful
Project 288	1994	1999	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/ Negative	Unsuccessful
Project 289	1997	1999	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Unsatisfactory	Unsatisfactory	None/ Negative	Unsuccessful
Project 290	1996	1999	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E/L	Unsatisfactory	Unsatisfactory	None/ Negative	Unsuccessful
Project 291	1991	1996	CZECH REPUBLIC	General Industry	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/ Negative	Unsuccessful
Project 292	1996	2001	LATVIA	Bank Lending/Bank Equity	PRIVATE	E	Negative	Satisfactory	Some	Unsuccessful
Project 293	1995	2000	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Negative	Marginal	None/ Negative	Unsuccessful

[1] E=Equity; L=Loan; G=Guarantee

[2] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative

[3] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Highly Unsatisfactory

[4] The range is Outstanding/Substantial/Some/None/Negative

[5] The range is Highly Successful/Successful/Partly Successful/Unsuccessful

1993-2007 Technical Cooperation Operation Performance Evaluation Reviews (OPERs)

No.	Operations	Country	Sector	Industry	TC Funds Amt	Type [1]	OpsCom Approval	Funding Approved	Project Completion Report (PCR) Date	OPER Report Date	Overall Rating[2]
	1993										
1	Privatisation Advisory Programme in the Russian Fed.	Russia	State	Privatisation	5,044	AS	16-Mar-92	May-92	-	Dec-93	Successful
2	Telecommunications Master Plan	Albania	State	Telecoms	198	PP	09-Apr-92	May-92	-	Dec-93	Partly Successful
3	Banking Sector Restructuring	Romania	State	Finance	855	SW/AS	07-Aug-92	Aug-92	-	Jan-94	Successful
4	Railway Sector Survey	Regional	State	Transport	766	SW	17-Feb-92	Mar-92	22-Jun-93	Feb-94	Successful
5	Roads and Road Transport Sector Survey	Regional	State	Transport	409	SW	17-Feb-92	Apr-92	24-Sep-93	Feb-94	Successful
				Subtotal	**7,272**						
	1994										
1	Regional Training Programme	Regional	State	Finance	990	T	02-Dec-91	Jan-92	16-Feb-93	Aug-94	Partly Successful
2	Tallinn Environment Project	Estonia	State	Environment	158	PP	08-May-92	Oct-92	29-Nov-94	Dec-94	Partly Successful
3	Tourism Development for Albania	Albania	State	Tourism	223	AS	09-Apr-92	Apr-92	30-May-94	Jan-95	Partly Successful
				Subtotal	**1,371**						
	1995										
1	Wine Sector Investment Programme	Moldova	State	Agribusiness	440	PP/PI	19-Mar-93	Jun-93	21-Dec-94	Jul-95	Successful
2	SME Sector Development Project Preparation	Belarus	State	SME	174	AS	09-Jul-93	Dec-93	06-May-95	Jan-96	Successful
3	State Railways Restructuring and Rail Modernisation	Bulgaria	State	Transport	583	PP	22-Jun-94	Jul-92	03-Apr-95	Jan-96	Partly Successful
				Subtotal	**1,197**						
	1996										
1	Romanian Banking Institute	Romania	State	Finance	435	T	07-Mar-92	Apr-92	25-May-95	Aug-94	Successful
2	Bulgarian Investment Bank	Bulgaria	Private	Finance	942	AS/PP	30-Apr-93	Jun-93	11-Sep-95	Dec-94	Successful
3	Budapest Wholesale Market	Hungary	State	Agriculture	587	PP	08-May-92	Jul-92	28-Oct-93	Jan-95	Partly Successful
				Subtotal	**1,964**						
	1997										
1	Unified Gas Supply System	Russia	State	Energy	4,500	PP/PI	19-Feb-93	Apr-93	19-Jun-96	Jan-98	Successful
2	INCAR JSC Enterprise Restructuring	Russia	State	Restructuring	612	PP	15-Aug-93	Dec-93	02-Dec-96	Feb-98	Unsuccessful
3	Perm Motors JSC Enterprise Restructuring	Russia	State	Restructuring	862	PP	15-Aug-93	Dec-93	02-Dec-96	Feb-98	Partly Successful
				Subtotal	**5,974**						
	1998										
1	Project Preparation TC MEI Investment Programme	Croatia	State	Environment	179	PP	27-Nov-95	Feb-96	11-May-98	Jan-99	Partly Successful
2	EC Phare/Tacis Framework Contracts for FIs	Regional	Private	Finance	2,951	PP	18-Feb-94	Aug-94	-	Jan-99	Successful
3	Environmental Due Diligence of FIs	Regional	Private	Environment	3,264	PP/AS/PI	14-Mar-94	Aug-94	06-Mar-98	May-99	Successful
4	Privatisation Advisory Programme	Ukraine	State	Privatisation	2,730	PP/AS	03-May-91	Jun-92	28-Feb-95	Sep-98	Partly Successful
5	Aktau Port Rehabilitation	Kazakhstan	State	Transport	2,364	PP/PI/SW	28-May-93	Aug-93	20-Jan-94	Aug-98	Partly Successful
				Subtotal	**11,489**						
	1999										
1	Mining Privatisation	Kazakhstan	State	Mining	406	PP/AS	20-May-94	May-94	18-Mar-96	Oct-99	Partly Successful
2	Municipal Utility Development and Investment Programme	Ukraine	State	Environment	1,042	PP	22-Mar-96	Jun-96	16-Mar-98	Jan-00	Successful/
3	Telecom Legislative and Regulatory Development	Lithuania	State	Telecom	289	AS	02-Feb-96	Nov-96	05-Jan-00	Jan-00	Successful
4	Swiss American Micro Enterprise Programme	Moldova	Private	SME	1,078	PP	03-May-96	Aug-96	16-Jul-99	Jan-00	Partly Successful
				Subtotal	**2,815**						
	2000										
1	Railways Modernisation	Russia	State	Transport	844	PP/AS	01-Jun-93	Aug-93	19-Apr-96	Jul-00	Partly Successful
2	Credit Worthiness of the City of Zagreb	Croatia	State	Environment	184	PP	17-Oct-97	Jan-98	23-Mar-99	Jan-01	Successful
3	SME Credit Line I and II	Kyrgyz Republic	Private	SME	2,233	PP/AS/PI	04-Jun-93	Nov-93	01-Jun-95	Jan-01	Successful
4	Power Market Twinning Programme	Ukraine	State	Energy	1,297	PP/AS/PI	08-Mar-96	Mar-97	22-Feb-00	Jan-01	Unsuccessful
				Subtotal	**4,557**						
	2001										
1	Telecommunications Emergency Reconstruction Project	Bosnia and Herz.	State	Telecoms	1,870	AS/PI	03-Oct-97	Dec-97	22-Feb-00	Jul-01	Highly Successful
2	Mutnovsky Independent Power Plant	Russia	State	Energy	1,319	PP/AS/PI	07-May-93	May-93	16-Sep-94	Dec-01	Partly Successful
3	Road Rehabilitation and Upgrading	Azerbaijan	State	Transport	755	PP	19-Apr-96	May-96	03-Aug-99	Dec-01	Unsuccessful
4	Creditworthiness Assessment of City of Wroclaw	Poland	State	Energy	481	AS/PI	25-Jul-97	Aug-98	-	Jan-02	Successful
				Subtotal	**4,425**						

1993-2007 Technical Cooperation Operation Performance Evaluation Reviews (OPERs)

No.	Operations	Country	Sector	Industry	TC Funds Amt	Type [1]	OpsCom Approval	Funding Approved	Project Completion Report (PCR) Date	OPER Report Date	Overall Rating[2]
	2002										
1	Turkmenbashi Port Development Project	Turkmenistan	State	Transport	2,895	AS/PI	19-Sep-95	07-Jul-95	16-Jul-99	Jun-02	Successful
2	Enterprise Investment Demonstration Project	Kyrgyz Republic	Private	Finance	1,405	PP/PI	16-May-97	19-Jun-97	22-Feb-02	Aug-02	Unsuccessful
3	Enguri Rehabilitation Project	Georgia	State	Energy	453	PP/PI	04-Aug-95	18-Aug-95	17-Jun-97	Nov-02	Partly Successful
4	Emergency Electricity Power Reconstruction Project	Bosnia and Herz.	State	Energy	2,150	AS/PP/PI/T	19-Jan-96	01-Jul-96	22-Feb-00	Mar-03	Highly/Partly Successful
5	Tajikistan Overlay Network	Tajikistan	State	Telecoms	457	AS/PP	06-Oct-95	21-Dec-95	21-Feb-97	Mar-03	Partly Successful
6	Energy Efficiency TC Studies	Russia	State	Energy	779	PP	07-Mar-97	01-Apr-97	05-Jun-02	Feb-03	Unsuccessful
				Subtotal	**8,139**						
	2003										
1	Inst. Dev. & Mgt. of Baku Port	Azerbaijan	State	Transport	991	PI	01-May-98	24-Jul-98	23-Sep-02	Apr-03	Successful
2	Norsi Oil Refinery	Russia	Private	Oil & Gas	1,165	PP	25-Jul-97	07-Aug-97	05-Jun-02	Aug-03	Partly Successful
3	Env. Support to Budapest Bank Credit Line	Hungary	Private	Finance	281	PP/PI	07-Jun-96	13-Feb-97	05-Jun-02	Dec-03	Partly Successful
4	Technical Assistance to Uzbekneftegas	Uzbekistan	State	Oil & Gas	1,443	PP/AS	03-Mar-95	01-Apr-95	05-Jun-02	Oct-03	Partly Successful
5	Scoping Study for Railway Restructuring Project	Bosnia & Herz.	State	Transport	199	PP	04-Apr-00	30-Jun-00	05-Jun-02	Mar-04	Successful
6	Azeri Multi Bank Framework Financing Facility	Azerbaijan	Private	Finance	3,227	PP/PI/AS/T	12-Jul-96	19-Aug-96	13-Nov-02	Feb-04	Partly Successful
				Subtotal	**7,306**						
	2004										
1	Gostomel Glass Factory	Ukraine	Private	Manufacturing	172	PP	30-May-01	07-Aug-01	13-Aug-03	Jul-04	Successful
2	Air Navigation System Modernisation	Tajikistan	State	Transport	500	PI	31-Oct-01	29-Oct-02	17-Sep-04	Aug-04	Successful
3	KTZ Kazakh Rail TC	Kazakhstan	State	Transport	976	PP/AS	28-Feb-97	14-Mar-97	20-Jan-04	Jan-05	Successful
4	Romanian Ports Commercial Enhancement Prog.	Romania	State	Transport	320	PP	13-Feb-98	26-Aug-09	05-Jun-02	Jan-05	Partly Successful
5	BGZ Pre-Privatisation	Poland	State	Finance	4,161	PP	27-Feb-98	07-Apr-98	28-Jan-04	Feb-05	Successful
6	Bydgoszcz Water Supply	Poland	State	Municipal	779	PP/PI	08-Mar-96	16-Jun-00	05-Jun-02	Apr-05	Successful
				Subtotal	**6,908**						
	2005										
1	Sakhalinmorneftegaz	Russia	State	Mining	317	PI	13-Jun-01	25-Sep-01	07-Dec-01	Apr-06	Partly Successful
2/3	The Mongolian Cooperation Fund [2]	Mongolia	Private	Various	6,690	PP/PI/AS/T	30-May-01	14-Jun-01	26-Aug-03	Oct-05	Successful
4	Privatisation of Electricity Distribution Companies	Bulgaria	State	Energy	984	AS	06-Feb-02	07-May-02	26-Jul-05	Apr-06	Highly Successful
5	Sofia District Heating Rehabilitation	Bulgaria	State	Energy	1,552	PI	20-Jul-99	22-Nov-01	10-Feb-04	Feb-06	Successful
6	Private Sector Road Network Management	Poland	Private	Transport	1,262	PP/AS	23-Nov-99	12-Jun-00	06-Feb-03	Jan-06	Unsuccessful
				Subtotal	**10,805**						
	2006										
1	SME/MSE Lines of Credit Belarus	Belarus	Private	SME	721	PI	09-May-00	29-Jun-00	30-Jan-03	Apr-07	Successful
2	Road Sector Reform	Russia	State	Transport	1,412	PP/SW	28-Nov-01	08-Jan-02	17-Oct-02	Jan-07	Successful
3	Warsaw Metro & PPP Task Force Support	Poland	State	Municipal	1,486	PP	29-May-02	18-Dec-02	14-Mar-05	Jun-06	Partly Successful
4	Belgrade Municipal Infrastructure Reconstruction	Serbia	State	Municipal	598	PP/PI	24-Jul-98	30-May-01	05-Jun-02	May-07	Successful
5	Municipal Environmental Loan Facility	Romania	State	Municipal	800	PI	17-Dec-03	05-Feb-04	NA	May-07	Successful
6	Microfinance Bank of Azerbaijan	Azerbaijan	Private	SME	3,436	PP/PI	04-Jun-01	18-Dec-01	01-Sep-03	May-07	Successful
				Subtotal	**8,453**						
	2007										
1	Surgut Municipal Services Development Programme	Russia	State	Municipal	786	PP/PI	05-Sep-01	13-Sep-01	29-Aug-07	Apr-08	Successful
2	Port of Dubrovnik	Croatia	State	Transport	345	PI/AS	08-Sep-04	17-Dec-04	13-Mar-06	Feb-08	Successful
3	Energy Efficiency and Renewable Energy Credit Lines	Bulgaria	Private	Finance/Energy	2,091	PP/PI	20-Nov-03	16-Jun-04	14-Mar-06	May-08	Successful
4	Kombinat Aluminium Podgorica	Montenegro	Private	Manufacturing	393	AS	07-Oct-04	08-Feb-05	ongoing	May-08	Partly Successful
5	Sofia Public Transport	Bulgaria	State	Municipal	499	PP/PI	12-Feb-03	20-Jun-03	07-Oct-05	May-08	Partly Successful
6	Prioritisn. of Inv. Needs in Power Generation & Transmission	Azerbaijan	State	Energy	254	PP	07-Aug-02	11-Dec-02	08-Mar-06	Apr-08	Partly Successful
				Subtotal	**4,367**						

Note: The totals may not add up to the sum of the component parts due to rounding.

[1] AS=Advisory Services; PP=Project Preparation; SW=Sector Work; T=Training; PI=Project Implementation

[2] Counts as two OPERs for workprogramme delivery

1993-2007 Special Studies and Evaluation Progress Reviews

	Operation	Country	Sector	Industry	EBRD Finance	TC Funds Amt	Type [1]	Board Approval	Report Date	Report Type
	1994									
1	Russia Small Business Fund I	Russia	Private	SME	1,690	2,851	Line of Credit/TC	26-Jul-93	Jul-94	Special Study/Mid-Term Review
				Sub-Total	**1,690**	**2,851**				
	1995									
1	Russia Small Business Fund II	Russia	Private	SME	13,164	5,355	Line of Credit/TC	26-Jul-93	Mar-95	Special Study/Mid-Term Review
2	Regional Bank Training Centre	C.Asia	State	Finance	n.a.	1,704	TC	10-Nov-92	Oct-95	Mid-Term Review
3	Agribusiness Project Preparation Units	Regional	State	Agribusiness	n.a.	4,590	TC	18-May-92	Sep-95	Special Study
4	Project Preparation TCs	Regional	State	Various	n.a.	8,349	TC	n.a.	Dec-95	Special Study
5	Belarus SME Credit Line	Belarus	Private	Finance	20,386	1,420	Loan/TC	01-Nov-94	Jan-96	Mid-Term Review
				Sub-Total	**33,550**	**21,417**				
	1996									
1	SME Credit Line Project	Ukraine	Private	Finance	82,349	-	Loan	29-Nov-94	Dec-96	Special Study/Mid-Term Review
2	Wholesale Market Special Study	Hungary	State	Agriculture	42,283	3,455	Loan/TC	n.a.	Jan-97	Special Study
3	Regional Bank Training Centre TC	Uzbekistan	State	Finance	n.a.	1,704	TC	10-May-92	Sep-96	Evaluation Progress Review
				Sub-Total	**124,632**	**5,159**				
	1997									
1	Kyrgyzstan SME Credit Line	Kyrgyz Rep	Private	Finance	7,135	1,888	Line of Credit/TC	11-Nov-94	May-97	Mid-Term Review
2	Russia Small Business Fund III	Russia	Private	SME	211,345	32,707	Line of Credit/TC	26-Jul-93	Jul-97	Special Study/Mid-Term Review
3/4	Regional Venture Funds	Russia	State	SME	113,487	20,814	Equity/TC	n.a.	Aug-97	Special Study
5	Business Advisory Service	Baltics	Private	Finance	n.a.	4,196	TC	n.a.	Sep-97	Mid-Term Review
6	TAM Programme	Regional	Private	Priv/Restr	n.a.	11,417	TC	n.a.	Feb-98	Special Study
7	Financial Institutions Development Project	Russia	Private	Finance	28,900	-	Loan	23-May-94	Jan-98	Mid-Term Review
				Subtotal	**360,867**	**71,022**				
	1998									
1	Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	7,377	TC	Various	Jan-99	Special Study
2	Regional Bank Training Centre TC	Uzbekistan	State	Finance	n.a.	1,704	TC	10-May-92	Sep-96	Evaluation Progress Review
				Subtotal	**0**	**9,081**				
	1999									
1	Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	9,445	TC	Various	May-00	Special Study
2	Thematic Study on SME Support	Various	Private	SME	n.a.	n.a.	n.a.	n.a.	Jun-00	Special Study
3	Nuclear Safety Account	Various	n.a.	Energy	n.a.	n.a.	n.a.	n.a.	Nov-00	Special Study
4	Technical Cooperation Funds Programme	Various	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Jul-00	Special Study
				Subtotal	**n.a.**	**9,445**				
	2000									
1	Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	11,941	TC	Various	Jan-01	Special Study
2	Post-Privatisation Funds	Various	Private	n.a.	137,067	18,871	Equity /TC	n.a.	n.a.	Special Study
3	Evaluation of Environmental Performance	Various	n.a.	Environment	n.a.	n.a.	n.a.	n.a.	n.a.	Special Study
4	Scope Paper on Country Strategy Evaluation	Kazakhstan	n.a.	n.a.	n.a.	n.a.	n.a.	04-Oct-00	n.a.	Scope for Special Study
				Subtotal	**137,067**	**30,812**				
	2001									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	7,023	TC	Various	Jan-02	Special Study
2	Direct Investment Facility	Various	SME	Various	20,385	3,029	Equity	24-Feb-98	Nov-01	Mid-Term Review
3	Legal Transition Programme	Various	n.a.	Various	n.a.	11,624	n.a.	n.a.	Oct-01	Mid-Term Review
4	Financial Institutions Development Programme	Russia	Private	Finance	28,900	1,140	Loan	23-May-94	Aug-02	Special Study
5	Energy Efficiency of the Bank's Operations	Various	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Feb-02	Special Study
				Subtotal	**49,285**	**22,817**				

1993-2007 Special Studies and Evaluation Progress Reviews

	Operation	Country	Sector	Industry	EBRD Finance	TC Funds Amt	Type [1]	Board Approval	Report Date	Report Type
	2002									
1	Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	15,227	TC	Various	Feb-03	Special Study
2	Regional Trade Facilitation Programme	Various	Private	Various	300,000	519	Guarantee/Loan/TC	13-Dec-94	Mar-03	Special Study
3	Russia Small Business Fund IV	Russia	Private	SME	226,199	38,492	Line of Credit/TC	26-Jul-93	Apr-03	Mid-Term Review
4	EBRD's Investments in Equity Funds	Various	Private	SME	1,500,000	n.a.	Equity Funds	Various	Oct-02	Mid-Term Review
				Subtotal	**2,026,199**	**54,237**				
	2003									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	5,458	TC	Various	Mar-04	Special Study
2	TurnAround Management Programme	Regional	Private/State	Various	n.a.	4,447	TC	Various	Apr-04	Special Study
3	Extractive Industries	Regional	Private/State	Various	n.a.	n.a.	Equity/Loan	Various	May-04	Special Study
4	Country Strategy Evaluation	Slovak Rep.	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Mar-04	Country Strategy Evaluation
5	Microfinance Institutions	Various	Private	SME	19,968	11,355	Equity/Loan/TC	n.a.	Sep-04	Country Strategy Evaluation
				Subtotal	**19,968**	**21,260**				
	2004									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	6,586	TC	Various	May-05	Special Study
2	MSME Delivery Mechanisms	Regional	Private	SME	n.a.	n.a.	Equity/Loan/TC	Various	Jan-05	Special Study
3	Grain Receipts Programme	Regional	Private	Agribusiness	347,277	830	Loan/TC	Various	Nov-04	Special Study
4	Power & Energy Sector Strategy Review	Regional	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Mar-05	Sector Strategy Evaluation
5	Country Strategy Evaluation	Croatia	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	Various	Mar-05	Country Strategy Evaluation
6	Country Strategy Evaluation	Azerbaijan	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Apr-05	Country Strategy Evaluation
				Subtotal	**347,277**	**7,416**				
	2005									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	5,977	TC	Various	May-06	Special Study
2	Telecommunications Sector Strategy Review	Regional	Private/State	Telecoms	n.a.	n.a.	Equity/Loan/TC	n.a.	May-06	Sector Strategy Evaluation
3	Property & Tourism Sector Strategy Review	Regional	Private/State	Property &	n.a.	n.a.	Loan/TC	n.a.	May-06	Sector Strategy Evaluation
4	DIF Programme	Regional	Private/State	Finance	40,770	1,228	Equity/Loan/TC	24-Feb-98	Apr-06	Special Study
5	Conditionality and Waivers	Croatia	Private/State	n.a.	n.a.	n.a.	Equity/Loan/TC	n.a.	Nov-05	Country Strategy Evaluation
6	Application of Environmental Guidelines in FI Projects	Azerbaijan	Private/State	Finance/Environ	n.a.	n.a.	Equity/Loan/TC	n.a.	May-06	Country Strategy Evaluation
7	Regional Venture Funds	Russia	Private	Finance		83,962	Equity/TC	Various	Apr-06	Special Study
				Subtotal	**40,770**	**91,168**				
	2006									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	2,247	TC	Various	May-07	Special Study
2	Post-Privatisation Funds	Regional	Private	Finance	117,586	25,936	Equity/TC	n.a.	Mar-07	Special Study
3	Business Advisory Services	Regional	Private	Finance	n.a.	34,288	TC	n.a.	Apr-07	Special Study
4	Financial Sector Operations Policy	Regional	Private/State	Finance	n.a.	n.a.	Equity/Loan/TC	n.a.	Sep-07	Sector Strategy Evaluation
5	Danube River Basin	Regional	Private/State	Environment	n.a.	n.a.	Equity/Loan/TC	n.a.	May-07	Special Study
				Subtotal	**0**	**62,470**				
	2007									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	3,399	TC	Various	May-08	Special Study
2	Early Transition Countries Fund	Regional	Private	Various	n.a.	5,664	TC	Nov-04	Feb-08	Special Study
3	Japan-Europe Cooperation Fund	Regional	Private/State	Various	n.a.	5,271	TC	Various	May-08	Special Study
4	Agribusiness Sector Operations Policy Evaluation	Regional	Private/State	Agribusiness	n.a.	n.a.	Equity/Loan/TC	n.a.	May-08	Special Study
5	Environmental Policy of the Bank	Regional	Private/State	Environment	n.a.	n.a.	Other	n.a.	May-08	Special Study
				Subtotal	**0**	**10,935**				

Note: The totals may not add up to the sum of the component parts due to rounding.

[1] TC=Technical Cooperation

SELECTED LESSONS LEARNED FFROM INVESTMENT OPERATIONS EVALUATED IN 2007

INTRODUCTION

The lessons learned presented in this Appendix have been gathered from the projects evaluated in 2007. Certain lessons which were gathered during 2007 were also observed in projects of an earlier date. EvD notes that during the execution of projects operation teams are constantly learning and do their best to put into practice what they have learned. To help ensure that lessons from EvD's OPERs are also fully and permanently taken on board by the Operation Teams, EvD organises lessons learned workshops with the Teams. In these workshops, EvD looks at a wide range of lessons, the positive ones, as well as lessons of a more negative connotation.

A. TRANSITION IMPACT/ADDITIONALITY

IFI cooperation can help mitigate risk and maximise transition impact. In the present case the desired objective was arguably too large to be addressed by either EBRD or IFC individually. By combining financial and professional resources the IFIs were able to achieve a highly significant outcome in terms both of transition impact for EBRD and of development impact for IFC with an acceptable level of risk.

Well-functioning local capital market. Fund performance is likely to be enhanced and opportunities for successful exit increased if simultaneous efforts are being made to develop a well functioning capital market locally. Positive legal and institutional developments also help to increase investor confidence and expand the market. The Bank should continue to engage in policy dialogue and legal transition initiatives as necessary to encourage capital market development.

The creation of a credit registry is an important element in the institutional, legal and regulatory framework necessary to support the development of MSME finance. Depending on the size of the market one or more private credit bureaux could be formed, on a for-profit or not-for-profit basis, to facilitate the exchange of credit information among banks and non-bank financial institutions. It is essential to ensure the confidentiality of the information held by the credit registry to ensure that borrowers' details are not accessible by or released to unauthorised persons. Where necessary the Bank should pursue active policy dialogue with the authorities with a view to establishing a formal credit reference agency.

Pipeline infrastructure projects need to design sustainable development programmes for the local community. Worldwide best practice experience for large infrastructure projects has advanced awareness for the importance of designing early on community investment programmes for the directly concerned community. An early involvement of Bank staff is important to ensure that the community outreach is well designed and structured such that it has the full support of the appropriate units within the Bank during project approval and implementation. In some cases such efforts maybe complemented with technical assistance operations and also appropriate SME financing facilities. In cases of joint financing with other IFIs, the Bank may also need to decide whether it is well equipped to take on implementation responsibility or whether another IFI would be better equipped.

EBRD should operate at arms length from clients when investing in new privatisations: EBRD should develop its own sector intelligence and be willing to engage with the Government on the privatisation agenda: While existing Bank clients in transition countries, willing to invest in a sector, are an excellent source of data and intelligence on what is happening, the Bank should develop its own intelligence to stay at arms length from its clients on new privatisation deals. Where major privatisations are anticipated, the Bank could further promote its transition objective

by early engagement with the Government to ensure a fair, open and fully competitive process at arms length from its existing client.

B. ENVIRONMENT

"Spot-check investigations" of mitigation measures especially in the field of workers health and safety are advised even in projects which are not expected to create serious negative environmental effects. It is proposed that compliance with health & safety requirements (by the Bank) should be monitored more tightly through spot-checks through occasional site visits by Bankers from Headquarters or Resident Office staff or by staff from the Environment Department when travelling to the country anyway.

Setting too high environmental objectives: In the event that compliance with EU standards is realistically considered not affordable, achievable or both, the Bank should consider derogation to the Environmental Policy with respect to EU Environmental standards. This has since become standard practice for several MEI public sector projects and should be considered for public sector infrastructure projects as well.

Effective dissemination of environmental study results in large infrastructure projects may need to include oral briefings to villagers. In this infrastructure project it was found during implementation that active dissemination of results had to also include oral presentations to villagers rather than just postings on the internet.

Handling impacts of green field urban real estate projects. Management should consider taking steps to ensure that the Bank complies with its policies and identifies, assesses and monitors the environmental impacts of green field urban real estate projects, the legitimate concerns of stakeholders, and the reputation risks for EBRD. Questions to be answered in the process might include where the site is located and whether the location may be a sensitive zone such as a "green belt;" whether the project's zoning permit contains environmental protection requirements; and whether stakeholders have been opposing the project in the courts. The relevant facts should be disclosed to EBRD's Board in the approval document. It is important to be aware of the status of any administrative or court actions regarding the project, the zoning permits, and other required permits.

Environmental Action Plans should be designed to bring projects into EU/World Bank compliance and clients must understand the implications of such Compliance. The Bank's management should be able to judge whether an EAP is budgeted sufficiently to bring an existing large scale mining operation into full compliance with EU/WB standards. It is important not to mistake a series of follow-on studies for an acceptable EAP. At the same time, it is important that the Bank confirm that its national/domestic major mining clients fully understand the implications of EU/WB environmental compliance. It is important for the company to propose an EAP that will bring the operations up to the standards. Projects deemed to be environmentally high risk projects should always be visited by ESD staff during due diligence and should be monitored annually.

C. SOUND BANKING

1. Appraisal and Due Diligence

Early involvement of the Bank's in-house procurement experts (or related consultant expertise) is advised, if the Client's organisation does not possess relevant procurement expertise. As part of the early stages of project preparation an assessment needs to be undertaken by the Bank to ascertain the Client's familiarity with international competitive procurement procedures, resulting training needs and its institutional capacity to carry out related processes

during project implementation. Resulting eventual gaps the Bank should consider addressing already as integral part of the project preparation process and thus mitigating for prospective implementation disturbances.

Sensitivity analysis and projections. There are two issues: first, any variable that depends on a market price can vary substantially; invariability is never an acceptable assumption for a market-priced product. Second, past experience has shown that key variables can vary widely from their recent historical averages. Hindsight has revealed that the range of variance projected by EBRD sensitivity analysis can fall well short of what actually took place. While wide variances pose a problem for sensitivity analysis, ignoring the potential for large variance is unwise. A sound business is able to withstand large price variances because it has the capacity to hedge or to pass on unexpected cost increases. Many businesses are withstanding price levels for oil (close to US$ 100 a barrel in November 2007) that were unthinkable in 2003. It is important to learn how businesses manage such variances in order to model a business correctly. If, in the past, the analyst was unable to imagine today's high commodity prices, today the analyst will find it difficult to produce sensitivity analysis using the lower prices of the past. Yet, it is possible that prices will fall to those levels during a project's life.

Strategic alliances, joint ventures, and urgency. When dealing with joint ventures between large competitors, the Bank should carefully assess the strategic motivations of each party, and explain them in the Board Report. It should ask the question firmly of each partner: if you see an advantage to merging your operations, why not propose a merger rather than forming a joint venture in a narrower activity? The answers to the question might include: we wish to get to know each other first through a lower risk collaborative effort. The next question should be: what is at stake strategically and how much time can you afford to wait to find out if you should merge? If the alliance is important strategically, it will be responding to a strategic threat or opportunity that is likely to involve some urgency. It is important to understand what the strategic threat is, why the partners are vulnerable to the threat, and how much time the partners have to address it. Then the Bank can assess how the proposed alliance will help to address the threat and if it can do that in a timely way.

Assessing treasury risk management at regional banks. Banks in the region often turn to foreign currency loans as one of the only sources of long term funding. When banks on-lend the funds to local borrowers in foreign currency, the foreign exchange risk passes to the borrower, leaving the bank with a residual exposure to "indirect" foreign exchange risk: the risk that a devaluation might cause the borrower to default on the loan. Alternatively, the bank may swap the foreign currency with another bank in exchange for local currency, and then on-lend the local currency to a local borrower. This is a natural hedging activity, but it demands skills that differ from those of lending money to corporate borrowers and that are new to regional banks. Hedging depends on building relationships with other local banks and taking credit risk on those banks. The rapid build up of long term FX borrowing by regional banks can entail rapid build up in counterparty exposure to local Russian banks that needs to be assessed and monitored. In earlier transition environments, assessing and documenting such credit risks presents new challenges and requires new skills and resources that may not be obvious to EBRD's regional bank clients. EBRD's bankers need to take account of the matter in due diligence, institution building and monitoring. EBRD's Client Risk Management team could assist the assessment.

2. Design and Structuring

Regional funds. Care should be taken when structuring funds on a regional basis. While it may appear that a regional fund intended to cover several sovereign states may thereby be able to target a larger market, it may not be appropriate to treat countries within a geographical region as a

homogeneous block unless there is a good degree of convergence among them in law, regulation and practice.

Stepped syndications of increasing loan amounts can attract new international lenders and help increase confidence in markets in the Bank's countries of operations, including early transition countries. In the present case, using the A/B structure, that Bank has succeeded in raising the total loan amount of successive syndications by more than six times. Through this structure the Bank is effectively subordinating its claim in favour of other participants which may be seen as giving additional comfort to new market entrants.

Co-investment with a specialised private equity vehicle is essential in a fast turnaround and expansion scenario. Working with a strong business founder in a fast expansion strategy context requires substantial resources also from the equity investor representatives. For the Bank, it is clearly an advantage if a well known private equity investor with similar objectives participates in the same company. Through its equity participation limits and staff constraints, the Bank alone could not have been as effective in influencing a fast growing company with an IPO target. Furthermore, the Bank can consider reducing exposure of Board membership at an earlier point in time.

In a market with two dominant GSM operators it is unrealistic to expect significant price competition. Two dominant operators will lead to some product differentiation however not to significant tariff reductions since both wish to amortise their network costs as soon as possible. This has been observed in various countries of operation. The situation normally changes with the entrance of the third GSM operator with a clear effort to achieve an attractive market share. Increasing liberalisation enhanced by a strong regulator is an essential ingredient for ultimately offering better services at competitive prices to the final consumers.

Joint ventures, transfer pricing and transparency. Joint ventures need transparent economic and financial incentives. At the same time, the Bank's transition mandate means that its projects should exhibit transparent economic and financial results that are meaningful to private sector observers. Therefore, the financial performance of the Bank's borrower should be transparent in accounting terms and the accounting results should mirror the economics of the business. Input costs and output prices should be market-based. Sponsors may propose, however, to use off-market pricing of inputs or outputs to shore up a project's credit worthiness, or to reduce sponsor risks, as in JV situations. For example, a JV partner may propose to pay the JV a fixed amount per ton to process an input. This is a tolling operation: the JV vehicle would receive a tolling fee per ton regardless of the costs of inputs or the value of outputs. In this case, the economics of supplying the input would not be visible in the financial results of the JV. The economics of selling the processed output of the JV would not be visible in the financial results of the JV. Consequently, the financial statements of the JV would say little about the economic value of the product produced by the JV, or the value of the JV's business. Neither the EBRD nor the market would be able to assess the economic performance of the production process or the value of the business that it serves. Such arrangements should be avoided because they do not contribute to transition impact even if they might reduce banking risk in some cases where sponsor strength is in question.

Capital increases, balanced shareholder composition, and additionality. When EBRD proposes to take part in a capital increase required by the growth of an FI, it is essential that EBRD leave enough room for private sector investment to ensure EBRD's additionality. It may be that a dominant shareholder prefers EBRD as a minority shareholder that will never seek control, and that EBRD's participation in a capital increase postpones a change of control that might otherwise have to take place in order for the needed capital to be raised. When a dominant shareholder fails to broaden ownership beyond IFIs, the EBRD should take a more critical approach. Sometimes, a strict denial of a capital increase could better serve the Bank's private sector mandate. As a rule,

therefore, the Bank should avoid participating in capital increases if these would result in crowding-out the private sector. If EBRD must take part in a capital increase, it should make EBRD's participation conditional upon an increased percentage ownership by private sector investors.

3. Monitoring

Consistent guidance and active EBRD support can enhance fund manager performance. The Bank should ensure it has strong representation on relevant decision-making bodies which may include the Investment Committee, Advisory Committee, Supervisory Board or other bodies depending on the constitution of the fund manager. Where necessary the Bank should encourage the fund manager to improve monitoring and reporting capacity over time which in turn should enhance the fund manager's reputation and standing with other investors.

Capacity for active fund management. The capacity for active fund management is crucial when investee companies suffer distress in order to maximise potential value and the eventual return on exit. Fund managers must have the ability and capacity to restructure investments when necessary to minimise losses or improve opportunities for profitable exit.

The Bank should review the terms of reference and benchmarks of MSE programme implementation assignments periodically and introduce amendments where they could improve programme performance. The Bank should consider introducing the following benchmark targets in downscaling operations as measures of the institutionalisation of MSE lending by partner banks:

- Increase in the proportion of MSE loan volume to total loan volume and increase in the overall number of MSE borrowers (as a measure of commitment to MSE portfolio growth).
- Improvement in loan officer productivity over time (number of loans made and volume of portfolio handled by each loan officer).

Integrated monitoring is recommended in large natural resource projects. An integrated environmental and social approach facilitates effective monitoring because of the interaction between social and environmental aspects related to project development. The flexibility (in terms of experts) and multidisciplinary composition of the monitoring team is a "must" particularly during such large complex project monitoring.

Importance of independence of the monitoring team in large natural resource projects. The independence of the monitoring team is fundamental. Once the terms of reference have been agreed including the definition of the principles and criteria, the working agenda cannot be filtered by any other party. The monitoring team must be fully responsible for its performance.

Implement consistent periodic monitoring and reporting in large natural resource projects. Only consistent, periodic monitoring can ensure a full coverage during Project Development and operation. A quarterly visit during construction is adequate whilst yearly or six-monthly visits may be sufficient during operations. The monitoring of the contractors, sub-contractors and suppliers is crucial, since most of the time it is their performance which is the performance of the project. The reporting should be a streamlined process: draft, comments and final report (one loop is sufficient).

Independent monitor in large natural resource projects has also the role of experience sharing. In a large project with a long implementation and operation period the project sponsors will have different teams in place and the monitoring group can serve as a historical memory of critical issues. In this project it was particularly useful that the monitoring consultant has established excellent filing standards which were available to project entities where people and procedures change from time to time.

The Bank must insist on being provided with the local reporting information agreed at the outset. Obtaining adequate reporting information, irrespective of the quality of the sponsor or guarantor, is one of the basic ways in which the Bank can protect its interests, particularly if there are few other covenants. The longer the period without obtaining adequate reporting the more it sends a message to the borrower that compliance is not important and the weaker the position of the Bank to respond to adverse developments.

4. Role of Sponsor

The strategic integration of a project within the sponsor's wider international business may mitigate some of the commercial risks of marginal or risky projects. In some cases strong sponsors with a broad international base may be able to absorb surplus capacity of an underperforming local venture within their international business and provide time for the Bank financed operation to correct an underperforming business plan. Where the possibility of this type of support exists it can be assessed by the team as possible part-mitigation of high risk market development plans.

Strong sponsors are those that recognise market opportunities and are willing to take the risk: This Sponsor understood the market from its role as a bulk cement importer, and operator of a previously privatised plant. They saw the growing demand for cement as a result of the local construction boom. The Sponsor brought in an international management team and bought a new production line that meets EU/World Bank standards.

D. EBRD-RELATED LESSONS

IFI cooperation can enhance the influence and authority of representations made to national and supranational bodies. In the present case careful and informed interaction was required with the government and national authorities of the country, and with the IMF and EU. The combined representations of EBRD and IFC comprised an effective level of influence helping to ensure clarity of focus among key policy makers.

The Bank's Independent Recourse Mechanism has a "one-shoe-fits-all" approach; however, the cultural and human rights situation varies by country. The Bank may need to consider how to adjust its approach in recognition of local situations, and lack of access to internet etc., so that potential complainants have equal access. At present it appears that an international NGO needs to support a local complainant in order to meet the formal requirements of logging a complaint.

E. RELATIONS WITH AUTHORITIES AND REGULATORS

The use of TC funding in opening up the oil and gas industry to private sector investments. The policy dialogue with the Government, possibly supported by a TC Operation, should continue in parallel with the project. The focus should be: development of scenarios for the commercialisation/privatisation of the State Oil Company, or of parts thereof. The spin-off and privatisation of some of some of the State Oil Company's own joint ventures with foreign companies may become the basis for developing a stronger private oil support industry in the country. This could become a first step for an increasing privatisation also in the oil and gas sector of the economy.

Liberalisation of the key sectors in the economy is particularly important for resource rich countries. Liberalisation allows efficiency improvements e.g. through competition. This is

particularly important in countries with large resource revenues, which may have a negative effect on other factors of the economy. Countries which reduce obstacles for doing business will attract more entrepreneurs who create additional employment in non-oil sectors. The comparison of Georgia and Azerbaijan illustrates continued reforms in Georgia and stagnation in Azerbaijan which is reflected in corresponding international ratings (e.g. WEF, World Bank).

A high degree of liberalisation of the sector and the emergence of a strong regulator are important pre-requisites for enhancing transition impacts in a GSM operation. The sector framework is a key pre-requisite for transition success. Whilst a GSM operation can have some impacts on the market and competition, it is unlikely to have a significant transition impact unless a separate TC operation by the Bank contributes to the framework discussion with the Government as experienced in this project.

Rural access needs to be addressed by the Government and a properly funded mechanism needs to be established. Universal coverage in the telecommunication sector is a political objective and needs to be carefully planned in particular in large countries with a low density of population. Use of smart subsidy approach in a tender process may facilitate market solutions with a minimum requirement of subsidies. Depending on the population size of a settlement, access maybe shared with others e.g. in an information kiosk etc.

The Bank cannot expect to have a strong transition impact without a commitment to reform by the Government. In still unreformed environments the Government's attitude to telecom sector reform is crucial in order to achieve a more level playing field for new entrants. In a situation where the incumbent is not only controlling the backbone of the telecom system of the country (fixed lines, and main international gateways), but also has significant control in two GSM operators, it is important to seek strong commitments from the Government regarding the reform agenda.

Enhancing transition impact through EBRD engaging in the overall sector reform in close cooperation with other IFIs. When the Bank continues its TC efforts and policy dialogue for full sector reform in sectors such as telecommunications and energy, the local Government can be persuaded that liberalisation will be best for transition and development. This process can be strengthened when adequate coordination takes place with other IFIs.

SELECTED LESSONS LEARNED FROM TECHNICAL COOPERATION OPERATIONS EVALUATED IN 2007

A. TC PREPARATION AND DESIGN

TC due diligence should include thorough institution building needs and absorption capacity analysis. A two phase approach should be employed. Particularly with a new client and prior to investment considerations, such analyses would need to be carried out as an initial Technical Cooperation (TC) with a view to determining the actual need for skill transfer (identification of gap areas), scope of required assistance, and modus/approach of interaction (Phase 1). This could be done in the form of a relative short TC assignment and should involve pertinent sector expertise. If necessary a more comprehensive scoping study should follow as extension to this TC. The following actual institution building delivering TC (Phase 2) should be given sufficient time for intended benefits to enfold before the investment starts, particularly if investment covenants are building on these measures, as in the case at stake.

The Bank should pursue gathering sector wide information even in case the local authorities would like the Bank to go after their priorities. If a TC recipient does not fully cooperate in the preparation, the discussion on outcomes and the diffusion of the study, then the limited impact of that study on local circumstances is almost a certainty. However, in certain unreformed environments the Bank might pursue a firm path towards gathering adequate information of the entire sector, with the aim to finance future investment in the sector based on real needs. As in this case, the Bank could use the consultant's report for its follow-on financing of a project in the power generation and transmission sector at times irrespective of the client's unhappiness with the TC.

Enhancing effectiveness of TC by seeking local cost participation and identifying a high level of commitment to sector reform targets. In an oil rich country like Kazakhstan the Bank should seek increased ownership from clients by inter alia requesting when possible a reimbursement of TC costs. This could contribute to a better alignment of interests and a better identification of the local counterparts with the focus of the study.

B. TC ADMINISTRATION AND RESOURCE MANAGEMENT

In case of substantial changes to an approved TC project similar procedures should be applied as for investment operations. TC Com may wish to provide clear guidelines to staff when a change is substantial enough to require a second approval by the TC Com or other Authorities, as deemed appropriate. In addition, required documents and the documentation process should be defined.

C. TC MONITORING AND SUPERVISION

Preventing fraud and corruption on retail lending could be further strengthened by effectively involving more persons at different stages:

- Carefully timed independent spot enquiries by the PBs and/or Bank staff could help prevent even more fraud or corruption for this type of line of credit. The findings of the enquiries should be systematically recorded.
- The PBs should be fully aware of the complete range of fraud and corruption issues attached to lending with subsidies and the corresponding prevention and control requirements attached to EBRD credit lines.

- While it is acknowledged that the consultants have considerable technical expertise and provide very valuable inputs, Bank staff, should involve other stakeholders when appropriate, for example auditors from the PBs, in the process. Adequate budget resources in EBRD and in the PBs should be properly allocated to prevention and controls.
- In addition to the standard training on integrity in EBRD operations, bank staff dealing with lines of credits involving subsidies on purchased equipment could receive additional training on the particular aspects of fraud and corruption attached to disbursement of subsidies.

A substantial role of the Client in the Consultant procurement activities is desirable but should be supervised on site by the Bank. Local partners cannot be expected to be familiar with international procurement principles, especially not those as advanced as for EU and EBRD TC/ TA projects. The Operation Team should under all circumstances ensure that one of its members - or an independent Consultant on their behalf – is represented in the evaluation panels on site.

The delivery of a PCR should be made mandatory for the approval of any succeeding project. There is little use of PCRs that are delivered a year after project completion, especially when project extensions are due. The responsible units in the Bank are advised to ask for more substantial and written clarification on the pre-ceding project and its achievements in the TC approval process. If a PCR is not (yet) available, members of the TC Com should consider postponing the decision of the extension/ succeeding project until the PCR is delivered. Alternatively, the Committee Members could request an Executive Summary of the Consultants' Final Report at least.

D. TC AND ITS ROLE FOR POLICY DIALOGUE AND SECTOR REFORM

Tightly collaborate with other IFIs when the sector policy leverage is low. It is essential that the Bank works close together with other IFIs, in particular in those circumstances where the leverage with the local authorities in a sector like power generation and transmission, is low. This does not imply any dependence from other IFIs but it is a smart thing to do especially in unreformed environments. The policy dialogue is to be conceived and implemented as a collaborative effort where each IFI can act according to its comparative advantage.

After completion of a sector-level Bank TC operation select the right set of conditions for follow-on Bank loans when sector reform is at stake. When a TC needs to be complemented by sector reforms such as in Power Generation and Transmission in some Central Asian countries, or when a list of reforms has been identified in an EBRD TC operation (as part of possible sector intervention of other IFIs), the Bank should pursue intensive policy dialogue at the highest level to ensure that the follow on investment includes enforceable conditions. Some help from sister IFIs could strengthen the Bank's case.

Appendix 5

MEASURING ENVIRONMENTAL/SOCIAL IMPACT TO ENHANCE THE EVALUATION SYSTEM

The Bank is interested in measuring its *impact*. What impact, if any has resulted on the environmental/social dimension as a result of the Bank's participation in a given project? The Bank currently has two measures of environmental/social impact: *environmental performance* and *environmental change*.

- *Environmental performance* (EP) is a measure of compliance against EAPs and national, EU and World Bank (WB) regulations and guidelines, made at the time of evaluation. Call this E_2. Projects that score well have achieved the Bank's environmental performance expectations as stated in EAPs and are in compliance with appropriate laws and regulations.
- *Environmental change* (EC) is a measure of a change in performance between two points in time – when the project was approved (E_1) and at the time of evaluation (E_2). On entry, projects may have significant environmental deficiencies and the Bank establishes its expectations for improvement via the EAP, thus seeking positive change.

Thus: $EP = E_2$ and $EC = E_2 - E_1$

What is missing from the environmental change dimension is an assessment of the *risk* of achieving the desired change (R). Or, alternatively, one could refer to the potential to achieve the change (P, R=1-P). If a project is already in full compliance or is perceived to have no environmental/social impact then the potential for change is zero, and measuring EC is not very meaningful.

On the other hand, if there are significant environmental legacies or social issues, then the potential for *environmental change* is large, even if the project does not achieve full compliance. The project deserves credit for achieving positive change and, in such cases, EC may be a more important measure of the Bank's impact than EP.

One can define environmental/social impact (ESI) as:

$$ESI = P*EC + (1-P)*EP$$

This states that the Bank's environmental/social impact is a function of its ability to achieve positive *environmental change* plus the level of *environmental performance* achieved at the time of evaluation adjusted for the potential to achieve positive *environmental change*.

Applying the equations above

$$ESI = P*(E_2 - E_1) + (1-P)* E_2$$
$$ESI = E_2 - P*E_1$$

To simplify, assume three states for P – (high, medium and low) or (1, 0.5, and 0). The resulting options would be:

Change potential	**Environmental/social Impact**
High 1	$E_2 - E_1$
Medium 0.5	$E_2 - 0.5E_1$
Low 0	E_2

A greenfield project or a project that is already in full compliance would have a P-value of P=0, thus ESI would be a function of performance at evaluation only. A large existing facility with significant environmental corrective actions required to achieve compliance would have a P-value of 1. As E_1 would be negative (less than satisfactory), ESI would be a function of both the starting point and the level achieved. Such a measure of environmental/social impact would constitute an incentive to encourage the Bank to undertake more projects where the Bank can achieve greater *environmental change*, while equally supporting greenfield projects that perform well. Similarly, when there are potentially significant social impacts. To implement this, the ESD would need to better define the starting point (E_1) and the change potential (P). ESI should be tracked every six months in parallel to TIMS.

INVESTMENT OPERATION DATABASE

1 THE DATABASE

During 2004, the Bank introduced a new method of counting operations in its internal reporting; it was first used for external reporting in the Annual Report 2006. The Bank now counts standalone (SA) operations and investments under frameworks (IUF). For the figures in this appendix, EvD has adopted the new approach with some modification. The Bank has some large frameworks with many IUFs. EvD generally evaluates such frameworks as one item through an OPER or Special Study. In the case of large frameworks, EvD applies sampling techniques to the individual IUFs to ensure that enough are evaluated directly to allow conclusions to be drawn about the framework as a whole. In calculating the evaluation coverage ratio here and elsewhere, EvD has excluded frameworks with five or more IUFs, since counting all the IUFs individually would distort the figures and make it harder to see patterns emerging[1].

Table 1: Evaluation Coverage Summary
(as at 31 December 2007)

All investment operations	No.	%	MEUR	%
Bank Portfolio				
Board-approved	1,900.0	107%	36,096	109%
Signed	1,778.0	100%	33,208	100%
12 Months + Past Board Approval	1,675.0	94%	30,443	92%
Of which subject to Evaluation				
Total ready for Post-Evaluation	989.0	56%	15,629	47%
With OPER Reports	365.0	21%	6,654	20%
With XMR Assessment	373.0	21%	4,970	15%
With XMR Review	251.0	14%	4,005	12%
PRIVATE SECTOR	No.	%	MEUR	%
Bank Portfolio				
Board-approved	1,574.0	108%	27,193	110%
Signed	1,462.0	100%	24,699	100%
12 Months + Past Board Approval	1,384.0	95%	22,552	91%
Of which subject to Evaluation				
Total ready for Post-Evaluation	841.0	58%	12,273	50%
With OPER Reports and Special Studies	323.0	22%	5,615	23%
With XMR Assessments	314.0	21%	3,740	15%
With XMR Review	204.0	14%	2,918	12%
PUBLIC SECTOR	No.	%	MEUR	%
Bank Portfolio				
Board-approved	326.0	103%	8,903	105%
Signed	316.0	100%	8,509	100%
12 Months + Past Board Approval	291.0	92%	7,891	93%
Of which subject to Evaluation				
Total ready for Post-Evaluation	148.0	47%	3,356	39%
With OPER Reports	42.0	13%	1,039	12%
With XMR Assessments	59.0	19%	1,230	14%
With XMR Review	47.0	15%	1,087	13%

Source: Data Warehouse, December 2007

[1] For example, the evaluation of the Regional Venture Funds in 2005 covered 112 IUFs. The inclusion of this framework in its entirety in the population of projects ready for evaluation pushed that number up to 222 from 109 in the previous year, and EvD's "gross" coverage ratio reached 87 per cent in that year - far above the usual level.

Table 1 outlines EvD's evaluation coverage of investment operations against the Bank's total investment operations portfolio at the end of 2007, using the counting method outlined above. In total, including frameworks with five or more IUFs, the total number of operations signed by the Bank since 1991 reaches 2,600, totalling EUR 36,938 million. Of these, 1,371 (EUR 16,972 million) are sufficiently mature to be ready for evaluation and EvD has actually evaluated 738 (EUR 12,919 million). As these operations are often grouped for evaluation purposes, the total number of individual evaluations is 273 Operation Performance Evaluation Reviews (OPERs), 13 Special Studies on specific operations, 293 Expanded Monitoring Report (XMR) Assessments and 222 XMR Reviews carried out during 1993-2007, in total 823 projects evaluated or reviewed.

1.1 PORTFOLIO PROFILE AND EVALUATION COVERAGE

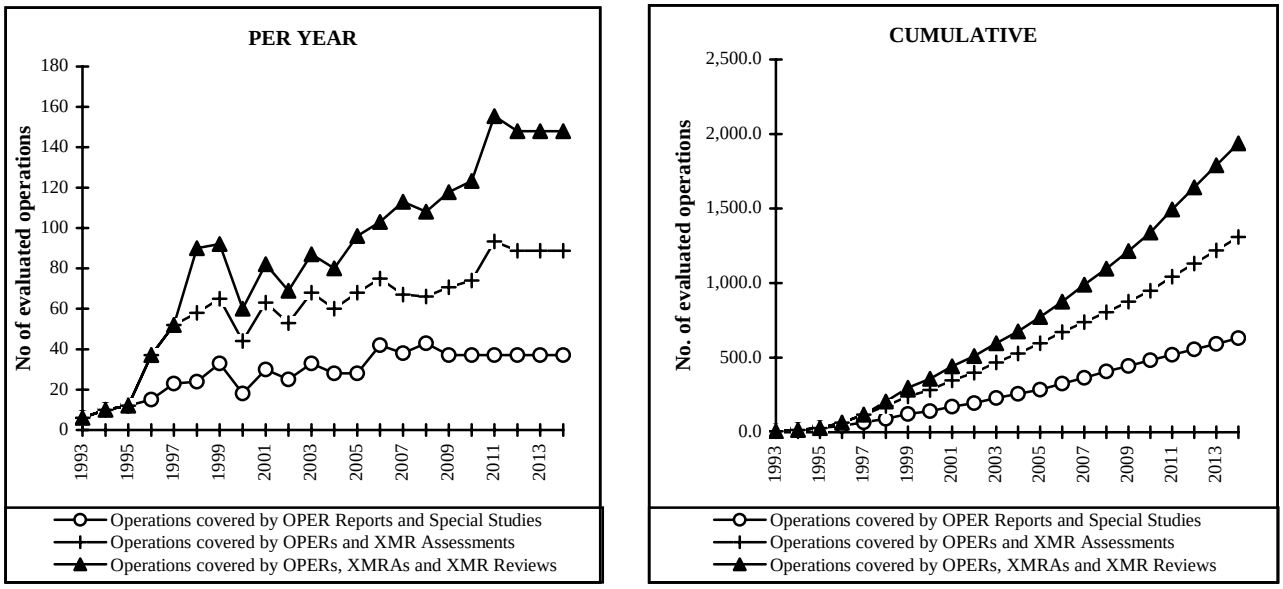
1.1.1 Part of the portfolio ready for evaluation.

By the end of 2007, excluding investments under large frameworks, 989 investment operations (841 private sector and 148 state sector) were judged ready for post-evaluation in accordance with prevailing Operations Manual (OM) procedures. In total 273 OPERs, 13 Special Studies on specific operations, 293 XMR assessments and 222 XMR Reviews cover 100 per cent of operations ready for post-evaluation up to 2007 Twenty four OPERs or Special Studies on investment operations were produced in the 2007 plan (comprising only 34 per cent of operations ready for post-evaluation). Therefore, a selection process for these 24 reports took place using criteria such as large Bank exposures, transition impact relevance, complexity, lessons learned potential, large state sector and classified operations. Please see section 1.3 of Appendix 8 for further details on the selection process.

1.1.2 Growing numbers of ready operations and evaluation coverage ratio.

Chart 1 indicates that the number of projects ready for post-evaluation fell slightly in years 2000 to 2002 but has risen since then. The figure is expected to increase further over the next few years as the Bank approves more and smaller projects. In 2011 it is expected that around 150 operations per year will be ready for evaluation. For 2008 the number of operations identified as ready for post-evaluation is 108.

Chart 1: OPER Coverage of Investment Operations Ready for Post-Evaluation 1993-2014



1.2 OVERVIEW OF THE INVESTMENT EVALUATION DATABASE

1.2.1 Timing of the evaluations.

The operations evaluated or reviewed since 1996 were self-evaluated by the operation team, on average, 25 months after final disbursement of the Bank's investments and 59 months after Board approval. In 2004, EvD implemented a new policy on the timing of evaluations in order to conform to the requirement of the Good Practice Standards for Private Sector Evaluation (GPS) of the Evaluation Cooperation Group (ECG) that the project should have reached "early operating maturity".[2] Since the implementation of the new guidelines, projects have been self-evaluated by the operation team, on average, 4 months after early operating maturity and EvD has published independent evaluation reports, where applicable, an average of 11 months after early operating maturity.

The attrition levels of Bank staff is a factor in the timing of evaluation: quite some staff involved in projects might have left the Bank if the evaluation would take place too far into the future. This would complicate evaluation. The OPER execution timing is therefore geared to providing an early post-evaluation performance feedback for lessons, quality management and accountability, and in most cases is an assessment which occurs relatively early in the operating period. It follows, however, that not all evaluation judgements can be final, particularly for assessments concerning *transition impact* and equity *investment performance.*

1.2.2 The representivity of the sample of selected operations.

As shown in section 1 above, the operations subjected to OPERs, Special Studies and XMR Assessments comprise a growing portion of the Bank's Board-approved portfolio. By the end of 2007 it had reached a cumulative evaluation coverage level of 42 per cent of the total number of signed operations and 35 per cent in value terms. As evaluation coverage levels increase the

[2] An operation has reached *early operating maturity* when (a) the project financed will have been substantially completed, (b) the project financed will have generated at least 18 months of operating revenues for the company and (c) the MDB (EBRD) will have received at least one set of audited annual financial statements covering at least 12 months of operating revenues generated by the project.

relevance of the evaluation findings for the portfolio as a whole also increases (see also sections 1.3 and 10 of Appendix 8 for the coverage of the sample of operations evaluated since 1996).

1.2.3 The composition of the evaluated portfolio.

Among the 636 independently evaluated loan investments, 152 have been fully repaid and 80 fully prepaid, while 22 operations have been fully or partially written off. Of the *equity investments*, 40 operations have been fully or partially written off and 342 have been fully divested.

1.2.4 Diversification of the selected operations for evaluation.

Of the evaluated investment portfolio, there is a reasonably diversified balance of:

- *Countries.* The following 27 countries have been covered: Albania (0.8 per cent), Armenia (2.0 per cent), Azerbaijan (1.8 per cent), Belarus (0.5 per cent), Bosnia & Herzegovina (1.6 per cent), Bulgaria (3.9 per cent), Croatia (2.9 per cent), Czech Republic (2.6 per cent), Estonia (2.6 per cent), FYR Macedonia (1.5 per cent), Georgia (1.9 per cent), Hungary (5.3 per cent), Kazakhstan (3.7 per cent), Kyrgyz Republic (0.8 per cent), Latvia (1.9 per cent), Lithuania (2.3 per cent), Moldova (1.6 per cent), Poland (9.3 per cent), Romania (6.0 per cent), Russian Federation (28.5 per cent), Serbia (1.9 per cent), the Slovak Republic (3.7 per cent), Slovenia (2.1 per cent), Tajikistan (0.9 per cent), Turkmenistan (0.4 per cent), Ukraine (3.9 per cent) and Uzbekistan (2.2 per cent), besides Regional operations (3.5 per cent);[3]

- *Operation Teams.* Twelve sector teams[4] have been covered, and all three regional business groups, besides Corporate Recovery;

- *Industries* (according to Bank standard industry name). In total 58 industries were covered;

- *Investment types.* 50 per cent are straight senior debt operations, 37 per cent are ordinary share investments, six per cent are a combination of ordinary shares and senior debt, two per cent are straight subordinated debt, one per cent are a combination of senior debt and subordinated debt, one per cent are preference shares and one per cent are a combination of ordinary shares and preference shares; the remaining percentage is a combination of the investment products above and guarantees and other off-balance sheet facilities, and other participating interests.

It can be concluded the evaluated operations cover a great variety of countries, sectors, operation teams and types of deals, which form an excellent basis to generate lessons learned.

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[3] The only two countries not covered are Mongolia and Montenegro, both recent additions: (Montenegro became a separate member of the Bank in June 2006, following its split with Serbia).

[4] In 2006, existing Energy Efficiency projects were transferred to MEI, and Energy Efficiency Team began to generate a new portfolio of energy-saving operations. None of these has yet been evaluated.

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)

TRANSITION IMPACT ANALYSIS FROM OPER REPORTS ON INVESTMENT OPERATIONS EVALUATED IN 2007

Greenfield Construction Manufacturing Plant

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating[1]**	**Rating[2]**	**Rating[3]**
3	**Private ownership** Established as a Greenfield private sector investment	N/A	N/A	N/A
5	**Skill transfers** Transfer through adoption of the corporate best practice model throughout the business.	Satisfactory	Satisfactory	Low
6	**Demonstration effects** Local and international management in the Corporation are very satisfied with the overall investment process and the high technical performance achieved but investment in a second production line is not yet viable. Medium risk is assigned due to the as yet uncertain commercial outcome in the country's and regional market.	Good	Excellent	Medium
7	**New standards for business conduct** The Corporation applies best practice model throughout the business. Management are accessible to the Bank and transparent with information but formal reporting has at times been late or insufficiently comprehensive.	Satisfactory	Satisfactory	Low
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** This Operation has brought the option of a new class of packaging close to the market at world class standards of product and logistics management (critical to high volume food and beverage packaging). However the market has developed slower than anticipated and medium risk is assigned due to the as yet uncertain commercial outcome.	Good	Excellent	Medium
2	**Market expansion** The Corporation and the Company are working with existing and potential clients on introducing or expanding filling capacity. They are providing substantial technical assistance to a local investor establishing a greenfield contract filling business, supplying smaller customers that would not sustain their own filling line investment. Contract filling is an entirely new activity in the country and opens up the possibility of new packaging solutions to drinks producers. Also undertaking generic consumer market communication and promotion of aluminium cans. In addition are important buyers of haulage services and have nurtured several early stage transport companies to become core local suppliers. Medium risk is assigned due to the as yet uncertain commercial outcome in the country's and regional market.	Good	Excellent	Medium
3	**Private ownership** Establishment of the business was an addition to the private sector in the country, where no similar business existed previously.	Good	Good	Low

[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	**Frameworks for markets** This Operation was integral to the establishment of a tax based investment incentives regime in line with best practice standards. The project also provided a pilot case for an international investor to successfully navigate streamlined administrative procedures. However the framework ultimately remains at risk, contingent on long term political stability.	**Good**	**Excellent**	**High**
5	**Skills transfers** Limited transfer opportunities to suppliers. Most inputs are imported or from multinationals present in the country. Some raising of service standards with transport companies. Main impact is through working with local companies in designing, sourcing and implementing filling lines. Investment agencies attribute a better understanding of inward investor and multi-national investor requirements as a result of their experience with the Corporation.	**Satisfactory**	**Good**	**Low**
6	**Demonstration effects** The Company remains a flagship investor for the country demonstrating a functioning investment process and incentives regime. The Company is active in the wider business community and is visited by local businesses interested in high volume manufacturing practice and international investors interested in the country's investment environment. All indications are this Company has acted as a model corporate citizen, exceeding its legal and regulatory obligations. Medium risk is assigned due to the as yet uncertain commercial outcome in the country's and regional market as well as the political environment.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** The Company is a pioneer in the country in the recycling of aluminium and steel cans which had previously been collected at negligible levels. Amongst a small number of market leading packaging companies to proactively engage the Government on adoption of the EU waste packaging directive. Anecdotal evidence also indicates the Company has resisted the possibility of signing exclusive supply contracts with companies it has assisted with filling line development, demonstrating their commitment to competitive market structures.	**Good**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:[4]	**Good**		

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

Outdoor Advertising Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Company is already private.	N/A	N/A	N/A
5	**Skill transfers** Company has adopted new standards/ brought in new skills.	Good	Good	Low
6	**Demonstration effects**	Good	Excellent	Medium
7	**New standards for business conduct** The focus in an equity IPO and the various equity investor representatives in the Board may have emphasised the importance of international standards.	Good	Good	Medium
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The consolidation of smaller advertising companies and the Company's increasing market share as the no. 2 player (in terms of advertising displays and regional coverage) has somewhat increased competition to market leader.	Good	Good	Low
2	**Market expansion** New forms of advertising, through the technological upgrade of displays and through new forms of indoor advertising/and also new elements of street furniture (including street signs) have contributed to an increasing market.	Good	Good	Medium
3	**Private ownership** Most advertising companies are privately owned.	N/A	N/A	N/A
4	**Frameworks for markets** Advertising is regulated and the project did not have any specific elements targeted at the framework.	N/A	N/A	N/A
5	**Skills transfers** Senior Management brought in skills especially through the new CEO who joined from the market leader and has a strong impact both on vision and immediate results. He also brought with him a core team that strengthened the Company's team.	Good	Good	Low
6	**Demonstration effects**	Good	Good	Low
7	**New standards for business conduct**	Good	Good	Medium
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS			
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Telecommunications

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Company was already private from the outset	N/A	N/A	N/A
5	**Skill transfers** The Shareholder's transfer of expatriate staff and providing training opportunities at the Shareholder's academy. The Shareholder also has clear objectives to replace practically all expatriate staff with local staff which is being trained from the outset.	Good	Good	Low
6	**Demonstration effects** Some new products/services compared to other GSM operator. EBRD financing assisted fast growth to assist second GSM operator to catch up with first one. Both had license same day, but second one lost valuable time for build up due to ownership issues prior to acquisition by Shareholder.	Good	Good	Low
7	**New standards for business conduct** Shareholder has strong corporate standards which have been introduced from the outset as customary in all their group companies.	Good	Good	Low
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** As typical in telecom markets, a second GSM operator has limited impact on tariff reductions, except in product differentiation, and also in better network coverage. Major competition impact can be expected from the third GSM entrant which is now building up network. In this particular situation EBRD assisted the second GSM operator to make up time lost and catch up as a strong operator and overtake the earlier market leader.	Good	Good	Medium
2	**Market expansion** Yes, growth of subscribers, new tariff plans etc.	Good	Good	Medium
3	**Private ownership** GSM licenses are private from outset.	N/A	N/A	N/A
4	**Frameworks for markets** Limited impact through GSM operators discussions/interactions with regulatory bodies, separately EBRD has offered TC to regulators with limited impact to date.	Satisfactory	Satisfactory	High
5	**Skills transfers** In the long run once 3 GSM operators have built up capacity it is possible that through staff rotation to other sector participants or elsewhere in the economy a skills transfer will take place.	Satisfactory	Satisfactory	Low
6	**Demonstration effects** Some	Satisfactory	Satisfactory	Low
7	**New standards for business conduct** Shareholder has a strong set of rules and approach to business which will have an impact on local standards	Good	Good	Low
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS			
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Bank

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The operation resulted in the transfer to private ownership of the largest commercial bank in the country and one of the largest in the region.	**Excellent**	**Excellent**	**Low**
5	**Skill transfers** The Institution Building Programme (IBP) was implemented by a specially formed team within the bank which was retained by the purchaser to work on new development projects.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** Innovations in technology and management introduced under the IBP were applied throughout the bank.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct**	**Excellent**	**Excellent**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The IBP and subsequent privatisation strengthened the Client's competitive position in the market with innovations in customer orientation, products and service.	**Excellent**	**Excellent**	**Low**
2	**Market expansion** Improved interactions with depositors and other creditors as well as borrowers and other users of the bank's services helped to increase competitive behaviour nationally and regionally.	**Excellent**	**Excellent**	**Low**
3	**Private ownership**	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** Lessons were learnt from the strengthening of this significant institution in the banking sector by the regulatory authority which appraised the EBRD contribution highly.	**Excellent**	**Excellent**	**Low**
5	**Skills transfers** The operation contributed to significant upgrading of technical and managerial skills in the banking sector.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** The IBP and its positive outcomes and the privatisation process itself set replicable standards nationally and in the region.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** Governance standards have improved visibly enhancing the business culture in the sector and inviting replication.	**Excellent**	**Excellent**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Excellent**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Excellent**		

Equity Funds

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	N/A	N/A	N/A
5	**Skill transfers** The fund manager built a strong team of equity investment specialists in all areas from screening through to exit.	Good	Good	Low
6	**Demonstration effects** Under the Bank's influence the fund manager adopted improved monitoring and reporting procedures.	Good	Good	Low
7	**New standards for business conduct** Bank participation in the Investment Committee and Advisory Board helped to ensure good governance and sound decision making.	Good	Good	Low
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The fund manager became a leader in the field setting standards for other private equity firms to follow.	Excellent	Excellent	Low
2	**Market expansion** The operation contributed to substantial expansion of the capital market.	Excellent	Excellent	Low
3	**Private ownership** The operation was less active in privatisations than anticipated at approval. Nevertheless the fund portfolios included a number of privatising enterprises.	Good	Good	Low
4	**Frameworks for markets** By promoting competition and transparency in the capital market, the operation contributed to the improvement of the market environment and of capital market functioning.	Good	Good	Low
5	**Skills transfers** The fund manager contributed significantly to the upgrade of technical and managerial skills in investee companies.	Excellent	Excellent	Low
6	**Demonstration effects** The operation demonstrated the potential for successful private equity investment and for creating value through portfolio company restructuring and development.	Excellent	Excellent	Low
7	**New standards for business conduct** The fund manager has set high governance standards both in its own operations and within portfolio companies.	Excellent	Excellent	Low
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	Excellent	Excellent	Low
	OVERALL TRANSITION IMPACT RATING:	**Excellent**		

Rail Project

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Short-Comment: Although corporatisation of the railway organisation appears not to have been decisively targeted (and in fact, has not been achieved) under the Project, main steps in this direction have been successfully taken, including divestments of ancillary assets.	**Good**	**Good**	**Medium**
5	**Skill transfers** Short-Comment: The two main transfers achieved relate to adoption of international competitive procurement procedures and to working practices with new high-performance machinery and ancillary equipment.	**Good**	**Good**	**Low**
6	**Demonstration effects** Short-Comment: The new technology introduced through the Project has been fully adopted, as envisaged, and is being replicated throughout the system/the country as a whole.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** Short-Comment: Apart from the successfully introduced new technical standards that induced significant performance improvements, the introduction of IFRS for financial reporting and IAS for auditing as well resulted in improvements for cost accounting and finance management.	**Good**	**Good**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** Short-Comment: Attributable to the Project, no changes have been induced. It is debatable whether an improvement in the competitive situation was targeted under the Project.	**N/A**	**N/A**	**N/A**
2	**Market expansion**			
3	**Private ownership**			
4	**Frameworks for markets** Short-Comment: Main steps have been taken towards railway corporatisation to which the Project (possibly more so the subsequent Bank investment) contributed, but the ultimate proof through passing the related law and enacting it is still outstanding.	**Satisfactory**	**Satisfactory**	**High**
5	**Skills transfers** Short-Comment: [This aspect has been covered under Step I.]			
6	**Demonstration effects**			
7	**New standards for business conduct**			
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Financial Institution

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	N/A	N/A	N/A
5	**Skill transfers** The client responded very well to the TC-funded institutional strengthening programme with significant improvements in systems, processes and management capacity. The high risk relates to the rapid growth rate and refinancing requirement.	Excellent	Excellent	Low
6	**Demonstration effects** New technology and innovative management have spread across departments of the bank following the initial success of the microlending component and subsequent substantial institution building programme.	Excellent	Excellent	Low
7	**New standards for business conduct** The client has improved business standards across many areas including accounting, reporting, risk management and corporate governance.	Excellent	Excellent	High
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The equity investment and syndicated loans increased the client's capacity to offer strong competition in the growing local market. The facilities have enabled the client to attract a growing portfolio of small, medium and some larger corporate clients.	Excellent	Excellent	High
2	**Market expansion** The EBRD interventions with this client have helped to expand the private segment of the market in the face of the strong presence of state-owned competition. In addition the syndications have successfully introduced new international commercial lenders. The High risk attaches to the refinancing needs.	Excellent	Excellent	High
3	**Private ownership** The client has helped finance expanding private enterprises at micro and SME levels.	Good	Good	Low
4	**Frameworks for markets**	N/A	N/A	N/A
5	**Skills transfers** Improvements in credit assessment and monitoring have helped to develop a credit culture among sub-borrowers. In some instances staff trained under the institution building programme have left the client for other organisations leading to broader skills transfer.	Good	Good	Low
6	**Demonstration effects** The success in raising successive syndicated loans for the client has been replicated in the market. The introduction of sound micro and SME lending methodologies is also strongly replicable elsewhere.	Excellent	Excellent	High

7	**New standards for business conduct** Governance has been strengthened in important areas and a streamlined organisational structure has been introduced.	**Excellent**	**Excellent**	**High**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Excellent**	**High**
	OVERALL TRANSITION IMPACT RATING: The operations have increased the client's capacity to offer strong and effective competition in the sector which is still dominated by state-owned banks. The operations have sent a strong signal to the market, which is in need of further consolidation, that the merger of private banks can succeed. The transition risks attach to the bank's rapid growth rate and to refinancing needs in an increasingly volatile environment.	**Excellent**		

Oil Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The borrowers are major private oil companies which are part of the consortium which are signatories to the Company's production sharing agreement	**N/A**	**N/A**	**N/A**
5	**Skill transfers** The consortium supports training of contractors, subcontractors, SME training via the Enterprise Centre in the country's capital, as well as training of local staff to take over from expatriates.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** The facilities were built and are operated on the basis of highest international standards and serve as a benchmark to similar future projects	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** Company's participants adhere to highest standards of transparency, IAS, adheres to EITI etc.	**Excellent**	**Excellent**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The State Oil Company operates the earlier oil and gas fields with past legacy situations. The Company clearly sets new standards in off-shore production and terminal operations.	**Excellent**	**Excellent**	**Low**
2	**Market expansion** In the early 90's the production had declined compared to the earlier levels during the time of the Soviet Union, the substantial new investments in offshore production through the Company has increased production	**Excellent**	**Excellent**	**Low**
3	**Private ownership** The major international oil companies demonstrate advantages of privately owned resource groups vs old style Government owned structures like the State Oil Company, which dominates the oil and gas sector. In the present environment it seems unlikely that the impact of the Company would lead to a privatisation of the State Oil Company, or at least some subsidiaries of the State Oil Company.	**Marginal**	**Marginal**	**Low**
4	**Frameworks for markets** Whilst the project has contributed to acceptance of EITI by publishing payments to Government, it is unlikely that a broader oil and gas sector reform, including the privatisation of the State Oil Company, would have much support at the decision making levels	**Marginal**	**Marginal**	**Low**
5	**Skills transfers** The Company provides substantial skills transfers through the introduction of highest international standards and through training of local staff. To what extent these new skills will move through staff rotation to other companies in the sector remains to be seen and will take some time.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** Sets clear standards e.g. re minimum gas flaring etc.	**Satisfactory**	**Satisfactory**	**Low**

7	**New standards for business conduct** ACG is a best practice example, the question remains to what extent this new standard can spread out to the essentially state controlled oil sector ,and to the economy at large.	**Satisfactory**	**Satisfactory**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS			
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Air Traffic Control Centre

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** It would be easy to privatize the provision of Air Traffic Management (ATM) services in this Country, but this was not part of the project design. The "corporatisation" of the Company contributes to the potential for eventual privatisation of ATM services in the Country.	**Marginal**	**Satisfactory**	**Medium**
5	**Skill transfers** By adopting "stripless" ATM technology, the Company forced the redundancy of much of its mature staff and had to accelerate recruitment and training of new controllers. The effect was a mix of loss of seasoned professional skills compensated by the skill acquisition of junior staff.	**Satisfactory**	**Good**	**Medium**
6	**Demonstration effects** See below.			
7	**New standards for business conduct** The Company slowly took up the challenge of strategic business planning with substantial help from consultants. The Company's commitment to the process is not strong.	**Satisfactory**	**Good**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The provision of ATM services does not take place in a competitive market. Therefore, this project did not contribute to increasing competition. Also, the Company did not control its costs, something it could not get away with in a competitive market.	**Marginal**	**Satisfactory**	**High**
2	**Market expansion** The Company's investment allowed it to handle increased air traffic, much of it carrying tourists to its Country in the summer season, helping market expansion in the vital tourism industry.	**Excellent**	**Excellent**	**Medium**
3	**Private ownership** See above.			
4	**Frameworks for markets** Effective national regulation is essential to ensure the economic and safe performance of ATM services by the monopoly supplier. The project lacked elements affecting frameworks for national regulation by the Civil Aviation Authority of the Company's route charging and safety performance, a gap that should have been considered in the board document and, with hindsight, addressed as part of the project's design. The outlook for improved regulation is poor.	**Marginal**	**Marginal**	**High**
5	**Skills transfers** The Company dismissed many redundant controllers, who were not able to adapt well to the new system, into retirement. It may also have lost some controllers to other national authorities and there is some prospect for future mobility from the Company.	**Satisfactory**	**Good**	**Medium**
6	**Demonstration effects** The main positive effect was to show that such a system can be procured according to a transparent procurement process, on-time, and within budget by avoiding software development. Other demonstration effects, such as may have resulted from the shortfalls in capacity levels during the transition, the need to dismiss many mature controllers, and poor cost management, were less positive.	**Satisfactory**	**Good**	**Medium**

7	**New standards for business conduct** The Company followed EBRD's public procurement approach. It also continued to prepare audited financial statements to international standards. The Company's collaboration and consultation with the national airline and other stakeholders needs to improve. Much of the needed changes depend on improved national regulation that may not be forthcoming soon.	**Satisfactory**	**Good**	**High**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Oil Transportation Project

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The Project was a SPV from the outset with majority owned by the private sector, with the main Sponsor as operator.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** The main Sponsor has instituted training of contractors, subcontractors, SME training via the Enterprise Center in the country's capital city, and also training of local staff to take over from expatriates.	**Good**	**Excellent**	**Low**
6	**Demonstration effects** The Project is operated on basis of international standards, highly transparent, commitment to highest international standards as a benchmark for other large investment projects.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** In contrast to the State Oil Company, the Project adheres to IAS, transparency, etc. and sets a good example and benchmark.	**Excellent**	**Excellent**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Project provides a new and unique shipping route for crude oil directly into a sea terminal and leaves remaining regional capacity for other projects. Based on cash costs for transportation the chosen transportation route may not be the cheapest route, but considering environmental risk assessment, it may ultimately be the best solution considering all risks.	**Satisfactory**	**Satisfactory**	**Low**
2	**Market expansion** This additional shipping capacity was essential for the increase of oil production under a related oil project. Since the chosen transportation route is a dedicated route for this oil company there is not really a direct competition with alternative shipping routes.	**Good**	**Good**	**Low**
3	**Private ownership** The Project was considered as a private sector project from the outset.	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** The Project's close relationship with Government and commitment to best international standards has raised awareness/benchmark for other pipeline projects in the region.	**Satisfactory**	**Satisfactory**	**Medium**
5	**Skills transfers** The Project's skills training goes beyond Company staff via the Enterprise Centre in the Country's capital city and in due course also via staff rotation to other companies active in the Country. As the Company is an international employer, this may take some more time for staff to rotate elsewhere, given the still limited opportunities outside the large projects sponsored by international oil companies.	**Good**	**Satisfactory**	**Medium**
6	**Demonstration effects** The Project has demonstration effects and organises visits for schools to the visitors centre at one of the terminals, as well as via the Energy Bus to larger parts of the Country.	**Satisfactory**	**Satisfactory**	**Low**

7	**New standards for business conduct** The Project is a best practice example, the question remains to what extent this can really spread out to the essentially state controlled oil sector, and to the economy at large.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING: The OPER Team is of the view that whilst company related ratings are Excellent, a realistic assessment of the country's constraints/framework and hence the constraints for a wider spread of TI outside the Company, do not allow a rating higher than Satisfactory at present	**Satisfactory**		

Textile Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The Company was successfully privatised and continues to trade under private ownership but remains in a perilous financial situation (and therefore continuing risk to potential TI). Longer term potential TI is good if the restructuring under the new owners is successful.	**Satisfactory**	**Good**	**Excessive**
5	**Skill transfers** In the absence of a strategic partner, skills transfer is not a significant TI component of this project (whilst separately noting the extensive involvement of the TAM programme with this business, which worked extensively with management during the early transition period).	**Marginal**	**Marginal**	**N/A**
6	**Demonstration effects** The financial failure of this Operation leads to an Unsatisfactory rating.	**Unsatisfactory**	**Unsatisfactory**	**Low**
7	**New standards for business conduct** The project was intended to enhance the quality of corporate governance in the Company. There seemed to be strong differences of opinion between management and the Board, and sometimes amongst the Board themselves, over the best path forward. Preferential treatment by management of local lenders is also a questionable practice.	**Marginal**	**Marginal**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Company is a one of its kind business in the Country (wool worsted) with an export oriented product. It has a low degree of integration into the Country's economy but was a core business in the textile sector. Rejuvenation of the Company would have been a major contribution to revival of the textile sector in this Country.	**Unsatisfactory**	**Unsatisfactory**	**Low**
2	**Market expansion** The Company was to reduce CIS in the sales mix to approximately 12%. Instead CIS remained close to the 30% levels at original approval.	**Unsatisfactory**	**Unsatisfactory**	**Low**
3	**Private ownership** Private ownership in the Country was not widened as a result of this operation.	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets**	**N/A**	**N/A**	**N/A**
5	**Skills transfers** There is no readily identifiable transfer of skills from this Operation into the wider economy.	**N/A**	**N/A**	**N/A**

6	**Demonstration effects** The flawed business plan at privatisation, slowness to address basic systemic problems and losses incurred by this business all contribute to an unsatisfactory rating for demonstration effect. There is still the possibility (even if unfounded) of a negative publicity reaction to the privatisation if the new owners subsequently close the textile business and are able to make significant profits from redeveloping the main textile production site. In addition 34% of the equity is still owned by the past and present management and employees and the treatment of minorities in the event of any future profits (property related or otherwise) may yet cause further adverse publicity, notwithstanding that at the time of the EBRD exit, the value of the Company's equity was nil.	**Unsatisfactory**	**Unsatisfactory**	**Medium**
7	**New standards for business conduct** The team identifies that post investment the Company generally worked to new and higher standards of transparency and competition in areas such as staff consultation (eg redundancy programme), public disclosure, conduct of tenders and cooperation with consultants (asset procurement and divestment). Future risks relate to the ethical conduct of the new owners, which so far seems reasonable. However, there are claims by former employees that inter company charges between the new owners and the Company, and the accumulation of inter company debts are clouding transparency. Were this true, one may speculate as to the reason e.g. to create inter-company obligations that could capture future property profits for the benefit of the new owners and avoid distribution to the minority shareholders. Issues of fair treatment of minorities (which were arguably valueless at the time of EBRDs exit), may yet arise in the future.	**Satisfactory**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Unsatisfactory**	**Unsatisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Unsatisfactory**		

Infrastructure Reconstruction Project

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	N/A	N/A	N/A
5	**Skill transfers** Skill transfers from the tender support consultants to the Project Implementation Unit (PIU) has been successful except for one of the five municipalities, where the consultant was considered disqualifiable.	Good	Satisfactory	Medium
6	**Demonstration effects** Intra-company demonstration effect of the PIU is discernable but still subtle in the large conventional organisation like the water utility company.	Satisfactory	Satisfactory	Medium
7	**New standards for business conduct** Continuous Financial & Operational Performance Improvement Programme (FOPIP) under TCs from different agencies slowly but steadily move the water utility companies toward market orientation. Concept of a customer service unit, improving arrears collection, and transparent procurement practices are already in picture of their businesses. The TC also assisted the Project's municipalities in developing better practices for public debt management, which was considered successful.	Good	Good	Medium
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition**	N/A	N/A	N/A
2	**Market expansion** Large municipal infrastructure investments supported by the IFIs fostered local economy and strengthened backward linkages with contractors and suppliers from one of the region's countries.	Good	Good	Medium
3	**Private ownership** The water utility companies remain state-owned. The law does not allow their activities to be entrusted with any third party. This prevents from privatisation and/or any type of private sector involvement.	Marginal	Marginal	High
4	**Frameworks for markets** Despite a positive move taken at the beginning of the investments, tariff reforms have been backward in terms of autonomy, which counters to the Bank's transition objectives.	Marginal	Marginal	High
5	**Skills transfers**	N/A	N/A	N/A
6	**Demonstration effects** The implementation of the three municipalities has led to the investment in medium-sized municipalities. However, only one new municipality has been added after the three municipalities. The Programme has slowed down.	Satisfactory	Marginal	High
7	**New standards for business conduct**	N/A	N/A	N/A
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	Satisfactory	Satisfactory	High
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

MSE Finance Facility

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The Facility has encouraged the growth and spread of entrepreneurial activity in most regions of the country.	**Good**	**Good**	**Low**
5	**Skill transfers** Technical assistance introduced new lending methodologies, monitoring and marketing systems, as well as internal audit procedures.	**Excellent**	**Excellent**	**Medium**
6	**Demonstration effects** There is potential for governance improvements and some more modern management practices to spread within partner banks.	**Good**	**Good**	**Low**
7	**New standards for business conduct** The discipline of meeting strict repayment schedules on loans encourages borrowers to improve their business and financial skills.	**Excellent**	**Excellent**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Facility has stimulated competition in the MSE market among banks and between banks and non-bank microfinance institutions.	**Excellent**	**Excellent**	**Medium**
2	**Market expansion** The Facility has expanded the market for banking services in the regions by introducing small business borrowers to the formal financial sector and encouraging competition among small businesses in the real sector.	**Excellent**	**Excellent**	**Medium**
3	**Private ownership**	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** The Facility has supported the building of a regulatory framework for MSE lending through encouraging the operation of a credit bureau and other regulatory improvements.	**Good**	**Good**	**Low**
5	**Skills transfers** A large number of loan officers trained by the Facility have joined other institutions in the financial sector or started in business on their own leading to broad skills dispersal.	**Excellent**	**Excellent**	**Medium**
6	**Demonstration effects** There have been strong demonstration effects as banks and non-bank microfinance institutions have sought to replicate product innovations and regional expansion.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** New standards of conduct have been reinforced by the Policy Statement and loan covenants with partner banks. Partner banks received extensive training for an international consulting firm.	**Excellent**	**Excellent**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Excellent**	**Medium**
	OVERALL TRANSITION IMPACT RATING: The Facility has achieved transition impact at multiple levels. Beyond the impact on individual partner banks, the Facility has demonstrated that MSE lending is viable and sustainable. Creditworthy MSEs have received access to finance in the formal sector. Transition 'risk' is assessed as Medium because of the shortage of liquidity in the system which may constrain portfolio growth.	**Excellent**		

Electricity Distribution Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** 49% privatisation was concluded and operational management control passed to the Sponsor. Further privatisation has been halted following a change of Government and is unlikely to be resumed. If privatisation is resumed, potential TI is Excellent. A Medium risk rating is politically related.	**Good**	**Excellent**	**Medium**
5	**Skill transfers Assessment**: To a large extent the achievements at the Company are down to local management and staff, with the Sponsor providing the organisational structure and a management culture focusing on strong leadership, human resource development and customer orientation. A young management team has been able to fulfil its potential in this environment. Training and support is also available from the Sponsor's network.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** Despite difficult circumstances following the change of Government, the Company has demonstrated the capacity to balance the interests of their shareholders, maintain investment levels and sustain dividends. Medium risks pertain to the threat of increased direct or indirect political involvement in the day to day activities of the sector and regulatory structures.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** The Company was one of the founding members of the Country's Business Leadership Forum, supports and participates in programmes promoting environmental protection and activities in the area of occupational health and safety, and plans to join the Sponsor's Corporate Social Responsibility Programme. These are all positive initiatives. However corporate governance relations between the Management Board and Supervisory Board have been inevitably tense since the change of Government in 2006 and the declared intention of the Government to exert greater influence over the power and energy sector. Matters came to a head over secondary unbundling (see New Standards for Business Conduct at the Industry Level Below). Relations within the Management Board have been tense too since the change of Government. The Sponsor appoints 3 out of 5 Directors and the Government the remaining 2. The 51% majority shareholder (Government) takes the position that its Board nominees receive unequal access to the Company's staff and information compared to their counterparts appointed by the Sponsor and are therefore in a weaker position than their Sponsor's counterparts to exercise their Directors' responsibilities. Whilst relations are tense, it must be recognised that control of the Board is the key management right for which the Sponsor paid a premium at entry and there is no suggestion that the Company's Board are less than fully compliant with their obligations to the Company and shareholders under the Country's law, corresponding to a Satisfactory rating. A Medium risk rating is politically related.	**Satisfactory**	**Satisfactory**	**Medium**

	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	Rating	Rating	Rating
1	**Competition** It was always the intention of the previous Government to establish competitive conditions between the three regional electricity distribution companies and eventually possibly new entrants too. The strong operational and commercial performance of the Company sends a clear competitive signal to the other regional electricity distribution companies who will have to ensure their offering is at least as competitive as the Company's. The high standards achieved by the Company also indicate potential benchmark performance standards to the regulator when considering sector performance as a whole. Some price based competition is now taking place in the commercial sector, although the degree of switching is reported as still being low. As yet competition for account switching in the retail sector is non price based and this is unlikely to change in the foreseeable future due to the systemic and regulatory limitations that still apply to the power sector.	**Good**	**Good**	**Low**
2	**Market expansion** Through good management, better organisation and investment the Company has been able to satisfy both an expanding network with new connections and increased the amount of electricity delivered. It has thus played its part in expanding the electricity sector and the operations of its clients.	**Good**	**Good**	**Low**
3	**Private ownership** Expansion of private ownership in the economy as a whole would be contingent on a future IPO of some of the remaining Government holding, per the original intention. This is a remote possibility at this time and one that does not necessarily come any closer should Government change in future. The high risk rating reflects the risk that private ownership will not be expanded further.	**N/A**	**Good**	**High**
4	**Frameworks for markets** Legal and functional unbundling of the sector is completed. Third parties have access to the transmission and distribution networks at regulated prices. The market is 100% open in that all customers are entitled to choose their suppliers. The mandate and responsibilities of the regulatory office meet the minimum EU requirements. Power sector reforms proceeded in line with the requirements for the country's EU integration and match all necessary standards, notably those defined in the two EU electricity Directives. However, competition in power generation and wholesale electricity trading is imperfect. The sector tends to be over-regulated, and the new government formed after the 2006-elections strives to stretch the state's control of the sector through amendments to the legislation determining the regulatory process. The EBRD successfully supported the reform process through an active policy dialogue and participation in this Operation but it would be exaggerating to attach the reform success to EBRD's participation in this Operation at the preparation or implementation phases. However, the EBRD has played an active role in preserving the integrity of the framework for the sector and may be required to do so again in future. Medium risk is attached in view of the risk of political interference in the market framework.	**Satisfactory**	**Satisfactory**	**Medium**
5	**Skills transfers** Skills transfer through linkages in the wider economy, is not a feature of this Operation, although there will inevitably be some passing of skilled and experienced people from the Company into the wider economy.	**N/A**	**N/A**	**N/A**

6	**Demonstration effects** Positive demonstration effects at the wider level were anticipated by this project, although the nature of the demonstration effect was not discussed in the EBRD Board Document. Retrospectively it can be seen that the successful restructuring of the Company through strong leadership, human resource development, customer orientation and investment is a positive demonstration effect both to the rest of the electricity sector and to the wider businesses community in the Country. Further it has demonstrated to the population at large that foreign management control of a strategically important business need not be contradictory to national interests. Under private management control The Company has achieved investment, operational and financial performance levels (including record dividends financed by cash flow and not debt) that would have been beyond the business under state owned control. However, there are inherent risks both in the 49/51% privatisation structure and in the sector itself as a regulated industry with a still brief history of regulatory independence. A continuing Good demonstration effect is contingent on the Company and Government continuing to find a balance in their expectations of each other and in Government showing restraint in respecting regulatory independence. The risk to potential TI is therefore considered as Medium (also see New Standards for Business Conduct, below, concerning Government intervention in secondary unbundling).	**Good**	**Good**	**Medium**
7	**New standards for business conduct** New standards of business conduct hinge on the willingness of the Government to respect both the independence of the regulator and management rights acquired by the Sponsor. So far, the regulatory office established in 2001 has performed well and generally maintained its independence. However there are signs of creeping political interference with the regulatory process. Furthermore it was the declared intention of the new Government to take a closer involvement in the activities of the electricity distribution companies. Through the Supervisory Board of the Company and of the two other regional distribution companies, Government delayed completion of secondary unbundling with the objective of obtaining majority management control over the unbundled supply and distribution entities, reflecting Government's 51% shareholding in the parent company. This approach would have potentially put Government in breach of the privatisation agreements, whilst delay of secondary unbundling threatened breach of EC directive. Government stepped back under intense international lobbying including the EBRD, French embassy and European Commission. Although secondary unbundling was ultimately brought to a satisfactory conclusion a negative example was provided of the potential for Government to take an aggressive stance to revisiting past agreements.	**Satisfactory**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Heavy Industry Plant

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The plant was acquired via a public offer in advance of the project, thus moving this plant from public to private ownership.	**Good**	**Good**	**Medium**
5	**Skill transfers** The Sponsor has brought in an international management team, and has introduced international accounting practices etc.	**Good**	**Good**	**Medium**
6	**Demonstration effects** The success of this project has lead to further privatizations/concession by the government.	**Good**	**Excellent**	**Low**
7	**New standards for business conduct** Introduction of international accounting, tendering and environmental standards/practices.	**Good**	**Satisfactory**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** This plant provides a local source of cement, thus provides competition to imported sources and benefits consumers.	**Satisfactory**	**Good**	**Medium**
2	**Market expansion** With the introduction of the new dry-process line, local production of cement has been significantly increased.	**Satisfactory**	**Excellent**	**Low**
3	**Private ownership** The success of this deal, the largest FDI deal in Albania at the time, has provided a strong market single to other potential investors in the Albanian economy.	**Good**	**Good**	**Low**
4	**Frameworks for markets** Cement is a key building material. Albania has been experiencing a building boom and access to local cement has helped with that expansion.	**Satisfactory**	**Satisfactory**	**Medium**
5	**Skills transfers** The Sponsor brought in a Chinese turn-key contractor for construction of the plant. The same contractor has built and manages a dedicated power plant on the site.	**Good**	**Good**	**Low**
6	**Demonstration effects** The success of this project has resulted in the sponsor coming to EBRD/IFC for a follow-on project and the development of a competing Greek project (which EBRD is also involved in).	**Good**	**Excellent**	**Medium**
7	**New standards for business conduct** Introduction of international accounting, tendering and environmental standards/practices sets a performance standard for others wishing to compete locally in the cement sector.	**Good**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low/ Medium**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Steel Production

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	**Good**	**Good**	**Low**
5	**Skill transfers** The project design confined transition impacts mainly to the company level through skill transfer from the Sponsor and improvements to the local partner steel partner largely implemented a large modernisation programme, with technical assistance from the Sponsor, intended to improve the quality of its cold rolled steel as required by the JV agreement.	**Good**	**Good**	**Medium**
6	**Demonstration effects** One could argue that the mere willingness of the Sponsor to enter a JV with the local partner had transition impact through demonstration effects. This seems questionable because of the structure of the JV itself. The Sponsor invested only 25 per cent of the equity and guaranteed only 25 per cent of the loans. The partners ran the JV as a tolling operation to insulate the Sponsor from the evident risk that the local partner could overcharge the JV for steel. The local partner had effective control of the JV, both its inputs and the direction of its output. Finally, The Sponsor had to exit the JV after a change of control. This curtailed the demonstration effects of working with a foreign partner, limiting them to the physical implementation stage only.	**Satisfactory**	**Good**	**Medium**
7	**New standards for business conduct** The project added a new production facility to the local partner's steel mills. The local partner appears to be operating it well and profitably.	**Satisfactory**	**Satisfactory**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The project helped expand the supply side of the market for quality construction steel and helped increase competition in that segment.	**Satisfactory**	**Good**	**Medium**
2	**Market expansion** The project helped expand the supply side of the market for quality construction steel.	**Satisfactory**	**Satisfactory**	**Medium**
3	**Private ownership**	**Good**	**Good**	**Medium**
4	**Frameworks for markets**	**NA**	**NA**	**NA**
5	**Skills transfers** See above.	**Satisfactory**	**Satisfactory**	**Medium**
6	**Demonstration effects** The JV structure used transfer pricing that distorted the financial picture of the Project. The demonstration effects from the project were limited. The local partner paid the JV a tolling fee for processing steel coil through the new mill. Therefore, the economics of the new product are not visible in the financial performance of the JV. The OPER Team believes that the local partner has profited from its tolling arrangement with the JV, but those financial results are a small part of a large, multi-product steel business. In any case, the project did not and probably could not produce financial statements that would permit an observer to assess the value added by the tolling arrangement for the local partner. The JV itself was not profitable:	**Marginal**	**Satisfactory**	**Medium**

	the tolling fee has not been sufficient due to the rise of other costs that the JV had to bear, mainly the cost of zinc.			
7	**New standards for business conduct** The JV suffered from poor design and excessive complexity that were not needed to accomplish the Project's objectives.	**Satisfactory**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Equity in a Regional Bank

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	**Good**	**Good**	**High**
5	**Skill transfers** Skills transfer and governance impacts were weaker than other dimensions of transition impact. The Bank's senior management and corporate culture shows signs of overconfidence and immunity to outside influence. The large scale, complex Institution Building Programme (IBP), especially the parts suggested by the consultants, have yet to take deep roots. The SAP implementation may support some of the IBP modules, but again that would be quite formal.	**Satisfactory**	**Good**	**High**
6	**Demonstration effects**	**Good**	**Good**	**High**
7	**New standards for business conduct** The Bank is in a stage of transition from entrepreneurial to institutional management. The founding shareholder and leader of the bank remains the guiding force despite the appointment of a Chairman of the Management Board, who should be the driving CEO, but is operating in the shadow of the Chairman of the supervisory board. The Bank's borrowings in foreign currency have compelled it to build a hedge book and a wide range of interbank relationships. The Bank's retail portfolio is growing faster than its SME and large corporate portfolio and should represent half of the loan book by 2010.	**Satisfactory**	**Good**	**High**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Bank has demonstrated, in this phase of the credit cycle, that the region is an attractive and growing market for commercial and retail banking. The Bank provides strong competition in the market for lending to SMEs where its main competitor is the Bank's strength in its SME niche, its retail growth, its enviable branch network, its energetic alliances with official investment initiatives and with officialdom generally, and its strong advertising campaigns and name recognition.	**Excellent**	**Excellent**	**High**
2	**Market expansion** Many banks based in the capital have opened branches in the region. They focus mainly on larger borrowers.	**Excellent**	**Excellent**	**High**
3	**Private ownership**	**Good**	**Good**	**High**
4	**Frameworks for markets**	**NA**	**NA**	**NA**
5	**Skills transfers** See above.	**Satisfactory**	**Good**	**High**
6	**Demonstration effects** The Bank's lending into the real sector has boosted the growth rate of thousands of private firms, accelerating their capacity to serve the economy as a whole. The Bank takes material lending risks, including for longer tenors (one third of corporate loans), financing investment projects across the local region.	**Good**	**Good**	**High**

7	**New standards for business conduct** The Bank runs a transparent website, which publishes its audited financial statements, so that competitors can observe Tha Bank's rapid growth and profitability in print.	**Satisfactory**	**Good**	**High**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Residential Property Development Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Thanks in part to the loan, the Client was able to increase its land bank by around 40 per cent during the years 2003-2005. According to the firm, The Client owns enough land, or has secured it under contract, to allow development of about 9,100 residential units.	**Good**	**Good**	**Low**
5	**Skill transfers**	**Good**	**Good**	**Low**
6	**Demonstration effects**	**Satisfactory**	**Good**	**Medium**
7	**New standards for business conduct**	**Satisfactory**	**Satisfactory**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The rising prices in the capital city attracted new entrants, of which the most important was a large, listed western property developer, which entered the market in 2006 by acquiring the property development business of a local bank, giving it a 4% market share.	**Good**	**Good**	**Low**
2	**Market expansion** The Client contributed strongly to expansion of the housing market in the capital city. In the capital city, the housing stock per head grew by about 8% between 2001 and 2005. The Client supplied a significant proportion of the housing completions in the city over the period. The growth of housing markets had backward linkages into the building sector (architecture, engineering, construction, building materials, banking) and forward linkages into estate agency and mortgage finance services.	**Good**	**Good**	**Medium**
3	**Private ownership**	**Good**	**Good**	**Low**
4	**Frameworks for markets**	**Satisfactory**	**Satisfactory**	**Medium**
5	**Skills transfers** The Client's successful projects transferred skills to the other developers through normal employment mobility.	**Good**	**Good**	**Low**
6	**Demonstration effects** The Client's successful business model stimulated imitation by other developers.	**Satisfactory**	**Satisfactory**	**Medium**
7	**New standards for business conduct** The Project was marred by Marginal environmental performance: one large development, set in a sensitive green belt zone in the city, saw its zoning permits revoked by the courts in 2006 for failure to comply with the green zone restrictions.	**Satisfactory**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Mining operation

TI checklist categories	STEPS OF RATING TRANSITION IMPACT EX POST	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** A steel producer (the Sponsor)acquired the State's interest in the Company	**Good**	**Good**	**Medium**
5	**Skill transfers** The Company had improved its accounting skills to comply with IFRS. It interacted with EBRD's due diligence consultants that raised relevant issues and concerns.	**Good**	**Good**	**Medium**
6	**Demonstration effects** The Company seems to operate as a good corporate citizen in the city. Half of the city's active population works for the Company. Tax revenues on the Company's profits benefit the region and the city. What holds down the rating are shortfalls in corporate practice, with related undesirable demonstration effects, is the Sponsor's approach to long term mine economics and closure issues, and treatment of minority shareholders.	**Satisfactory**	**Satisfactory**	**High**
7	**New standards for business conduct**	**Negative**	**Satisfactory**	**High**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Project was designed to strengthen the Company's competitiveness in both export and domestic market in a sector where the country had a good comparative advantage as one of the main exporters. The Company had been exporting ore to a leading foreign steel mill for over 20 years. However, shortly after the pre-payment of the loan, the commercial relationship with that firm collapsed, ostensibly for pricing reasons.	**Marginal**	**Marginal**	**Medium**
2	**Market expansion** Corporate spin offs have modestly benefited market expansion.	**Marginal**	**Marginal**	**Medium**
3	**Private ownership** See above.	**Satisfactory**	**Satisfactory**	**Medium**
4	**Frameworks for markets**	**NA**	**NA**	**NA**
5	**Skills transfers** See above. There were some corporate spin offs that transferred a few skills outside of the Company.	**Good**	**Good**	**Medium**
6	**Demonstration effects** See below. Some good effects from corporate restructuring and improved operations were offset by business conduct issues.	**Satisfactory**	**Satisfactory**	**High**
7	**New standards for business conduct** During the time of the Bank's involvement in the Project, the Sponsor's controlling shareholder bought out most of the minority shareholders of the Company. The Sponsor delisted the Company from the stock the Company. This action deprived the Company's minority shareholders of reference prices for their shares and of whatever other minority protections the stock listing might have offered them. Small minority shareholders (which included many employees) were approached by intermediaries, including a subsidiary of the Company itself, in a gradual buy up of the shares. In some cases they received prices 80% below the bid price immediately prior to delisting. The price quickly rose to many times its original price after the stock was listed again.	**Negative**	**Satisfactory**	**High**

	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Marginal**	**Marginal**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Marginal**		

OUTCOME OF PERFORMANCE RATINGS OF THE BANK'S INVESTMENT OPERATIONS[1]

1. POST- EVALUATION OUTCOME

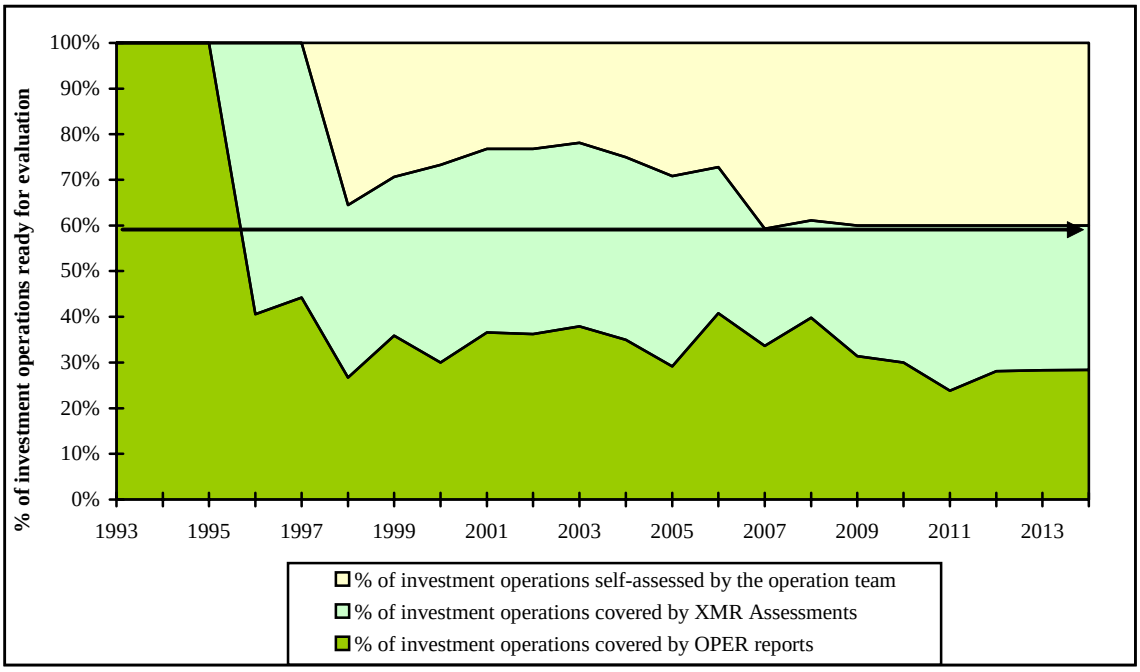
1.1. GENERAL

This Appendix analyses the performance ratings of evaluated investment operations. It seeks to draw conclusions and serves as a basis for some recommendations in the main text. Projects for evaluation are selected from all fully disbursed projects in the portfolio considered ready for evaluation.[2] Performance evaluations of individual projects are generally only conducted once in their lifetime, normally with no subsequent re-validation.

1.2. EVALUATION COVERAGE IN 2007

The Bank's evaluation policy sets a minimum annual coverage ratio of 60 per cent (increased from 50 per cent in 2004) to ensure a good representation of projects, accountability and timely identification of relevant lessons. As described further in Appendix 6, EvD uses a modified version of the Bank's current method of counting operations, separating out large frameworks which would unduly distort the coverage framework in a given year. Chart 1.1 presents the actual and projected coverage ratio of standalone operations and investments under small frameworks.

Chart 1.1: Evaluation coverage for investment operations (actual to 2007 and projected)



In 2007 the Operation Performance Evaluation Reviews (OPERs) covered 34 per cent of all new projects ready for evaluation. An additional 26 per cent was covered with independent assessment

[1] Appendix 6 presents an overview of the investment operation and evaluation databases.
[2] Investment projects are considered ready for evaluation *one and a half years* after the last disbursement of loans and two years thereafter in cases of equity or combined equity/loans. At least one year of commercial operations, with at least one year of audited accounts, should normally have passed for all investment projects.

reports by EvD on bankers' expanded monitoring reports (XMR assessments).[3] This brought the year's coverage to 67 operations, or 60 per cent of ready operations equal to the minimum coverage ratio.[4]

1.3. SIZE AND REPRESENTATION OF THE SAMPLE OF EVALUATED PROJECTS

Selection of projects for evaluation is described in detail in Appendix 3 of the Evaluation Policy Review of 2004 (BDS04-24 (Rev 1). For the exercise of performance evaluation in this AEOR for 2007, the total sample comprises 574 individually evaluated projects: 238 evaluated through OPERs, 13 through Special Studies and 323 through XMR assessments. These evaluations were conducted by EvD in 1996-2007.[5] The projects were selected to represent a cross-section of all EBRD operations, while also looking at the prospect of generating useful lessons. The annual evaluation coverage was 100 per cent at the end of 1996 and above the 60 per cent target thereafter, as shown in Chart 1.1. The evaluated sample covers 710 of the 989 standalone operations and small frameworks which were ready for evaluation by the end of 2007 - a coverage ratio of 72 per cent - and represents a reasonably balanced cross-section of all EBRD projects[6]. The coverage of all 1,778 projects (excluding large frameworks) signed by the bank since 1991 was lower, at 40 per cent, as many of the more recently approved operations had not yet reached the evaluation stage.[7] Section 10 of this Appendix presents an analysis of the country, sector representation in the sample as well as and the risk rating distribution of the evaluated sample. The sample of projects selected from the groups of operations ready for evaluation continues to be a good representation of the Bank's portfolio as a whole.

1.3.1. Selection of projects for evaluation:

In 2007, EvD selected 46 operations for evaluation through 24 OPERs[8]. The evaluations were selected according to the following criteria:

- **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.

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[3] An XMR assessment takes about two-three days work of EvD staff. It does not involve a field mission and is based on a desk-study. It includes: a) study of the XMR (a joint monitoring and self-evaluation report by bankers); b) review of project documents and various industry reports; c) interviews with operation teams, other EBRD staff and sometimes external parties; and d) independent validation of performance ratings and lessons. The performance ratings assigned to projects that are XMR assessed are aggregated in the overall performance rating of all evaluated projects as presented in this report. Lessons from XMR Assessments are included in EvD's Lessons Learned Database (LLD).

[4] The evaluation coverage gap is compensated, in part, by EvD's review of all XMRs. In contrast to OPERs and XMR assessments, XMR reviews do not seek to validate self-evaluation ratings and no editing is made of the lessons. In contrast, the reviews seek to ascertain completeness and clarity in consultation with the teams and report the quality ratings given with EvD's sign-off. The independent OPER reports, XMR assessments and quality-control by XMR reviews, together cover 100 per cent of all operations ready for evaluation.

[5] During 2005, the evaluation database was reviewed and ratings brought in line with the current rating system to create a consistent database of 469 projects evaluated in 1996-2005.

[6] Including investments under large frameworks, the sample comprises a total of 1,065 operations, out of the 1,371 ready for evaluation by the end of 2007.

[7] See Appendix 6 for more detailed data.

[8] These figures include one OPER carried over from the 2006 work programme.

- **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;

In this way EvD identifies the projects which have the greatest potential for learning from EBRD's experience. However, this can lead to a bias towards unsuccessful projects, which are particularly good sources of lessons. As EvD also uses evaluation outcomes to report on success rates for accountability purposes, it is necessary to balance the sample with a random selection of the remaining projects not selected for full evaluation through OPERs. EvD conducts several random samples of the operations not selected as OPERs, and analyses the sector and country coverage and the risk distribution of the samples to find the one which sample, *when combined with the OPERs already selected*, provides the best match for EBRD's portfolio as a whole.

1.3.2. Standard error of the sample:

In conformity with the ECG's Good Practice Standards for Private Sector Evaluation (GPS) the Evaluation Department selects sufficient projects for evaluation to establish, for a combined three-year rolling sample, success rates at the 95 per cent confidence level, with sampling error not exceeding ±5 percentage points. In the three years 2005-2007, there was a combined population of 312 operations ready for evaluation[9], of which 210 were evaluated by EvD. Thus the overall coverage ratio was 67 per cent. The population is split into two strata:

- *Stratum 1:* 108 projects evaluated through OPERs (35 per cent of 312)
- *Stratum 2*: The remaining 204 projects (65 per cent of 312) not selected for evaluation through an OPER report. The random sample of 102 operations evaluated through XMR Assessments constitutes 50 per cent of stratum 2.

The random sample error for Stratum 2 is 6.88 per cent, at the 95 per cent confidence level. This exceeds the 5 per cent prescribed in the GPS. In selecting the random sample, EvD runs several samples and selects one which, combined with the projects in Stratum 1, give the closest possible match to the regional, sectoral and risk distribution of all the projects signed by the Bank since 1991. In this way, EvD believes that it achieves a greater degree of representativity, and a greater statistical significance, than is suggested by the bare figures. EvD considers that its sampling is adequate to meet the requirements of the GPS. This issue is discussed further in the report on Evaluation Coverage which EvD will submit to the Board in June.

1.3.3. Weighting the results:

The GPS also require EvD to calculate the weighted average success rates, based on the weight of each stratum in the overall population. In 2007 only, 67 operations were evaluated out of a total population of 113 projects ready for evaluation. *Stratum 1* consisted of 38 operations (or 34 per cent) selected through OPER, while *Stratum 2* consisted of the remaining 75 operations (66 per cent of the total), of which a random sample of 29 were evaluated through XMR Assessments.

For weighting purposes, the 29 operations evaluated through XMR Assessments must be given a 66 per cent weighting in the overall results. Table 1.1 below give the weighted and unweighted outcomes for Overall Performance for 2007:

[9] As explained in section 1.2 above, this number excludes investments under large frameworks. Because such investments are counted individually by the Bank, while the Evaluation Department generally treats each framework as a single project for evaluation purposes, inclusion of these operations would distort the figures. When large frameworks are evaluated, EvD takes an appropriate sample of the individual investments for detailed evaluation.

Table 1.1: Outcomes for Overall Performance of projects evaluated in 2007

EvD Report Type	Highly Successful	Successful	Partly Successful	Unsuccessful	Number of operations
OPERs	4%	67%	17%	13%	38
XMRAs	7%	50%	37%	7%	29
Overall result - Unweighted	4%	57%	30%	9%	67
Overall result - Weighted	5%	53%	33%	8%	67

It can be seen that the overall result is almost identical in both cases. It should be noted that OPER reports show a greater proportion of *Unsuccessful* projects than XMR Assessments. This results from the bias among OPERs towards *Unsuccessful* projects rich in lessons learned material, as mentioned above, and the resulting bias away from *Unsuccessful* projects among XMR Assessments which are selected from a stratum from which many *Unsuccessful* projects have already been removed.

2. PERFORMANCE RATING OF EVALUATED PROJECTS

2.1. THE COMPOSITE OVERALL PERFORMANCE RATING OF A PROJECT

The *overall performance* rating of an evaluated operation builds on several underlying performance ratings, derived from the Bank's mandate. Transition impact is the overriding individual rating for all operations. Environmental performance and change are significant indicators for projects with high environmental risks. The following broad performance dimensions are addressed:

a. Transition impact

- *transition impact* is defined as the effects of a Bank project on businesses, markets or institutions that contribute to the transformation from central planning to a well functioning market economy

b. The environment

- *environmental and social performance* measures how well the environmental objectives of the project (institutional, emissions control, regulatory compliance, social issues and public participation) were identified and have been met
- *environmental change* is measure as the difference between the environmental performance before the project started and its performance at the time of evaluation

c. Additionality

- *the Bank's additionality* 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

d. Sound banking principles

- *project and company (financial) performance* provide the sustainability element to allow transition impact to enfold beyond the project/company, and
- *fulfilment of project 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

e. The Bank's 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. Unlike the other dimensions, however, it does not represent any impact of the project "on the ground" in the country.

f. 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. A judgement is made on the quality of the work and on how effectively the Bank carried out its work during the life of the project. Positive and negative lessons are generated. In case operations are evaluated that are handled by the Corporate Recovery Unit, Bank Handling will also take into account problem recognition, remedial action and recovery efforts.

In the past, multilateral development banks (MDBs) have had different ways of measuring overall performance and performance with respect to their mandates. However, the MDBs have been asked, by their shareholders, to harmonise their evaluation procedures and processes, to ensure their results are more comparable with the outcomes of other MDBs. Therefore, the evaluation departments of the MDBs, through the Evaluation Cooperation Group (ECG), have attempted to harmonise their rating systems so that some comparisons can be made. For the EBRD, this means that the Bank, apart from the presentation of performance evaluation based on all indicators, will also measure *transition outcome*. *Transition outcome* combines the ratings that measure "results on the ground" in the respective countries. The composite rating categories for the *transition outcome* rating are: transition impact; environmental and social performance and environmental change; project and company financial performance; and fulfilment of project objectives. In the past, EvD has commented on the close relationship between this rating and the *overall performance* rating (presented in detail in Section 2.2 of this appendix). Starting from 2007, EvD has assigned a *transition outcome* rating to each of the 54 projects evaluated. The results are shown in Table 1.1 below, where they are compared with the distribution of *overall performance* ratings. EvD will extend this comparison in future years to build up a time series as for other indicators.

Table 1.1: Transition Outcome, percentage distribution of assigned ratings (54 investment operations evaluated 2007)

	Unsuccessful	Partly Successful	*Sub-total*	Successful	Highly Successful	*Sub-total*
Transition Outcome	7%	26%	*34%*	59%	7%	*66%*
Overall Performance	9%	28%	*37%*	57%	6%	*63%*

It can be seen that the *overall performance* and the *transition outcome* ratings, when compared, are highly similar. The Bank-related ratings that are not related with results on the ground, i.e. the Bank's *additionality*, *bank handling* and the Bank's *investment performance* have a limited impact on the *overall performance* rating.

2.2. OVERALL PERFORMANCE RATINGS 1996-2007

Table 2.1 and Chart 2.1 present the assigned *overall performance* ratings given to evaluated EBRD investment projects. The outcome for all projects assessed since 1996, when EvD introduced refined methods of evaluation, is shown. These projects represent 72 per cent of all EBRD investment

projects which had completed the investment phase and were ready for evaluation by the end of 2007. A further 28 projects, constituting 100 per cent of projects ready for evaluation in 1993-1995, are omitted from the statistics because they were evaluated before a refined and consistent system of evaluation had been introduced. Of 574 evaluated projects discussed in the following sections, there is a good level of representation in terms of country, sector and risk classification compared to all disbursed operations as shown in Section 10 of this Appendix.

Chart 2.1: Overall performance, percentage distribution of assigned ratings (574 investment operations evaluated 1996-2007)

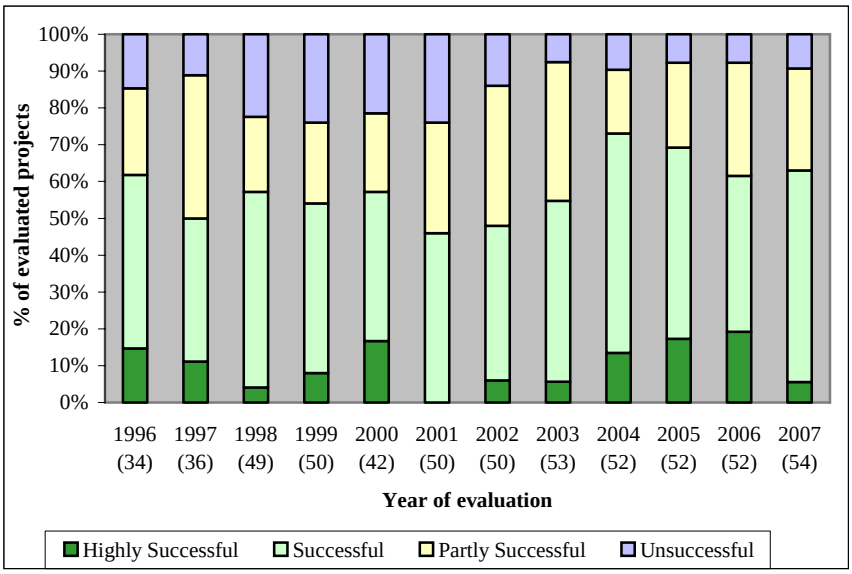


Table 2.1: Overall performance, percentage distribution of assigned ratings (574 investment operations evaluated 1996-2007)

Year of evaluation	Unsuccessful	Partly Successful	*Sub-total*	Successful	Highly Successful	*Sub-total*	No. of evaluations
1996	15%	24%	*39%*	46%	15%	*51%*	34
1997	11%	39%	*50%*	39%	11%	*50%*	36
1998	22%	21%	*43%*	53%	4%	*57%*	49
1999	24%	22%	*46%*	46%	8%	*54%*	50
2000	21%	22%	*43%*	40%	17%	*57%*	42
2001	24%	30%	*54%*	46%	0%	*46%*	50
2002	14%	38%	*52%*	42%	6%	*48%*	50
2003	8%	38%	*46%*	48%	6%	*54%*	53
2004	10%	17%	*27%*	60%	13%	*73%*	52
2005	8%	23%	*31%*	52%	17%	*69%*	52
2006	8%	31%	*39%*	42%	19%	*61%*	52
2007	9%	28%	*37%*	57%	6%	*63%*	54
1996-97	13%	31%	*44%*	43%	13%	*56%*	70
1996-98	17%	27%	*44%*	47%	9%	*54%*	119
1996-99	19%	25%	*44%*	47%	9%	*56%*	169
1996-2000	19%	25%	*44%*	46%	10%	*56%*	211
1996-2001	20%	26%	*46%*	46%	8%	*54%*	261
1996-2002	19%	28%	*47%*	45%	8%	*53%*	311
1996-2003	18%	29%	*47%*	45%	8%	*53%*	364
1996-2004	17%	28%	*45%*	47%	8%	*55%*	416
1996-2005	16%	27%	*43%*	48%	9%	*57%*	468
1996-2006	15%	28%	*43%*	47%	10%	*57%*	520
1996-2007	14%	28%	*42%*	48%	10%	*58%*	574

Rather more than half (334 of 574 evaluated projects, or 58 per cent) of the operations evaluated obtained ratings in the *Successful - Highly Successful* bracket.[10] Throughout the 1990s this share varied around the 50 per cent mark but showed no definite pattern. In 2001 it fell to a low point of 46 per cent; this is likely to have resulted from the effects of the 1998 Russian financial crisis which affected industries all over the region. Thereafter performance rose to reach a peak of 73 per cent of projects rated *Successful* or *Highly Succcessful* in 2004 and has since fallen back a little. In 2007, 63 per cent of projects were rated *Successful* or *Highly Successful*. This remains higher than for any year before 2004. The proportion of projects rated *Highly Successful* in 2007 fell to 6 per cent, somewhat lower than in recent years, while the proportion rated *Unsuccessful*, at 9 per cent, was close to the previous lowest level.

Across the whole period, 10 per cent of the projects scored *Highly Successful* overall, while rather more were rated *Unsuccessful* (14 per cent). Projects with the highest overall rating scored well on transition impact and the other performance indicators, while over three quarters of *Unsuccessful* projects scored *Unsatisfactory* or *Highly Unsatisfactory* for project financial performance (see Section 5 of this Appendix). This resulted in low sustainability and lost positive external factors in the sector and economy as a whole. A project must necessarily achieve financial sustainability in order achieve transition impact through linkages or positive demonstration effects.

The overall performance outcome may seem modest, with 42 per cent of the projects rated only *Partly Successful* or *Unsuccessful.* However, it must be remembered that the region remains a risky investment environment, and this continues to be true even for the more recent EBRD projects developed in more advanced transition economies, as EBRD is supporting further deepening of the transition process in more challenging areas where business opportunities are low and financial intermediation limited. Moreover, the need to secure the Bank's additionality in projects means that the EBRD must accept at times relatively high-risk projects as sponsors for lower-risk projects in these countries can readily attract financing from the market. This constraint continues to put high demands on the Bank to select and structure projects that mitigate both the industry and sector-specific risks in the particular investment environment and the risks to transition impact.

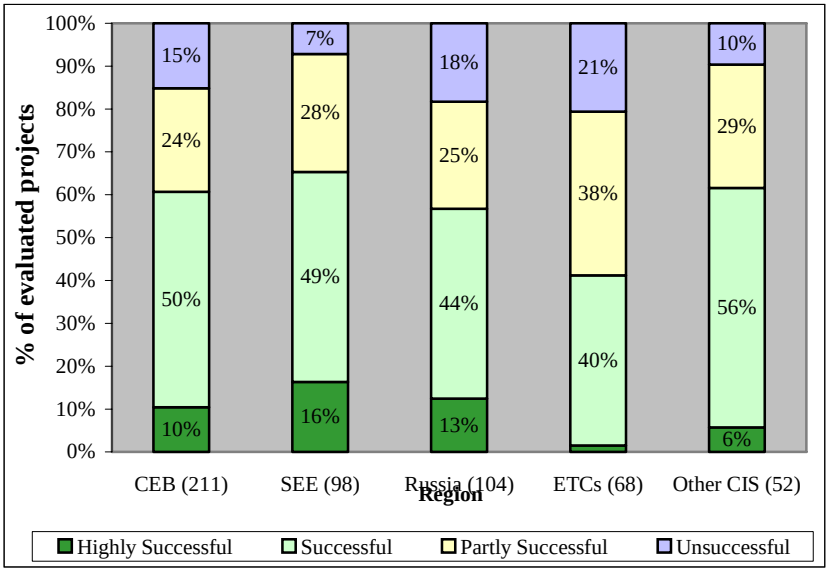
2.3. PERFORMANCE RATINGS BY COUNTRY GROUPS

2.3.1. Regional comparisons.

Chart 2.2 below shows that in the central and eastern Europe and the Baltics (CEB), south-eastern Europe (SEE), Russia and Other CIS (excluding Russian and ETCs) groups of countries, between 57 and 65 per cent of evaluated projects now fall in the *Successful* or *Highly Successful* bracket. Only ETCs still lag significantly behind with 41 per cent of projects rated *Successful* or *Highly Successful* overall - the same result as reported last year.

[10] Weighting by volume of investment yields better results, with 72 per cent *Successful* or higher, 18 per cent *Partly Successful*, while the *Unsuccessful* ratings share is 10 per cent.

Chart 2.2: Overall performance ratings by country groups
(533 investment operations evaluated 1996-2007)

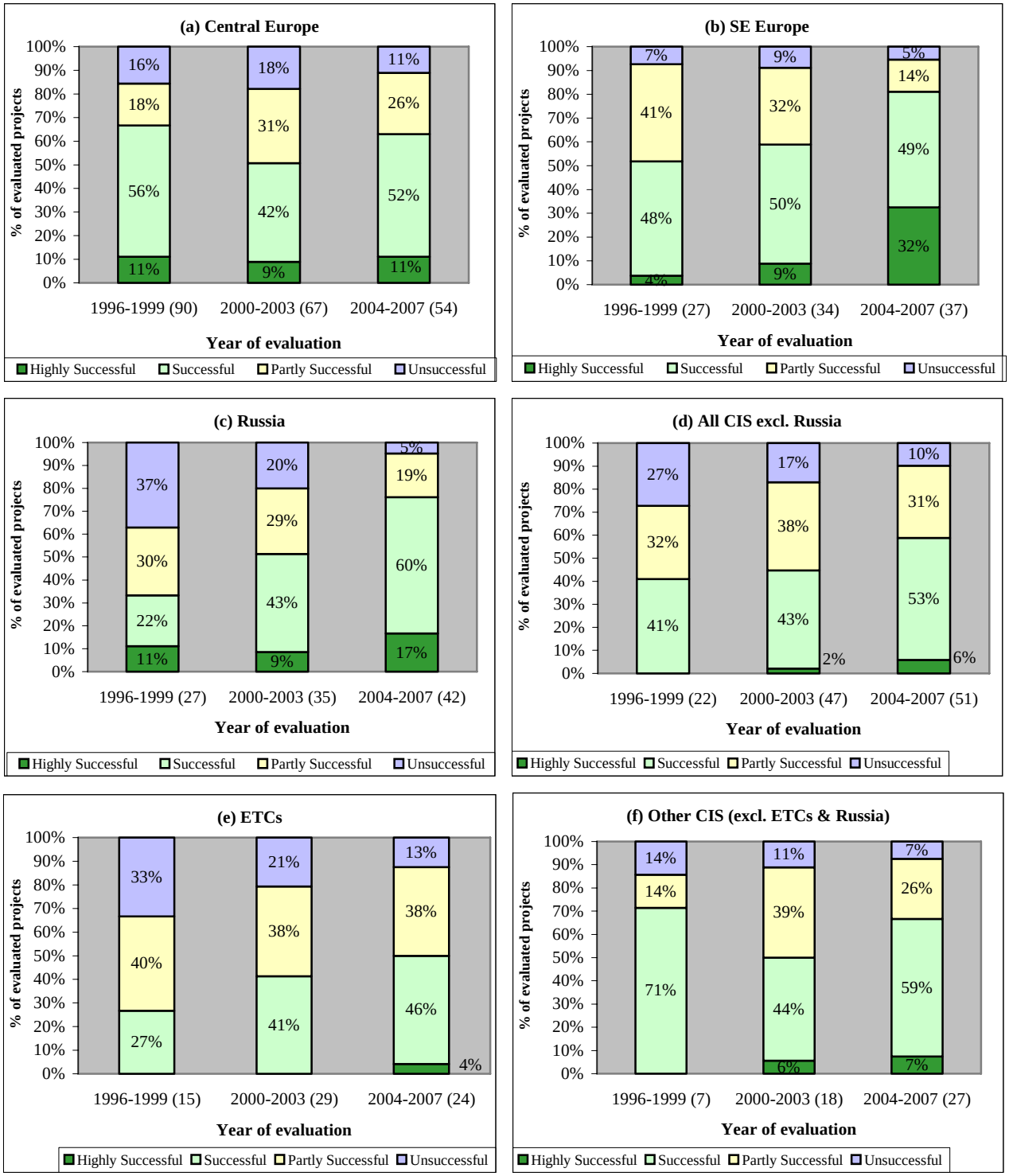


Note: 41 regional projects omitted
CEB: Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia
SEE: Albania, Bosnia & Herzegovina, Bulgaria, FYR Macedonia, Romania, Serbia & Montenegro
ETCs: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan, Uzbekistan
Other CIS: Belarus, Kazakhstan, Turkmenistan, Ukraine

The average success ratings in the various country groups show the ongoing problems faced in the early transition countries, which justify the extra attention the Bank gives to these countries. Projects in these countries still face more difficult challenges than did projects in the early 1990s in CEB, and more recently those in the more reform-oriented countries in the SEE region.

The pattern in Chart 2.3 shows the change in Overall performance ratings over time for the main geographical areas. It can be seen that all the regions show an improvement in recent years over results in the period 2000-2003.

Chart 2.3: Overall performance ratings: Changes by year in the major country groups



Note: 37 regional projects omitted
See chart 2.2 for list of countries in each region
"All CIS excl. Russia" is a combination of ETCs and other CIS

2.3.2. South Eastern Europe.

Performance in South Eastern Europe improved steadily but not dramatically during the 1990s. Over the last five years it has risen to reach 81 per cent rated *Successful* or better in 2004-2007, with an even stronger increase in the number of projects rated *Highly Successful*.

2.3.3. Russia.

The improvement in overall performance in Russia over the last three years has been clear, after a long period of limited success throughout the 1990s and beyond. This improvement in performance may be a result of the improving economic environment and greater stability in Russia, which has allowed companies to perform well and achieve their aims, where previously efforts were directed to financial survival.

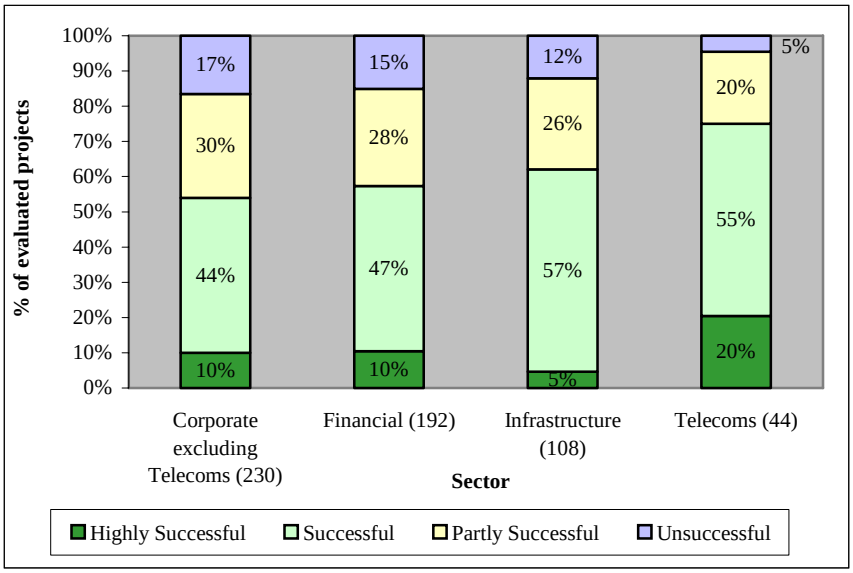
2.3.4. The early transition countries (ETCs).

The improvement in the ETCs has been steady but not spectacular. In the last four years, 50 per cent of projects were rated *Successful* or better, including for the first time one *Highly Successful* project. The proportion of projects rated *Unsuccessful* has fallen from one-third in the 1990s to 13 per cent now - though this remains higher than in other regions. The ETC Initiative was launched in early 2004; so far only six ETC operations signed since then have been evaluated. As more projects prepared under the initiative become ready for evaluation, it will be possible to comment on the effects of the Initiative.

2.4. OVERALL PERFORMANCE RATINGS BY SECTORS

Looking at the sectoral breakdown cumulatively for all projects evaluated since 1996, there is only a small difference between the performance of all the sectors excluding Telecoms. There is also very little change from last year's results. Infrastructure leads the other sectors slightly in terms of projects rated *Successful* or *Highly Successful*. It has the fewest projects rated *Highly Successful*, but also the fewest rated *Unsuccessful*. The Corporate sector falls slightly behind the other two sectors with 54 per cent of projects rated *Successful* or *Highly Succcessful*.

Chart 2.5: Overall performance ratings by sector groups
(574 evaluated investment operations, 1996-2007)

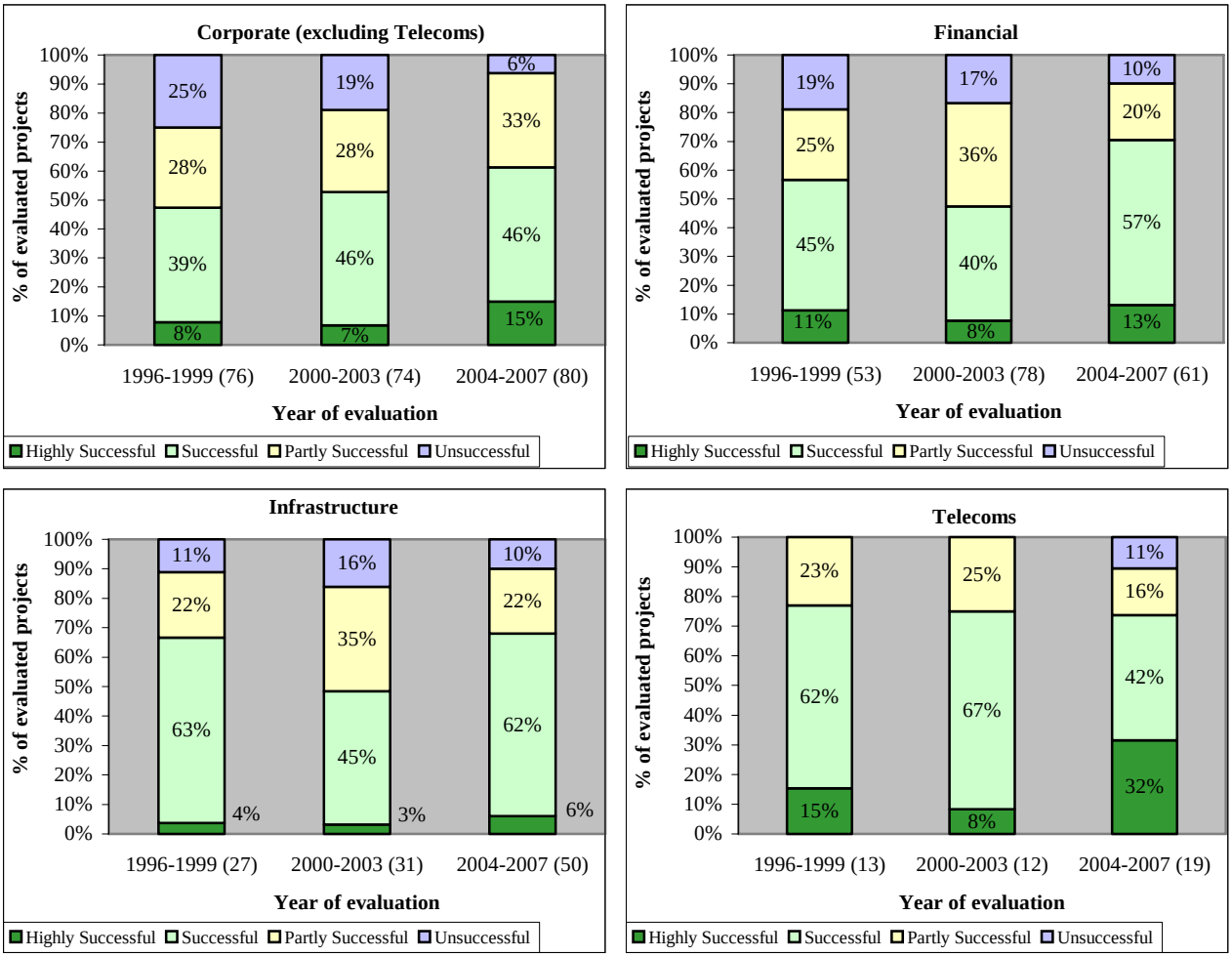


Infrastructure = municipal/environment, power, energy efficiency and transport;
Industry = agribusiness, general industry, natural resources, commercial services, property/tourism, and telecommunications

The time series data in chart 2.6 show that in the late 1990s, Infrastructure was the best performing sector. After a steep fall in 2000-2003, it has recovered to approximately the same level. The Financial sector shows a similar pattern, and is now the best performing sector with 70 per cent of projects rated *Successful* or *Highly Successful* in 2004-2007. The

Corporate sector started as the worst performer and has shown a steady improvement, though it still falls below the other sectors. In the last four years, 61 per cent of Corporate sector projects achieved a *Successful* or better rating for overall performance.

Chart 2.6: Overall performance ratings of different industry sectors, 1996-2006



Note: 41 regional projects omitted
See chart 2.2 for list of countries in each region

3. THE TRANSITION IMPACT (TI) RATING

3.1. METHODOLOGY

The case presentations in Appendix 7 illustrate the evaluation methodology used after project signing (ex-post). This uses the same framework and indicators as the ex-ante (before project signing) methodology, applied by the Bank during the approval stage of new projects. It should be noted that this methodology includes short-term verified impact, the assessed potential for further transition impact, as well as an assigned risk for the realisation of this potential. From 2000 a six-grade scale was applied for all post-evaluated operations, similar to the scale adopted for ex-ante assessment of TI-potential and attendant risks by OCE. In 2006, EvD revisited projects evaluated 1996-2005 and re-rated them according to the current rating system for transition impact and other indicators. An analysis of the projects which have been rated both ex-ante by OCE and ex-post by EvD can be found in chapter 2.

3.2. THE DISTRIBUTION OF TI RATINGS

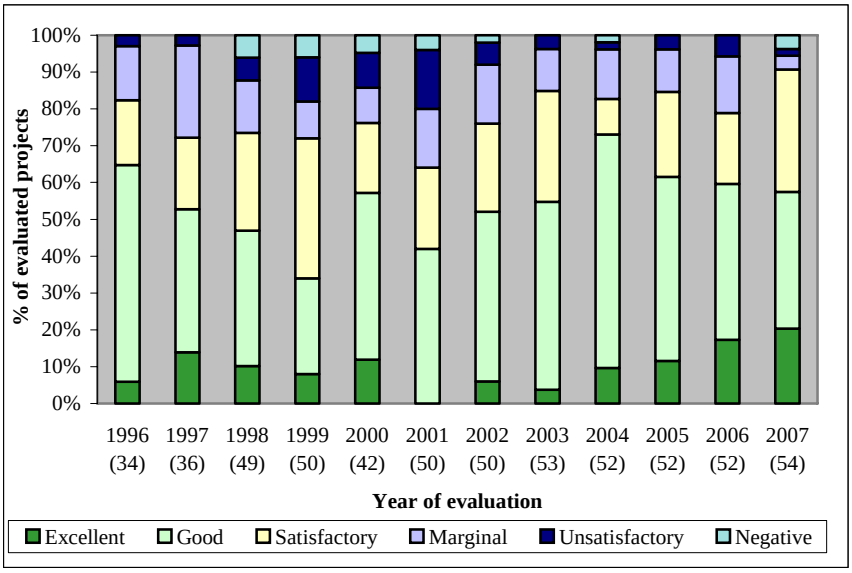
TI ratings carry a high weight in the overall performance ratings of projects. Table 3.1 shows the distribution of the ex-post TI ratings by EvD since 1996. As for the Overall Performance rating, there appears to have been a steady improvement from a low in 2001 to a peak in 2004. Since then there has been a slight fall in the proportion of projects rated *Good* to *Excellent*, though the share of projects rated *Excellent* continues to rise and the proportion rated *Satisfactory* to *Excellent* is higher than ever. Over the entire period, the share of projects with *Good* to *Excellent* ratings is 55 per cent, while 79 per cent of the projects were rated *Satisfactory* or higher, but it is notable that eight per cent of the projects during the same period rated *Unsatisfactory* or *Negative.*[11]

Table 3.1: TI ratings of 574 investment operations evaluated –1996-2007

Period	Negative	Unsatis-factory	Marginal	*Subtotal Negative - Marginal*	Satisfactory	Good	Excellent	*Subtotal Satisfactory - Excellent*	Total projects evaluated
1996	0%	3%	15%	*18%*	18%	58%	6%	*82%*	34
1997	0%	3%	25%	*28%*	19%	39%	14%	*72%*	36
1998	6%	6%	14%	*26%*	27%	37%	10%	*74%*	49
1999	6%	12%	10%	*28%*	38%	26%	8%	*72%*	50
2000	5%	10%	10%	*25%*	19%	44%	12%	*75%*	42
2001	4%	16%	14%	*34%*	24%	42%	0%	*66%*	50
2002	2%	6%	16%	*24%*	24%	46%	6%	*76%*	50
2003	0%	4%	11%	*15%*	30%	51%	4%	*85%*	53
2004	2%	2%	13%	*17%*	10%	63%	10%	*83%*	52
2005	0%	4%	12%	*16%*	23%	49%	12%	*84%*	52
2006	0%	6%	15%	*21%*	19%	43%	17%	*79%*	52
2007	4%	2%	4%	*10%*	33%	37%	20%	*90%*	54
1996-1997	0%	3%	20%	*23%*	19%	48%	10%	*77%*	70
1996-1998	2%	4%	18%	*24%*	22%	44%	10%	*76%*	119
1996-1999	4%	7%	15%	*26%*	27%	38%	9%	*74%*	169
1996-2000	4%	7%	14%	*25%*	25%	40%	10%	*75%*	211
1996-2001	4%	9%	14%	*27%*	25%	40%	8%	*73%*	261
1996-2002	4%	8%%	14%	*26%*	25%	41%	8%	*74%*	311
1996-2003	3%	8%	14%	*25%*	25%	443%	7%	*75%*	364
1996-2004	3%	7%	14%	*24%*	24%	45%	7%	*76%*	416
1996-2005	2%	7%	14%	*23%*	23%	46%	8%	*77%*	468
1996-2006	2%	7%	14%	*23%*	23%	45%	9%	*77%*	520
1996-2007	2%	6%	13%	*21%*	24%	45%	10%	*79%*	574

[11] Weighting by volume of investment yields better results, with 64 per cent *Good* or *Excellent* and 86 per cent rated *Satisfactory* or higher.

Chart 3.1: TI ratings of 574 investment operations evaluated 1996-2007



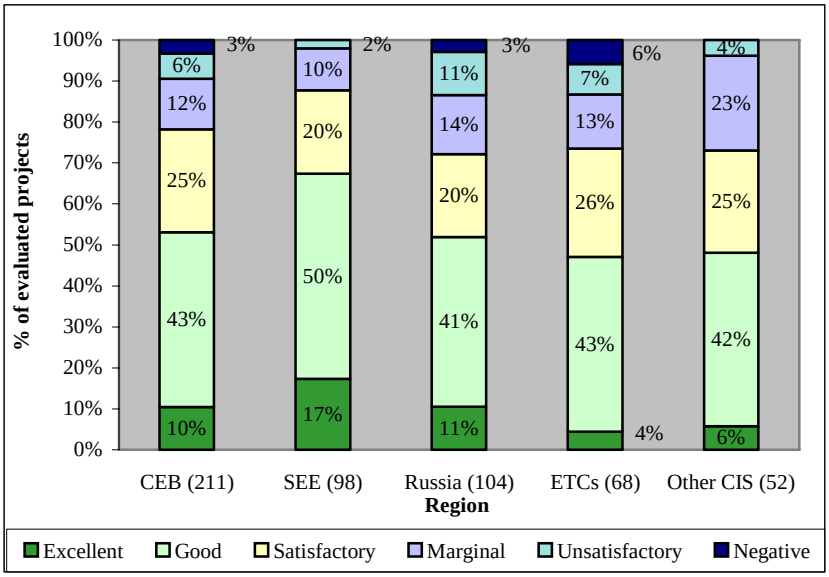
3.3. TRANSITION IMPACT RATINGS BY COUNTRY GROUPS

Chart 3.1 presents the TI rating distribution by country groups of 533 projects[12] evaluated in 1996-2007. Overall, the ETCs and Other CIS fall behind the other regions, with respectively 47 per cent and 48 per cent of projects rated *Good* to *Excellent*, though recently-evaluated projects have achieved better results as discussed further below. Russia (52 per cent) and CEB (53 per cent) perform slightly better, while SEE has 67 per cent of projects rated *Good* or *Excellent*. The ETCs, Other CIS and Russia all show around 72-73 per cent of projects rated *Satisfactory* or above, with 78 per cent of CEB projects and 87 per cent in SEE. It has been noted in previous AEORs that a *Satisfactory* rating for transition impact is often associated with a *Partly Successful* rating for overall performance. Of the 18 ETC projects rated *Satisfactory* for TI, 11 are rated *Partly Successful* overall and two *Unsuccessful*. All but three of these projects (rated *Partly Successful* and *Unsuccessful* for overall performance, and *Satisfactory* for TI) had project financial performance rated *Marginal* or below, which contributed to the lower overall performance rating.

The low financial performance also appears to have had an impact on the TI rating itself. It might be expected that the ETC region would have the highest transition impact, given the challenges remaining to be addressed, but poor financial performance appears to have limited this. Just under half (49 per cent) of ETC projects are rated *Satisfactory* or better for project financial performance. This compares with 66 per cent across all evaluated projects. Of the 49 per cent which performed well financially, all but one receive a *Satisfactory* or better TI rating and 72 per cent a *Good* or *Excellent* TI rating. Thus, those ETC projects which performed well financially also performed well in terms of transition impact.

[12] 41 regional projects were omitted.

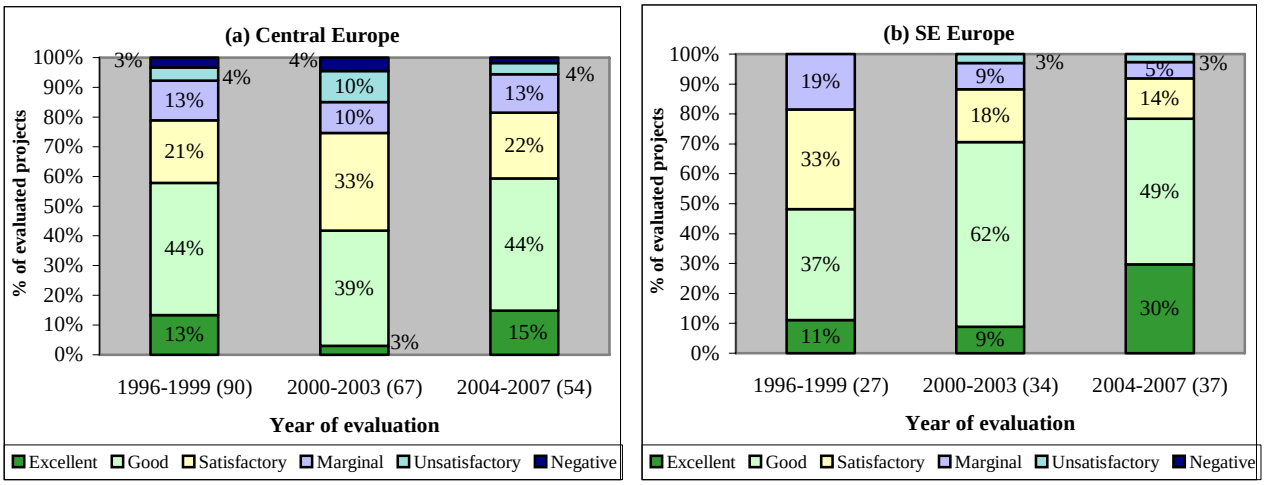
Chart 3.2: TI ratings of 533 post-evaluated investment operations in 1996-2007 by country groups

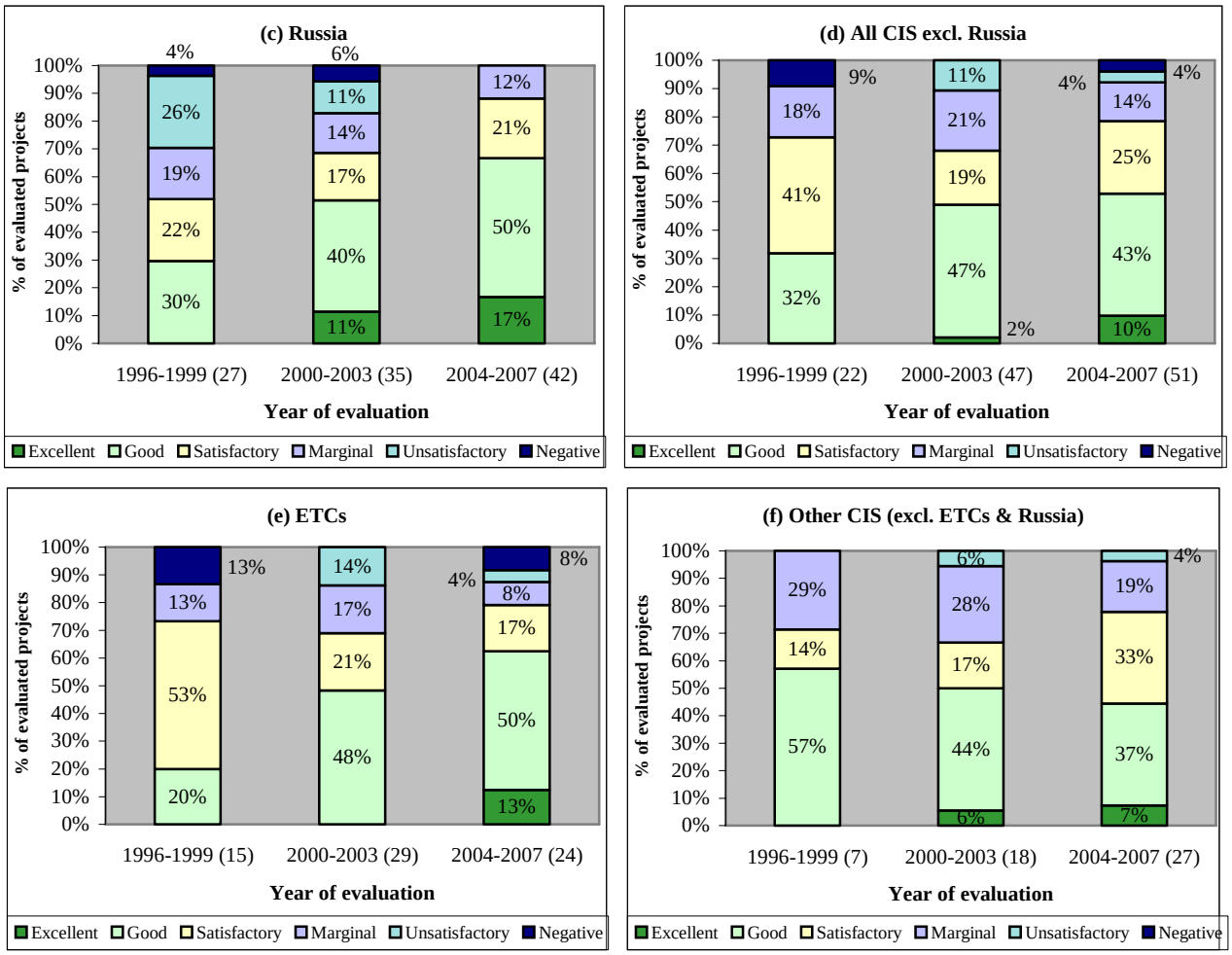


Note: 41 regional projects omitted
See chart 2.2 for list of countries in each region

Time series analysis indicates that Transition Impact ratings continued to improve in every region except Other CIS. For the most recent period, SEE had the highest proportion (79 per cent) of projects rated *Good* or *Excellent*, followed by Russia (67 per cent) and ETCs (63 per cent). The Other CIS group has dropped to 44 per cent of evaluated projects rated *Good* or *Excellent*, but at the same time the number of projects rated *Satisfactory* has increased substantially.

Chart 3.3: Development of TI ratings over time for projects evaluated 1996-2007: presented by region



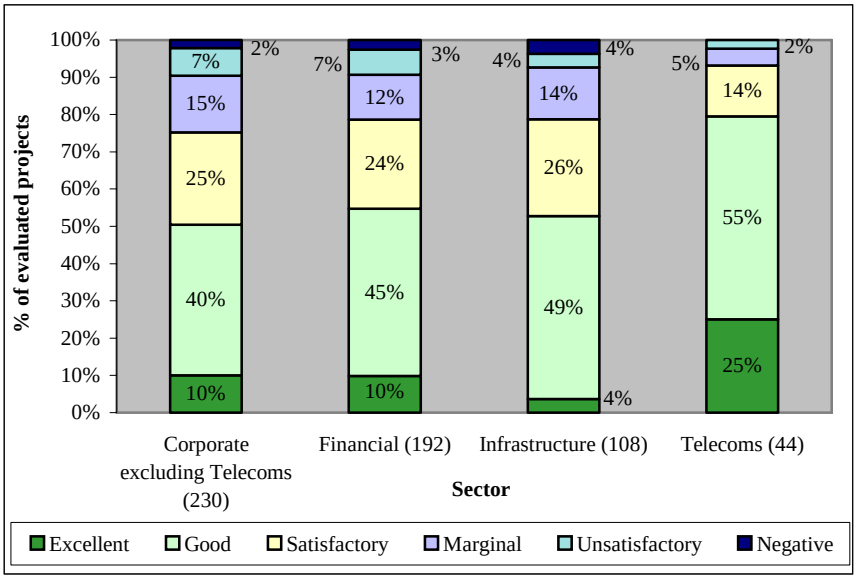


Note: 41 regional projects omitted
See chart 2.2 for list of countries in each region

3.4. TI RATINGS BY SECTORS

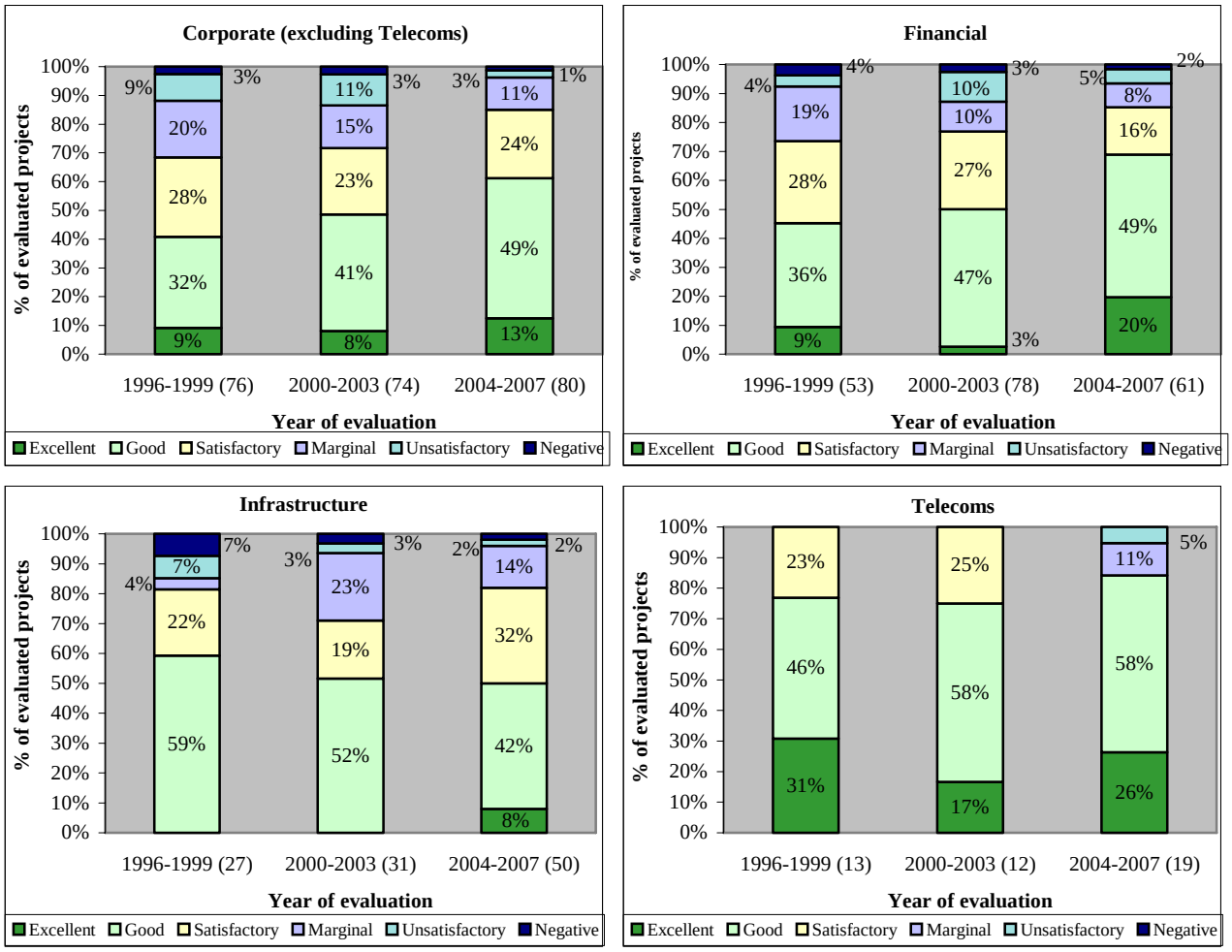
The sectoral breakdown for this indicator shows very little difference in performance between the main three sectors. The Corporate sector has performed slightly less well than the other two sectors over the full period. However, ratings for transition impact in the Corporate sector have improved over time, reaching 62 per cent rated *Good* or *Excellent* and 86 per cent rated *Satisfactory* to *Excellent* in 2004-2007. This outcome is better than for Infrastructure projects over the same period and similar to the Financial sector. These results are shown in charts 3.5 and 3.6 below.

Chart 3.5: TI ratings 1996-2007 by sector groups (574 investment operations)



See chart 2.6 for description of each sector

Chart 3.6: Development of TI ratings over time for projects evaluated 1996-2007: presented by sector (574 investment operations)



The time series data above show that Financial and Corporate projects have improved their TI ratings in 2004-2007 compared to the 2000-2003 period. Over the same period, the number of Infrastructure projects rated *Good* or *Excellent* has fallen to 50 per cent, although the number rated *Satisfactory* or above has increased.

4. ADDITIONALITY

4.1. EVALUATED ADDITIONALITY OF 574 OPERATIONS CONFIRMS ADHERENCE TO THE BANK'S MANDATE

Project evaluation seeks to assess the Bank's additionality in two ways. The foremost is an assessment of whether the EBRD financing was decisive for the realisation of the project, i.e. that it could not have been carried out for lack of alternative financing from markets. Whether the Bank was additional in terms of influencing the design and functioning of the project is a second consideration: the Bank may for example have requested an equity participation and board representation to improve on corporate governance standards or have conditioned its participation to compliance with higher environmental standards than would have been achieved with market financing only. The weight given to the two aspects of additionality is given in table 4.1 below, taken from EvD's Evaluation Policy Review paper of 2004, which shows the criteria a project must meet to be rated highly for additionality.

Table 4.1: performance rating benchmarks for additionality

RATING OF 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.

Of 574 operations evaluated in 1996-2007, 62 per cent had additionality *Verified in All Respects*, while 27 per cent had additionality *Verified at Large*. This left 11 per cent of projects with additionality *Verified in Part* or *Not Verified* (Table 4.2). Very few projects were rated in the latter group.[13] A number of operations with low additionality were follow-on projects or otherwise linked to other facilities with the same client. It is important that in

[13] Only 14 evaluated operations have received the lowest additionality rating (between 1996 and 2007). The rating was assigned due to the projects' low financial additionality, combined with a design and structure that was non-conducive to improved transition impact or sound banking, or a failure to enforce conditionalities in the project agreements.

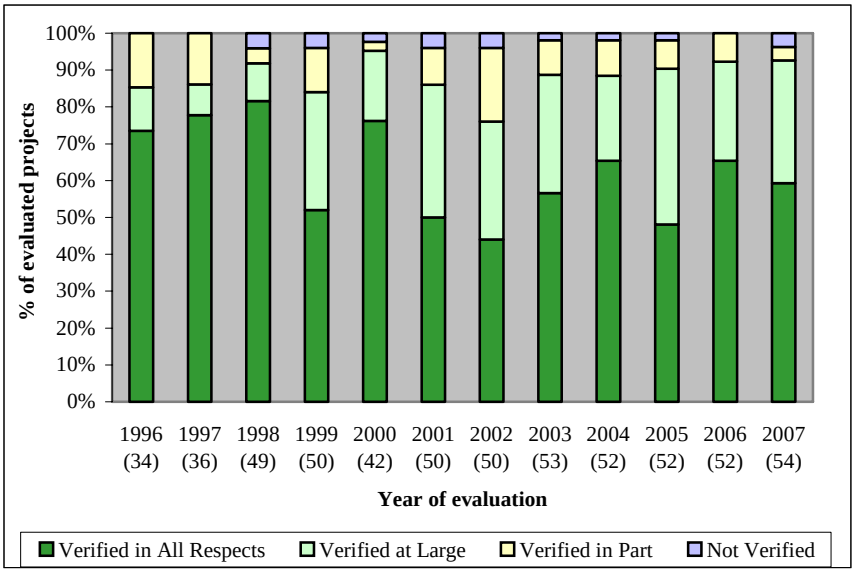
the case of an established relationship, additionality is reassessed for each new operation in the series. Nevertheless, 89 per cent of projects with additionality verified fully or at large supports the EBRD's additionality requirement under the Bank's mandate and confirms that there was no crowding out of market financing.

Table 4.2: Additionality, percentage distribution of assigned ratings (574 investment operations evaluated 1996-2007)

Ratings	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1997-2007
Verified in All Respects	76%	78%	70%	72%	67%	64%	63%	63%	61%	62%	62%
Verified at Large	10%	10%	17%	17%	21%	23%	24%	24%	26%	26%	27%
Subtotal	*86%*	*88%*	*87%*	*89%*	*88%*	*87%*	*87%*	*87%*	*87%*	*88%*	*89%*
Verified in Part	14%	10%	11%	9%	9%	10%	10%	10%	10%	10%	9%
Not Verified	0%	2%	2%	2%	3%	3%	3%	3%	3%	2%	2%
Subtotal	*14%*	*12%*	*13%*	*11%*	*12%*	*13%*	*13%*	*13%*	*13%*	*12%*	*11%*
Total (No. of projects)	**70**	**119**	**169**	**211**	**261**	**311**	**364**	**416**	**468**	**520**	**574**

Regarding annual variations of additionality, it is striking that the only variation in recent years is on the boundary between Verified in All Respects (59 per cent in 2007) and Verified at Large. After very high results in the early years of the Bank, the proportion of projects rated Verified in All Respects fell to 52 per cent in 1999 and there have been several years since then where only around 50 per cent of evaluated projects achieved the highest rating. However, results have been more positive in 2004 and again in 2006.

Chart 4.1: Additionality, percentage distribution of assigned ratings (574 investment operations evaluated 1996-2007)



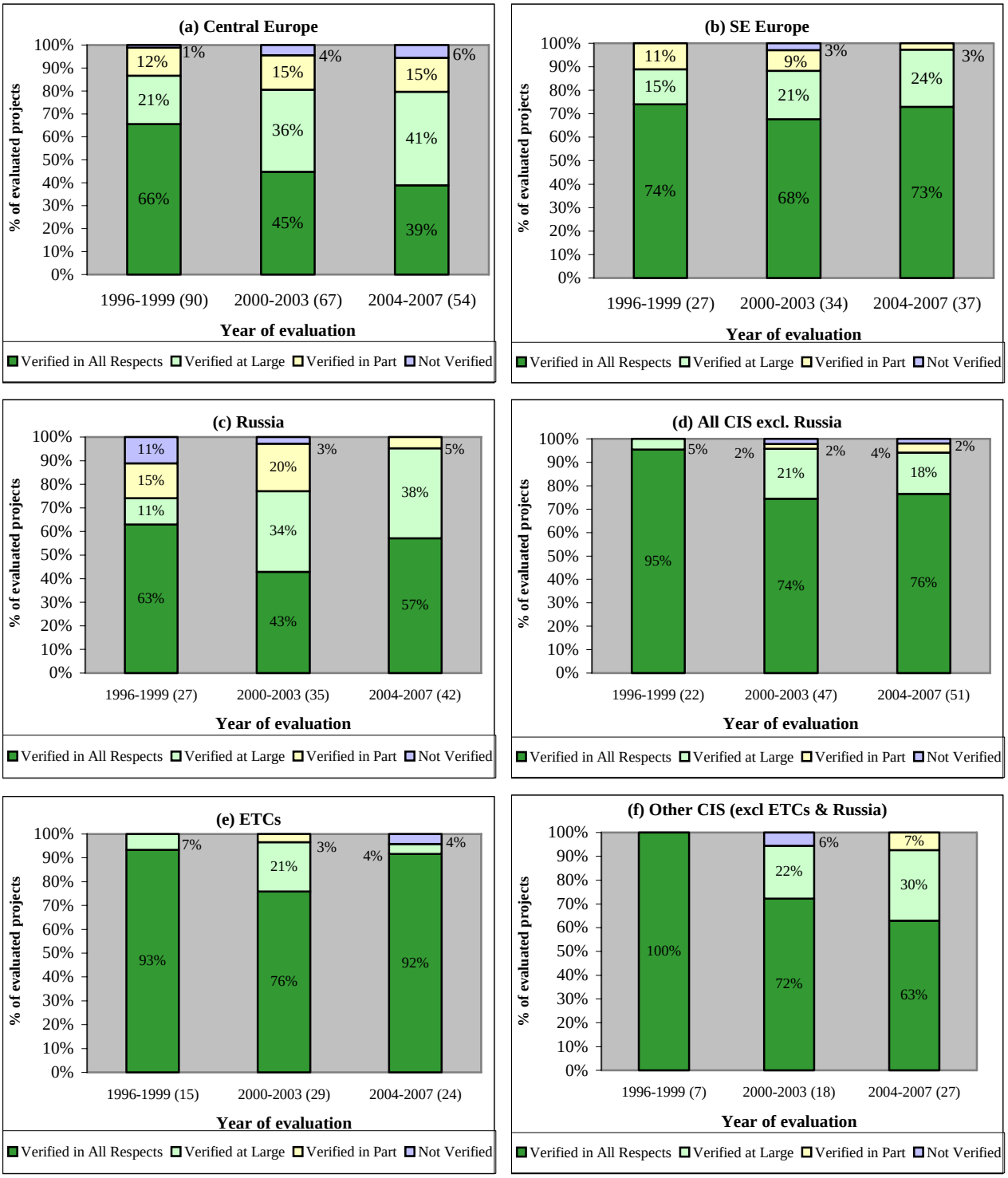
4.2. TIME VARIATIONS OF ADDITIONALITY BY REGION AND SECTOR

Chart 4.2 shows additionality ratings, by region and over time. Russia, the ETCs and SEE show a downturn in the middle period, 2000-2003, followed by a recent improvement. CEB and Other CIS show a continuing fall in the number of projects rated *Verified in All Respects*.[14] However, the proportion rated *Verified at Large* or better has remained high in most regions. By far the majority of all the projects rated *Not Verified* or *Verified in Part* – 53 out of a total of 68, or 78 per cent - are found in CEB or Russia. Of these, the cases in Russia

[14] However, note the small sample numbers in some cases, which reduces the significance of some of the figures.

are not recent. Only three projects outside these two regions are *Not Verified*; 12 projects outside these regions are *Verified in Part*, of which seven are in SEE.

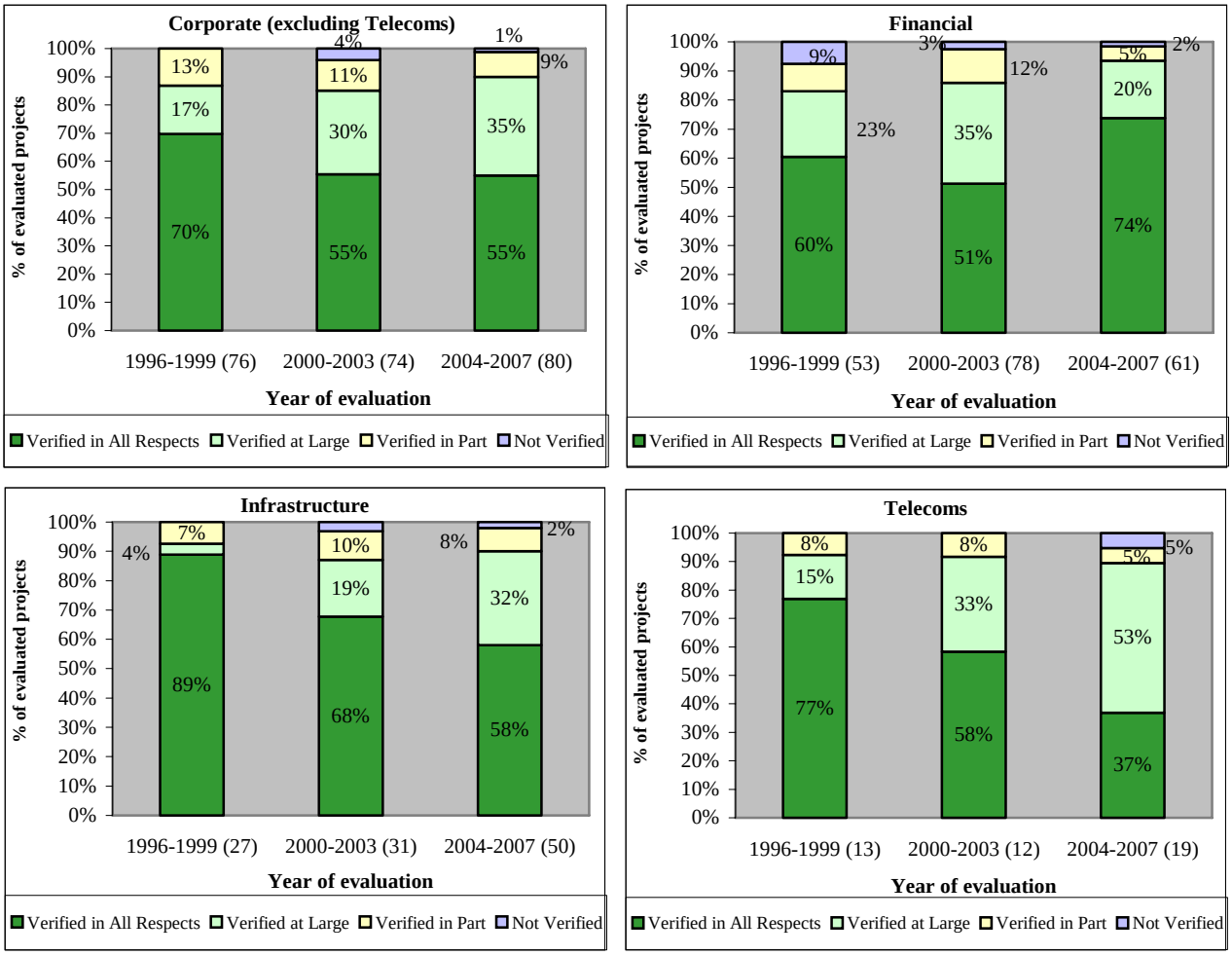
Chart 4.2: Additionality ratings: changes in year in major country groups



Note: 37 regional projects omitted
See chart 2.2 for list of countries in each region

Chart 4.3 indicates additionality ratings, by sector and over the same periods as above. Ratings have held steady or improved in recent years in the Financial Institutions sector. In the other sectors, which all had higher additionality in the early years, additionality ratings have declined. This has particularly affected the proportion of projects rated *Verified in All Respects*, which has fallen as low as 37 per cent in the Corporate sector.

Chart 4.3: Additionality ratings: changes in year in major sector groups



5. COMPANY AND PROJECT FINANCIAL PERFORMANCE

5.1. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS 1996-2007

The company and project financial performance ratings reflect whether the Bank financed "sound and economically viable operations". Sustainable and financially viable projects are a key condition for sustained transition impact. The company performance ratings are based on the profitability, debt-service performance, financial status and prospects of borrowers and investee entities. Project performance is also assessed using indicators, such as financial internal rates of return (FIRR), that reflect a company's success and financial strength.[15] The financial performance ratings of 566 evaluated operations by the end of 2007[16] are presented in Charts 5.1 and 5.2:

[15] The key financial and economic performance indicators are addressed in each of the respective OPER reports; the macro-economic viability is captured in some types of projects in the economic internal rate of return, EIRR.

[16] For this indicator and those following, the number of evaluated projects is reduced by seven operations which were evaluated through Special Studies and were formally rated only for Overall Performance, Transition Impact and Additionality. In addition, one XMR Assessment in 2007 was not rated for company and project financial performance because it was not a commercial undertaking in its own right generating revenue.

Chart 5.1: Company performance, percentage distribution of assigned ratings (566 investment operations evaluated 1996-2007)

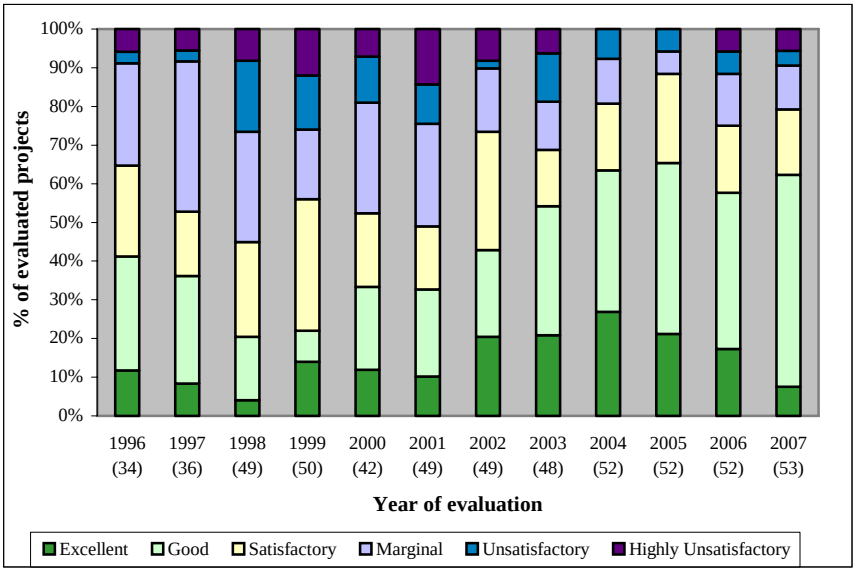


Table 5.1: Company performance, percentage distribution of assigned ratings (566 investment operations evaluated 1996-2007)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007
Excellent	10%	8%	9%	10%	10%	12%	13%	15%	16%	16%	15%
Good	29%	24%	19%	19%	20%	20%	22%	23%	25%	27%	30%
Satisfactory	20%	22%	25%	25%	23%	24%	23%	22%	22%	21%	21%
Subtotal	*59%*	*54%*	*53%*	*54%*	*53%*	*56%*	*58%*	*60%*	*63%*	*64%*	*66%*
Marginal	32%	30%	27%	27%	27%	26%	24%	22%	21%	20%	19%
Unsatisfactory	3%	9%	11%	11%	11%	9%	9%	10%	9%	9%	8%
Highly Unsatisfactory	6%	7%	8%	8%	9%	9%	9%	8%	7%	7%	7%
Subtotal	*41%*	*46%*	*46%*	*46%*	*47%*	*44%*	*42%*	*40%*	*37%*	*36%*	*34%*
Total (No. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**461**	**513**	**566**

Chart 5.2: Project performance, percentage distribution of assigned ratings (56 investment operations evaluated 1996-2007)

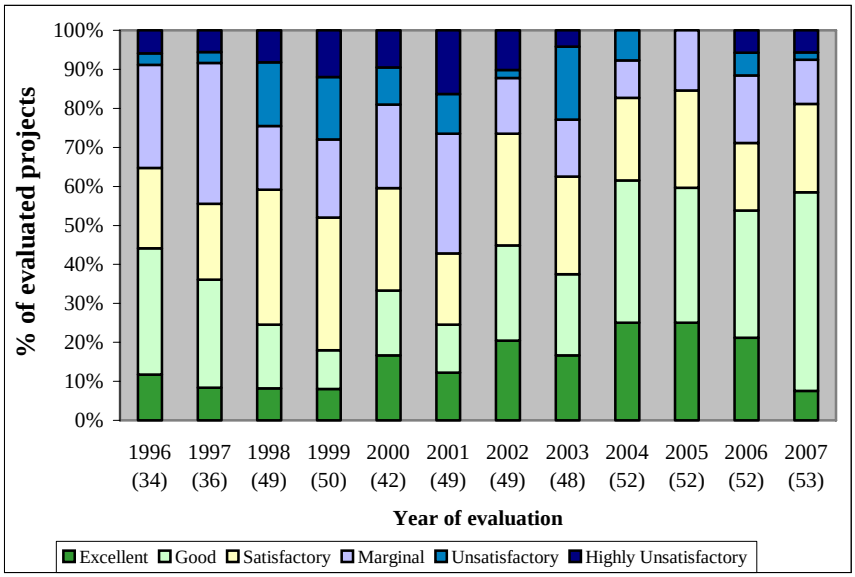


Table 5.2: Project performance, percentage distribution of assigned ratings (566 investment operations evaluated 1996-2007)

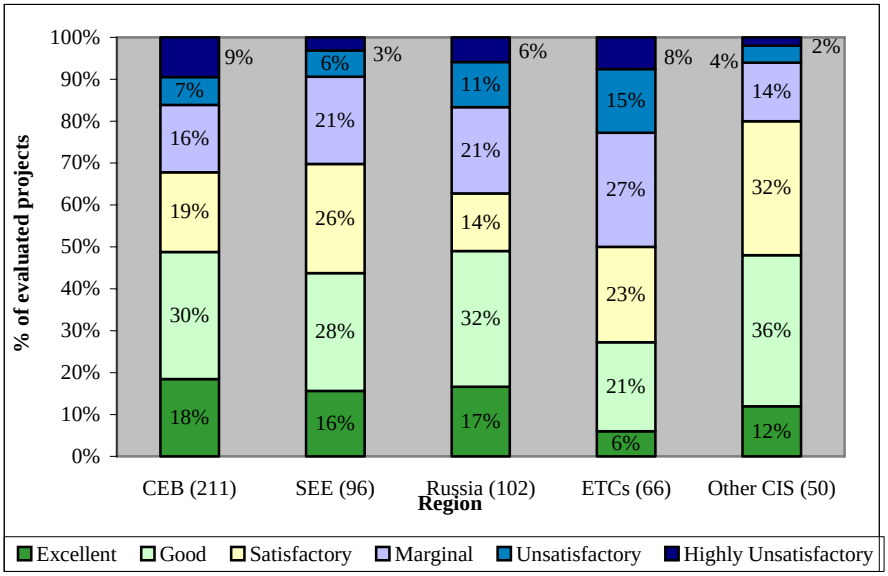
	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007
Excellent	10%	9%	9%	10%	11%	12%	13%	14%	16%	16%	15%
Good	30%	24%	20%	19%	18%	19%	19%	22%	23%	24%	26%
Satisfactory	20%	27%	28%	28%	26%	27%	26%	26%	25%	25%	25%
Subtotal	*60%*	*60%*	*57%*	*57%*	*55%*	*58%*	*58%*	*62%*	*64%*	*35%*	*66%*
Marginal	31%	25%	24%	24%	25%	23%	23%	20%	20%	19%	19%
Unsatisfactory	3%	8%	11%	10%	10%	9%	10%	10%	9%	9%	8%
Highly Unsatisfactory	6%	7%	8%	9%	10%	10%	9%	8%	7%	7%	7%
Subtotal	*40%*	*40%*	*43%*	*43%*	*45%*	*42%*	*42%*	*38%*	*36%*	*35%*	*34%*
Total (No. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**461**	**513**	**566**

The close correlation between company and project performance reflects the fact that these ratings may be identical (as in greenfield investments) or closely interrelated. The above tables show that results have tended to improve after a low period in 1998-2001, although this improvement has levelled off in the last 2-3 years while the number of projects rated *Excellent* has fallen. The improvement over time is likely to reflect a general up-turn in the economic performance of the area, with recovery from the problems following the Russian banking crisis of 1998. In the last four years the average proportion of combined *Good* and *Excellent* rated projects has been around 60 per cent (62 per cent for company performance; 58 per cent for project performance), which compares with levels around 30-40 per cent in previous years.

5.2. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS BY COUNTRY GROUPS

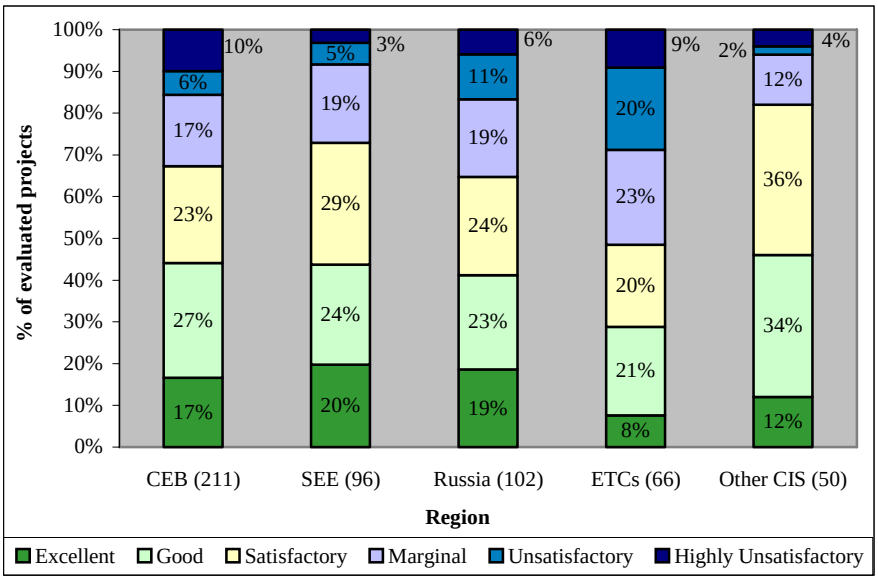
It can be seen from Charts 6.3 and 6.4 that a geographical breakdown of evaluated projects produces results that mirror those for other ratings: the ETCs have fewer projects rated *Satisfactory* to *Excellent* than other regions and also substantially the greatest number of projects with *Unsatisfactory* or *Highly Unsatisfactory* ratings for company and project performance. This has improved in recent years, however, with 46 per cent of the 24 ETC projects evaluated in 2004-2007 rated *Excellent* or *Good* for project financial performance and 79 per *Satisfactory* or better. The extent to which this may affect the overall performance and achievement of transition impact is discussed in section 3.3 of this appendix. It is interesting that the other CIS countries have a good performance but, as in the case of the Overall Performance rating, the better outcomes from Ukraine and Kazakhstan outbalance the weaker results from Belarus, in particular. It should also be noted that this indicator, like many others, is rated with reference to the projections made at appraisal, so that an *Excellent* or *Good* rating means that the project has outperformed projections. This helps to explain why more advanced transition regions do not always outperform other regions on these indicators: the projections may have been set higher at appraisal.

Chart 5.3 Company performance ratings by country groups
(525 investment operations evaluated 1996-2007)



Note: 41 regional projects omitted
See chart 2.2 for list of countries in each region

Chart 5.4 Project performance ratings by country groups
(525 investment operations evaluated 1996-2007)



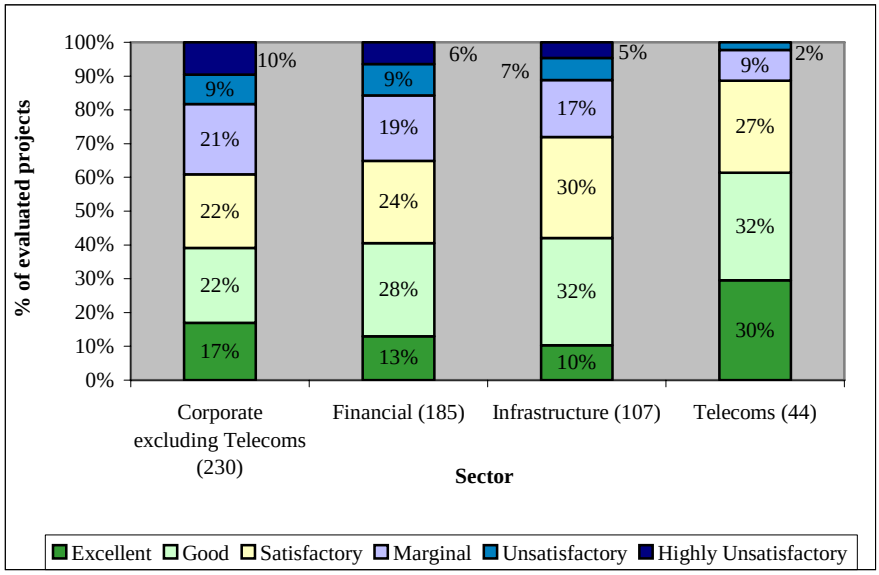
Note: 41 regional projects omitted
See chart 2.2 for list of countries in each region

5.3. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS BY SECTOR GROUPS

As shown in chart 5.5, the corporate sector has the greatest number of projects rated Excellent, though the three main sectors all have a similar proportion of projects in the top two categories. The corporate sector also has a large number of projects with the lowest ratings, though this differential is less than in previous years. Further time series analysis shows that the corporate sector has outperformed the others in recent years, with 84 per cent of projects rated *Good* or *Excellent* for Project Financial Performance in 2004-2007; during

this period only 51 per cent of Infrastructure projects were rated *Good* or *Excellent* for this indicator.

Chart 5.5 Project performance ratings by sector groups
(566 investment operations evaluated 1996-2007)



6. FULFILMENT OF PROJECT OBJECTIVES

Fulfilment and relevance of project objectives is assessed against the objectives submitted at project approval. Chart 6.1 presents post-signing evaluation ratings on objective fulfilment. The pattern and trend resemble that for many other ratings: performance reached a low point in 2001 and appears to have improved somewhat since then. In 2007 there was an improvement in the proportion of projects rated *Satisfactory* above but a fall in the proportion rated *Excellent*.

Chart 6.1: Fulfilment of objectives, percentage distribution of assigned ratings
(513 investment operations evaluated 1996-2006)

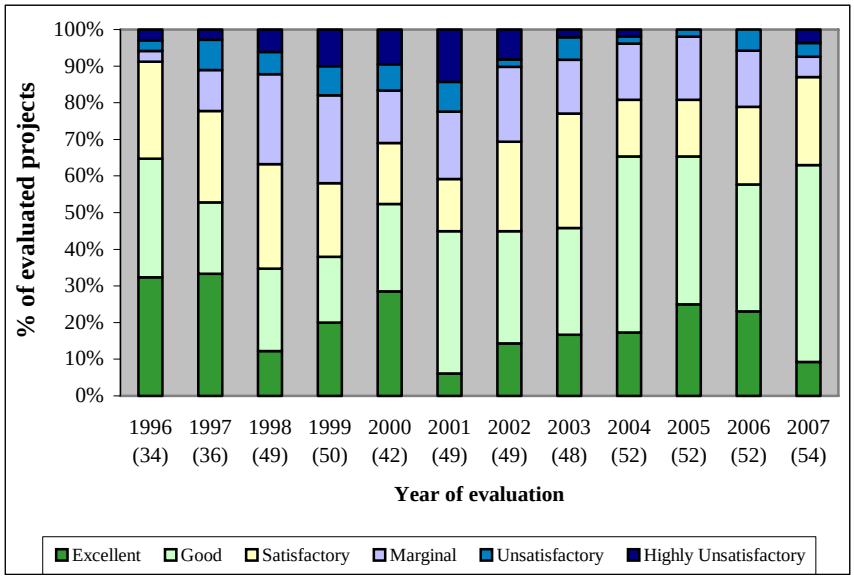


Table 6.1: Fulfilment of objectives, percentage distribution of assigned ratings (513 investment operations evaluated 1996-2006)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007
Excellent	33%	24%	23%	24%	21%	20%	19%	19%	20%	20%	19%
Good	26%	24%	22%	23%	26%	27%	27%	30%	31%	32%	33%
Satisfactory	26%	27%	25%	23%	22%	22%	23%	22%	21%	21%	22%
Subtotal	*84%*	*76%*	*70%*	*70%*	*68%*	*68%*	*69%*	*71%*	*72%*	*73%*	*74%*
Marginal	7%	14%	17%	17%	17%	17%	17%	17%	17%	17%	16%
Unsatisfactory	6%	6%	7%	7%	7%	6%	6%	6%	5%	5%	5%
Highly Unsatisfactory	3%	4%	6%	7%	8%	8%	7%	7%	6%	5%	5%
Subtotal	*16%*	*24%*	*30%*	*30%*	*32%*	*32%*	*31%*	*29%*	*28%*	*27%*	*26%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**462**	**513**	**567**

7. THE ENVIRONMENT

7.1. THE ENVIRONMENTAL AND SOCIAL REQUIREMENT

Projects are designed and conditioned to fulfil all aspects of the Bank's mandate, including the environmental and social policy of the Bank at the time of appraisal. Environmental and social ratings form part of the overall performance rating. Environmental and social evaluation concerns the physical environment, social environment, as well as occupational health and safety, and issues such as public consultation. The analysis in this Appendix refers to 567 evaluated projects during 1996-2007[17].

7.2. ENVIRONMENTAL AND SOCIAL RATING SYSTEM

The series from 1996-2007 covers two environmental dimensions: The first dimension concerns environmental and social performance[18] of the sponsor, e.g. the preparation and implementation of environmental action plans; compliance with contractual environmental conditions and statutory regulations etc. The second dimension is the extent of environmental change (positive or negative) brought about by the evaluated operation. Under Bank Handling, EvD also considers environmental bank handling with respect to categorization, environmental due diligence, audits and project monitoring.

7.3. EVOLUTION OF ENVIRONMENTAL AND SOCIAL RATINGS

The Charts and Tables 7.1 and 7.2 present ratings of environmental performance and of the extent of environmental change as assigned to 567 evaluated projects in 1996-2007.

[17] Two projects evaluated through Special Studies were not rated for Environmental Performance or Extent of Environmental Change. A further four projects were rated "not applicable" because they were judged to have no environmental implications.

[18] It is important to note that from 2003 onwards, the social elements were incorporated in the new environmental policy. From that time onwards the rating category in fact covers environmental as well as social performance.

Chart 7.1: Environmental and social performance, percentage distribution of assigned ratings (567 investment operations evaluated 1996-2007)

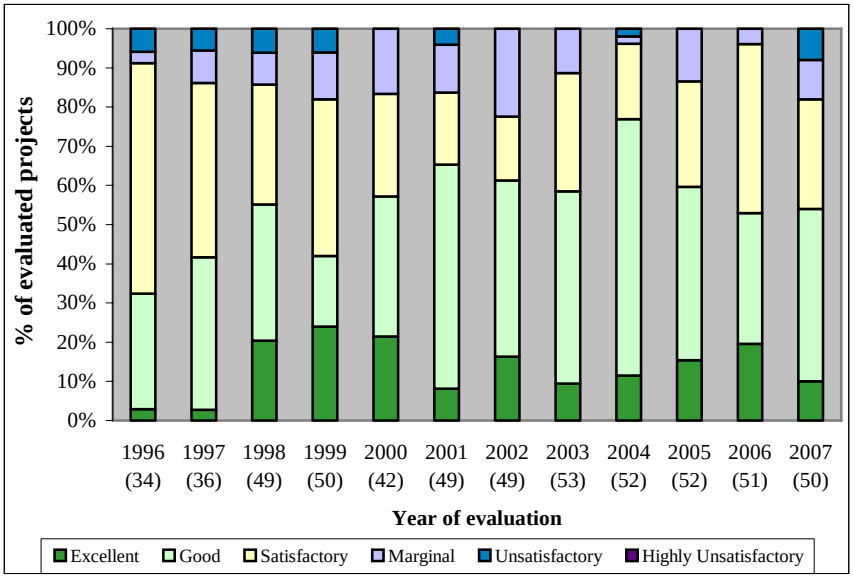


Table 7.1: Environmental and social performance, percentage distribution of assigned Ratings (567 investment operations evaluated 1996-2007)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007
Excellent	3%	10%	14%	16%	14%	15%	14%	14%	14%	14%	14%
Good	34%	34%	30%	31%	36%	37%	39%	42%	42%	42%	42%
Satisfactory	51%	43%	42%	39%	35%	32%	32%	30%	30%	31%	31%
Subtotal	*89%*	*87%*	*86%*	*85%*	*85%*	*84%*	*85%*	*86%*	*86%*	*87%*	*87%*
Marginal	6%	7%	8%	10%	10%	12%	12%	11%	11%	10%	10%
Unsatisfactory	6%	6%	6%	5%	5%	4%	3%	3%	3%	3%	3%
Highly Unsatisfactory	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Subtotal	*11%*	*13%*	*14%*	*15%*	*15%*	*16%*	*15%*	*14%*	*14%*	*13%*	*13%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**466**	**517**	**567**

Chart 7.2: Extent of environmental change, percentage distribution of assigned ratings (567 investment operations evaluated 1996-2007)

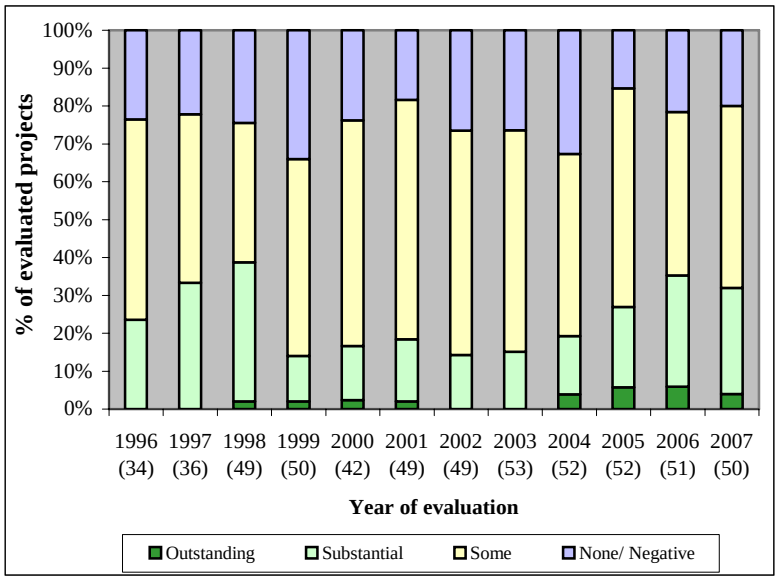


Table 7.2 Extent of environmental change, percentage distribution of assigned ratings (567 investment operations evaluated 1996-2007)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007
Outstanding	0%	1%	1%	1%	2%	1%	1%	1%	2%	2%	2%
Substantial	29%	32%	26%	24%	22%	21%	20%	20%	20%	21%	21%
Subtotal	*29%*	*33%*	*27%*	*25%*	*24%*	*22%*	*21%*	*21%*	*22%*	*23%*	*23%*
Some	49%	44%	46%	49%	52%	53%	54%	53%	53%	52%	53%
None/ Negative	23%	24%	27%	26%	25%	25%	25%	26%	25%	25%	24%
Subtotal	*71%*	*67%*	*73%*	*75%*	*76%*	*78%*	*79%*	*79%*	*78%*	*77%*	*77%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**466**	**517**	**567**

87 per cent of evaluated operations obtained a *Satisfactory* or better rating of environmental performance of the sponsor. A total of 10 per cent were rated *Marginal* in this respect and only 3 per cent were evaluated as having *Unsatisfactory* performance (no projects were rated *Highly Unsatisfactory*). The ratings confirm that the Bank has generally been successful in improving the environmental performance of projects, with very few exceptions.

The extent of environmental change of evaluated projects was rated as *Substantial* or *Outstanding* in 23 per cent of the cases, *Some* for 53 per cent and *None/Negative* for 24 per cent. The rating system introduced in 2004 no longer distinguishes between *None* and *Negative*. Financial institutions and SME financing projects involve lower environmental risk than operations in natural resources, power and energy, heavy industry, chemical and process industries. Investments in heavy industry, chemical processing etc. may have higher potential for environmental change in "brown-field" projects, but they may also present higher or excessive turnaround and financial sustainability risks.

8. BANK HANDLING

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 Team, and support departments involved in the operation process, including Environmental Department.

Chart 8.1: Bank Handling, percentage distribution of assigned ratings (567 investment projects evaluated 1996-2007)

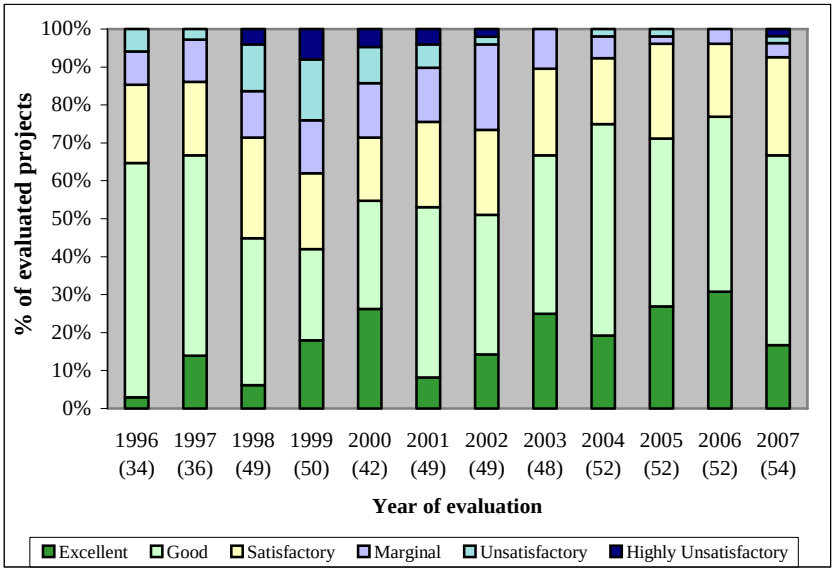


Table 8.1: Bank Handling, percentage distribution of assigned ratings (567 investment projects evaluated 1996-2007)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007
Excellent	9%	8%	11%	14%	13%	13%	15%	15%	16%	18%	18%
Good	57%	50%	42%	39%	40%	40%	40%	42%	42%	43%	43%
Satisfactory	20%	23%	22%	21%	21%	21%	22%	21%	22%	21%	22%
Subtotal	*86%*	*80%*	*75%*	*74%*	*74%*	*74%*	*76%*	*78%*	*80%*	*82%*	*83%*
Marginal	10%	11%	12%	12%	13%	14%	14%	13%	12%	11%	10%
Unsatis-factory	4%	8%	10%	10%	9%	8%	7%	6%	6%	5%	5%
Highly Unsatis-factory	0%	2%	4%	4%	4%	4%	3%	3%	2%	2%	2%
Subtotal	*14%*	*20%*	*25%*	*26%*	*26%*	*26%*	*24%*	*22%*	*20%*	*18%*	*17%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**461**	**513**	**567**

The results show that 61 per cent of the operations rated for bank handling have achieved a rating of *Good* or *Excellent* and a further 22 per cent *Satisfactory*. However, nearly one in six of evaluated projects obtained a less than satisfactory rating. This group of projects, in particular, generated important lessons learned.

Chart 8.2 Bank Handling by sector groups
(567 investment projects evaluated 1996-2007)

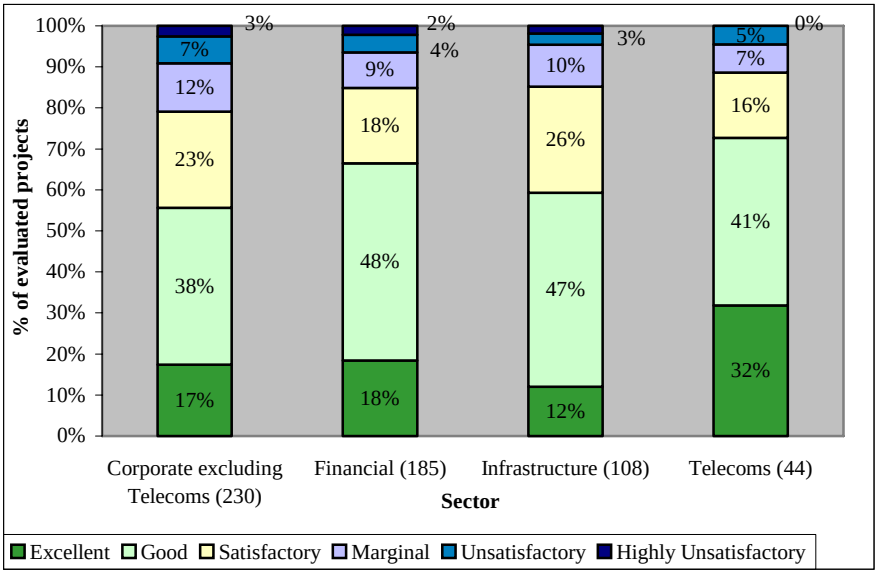
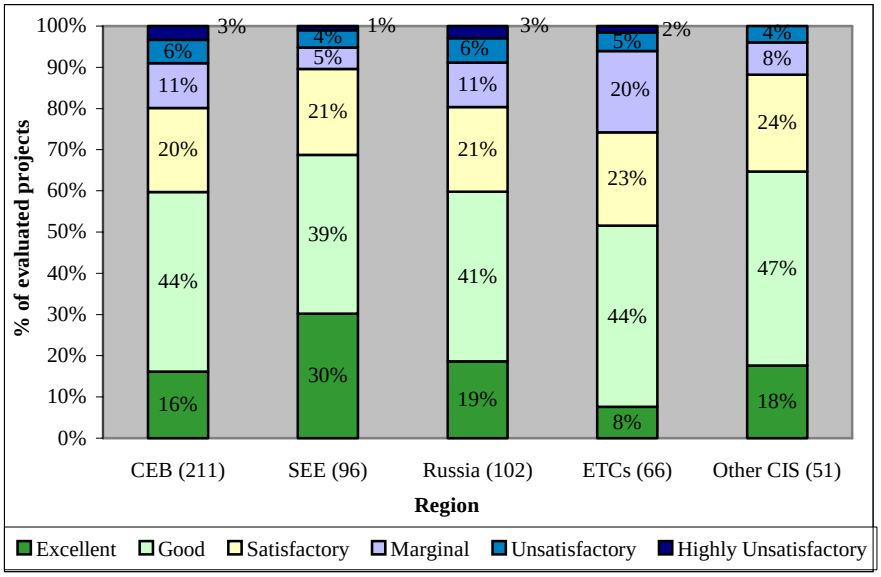


Chart 8.3 Bank Handling by country groups
(526 investment projects evaluated 1996-2007)



Note: 41 regional projects omitted
See chart 2.2 for list of countries in each region

Comparing the results in different sectors and regions, it can be seen that the ratings for bank handling are lowest among corporate sector projects and among ETCs, and highest in SEE countries and financial sector projects.

9. THE BANK'S INVESTMENT PERFORMANCE

In calculating the Bank's investment performance, EvD uses the model developed by Strategic and Corporate Planning and Budgeting Department and introduced in 2000, which is used by the banking department on projects at the approval stage. EvD uses actual recorded costs and risk ratings to recalculate the investment performance at the time of evaluation.

Chart 9.1: The Bank's investment performance, ratings distribution in OPER reports 1996-2007

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007
Excellent	38%	33%	26%	25%	21%	18%	16%	14%	14%	15%	14%
Good	0%	2%	3%	2%	3%	5%	9%	13%	14%	15%	16%
Satisfactory	17%	21%	22%	29%	34%	34%	35%	36%	36%	35%	37%
Subtotal	*55%*	*56%*	*51%*	*56%*	*58%*	*57%*	*60%*	*63%*	*64%*	*65%*	*67%*
Marginal	21%	15%	16%	14%	14%	16%	16%	15%	17%	15%	14%
Unsatisfactory	21%	17%	17%	15%	12%	11%	10%	9%	8%	8%	7%
Highly Unsatisfactory	3%	13%	16%	15%	16%	16%	14%	13%	11%	12%	12%
Subtotal	*45%*	*44%*	*49%*	*44%*	*42%*	*43%*	*40%*	*37%*	*36%*	*35%*	*33%*
Total (no. of projects)	**29**	**48**	**69**	**87**	**107**	**129**	**147**	**170**	**193**	**219**	**243**

The sample number is smaller than for other indicators as only OPER reports are rated for this indicator. Over the period, 67 per cent of fully evaluated operations achieved a *Satisfactory* or better rating for investment performance.

10. COMPARISON OF THE SAMPLE OF EVALUATED PROJECTS WITH THE BANK'S PORTFOLIO OF SIGNED OPERATIONS

10.1. SAMPLE SIZE

The full evaluated sample comprises OPER and XMR assessment reports by EvD on 574 projects evaluated in 1996-2007. As described in section 1 of this appendix, the projects were selected with structured sampling to combine the level of representation with potential for useful lessons. The annual coverage was 100 per cent by the end of 1996 and at least 60 per cent thereafter (see Appendix 8, Chart 1.1). The sample represents 70 per cent of all 823 investment projects that had reached the ready-for-evaluation stage. The evaluated share of all signed projects by end 2007 was lower, at 42 per cent, as many more recently approved projects were still under implementation.[19] Charts 10.1-10.9 below illustrate the level of representation in respect of *countries*, *sectors* and *facility risk* ratings.

10.2. COUNTRY REPRESENTATION.

The charts below confirm a good level of representation of the evaluated sample in respect of *country* coverage compared with the projects ready for evaluation.

[19] See Appendix 6 for more detailed data; records on signed operations may also at times split one operation into separate facilities.

Country distribution by numbers of projects[20]

Chart 10.1: Cumulative signed EBRD operations

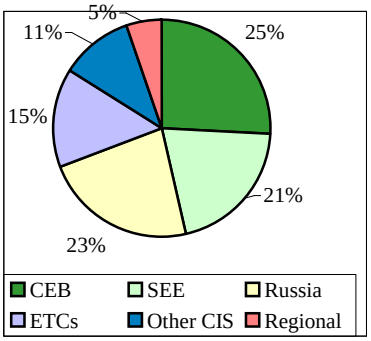


Chart 10.2: All projects ready for evaluation

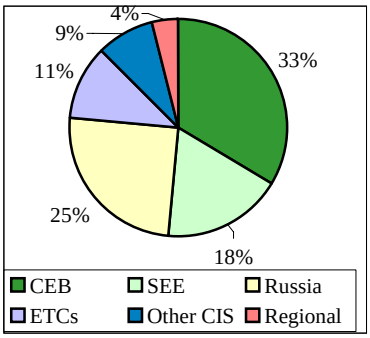
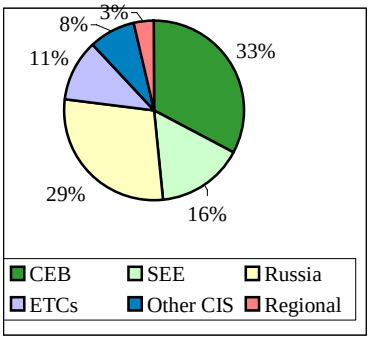


Chart 10.3: EvD's evaluated sample



Compared to the Bank's total signed operations, there is an over-representation of projects in Russia and CEB at the expense of the other regions. Most of the projects ready for evaluation in the first few years of the bank's existence were in Central Europe or Russia, reflecting the Bank's portfolio at the time. More recent commitments have a higher share in countries of the CIS and in south-eastern Europe, many of which are not yet ready for evaluation. .

10.3. SECTOR REPRESENTATION

Charts 10.4 to 10.6 present the comparative *sector* distribution. There is a slight over-representation in the evaluated sample in respect of industry and commerce, at the expense of infrastructure. This reflects the fact that infrastructure projects have long gestation periods, tending to delay their evaluation.

Sector distribution of projects by numbers of projects:

Chart 10.4: Cumulative signed EBRD operations

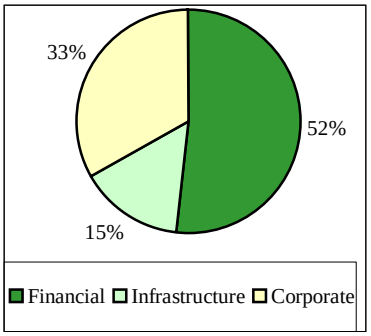


Chart 9.5: All projects ready for evaluation

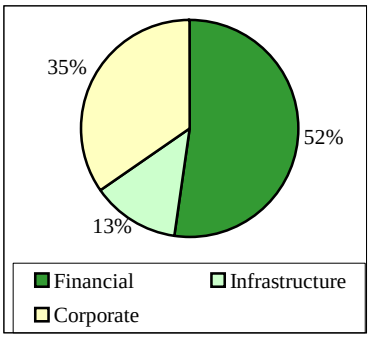
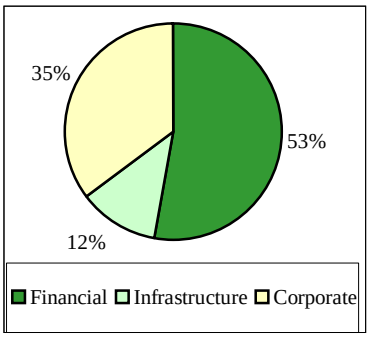


Chart 9.6: EvD's evaluated sample



10.4. FACILITY RISK RATING LEVEL OF REPRESENTATION

The following charts present overall portfolio *facility risk* ratings as at 31 December 2007. There is a slight over-representation of projects with a very low risk rating. Projects with a low risk rating tend to become ready for evaluation quickly, as they generally have not faced substantial problems or delays.

[20] Weighting by volume did not change the below picture significantly.

Facility risk distribution by numbers of projects:

Chart 10.7: Cumulative signed EBRD operations

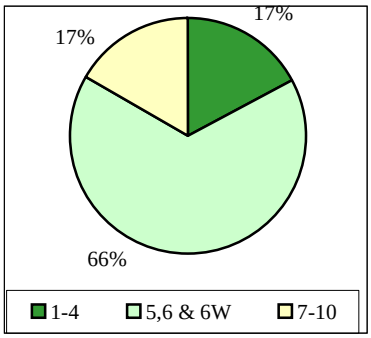


Chart 10.8: All projects ready for evaluation

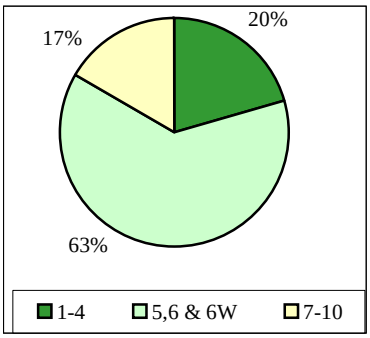
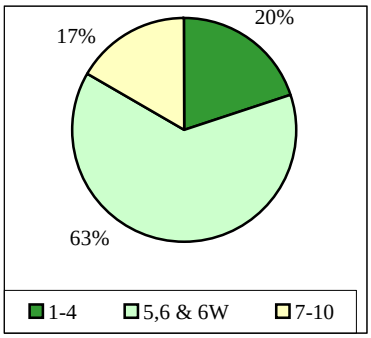


Chart 10.9: EvD's evaluated sample



10.5. A GOOD LEVEL OF REPRESENTATION IS CONFIRMED FOR EVALUATED PROJECTS: CONCLUSION

The sample of 574 evaluated investment projects by the end of 2007 provides a good representation of all the projects ready for evaluation. There is also agood representation of the signed portfolio. The evaluated sample will always take a few years to reflect gradual changes to country and sector patterns in the signed portfolio, as it takes time for the more recent projects become ready for evaluation.

Table of TC Funds

Donor fund country	Covered by OPER reports				Portfolio-wide	
	No.	%	Amount	%	Amount	%
Albania	0	0.00%	0	0.00%	40	0.00%
Australia	0	0.00%	0	0.00%	80	0.01%
Austria	0	0.00%	0	0.00%	11,223	0.99%
Belarus	0	0.00%	0	0.00%	431	0.04%
Belgium	0	0.00%	0	0.00%	1,407	0.12%
Canada	5	1.73%	1,273	1.50%	27,333	2.40%
Denmark	4	1.38%	268	0.32%	5,924	0.52%
Finland	3	1.04%	241	0.28%	12,085	1.06%
France	4	1.38%	544	0.64%	19,238	1.69%
Germany	7	2.42%	1,237	1.46%	14,982	1.32%
Greece	0	0.00%	0	0.00%	1,687	0.15%
Iceland	1	0.35%	50	0.06%	206	0.02%
Ireland	3	1.04%	88	0.10%	2,683	0.24%
Israel	1	0.35%	38	0.04%	305	0.03%
Italy	7	2.42%	853	1.00%	55,956	4.92%
Japan	45	15.57%	12,584	14.81%	117,409	10.32%
Luxembourg	1	0.35%	0	0.00%	4,067	0.36%
Netherlands	18	6.23%	3,931	4.63%	55,200	4.85%
New Zealand	1	0.35%	68	0.08%	175	0.02%
Norway	1	0.35%	908	1.07%	6,037	0.53%
Portugal	1	0.35%	19	0.02%	520	0.05%
Republic of Korea	0	0.00%	0	0.00%	304	0.03%
Spain	0	0.00%	0	0.00%	7,527	0.66%
Sweden	4	1.38%	554	0.65%	16,042	1.41%
Switzerland	6	2.08%	1,490	1.75%	20,862	1.83%
Taipei China	16	5.54%	1,752	2.06%	16,972	1.49%
Turkey	1	0.35%	105	0.12%	300	0.03%
United Kingdom	11	3.81%	1,811	2.13%	36,515	3.21%
USA	9	3.11%	2,902	3.42%	59,908	5.27%
Other donors						
EU	103	35.64%	47,467	55.86%	440,575	38.74%
European Agency for Reconstruction	0	0.00%	0	0.00%	17,856	1.57%
Multi-donor funds[1]	37	12.80%	6,789	7.99%	177,612	15.62%
Financial Sector[2]	0	0.00%	0	0.00%	2,174	0.19%
Various[3]	0	0.00%	0	0.00%	3,661	0.32%
TOTAL	289	100.00%	84,971	100.00%	1,137,298	100.00%

[1] Funds include TAM Nordic Council, EBRD Early Transition Countries Fund, Baltic Fund, RSBF, EBRD TC Special Fund, Balkan Region Fund, Mongolia TC Fund, RVF for North West Russia, EBRD Annual General Meeting 2000. Donors include the G-7, Nordic countries, Ireland, Luxembourg, Netherlands, Spain, Switzerland and Taipei China.

[2] Contributions to these funds consist of technical assistance fees payable by the borrowers under the terms of loan agreements between EBRD and certain financial intermediaries.

[3] Including Alliance Bank, Global Environment Facility, UNDP, EBRD, Chevron Munaigas Inc [private sector donor], BP Exploration (Caspian Sea) Ltd [private sector donor], World Bank.

NB: EvD has also evaluated certain Nuclear Safety Funds, which fall outside the scope of the regular Technical Cooperation Funds Programme.

Portfolio data from Funds Reporting December 2007

OPER report data from Datawarehouse December 2007

Appendix 10

LETTER DATED 4 SEPTEMBER 2007 FROM THE CHAIR OF THE EVALUATION COOPERATION GROUP (ECG) TO THE PRESIDENTS AND THE BOARDS OF DIRECTORS OF THE MULTILATERAL DEVELOPMENT BANKS (MDBS) REGARDING THE IMPORTANCE OF INDEPENDENCE OF THE EVALUATION FUNCTION

Banco Interamericano de Desarrollo
Banco Interamericano de Desenvolvimento

Inter-American Development Bank
Banque Interaméricaine de développement

Washington, D.C. 20577

Director
Office of Evaluation and Oversight

Director
Oficina de Evaluación y Supervisión

September 4, 2007

I am writing to you as Chair of the Evaluation Cooperation Group of the Multilateral Development Banks (MDBs) to bring to your attention the concerns of our membership regarding the importance of independence in the governance of the evaluation function in our respective institutions.

The ECG was established by the Heads of the MDBs in 1998 in response to a report from a Development Committee Task Force, which asked these institutions to harmonize evaluation practices in order to contribute to "...the public accountability of the MDBs and their ability to justify their use of public resources to shareholder governments, parliaments, and the public." The group was tasked with promoting harmonization of evaluation practices, and to that end has concentrated on the development of evaluation methods and the promotion of good practice standards for the conduct of evaluation work

ECG's good practice standards on public as well as private sector evaluation highlight that it is essential that the evaluation function be clearly independent of Management. Therefore, members are strongly in agreement with the consensus view of the broader evaluation community that independence of the function contributes substantially to the credibility and utility of evaluation findings. A recent review of the World Bank's Evaluation function endorsed this point, noting that independence allows evaluators to communicate their findings directly, protects them from unwarranted external influence and limits possible conflicts of interest.

Independence can be safeguarded using a variety of mechanisms, but for multilateral institutions with Boards of Directors representing shareholding countries, there are distinct advantages to maintaining evaluation independence by connecting this function directly to the Board. Such a relationship establishes evaluation as part of the governance structure of the institution, and clearly separates it from management. From an operational point of view, the critical Board decision regarding independence relates to the appointment of the individual selected to be Head of Independent Evaluation. This individual is both the key manager of the evaluation function and the person responsible for communicating the findings of evaluation work to the institution and the broader development community.

ECG good practice standards therefore clearly establish that the Boards of Directors of the institutions should have the ultimate authority for hiring and terminating the head of the evaluation unit and determining the unit's head appointment terms and reporting structure If the Board elects to offer renewable contracts to the Head of Evaluation, then the ultimate authority for taking renewal decisions should likewise rest with the Board. While not all ECG member institutions currently follow these practices, we believe it does constitute good practice for the management of the evaluation function in MDBs, and it would be advisable for all of our institutions to harmonize this aspect of their work.

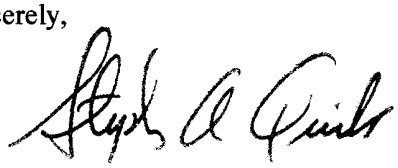
The ECG believes that serious or repeated breaches of good practice not only undermine the credibility and effectiveness of the evaluation function, but could in future lead some stakeholders and observers of our institutions to call for alternative ways and means of assessing the performance and impact of our organizations. Such initiatives could well be partial or ad hoc, clouding the performance picture rather

than illuminating it; and to the extent that such novel mechanisms reported outside established lines, they would lack coherent linkage with management follow up and could eventually undermine the authority and mandate of our institutions' Boards.

Thank you for your consideration of this matter.

I have also sent similar letters on this subject to the Chairs of the Committees on Development Effectiveness and to the Deans of the Boards of the respective MDBs,

Sincerely,



Stephen A. Quick
Chair, Evaluation Cooperation Group of the Multilateral Banks
Director, Office of Evaluation and Oversight, IADB

EBRD PERFORMANCE EVALUATION BENCHMARKS FOR OVERALL PERFORMANCE AND FOR INDIVIDUAL PERFORMANCE EVALUATION CATEGORIES

1. OVERALL PERFORMANCE MATRIX

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

Table 1
GUIDELINES FOR ASSIGNING THE OVERALL PERFORMANCE RATING FOR COMBINATIONS OF RATINGS ON FOUR MAJOR PERFORMANCE INDICATORS

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

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 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	*The project achieved significant progress toward all major relevant transition impact objectives. Best practice was achieved in one or more areas.*
Good	*The project achieved significant progress toward all major relevant transition impact objectives, possibly with minor shortcomings.*
Satisfactory	*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.*
Marginal	*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.*
Unsatisfactory	*The project failed to achieve acceptable progress toward any of its major relevant transition impact objectives.*
Negative	*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.*

2.2. PROJECT AND COMPANY FINANCIAL PERFORMANCE

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 use in the evaluation. It should be taken into account that the various performance indicators might somewhat differ per sector, due to specific financial characteristics of the sector. In respect of *financial market operations* the evaluator has to judge the project portfolio's profit contribution to the financial intermediary or investment fund. Table 3 gives guidance to assign ratings in respect of project financial performance:

Table 3
RATING PROJECT FINANCIAL PERFORMANCE

RATINGS	BENCHMARKS
Excellent	Actual and re-assessed performance indicators are *in principle* on average 10% better than anticipated at appraisal. Prospects are positive.
Good	Actual and re-assessed performance indicators are *in principle* 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 *in principle* up to 25% below expectations at approval, but prospects of financial improvement exist.
Unsatisfactory	The project shows performance indicators *in principle* >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 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 *in principle* on average 10% better than anticipated at appraisal. Prospects are positive.
Good	Actual and re-assessed performance indicators are *in principle* 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 *in principle* up to 25% below expectations at approval, but prospects of financial improvement exist.
Unsatisfactory	The company shows performance indicators *in principle* >25% below expectations with limited prospect of improvements in the immediate future
Highly Unsatisfactory	Complete company failure that can have dramatic effects on the project and even terminate the project so that the Bank loses all its investments.

2.3 FULFILMENT OF PROJECT OBJECTIVES (EFFICACY)

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

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

2.4 ENVIRONMENTAL 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, core labour standards, cultural property, relocation, indigenous peoples, biodiversity, pollution loads and energy efficiency status, the project's environmental management and the level of public consultation and participation. Table 6 below gives the necessary details of rating categories of the environmental and social performance of the sponsor and the Bank.

Table 6
RATING ENVIRONMENTAL AND SOCIAL PERFORMANCE OF THE PROJECT AND THE SPONSOR

RATINGS	BENCHMARKS
Excellent	All appropriate environmental and social (see footnote 4) measures are secured and environmental conditionality implemented. No significant outstanding issues. The Sponsor has gone beyond the expectations of the environmental action plan (EAP) and serves as a best practice example.[1]
Good	Appropriate environmental and social (see footnote 4) measures are secured and environmental conditionality implemented. The EAP is on or ahead of schedule.
Satisfactory	The appropriate environmental risk factors were properly identified and the sponsor is implementing the EAP as prescribed.
Marginal	Some environmental and social (see footnote 4) measures are secured and only part of environmental and social conditionality was implemented. Several outstanding issues remain. Performance of the sponsor was partly unsatisfactory.
Unsatisfactory	Few if any environmental and social (see footnote 4) measures were implemented. Significant outstanding issues are experienced. Performance of the sponsor was less than satisfactory.
Highly Unsatisfactory	The project is out of compliance with the objectives as established in the EAP and/or host country or World Bank environmental standards for this type of project; has experienced significant adverse events (spills, deaths, etc.); is an on going risk to the environment; and presents a vulnerability risk to EBRD.

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

[1] 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.

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

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 *PROFIT CONTRIBUTION* PERFORMANCE

RATINGS	BENCHMARKS
Excellent	NPVNME[2] is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost allocation[3] 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", a performance indicator in use since 1994 (see footnote 9) but not yet incorporated in the Evaluation Policy Update of 1997, assesses the due diligence, structuring and monitoring of the project and judges the quality of the work of the Banking Department, in particular the Operation Teams, and support departments involved in the operation process, including the Environmental Department. An assessment is made on how effectively the Bank carries out its work during the life of the project. In case operations are evaluated that are handled by the Corporate Recovery Unit, Bank Handling will also take into account problem recognition,

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[2] 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.

[3] 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.

remedial action and recovery efforts. Table 10 below presents benchmarks that are used by Evaluation Staff when judging Bank handling in a project:

Table 10
RATING BANK HANDLING

RATINGS	BENCHMARKS
Excellent	Appraisal[4] 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[5] 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.

[4] 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.

[5] 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.