June 2006

Annual Evaluation Overview Report for 2006

Evaluation Department
(EvD)

European Bank
for Reconstruction and Development

ANNUAL EVALUATION OVERVIEW REPORT FOR 2006

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ABBREVIATIONS AND DEFINED TERMS

AEOR	Annual Evaluation Overview Report
AGM	Annual general meeting
BAAC	Budget and Administrative Affairs Committee
BAS	Baltic Advisory Service
BGZ	Bank Gospodarki Zywnosciowej
BTC	Baku-Tbilisi-Ceyhan pipeline project
Category A, B, C, FI	Environmental classifications of EBRD projects. See section 5.5 of the main text for a full explanation
CEB	Countries of central and eastern Europe and the Baltic states
CEDB	Council of Europe Development Bank
CIS	Commonwealth of Independent States
COMPAS	Common Performance Assessment System
CSU	Consultancy Services Unit
DIF	Direct Investment Facility
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECG	Evaluation Cooperation Group
ED	Environmental Department
EI	Extractive industries
EIA	Environmental impact assessment
ESCO	Energy saving company
ETC	Early transition countries
EU	European Union
EUR	Euro
EvD	EBRD's Evaluation Department
FI	(1) Financial institutions business group (2) Financial intermediary
FRM	Final Review Memorandum
GAAP	Generally accepted accounting principles
GHG	Greenhouse gases
GMP	Good management practice
GPS	Good practice standards for private sector evaluation of the ECG
HQ	Headquarters
IEE	Initial environmental examination
IFC	International Finance Corporation
IFI	International financial institution
IFRS	International financial reporting standards
IMF	International Monetary Fund
IPO	Initial public offering
ISO	International Organization for Standardization
JV	Joint venture
KTC	Kazakh Rail TC
LLD	Lessons Learned Database
MCF	Mongolia Cooperation Fund
MDB	Multilateral development bank

MEI	Municipal and Environmental Infrastructure
MFI	Microfinance institution
MIS	Management information system
MR	Monitoring report
MSE	Micro and small enterprise
MSME	Micro, small and medium-sized enterprise
NGO	Non-governmental organisation
OCE	Office of the Chief Economist
OCU	Official Cofinancing Unit
OEM	Original equipment manufacturer
OFS	Operation files system
OHS	Occupational health and safety
OL	Operation leader
OPER	Operation Performance Evaluation Review
OT	Operation team
PB	Partner bank
PCR	Project Completion Report
PED	Project Evaluation Department
Phare	EC assistance programme for central Europe
PMM	Portfolio Monitoring Module
PPP	Public-private partnership
PSA	Production sharing agreement
RO	Resident office (of EBRD in a country of operation)
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
TCR	Technical Cooperation Request package
TI	Transition impact
TIMS	Transition Impact Monitoring System
TOR	Terms of reference
UK	United Kingdom of Great Britain and Northern Ireland
US	United States of America
WG	Working group
WHR	Warehouse receipts
WTO	World Trade Organisation
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 2006

1. THE EVALUATION FUNCTION

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 special studies.

2. INVESTMENT PERFORMANCE JUDGED AGAINST THE BANK'S MANDATE

Key performance ratings of investment operations. As highlighted in Chapter 1 of the report the EBRD has continued to do well overall and has implemented projects which largely meet the Bank's mandate. On ***Transition Impact*** (TI) the Bank's projects continue to score positively, with 77 per cent achieving a *Satisfactory - Excellent* rating for 1996-2005. In respect of ***Overall performance*** of projects, 57 per cent of evaluated projects achieved *Successful - Highly Successful* ratings during 1996-2005, indicating that the good scores on transition impact are tempered by a more modest financial performance of the projects during the period of observation. These cumulative outcomes on *Overall performance* contrast with the result obtained from projects which were evaluated in 2005, reaching a *Successful - Highly Successful* Overall performance rating in 68 per cent of the cases. The fact that 23 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.

Performance of country groups. Overall performance in the ETCs has continued to lag behind other regions. The low overall performance is largely due to relatively poor financial performance of evaluated projects operating in a difficult business environment. Transition impact of projects has been moderate, while additionality has been high in this region. The improvement in overall performance in Russia over the last three years has been significant, after a long period of limited success throughout the 1990s and beyond. This is due to projects having more transition impact and higher additionality. South Eastern Europe continues to score well, while performance in central Europe and the Baltic States appears to have recovered from the downturn in 2001 to 2002.

Performance of sectors. Overall performance in the Infrastructure sector has decreased from the high levels in the late 1990s. Infrastructure projects have made up a large proportion of the projects in ETCs evaluated in the last three years, which could be part of the explanation for this recent decline. By contrast, the Financial Institution sector and the industrial sector have shown a significant improvement in the last three years.

3. 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 approved in December 2002 and 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. The process is well tuned for information gathering and aggregation of

results for quarterly and annual institutional performance reports. While TIMS fulfils its primary objective to provide continuous information on transition performance in projects, it still has some way to go to become a complete monitoring device with a rating structure that would embody an early warning system when the observed performance departs significantly from the benchmarks, which would trigger corrective actions. This would imply an even more proactive approach to monitoring by the Banking Department and OCE in this area.

Revisiting recommendations on TIMS from an earlier AEOR. The report reviews the status of the recommendations made in the 2004 AEOR, thereby highlighting the importance for OCE to allocate sufficient time for TIMS work, the need to adequately monitor fulfilment of project transition impact related covenants and the value to the Bank of giving an even higher profile to TIMS within the institution. Starting from the beginning of 2006, OCE undertakes a final TIMS review for all operations that are completed, where a rating is given for achieved transition impact. This system enhancement that focuses on recording achievements towards established benchmarks is a major step in the direction of EvD's recommendation to add a short term realised transition impact rating category.

Comparison of outcomes of *ex ante* and *ex post* ratings of transition impact. The report makes a comparison between the outcomes on 90 operations that have both an *ex ante* and an *ex post* rating on transition impact. The results from TIMS for this group of operations are compared with the same group of operations evaluated by EvD. The sample is still too small to reach broader conclusions. However, based on the project outcomes at the lower end of the scale, it might be appropriate for the Bank to install a system of more frequent reviews of potential problem projects regarding transition impact, in the same way the Risk Management Department has for investments carrying a higher than usual credit risk.

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 3* explains that since 1993, when EvD started TC evaluation work, it has conducted 58 operation performance evaluation reviews (OPERs) and 21 special studies on sectors and themes, covering numerous TC operations. Overall, 21.5 per cent of completed TC operations had been evaluated in-depth through an OPER report by the end of 2005. When TC operations evaluated through special studies are added, the cumulative coverage ratio for the period 1991-2005 is 49.9 per cent. The report revisits some key TC-related issues from previous AEORs related to the state of the TC files, the change of operational leadership in TC-operations and addressing transition impact potentials in TC operations.

5. EVALUATION RECOMMENDATIONS: UPTAKE BY MANAGEMENT AND REVIEW BY THE AUDIT COMMITTEE

The importance of uptake by Management of evaluation recommendations. Since evaluation activities began at the EBRD in 1993, evaluation reports have presented lessons learned and recommendations (or suggestions) for Management follow-up. The AEOR for 2001 presented an overview of follow-up of recommendations by Management and since that year, each AEOR listed the key recommendations from evaluation reports over the previous period but no system was put in place for the systematic review and uptake of evaluation recommendations. In the meantime, the good practice standards at the multilateral development banks (MDBs) have evolved. In *Chapter 4* of this report it is highlighted that in

2005 the MDBs set up a common performance assessment system to provide a common source of information on how they contribute to development and transition results and how they may improve their contribution over time. This system tracks the "*Management uptake of Evaluation Recommendations as reported to the Executive Boards*" on which MDBs report results on this item in their annual evaluation overview report, or in periodic reports by Managements to their Board.

An enhanced system of to follow-up evaluation recommendations. Apart from presenting some experiences regarding the uptake of selected evaluation recommendations by Management, *Chapter 4* of this AEOR also presents a recommendation to enhance the system of uptake by Management of evaluation recommendations. The proposed approach is to make better use of the possibilities that are available under the Bank's Evaluation Policy, and to better reflect the governance structure of the Bank where Management takes responsibility for using lessons and following-up key recommendations from the evaluation process.

Interaction between the Audit Committee and the Evaluation Department. Over recent years the Audit Committee of the Board of Directors has intensified its interaction with the Evaluation Department through reviewing systematically evaluation reports. This was in addition to the review of evaluation reports such as the AEOR, the reports on EvD's Work Programme and periodic reviews of the Evaluation Policy. It was also felt that the Committee could pay more attention to the follow-up of recommendations by Management. In addition, the *accountability function* of evaluation could be enhanced and the systematic review would provide an important challenge for the Evaluation Department (EvD) to maintain a high quality for its evaluation reports. *Chapter 5* of this report mentions the following key recommendations which have been highlighted by the Audit Committee in 2005: (a) independence of the evaluation function; (b) the use of lessons learned when reviewing existing policies and at approval of investment operations; (c) attendance of Management at Audit Committee meetings; (d) lessons to be used in the new Energy Policy of the Bank; and (e) evaluation harmonization among MDBs.

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

The Banking Department prepares a self-evaluation report in the form of an expanded monitoring report (XMR). EvD's evaluation may result in different performance ratings than assigned by the operation team (OT) in the respective XMRs. *Chapter 6* describes that XMR ratings were validated by independent evaluation in 65 per cent of cases. Five per cent of XMR ratings were upgraded by EvD and 31 per cent downgraded. Transition impact was the indicator most likely to be rated lower (42 per cent) by evaluators. Experience gained with TIMS might improve the rating of transition impact over time and reduce the difference between the TI ratings assigned by EvD and the operation staff. It appears that there is room for improvement as some teams in the Banking Department score better than others. By monitoring the differences observed over time and by organising targeted training sessions the differences might decrease over time.

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

1.1 INTRODUCTION

The EBRD's Evaluation Department (EvD) helps preserve the corporate memory of the Bank by evaluating projects and carrying out special studies on sectors, programmes and special themes. EvD synthesises its overall findings, including the Bank's performance on its mandate, in this Annual Evaluation Overview Report (AEOR), thereby complying with its *accountability obligations* towards the Board of Directors and Management. To ensure an optimal *lessons learned orientation*, EvD assists the banking teams and others during the early stages of project preparation to use the relevant lessons. This process ensures that this experience is applied to the selection and design of future projects. The experience gained from the Bank's past performance and 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 (BDS06/XX) in parallel to this document.

As the Evaluation Department became fully independent from management in June 2005 the Evaluation Policy Review of 2004 had to be amended. The box below provides some details on these changes and at the same time highlights an improvement in respect of the evaluation database.

INDEPENDENCE OF THE EVALUATION FUNCTION AND IMPROVEMENT OF THE TIME SERIES OF EVALUATION DATA

A new organisation and status of the evaluation function have been approved by the Board of Directors on 17th May 2005 as described in "The evaluation function at the EBRD" (BDS05-66 Rev 1 and Rev 2) and on 7 June 2005 as presented in an Annex to the former document (BDS05-66 (Final) (Addendum 1) (Rev 1)). These changes guarantee that the evaluation function in the EBRD is conducted independently from Management and Operations. At the same time it was decided that the head of evaluation would report exclusively to the Board of Directors thereby enhancing the Board's ability to perform their collective duty of accountability to the Bank's members and other stakeholders. The reform resulted in a change of name from Project Evaluation Department (PED) to *Evaluation Department (EvD)* reflecting the fact that evaluation looks beyond the project. In addition, the EvD became a separate department not linked to any other department in the Bank. The title of the head of evaluation became *Chief Evaluator*. Some changes in the procedures by which the Department prepares and delivers its reports have also been introduced. One of the key changes in this respect is that Management now provides Management's Comments to evaluation reports so that there is clarity on the degree of acceptability by Management of the evaluation findings and recommendations.

During 2005, EvD revisited all evaluation reports dating back to 1996 and updated their performance ratings to conform to the rating system introduced in 2004. This resulted in a complete and consistent database of 469 projects evaluated over the period 1996-2005, which has been used as the basis for the analysis in this chapter and in Appendix 8.

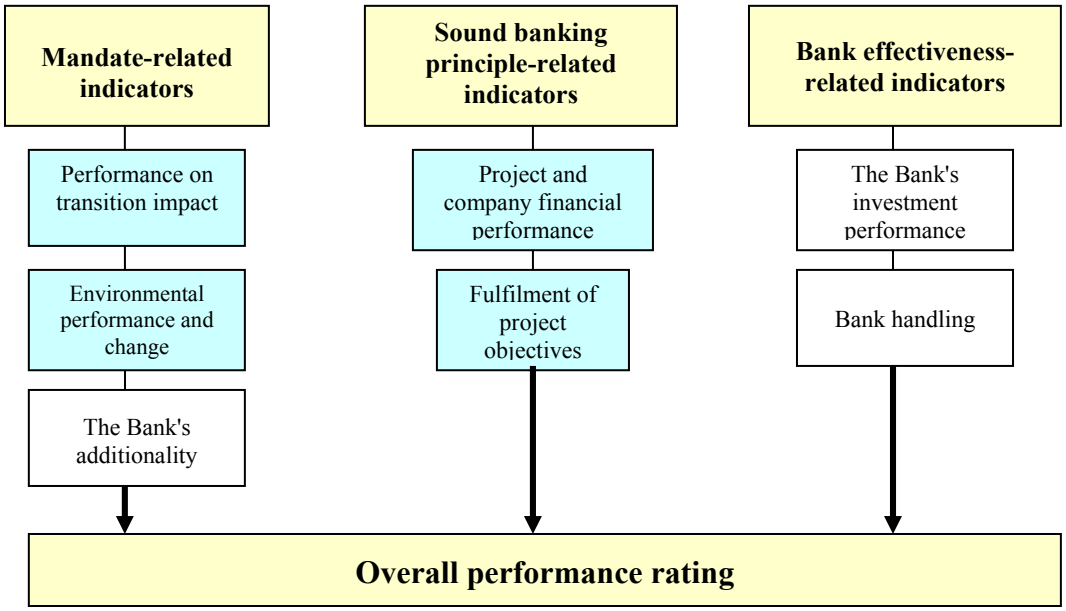
1.2 EVALUATION PERFORMANCE INDICATORS

By the end of 2005, 654 investment projects of the Bank's total cumulative portfolio of 1,301 projects had reached a stage where they were ready for evaluation. Since the start of the Bank in 1991, EvD has evaluated a total of 496 (or 76 per cent) of these investment projects. As described in the box above, 469 of these projects, evaluated since the beginning of 1996, form the basis of the analysis which follows. These 469 projects constitute 75 per cent of the projects which became ready for evaluation in 1996-2005. 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 and section 10 of Appendix 8 provide 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:

EVALUATION PERFORMANCE INDICATORS[1]



The indicator boxes that are presented above in blue make up the indicators that define "results on the ground" and as such make up the "*transition outcome*" rating.[2]

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, as used by the Bank during the screening and approval of projects, are applied when evaluating transition impact in Bank projects:

PROJECT CONTRIBUTIONS TO THE STRUCTURE AND EXTENT OF MARKETS

- Greater competitive pressures (1)
- Market expansion via linkages to suppliers and customers (2)

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

- Increased private sector participation (3)
- Institutions, laws, regulations and policies that promote market functions and efficiency (4)

PROJECT CONTRIBUTIONS TO BUSINESS BEHAVIOUR

- Transfer and dispersion of skills (5)
- Demonstration effects and innovation (6)
- Higher standards of corporate governance and business conduct (7)

[1] Details on 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 EBRD's "Evaluation Policy Review of 2004", which is posted on EBRD's website: www.ebrd.com.

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

EvD assigns a rating to the *short-term verified transition impact* of a project that can be checked at the post-evaluation stage, as well as 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. 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 2005 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 1.4-1.8 of Chapter 1.

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 (a) on the post-evaluation of a sample of evaluated projects undergoing an operation performance evaluation review (OPER) and (b) on 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 to fully comply with its *accountability objective.* This is done through covering all of the Bank's ready operations - thereby looking at all self-evaluation reports that are produced by operation staff during the year - with different degrees of evaluation intensity. The *quality management objective* is fulfilled adequately through conducting a sophisticated lessons-learned dissemination process whereby 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 checks on the use of lessons through reviewing the quality of the sections on "Lessons from Past Experience" in operation reports before Board approval.

EvD is of the view that the self-evaluation system, whereby operational staff prepare XMRs and evaluation staff provide bankers with the necessary assistance during the preparation of the self-evaluation documents works adequately in respect of generating lessons learned. However, as suggested in Chapter 6, there is room for improvement in respect of assigning performance ratings by operational staff during the self-evaluation process. For the second time EvD conducted an analysis comparing the ratings assigned to projects by bankers with the ratings assigned by EvD during the validation process of performance ratings. The overall level of downgrades by EvD over the past years stays at a level of just over 30 per cent, whereby transition impact was the indicator downgraded most by EvD, i.e. in 42 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 quality of the self-evaluation process.

1.3.2 Project selection for evaluation

The OPER exercises are normally undertaken by EvD after the investment has been made, i.e. 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 must have occurred evidenced by one year of audited financial accounts.[3] In 2005, a total of 23 projects ready for evaluation were

[3] Appendix 10 includes a flow chart of the evaluation process relating to the evaluation of investment operations.

selected for an OPER exercise, based on a purposive sample[4] comprising 31 per cent of operations ready for evaluation. The XMR assessments (XMRAs) carried out by EvD comprised a total of 30 projects (or 40 per cent of ready operations) and are selected on a random basis. Evaluation, therefore, covered a total of 71 per cent of projects ready for evaluation in 2005. Appendix 8, section 1.3 presents the selection methodology of projects for evaluation and shows that there are no biases in the sample of projects covered by this annual review.

1.3.3 Joint evaluation

Over the past years, the Audit Committee of the Board of Directors has emphasised the importance for the evaluation function 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 important experience. During 2006 it is expected that a total of four operations will be evaluated jointly with other IFIs and bilateral donors. EvD reported in more detail on joint evaluation in its Work Programme Completion Report of 2005 (BDS 06-046 (Rev 1).

1.4 OVERALL PERFORMANCE

During 1996-2005, 57 per cent of evaluated operations were given *Successful* or *Highly Successful* ratings,[5] as shown in Chart 1.1 below, where the cumulative scores of the overall performance ratings are presented.

57 per cent of evaluated operations were given *Successful* or *Highly Successful* ratings on Overall Performance for the period 1996-2005.

As highlighted in Chart 1.2 below, in 2004 the *Successful* and *Highly Successful* rated projects reached 73 per cent, a very high level compared with previous years. In 2005 they totalled 68 per cent, which is more in line with the steady improvement observable since a low point of 46 per cent in 2001. Since 1996, nine per cent of the projects scored *Highly Successful* overall, while 16 per cent were rated *Unsuccessful*.[6]

[4] Projects ready for evaluation on which an OPER report is prepared are selected on a purposive basis, i.e. projects are selected based on lessons-learned potential, risk for the Bank, a project's high profile, etc.

[5] Weighting by volume of investment yields better results with 67 per cent *Successful* or higher, 21per cent *Partly Successful*, while the *Unsuccessful* ratings share is 12 per cent.

[6] The proportion of projects rated *Highly Successful*, has risen in recent years from none in 2001 to 17 per cent in 2005. At the same time, the number or projects with an *Unsuccessful* fell from 22 per cent in 2001 to 8 per cent in 2005.

Chart 1.1: Overall performance, cumulative percentage distribution of assigned ratings (469 investment operations evaluated 1996-2005)

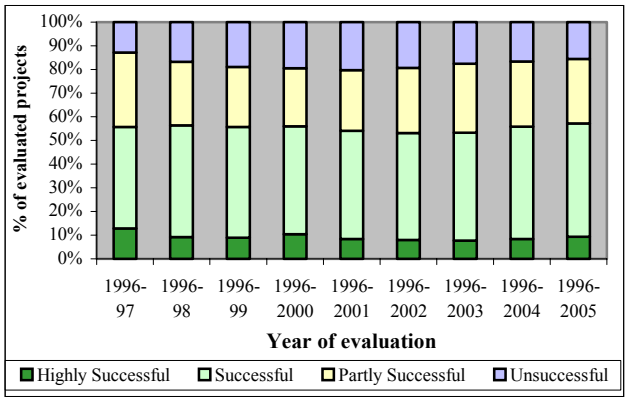
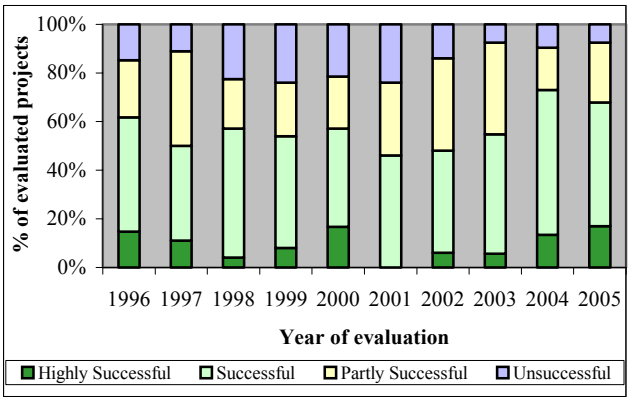


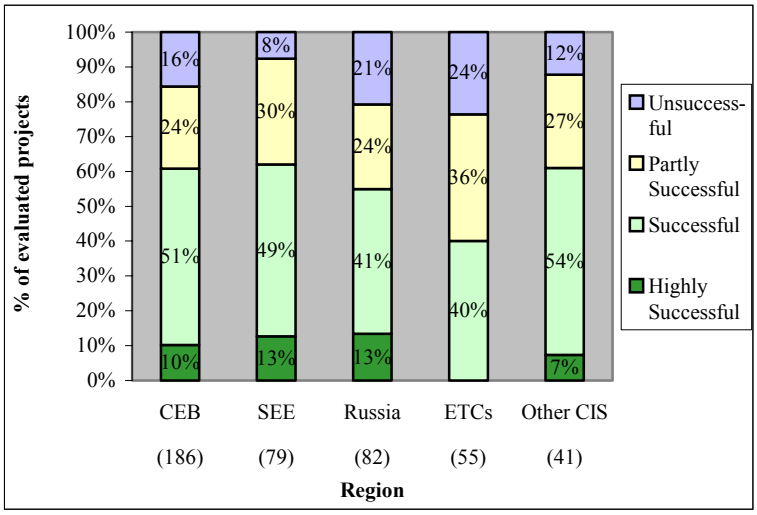
Chart 1.2: Overall performance, percentage distribution of assigned ratings (469 investment operations evaluated 1996-2005)



The cumulative overall performance outcome of 57 per cent of the cases with positive scores may seem modest compared with the average score on transition impact which at 77 per cent *Satisfactory to Excellent* is much higher than the above score on the overall performance (see Section 1.5). The relatively lower average rating on financial performance partly drives the outcomes on overall performance (see Section 1.7). In addition, experience has shown that projects scoring *Satisfactory* on transition impact tend to be associated with an overall rating of *Partly Successful* which also has a downward effect on the overall performance rating.[7] In addition, many parts of the region in which the Bank operates remain risky from an investment perspective, and this continues to be true even for the more recent EBRD projects developed in advanced transition economies.

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, so that region is now only slightly behind others in overall performance ratings. Only projects in ETCs are significantly less successful than projects in other regions.

Chart 1.3: Percentage distribution of overall performance ratings on 443 post-evaluated investment operations in 1996-2005 by country groups



Note: 26 regional projects are omitted

[7] Of the 109 projects rated *Satisfactory* on transition impact since 1996, 57 had an overall performance rating of *Partly Successful*.

The analysis in Section 2.3.1 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 2000-2002, 47 per cent of projects in this region were rated *Successful* and in 2003-2005, the figure was 43 per cent. However, none of the 55 projects in this region has been rated *Highly Successful*.

The seven countries in this region have suffered from political instability and face difficult transition challenges, mainly due to the small size of domestic and export markets, underdeveloped financial systems, public governance issues and corruption[8]. This very poor investment climate results in a low level of foreign investment and creates major challenges for the EBRD.

1.5 TRANSITION IMPACT AND ENVIRONMENTAL PERFORMANCE & CHANGE

1.5.1 Performance on transition impact during 10 years

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 a total of 469 projects evaluated in 1996-2005, 77 per cent achieved *Satisfactory-Excellent* ratings.

77 per cent of evaluated operations obtained *Satisfactory-Excellent* ratings on transition impact for the period 1996-2005.

This score is a very important accomplishment which confirms the Bank's mandate compliance. However, 23 per cent of the evaluated projects obtained a rating of *Negative-Marginal* which shows that the Bank operates in difficult environments where many obstacles to transition remain. It can be seen in Chart 1.5 that ratings for transition impact have shown a clear upward trend since 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]. Although there appears to be a drop from 2004 to 2005, the scores for 2004 were so unusually high that it is reasonable to regard that year as an exception and to see the upward trend from 2001 continuing in 2005.

[8] According to Transparency International figures on corruption for 2005 the countries in the ETC region scored between 2.1 and 2.9 compared to the full range of 1.8-6.4 for all the Bank's countries of operations where the higher scores represent reduced levels of corruption. Some further analysis on the comparison between macro transparency indicators from Transparency International and EvD evaluation findings is provided in appendix 5.

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

Chart 1.4: Cumulative percentage distribution of transition impact ratings on 469 post-evaluated investment operations in 1996-2005

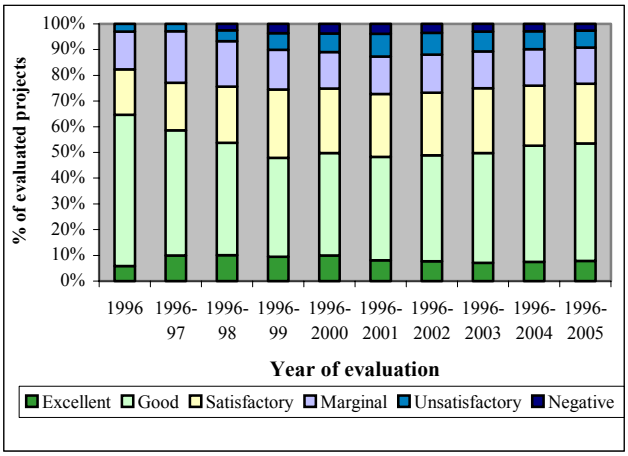


Chart 1.5: Percentage distribution of transition impact ratings on 469 post-evaluated investment operations in 1996-2005

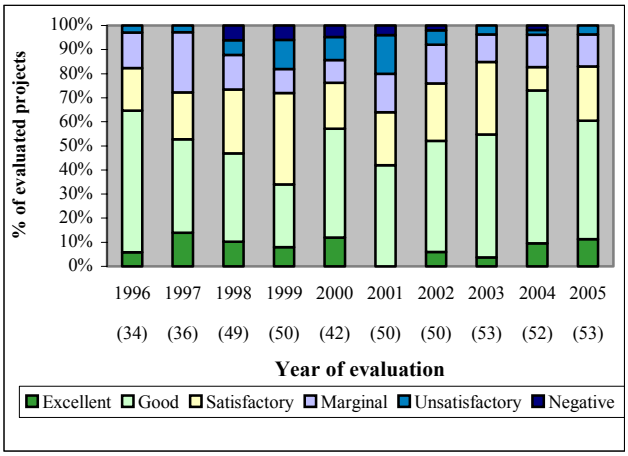
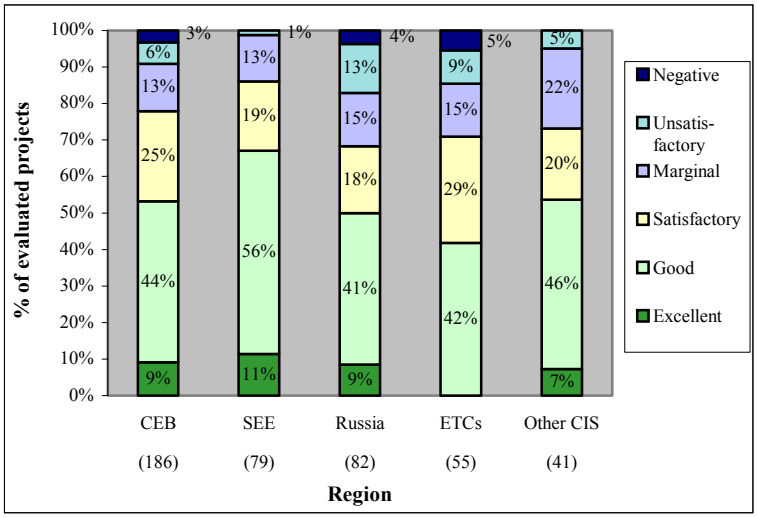


Chart 1.6 below presents the transition impact (TI) rating distribution by country groups of the 469 projects evaluated in 1996-2005, after a deduction of 26 regional projects. The best performance is found in southern and Eastern Europe (SEE). [10] The time-sequence analysis in Appendix 8, Section 3.3 shows that transition impact has improved in most regions since 2000-2002, except in the ETCs where there has been a slight fall. This is linked to the stagnant financial performance observed among the Bank's projects in that region evaluated by EvD. In addition, positive financial performance, where the sustainability of a project is not threatened, is a necessary condition for transition impact to unfold, but it is not a sufficient condition as some financially successful projects can still score low on transition impact.

Chart 1.6: Percentage distribution of transition impact ratings on 443 post-evaluated investment operations in 1996-2005 by country groups



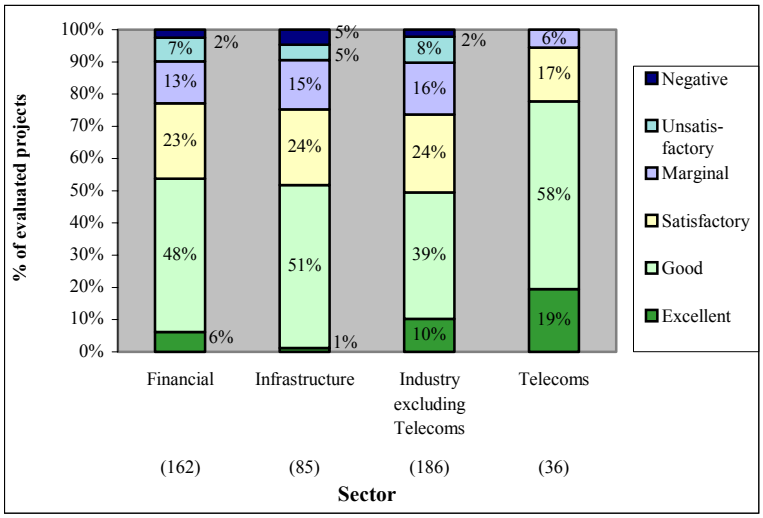
Note: 26 regional operations are omitted.

Chart 1.7 below shows assigned TI ratings by sector. It seems that differences in results between sectors, observed in past years, have become much less apparent. In fact, infrastructure (formerly the best performing sector) showed lower results for transition impact in 2003-2005, with only 71 per cent of 35 projects evaluated in 2003-2005 rated *Satisfactory*

[10] Other CIS countries, excluding Russia, are: Belarus, Kazakhstan, Turkmenistan and Ukraine.

to *Excellent* (see Appendix 8, Section 3.4). Only one project was rated *Excellent* during that period.

Chart 1.7: Percentage distribution of transition impact ratings on 469 post-evaluated investment operations in 1996-2005 by sector groups



Infrastructure - Municipal, power, energy efficiency and transport, excluding shipping;
Industry and commerce - agribusiness, general industry, natural resources, property/tourism and telecommunications

1.5.2 Environmental 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 performance[11] is included in the *ex-post* assessments. As presented in Chart 1.8 and 1.9 below, environmental performance in 1996-2005 was rated *Good* or *Excellent* in 56 per cent of cases and *Satisfactory* in a further 30 per cent. Over the period 1996-2005, only 3 per cent of the projects evaluated have been rated *Unsatisfactory* in respect of environmental performance and none *Highly Unsatisfactory.*

86 per cent of evaluated operations obtained ratings of *Satisfactory* to *Excellent* on environmental performance for the period 1996-2005.

[11] Environmental performance of projects is measured by accumulating the environmental and health and safety performance indicators: *environment* being 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; *public consultation and participation*: whether the public consultation and participation has been carefully planned and organised with a responsible person in charge.

Chart 1.8: Cumulative ratings on environmental performance (1996-2005)

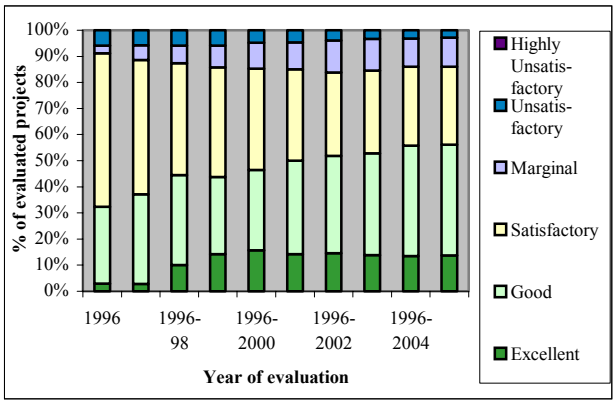
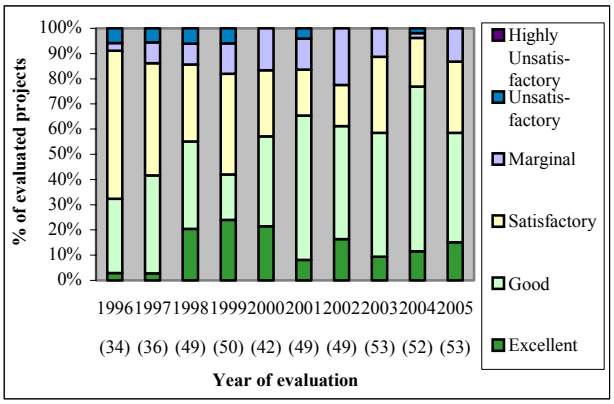


Chart 1.9: Ratings on environmental performance (1996-2005)



In respect of environmental change[12], 22 per cent of the evaluated projects rated *Substantial* or *Outstanding*, while 53 per cent achieved *Some* environmental change. In previous AEORs, EvD noted that the Bank achieved its most impressive results for environmental change in Category A[13] projects (which on entry are judged to represent significant environmental liability). 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 and the Environmental Departments have been putting emphasis on appropriate measures to mitigate risk for projects in this category. Results from this year confirm this observation: 58 per cent of Category A projects have achieved *Outstanding* or *Substantial* environmental change in 1996-2005, compare to 22 per cent of all projects during the period. The figures for achieving at least *Some* environmental change are 91 per cent of Category A projects and 75 per cent of all projects.

EvD considers the above ratings for Environmental Performance and Change to be positive, in particular, as the potential for environmental change is not a primary consideration at the time of project selection, except in areas which have a significant environmental impact such as energy efficiency, MEI and a few other sectors. Further details on environmental performance and change are presented in Appendix 8, Section 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 2005, 61 per cent of the projects evaluated rated the Bank's additionality as *Verified in All Respects*, 26 per cent *Verified at Large* and only 13 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 87 per cent of the cases for the period 1996-2005.

[12] 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.

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

[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.

Chart 1.10: Cumulative ratings on the Bank's additionality (1996-2005)

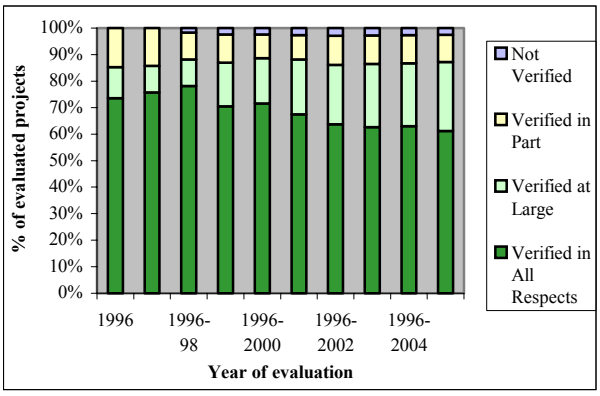
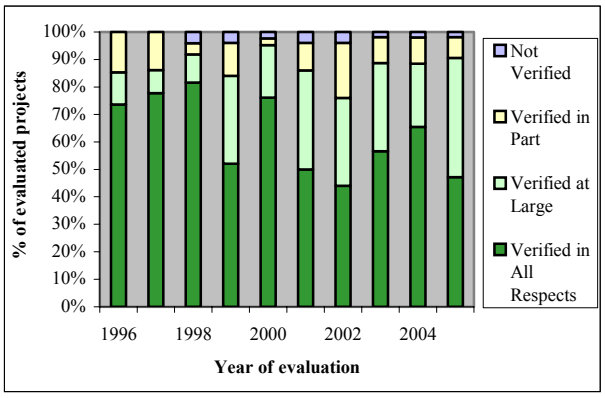


Chart 1.11: Ratings on the Bank's additionality (1996-2005)



Regarding annual variations of additionality, the figures in chart 1.10 show a stable position compared with the previous year, when looking at both *verified in all respects* and *verified at large* categories[15]. Looking just at the *Verified in All Respects* category, additionality from 2001 onwards has been much lower then in the late 1990s. If a lag of about three years between project signature and evaluation time is accounted for, it is interesting to see that the downturn broadly corresponds to projects signed since the 1998 Russia crisis.

Section 4.2 of Appendix 8 shows that additionality ratings for evaluated projects in Russia and the ETCs had a downturn in the middle period, 2000-2002, followed by a recent improvement. CEB, SEE and Other CIS show a continuing fall in the number of projects rated Verified in All Respects, but the number of evaluated projects in Other CIS in 2003-2005 is small. By far the majority of all the projects rated Not Verified or Verified in Part - 47 out of a total of 60, or 78 per cent - are found in CEB or Russia. Additionality ratings by sector and over the same periods as above show that Financial Institutions and Industry and Commerce have both recovered somewhat from a downturn in 2000-2002. But Infrastructure and Telecoms, which both had higher additionality during that period, have continued to fall, Telecoms in particular.

[15] The upturn in the performance of additionality is more pronounced when focusing on the *verified in all respects* category only.

1.7 PROJECT FINANCIAL PERFORMANCE[16]

Project financial performance compares the findings at evaluation with the original expectations when the project was appraised. These findings show on an aggregated basis that the share of investment operations that achieved ratings of *Satisfactory-Excellent* on project financial performance has improved over several years from a low point in 2001 of 42 per cent to 83 per cent in 2005. The total score in these categories over the period 1996-2005 was 64 per cent.[17] 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 64 per cent of the cases for the period 1996-2005.

Chart 1.12: Cumulative ratings on project financial performance (1996-2005)

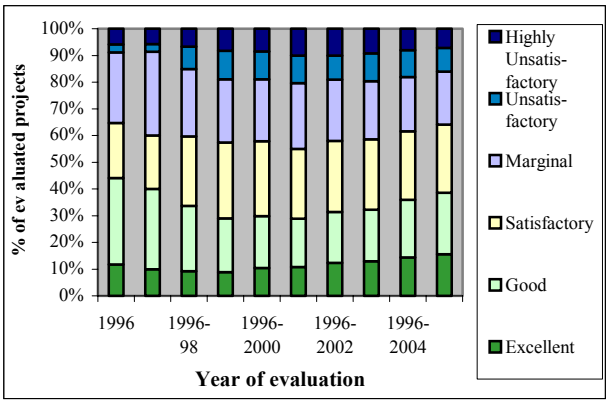
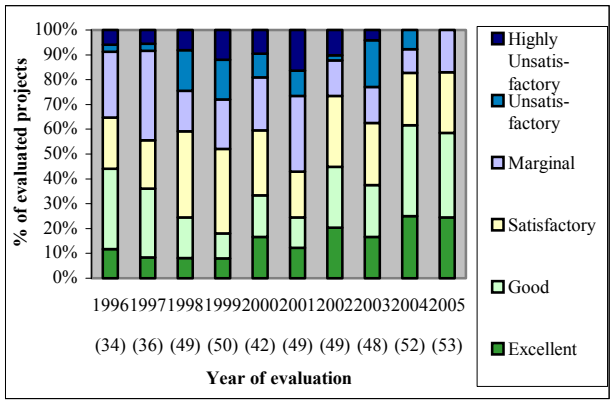


Chart 1.13: Ratings on project financial performance (1996-2005)



Evaluation data support the fact that financially sustainable projects are more difficult to achieve in the earlier transition countries, particularly in the ETCs, where the systemic constraints and risks are high. The percentage for project financial performance of *Satisfactory-Excellent* is as low as 40 per cent of the cases in the ETCs (Appendix 8, section 5), showing 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.

Although in the past infrastructure projects have been more likely to be rated *Satisfactory* to *Excellent* for project performance than projects in other sectors, in the last two years infrastructure has had the lowest ratings for this indicator, with only 66 per cent of operations achieving a *Satisfactory* to *Excellent* rating. Industry shows relative high numbers of projects rated either *Excellent* or *Highly Unsatisfactory*, reflecting the risks and potential rewards of projects in this sector. Projects evaluated in the Telecommunications sector score the best on project financial performance. (see Section 5.3 of Appendix 8)

[16] In Appendix 8, Section5, more details are given on project financial performance while in the same section company financial performance is also dealt with.

[17] 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 2005

Results of evaluated operations in 2005 have fallen a little from the exceptionally high levels of 2004. However, setting aside that unusual year, the steady improvement in results since 2001-2002 appears to be continuing. 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 57 per cent of the evaluated projects in 1996-2005 achieved *Successful-Highly Successful* **overall performance** ratings, a lower outcome than for transition impact alone, mainly reflecting modest financial performance of projects compared with original projections. Of evaluated projects in 1996-2005 a total of 77 per cent scored positively on **transition impact**. This positive outcome on transition impact leads EvD to the conclusion that the Bank is doing well overall and has implemented projects which largely meet the Bank's mandate.

- **Performance ratings across all the indicators** show a pattern of recovery from a low point in 2001-2002, which find its origin in the Russian crisis of 1998. However, there is variation among regions and sectors, with performance in ETCs and in infrastructure projects falling over the same period.

- **Transition impact** over the last three years has been highest in the evaluated projects in the south-eastern Europe (SEE) group of countries and in Russia, while projects evaluated in central and Eastern Europe and the Baltic States (CEB) and other CIS countries score lower on transition impact.

- Evaluated projects in the **ETC group of countries** continue to have relatively poor financial performance, which undermines the realisation of their full transition impact potential. Continued focus should be given to project quality in the ETC group through improved project selection, Banking monitoring mechanisms and more institutionally targeted TC, supported by an enhanced policy dialogue. This in order to 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 three years.

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" which has been built up over the past years. The Office of the Chief Economist (OCE) was 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 TIMS findings and ratings. A first evaluation of the process was reported on in the AEOR for 2004 and a preliminary comparison of TIMS and EvD project ratings was presented in the AEOR of 2005[1]. Given the continuous growth in TIMS activities, it is useful to provide this year an update of EvD evaluations on both TIMS process and rating outcomes as presented in Section 2.2. In Section 2.3 below a sample of 90 operations is presented which all have both an *ex ante* and *ex post* transition impact rating. An analysis is made comparing the outcomes of the transition monitoring system and the EvD evaluations.

2.2 REVIEW OF TIMS PROCESS PERFORMANCE

2.2.1 Background

EvD reviews TIMS reports on individual projects on a regular basis as part of the preparation of operation performance evaluation review (OPER) reports, sector studies, and country strategy contributions by EvD. At times, EvD follows on discussing project findings with OCE economists. For the purpose of this evaluation, the EvD staff has reviewed key documents supporting the process including: (a) the report on TIMS which has been presented to the Executive Committee in December 2002; (b) weekly lists of OCE attendance at the Credit/Portfolio meetings; (c) TIMS findings as they become available in the Project link database; and (d) TIMS aggregate findings in quarterly institutional performance reports. For about two months, the EvD staff has attended Credit Review meetings - where OCE was present - for the purpose of assessing the value added of these meetings within the TIMS process.

The main objective of the TIMS exercise is to strengthen the monitoring of the transition impact while projects are being implemented[2]. The process requires interventions from the staff of the OCE, the Credit/Portfolio Review Unit and the Banking Department[3]. In this section, EvD reviews the implementation of the process in reference to the above requirements, in order to derive an overall assessment and propose recommendations.

2.2.2 Process implementation

Initially, TIMS activities were added to the workload of OCE without additional resources other than a one year contract employee in OCE. Since then the position was converted into

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[1] See Annual Evaluation Overview Report for 2004 (BDS04-069) Chapter 7, section 7.3.1, and Annual Evaluation Overview Report for 2005 (BDS 05-117), Chapter 2.

[2] The transition monitoring system is expected to meet essentially 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 (Ex Com Paper of December 2002).

[3] The ***Banking*** Department is to share with OCE recent achievements or failures towards project stated objectives, and discuss with OCE further actions which will help accelerate transition, in the context of the PMM reporting. The ***Credit/Portfolio*** *Unit* provides the locus of the discussion by allowing economists to hear from the Bankers in Credit review meetings and let them debate on transition issues at the end of the meeting. ***OCE Economists*** are assigned to specific sectors and convey their findings in a ***TIMS review check list*** which monitors the progress against at least two predefined transition objectives set at appraisal, and translates the outcome of the analysis into ratings.

permanent staff. The task of this staff member is to continuously collect new data on project monitoring outcomes, update the TIMS database accordingly, handle requests from TIMS users within OCE and elsewhere in the Bank, and prepare aggregated data analyses for quarterly and annual Institutional Performance Reports. Information on project outcomes is provided by the economists in OCE who regularly follow the transition impact performance of rated projects, together with the Banking Department.

The coverage of projects reviewed increased progressively as the staff assignment system firmed up. The number of signed projects from April 1999 to December 2005 was 584, of which 549 were rated ex ante for transition impact in the Board Document. From this total of 549 OCE reviewed 396, thereby reaching 72 per cent per cent of the projects which had *ex ante* ratings[4]. Through more precise criteria of project entry (Board approval, signature) and exit (full disbursement, or prepayment, cancellations), and better information provided quarterly by Corporate Planning, OCE now tracks more effectively the number of active operations that are subject to transition impact monitoring. It is therefore expected that the coverage will further increase in the future.

Through its participation in Credit review meetings with the Banking Department, OCE gets updated insight on the overall performance of a project. This puts OCE in a good position to assess the quality of project foundations for sustainable transition impact. While the joint meetings with the Risk Management Department might enhance the productivity of the Banking Department which deals with two interlocutors at the same time, the meetings, as expected, keep focusing on creditworthiness rather than transition impact. The economists then must complement their findings by direct correspondence or parallel interaction with the Bank staff to finalise the TIMS report.

2.2.3 Assessment of the Process

Although the project monitoring coverage has increased over time, the *OCE staff* does not yet handle all the projects which are eligible for transition performance monitoring. In addition, while most of the TIMS project reports are fully updated and completed on time, a few are delayed, do not track fully the implementation of the original benchmarks and tend to borrow statements from PMMs that remain too vague on transition impact. OCE Staff members are still trying hard to find enough time for TIMS, although the situation has improved compared with previous years. The remaining time allocation difficulties are at times compounded by a slow response from the Banking staff on requests for additional information regarding transition performance. On the other hand, once the basic information is collected through the TIMS checklist, and the overall assessment and rating updated, the process of collecting the data and aggregating the data for portfolio analysis appears to work well.

Meetings with the *Credit Portfolio Group* are as effective as they can be in view of their intended focus on credit issues, but fall short of what would be required to help the Banking department to fully devote attention to transition impact issues and problem solving in this area. Nevertheless transition issues tended to be crowded out at the meetings, whether OCE staff is present or not. Transition issues are followed up directly between OCE and the Banking Department when necessary.

[4] As a rule OCE monitors 100 per cent of eligible projects rated *ex ante* for transition impact. So far, 153 of the 549 rated projects were not eligible for individual monitoring because (a) they formed part of a framework; (b) they were follow-on projects; (c) they were one of a series of operations with a single client, grouped together for monitoring purposes, and (d) they are not monitored by the Credit Department through formal meetings.

The *Banking Department* has been paying more attention to transition impact in appraisal reports but has not so far seemed to extend its renewed attention to implementation. This is revealed in PMMs which often remain too general on reporting transition impact accomplishments or associated risks. The OCE and the Banking Department are aware of these limitations and in the mean time they have modified the transition impact monitoring requirements in the PMM which will be more in line with the current TIMS reporting.

The '*TIMS Review Checklist'* is the core monitoring report of TIMS which periodically records and rates the project accomplishments and potential in support of the client's transition progress towards the realisation of a full market economy. The report is fairly complete as it includes seven highly relevant items[5]. The benchmarking system to track realised performance is getting more accurate and sophisticated. It now allows a better assessment of realised transition, and its incorporation in the risk attached to the total potential, i.e. the more is realised, the lower the risk attached to total potential. The developed benchmark approach also facilitates the conversion by OCE of its *potential* rating and associated *risk* into a *realised* TI rating equivalent at the end of the TIMS review, when a project is closed.

Overall assessment. The process is well tuned for information gathering and aggregation of results for quarterly reporting. While TIMS fulfils its primary objective to provide continuous information on transition performance in projects, it still has some way to go to become a complete monitoring device and a rating structure that would embody an early warning system when the observed performance departs significantly from the benchmarks and should trigger corrective actions. This would imply an even more proactive approach to monitoring by the Banking Department and OCE in this area.

2.2.4 Old and new recommendations

In the AEOR for 2004, some recommendations were made to support the very good start and further improve the process[6]. In this review EvD is assessing the extent to which the recommendations have been followed:

a. Review of old recommendations:

- *Additional time should be allocated to OCE staff to respond to the additional demands from TIMS*. This is only partly accomplished, since a new member of staff has been appointed to coordinate the process, collate and analyse the results. It appeared that during the two months of close monitoring by EvD for the purpose of this review that OCE economists still strive to find adequate time for TIMS as their assignments keep growing[7] . The TIMS strategy for 2006 now includes planned on-site transition monitoring by OCE economists for a selected number of operations. Even when combined with other missions, these tasks are time consuming.

- *The 'TIMS review checklist' should include a separate section exclusively dedicated to the monitoring of project transition covenants*. This is has not been done yet and keeps so far has blurred the monitoring assessment when transition covenants are present, as one cannot easily follow progress on transition risk mitigation. However, OCE has recently inserted a new section in the Monitoring Reports respectively so that TIMS can report on transition covenant compliance in the future.

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[5] The boxes to be filled in the checklist are: 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.
[6] See Annual Evaluation Overview Report for 2004 (BDS04-069) Chapter 7, section 7.3.1
[7] The prospect of hiring new staff in OCE in the near future might alleviate this perceived constraint.

- *More time devoted to transition impact in the meetings of the Credit Portfolio Group.* This is not done, but EvD understands the practical difficulties given the tight meeting schedules of Credit. Therefore EvD changes the recommendation in suggesting the development of a formal parallel system[8] of exchanges among Bank staff which could reach the stage of formal separate discussions/meetings between staff in OCE and the Banking Department. This should be relatively easy to establish as it seems to be informally happening already.

- *TIMS review summary findings to be regularly transmitted for discussion to ExCom level in order to increase institutional awareness across departments*. Since 2005 TIMS data are presented to ExCom and the Board of Directors in the Strategic Portfolio Review and in the quarterly Institutional Performance Reports of the Bank. Now that TIMS rating upgrades and downgrades are included in the Performance Score Card of the Business Groups, it would be appropriate for OCE to further develop its analysis on changes in project ratings in these quarterly reports. This would further increase the Bank awareness on the dynamics of the portfolio regarding transition impact performance (See also Section 6.2).

- *In the PMMs the reporting requirements on transition impact should be more developed and regularly updated*. In the mean time OCE and the Banking Department have prepared amended templates for credit monitoring reports as part of the PMM system including transition impact objectives, and benchmarks with expected achievement dates. This will put more discipline into the reporting on progress in transition impact prior to credit meetings. It also improves the way transition impact is reported for operations not subject to a credit meeting and thus it will enable OCE to implement a systematic review of all operations (now 72 per cent) regardless of whether a credit meeting takes place or not.

The timely implementation of this recommendation is becoming even more relevant as the Banking teams have gained experience and therefore are taking TIMS reporting more seriously than two years ago. At the end of last year the teams realised that a good score on their operations *stock target* depends on an accurate reporting on implementation of transition impact potential. Some teams have internalised this stock target further by assigning related targets to each of their bankers for 2006.

b. New recommendation proposed:

In the aim to help complete the current process of a meaningful integration of TIMS reporting into the PMM, a new recommendation would be therefore for OCE and the Banking Department:

- *to eventually add a short term realised transition* rating to both PMM and TIMS that would more directly reflect the extent to which the performance benchmarks are met. This could further facilitate early warnings and corrective action. Starting from the beginning of this year, OCE undertakes a final TIMS review for all operations that are completed, prepaid, or cancelled where a rating is given for achieved transition impact. This system enhancement is a major step in the direction of the above mentioned recommendation.

[8] Where emails with OLs and minutes of key discussions are kept on a separate record.

2.3 COMPARISON OF TIMS OUTCOMES WITH EVD EVALUATIONS

2.3.1 Introduction

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, while EvD evaluations are typically made after project completion. Both EvD and TIMS use a rating structure that summarises the performance of a project at a particular time. Both approaches have enough in common to allow a comparison of their respective aggregated outcomes, as they rely upon the same fundamental rating categories established in 1999[9]. The comparison places TIMS outcomes in a broader framework of the evaluation cycle that goes beyond project implementation. It leads to conclusions on the dynamics of project performance from implementation to completion and longer term transition impact.

In this section EvD briefly reviews the similarity in the two rating methodologies, 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, and derives conclusions on current TIMS rating properties.

2.3.2 Commonality and variants in the rating systems

Since April 1999, 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. Some methodological issues need further explanations:

- EvD focuses on *ex post* performance and works with three categories of ratings separating (a) short term *realised* transition from (b) (longer-term) transition *potential* and (c) *risk* attached to this remaining potential, as components entering into an overall transition impact rating. OCE monitors ongoing implementation and uses only the latter two categories: transition *potential* and *risk*. Any change in short term observed performance in TIMS is registered mostly within changes of original risk: the higher the short term performance, the lower the risk to the overall potential[10].
- For the purpose of transition impact presented in the Bank's strategic Portfolio Reviews, OCE has developed a 1 to 8 rating system that combines *risk* with transition impact *potential*[11].

On that part of the Bank's portfolio which includes both *ex ante* and *ex post* ratings, it appears appropriate comparing the TIMS *expected* transition impact with the EvD *overall* transition impact, as they both reflect the performance realised transition, in addition to remaining potential. The TIMS assessment of "*expected* transition" is rated according to the 1 to 8 ordinal scale defined in the portfolio analysis of the budget for 2005[12]. The EvD ex post *overall* transition ratings refer to the 1 to 6 OCE/EvD scale of 1999.

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[9] The methodology was developed in 1999 following the adoption of "Moving Transition Forward" (BDS99-24(Rev1)).

[10] In very few cases the level of the overall potential is modified as well.

[11] The OCE combinations transition impact potential/ 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.
The scale maintained by EvD that includes short term realised, long term remaining potential and risk attached to remaining potential : **1** excellent, **2** good, **3** satisfactory, **4** marginal, **5** unsatisfactory, **6** negative.

[12] See Budget document BDS04-148

2.3.3 The characteristic of the common sample

The TIMS latest ratings[13] from the OCE/TIMS portfolio database and the ex post ratings from the EVD evaluation databases have 90 projects in common[14]. The sample is still relatively small as it only represents 16 per cent of the 549 projects rated *ex ante* by OCE in 2000-2005[15]. In addition, as shown in table 2.1 below, the sample of 90 is not fully representative of the population of all projects evaluated by EvD during the period 2001-2005[16] as they have virtually no Unsatisfactory or Negative projects and a high proportion of projects rated Excellent or Good. One interpretation is that the relatively short period between approval and evaluation has cut out most of the operations which are very slow disbursing, or end up in Corporate Recovery, or for which EvD has postponed its evaluation at the request of the Banking team because the project is being restructured. Hence most of the potentially unsatisfactory projects are excluded from the sample. In addition this EvD sample is somewhat low on Infrastructure projects that may take a long time to mature. Therefore, the findings could still change substantially over the coming years when the sample size increases.

Table 2.1: Distribution of overall transition impact ratings in the 90 project sample compared with larger EvD project groups.

	Excellent	Good	Satisfactory	Marginal	Unsatisfactory	Negative
All projects evaluated 1996-2005	8%	46%	23%	14%	7%	3%
All projects evaluated 2001-2005	6%	51%	22%	14%	6%	2%
Projects in the sample of 90 with an *ex ante* and *ex post* rating	10%	60%	14%	14%	1%	0%

Source: EvD database

2.3.4 The results of the comparison

When compared with the most recent TIMS ratings of the 90 sampled projects, the results from the EvD evaluation show further improvement in transition impact. The highest proportion of TIMS ratings (33 per cent) is in the rank 5 which extends from the *Good /high* to *Satisfactory/medium,* while the highest score in EvD's categories (60 per cent) is in the rank 2 and covers the *Good* range only (Charts 2.1 and 2.2).

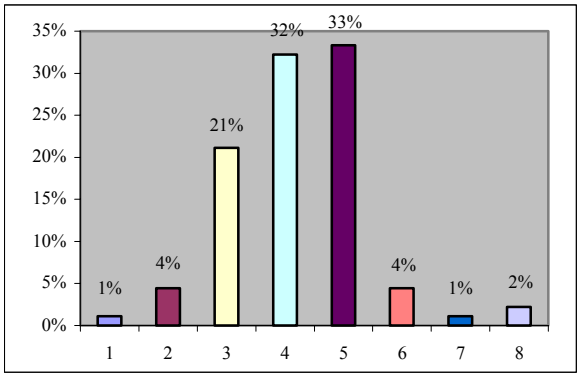
[13] As of 31 december 2005, which is same cut off date as EvD evaluations

[14] While EvD evaluated the performance of 299 projects since February 2000, OCE has rated and monitored 396 new projects. The projects reviewed ex post by EvD, however, are not automatically those that were approved by the Board. To make the comparison meaningful, one must take the sub sample of projects that carry *both* ex ante and ex post ratings.

[15] The 2005 year end total number of signed operations is taken from the EBRD Data Warehouse.

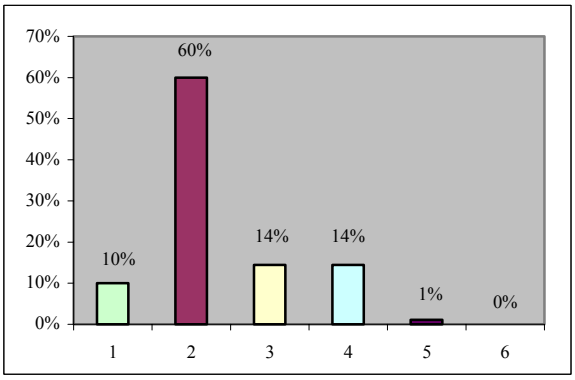
[16] The 90 projects in the sample were approved in 2000-2005 and evaluated in 2001-2005.

Chart 2.1: Latest TIMS updated expected transition impact ranking of 90 projects assessed and evaluated in 2000 to 2005



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 90 projects assessed and evaluated in 2000 to 2005



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) the results appear even more contrasted with 59 per cent of TIMS project ratings in the positive range 1 to 4 (from *Excellent/negligible* to *Satisfactory /low*) compared with 84 per cent of EvD ratings in the 1 to 3 range (*Excellent to Satisfactory*). However, category 5 in TIMS, which is the tranche immediately below the Bank's threshold of 4, remains fairly large with 33 per cent (see Chart 2.3). A number of projects entering in this category, originally or during monitoring, could very well move above the threshold of 4 towards the end of the life of the project, as they are already close to it. Therefore the differences between TIMS and OCE results might not be as high as they appear in the first instance.

Chart 2.3: Latest TIMS updated expected transition impact ranking of 90 projects assessed and evaluated in 2000 to 2005

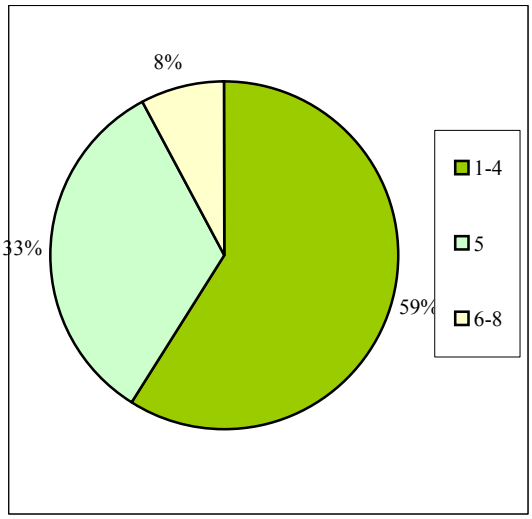
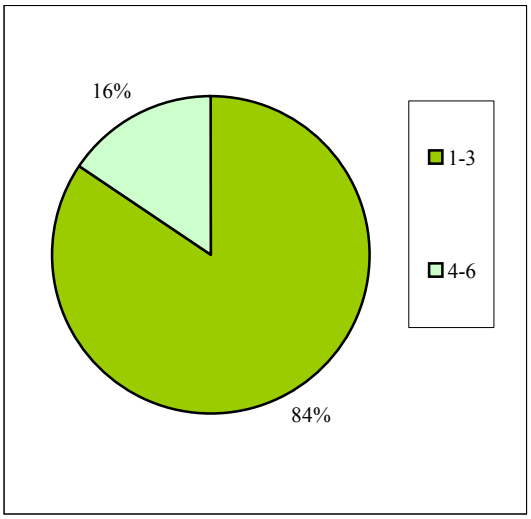


Chart 2.4: EvD Overall transition impact rating of 90 projects assessed and evaluated in 2000 to 2005



This improvement of transition performance from TIMS monitoring to EvD evaluations can be explained by the current characteristics of the EvD sample mentioned above, and the fact that EvD looks to *all* transition objectives/indicators *ex post* rather than a few key ones at

project preparation as applied by the Banking Department and OCE. In addition, the regular upgrade in the ratings over time already noted in TIMS Portfolio Reviews could be further reflected in the EvD *ex post* evaluation, as generally the realised transition impact tends to grow over time[17].

2.3.5 Importance of spotting transition impact problems early on

A closer analysis of the cohort of the EvD lower rated projects classified 4-6 and the corresponding TIMS projects classified 5 to 8, indicates that among the 14 projects considered *ex post* as Marginal or Unsatisfactory by EvD, 9 of them were already ranked 5 at Board approval (below the Bank's threshold of 4) and, among them 5 were downgraded during the TIMS monitoring period[18] (see Appendix 7.3). For this particular subset of the sample of the 90 projects, TIMS already foresaw the high risk attached to transition impact, and warned a worsening of the situation through downgrading in a number of cases.

Conclusion: The above finding leads to the conclusion that it might be appropriate for the Banking Department and OCE, as part of their monitoring activities, to *install a system of more frequent reviews of potential problem projects regarding transition impact* in the same way the Risk Management Department has it for investments carrying a higher than usual credit risk.

[17] Regarding TIMS upgrade and downgrade ratings, see Institutional Performance Report: Fourth Quarter 2005 and the year ended 31 December 2005. 14 March 2006, BDS06-018 (Final), page 9.

[18] Inversely, an examination of the cohort of the EvD higher rated projects classified 1-3 and the corresponding TIMS projects classified 1 to 4 reveals that among the 76 projects considered *ex post* as *Excellent* to *Satisfactory*, 50 of them were already ranked 1 to 4 at Board approval, and among them 17 were upgraded during the TIMS review period.

3. EVALUATION OF TECHNICAL COOPERATION OPERATIONS

3.1 TC EVALUATION COVERAGE

3.1.1 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 for 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 process steps are documented in: (a) the Technical Cooperation Request package to the TC Review Committee for the appraisal stage, notably including the TC Project Profile and consultant terms of reference; (b) the Project Progress Reports during monitoring stages; and (c) the Project Completion Report (PCR) upon completion. Independent from the mandatory self-evaluation process for each TC operation, independent evaluations based on a sample of completed TC operations are carried out by EvD. Independent TC evaluation work falls broadly into two categories: (a) in-depth evaluations of individual or a group of TC operations in the form of an Operation Performance Evaluation Review (OPER) which involves a field visit and occasionally consultant input (from 2002 onwards, six TC OPERs per year); and (b) a desk-study-type PCR Assessment of 20 cases per year.[1]

3.1.2 TC evaluation coverage by EvD

Since 1993, when EvD started TC evaluation work, 58 OPERs and 21 special studies on sectors and themes have been carried out covering many TC operations. In addition, since 1998 a total of five PCR Reviews and Assessment synthesis exercises and three PCR Assessment synthesis studies have been completed.[2] Overall, these reports, though very different in scope and evaluation focus, have covered over 1,200 TC-funded consultant assignments, involving approximately EUR 310 million of funding from some 28 individual countries and 29 multilateral funds under the EBRD's TCFP.[3] 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 3.1) has increased from 18.9 per cent in 1998, when the PCR review and assessment work was introduced, to 21.5 per cent in 2005. If groups of TC commitments covered in special studies on sectors and themes are included, the coverage ratio rises to 49.9 per cent.

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1 During the PCR Assessment process EvD evaluates the project results and impact achievements (reliability and accuracy of report content) in greater depth. See Appendix 10 for an overview of the evaluation system of TC operations.

2 Starting from 2003, OCU has taken on the PCR review function, concentrating on reviewing report quality and fulfilment of objectives.

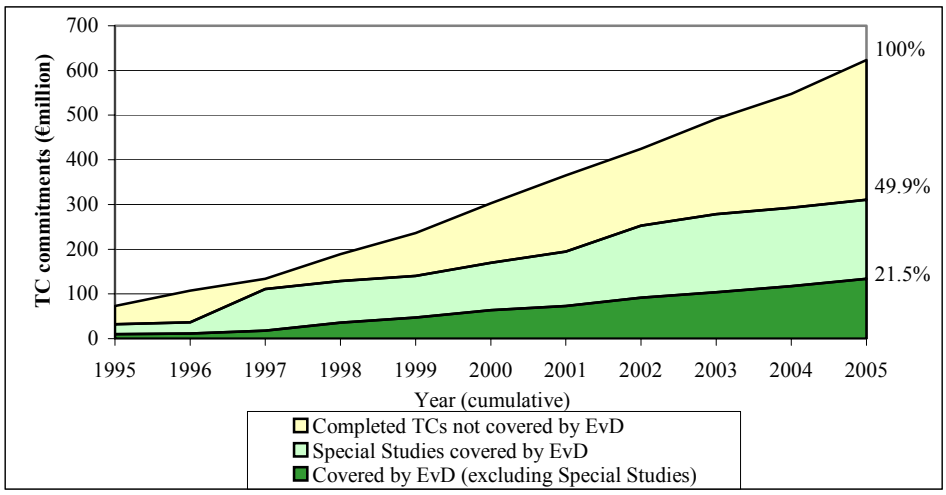
3 This represents about 31 per cent of total TCFP funding commitments or 27 per cent of cumulative TCFP funding mobilisation. As at 31 December 2005 the Bank was successful in mobilising EUR 1,167.7 million of TC funding of which EUR 1,013.7 million or 87 per cent was committed.

Table 3.1: Technical cooperation evaluation coverage status in 1991-2005 (EUR million)

	TC completion and PCR coverage	1991-1996	1991-1997	1991-1998	1991-1999	1991-2000	1991-2001	1991-2002	1991-2003	1991-2004	1991-2005
a.	PCRs completed	107.5	134.0	188.8	236.5	302.8	364.8	424.4	491.8	547.4	623.1
b.	TC operations evaluated through OPER reports	11.8	17.8	29.3	32.1	36.6	41.1	49.2	56.5	63.4	74.5
c.	PCR assessments by EvD	-	-	3.4	8.7	13.9	18.9	26.1	31.1	34.5	40.1
d.	PCR reviews by EvD	-	-	3.1	6.3	13.0	13.0	19.3	19.3	19.3	19.3
e.	Total TC operations (**b+c+d**)	11.8	17.8	35.7	47.1	63.5	73.0	94.6	107.0	117.2	133.8
f.	Evaluation coverage (**b+c+d**)/**a** (%)	11.0%	13.3%	18.9%	19.9%	21.0%	20.0%	22.3%	21.8%	21.4%	21.5%
g.	TC operations related to Evaluation Special Studies	24.7	93.3	93.3	93.3	106.6	122.3	160.0	174.2	174.9	176.9
h.	Total TC operations evaluated (**b+c+d+g**)	36.5	111.1	129.1	140.4	170.1	195.3	254.7	281.3	292.1	310.8
i.	Evaluation coverage (**b+c+d+g**)/**a** (%)	33.9%	82.9%	68.4%	59.4%	56.2%	53.5%	60.0%	57.2%	53.4%	49.9%

Chart 3.1 below presents the information from Table 3.1 in graphic form. It shows clearly the trends of TC evaluation over the past ten years. It should be noted that through the evaluation of investment operations which have an important TC component (e.g. project preparation, implementation, etc.), EvD provides further important assessments to TC donors. In fact the evaluation results of these projects reflect indirectly on the outcome of the respective TC operations.

Chart 3.1: Evaluation coverage of technical cooperation commitments for 1995-2005 (EUR million)



When selecting TC operations for evaluation, EvD also takes into account TCFP funding sources, sector distribution of evaluation work in general and 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.

3.2 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 mainly because of two reasons. Firstly, given their mainly 'facilitating' role as noted earlier, TC results (different from outcomes that are assessable upon TC completion) and impacts

often 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 EUR 200,000), *lessons learned* relevance and potential, and *other practical considerations* (e.g. country, sector, banking unit spread; more recent TC operations where direct beneficiary counterparts are assumed to be still with the TC recipient, etc.). EvD's TC evaluation experience, nevertheless leads to the conclusion that the Bank has improved the preparation of TC operations. In recent years, the Bank has been paying greater attention to the preparation and use of TC donor funds. This can be attributed in part to the TC Review Committee, which reviews and approves all acceptable TC funding requests. In the Committee, which is chaired by the Vice President of Risk Management, all relevant Departments participate. The good collaboration between the TC Review Committee and the Operations Committee also improves the efficient use of donor funds for TC. Also the continued positive contribution of the Official Co-financing Unit (OCU) to the quality of TC operations in general should be mentioned. This has been possible through the strengthening of the monitoring and self-evaluation capacity of OCU. In addition, the assistance provided by the Consultancy Services Unit (CSU) in terms of reviewing the terms of reference and helping with consultant selection in relation to the TC operations helps securing a good quality at entry.

3.3 TC-RELATED EVALUATION WORK IN 2005

The TC operations that were evaluated in 2005 directly (through TC OPER exercises) and indirectly (through evaluation special studies) were funded by donor contributions from Japan, UK and EC Phare, while the Mongolia Cooperation Fund is funded by Japan, Luxembourg, the Netherlands and Taipei China. These operations were approved between 2000 and 2004 and cover the following sectors: co-financing lines and regional venture funds; community/social services; construction; energy; extractive industries; finance; manufacturing; telecommunications; and transport and storage. By TC type, they involved advisory services, project implementation, project preparation and training. They were linked to investment operations representing EUR 134.9 million.

3.3.1 TC OPER reports

Under its work programme for 2005, EvD carried out four in-depth TC OPER exercises and one TC Special Study. For the TC OPERs the following ratings were assigned:

- Bulgarian Transmission Network (Bulgaria): *Highly Successful*
- Sofia District Heating Rehabilitation (Bulgaria): *Successful*
- Rosneft/Sakalinmorneftegas (Russia): *Successful*
- Private Road Network Management Project (Poland): *Unsuccessful*

3.3.2 TC-related special studies

a. The Mongolian Cooperation Fund. The Special Study, the evaluation of the Mongolia Cooperation Fund (MCF), was an evaluation Mid-Term Review (MTR) of an on-going programme that, as such, did not receive an overall rating, since pre-mature. However, all its 11 TC operations funded under the MCF framework were individually assessed, either in the form of a Mini-OPER (where the respective TC was already completed) or in the form of an MTR-type assessment. The MCF evaluation concluded that "Overall, the TC operations funded by MCF can be considered as successful. The Evaluation Team rated five of the seven completed projects as successful, and three of the four projects still underway were heading for success."

b. DIF Programme. In addition, in 2005 EvD revisited the Direct Investment Facility (DIF) programme, previously the subject of a mid-term review in 2001. The evaluation covered 35 TC commitments totalling EUR 1.2 million approved since the previous review. Funding came from five bilateral donors, EC Phare and Tacis, four multilateral funds and EBRD's own Technical Cooperation Special Fund. The report was critical on the DIF Programme taken into account the results up to the end of 2005. However, in view of the mid-term character of the evaluation an overall rating was not applied, but recommendations made for the future operation of the programme. To allow the Programme sufficient time to develop, it was proposed to carry out a full evaluation by the end of 2008.

c. Special study on PCR Assessments. In addition, EvD conducted assessments of 20 Project Completion Reports submitted by bankers on the completion of TC assignments during the previous year. The TC operations assessed totalled EUR 5.6 million for projects in 11 countries of operation (plus one regional commitment). Funds came from 11 individual bilateral donors plus EC Phare, the EU-EBRD Investment Preparation Facility and the Central European Initiative. The commitments funded advisory services, project implementation, project preparation and sector work. Sectors covered included energy, finance, transport, local authority services and telecommunications. EvD is of the opinion that the Operation Leaders (OLs) responsible for the 20 Technical Cooperation (TC) operations covered under the 2005 PCR Assessment exercise have done overall their self-evaluation work in a satisfactory way, although there is still room for improvement. EvD agrees with 60 per cent of the overall ratings of the sample of TC operations assigned during the self-evaluation process. As observed in PCR Assessment exercises of previous years, less successful TC operations had weaknesses in at least one of the following three key areas: 'Client Commitment', 'Bank Handling', or 'Consultant Performance'. Another recurring problem was cancellation of public sector projects after substantial TC funds had been spent, due to a change of policy at municipal or state level.

3.4 REVISITING SOME KEY TC-RELATED ISSUES FROM PREVIOUS AEORS

Issues and "Lessons Learned" emanating from the body of 2005 TC evaluation work are presented in Appendix 4.2. Revisiting some of TC-related key observations of previous AEORs the following picture emerges:

- **The state of TC files continues to require urgent management attention.** Also TC evaluations during 2005 were hampered by often incomplete and fragmented operation files (including, files stored or archived at different locations at HQ, RO and external archive and also occasionally the demarcation of draft and final versions of documents is unclear). The 2004 newly introduced electronic filing system ("*ProjectLink*") was not extended to include TC files. However, EvD was informed that Management is now developing a system comparable to "*ProjectLink"*, called *"TCLink"*. This is the first step to effectively remedying the poor state of TC files.

- **Change of Operation Leadership continues to be an issue.** Changes of operation leadership are not infrequent and tend to jeopardise the continuity of the *modus operandi* of TC processes. Several TC evaluations of the past faced difficulties in gaining an adequate picture of a TC evolvement due to the loss of project/corporate memory in the wake of changes in operation leader (OL), and for similar reasons, some TC beneficiaries pointed to the somewhat disruptive nature of such changes. Due to the close relationship in the Bank's context between TC operations and investments, such changes normally

affect both operation types alike, but given most TC operations' relative short maturity and more intense OL-client relationship implications of change of OLs can be more pronounced.

While it is difficult to quantify on a corporate level the extent of such changes in the absence of related systematic records (the filled-in "Change-of-OL-Form" data, if entered into the IT system, appear not to sufficiently reflect the often informal changes), EvD's experience collected from a relative small sample suggests that OL changes occur more frequently than commonly known. For illustration, within the (admittedly) un-representative sample of four TC cases evaluated during 2005 (see Section 3.3.1 above) there were three cases where such changes took place (one case with 4 changes, one case with 3, and one case with only one such change). Evidently some of those changes are occasionally necessary for exogenous reasons (e.g. staff leaving the Bank) and thus beyond Management's control, but the majority of changes, however, is believed to occur for endogenous, mostly Bank business reasons (e.g. due to a change from an "active" phase during investment preparation to a more "passive" phase once the TC-associated investment enters a less eventful monitoring phase). In this respect it appears that Management needs to develop more awareness towards the potentially detrimental effects of staff re-allocations.

- **Addressing of Transition Impact potentials in TC operations has improved.** A recurrent concern raised in the past by EvD was the lack of adequate attention been given to TCs as 'carriers' of Transition Impact (TI) potential in their own rights. This was mainly due to the predominantly "facilitating" role that technical cooperation operations play in the Bank's operational context. Earlier, this had led to the TI potential of TC operations not being assessed systematically, if at all, ex-ante at TC preparatory stage, and TI monitoring being conducted only as part of the ordinary investment monitoring process for the investment-cum-TC package. In short, TI was not a mandatory design element of TC operations and part of the TC cycle management.

  This has improved somewhat, but there still exists considerable scope for improvement. For those TC operations that are considered by the TC Review Committee, the Office of the Chief Economist (OCE) furnishes a so-called "OCE Comments Memorandum", addressed to the TC Review Committee and the TC Operation Leader (OL). In it, the anticipated transition impact potential is assessed and rated as well as the risk attached to it. If an investment is associated with the TC, the Memorandum refers separately for these dimensions to the investment as well as to the TC.

  However, two important caveats can be made in this respect. First, EvD learned that even for those TC requests that are passing through to the TC Review Committee, only a part of these requests receive the above-described TI scrutiny. Second, quite a number (out of the annually about 250-300 or so) TC requests are classified during the pre-TC Review process as either so-called "fast-track" or "B"-listed and as such do not receive TI scrutiny. In conclusion, the ex-ante TI assessment record is patchy, and it is estimated that only about 30% of the TC operations receive independent TI consideration. Adding to this, the filling in of the TC request form is the sole responsibility of the OL. Insufficient data entry regarding the TI aspect filters automatically through to the so-called Consultant Assignment Reporting system, in turn triggering TC Progress Reports and Project Completion Reports.

4. REVIEW OF FOLLOW-UP OF RECOMMENDATIONS FROM EVALUATION REPORTS

4.1 CURRENT PRACTICE REGARDING UPTAKE OF EVALUATION RECOMMENDATIONS

4.1.1 Current practice in the EBRD. Since evaluation activities began at the EBRD in 1993, evaluation reports on investment operations have focussed on lessons learned and, in some cases, key recommendations (or suggestions) for Management follow-up were presented. In evaluation special studies on themes and sectors, recommendations often formed the core of the report. The recommendations covered areas such as transition impact and sound banking, as well as sector issues and specific themes of interest to the Bank, including TC-related issues. The aim of the recommendations has always been to help Management and the Board of Directors improve the Bank's operations and programmes and to help fulfil the Bank's mandate. Each year, the AEOR presented selected key recommendations from evaluation reports prepared under the previous year Work Programme and Management responded giving its opinion on the recommendations, either in detail or in a more general fashion.

Since the Evaluation Department became fully independent from Management in June 2005, Management can choose to provide formal Management's Comments (MCs) to evaluation reports. The MCs explain whether there is general agreement with EvD's findings and recommendations. With a system of MCs operational of close to one year EvD has experienced that in cases where Management agrees with the findings and recommendations of an evaluation report and chooses not to provide comments, it does not inform the Board how it wants to implement the recommendations and in what time frame. Even if Management disagrees with certain findings and recommendations of an evaluation report and provides extensive MCs, the Comments often do not highlight how and when Management intends to implement the recommendations it agrees to.

The AEOR for 2001 presented an overview of follow-up of recommendations by Management and since that year, each AEOR listed the key recommendations from evaluation reports over the previous period in the main text. In this AEOR key recommendations from evaluation reports are presented in Appendix 4.3. In the meantime, the good practice standards at the MDBs have evolved and the Bank should consider improving its approach to review and uptake of evaluation recommendations.

4.1.2 Practice in other multilateral development banks (MDBs). In 2005, the MDBs set up a common performance assessment system (COMPAS) to provide a common source of information on how the MDBs are contributing to development and transition results and how they may improve their contribution over time. COMPAS pools key data to create a systemic framework for reporting consistent, comparable performance information. Regarding *evaluation recommendations*, COMPAS applies a results indicator called "Management Adoption of Learning and Incentives" with a sub-category *"Management uptake of Evaluation Recommendations as reported to the Executive Boards"*. Some MDBs report results for this category in their annual evaluation overview report or in periodic reports by Managements to their Board.

4.2 SOME EXPERIENCES REGARDING UPTAKE OF SELECTED EVALUATION RECOMMENDATIONS BY MANAGEMENT

To put the issues of *evaluation recommendations* in the proper context it is important to give the Board of Directors an impression about the uptake of selected recommendations presented in AEORs since 2001. This section reviews some of these recommendations in particular those where an important follow-up by Management was done and highlights some areas where EvD believes that further dialogue within the Bank could lead to improvements.

- Over the years EvD has presented recommendations about **investments in equity funds**. The importance of experienced fund managers was highlighted as was the need for adequate exit opportunities especially in smaller countries of operations with limited stock markets. The 2005 evaluation of the Bank's Regional Venture Funds (RVFs) in Russia concludes that many of the recommendations from earlier evaluation reports have been taken into account and the overall outcome of the RVF programme is positive.

- The Bank's **Trade Facilitation Programme** was evaluated by EvD in 2002 and the transition impact of the programme was judged positively. However, it was recommended that the Bank should set out operational and transition impact objectives and benchmarks, with specific measurable performance milestones. The Programme should favour multiplicity of smaller transaction over size and the guarantee facility over loan facility. These issues should be taken into account when further developing this Programme.

- The evaluation of the **turnaround management (TAM) programme** in 2003 is an example of a programme evaluation where Management took on many of EvD's recommendations and the TAM Programme is now much better integrated into the Bank and fulfils a role of increased importance, together with the BAS (business advisory service) Programme, in furthering transition impact in the early transition countries.

- Over the past years EvD has also prepared several evaluation special studies of the Bank's activities in the **micro, small and medium enterprise sector** and some of the recommendations have been adequately followed-up. For instance in respect of investments in micro-finance banks the Bank agreed with the other shareholders an exit path for the EBRD from the equity of the micro-finance banks while continuing as a lender to these banks. Other recommendations have not yet been acted upon, such as adoption of standard definitions of micro and small lending operations, devising indicators for the measurement of transition and social impacts in respect of microfinance activities and introducing enhanced monitoring procedures for microfinance bank investments.

- **Strategic, operational and transition objectives.** As the Bank is a multilateral development bank, it is essential that there is clarity on the strategic and operational objectives of each operation, and its transition goals, so that the rationale from the side of the sponsor and the side of the Bank to promote and finance the project is fully known. For carrying out an evaluation it is important to know about expected market development and to ascertain that projections are supported by an adequate investment plan. It is important to know what the Bank is supposed to finance relative to other financing partners and to make sure that the elements of the investment plan contribute to reaching the project targets. A lot has improved in respect of formulating transition objectives since the creation of TIMS in 2003. However, some operation reports could better describe the strategic and operational objectives of the operation as in those cases EvD

needs to make assumptions about objectives on the basis of the operation report. In future the Bank should (a) further clarify its transition objectives by separating them more systematically under the standard transition impact categories used in the Bank, and fully explaining what achievements the project intends to promote in these categories; and (b) describe in operational terms the means by which the project will achieve these objectives, preferably with a time path and associated benchmarks that can be effectively monitored in addition to commercial aspects of the project.

- In respect of the Bank's **energy operations** EvD has recommended management to move from a "compliance based" approach to an "adding value based" approach towards environmental performance. In addition it was suggested that, with respect to combined absolute and relative changes in emission, the Bank should consider establishing a target of becoming carbon neutral over the next five years[1]. An area that needs further discussion is the "fence line" that the Bank applies in developing its natural resources projects. The Bank in its future operations should less "ring fence" projects, rather it should recognise broader environmental vulnerability issues related to associated facilities. These recommendations are given due consideration by Management and the Board of Directors in the formulation of the new Energy Operations Policy.

- **Environmental monitoring** was addressed in the AEOR for 2003 where EvD had suggested that for large projects with important environmental tasks, the Bank should consider locating the environmental monitoring in the field, either by hiring locally, or by extending the contract of the environmental audit consultants over the life of the project to monitor fulfilment of EAP objectives. This recommendation is adequately addressed in projects such as BTC. The Bank, in recognising the importance of enhanced monitoring has provided additional resources to the Environmental Department under the 2006 budget. In addition, it was recommended in the extractive industry study in 2004 that Management should identify such key indicators to measure the environmental performance during the life of a project so that the Bank's impact (environmental change) can be measured. EvD experiences that, except on large projects, the lack of baseline data in many projects makes it difficult to do proper monitoring and evaluation.

4.3 ENHANCED SYSTEM TO REPORT ON UPTAKE BY MANAGEMENT IN RESPECT OF EVALUATION RECOMMENDATIONS

In view of the deliberations in sections 4.1 and 4.2 above, it is important that the Bank considers the issue of how evaluation recommendations from EvD reports are reviewed and followed up. The approach recommended below is designed to make better use of the possibilities available under the Bank's Evaluation Policy, and to better reflect the governance structure of the Bank where Management takes responsibility for using lessons and follows-up key recommendations from the evaluation process.

Recommendation: The following improvements of the existing system to follow-up evaluation recommendations and to report to the Board of Directors on the uptake of these recommendations are proposed:

- *Content of Management's Comments:* When Management prepares the Management's Comments on an evaluation report, in case Management rejects a recommendation it provides clear explanations in the MCs so that the Audit Committee when reviewing the evaluation report and the respective MCs can reflect on Management's opinion

[1] A first step could be to review whether the Bank's internal "footprint" can become carbon neutral.

concerning individual recommendations. Where recommendations are accepted by Management, EvD and those responsible within Management for follow-up should discuss in advance of Audit Committee review how Management intends to follow-up the recommendation and in which time frame.

- *Review in the Audit Committee:* During the discussion in the Audit Committee of the selected evaluation reports the Audit Committee has the opportunity to discuss the recommendations of the reports and the respective MCs and where appropriate it will present its opinion in the minutes of the Audit Committee. The content of the Minutes in respect of the evaluation recommendations will appear in the Annual report of the Audit Committee to the Board of Directors, following the Terms of Reference of this Committee. This allows the full Board to elaborate on certain evaluation recommendations at the time this report is presented to them.

- *Selection of evaluation reports for discussion in the Audit Committee:* In the selection of evaluation reports for discussion in the Audit Committee the Committee will take into account whether recommendations have been presented in evaluation reports. In principle all evaluation reports where MCs have been presented will be selected.

- *Reporting to the Board of Directors on the uptake of recommendations:* In the AEOR, EvD reports to the Board on the functioning of this system and highlights the actions that have been taken by Management in the uptake of evaluation recommendations. To allow EvD to prepare such reporting, in February each year, EvD request from Management a reaction on the status of the follow-up of evaluation recommendations, including those highlighted in the Audit Committee Minutes.

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

The enhanced system described above would help the Bank in reporting annually on its performance concerning uptake of evaluation recommendations as mentioned in the performance indicator "Management uptake of evaluation recommendations as reported to the Executive Boards of MDBs", under the MDB common performance assessment system COMPAS. (See Section 4.1)

5. AUDIT COMMITTEE'S REVIEW OF A SELECTION OF EVALUATION REPORTS

5.1 EVALUATION REPORTS DISCUSSED IN THE AUDIT COMMITTEE

In 2003 the Audit Committee decided to intensify its interaction with the Evaluation Department and started reviewing systematically evaluation reports on investment operations and evaluation special studies. This was in addition to reviewing evaluation reports such as the AEOR, the reports on the Work Programme and periodic reviews of the Evaluation Policy. It was felt that by discussing evaluation reports on Bank operations in the Audit Committee on a regular basis, more attention could be given to the follow-up of recommendations in these reports by management and it would also strengthen the *lessons learned uptake* on the side of the Board of Directors. Also the *accountability function* of evaluation could be enhanced and the systematic review would provide an important challenge for the Evaluation Department (EvD) to maintain a high quality for its evaluation reports. During 2005 the Audit Committee discussed EvD-prepared evaluation reports and reports on the evaluation function prepared by Management as presented in Table 5.1 below:

Table 5.1: Reports in respect of evaluation discussed in the Audit Committee during 2005

27 January 2005: Operation Performance Evaluation Reviews on: - Credit line operation in Central Asia - Power and energy project in Central Asia **7 February 2005:** Operation Performance Evaluation Review on: - Power plant rehabilitation project in Central Asia **8 February 2005:** Operation Performance Evaluation Review on: - Continuation of discussion on Credit line operation in Central Asia **10 March 2005:** Evaluation report on: - Evaluation report candidates for discussion in the Audit Committee in 2005 **6 April 2005:** Operation Performance Evaluation Review on: - Equity fund in Eastern Europe **15 April 2005:** Evaluation reports: - Project Selection for Evaluation in 2005 and Work Programme Accomplishments in 2004 - Harmonisation of Good Practice Standards in respect of Private Sector Evaluation **18 April 2005:** Report on the evaluation function prepared by Management: - The Project Evaluation Department at the EBRD **21 April 2005:** Operation Performance Evaluation Reviews on: - Continuation of discussion on Credit line operation in Central Asia - Commercial bank financing in Central Asia	**22 April 2005:** Report on the evaluation function prepared by Management: - Continuation of the discussion on ”The Project Evaluation Department at the EBRD” **11 May 2005:** Report on the evaluation function prepared by Management: - Continuation of the discussion on “The Evaluation Function at the EBRD” **13 May 2005:** Report on the evaluation function prepared by Management: - The Evaluation Function at the EBRD - Annexes **16 June 2005:** Operation Performance Evaluation Reviews on: - Water and Environmental service improvement project in Russia - Leasing operation in Central Europe **11 July 2005:** Evaluation report: - Annual Evaluation Overview Report for 2005 **19 September 2005:** Evaluation report: - EvD Work Programme Preliminary Report for 2006 Operation Performance Evaluation Review on: - Oil pipeline in Southern Europe **3 October 2005:** Operation Performance Evaluation Review on: - Equity fund for country reconstruction Evaluation special study: - Power Sector Review

5.2 REVIEW OF RECOMMENDATIONS AND LESSONS AS PRESENTED IN THE MINUTES OF MEETINGS OF THE AUDIT COMMITTEE IN 2005

Based on the recommendations and lessons in the above mentioned reports and taking into account the content of the discussion in the Audit Committee of theses reports, the Committee

highlighted some recommendations. In analysing the reactions from the Audit Committee, EvD has consulted, apart from the minutes of the Audit Committee meetings, the following two reports: Audit Committee Annual Report and Annual Review of Audit Committee Terms of Reference (CS/AU/05-2) of 4 March 2005 and Audit Committee Annual Report and Annual Review of Audit Committee Terms of Reference (CS/AU/05-21) of 19 July 2005. Some of the issues relevant for the evaluation function that were highlighted by the Audit Committee are the following:

- **Independence of the evaluation function.** The interim Review of the Audit Committee Terms of Reference reflected the emerging consensus that the Evaluation Department should become a fully independent unit reporting directly to the Board of Directors. This issue was fully addressed with the Board approval of the document "The evaluation function at the EBRD", BDS05-066. The necessary corresponding changes to the Terms of Reference of the Audit Committee were approved by the Board, together with the changes in other basic documents and policies (The evaluation function at the EBRD – Annexes, BDS BDS05-66 (Final) (Addendum 1) (Final)), in June 2005.

- **Use of lessons learned when reviewing existing policies and at approval of investment operations.** EvD and the Banking Department should coordinate evaluation and development of sector policies, in order to have the right sequence of first, evaluation with lessons learned, and then a new policy. The Audit Committee also concluded that project evaluation reports should, as far as possible, be used as an input to Board discussions on repeat projects, if an evaluation on the same company was already available On a separate occasion the Committee underlined that there should be better coordination between the Committee, EvD and Management, in order to anticipate cases when available, or forthcoming EvD reports where relevant to new projects, as sometimes Audit Committee discussions of EvD reports had to be arranged at a very short notice when such cases came up.

- **Audit Committee attendance of Management at EvD reports discussions.** The presence of Management at EvD Reports discussions in the Audit Committee had never been formally codified and it was necessary to clarify the issue given the importance of dialogue between management and the Evaluation Department, especially with the independent status of the latter. The Committee concluded that Management would be invited as a matter of principle to attend Evaluation report discussions, i.e. the Vice Presidents or business group directors are always invited, while in exceptional cases and subject to agreement with the Chair, Team Directors could also be invited.

- **Lessons to be used in the new Energy Policy of the Bank.** The Audit Committee noted that the lessons from the power plant rehabilitation project in Central Asia, particularly about the problems of involvement in the energy sector in difficult country environments, should be taken into account in the development of the new Energy Policy. It was noted that the Bank needed a broader sector approach including policy dialogue, technical cooperation and others.

- **Evaluation harmonisation among MDBs.** Reviewing the paper on Harmonisation of Good Practice Standards in respect of Private Sector Evaluation (CS/AU/05-10) the Committee concluded that there had been major progress in evaluation harmonisation. However, there were diminishing returns of further efforts in this respect and it was noted that full evaluation harmonisation among the multilateral development banks (MDBs) was perhaps not realistic. The Committee agreed that regular meetings and exchange of views between Heads of evaluation functions of the MDBs would still be positive.

6. VALIDATION BY EVD OF PERFORMANCE RATINGS ASSIGNED BY OPERATION STAFF DURING SELF-EVALUATION

6.1 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 requirements that are relevant for a self-evaluation document (i.e., relating to achievement of objectives, environmental performance, transition impact, lessons learned generated and overall assessment). The 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 (OT). To conform to the Good Practice Standards for Private Sector Evaluation (GPS) instigated by the Evaluation Cooperation Group[1], in its annual overview report each ECG member, including EvD, must present an analysis of the differences between the self evaluation ratings of the operation team and the independent evaluation ratings of EvD.

6.2 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 393 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, with only the overall performance formally and systematically rated. In addition there have been a small number of operations for which a full XMR was not provided[2]. Furthermore, Bank Handling was not introduced as an indicator until 1999 in XMR Assessments and 2002 in OPER evaluations.

For this analysis, it is necessary to have a clear rating assigned both in the XMR and in the OPER and the XMR Assessment reports. Evaluation reports dating back to 1996 have been 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 and these missing ratings could not be assigned retrospectively by EvD. Therefore the figures presented below clearly indicate the number of comparisons which were possible to make for each indicator, and these vary somewhat.

[1] The ECG is a working group in which the Heads of evaluation departments of the multilateral development banks (MDBs) collaborate.

[2] This might occur, for example, if the project was in corporate recovery and an XMR was not practical, 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.

Table 6.1: Differences in performance ratings between self-evaluation and independent evaluation

Indicator	Upgraded	Unchanged	Downgraded	Number of comparisons
Overall Performance	3%	66%	31%	382
Transition Impact	5%	53%	42%	379
Environmental Performance	6%	65%	29%	372
Extent of Environmental Change	9%	75%	16%	364
Additionality	9%	68%	23%	381
Company Financial Performance	6%	68%	26%	369
Project Financial Performance	3%	63%	34%	374
Fulfilment of Objectives	4%	60%	36%	373
Bank Handling	4%	55%	41%	375

Table 8.1 above and Chart 8.1 below show that while the majority of XMR ratings remained unchanged, (64 per cent overall) over 30 per cent were downgraded. The greatest number of downgrades was on Transition Impact (42 per cent) and Bank Handling (41 per cent). The Overall Performance rating was downgraded for 31 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 ratings, which also display the smallest number of downgrades. It is possible that this reflects a culture difference between the Banking Department and the Environment Department, which often has a major input into this section of the XMR and also has a role in screening projects at appraisal.

Chart 6.1: Graphic representation of the differences in performance ratings between self-evaluation and independent evaluation

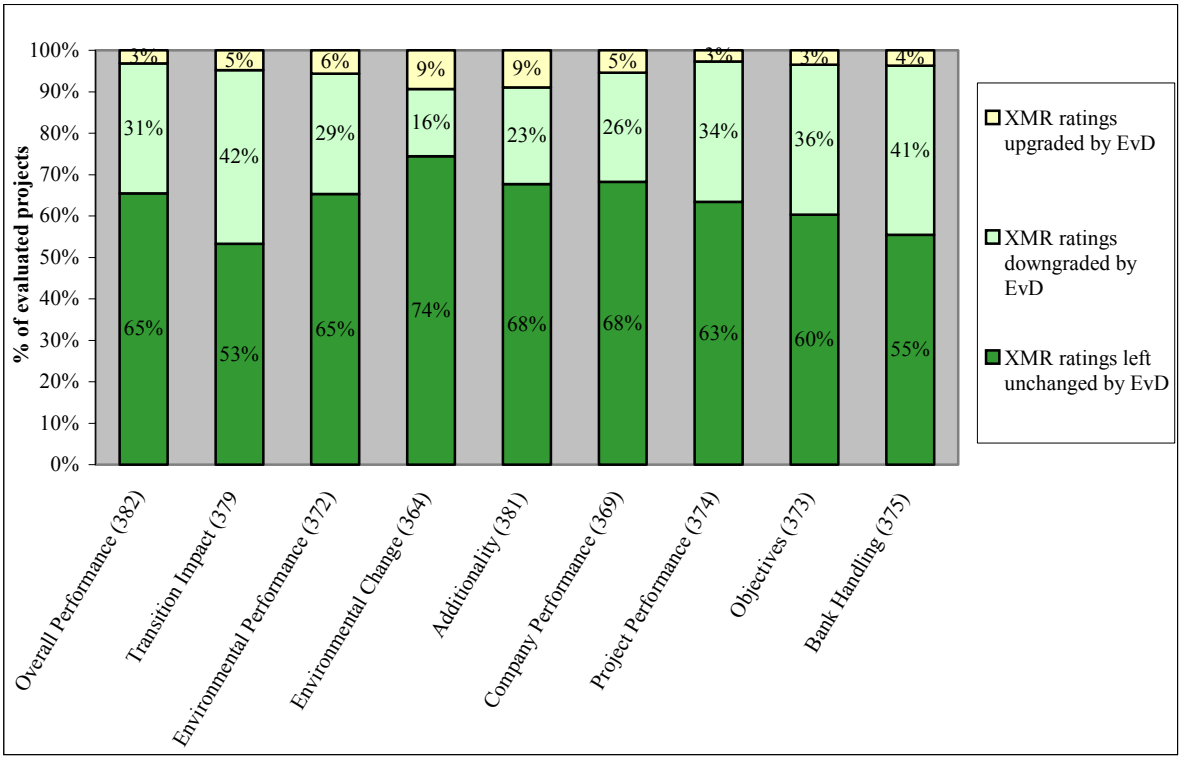


Table 6.2 below shows the maximum upgrade and downgrade for each rating category. The maximum downgrade for any category is never greater than the maximum upgrade. Not only are ratings more likely to be downgraded than upgraded, but they are likely to be downgraded further.

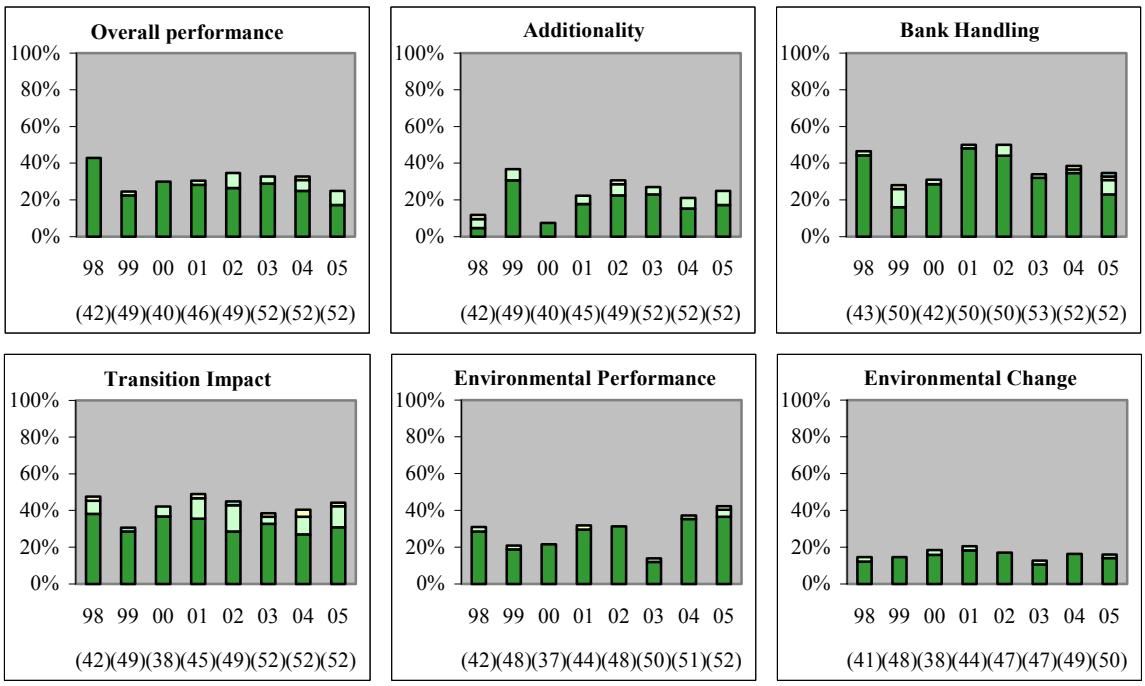
Table 8.6: Overview of maximum down grades and upgrades when comparing the differences between the self-evaluation and independent evaluation ratings

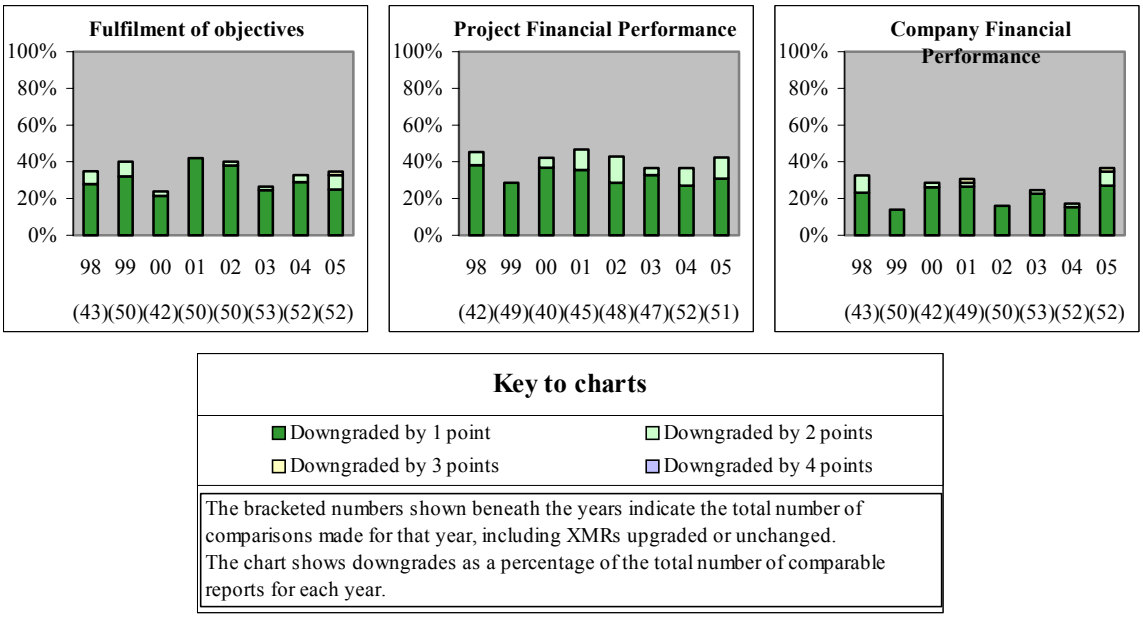
Indicator	Maximum upgrade (no. of rating points)	Maximum downgrade (no. of rating points)	Number of reports with maximum downgrade
Overall Performance	1	3	1
Transition Impact	3	4	2
Environmental Performance	2	3	2
Extent of Environmental Change	2	2	5
Additionality	3	3	2
Company Financial Performance	2	3	2
Project Financial Performance	2	2	13
Fulfilment of Objectives	2	3	1
Bank Handling	1	4	1

6.3 DEVELOPMENT OF THE OBSERVED DIFFERENCES OVER TIME

A study of the results over time does not show a pattern that the differences between XMR and evaluation ratings becoming smaller. The overall performance and a few individual indicators appear to show a growing disparity over time (see Charts 6.2-6.10 below) while the pattern for other indicators is less clear. 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. In particular EvD's activities in respect of XMR workshops can contribute to a positive development in this respect.

Graphs 6.2-6.10: Differences over time in evaluation performance ratings assigned by operation staff and independent evaluators

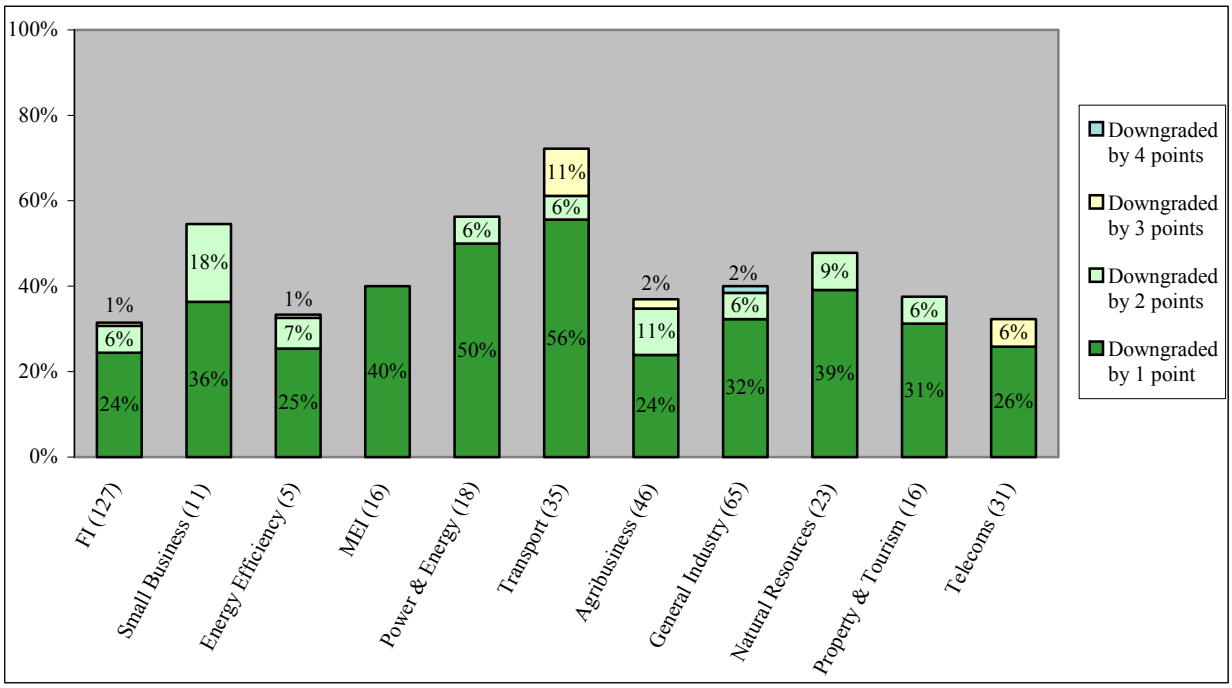




6.4 THE TRANSITION IMPACT RATING DIFFERENCE FUTHER ANALYSED

The indicator which was most frequently downgraded by EvD was Transition Impact, at 42 per cent. Further analysis of this rating shows a great deal of variation between sector teams. Chart 6.11 below shows that the teams whose ratings were most frequently downgraded by EvD were Transport (73 per cent), Power and Energy (56 per cent) and the Group for Small Business (54 per cent), while projects in the FI and Telecommunications sectors show differences in ratings of only 31 per cent and 32 per cent respectively.

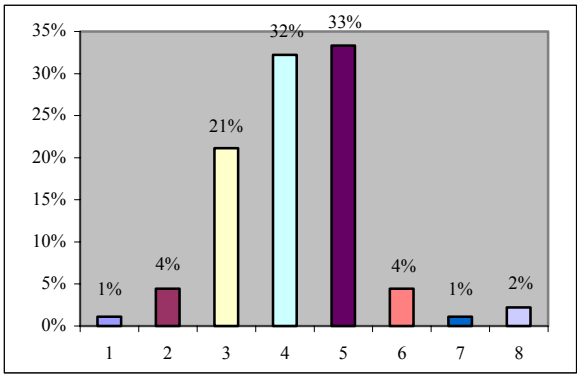
Graphs 6.11: Differences across sector teams in evaluation performance ratings assigned by operation staff and independent evaluators



An analysis of the transition impact rating begs a comparison with ratings given in TIMS. For this, the sample must be reduced to the 90 projects used in Chapter 2 Section 3 of this

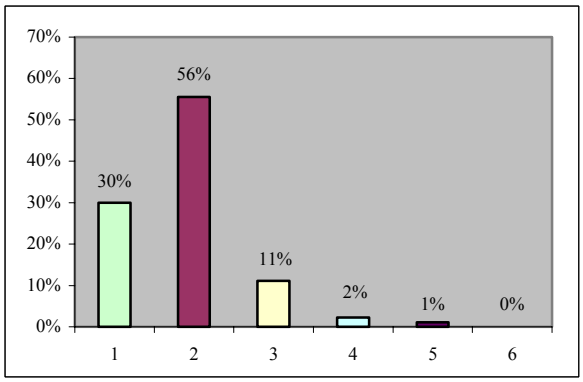
report; i.e. those projects which have been both monitored in TIMS and evaluated by EvD[3]. The comparison made in charts 2.1 and 2.2 in Chapter 2 can be extended to cover XMR ratings as well. Chart 6.12 below repeats chart 2.1, while chart 6.13 shows XMR ratings for the same 90 projects.

Chart 6.12: Latest TIMS updated expected transition impact rating of 90 projects assessed and evaluated in 2000 to 2005



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 6.13: SMR Overall transition impact rating of 90 projects assessed and evaluated in 2000 to 2005



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

It is clear from the charts that the XMRs (with ratings from bankers) rate transition impact much higher than TIMS (ratings from OCE), with 97 per cent of XMRs rating transition impact *Satisfactory* or above, while fewer than 60 per cent of these projects have received a TI ranking of 4 or above in the most recent TIMS report. In addition, XMRs include a large number (30 per cent) of projects rated *Excellent* for transition impact, which is much higher than in TIMS (5 per cent with TI ranking 1 or 2) or EvD (with 10 per cent of these 90 projects rated *Excellent* for transition impact).

6.5 MAJOR CONCLUSIONS

a. Overall, *XMR ratings were validated by independent evaluation in 64 per cent of cases*. Five per cent of XMR ratings were upgraded by evaluators and 31 per cent downgraded (30 per cent in 2004). Transition impact was the indicator most likely to be rated lower (42 per cent) by evaluators.

b. *The gap between XMR and evaluation ratings does not appear to be narrowing*; indeed, for some indicators it has clearly increased in recent years.

c. *The above developments indicate that EvD and Management should continue actively to train bankers through existing XMR training workshops.* These workshops should enhance communication with the operation teams during the preparation of the XMR. *Enhanced training for selected teams might improve scores in the future.* The main aim is to bring the standards applied by the bankers more closely in line with the standards applied by EvD.

[3] A direct comparison between the ratings in the XMR and in TIMS is not straightforward because of the different rating scales described in Section 2.3.2: self-evaluation documents, i.e. XMRs use the same 1-6 rating system as EvD, while TIMS uses a rating scale of 1-8.

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LIST OF APPENDICES

Basic data sheet: Operation performance ratings on the 23 OPERs prepared in 2005

Operation	Year of Board Approval	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2000	CZECH REPUBLIC	PRIVATE	L	Excellent	Excellent	Outstanding	Highly Successful
Project 2	2003	UKRAINE	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 3	2003	ROMANIA	PRIVATE	L	Good	Good	Some	Highly Successful
Project 4	2003	HUNGARY	PRIVATE	L	Good	Excellent	Outstanding	Successful
Project 5	1999	TURKMENISTAN	PRIVATE	L	Good	Good	Substantial	Successful
Project 6	1995	<REGIONAL>	PRIVATE	E	Good	Good	Substantial	Successful
Project 7	1994	RUSSIAN FEDERATION	PRIVATE	E/L	Good	Good	Some	Successful
Project 8	2000	POLAND	STATE	L	Good	Good	Some	Successful
Project 9	2003	SERBIA AND MONTENEGRO	PRIVATE	L	Good	Marginal	Some	Successful
Project 10	1997	KAZAKHSTAN	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 11	2002	CROATIA	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 12	2000	CZECH REPUBLIC	PRIVATE	E/L	Good	Satisfactory	None/Negative	Successful
Project 13	1999	AZERBAIJAN	STATE	L	Good	Satisfactory	Substantial	Successful
Project 14	1999	GEORGIA	PRIVATE	E/L	Good	Satisfactory	Some	Successful
Project 15	2003	LITHUANIA	STATE	L	Satisfactory	Good	Substantial	Successful
Project 16	1998	GEORGIA	STATE	L	Satisfactory	Marginal	Some	Successful
Project 17	2000	RUSSIAN FEDERATION	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 18	2001	UKRAINE	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 19	1997	MOLDOVA	PRIVATE	E/L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 20	2003	AZERBAIJAN	PRIVATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 21	2001	CROATIA	PRIVATE	L	Marginal	Good	Some	Unsuccessful
Project 22	2000	<REGIONAL>	PRIVATE	L	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 23	2002	KAZAKHSTAN	PRIVATE	E/L	Unsatisfactory	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/Substanital/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 2005

Operation	Year of Board Approval	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2001	BULGARIA	PRIVATE	E/L	Excellent	Excellent	Some	Highly Successful
Project 2	2002	ROMANIA	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 3	1997	RUSSIAN FEDERATION	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 4	2003	ROMANIA	PRIVATE	E	Good	Excellent	Outstanding	Highly Successful
Project 5	2002	RUSSIAN FEDERATION	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 6	1997	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	Some	Highly Successful
Project 7	2002	BOSNIA AND HERZEGOVINA	PRIVATE	E	Excellent	Satisfactory	Some	Successful
Project 8	2000	UZBEKISTAN	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 9	2002	RUSSIAN FEDERATION	PRIVATE	L	Good	Excellent	Some	Successful
Project 10	2003	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	Substantial	Successful
Project 11	2000	SERBIA AND MONTENEGRO	PRIVATE	E/L	Good	Good	Some	Successful
Project 12	2001	HUNGARY	PRIVATE	L	Good	Good	Some	Successful
Project 13	1999	FYR MACEDONIA	PRIVATE	L	Good	Good	Some	Successful
Project 14	2001	SLOVAK REPUBLIC	STATE	L	Good	Good	Some	Successful
Project 15	2002	UKRAINE	PRIVATE	L	Good	Good	Some	Successful
Project 16	2001	<REGIONAL>	PRIVATE	L	Good	Good	Some	Successful
Project 17	2001	RUSSIAN FEDERATION	STATE	L	Satisfactory	Good	Substantial	Successful
Project 18	2003	UKRAINE	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 19	2002	GEORGIA	PRIVATE	L	Good	Good	Some	Partly Successful
Project 20	1997	<REGIONAL>	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 21	1996	<REGIONAL>	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 22	1998	CROATIA	STATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 23	1999	POLAND	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 24	2002	<REGIONAL>	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 25	2002	POLAND	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 26	2002	RUSSIAN FEDERATION	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 27	2000	POLAND	STATE	L	Marginal	Good	Substantial	Partly Successful
Project 28	2002	RUSSIAN FEDERATION	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 29	2002	KAZAKHSTAN	PRIVATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 30	2002	POLAND	STATE	L	Marginal	Satisfactory	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/Substanital/Some/None/Negative

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

Basic data sheet: Operation performance ratings on the 204 OPERs prepared in 1993-2004[1]

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[2]	Transition Impact[3]	Environmental Performance of the Project and Sponsor[4]	Extent of Environmental Change[5]	Overall Rating[6]
Project 1	2001	2004	RUSSIAN FEDERATION	PRIVATE	E	Excellent	Excellent	Outstanding	Highly Successful
Project 2	1998	2000	CROATIA	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 3	1997	2000	KAZAKHSTAN	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 4	2000	2002	RUSSIAN FEDERATION	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 5	1999	2004	UKRAINE	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 6	1998	2000	CZECH REPUBLIC	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 7	2000	2004	POLAND	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 8	1993	1996	HUNGARY	PRIVATE	E	High	Excellent	Substantial	Highly Successful
Project 9	1995	1999	LITHUANIA	PRIVATE	L	High	Excellent	Some	Highly Successful
Project 10	1994	1996	POLAND	PRIVATE	L	High	Satisfactory	Some	Highly Successful
Project 11	1992	1996	<REGIONAL>	PRIVATE	E	High	Satisfactory	Some	Highly Successful
Project 12	1993	1997	SLOVENIA	PRIVATE	E/L	High	Satisfactory	Some	Highly Successful
Project 13	1991	1997	HUNGARY	PRIVATE	E/L	High	Satisfactory	Some	Highly Successful
Project 14	1994	1999	RUSSIAN FEDERATION	PRIVATE	E/L	High	Satisfactory	None	Highly Successful
Project 15	1991	1993	CZECH REPUBLIC	PRIVATE	E	High			Highly Successful
Project 16	1993	1994	POLAND	PRIVATE	E	High			Highly Successful
Project 17	1993	1994	ROMANIA	PRIVATE	L	High			Highly Successful
Project 18	1993	1995	ROMANIA	PRIVATE	E	High			Highly Successful
Project 19	1993	2000	SLOVENIA	STATE	L	Good	Excellent	Some	Highly Successful
Project 20	1992	1996	ROMANIA	PRIVATE	L	Medium	Satisfactory	Substantial	Highly Successful
Project 21	1994	1996	RUSSIAN FEDERATION	PRIVATE	L	Medium	Satisfactory	Some	Highly Successful
Project 22	1995	1997	CROATIA	PRIVATE	E/L	Medium	Satisfactory	Some	Highly Successful
Project 23	1997	2000	RUSSIAN FEDERATION	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 24	1995	1998	UKRAINE	PRIVATE	L	High	Excellent	Substantial	Successful
Project 25	1997	1999	ESTONIA	PRIVATE	L	High	Excellent	Some	Successful
Project 26	1992	1997	LATVIA	STATE	L	High	Satisfactory	Substantial	Successful
Project 27	1994	1998	ROMANIA	STATE	L	High	Satisfactory	Substantial	Successful
Project 28	1995	1998	HUNGARY	PRIVATE	L	High	Satisfactory	Substantial	Successful
Project 29	1992	1996	UKRAINE	PRIVATE	E	High	Satisfactory	Some	Successful
Project 30	1994	1997	SLOVENIA	PRIVATE	E/L	High	Satisfactory	Some	Successful
Project 31	1993	1998	ROMANIA	STATE	L	High	Satisfactory	Some	Successful
Project 32	1995	1998	HUNGARY	PRIVATE	E	High	Satisfactory	Some	Successful
Project 33	1997	1999	BOSNIA AND HERZEGOVINA	PRIVATE	L	High	Satisfactory	Some	Successful
Project 34	1995	2001	RUSSIAN FEDERATION	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 35	1995	2002	UKRAINE	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 36	1996	2002	LATVIA	STATE	L	Good	Excellent	Substantial	Successful
Project 37	1999	2002	UKRAINE	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 38	2002	2004	RUSSIAN FEDERATION	PRIVATE	L	Good	Excellent	Some	Successful
Project 39	2001	2004	RUSSIAN FEDERATION	PRIVATE	L	Good	Excellent	Some	Successful
Project 40	1997	2002	CZECH REPUBLIC	PRIVATE	E	Good	Excellent	None	Successful
Project 41	1996	2000	RUSSIAN FEDERATION	PRIVATE	E/L	Good	Good	Substantial	Successful

Basic data sheet: Operation performance ratings on the 204 OPERs prepared in 1993-2004[1]

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[2]	Transition Impact[3]	Environmental Performance of the Project and Sponsor[4]	Extent of Environmental Change[5]	Overall Rating[6]
Project 42	1996	2000	<REGIONAL>	PRIVATE	E	Good	Good	Substantial	Successful
Project 43	1998	2001	SLOVAK REPUBLIC	PRIVATE	L	Good	Good	Substantial	Successful
Project 44	1999	2002	CROATIA	STATE	L	Good	Good	Substantial	Successful
Project 45	2001	2003	UKRAINE	PRIVATE	L	Good	Good	Substantial	Successful
Project 46	2002	2004	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	Substantial	Successful
Project 47	1996	2004	<REGIONAL>	PRIVATE	E/L	Good	Good	Substantial	Successful
Project 48	2000	2004	ESTONIA	PRIVATE	L	Good	Good	Substantial	Successful
Project 49	2000	2004	AZERBAIJAN	PRIVATE	E/L	Good	Good	Substantial	Successful
Project 50	1997	2000	RUSSIAN FEDERATION	PRIVATE	E	Good	Good	Some	Successful
Project 51	1997	2000	BULGARIA	PRIVATE	E/L	Good	Good	Some	Successful
Project 52	1998	2001	KAZAKHSTAN	PRIVATE	L	Good	Good	Some	Successful
Project 53	1998	2001	AZERBAIJAN	PRIVATE	L	Good	Good	Some	Successful
Project 54	1996	2001	FYR MACEDONIA	PRIVATE	E/L	Good	Good	Some	Successful
Project 55	1997	2001	ESTONIA	STATE	L	Good	Good	Some	Successful
Project 56	1998	2001	POLAND	PRIVATE	E	Good	Good	Some	Successful
Project 57	1999	2002	<REGIONAL>	PRIVATE	L	Good	Good	Some	Successful
Project 58	2000	2003	BULGARIA	PRIVATE	L	Good	Good	Some	Successful
Project 59	1997	2003	KYRGYZ REPUBLIC	PRIVATE	L	Good	Good	Some	Successful
Project 60	1997	2003	ROMANIA	PRIVATE	L	Good	Good	Some	Successful
Project 61	1999	2004	CROATIA	PRIVATE	L	Good	Good	Some	Successful
Project 62	1996	2004	RUSSIAN FEDERATION	STATE	L	Good	Good	Some	Successful
Project 63	1999	2004	BULGARIA	PRIVATE	E/L	Good	Good	None	Successful
Project 64	1994	2001	<REGIONAL>	PRIVATE	E	Good	Good	None	Successful
Project 65	1997	2000	ROMANIA	PRIVATE	L	Good	Good	None	Successful
Project 66	1999	2002	<REGIONAL>	PRIVATE	E	Good	Good	None	Successful
Project 67	2001	2002	POLAND	PRIVATE	L	Good	Good	None	Successful
Project 68	2002	2004	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	None	Successful
Project 69	1997	2003	RUSSIAN FEDERATION	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 70	2001	2003	ROMANIA	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 71	2000	2003	SLOVAK REPUBLIC	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 72	1997	2004	UKRAINE	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 73	1995	2002	RUSSIAN FEDERATION	PRIVATE	E	Good	Marginal	Some	Successful
Project 74	1994	1999	BELARUS	STATE	L	Medium	Excellent	Some	Successful
Project 75	1997	1999	BOSNIA AND HERZEGOVINA	PRIVATE	E	Medium	Excellent	None	Successful
Project 76	1992	1996	HUNGARY	STATE	L	Medium	Satisfactory	Substantial	Successful
Project 77	1994	1996	POLAND	PRIVATE	L	Medium	Satisfactory	Substantial	Successful
Project 78	1995	1998	KYRGYZ REPUBLIC	PRIVATE	E/L	Medium	Satisfactory	Substantial	Successful
Project 79	1995	1999	ESTONIA	STATE	L	Medium	Satisfactory	Substantial	Successful
Project 80	1996	1999	RUSSIAN FEDERATION	PRIVATE	L	Medium	Satisfactory	Substantial	Successful
Project 81	1994	1996	ESTONIA	PRIVATE	E/L	Medium	Satisfactory	Some	Successful
Project 82	1993	1997	UZBEKISTAN	PRIVATE	L	Medium	Satisfactory	Some	Successful

Basic data sheet: Operation performance ratings on the 204 OPERs prepared in 1993-2004[1]

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[2]	Transition Impact[3]	Environmental Performance of the Project and Sponsor[4]	Extent of Environmental Change[5]	Overall Rating[6]
Project 83	1994	1997	POLAND	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 84	1993	1998	SLOVENIA	STATE	L	Medium	Satisfactory	Some	Successful
Project 85	1994	1998	ROMANIA	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 86	1994	1999	ESTONIA	PRIVATE	E/L	Medium	Satisfactory	Some	Successful
Project 87	1993	1996	LATVIA	STATE	L	Medium	Satisfactory	None	Successful
Project 88	1991	1993	HUNGARY	PRIVATE	L	Medium			Successful
Project 89	1992	1994	HUNGARY	PRIVATE	L	Medium			Successful
Project 90	1992	1994	HUNGARY	PRIVATE	L	Medium			Successful
Project 91	1992	1994	HUNGARY	PRIVATE	L	Medium			Successful
Project 92	1992	1994	POLAND	PRIVATE	L	Medium			Successful
Project 93	1993	1995	POLAND	PRIVATE	L	Medium			Successful
Project 94	1993	1995	CZECH REPUBLIC	PRIVATE	E	Medium			Successful
Project 95	1992	1995	HUNGARY	PRIVATE	L	Medium			Successful
Project 96	1992	1995	CZECH REPUBLIC	PRIVATE	L	Medium			Successful
Project 97	1992	1995	SLOVAK REPUBLIC	PRIVATE	L	Medium			Successful
Project 98	1993	2001	SLOVAK REPUBLIC	PRIVATE	E/L	Satisfactory	Good	Outstanding	Successful
Project 99	1997	2001	UZBEKISTAN	STATE	L	Satisfactory	Good	Substantial	Successful
Project 100	2000	2003	RUSSIAN FEDERATION	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 101	2000	2004	UKRAINE	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 102	1997	2003	ESTONIA	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 103	1999	2004	KAZAKHSTAN	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 104	2002	2003	RUSSIAN FEDERATION	PRIVATE	L	Satisfactory	Satisfactory	None	Successful
Project 105	1999	2003	KAZAKHSTAN	PRIVATE	L	Satisfactory	Satisfactory	None	Successful
Project 106	1997	2004	RUSSIAN FEDERATION	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 107	1996	1999	SLOVAK REPUBLIC	PRIVATE	L	Low	Satisfactory	None	Successful
Project 108	1993	1994	ESTONIA	PRIVATE	L	Low			Successful
Project 109	1996	1998	RUSSIAN FEDERATION	PRIVATE	L	High	Excellent	Substantial	Partly Successful
Project 110	1995	1997	GEORGIA	STATE	L	High	Satisfactory	Some	Partly Successful
Project 111	1993	1995	RUSSIAN FEDERATION	PRIVATE	L	High			Partly Successful
Project 112	1992	2000	POLAND	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 113	1997	2001	GEORGIA	PRIVATE	E/L	Good	Good	Substantial	Partly Successful
Project 114	1997	2000	RUSSIAN FEDERATION	STATE	L	Good	Good	None	Partly Successful
Project 115	2000	2002	LITHUANIA	PRIVATE	E	Good	Good	None	Partly Successful
Project 116	1999	2004	FYR MACEDONIA	PRIVATE	L	Good	Satisfactory	Substantial	Partly Successful
Project 117	1999	2003	ALBANIA	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 118	2000	2003	GEORGIA	PRIVATE	E/L	Good	Satisfactory	Some	Partly Successful
Project 119	2001	2003	SERBIA AND MONTENEGRO	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 120	1999	2003	UKRAINE	PRIVATE	E/L	Good	Satisfactory	Some	Partly Successful
Project 121	2000	2002	RUSSIAN FEDERATION	PRIVATE	L	Good	Marginal	None	Partly Successful
Project 122	1996	2002	GEORGIA	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 123	1997	1999	POLAND	PRIVATE	L	Medium	Excellent	Substantial	Partly Successful

Basic data sheet: Operation performance ratings on the 204 OPERs prepared in 1993-2004[1]

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[2]	Transition Impact[3]	Environmental Performance of the Project and Sponsor[4]	Extent of Environmental Change[5]	Overall Rating[6]
Project 124	1993	1996	HUNGARY	STATE	L	Medium	Satisfactory	Some	Partly Successful
Project 125	1992	1996	POLAND	PRIVATE	E/L	Medium	Satisfactory	Substantial	Partly Successful
Project 126	1994	1999	AZERBAIJAN	STATE	L	Medium	Satisfactory	Substantial	Partly Successful
Project 127	1992	1998	RUSSIAN FEDERATION	PRIVATE	E/L	Medium	Satisfactory	Some	Partly Successful
Project 128	1996	1999	MOLDOVA	PRIVATE	L	Medium	Satisfactory	Some	Partly Successful
Project 129	1992	1998	BULGARIA	STATE	L	Medium	Poor	None	Partly Successful
Project 130	1992	1993	POLAND	PRIVATE	L	Medium			Partly Successful
Project 131	1991	1995	<REGIONAL>	PRIVATE	E	Medium			Partly Successful
Project 132	1992	1995	RUSSIAN FEDERATION	PRIVATE	L	Medium			Partly Successful
Project 133	1992	1995	HUNGARY	PRIVATE	L	Medium			Partly Successful
Project 134	1996	2001	LATVIA	PRIVATE	L	Satisfactory	Excellent	Some	Partly Successful
Project 135	1999	2003	GEORGIA	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 136	1995	2002	FYR MACEDONIA	PRIVATE	E/L	Satisfactory	Good	Some	Partly Successful
Project 137	1999	2002	CROATIA	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 138	1998	2002	RUSSIAN FEDERATION	PRIVATE	L	Satisfactory	Good	None	Partly Successful
Project 139	2000	2003	MOLDOVA	PRIVATE	E/L	Satisfactory	Satisfactory	Some	Partly Successful
Project 140	1998	2000	BULGARIA	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 141	1997	2003	HUNGARY	PRIVATE	E	Satisfactory	Marginal	None	Partly Successful
Project 142	1999	2004	<REGIONAL>	PRIVATE	E	Satisfactory	Marginal	None	Partly Successful
Project 143	1993	2002	RUSSIAN FEDERATION	PRIVATE	E/L	Satisfactory	NR	NR	Partly Successful
Project 144	1993	1998	POLAND	PRIVATE	L	Low	Excellent	Substantial	Partly Successful
Project 145	1994	1997	HUNGARY	PRIVATE	E/L	Low	Satisfactory	None	Partly Successful
Project 146	1993	1996	BULGARIA	PRIVATE	E	Low	Marginal	Some	Partly Successful
Project 147	1993	1997	RUSSIAN FEDERATION	STATE	L	Low	Marginal	Some	Partly Successful
Project 148	1995	1997	UKRAINE	PRIVATE	L	Low	Marginal	Some	Partly Successful
Project 149	1994	1997	BULGARIA	PRIVATE	E	Low	Poor	None	Partly Successful
Project 150	1992	1994	HUNGARY	PRIVATE	E	Low			Partly Successful
Project 151	1991	1995	RUSSIAN FEDERATION	PRIVATE	L	Low			Partly Successful
Project 152	2000	2002	RUSSIAN FEDERATION	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 153	2000	2003	FYR MACEDONIA	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 154	1995	2001	TURKMENISTAN	PRIVATE	E/L	Marginal	Good	Substantial	Partly Successful
Project 155	1996	2000	RUSSIAN FEDERATION	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 156	1999	2000	LITHUANIA	PRIVATE	E	Marginal	Good	Some	Partly Successful
Project 157	1995	2001	AZERBAIJAN	STATE	L	Marginal	Good	Some	Partly Successful
Project 158	1996	2002	KAZAKHSTAN	STATE	L	Marginal	Good	Some	Partly Successful
Project 159	1997	2003	UZBEKISTAN	STATE	L	Marginal	Good	Some	Partly Successful
Project 160	2001	2004	<REGIONAL>	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 161	1998	2003	HUNGARY	PRIVATE	L	Marginal	Satisfactory	None	Partly Successful
Project 162	1998	2001	SLOVENIA	PRIVATE	E/L	Marginal	Marginal	Some	Partly Successful
Project 163	1999	2002	HUNGARY	PRIVATE	E	Marginal	Marginal	None	Partly Successful
Project 164	1996	1999	RUSSIAN FEDERATION	PRIVATE	E/L	None	Marginal	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 204 OPERs prepared in 1993-2004[1]

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[2]	Transition Impact[3]	Environmental Performance of the Project and Sponsor[4]	Extent of Environmental Change[5]	Overall Rating[6]
Project 165	1994	1999	MOLDOVA	STATE	L	Medium	Satisfactory	None	Unsuccessful
Project 166	1995	2003	CZECH REPUBLIC	PRIVATE	L	Satisfactory	Marginal	Some	Unsuccessful
Project 167	1996	1999	POLAND	PRIVATE	E	Low	Excellent	Some	Unsuccessful
Project 168	1995	1999	LATVIA	PRIVATE	E/L	Low	Satisfactory	Some	Unsuccessful
Project 169	1993	1997	UZBEKISTAN	PRIVATE	L	Low	Marginal	Some	Unsuccessful
Project 170	1994	1996	CZECH REPUBLIC	PRIVATE	L	Low	Marginal	None	Unsuccessful
Project 171	1994	1998	RUSSIAN FEDERATION	PRIVATE	E	Low	Marginal	None	Unsuccessful
Project 172	1995	1998	RUSSIAN FEDERATION	PRIVATE	E	Low	Poor	None	Unsuccessful
Project 173	1992	1994	CZECH REPUBLIC	PRIVATE	E	Low			Unsuccessful
Project 174	1991	1994	POLAND	PRIVATE	L	Low			Unsuccessful
Project 175	1992	1995	RUSSIAN FEDERATION	PRIVATE	E	Low			Unsuccessful
Project 176	1994	2002	BULGARIA	PRIVATE	E	Marginal	Good	Some	Unsuccessful
Project 177	1998	2004	KAZAKHSTAN	PRIVATE	L	Marginal	Satisfactory	Outstanding	Unsuccessful
Project 178	1998	2004	SERBIA AND MONTENEGRO	PRIVATE	E	Marginal	Satisfactory	None	Unsuccessful
Project 179	1997	2001	RUSSIAN FEDERATION	PRIVATE	L	Marginal	Marginal	Substantial	Unsuccessful
Project 180	1997	1999	CZECH REPUBLIC	PRIVATE	E	None	Excellent	Some	Unsuccessful
Project 181	1995	1998	RUSSIAN FEDERATION	PRIVATE	L	None	Satisfactory	Some	Unsuccessful
Project 182	1993	1997	HUNGARY	PRIVATE	L	None	Satisfactory	None	Unsuccessful
Project 183	1992	1997	CZECH REPUBLIC	PRIVATE	L	None	Marginal	Some	Unsuccessful
Project 184	1996	1998	RUSSIAN FEDERATION	PRIVATE	L	None	Marginal	None	Unsuccessful
Project 185	1991	1993	POLAND	PRIVATE	L	None			Unsuccessful
Project 186	1991	1993	HUNGARY	PRIVATE	E	None			Unsuccessful
Project 187	1995	2000	MOLDOVA	STATE	L	Unsatisfactory	Good	Some	Unsuccessful
Project 188	1998	2001	CROATIA	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 189	1997	2001	POLAND	PRIVATE	E/L	Unsatisfactory	Good	Some	Unsuccessful
Project 190	1995	2002	UKRAINE	PRIVATE	L	Unsatisfactory	Good	None	Unsuccessful
Project 191	1997	2001	POLAND	PRIVATE	E	Unsatisfactory	Satisfactory	None	Unsuccessful
Project 192	1996	2003	UZBEKISTAN	PRIVATE	L	Unsatisfactory	Satisfactory	None	Unsuccessful
Project 193	1996	2000	BULGARIA	PRIVATE	E/L	Unsatisfactory	Marginal	None	Unsuccessful
Project 194	1994	2001	RUSSIAN FEDERATION	PRIVATE	L	Unsatisfactory	NR	NR	Unsuccessful
Project 195	1993	1999	HUNGARY	PRIVATE	E/L	Negative	Excellent	Some	Unsuccessful
Project 196	1994	2000	CZECH REPUBLIC	STATE	L	Negative	Good	None	Unsuccessful
Project 197	1994	1998	SLOVAK REPUBLIC	PRIVATE	E/L	Negative	Satisfactory	Substantial	Unsuccessful
Project 198	1997	2001	POLAND	PRIVATE	E	Negative	Marginal	Substantial	Unsuccessful
Project 199	1995	1999	KYRGYZ REPUBLIC	PRIVATE	L	Negative	Marginal	Some	Unsuccessful
Project 200	1993	1998	ARMENIA	STATE	L	Negative	Marginal	None	Unsuccessful
Project 201	1996	1999	RUSSIAN FEDERATION	PRIVATE	L	Negative	Marginal	None	Unsuccessful
Project 202	1995	2002	RUSSIAN FEDERATION	PRIVATE	L	Negative	Marginal	None	Unsuccessful
Project 203	1997	1998	ESTONIA	PRIVATE	E	Negative	Poor	None	Unsuccessful
Project 204	1995	2004	MOLDOVA	PRIVATE	E/L	Negative	Unsatisfactory	Negative	Unsuccessful

[1] Includes 7 operations evaluated through special studies

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

[3] The range is Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative for projects evaluated from 2000; High/Medium/Low/None/Negative before 2000

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

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

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

Basic data sheet: Operation performance ratings on the 239 XMR assessments prepared in 1996-2004

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2003	2001	BULGARIA	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 2	2004	1996	RUSSIAN FEDERATION	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 3	2003	2001	RUSSIAN FEDERATION	PRIVATE	E/L	Excellent	Excellent	None	Highly Successful
Project 4	2002	1998	RUSSIAN FEDERATION	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 5	1999	1996	RUSSIAN FEDERATION	PRIVATE	E/L	High	Excellent	Outstanding	Highly Successful
Project 6	1998	1995	HUNGARY	PRIVATE	E	High	Excellent	Substantial	Highly Successful
Project 7	1998	1996	ESTONIA	PRIVATE	L	High	Excellent	Some	Highly Successful
Project 8	1997	1995	HUNGARY	PRIVATE	E	High	Good	Substantial	Highly Successful
Project 9	1999	1993	HUNGARY	PRIVATE	L	High	Satisfactory	Some	Highly Successful
Project 10	2000	1997	BOSNIA AND HERZEGOVINA	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 11	2000	1996	HUNGARY	PRIVATE	E/L	Good	Good	Some	Highly Successful
Project 12	2003	2001	CROATIA	PRIVATE	L	Good	Good	Some	Highly Successful
Project 13	2004	2002	BULGARIA	PRIVATE	E	Good	Good	Some	Highly Successful
Project 14	2004	1998	ROMANIA	PRIVATE	E/L	Good	Good	None	Highly Successful
Project 15	2004	2003	POLAND	PRIVATE	L	Good	Good	None	Highly Successful
Project 16	2000	1997	ROMANIA	PRIVATE	E	Good	Marginal	Some	Highly Successful
Project 17	2002	1999	SLOVENIA	PRIVATE	L	Good	Marginal	Some	Highly Successful
Project 18	2000	1995	ROMANIA	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 19	2002	1999	FYR MACEDONIA	PRIVATE	L	Excellent	Marginal	None	Successful
Project 20	1999	1997	BULGARIA	PRIVATE	L	High	Excellent	Substantial	Successful
Project 21	1998	1992	BULGARIA	STATE	L	High	Excellent	Some	Successful
Project 22	1998	1994	UKRAINE	STATE	L	High	Excellent	Some	Successful
Project 23	1999	1997	HUNGARY	PRIVATE	L	High	Excellent	Some	Successful
Project 24	1999	1997	LATVIA	PRIVATE	E/L	High	Excellent	None	Successful
Project 25	1999	1994	KYRGYZ REPUBLIC	STATE	L	High	Excellent	None	Successful
Project 26	1997	1992	ESTONIA	STATE	L	High	Good	Substantial	Successful
Project 27	1996	1994	POLAND	PRIVATE	L	High	Good	Some	Successful
Project 28	1998	1995	LITHUANIA	PRIVATE	L	High	Satisfactory	Substantial	Successful
Project 29	1996	1993	SLOVAK REPUBLIC	PRIVATE	E	High	Satisfactory	Some	Successful
Project 30	1997	1994	POLAND	PRIVATE	E	High	Satisfactory	Some	Successful
Project 31	1998	1996	CROATIA	PRIVATE	L	High	Satisfactory	Some	Successful
Project 32	1998	1995	CROATIA	PRIVATE	L	High	Satisfactory	Some	Successful
Project 33	1998	1995	POLAND	PRIVATE	E	High	Satisfactory	None	Successful
Project 34	1998	1993	ALBANIA	PRIVATE	E/L	High	Satisfactory	None	Successful
Project 35	1997	1991	POLAND	PRIVATE	L	High	Satisfactory	None/Negative	Successful
Project 36	2000	1997	<REGIONAL>	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 37	2003	2001	CROATIA	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 38	2000	1992	RUSSIAN FEDERATION	PRIVATE	L	Good	Excellent	Some	Successful
Project 39	2004	2000	POLAND	PRIVATE	L	Good	Excellent	Some	Successful
Project 40	2004	1998	UKRAINE	PRIVATE	L	Good	Excellent	None	Successful

Basic data sheet: Operation performance ratings on the 239 XMR assessments prepared in 1996-2004

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 41	2001	1997	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	Substantial	Successful
Project 42	2004	1999	POLAND	PRIVATE	L	Good	Good	Substantial	Successful
Project 43	2000	1995	POLAND	PRIVATE	L	Good	Good	Some	Successful
Project 44	2000	1996	BOSNIA AND HERZEGOVINA	PRIVATE	E	Good	Good	Some	Successful
Project 45	2000	1996	CROATIA	PRIVATE	E/L	Good	Good	Some	Successful
Project 46	2000	1996	CROATIA	PRIVATE	E	Good	Good	Some	Successful
Project 47	2001	1999	ROMANIA	PRIVATE	E	Good	Good	Some	Successful
Project 48	2001	1996	ROMANIA	STATE	L	Good	Good	Some	Successful
Project 49	2001	1996	ROMANIA	PRIVATE	L	Good	Good	Some	Successful
Project 50	2001	1999	TAJIKISTAN	STATE	L	Good	Good	Some	Successful
Project 51	2001	1995	FYR MACEDONIA	PRIVATE	L	Good	Good	Some	Successful
Project 52	2001	2000	ARMENIA	PRIVATE	L	Good	Good	Some	Successful
Project 53	2001	1999	GEORGIA	PRIVATE	L	Good	Good	Some	Successful
Project 54	2002	1998	MOLDOVA	STATE	L	Good	Good	Some	Successful
Project 55	2002	1997	UKRAINE	PRIVATE	L	Good	Good	Some	Successful
Project 56	2002	1999	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	Some	Successful
Project 57	2002	1994	<REGIONAL>	PRIVATE	E	Good	Good	Some	Successful
Project 58	2002	1999	BOSNIA AND HERZEGOVINA	PRIVATE	L	Good	Good	Some	Successful
Project 59	2002	2000	POLAND	PRIVATE	E	Good	Good	Some	Successful
Project 60	2003	2000	KYRGYZ REPUBLIC	PRIVATE	E/L	Good	Good	Some	Successful
Project 61	2003	1996	ROMANIA	PRIVATE	E	Good	Good	Some	Successful
Project 62	2003	2001	CROATIA	PRIVATE	L	Good	Good	Some	Successful
Project 63	2003	1996	KYRGYZ REPUBLIC	PRIVATE	L	Good	Good	Some	Successful
Project 64	2003	1996	CROATIA	PRIVATE	E	Good	Good	Some	Successful
Project 65	2003	2000	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	Some	Successful
Project 66	2004	2002	CZECH REPUBLIC	PRIVATE	L	Good	Good	Some	Successful
Project 67	2004	1999	FYR MACEDONIA	PRIVATE	E	Good	Good	Some	Successful
Project 68	2004	2002	ESTONIA	PRIVATE	E	Good	Good	Some	Successful
Project 69	2004	1999	UZBEKISTAN	STATE	L	Good	Good	Some	Successful
Project 70	2004	2002	SLOVENIA	PRIVATE	E	Good	Good	Some	Successful
Project 71	2004	2001	SERBIA AND MONTENEGRO	PRIVATE	E	Good	Good	Some	Successful
Project 72	2004	2002	ROMANIA	PRIVATE	L	Good	Good	Some	Successful
Project 73	2004	2000	RUSSIAN FEDERATION	PRIVATE	E/L	Good	Good	Some	Successful
Project 74	2004	1999	BOSNIA AND HERZEGOVINA	PRIVATE	L	Good	Good	Some	Successful
Project 75	2004	2001	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	Some	Successful
Project 76	2001	1997	KYRGYZ REPUBLIC	STATE	L	Good	Good	None	Successful
Project 77	2001	1998	BOSNIA AND HERZEGOVINA	STATE	L	Good	Good	None	Successful
Project 78	2003	2000	RUSSIAN FEDERATION	PRIVATE	E	Good	Good	None	Successful
Project 79	2003	1998	RUSSIAN FEDERATION	PRIVATE	L	Good	Good	None	Successful
Project 80	2003	2001	SLOVENIA	PRIVATE	L	Good	Good	None	Successful

Basic data sheet: Operation performance ratings on the 239 XMR assessments prepared in 1996-2004

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 81	2004	1999	HUNGARY	STATE	L	Good	Good	None	Successful
Project 82	2004	1999	<REGIONAL>	PRIVATE	E	Good	Good	None	Successful
Project 83	2002	1999	UKRAINE	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 84	2003	2000	UKRAINE	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 85	2003	1998	GEORGIA	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 86	2004	1999	CROATIA	PRIVATE	E	Good	Satisfactory	None	Successful
Project 87	2004	1995	<REGIONAL>	PRIVATE	L	Good	Satisfactory	None	Successful
Project 88	2000	1997	HUNGARY	PRIVATE	E	Good	Marginal	Some	Successful
Project 89	2002	1998	GEORGIA	PRIVATE	E/L	Good	Marginal	Some	Successful
Project 90	2003	2001	LATVIA	PRIVATE	E	Good	Marginal	None	Successful
Project 91	1998	1994	POLAND	PRIVATE	L	Medium	Excellent	Outstanding	Successful
Project 92	1998	1993	POLAND	PRIVATE	L	Medium	Excellent	Substantial	Successful
Project 93	1998	1995	HUNGARY	PRIVATE	L	Medium	Excellent	Substantial	Successful
Project 94	1998	1992	ALBANIA	STATE	L	Medium	Excellent	Some	Successful
Project 95	1999	1995	SLOVAK REPUBLIC	PRIVATE	L	Medium	Excellent	Some	Successful
Project 96	1999	1997	SLOVAK REPUBLIC	PRIVATE	L	Medium	Excellent	Some	Successful
Project 97	1999	1996	CROATIA	PRIVATE	L	Medium	Excellent	Some	Successful
Project 98	1998	1993	SLOVENIA	PRIVATE	L	Medium	Excellent	None	Successful
Project 99	1998	1995	SLOVENIA	PRIVATE	L	Medium	Excellent	None	Successful
Project 100	1999	1993	ROMANIA	PRIVATE	L	Medium	Excellent	None	Successful
Project 101	1996	1993	SLOVAK REPUBLIC	PRIVATE	L	Medium	Good	Substantial	Successful
Project 102	1996	1996	ESTONIA	PRIVATE	L	Medium	Good	Substantial	Successful
Project 103	1996	1992	ROMANIA	STATE	L	Medium	Good	Substantial	Successful
Project 104	1997	1993	ROMANIA	PRIVATE	L	Medium	Good	Substantial	Successful
Project 105	1997	1992	LITHUANIA	STATE	L	Medium	Good	Substantial	Successful
Project 106	1997	1995	CZECH REPUBLIC	PRIVATE	L	Medium	Good	Some	Successful
Project 107	1997	1994	CZECH REPUBLIC	PRIVATE	L	Medium	Satisfactory	Substantial	Successful
Project 108	1998	1995	RUSSIAN FEDERATION	PRIVATE	L	Medium	Satisfactory	Substantial	Successful
Project 109	1999	1994	RUSSIAN FEDERATION	PRIVATE	L	Medium	Satisfactory	Substantial	Successful
Project 110	1996	1993	HUNGARY	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 111	1996	1994	RUSSIAN FEDERATION	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 112	1996	1992	POLAND	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 113	1996	1993	BULGARIA	PRIVATE	E	Medium	Satisfactory	Some	Successful
Project 114	1996	1993	POLAND	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 115	1997	1994	HUNGARY	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 116	1997	1993	RUSSIAN FEDERATION	PRIVATE	E	Medium	Satisfactory	Some	Successful
Project 117	1998	1994	POLAND	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 118	1998	1994	LITHUANIA	STATE	L	Medium	Satisfactory	Some	Successful
Project 119	1998	1995	RUSSIAN FEDERATION	PRIVATE	L	Medium	Satisfactory	Some	Successful
Project 120	1999	1993	<REGIONAL>	PRIVATE	E	Medium	Satisfactory	Some	Successful

Basic data sheet: Operation performance ratings on the 239 XMR assessments prepared in 1996-2004

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 121	1998	1995	KYRGYZ REPUBLIC	STATE	L	Medium	Satisfactory	None	Successful
Project 122	1999	1993	SLOVENIA	PRIVATE	E	Medium	Satisfactory	None	Successful
Project 123	1999	1997	SLOVENIA	PRIVATE	E	Medium	Satisfactory	None	Successful
Project 124	1999	1996	POLAND	PRIVATE	L	Medium	Satisfactory	None	Successful
Project 125	1999	1992	POLAND	PRIVATE	E	Medium	Satisfactory	None	Successful
Project 126	1996	1994	HUNGARY	PRIVATE	E	Medium	Satisfactory	None/Negative	Successful
Project 127	1997	1993	UKRAINE	STATE	L	Medium	Satisfactory	None/Negative	Successful
Project 128	1999	1997	POLAND	PRIVATE	L	Medium	Marginal	Some	Successful
Project 129	2000	1999	SLOVAK REPUBLIC	STATE	L	Satisfactory	Excellent	None	Successful
Project 130	2000	1997	POLAND	PRIVATE	E/L	Satisfactory	Good	Substantial	Successful
Project 131	2000	1993	RUSSIAN FEDERATION	PRIVATE	E/L	Satisfactory	Good	Substantial	Successful
Project 132	2001	1998	ESTONIA	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 133	2001	1999	HUNGARY	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 134	2001	1996	<REGIONAL>	PRIVATE	E	Satisfactory	Good	Some	Successful
Project 135	2002	2000	ALBANIA	PRIVATE	E	Satisfactory	Good	Some	Successful
Project 136	2002	1995	LATVIA	STATE	L	Satisfactory	Good	Some	Successful
Project 137	2002	1999	POLAND	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 138	2003	1999	LATVIA	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 139	2003	2000	CROATIA	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 140	2004	2001	POLAND	PRIVATE	L	Excellent	Good	Some	Partly Successful
Project 141	2000	1997	ROMANIA	PRIVATE	E/L	Good	Excellent	Some	Partly Successful
Project 142	2003	1997	RUSSIAN FEDERATION	STATE	L	Good	Good	Substantial	Partly Successful
Project 143	2001	1994	SLOVENIA	PRIVATE	E	Good	Good	Some	Partly Successful
Project 144	2004	2000	UKRAINE	PRIVATE	L	Good	Good	Some	Partly Successful
Project 145	1998	1995	RUSSIAN FEDERATION	PRIVATE	E	High	Satisfactory	None	Partly Successful
Project 146	1997	1992	<REGIONAL>	STATE	L	High	Satisfactory	None/Negative	Partly Successful
Project 147	2001	1995	<REGIONAL>	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 148	2002	1995	ROMANIA	STATE	L	Good	Marginal	Some	Partly Successful
Project 149	2002	1998	POLAND	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 150	2003	1999	BOSNIA AND HERZEGOVINA	PRIVATE	L	Good	Marginal	Negative	Partly Successful
Project 151	1998	1996	RUSSIAN FEDERATION	PRIVATE	L	Medium	Excellent	Substantial	Partly Successful
Project 152	1997	1994	LITHUANIA	PRIVATE	E/L	Medium	Good	Substantial	Partly Successful
Project 153	1998	1994	ESTONIA	PRIVATE	L	Medium	Satisfactory	Substantial	Partly Successful
Project 154	1996	1993	ALBANIA	PRIVATE	L	Medium	Satisfactory	Some	Partly Successful
Project 155	1996	1992	RUSSIAN FEDERATION	PRIVATE	L	Medium	Satisfactory	Some	Partly Successful
Project 156	1997	1994	ROMANIA	PRIVATE	L	Medium	Satisfactory	Some	Partly Successful
Project 157	1997	1994	SLOVAK REPUBLIC	PRIVATE	L	Medium	Satisfactory	Some	Partly Successful
Project 158	1998	1993	ALBANIA	PRIVATE	E/L	Medium	Satisfactory	Some	Partly Successful
Project 159	1999	1997	TAJIKISTAN	PRIVATE	L	Medium	Satisfactory	Some	Partly Successful
Project 160	1999	1994	POLAND	PRIVATE	E	Medium	Satisfactory	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 239 XMR assessments prepared in 1996-2004

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 161	1999	1996	UZBEKISTAN	PRIVATE	E	Medium	Satisfactory	None	Partly Successful
Project 162	1999	1994	KYRGYZ REPUBLIC	PRIVATE	L	Medium	Satisfactory	None	Partly Successful
Project 163	1996	1994	LATVIA	PRIVATE	E	Medium	Satisfactory	None/Negative	Partly Successful
Project 164	1996	1993	HUNGARY	PRIVATE	E	Medium	Satisfactory	None/Negative	Partly Successful
Project 165	1996	1992	HUNGARY	PRIVATE	L	Medium	Satisfactory	None/Negative	Partly Successful
Project 166	1997	1996	POLAND	PRIVATE	E/L	Medium	Satisfactory	None/Negative	Partly Successful
Project 167	1997	1993	SLOVAK REPUBLIC	STATE	L	Medium	Satisfactory	None/Negative	Partly Successful
Project 168	1998	1993	ROMANIA	PRIVATE	E/L	Medium	Marginal	Substantial	Partly Successful
Project 169	1999	1995	POLAND	PRIVATE	E	Medium	Marginal	Some	Partly Successful
Project 170	2001	1996	POLAND	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 171	2002	1996	ROMANIA	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 172	2001	1998	BULGARIA	PRIVATE	E/L	Satisfactory	Excellent	Some	Partly Successful
Project 173	2003	1997	<REGIONAL>	PRIVATE	E	Satisfactory	Excellent	None	Partly Successful
Project 174	2003	1997	AZERBAIJAN	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 175	2003	1999	POLAND	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 176	2000	1997	BELARUS	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 177	2001	1998	LITHUANIA	PRIVATE	E/L	Satisfactory	Good	Some	Partly Successful
Project 178	2001	1995	RUSSIAN FEDERATION	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 179	2001	1997	LATVIA	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 180	2002	2000	POLAND	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 181	2002	1997	CROATIA	STATE	L	Satisfactory	Good	Some	Partly Successful
Project 182	2002	1998	ESTONIA	PRIVATE	E/L	Satisfactory	Good	Some	Partly Successful
Project 183	2002	2000	CROATIA	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 184	2003	1997	POLAND	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 185	2000	1992	BELARUS	STATE	L	Satisfactory	Good	None	Partly Successful
Project 186	2004	1997	HUNGARY	STATE	L	Satisfactory	Good	None	Partly Successful
Project 187	2000	1995	UZBEKISTAN	PRIVATE	E	Satisfactory	Marginal	None	Partly Successful
Project 188	2001	1995	<REGIONAL>	PRIVATE	E	Satisfactory	Marginal	None	Partly Successful
Project 189	2003	1997	ALBANIA	PRIVATE	L	Satisfactory	Marginal	None	Partly Successful
Project 190	1997	1994	BULGARIA	PRIVATE	L	Low	Good	Substantial	Partly Successful
Project 191	1997	1994	ROMANIA	PRIVATE	L	Low	Good	Substantial	Partly Successful
Project 192	1997	1996	ROMANIA	PRIVATE	E	Low	Good	Substantial	Partly Successful
Project 193	1998	1994	RUSSIAN FEDERATION	PRIVATE	L	Low	Satisfactory	Some	Partly Successful
Project 194	1999	1996	BULGARIA	PRIVATE	L	Low	Satisfactory	Some	Partly Successful
Project 195	1999	1996	HUNGARY	PRIVATE	L	Low	Satisfactory	Some	Partly Successful
Project 196	2004	2001	TURKMENISTAN	PRIVATE	L	Marginal	Good	Substantial	Partly Successful
Project 197	2001	1994	BELARUS	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 198	2002	1998	SLOVAK REPUBLIC	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 199	2003	1996	UZBEKISTAN	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 200	2003	1997	MOLDOVA	STATE	L	Marginal	Good	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 239 XMR assessments prepared in 1996-2004

Operation	Year of Board Approval	Year of evaluation	Country	Portfolio Class	Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 201	2004	2000	SLOVAK REPUBLIC	PRIVATE	E	Marginal	Good	None	Partly Successful
Project 202	2001	1999	RUSSIAN FEDERATION	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 203	2003	2001	KAZAKHSTAN	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 204	2004	2001	SERBIA AND MONTENEGRO	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 205	2002	1996	RUSSIAN FEDERATION	PRIVATE	L	Marginal	Marginal	None	Partly Successful
Project 206	1999	1993	ROMANIA	STATE	L	Medium	Satisfactory	Some	Unsuccessful
Project 207	2000	1994	ARMENIA	STATE	L	Satisfactory	Good	Some	Unsuccessful
Project 208	2003	1996	<REGIONAL>	PRIVATE	E	Satisfactory	Good	Some	Unsuccessful
Project 209	1998	1993	BELARUS	STATE	L	Low	Excellent	Substantial	Unsuccessful
Project 210	1998	1995	RUSSIAN FEDERATION	PRIVATE	L	Low	Satisfactory	Substantial	Unsuccessful
Project 211	1996	1993	ROMANIA	PRIVATE	E	Low	Satisfactory	Some	Unsuccessful
Project 212	1996	1991	CZECH REPUBLIC	PRIVATE	L	Low	Satisfactory	Some	Unsuccessful
Project 213	1997	1994	CZECH REPUBLIC	PRIVATE	L	Low	Satisfactory	Some	Unsuccessful
Project 214	1998	1995	UZBEKISTAN	PRIVATE	E	Low	Satisfactory	Some	Unsuccessful
Project 215	1996	1992	POLAND	PRIVATE	L	Low	Satisfactory	None/Negative	Unsuccessful
Project 216	1996	1991	CZECH REPUBLIC	PRIVATE	L	Low	Unsatisfactory	None/Negative	Unsuccessful
Project 217	2002	2000	ROMANIA	PRIVATE	L	Marginal	Excellent	Some	Unsuccessful
Project 218	2002	1999	LATVIA	PRIVATE	L	Marginal	Excellent	None	Unsuccessful
Project 219	2004	1999	POLAND	PRIVATE	G	Marginal	Good	None	Unsuccessful
Project 220	2000	1993	<REGIONAL>	PRIVATE	E	Marginal	Satisfactory	None	Unsuccessful
Project 221	2000	1995	UKRAINE	PRIVATE	E/L	Marginal	Marginal	None	Unsuccessful
Project 222	2001	1995	MOLDOVA	STATE	L	Marginal	Unsatisfactory	None	Unsuccessful
Project 223	1998	1993	RUSSIAN FEDERATION	PRIVATE	E	None	Satisfactory	Substantial	Unsuccessful
Project 224	1999	1995	POLAND	PRIVATE	E	None	Marginal	Some	Unsuccessful
Project 225	1999	1994	RUSSIAN FEDERATION	PRIVATE	L	None	Marginal	None	Unsuccessful
Project 226	1999	1996	RUSSIAN FEDERATION	PRIVATE	E/L	None	Poor	None	Unsuccessful
Project 227	1999	1997	RUSSIAN FEDERATION	PRIVATE	E	None	Poor	None	Unsuccessful
Project 228	2000	1997	RUSSIAN FEDERATION	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 229	2000	1995	GEORGIA	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 230	2001	1998	POLAND	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 231	2002	1997	CZECH REPUBLIC	PRIVATE	E	Unsatisfactory	Satisfactory	None	Unsuccessful
Project 232	2004	1999	AZERBAIJAN	STATE	L	Unsatisfactory	Satisfactory	None	Unsuccessful
Project 233	2001	1997	RUSSIAN FEDERATION	PRIVATE	E/L	Unsatisfactory	Marginal	Negative	Unsuccessful
Project 234	2002	1996	GEORGIA	PRIVATE	E/L	Unsatisfactory	Marginal	Some	Unsuccessful
Project 235	2001	1997	SLOVAK REPUBLIC	PRIVATE	E	Unsatisfactory	Marginal	None	Unsuccessful
Project 236	2003	1999	RUSSIAN FEDERATION	PRIVATE	E	Unsatisfactory	Marginal	None	Unsuccessful
Project 237	2001	1994	SLOVENIA	PRIVATE	E	Unsatisfactory	Unsatisfactory	None	Unsuccessful
Project 238	2001	1996	LATVIA	PRIVATE	E/L	Negative	Good	Some	Unsuccessful
Project 239	2000	1995	RUSSIAN FEDERATION	PRIVATE	E	Negative	Marginal	None	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/Substanital/Some/None/Negative

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

1993-2005 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/ Unsuccessful
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**						

1993-2005 Technical Cooperation Operation Performance Evaluation Reviews (OPERs)

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**						
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											
1/2	The Mongolian Cooperation Fund[2]	Mongolia	Private	Various	6,921	PP/PI/AS/T	30-May-01	14-Jun-01	26-Aug-03	Oct-05	Successful
3	Bulgarian Transmission Network	Bulgaria	State	Energy	984	AS	06-Feb-02	07-May-02	26-Jul-05	May-06	Highly Successful
4	Sofia District Heating Rehabilitation	Bulgaria	State	Energy	1,552	PI	20-Jul-99	22-Nov-01	10-Feb-04	Feb-06	Successful
5	Sakhalinmorneftegaz	Russia	State	Mining	317	PI	13-Jun-01	25-Sep-01	07-Dec-01	May-06	Partly 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	**11,036**						

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

1993-2005 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	2,113	2,851	Line of Credit/TC	26-Jul-93	Jul-94	Special Study/Mid-Term Review
				Sub-Total	**2,113**	**2,851**				
	1995									
1	Russia Small Business Fund II	Russia	Private	SME	16,198	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	25,359	1,420	Loan/TC	01-Nov-94	Jan-96	Mid-Term Review
				Sub-Total	**41,557**	**21,417**				
	1996									
1	SME Credit Line Project	Ukraine	Private	Finance	102,439	-	Loan	29-Nov-94	Dec-96	Special Study/Mid-Term Review
2	Wholesale Market Special Study	Hungary	State	Agriculture	51,144	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	**153,583**	**5,159**				
	1997									
1	Kyrgyzstan SME Credit Line	Kyrgyz Rep	Private	Finance	8,876	1,888	Line of Credit/TC	11-Nov-94	May-97	Mid-Term Review
2	Russia Small Business Fund III	Russia	Private	SME	244,428	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	Baltics Business Advisory Service	Baltics	State	Finance	n.a.	4,196	TC	n.a.	Sep-97	Mid-Term Review
6	TAM Programme	Regional	State	Priv/Restr	n.a.	11,417	TC	n.a.	Feb-98	Special Study
7	Financial Institutions Development Project	Russia	Private	Finance	35,950	-	Loan	23-May-94	Jan-98	Mid-Term Review
				Subtotal	**402,741**	**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.	143,681	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	**143,681**	**30,812**				

1993-2005 Special Studies and Evaluation Progress Reviews

	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	28,566	3,029	Equity	24-Feb-98	Nov-01	Mid-Term Review
3	Legal Transition Programme	Various	n.a.	Various	n.a.	11,685	n.a.	n.a.	Oct-01	Mid-Term Review
4	Financial Institutions Development Programme	Russia	Private	Finance	35,950	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	**64,516**	**22,877**				
	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	326,976	38,553	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	**2,126,976**	**54,299**				
	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.	4,516	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	23,101	11,355	Equity/Loan/TC	n.a.	Sep-04	Country Strategy Evaluation
				Subtotal	**23,101**	**21,329**				
	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	1,077	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**	**7,663**				
	2005									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	5,584	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	57,131	1,160	Equity/Loan/TC		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	Azerbaijan	Private/State	Finance/Envir	n.a.	n.a.	Equity/Loan/TC	n.a.	May-06	Country Strategy Evaluation
				Subtotal	**57,131**	**6,744**				

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

[1] TC=Technical Cooperation

SELECTED LESSONS LEARNED FROM INVESTMENT OPERATIONS EVALUATED IN 2005

A. TRANSITION IMPACT

1. Project selection

Special purpose credit lines in early transition countries help promote the expansion of SME lending and stimulate competition. The credit lines must be accompanied by appropriate institution building and skills transfer measures. Loan covenants should be tailored to the requirements of partner banks on a case by case basis to reflect the needs of the partner bank in the country context.

Article 1 Implementation and Fostering Transition. An important lesson of experience in certain early transition countries is that implementing Article 1 principles and the systemic institutional and economic transformations that they require are necessary conditions for fostering transition. The Bank can use project financing to foster transition in a facilitating environment where the systemic institutional and economic changes are well underway, but its project instruments cannot overcome system-wide transition deficiencies. On the contrary, such deficiencies undermine the efficacy of project financing, including SME finance, as a transition tool.

Lending to Unreformed State-Owned Banks Hinders Transition. Engaging in project finance through unreformed state-owned banks condones poor transition performance while fuelling corruption and causing negative demonstration effects. They are not equipped to manage large credit lines, offering access to scarce foreign exchange, in a prudent way according to sound banking. They are too vulnerable to non-transparent pressures from key stakeholders.

Financing SMEs in unreformed centrally controlled economies. It would be ideal if the Bank could avoid the risks of reinforcing distortions and strengthening opponents to reform when it promotes financing of SMEs in unreformed centrally-controlled economies. But even if such risks could be mitigated, the lack of broader political and economic reform and little transition to a market economy will negate the transition impact of financing SMEs.

The impact of poor investment climate on SME programmes. Poor investment climate presents the same threats to SME and MSE sub-projects as it does to direct investment by the Bank. Conditions precedent to disbursement could include improvements to investment climate and no adverse change in investment climate. Reports of adverse impact from investment climate on SMEs should be investigated and cause further disbursements under SME programmes to be put on hold. Such a response could be an essential element in the policy dialog with country authorities.

Seek fund managers who can balance the Bank's longer term transition goals with the pursuit of short term financial returns. Cutting costs in the exit phase by releasing staff may increase short-term profits for the fund manager. However, the successful raising of additional capital for follow-on funds requires the investment of time and resources. It should be recognised that the costs incurred in seeking new finance for investment themselves represent an investment whose returns should materialise through the new portfolio.

2. Project Design

Importance of developing alternative raw material suppliers. Diversification of raw material suppliers in the context of the local industry is desirable in order to provide for a competitive supply position for cost effective purchase and be able to source materials, spare parts, etc from alternative suppliers in the event of plant problems, plant closures of the raw material producers. Diversification can also assist to ensure prompt and reliable service as well as maintain quality and supply focus through the competitive element.

Importance of institutional strengthening component for MEI projects. Only a balanced combination of soft (institutional development, capacity building and sector reforms) and hard (design, construction and installation with associated procurement support, and construction supervision) components can together generate transition impact through MEI projects. These two components are inseparable. This project lacked an institutional development element in project design, which is now admitted with certain regret by the parties concerned.

Positive impact on a client's corporate governance would typically bring about strong evidence of the Bank's additionality. In a political and economical environment where corporate governance is often neglected, the sheer presence of the Bank as a shareholder in a company may significantly enhanced its ability to attract foreign financial institutions as lenders. While committing term financing in a market where such a resource is scarce could be sufficient to show the Bank's additionality, a lot more is achieved when foreign commercial banks are motivated to start a lending relationship alongside the Bank due to confidence built through its action on the client's corporate governance.

Matched funding both increases the pool of funds available to service the target group and affirms partner bank commitment. From the outset of a downscaling programme, partner banks must be prepared in principle to augment EBRD credit lines with funds from other sources if the programme is to build the critical mass that is necessary to ensure sustainability. In so doing, banks demonstrate that they take ownership of the programme.

Smaller SME sub-loans and project size may perform better. Smaller sub-loans in partner banks-intermediated SME operations and other loan programmes have a better chance of reaching genuine private entrepreneurs in early transition countries than larger sub-loans. Early transition countries, because of their low income and incomplete privatisation programmes, rarely feature self-made private sector entrepreneurs that can capitalize large projects (greater than USD 500,000) without involvement of larger corporate sponsors or the state.

Strong Government support underpinned by Parliament is essential for a successful privatisation process of an important public infrastructure company. Government support is a crucial prerequisite for a public sector privatisation. The combination of Government support and a Minister strongly dedicated to the process can enhance the outcomes of an advisor driven preparation effort. In particular when it comes to judgement calls whether a time consuming consultative process with Parliamentary committee might in the long term save time and reduce the likelihood of legal or other objections at a later stage. Openness at all stages has lead to a highly successful result in this case

Parallel sector reform is a crucial pre-requisite to successful privatisation. Tender participants in privatisations give a strong importance to sector issues which will have a strong impact on their future financial performance such as envisaged tariff structures and independence of regulatory

authority. Track record in sector reform will be a key factor for judging risks in the market when preparing a tender submission.

Privatisation advisor should have a strong local team plus access to international expertise to the extent necessary. Local teams can be highly cost effective in particular in time consuming privatisation preparations which last a long time and include a lot of local information collection as well as continuing updating of the local decision makers. The combination of a strong local team with experts from abroad contributing relevant expertise from similar experiences in other markets can be highly effective.

Privatisation agendas forming the rationale for Bank investments require explicit governmental support and implementation schedules. Ownership of the privatisation agenda by the governmental authority concerned needs to be secured together with the latter's approval of implementation schedules that are sufficiently concrete to be monitored**.** To as great an extent as possible, loan disbursements should be linked to privatisation progress according to such schedules.

3. Role of sponsor

Capacity Building for Municipality and Utility Company. Neither the municipality nor the district heating company received capacity building training for the market-based utility operations and management. A comprehensive capacity building across the local stakeholders is necessary to ensure successful private sector involvement. The Sofia Water project is currently suggesting that the capacity of an independent monitoring body, which supervises the water concessionaire, needs to be much improved. The capacity of the independent body did not appear essential when the concession commenced. Identifying key local project stakeholders and designing the capacity building of such.

Acceptance by the EBRD of a dilution of its shareholding may be appropriate when it serves to advance the achievement of transition objectives. In the present case, EBRD's acceptance of the dilution which resulted from the issue of new shares has helped advance the transition process. The new share issue facilitated consolidation in the sector and the introduction of portfolio investors. In all cases it is essential to examine the financial aspects of proposals carefully and to seek the appropriate levels of approval in a timely manner.

Appropriate arrangement with local stakeholders for implementing transition delivery mechanism is crucial to realise expected transition impact. The intended transition impact is not delivered alone. A good design and ideas to realise transition impact requires good implementation arrangements with the implementing entities at local level. Local conditions need to be reviewed during the project preparation rather than deferring all the arrangements to the borrower. Monitoring mechanism and indicators should be ensured and agreed upon with the local implementing entities. These exercises should be done during due diligence.

EBRD should offer appropriately designed products if it is desired to fill a funding gap. In the present case partner banks have voiced strongly their desire to extend the reach of the programme to encompass borrower demand for larger loans. A demand for loans of longer tenor has also been identified. When the implementation of an EBRD lending programme reveals a new funding gap among current and prospective sub-borrowers, EBRD should consider whether additional products, facilities or programmes could be offered that have the potential to contribute further to the transition by helping satisfy unmet demand in the real economy while expanding the capacity of the financial sector to respond to that demand.

B. ENVIRONMENT

1. Project Selection

Environmental matrix organisation can enhance internal working culture which recognises Environment as a key objective. Selection of the most appropriate organisational structure of the environmental department is important. Balancing the advantages of a matrix organisation where each environmental officer is part of a different team with the challenge of maintaining the strength of a bigger environmental team in one location is an ongoing effort. It is too early to judge in this case which organisation style is best suited for a refinery/distribution company.

Equip partner banks to assume full responsibilities for environmental due diligence, monitoring and reporting after graduation from technical assistance. EBRD should ensure that partner banks make a practice of recording environmental due diligence findings systematically. During the hand-over, or graduation phase, necessary training should be given to enable banks to monitor environmental issues and report to EBRD on environmental matters using their own resources.

2. Project Monitoring

Achieving enhanced environmental performance. The Bank stands a better chance to achieve higher environmental performance scoring with Greenfield projects. Reputable FDI investors are indeed better able to ensure performance standards in plants designed and built to their standards, while working with existing plants presents a different set of challenges.

Benefits of taking a relationship approach for environmental performance to FI sponsors with multiple investments. In developing new projects with existing FI clients, the Bank should build upon past investments in environmental training and environmental management systems previously established within the FI. This will further the environmental institutional development of the FI through reinforcement of the Bank's promotion of best environmental practices for FIs.

A repeat finance of working capital for the industry could present a pitfall of environmental monitoring. For a repeat financing of such a nature, a mere desk monitoring could continue for years with no verification of upgraded facilities. It might infringe the lender's liability with the environmental respect. Environment Department and the Operation Team are strongly encouraged to strengthen monitoring practices with respect to the physical facilities. Incidentally, the publicly disclosed information should be based on the internally approved project descriptions.

The quality of environmental reporting could be enhanced through providing clearer guidance to clients. The Bank should provide greater guidance to project sponsors as to the type and frequency of environmental data it seeks. The pollution assumptions were well founded based on common engineering practice. It would have been helpful to quantify these gains, so as to demonstrate the importance of such projects (environmental externalities) and thereby provide a demonstrative effect that could lead to additional urban redevelopment activities.

Provide clarity in information needed in Annual Environmental Reports and only ask for what is needed. The Bank does not need annual environmental reporting from all clients. It is more useful to understand the project - "known your client" - and tailor environmental and other reporting to key project stages. Specifically, environmental reporting for this project would be most useful if the Bank received "before" and "after" emissions reports for each subproject which would allow the Bank to access the environmental footprint of the project.

Awareness of, and compliance with, occupational health & safety (OHS) issues needs strengthening within the Bank and its client companies. Generally, OHS issues appear not to be ranked highly. For investee companies employing OHS susceptible technology and designs, covenanted routine reporting on environmental compliance, including OHS, require complementary occasional Bank-validations through spot checks.

C. SOUND BANKING

1. Project Design

Overcoming credit structure myopia. Bankers and risk managers should beware of credit structure myopia, of believing that the credit structure at the project level can ensure success despite a weak business model at the sponsor level. The first issue is to be convinced that the business model is sound and profitable and can sustain the project independent of the credit structure. Where the business model is not convincing, the Bank should better go no further. Otherwise, it will expose itself unnecessarily to business failures and workouts. Also, the transition impacts come from the success of the borrower's business model, not of the credit structure.

Equity capital needs of independent leasing and finance companies. Independent leasing firms find it hard to attract equity capital because of their financial complexity and perceived high business risk. Such firms, which require cash capital to acquire and fund asset growth, may look to solutions such as securitization, and innovative accounting practices to generate earnings from asset sales, to augment internal accounting capital generation. The Bank may have a role, if it has the risk appetite, to provide part of the needed equity or quasi-equity to well-managed leasing firms.

Rapid growth of financial institutions is a warning sign. In rapidly growing economies or sectors it may be possible for a non-regulated financial institution to grow its assets faster than its capital, increasing leverage. The Bank's analysis should focus on the future cash capital requirements of the growth, on whether the firm can generate that much capital from its cash earnings (as opposed to accounting earnings), and on how external capital will be raised to fill any gap.

In the design and structuring of investments in equity funds, the Bank should ensure that it retains sufficient leverage to influence decisions on divestments as well as investments. The Bank generally takes a minority position in funds and limitations exist on the Bank's leverage. The Bank should seek to build in sufficient protections (for example, through a Shareholders' Agreement) to secure its position when the fund decides to sell. Upon exit by a fund from its investments, fund managers and liquidators should be required to verify that purchasers are acceptable to the Bank and to demonstrate full transparency as to bids received and consideration paid. In some jurisdictions local law and practice may limit or preclude the exercise of influence by the Bank as a shareholder. Wherever possible and subject to applicable law the Bank should ensure that a fund (and its manager and future liquidator) will apply the Bank's standards on equity exits.

Ensure that new funds are sufficiently capitalised to achieve a critical mass of investments. With a high initial cost base and longer lead time to exit phase, new funds in early and intermediate transition environments must have sufficient capital to generate a viable pool of investments. Some operating and investee support costs may have to be paid from capital unless TC funds are available. Provision for these should be made in setting the initial capital required by the fund.

Phasing of investments for promising private sector clients along with their graduation reduces investment risks for the Bank and its clients alike. The Bank adopted a phased

investment approach in helping the client to modernise and expand its operations. Apart from its built-in risk mitigation for both parties, this more cautious approach allows to build and maintain a long-term bank-client relationship. Notwithstanding, in respect of the Bank's additionality requirement, however, the Bank needs to vet its role in view of such client's progressive graduation.

2. Appraisal

The strength of sector knowledge in project design. Sector expertise helps instil the international best practices into the project and local knowledge helps ensure the implementation of such practices. Since such essential skills are widely recognised by the parallel financiers and the Borrower, project implementation was expedited and overall project quality was enhanced. The Bank's value added to the Project comprised introducing a better practice to ensure the security into the Romanian multimedia market, thereby demonstrating the Bank's capacity to lead the deal at a cutting edge sector in the country of its operations.

Formulation and stipulation of loan covenants must be based on implementation realism and preparedness by the Bank to enforce them. During project formulation the potential and implementation realism of covenants (including the supportive leverage mechanisms) must be critically assessed and the key actors (i.e. attribution) must be clearly identified. Consequently, Bank monitoring and support must be planned for and budgeted commensurately, and covenant compliance must be followed-up with a degree of assertiveness by the Bank. Leveraging can be substantially enhanced by close cooperation within the Donor and MDB community (e.g. by enhancing the instrument of cross-default clauses).

Structure transactions to enable the Bank to make a fuller appraisal of risk. In the present transaction, the Bank first advanced funds in the form of convertible debt. The relationship enabled the Bank to familiarise itself with the bank's management and operations and to assess risk more fully before electing to exercise the conversion option.

Credit structure and sustainable business. A sound credit structure is necessary to avoid loss for the Bank in case of a liquidation of the borrower, but it is not enough to sustain the growth of a business that requires capital contributions from the sponsor. When the proposed structure requires capitalization by the sponsor, the Bank should ensure that the sponsor has the capacity to provide such capital from appropriate resources and without putting undue stress on its overall capitalization or access to external credit. When such stress is present, the Bank should require the sponsor to raise capital from appropriate sources.

Quality of earnings and capital of independent leasing and finance companies. The Bank should be sceptical about novel accounting theories of earnings from sources such as sales of long term credit contracts to securitisation vehicles. Securitization does not contribute meaningful levels of capital; rating agencies state that, in the case of leasing firms, they do not regard securitisation as transferring risk away from the leasing firm. Rating agencies usually subtract the accounting earnings from securitization to adjust earnings and retained earnings. The resulting adjusted capitalization levels would be lower than those reported by the leasing firm. The Bank should follow a similar practice in its analysis of independent leasing and finance companies.

Structure equity investments to agree common ground with other major investors on changes in shareholdings. A weak or non-existent shareholders' agreement may contribute to circumstances that compromise client stability, transition impact and possibly governance. Shareholders agreements should be negotiated at the earliest opportunity as delay may lead to circumstances that are not conducive to the promotion of stability and sound governance. The

agreements should be amended and updated in a timely manner to reflect changes in circumstances. The appropriate range of levers and protections for the Bank should be identified on a case-by-case basis. These can include, without being limited to, a right of first refusal or pre-emption rights, and tag- and drag-along rights.

The role of legal advice regarding loan security arrangements. Bankers must be able to rely on their legal advisors for clear, unambiguous advice about the adequacy of security documentation and the perfection and enforceability of security interests. The role of the legal advisor is to make clear any drawbacks that the documentation, the exhibits, the regulations, the laws or the institutional frameworks may cause, and make clear the resulting risks so that bankers can determine whether such risks may be assumed by the EBRD or not. If the legal advice does not make the legal and security risks clear to the banker, the banker will be unable to make appropriate decisions. Where the best efforts of legal structuring have not succeeded in removing certain drawbacks to the security arrangements, the legal advice must make that fact and the resulting risks clear, and bankers must record and monitor the deficiencies of the structure. The existence of drawbacks in the legal frameworks should not be allowed to lower the standard of the legal advice regarding the risks that have been incurred.

Successful fund managers in early transition environments need a balanced mix of financial engineering, industrial and commercial management skills. Investee companies frequently need hands-on support to realise their underlying investment potential and prepare them for exit via trade sale or sale to a strategic investor. In order to achieve the necessary turnaround, the fund manager must have the capacity to draw on a range of managerial skills in a number of areas.

Ensure that fund managers have the capacity and willingness to provide adequately skilled management and staff in the region in which the fund will operate. Language skills are important, but even more important are the ability and willingness to translate sound business practices to the early or intermediate transition environment. Experience has shown that successful fund managers are able to motivate multidisciplinary teams of expatriate and local specialists.

The start-up working capital needs to be carefully planned. Working capital is a difficult item to estimate in a frontier project due to uncertain production performance and fluctuating local costs. However, once the estimate fails, cost-overruns are inevitable and affect negatively the start-up operations. Relevant local knowledge is crucial for an initial budgeting. The Bank should review the initial budgeting and should provide the client with necessary advice to minimise the start-up difficulties.

3. Project Monitoring

Monitoring of administrative cost evolvement versus Bank profitability prospects needs more attention. The project clearance process, an important process element targeting avoidance of misallocation of scarce Bank resources, may need reconsideration and refinement. For investment areas where projects are known to enter the Bank's management cycle with high loan volume potential, but also with a high risk that this volume may need to be scaled-down substantially in the course of project gestation, and also where gestation processes typically are protracted, the Bank should consider identifying alternative delivery mechanisms that are more cost-effective. Enhancing the project feasibility process and/or financing it through a loan (instead through Technical Cooperation grants, by way of which project ownership on the beneficiary side tends to increase) may be an alternative route to secure project profitability for the Bank.

Client reporting requirements should contain the information needed for monitoring success. Operation reports often list the types of information about a project that the Bank will use to monitor achievement of objectives, transition impact and other elements of project performance. When such information must come from the client, it is important to incorporate a corresponding reporting requirement into the client's contractual reporting obligations.

The Bank should prepare pro-forma calculations of the returns of equity funds on a full cost basis taking account of the Bank's costs and of the cost of TC inputs. In line with EVCA Valuation Guidelines, the net returns of each equity fund should reflect the payment of management fees and all other professional and ancillary charges paid out in the course of investing, managing and divesting from the investment portfolio. In order to build a full picture of investment returns, costs financed by TC should also be taken into account. The calculation of returns on a full cost basis should assist the assessment of the effectiveness of programmes and comparison with other instruments and delivery mechanisms.

5. Role of sponsor

The bank should regard management expertise as the most sensitive issue in respect of risks associated with foreign sponsors. While the financial strength of a foreign sponsor is important in order to balance out the respective contributions of the Bank and its equity partner, the latter's contribution in terms of sustainable management at the local level is critical. This is one aspect which would be most difficult for the Bank to deal with in case of withdrawal of the foreign sponsor for any reason. With a reliable management team in place, the Bank has in turn more flexibility to decide on the appropriateness of its on-going financial support of the local venture.

Where the Bank is a minority shareholder along with a strategic majority shareholder investor, the Shareholders Agreement should seek to clarify the treatment of all inter-company charges. This should be provided for with a view for the future valuation of minority shareholders' equity as well as to protect an equitable share of income distribution among shareholders. Although domestic accounts may not reflect all such inter-company charges regarded as reasonable by the minority shareholders, this will not become an issue at the time of exit since their legitimacy would have been established at the outset on an arms length basis.

D. EXIT STRATEGY

The timing of equity exits should be guided principally by transition impact potential. It is likely in the present case that the client could function profitably, and perhaps maximise short-term financial returns, without continued Bank involvement as a shareholder. However, there remains significant transition impact potential in the relationship. Focussing on the transition goals of market expansion, increased competition, sound governance and demonstration effect may produce higher financial yields in the long term to the benefit of all stakeholders.

When the Bank has a put option on true equity investments, the methodology for future valuation should, whenever possible, be stipulated in the documentation. While this may be difficult to negotiate when investments are made simultaneously with the Sponsor, it should be easier in situations, as in this project, where the Bank is purchasing shares in an existing company. In this case, the same criteria/multiples that have been used for purchasing the shares could be used in the valuation of the put.

Recovery of a troubled loan and project success. The avoidance of loss on a project, as important as it may be for complying with the sound banking dimension of the Bank's mandate,

merely satisfies a constraint on achieving transition impact subject to sound banking. The purpose of the Bank's projects is to achieve transition impact while recovering the Bank's money. Recovering the Bank's money, however, is necessary but not sufficient for achieving a successful project

E. PUBLIC SECTOR FINANCING

From a responsibility perspective, the Bank needs to critically assess a public sector client's self-financing capacity at the due diligence stage. Even though debt servicing capacity may not constitute a crucial aspect (particularly in the case where the Bank is lending against a sovereign guarantee), the rationale for the extent of external financing by the Bank needs to be critically observed during appraisal, amongst other things, in order to help the public sector client preserving/maximising its borrowing capacity from elsewhere.

A project implementation unit's (PIU) performance can be improved by adding a Lender's Monitor Advisor (LMA). Depending on the client institution's maturity, the inclusion of a foreign expert into the PIU as Lender's Monitor Advisor (LMA), paid by, and reporting to, the Bank, can enhance a PIU's overall performance. Apart from the professional considerations, by this in a sense, protective shield, it acts as a barrier against political and extraneous pressures coming from outside the PIU.

Avoid state-owned participating banks for SME programmes. When seeking participating banks for SME loan programmes, the absence of adequate private sector bank candidates points to a larger problem of inadequate transition progress, low readiness of the investment climate and low relevance of SME lending to transition impact in the circumstances.

Sector participants will need to make a realistic assessment of achievable progress towards a mature regulatory authority in a transition economy. Realistic expectations for outcomes of regulatory decisions especially in early transition countries with recent high tariff increases and further increases on the horizon are important. In no country the regulator can act in a total vacuum and will need to consider and interact with all the sector players including the consumers. The tendency of foreign investors to blame everything on the regulator needs to be balanced by the long time frame which was required even in advanced countries to reach more mature and more independent regulatory authorities. Politicians, electricity users, distribution companies and generators may all have different views to express to the regulator.

F. EBRD- RELATED LESSONS

Sponsors with various Bank projects should have one main contact person at the Bank. For overall relationship management and continuity it is essential that the Bank appoints and maintains one relationship manager for sponsors with various Bank projects. This is particularly important in the very likely event of continued changes at the Operation Leader level and would ensure a better assessment of the overall exposure to one client and timely actions if appropriate. This may also facilitate the development of new business opportunities with this client.

Continuous adjustment of the Bank's product offering and delivery quality is crucial for success in a rapidly changing business environment. The Bank needs to find ways to review regularly its standing regarding its key product features, pricing and quality/efficiency of delivery as seen from the client's perspective in the context of quickly evolving markets. This may also require close monitoring of commercial banking alternatives especially from trade finance providers following well established clients with good track record. Service factors as well as timely and cost

efficient and appropriate legal structures are also important elements for the Bank's perception by key clients in the market place.

The importance of the EBRD Resident Office's input to a realistic policy dialogue in project design. A public sector project needs to adapt to frequent changes of political climate in the country or/and the municipality. The operating team, if located in the Bank's headquarters, may not be able to see the degree of the government's commitment when the project is formulated. Misjudging the counterpart's signal could cost an unrealisable commitment throughout the project implementation period. The Resident Office could provide the headquarter operation team early on with a more realistic and pragmatic view and practical advice on how to pave and maximise the Bank's policy dialogue with the counterparts. This could help the headquarter operation team avoid a "policy monologue", which might affect the project implementation later on.

The Bank should review its policies and procedures concerning nominee directorships to consider placing a limit on the term of office of any single nominee. It is important that nominee directors are able to fulfil their functions with the proper degree of independence and that the Bank should not expose itself unnecessarily to potential conflicts of interest. The Bank should follow best practice in the appointment of Board nominees and have due regard to the need to ensure planned and progressive refreshing of the Boards of companies in which it is a significant shareholder. It should be noted that the principle of 'progressive refreshing' of Board positions could also be beneficial to the Bank and help to reinforce the Bank's position among other shareholders through demonstrating the Bank's commitment to best practice.

A Bank nominee on the Board of a client company should be considered a candidate for chairmanship of the Board only in exceptional circumstances. The burden of responsibilities of chairmanship, the need to display and maintain independence of judgement and the potential for actual or perceived conflicts of interest make it unlikely that a Bank staff member could be considered a suitable candidate for chairmanship of a company in which the Bank is a significant shareholder. Moreover, it is questionable whether the time needed to perform adequately the duties of chairman of a listed company would be compatible with other internal commitments as an employee of the Bank. In exceptional circumstances it may be deemed necessary and desirable for a Bank nominee on the Board to accept the post of chairman for a limited period. However, this should be seen as an interim measure while the company seeks an acceptable alternative without undue delay.

Bank-internal processing of post-approval changes of project scope and design require more rigor. The Bank-internal approval process of subsequent project scope and design changes (i.e. on the operational level and notwithstanding the required procedures involving the Board) should necessarily involve all erstwhile approval parties, if such change is considered material. In this regard changes have been made in the Bank's Operations Manual in 2003.

A combined sector and country team can enhance Bank handling. Such a joint team with highly experienced bankers is important to successfully manage transactions that involve privatisation of large state owned enterprises. Typically such assignments are very labour intensive, complex, and with a high level of political visibility.

LESSONS AND RECOMMENDATIONS FROM TC OPER EVALUATIONS IN 2005

A. TRANSITION IMPACT

Exploiting Transition Impact potential of TCs. In view of the important role that TC can play in fostering transition, (beyond facilitating investment operations), EBRD should ensure that its staff devotes the same attention to TC as to investments. So long as EBRD signals its staff (among other things, through its incentive system, which emphasizes investment volume in staff promotion and bonus allocation decisions) that meeting investment targets is more important than TC, its staff will tend to give lower priority to TC.

Priority of institution building before investment. In complex TCs with a large institution building content and major issues pending, the Bank should consider a phasing of its involvement by tackling the institutional part first, rather than committing in addition large amounts of funding to technical components for an envisaged follow-on project that may never came to light if the institutional deficiencies can't be rectified satisfactoprily.

Enhancing Transition Impact by including capacity building elements. The benefits of a TC attached to an investment operation, for instance, to assist in procurement matters over a longer implementation period with the help of consultant input, may increase by incorporating a design element, which clearly aims at the recipient organisation to absorb/internalise the assistance and capitalise on the skills and knowledge. Such design could incorporate for the consultant services a gradual move of emphasis from a support function towards an advisory function depending the recipient's graduation progress.

TC projects that pursue institutional change in corrupt environments need support from the highest country authority. It may be appropriate to enter into an MOU with the President of the country, perhaps after approval by the President's cabinet, to reduce the risk that ministers will attempt institutional reforms that are later abandoned for lack of backing by the President.

Dealing with institutions first. In complex TCs with a large institutional content where major issues are pending, the Bank should consider to tackle the institutional part first rather than committing in addition large amounts of funding to technical components for a project that may never come to light.

Inadequate project design could significantly reduce the collective leverage of lenders on transition impact. Tuning a multi-party project in the midst of implementation is difficult when project objectives are not coherent. Under the Project, the project stakeholders are currently not in tune in respect of which path to follow towards privatisation. This is caused by inherent design inadequacies and weak policy dialogue. The key lesson is that a project with various stakeholders should be designed from the outset to avoid inconsistencies among the interests of parties concerned and if possible synthesise these interest into an agreed action plan.

B. TC PREPARATION & DESIGN

Consistency of objectives and funds allocated. EBRD should ensure that the funds allocated for a TC assignment are adequate to permit achievement of the operation's

objectives. TC profiles setting out a scope too ambitious for the amount budgeted, may easily yield in disappointing results. Either the budget needs to be adjusted to meet the purpose, or conversely, the objectives need to be modified to bring them into line with the funds available, or else the operation should not be funded at all.

Fully engage clients in the design of TC to enhance client buy-in. Banking Teams should ensure that TC has the full backing of the prospective client and engage the client in the design of the TC. This will lead to greater acceptance by the client and, therefore, the sustainability of the resulting recommendations.

Long term TC support may be required to achieve effective organizational change within a company. Attempting organizational cultural change is a long-term undertaking. The Bank needs to build long-term support into its TC if it wants to ensure successful cultural change.

TC objectives should be achievable within the project/TC context. Particularly where TC is concerned, the objectives should be achievable within the context of the TC program. There may be secondary benefits resulting from successful implementation of the program, leading to a demonstrating affect on the client's parent organization, but it is sufficient that the client makes the changes sought.

C. TC MONITORING & SUPERVISION

Consistency of Bank consultant outputs with transition mandate. The Bank should ensure that not only the TCs as such are consistent with its transition mandate, but also the outputs of the consultants financed under the TC operations. Consultant advises supporting the continuation of a central planning mentality, rather than a market approach, or encouraging state subsidies are inconsistent with transition. EBRD may not always be able to control the contents of consultants' reports. But it should carefully review reports funded under its TC operations and, when it cannot impose revisions, should make clear its disagreement with recommendations that conflict with its mandate or sound economic policies.

Conflicts of interest. Consultants charged with advising on privatisation should not be in a position to benefit from their recommendations. The success fee payable based on the proceeds of privatisation sales creates an incentive for the consultant to make recommendations that would maximize the gross proceeds, rather than maximizing the benefits to the country. The issue is not whether the consultant actually took the success fee into consideration in formulating its recommendations but rather whether it had an incentive to do so.

Collaboration with other donors. EBRD should ensure adequate collaboration with other donors. EBRD may not be able to rely solely on host governments, which may lack the experience to coordinate the work of multiple donors working in a particular sector, and it cannot rely on consultants on fixed price contracts, who have an interest in limiting the time they spend on specific assignments. When multiple donors are active in a particular sector, EBRD needs to participate actively and regularly in meetings with the other donors. It has to ensure that all the conditions for success are being addressed and that conflicts are resolved at an early stage.

Continuity in Bank policy dialogue to improve project success. A continuous policy dialogue is essential when the public administration which implements a TC project on institutional reforms is likely to be subject to political interference. To ensure that the Prime Minister, the Minister and high ranked civil servant policy decisions remain in favour the project, the Bank should maintain regular contact with the stakeholders at all key levels of the administration and the Government.

The importance of rapid response during monitoring. The Bank should be prompt to react when the TC project appears to go off track. Once the Bank has detected the implementation issues, it should try to solve them quickly and efficiently, before additional major TC expenditures occur.

Emphasis upon better coordination of Consulting Teams. It is essential that all companies that are part of a Consultant Consortium work in the most collaborative way and that the leading consultant properly manages the parties of the Consortium. The Bank should pay more attention to this aspect of the performance of the consultant asking for intermediary products and providing immediate feedback on deficiencies.

SELECTED RECOMMENDATIONS FROM EVALUATION REPORTS PREPARED IN 2005

A. SEVERAL RECOMMENDATIONS IN RESPECT OF TC OPERATINOS FROM THE MONGOLIAN COOPERATION FUND

Importance of TC operations. In view of the important role that technical cooperation (TC) can play in fostering transition, (beyond facilitating investment operations), EBRD should ensure that its staff devotes the same attention to TC as to investments. So long as EBRD signals its staff (among other things, through its incentive system, which emphasizes investment volume in staff promotion and bonus allocation decisions) that meeting investment targets is more important than TC, its staff will tend to give lower priority to TC.

The importance of clear terms of reference. The terms of reference that EBRD issues should be consistent with the objectives approved by the TC Review Committee and should clearly state what EBRD expects the consultants to do. In two assignments under this Fund, the TORs went well beyond the objectives approved. In both cases, the Evaluation Team assigned less than satisfactory ratings. Moreover, in one case, the Evaluation Team could not understand what was required because of poor drafting. And in another case, the Evaluation Team could not understand what was required because the terms of reference called for the consultants to review an issue without indicating what the consultant was to do with the results. Overly ambitious or unclear terms of reference are likely to lead to disappointing outcomes, which often come to light during evaluation.

Requirements for designing training programmes. In designing training programmes, EBRD should seek to ensure that (i) the material covered is relevant to the host country's business culture and the size and level of development of the local market, (ii) the group of trainees is reasonably homogenous in terms of knowledge, experience, position, and sector, (iii) the trainers receive an adequate briefing on what to expect with respect to business conditions in the country and the trainees' backgrounds, (iv) consideration is given to increasing the use of case studies, and (v) for company visit programme components, sufficient time is allowed and the arrangements provide for trainees to visit companies with operations comparable to their own.

Cost sharing of TC assignments. EBRD should seek to recover a portion of the cost of TC assignments benefiting private companies. Seeking to recover the full cost of the services provided may not be realistic, but recovering some share of the costs would reduce the subsidies to individual businesses, can generate funds permitting the Fund and similar funds to undertake additional TC operations, and may encourage businesses to be more selective in deciding whom to send for training courses.

Flexibility of terms of reference of consultatns. EBRD should watch for unexpected developments and be prepared to adjust the consultants' terms of reference when appropriate. In two cases, the Fund showed commendable flexibility. In the telecommunications assignment, the consultants' inception report argued that the privatisation approach envisaged by the terms of reference would not achieve the government's objectives of increasing competition, encouraging further investment, and improving service. They suggested an alternative approach, and the Fund wisely accepted this change. In an assignments in respect of one of the banks, changes in the bank's operations between the initial approval and the

time the assignment actually started called for modifying the terms of reference. Again, the Fund wisely negotiated revisions to meet the needs of both Khan Bank and EBRD.

Collaboration with other donors. EBRD should ensure adequate collaboration with other donors. EBRD may not be able to rely solely on host governments, which may lack the experience to coordinate the work of multiple donors working in a particular sector, and it cannot rely on consultants on fixed price contracts, who have an interest in limiting the time they spend on specific assignments. When multiple donors are active in a particular sector, EBRD needs to participate actively and regularly in meetings with the other donors. It has to ensure that all the conditions for success are being addressed and that conflicts are resolved at an early stage.

B. RECOMMENDATIONS FROM SPECIAL STUDIES

Peripheral implications of loan re-pricing may deserve closer attention by the Office of the Chief Economist (OCE). A sensitive issue, particularly in the private sector, would be that of additionality. This concept was intentionally absent of the "Material and Non-Material Change (Projects), Approval and Reporting Procedures" (BDS96-157), which sets the general principles for approval beyond OpsCom of changes in projects. The rationale was that it should no longer be an issue post approval. A more systematic involvement of OCE at the time of re-pricing would warrant that due consideration is given to continuing TI and related features as further justification to yielding to market constraints.

Notification to the Board of selected loan prepayments. Loan prepayments are not highlighted to the Board with the same level of information as are equity exits. The rationale is that the former situation is not under the Bank's control while the latter is. Where achievement of key project objectives appear to be purposely circumvented through prepayment, it would be advisable for the Board to be specially notified of such implications. Such a determination could be made by OCE as part of the transition impact monitoring system (TIMS). It should be noted however that, post disbursement, public sector transactions may not require monitoring reports which prompt TIMS reports.

Key Terms and Conditions should also reflect non credit driven covenants when important project objectives are at stake. Issues relating to Transition Impact or environmental achievements are often covenanted or intended to be. Should the Board consider that its approval is predicated upon compliance with such issues, it is important that they appear under the Key Terms and Conditions Section of the Operation Report or, failing this, are included in the minutes sanctioning Board approval of the relevant project.

In respect of financing of projects in unreformed environments, conversion to debt instruments with remaining token equity should be pursued while containing the use of overly complex structuring, modelled on private equity in developed markets. In prioritising repayment risk mitigation through subordinated and senior debt, the operation team should not indulge in sophisticated structured finance that may not be fully apprehended by the sponsors, particularly if there is doubt as to its enforceability in the legal and judicial context. Costs associated with structuring and contracting of complex transactions must remain commensurate with the size of the investment contemplated in order to safeguard the demonstration effect of economically justified replication.

C. RECOMMENDATIONS FROM OPERATION PERFORMANCE EVALUATION REPORTS

Recommendations in respect of an oil project in Central Asia:

- Continue full implementation of Environmental Department recommendations to address the environmental issues
- Encourage a full feasibility study of associated gas utilisation options in conjunction with all parties concerned including the local authorities. This may also include either a substantial upgrade of pollution control at the carbon black plant or a closure of this facility, which presently is a large local user of associated gas.
- Evaluate the use of carbon credits for the financing of measures which shut down the carbon black plant and for measures which reduce or eliminate the flaring.
- Explore Bank roles in order to facilitate early solution of the gas flaring issue by encouraging dialogue with Government and neighbouring countries re necessary gas transportation upgrades.
- Review the security and pledges required for loans of this type to facilitate automatic relaxation of the terms when certain milestones have been passed.

It is recommended that the Bank should include in its future micro-finance downscaling programmes a requirement to record consulting time inputs and make provision for the integration of reporting with banks' own systems. The former will enhance EBRD's ability to compare and analyse programme effectiveness; the latter should help accelerate the assimilation of similar programmes by participating banks and strengthen their sense of commitment to MSE lending. Where systems development by partner banks is necessary, it is important to identify requirements at an early stage and to impress upon banks that they must give the exercise the necessary priority.

It is recommended to define the upper limit of applicability of micro-credit analysis and micro-lending technology in the appraisal of MSME borrowers. The Bank should consider commissioning an independent study of the programme methodology in order to assess its capacity to handle larger loans both as regards appraisal and monitoring. Partner banks must maintain an adequate balance of growth and controls in conditions of strong competition. Partner banks need to continue building risk management capacity which must keep pace with changes in loan characteristics as well as with portfolio expansion. The results of such a study could assist the Bank also in assessing the credit risk of other SME programmes.

The Bank should consider undertaking a review of its equity investments to determine whether arrangements the Bank has made with other shareholders are appropriate to the case and match the Bank's current standards. Where necessary the Bank should consider what steps it may be appropriate to take to protect its position. In addition the Bank should consider reviewing its monitoring systems to ensure that significant changes in shareholdings are anticipated where possible and appropriate defensive action taken where necessary. In certain circumstances, in order to protect its investment, the Bank may need to consider taking on more exposure, either equity or debt, for a limited period.

The environmental cost, irrespective of financing source, should be included in the project cost at appraisal and monitored appropriately during the implementation. The EBRD's operation team at appraisal should make sure that the costs for the environmental component, if any, are incorporated into the Bank's regular monitoring regime and will be monitored in the same manner as for the major engineering components.

Environmental Department should strengthen the implementation design for the project's environmental component. Environmental due diligence should necessarily gain a reasonable assurance that the borrower has fully understood the monitoring scope and requirements, no matter which source is financing. If there is the Borrower's financing environmental component, the operation team should make sure that the adequate budget is allocated. If no environmental specialist is involved in monitoring, the lender's supervisor should be conversant with the scope and requirements for environmental monitoring. The relevant TOR should be prepared by the operation leader and cleared by the Environmental Department.

To mitigate its reputation risks, the Bank should consider taking steps to verify that the large public tenders in which the Bank's client participates with the EBRD's approval are conducted adequately, in accordance with the Core Criteria elucidated in EBRD's policies covering EBRD Financing of Private Parties to Concessions, before approving the client's participation in the public tender. These stipulate, among other things, that, "...the Bank must also be concerned about the procurement standards applied by the public sector entity in awarding the concession."

Improve Financial Transparency and Loss Recognition at the participating banks (PBs) in this credit line operation. The Bank, a major lender to the PBs, should consider supervising a program, in coordination with the PBs' external auditors, to strengthen the integrity of the IFRS financial statements of the PBs. The effort could take steps to ensure that all loans, including directed loans, are accurately classified and provisioned. This may require the authorities to impose a phased program of provisions such as the US authorities applied to US banks during the aftermath of the Latin American debt crisis. The external auditors, having an interest in ensuring confidence in their audit certifications, would likely cooperate with such a program.

Deepen Credit Assessment of EBRD Exposure to the PBs. The Bank should deepen scrutiny of its exposure to the PB's given the demonstrated shortcomings of PB provisioning levels and the likely shortcomings of the audited financial statements. Credit assessment should focus on the PB's adjusted capitalization and visible capacity to service debt, which will have to rely on estimates until such time as PB financial reporting improves. This assessment should be independent from speculation about which PBs may be too big to fail.

Environmental due diligence requirement for repeat financing. A mandatory review of the completion status of the Environmental Action Plan should be incorporated in the Bank's environmental due diligence for a follow-on investments in repeat financing. If any major issues remain unsolved, those issues should be carried forward as specific subjects for monitoring under the follow-on investment.

In future housing loan finance projects, the Bank could consider providing additional financing, perhaps involving a donor-funded pricing incentive, to encourage sub-borrowers to make the relevant environmental investments. The energy-efficiency unit has developed a similar approach for a bank intermediation project in another country of operation. Such an "add-on" facility could increase the volume of the Bank's loans to the sector.

The market for housing loans demands funding of fixed rate loans for long tenors and therefore the Bank should consider the degree of its commitment to encouraging

mortgage financing by financial intermediaries and whether or not to put its competitive advantage in very long dated loan market to use for financing very long term loans for the purpose of mortgage financing. Such loans should enjoy good additionality even in CEB and could contribute importantly to the development of mortgage markets. They could be provided through a trust or other special purpose structure that could purchase mortgage loans from banks, thereby limiting direct financial exposure to banks, as a prelude to eventual capital markets securitisation of mortgage loans.

In its routine monitoring of its investments in local banks, the EBRD should assess the degree of each client bank's exposure to indirect credit risk, caused by loans in foreign currency or indexed to foreign currency, and to assess how each bank has measured the potential impact of such credit risks and mitigates them through borrower selection, increased capital allocations, or otherwise. It should also find out to what degree the local National Bank may be carrying out relevant stress tests and learn the results of those stress tests because these are relevant to transition impact and to EBRD's management of its large exposure to banks in the country.

The Bank should consider taking steps, including potentially legal transition TC, to understand the country's legal framework for registering a security interest over leased land and to steps would to bring about a registration of a security interest in the land leases or the related rights of the project. This would be a discrete task that would be less complex, and perhaps less controversial, than setting up an independent mortgage registry in the country. The benefits of achieving the registration would be to complete a missing element of the Bank's security for the Project, and to provide a mechanism for other borrowers to pledge the right to use leased land as security. It would, moreover, be consistent with the Bank's commitment to address legal framework reform consistent with the property sector policy.

The Bank should consider adopting a more structured approach to policy dialogue with the local authorities regarding legal and institutional reforms in the property sector and more broadly. The Bank should consider focusing on the remaining transition challenges in Market-supporting Institutions and Policies, especially fostering privatisation and private management of public sector-controlled real estate and radical reform of the legal and institutional frameworks for property markets. The core of the policy dialogue could address the authorities' commitment to bring about transition to a market economy in the property sector and the removal of policies that are inconsistent with the economic dimensions of Article 1. A first step could be for the Bank and the authority to issue a joint statement about the state of transition in the property sector in order to avoid a "dialogue of the deaf." Further commitment to sector reform could be signalled by the setting of milestones, ratified at the highest level of the country authority, for implementing the needed reforms in the sector.

APPENDIX 5

The Transparency and Integrity Environment and EvD evaluation Results 2000-2005

In 2005, Transparency International ranked the transparency performance of EBRD country of operations starting as expected with ETC and other CIS countries carrying the lowest ratings, CEB countries the Highest and SEE in between[1] (Table 1).

Table 1: Ranking of country of Operations

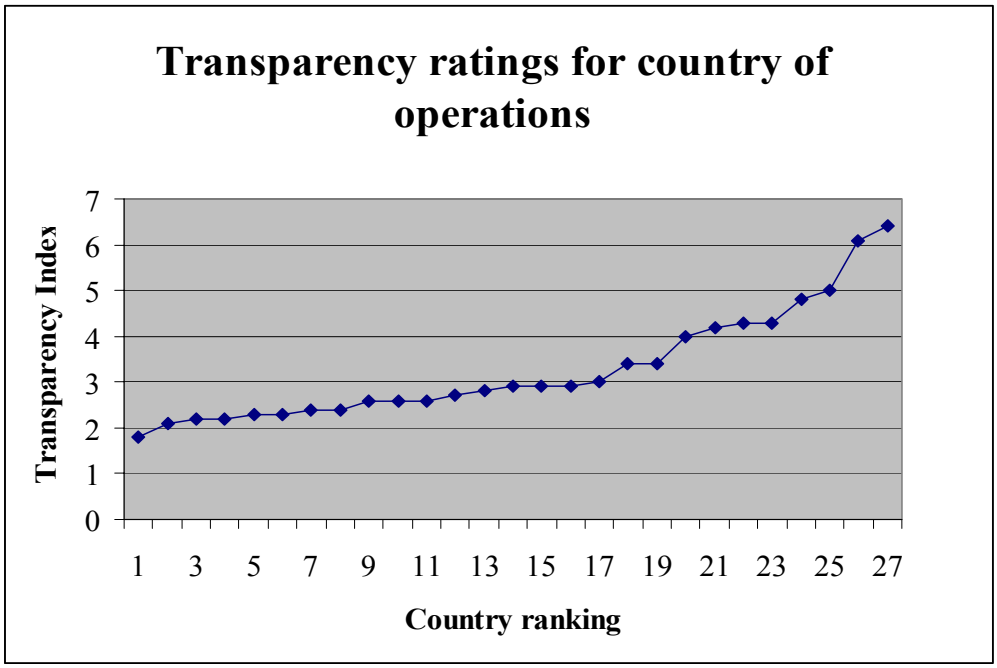
Country Name	CPI 2005 1/	Ranking	Region
TURKMENISTAN	1.8	1	CIS/OTH
TAJIKISTAN	2.1	2	CIS/ETC
AZERBAIJAN	2.2	3	CIS/ETC
UZBEKISTAN	2.2	4	CIS/ETC
GEORGIA	2.3	5	CIS/ETC
KYRGYZ REPUBLIC	2.3	6	CIS/ETC
ALBANIA	2.4	7	SEE
RUSSIAN FEDERATION	2.4	8	CIS/RUS
BELARUS	2.6	9	CIS/OTH
KAZAKHSTAN	2.6	10	CIS/OTH
UKRAINE	2.6	11	CIS/OTH
FYR MACEDONIA	2.7	12	SEE
SERBIA AND MONTENEGRO	2.8	13	SEE
ARMENIA	2.9	14	CIS/ETC
BOSNIA AND HERZEGOVINA	2.9	15	SEE
MOLDOVA	2.9	16	CIS/ETC
ROMANIA	3	17	SEE
CROATIA	3.4	18	CEB
POLAND	3.4	19	CEB
BULGARIA	4	20	SEE
LATVIA	4.2	21	CEB
CZECH REPUBLIC	4.3	22	CEB
SLOVAK REPUBLIC	4.3	23	CEB
LITHUANIA	4.8	24	CEB
HUNGARY	5	25	CEB
SLOVENIA	6.1	26	CEB
ESTONIA	6.4	27	CEB

1/ CPI Score relates to perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt).

[1] The data are from the Transparency International Website: http://www.transparency.org/policy_research/surveys_indices/cpi/2005 as of 27/04/06.

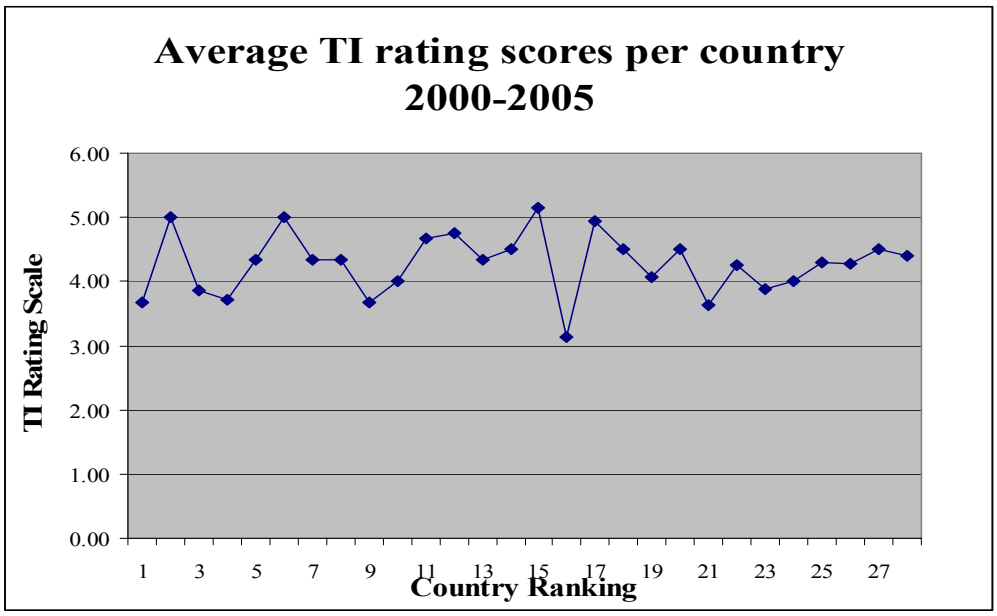
The Progression of the transparency performance appears to be relatively slow across CIS and SEE countries and tends to accelerate at the higher end of the spectrum within the CEB Group (Chart 1).

Chart 1: Improvement in transparency performances across EBRD country of Operations – 2005



By contrast EvD evaluations results do not show any significant growth in transition impact performance of Bank operations when the average transition Impact (TI) performance per country are lined up along the same country ranking (Chart 2). The performances fluctuate between levels 4 and 5 (Satisfactory to Good).

Chart 2: Variations in TI Performance of EBRD Operations per country 2000-2005



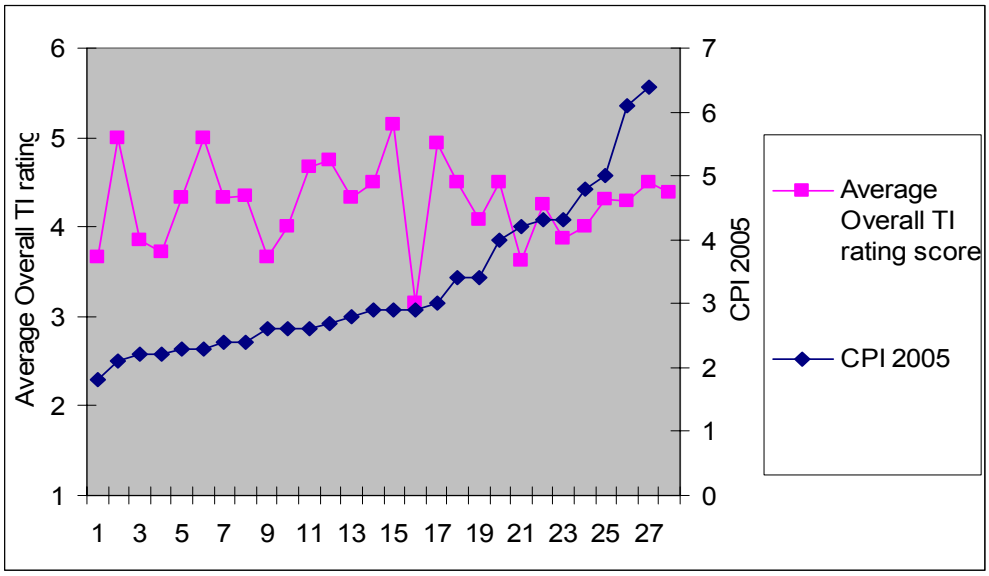
A statistical regression of the Transparency series on the TI series confirms the lack of relationship, even when 7 countries where EvD has less than 5 evaluations are taken out from the sample of 27 (Table 2).

TABLE 2 SUMMARY REGRESSION OUTPUT
Y=Average Overall TI rating X=CPI 2005

Regression Statistics	
Multiple R	0.0406
R Square	0.0016
Adjusted R Square	-0.0538
Standard Error	0.4831
Observations	20.0000

A graphical comparison with proper scaling for each series of data, however, reveals a positive relationship between the transparency performance and the TI performance of EBRD operations within the CEB group corresponding to rank 21 and beyond (Chart 3).

Chart 3: Upward trends for both Transparency ratings and TI ratings in CEB countries



It appears therefore that within the numerous factors affecting TI performance in CIS and SEE countries the macro transparency environment does not emerge as the dominant one. Market and regulatory imperfections may be interfering heavily at this stage. When these distortions tend to diminish as the countries move towards more advanced transition stages, the transparency factor becomes more salient.

INVESTMENT OPERATION DATABASE

1 THE DATABASE

The figures in this appendix apply the Bank's investment operation counting methodology to the evaluated database[1].

Table 1: Investment Operation Database Summary
(as at 31 December 2005)

All investment operations	No.	%	MEUR	%
Bank Portfolio				
Board-approved	1,407.6	108%	33,754	111%
Signed	1,300.9	100%	30,326	100%
12 Months + Past Board Approval	1,238.1	95%	28,957	95%
Of which subject to Evaluation				
Total ready for Post-Evaluation	733.7	56%	14,913	49%
With OPER Reports	288.9	22%	7,108	23%
With XMR Assessment	283.4	22%	4,531	15%
With XMR Review	161.3	12%	3,274	11%

PRIVATE SECTOR	No.	%	MEUR	%
Bank Portfolio				
Board-approved	1,143.5	109%	25,378	113%
Signed	1,051.2	100%	22,466	100%
12 Months + Past Board Approval	1,005.1	96%	21,807	97%
Of which subject to Evaluation				
Total ready for Post-Evaluation	621.0	59%	11,782	52%
With OPER Reports and Special Studies	256.9	24%	6,109	27%
With XMR Assessments	240.3	23%	3,403	15%
With XMR Review	123.8	12%	2,269	10%

PUBLIC SECTOR	No.	%	MEUR	%
Bank Portfolio				
Board-approved	264.1	106%	8,376	107%
Signed	249.7	100%	7,860	100%
12 Months + Past Board Approval	233.1	93%	7,151	91%
Of which subject to Evaluation				
Total ready for Post-Evaluation	112.6	45%	3,132	40%
With OPER Reports	32.0	13%	999	13%
With XMR Assessments	43.1	17%	1,128	14%
With XMR Review	37.5	15%	1,005	13%

Source: Data Warehouse and Board Monthly Information Report, December 2005

Table 1 outlines EvD's evaluations of investment operations against the Bank's total investment operations portfolio at the end of 2005. The investment operation count applied by EvD corresponds to 220 Operation Performance Evaluation Reviews (OPERs), seven Special Studies on specific operations, 269 Expanded Monitoring Report (XMR) Assessments and 158 XMR Reviews carried out during 1993-2005, in total 654 ready operations[2].

[1] Bank Operation Count (Opcount) = a measure of the number of full operations. The Bank allocates a count of one to standalone operations in which all facilities are signed and active, and a count of one to framework operations and their associated sub-operations. Partially signed or partially cancelled stand-alone operations are allocated a fractional count, depending on the proportion of signed active facilities within the operation.

[2] In total 222 OPER reports have been produced. However, one report from 2001 revisited an operation already evaluated in 1996, and another, from 2003, evaluated the progress of a broad client relationship rather than evaluating any individual

1.1 PORTFOLIO PROFILE AND EVALUATION COVERAGE

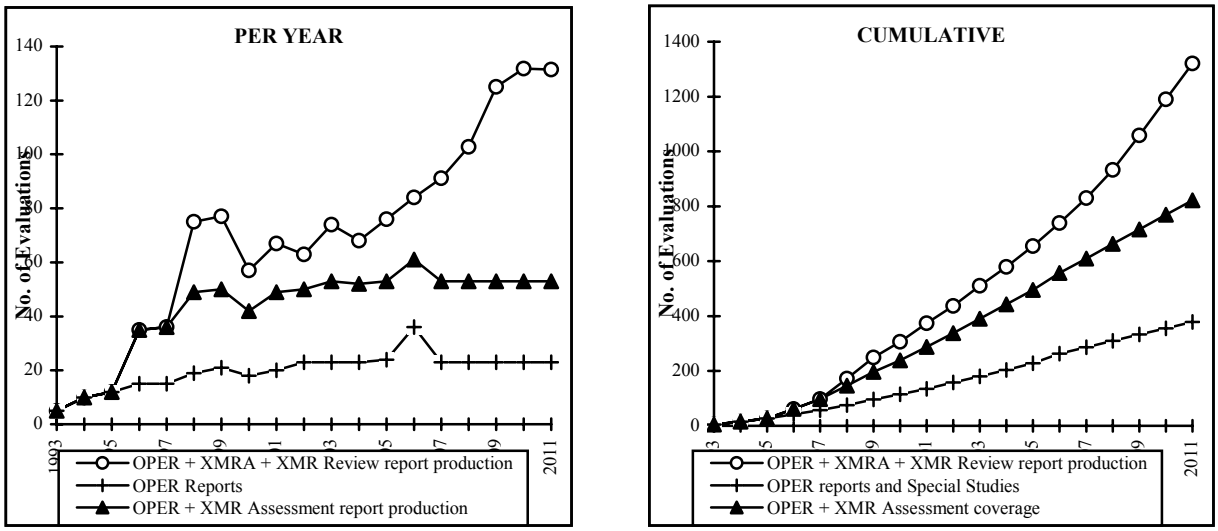
1.1.1 Part of the portfolio ready for evaluation.

By the end of 2005, 733.6 investment operations (621.0 private sector and 112.6 state sector) were judged ready for post-evaluation (in accordance with prevailing Operations Manual (OM) procedures). In total 220 OPERs, seven Special Studies on specific operations, 269 XMR assessments and 158 XMR Reviews cover 100 per cent of operations ready for post-evaluation up to 2005 (this equates to 924 distinct operation identity numbers being evaluated out of 1,136 ready for evaluation). Twenty three OPERs on investment operations were produced in the 2005 plan (comprising only 31 per cent of operations ready for post-evaluation). Therefore, a selection process for the 23 OPERs 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 and 2002 but has risen since then. The figure is expected to increase sharply over the next few years as the Bank approves more and smaller projects. By 2011 it is expected that 132 operations per year will be ready for evaluation. For 2006 the total number of operations identified as ready for post-evaluation is 84.

Chart 1: OPER Coverage of Investment Operations Ready for Post-Evaluation 1993-2011



operations. Therefore these two OPERs have been discounted throughout this AEOR when considering the number of operations evaluated.

The statistics used in Chapter 1 and Appendix 8 only cover evaluations conducted since 1996, when a more consitent rating system was introduced.

1.2 OVERVIEW OF THE INVESTMENT EVALUATION DATABASE

1.2.1 Timing of the evaluations.

The 733.7 operations were self-evaluated by the operation team, on average, 22 months after final disbursement of the Bank's investments and 50 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".[3] Since the implementation of the new guidelines, projects have been self-evaluated by the operation team, on average, 10 months after early operating maturity and EvD has published independent evaluation reports, where applicable, an average of 14 months after early operating maturity.

Six per cent of operations ready for evaluation were appraised and Board-approved during the first and second year of the Bank's existence when little institution quality control had been established and the Bank's learning curve was still at an early stage. The high attrition of Bank staff is another factor in the timing of evaluation: many staff involved in projects leave the Bank by the time evaluation takes place. This complicates 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.

The 572.35 operations subjected to OPERs, Special Studies and XMR Assessments comprise a growing portion of the Bank's Board-approved portfolio. By the end of 2005 it had reached a cumulative evaluation coverage level of 44 per cent of the total number of signed operations and 38 per cent in value terms. As evaluation coverage levels increase the 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 406.82 independently evaluated loan investments, 82.8 facilities are fully pre-paid and 83.9 facilities are fully repaid, while 10.2 operations have been written off. Of the *equity investments*, 13.2 operations have been written off, 85.1 operations have fully divested facilities and 23.6 operations have partially divested facilities.

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 (1.2 per cent), Armenia (0.5 per cent), Azerbaijan (2.3 per cent), Belarus (0.9 per cent), Bosnia & Herzegovina (1.3 per cent), Bulgaria (3.9 per cent), Croatia (4.2 per cent), Czech Republic (3.7 per cent), Estonia (4.1 per cent), FYR Macedonia (1.6 per cent), Georgia (2.7 per cent), Hungary (6.7 per cent), Kazakhstan (2.5 per cent), Kyrgyz Republic (1.6 per cent), Latvia (2.8 per cent), Lithuania (2.2 per cent), Moldova (2.1 per cent), Poland (11.5 per cent), Romania (6.6 per cent), Russian Federation (18.5 per cent), Serbia and Montenegro (1.1 per cent), the Slovak

[3] 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.

Republic (3.6 per cent), Slovenia (3.0 per cent), Tajikistan (0.4 per cent), Turkmenistan (0.5 per cent), Ukraine (4.7 per cent) and Uzbekistan (1.9 per cent), besides Regional operations (4.0 per cent);

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

- *Industries* (according to Bank standard industry name). In total 59 industries were covered;

- *Investment types.* 55 per cent are straight senior debt operations, 29 per cent are ordinary share investments, nine per cent are a combination of ordinary shares and senior debt, two per cent are straight subordinated debt, two per cent are a combination of senior debt and subordinated debt; the remaining percentage is a combination of the investment products above and preference shares, 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.

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 2005

Equity Fund

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	Rating[1]	Rating[2]	Rating[3]
3	**Private ownership** In a number of cases the funds invested in recently privatised enterprises thus underpinning the principles of private ownership.	Good	Good	Low
5	**Skill transfers** In the best cases, the funds have built a team of skilled professional fund management staff who are available to work with a follow-on fund or take the skills they have acquired with them to new positions in the financial sector.	Good	Good	Low
6	**Demonstration effects** Overall the funds have demonstrated that, appropriately structured and managed, private equity investments in the country are viable.	Good	Good	Medium
7	**New standards for business conduct** Action was taken to reorganise the funds when it became apparent that some of the early fund managers were underperforming.	Good	Good	Low
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	Rating	Rating	Rating
1	**Competition** In a number of cases the funds' investments and related post-investment TC support have resulted in significant improvement in the competitive position of investee companies.	Good	Good	Low
2	**Market expansion** Overall the funds have shown that there is scope for viable equity investment operations among SMEs at the larger end of the scale in the country. The risks attached to private equity are high.	Good	Good	High

[1] **The range is: Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative.**
[2] **The range is: Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative.**
[3] **The range is: Low/Medium/High/Excessive.**

3	**Private ownership** Investments by the funds have contributed to the growth of private companies that emerged from previously state-owned enterprises.	**Good**	**Good**	**Low**
4	**Frameworks for markets** The funds effectively introduced the concept of private equity to the country. After some delay in the initial years, the number of participants in the sector has grown.	**Good**	**Good**	**High**
5	**Skills transfers** Beyond the internal functioning of the funds themselves, the post-investment involvement by fund managers in developing the strategy and operations of investee companies has contributed in the best cases to substantial improvements in financial and operational management skills.	**Good**	**Good**	**Low**
6	**Demonstration effects** Despite setbacks and uneven performance, the funds overall have demonstrated that private equity can operate successfully in this country of operations.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** The funds have in many cases successfully fostered the development of entrepreneurial initiatives in investee companies. Within the investment industry the venture capital association seeks to set sound standards for equity funds in the country.	**Good**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:[4] ***THE FUNDS HAVE MADE SIGNIFICANT INROADS IN DEMONSTRATING THE VIABILITY OF PRIVATE EQUITY INVESTMENT IN THE COUNTRY, AS WELL AS IDENTIFYING SOME OF THE OBSTACLES TO SUCCESSFUL INVESTMENT IN A VOLATIVE ENVIRONMENT. IN VIEW OF THE SUCCESS OF SOME FUND MANAGERS IN ARRANGING FOLLOW-ON FUNDS, THE LONGER-TERM TI POTENTIAL OF THE FUNDS IS ALSO RATED GOOD, BUT WITH MEDIUM RISK. THE RATING IS DEPENDENT UPON THE EXISTING FUNDS REALISING THE FULL UPSIDE POTENTIAL OF THEIR REMAINING EXITS, AND UPON THE FOLLOW-ON FUNDS ACHIEVING THE ANTICIPATED LEVEL OF NON-BANK, PRIVATE CONTRIBUTIONS ON CLOSING.***	**Good**		

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

Bank Convertible Loan & SME Credit Line

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The client was privatised before EBRD involvement.	N/A	N/A	N/A
5	**Skill transfers** The initial convertible loan was accompanied by an extensive TC-supported institution building programme which commenced shortly after the signing of the loan agreement and to which the client responded well. The client's progress was a key element in EBRD's decision to exercise the conversion rights in 2000.	Good	Good	Low
6	**Demonstration effects** Credit assessment and monitoring procedures that were introduced to the client through TC supported consulting assignments have been applied by the client in its operations more widely.	Good	Good	Low
7	**New standards for business conduct** EBRD representatives on the client Board have, together with other shareholder representatives, steered the development of the client's strategic thinking. Transparency and accountability have improved.	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 client has significantly expanded activities in retail and SME banking, including leasing, and has targeted new areas such as private banking. The client has been an active participant in EBRD's Trade Facilitation Programme. There remains excellent TI potential, but with some risks that arise from the need for tight cost control in managing an expanding financial services group in a period of declining margins.	Excellent	Excellent	Medium
2	**Market expansion** The client's performance has contributed to growing confidence in the banking sector and consequent increase in the deposit base. Through investment in systems and expansion of product range, the client is achieving economies of scale helping to hold down transaction costs for customers.	Excellent	Excellent	Medium
3	**Private ownership** Through expansion of its SME and micro lending activities utilising EBRD credit lines, the client has contributed to the development of entrepreneurial initiatives in the country.	Good	Good	Low

4	**Frameworks for markets** As a condition of the first EBRD operation the client was required to use best efforts to obtain a listing on the country's stock market. This was achieved within two years of signing. The client's stock is among the most actively traded on the exchange.	**Good**	**Good**	**Low**
5	**Skills transfers** Sub-borrowers financed by the client from EBRD credit lines have benefited from the transfer of financial analysis skills during sub-loan appraisal and monitoring.	**Good**	**Good**	**Low**
6	**Demonstration effects** The client was the first bank in the country to place a local currency bond issue and has been successful in attracting reputable international portfolio investors. The client has introduced new products, services, systems and controls that other institutions are seeking to copy. The client has become known as the most innovative bank in the country.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** The client has acquired a reputation for innovation and transparency in particular following the management changes and reorganisation commenced in 2004. With the new management team in place there is potential to continue the momentum in setting new standards.	**Good**	**Excellent**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good / Excellent**	**Low / Medium**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Co-Financing Facility

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The client bank is a state-owned development bank. The beneficiaries of the credit line were privately owned businesses.	n/a	n/a	n/a
5	**Skill transfers** With the exception of environmental due diligence training at an early stage of the project, no formal training was undertaken.	Marginal	Marginal	Low
6	**Demonstration effects** The poor quality of the sub-loan portfolio gives little scope for demonstration effects within the client bank, although it is encouraging that the client intends to adopt the EBRD's environmental procedures more widely.	Satisfactory	Satisfactory	Low
7	**New standards for business conduct** There is evidence that the client learned lessons from the sub-loan approval process. This is seen in the client's efforts subsequently to improve its SME lending procedures.	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 market in the country is highly competitive. The client places emphasis on its development orientation and does not regard itself as competing with commercial banks.	Marginal	Marginal	Low
2	**Market expansion** Less than one-half of the committed facility was utilised.	Marginal	Marginal	Low
3	**Private ownership** The sub-projects financed by the facility were already privately owned businesses.	n/a	n/a	n/a
4	**Frameworks for markets** Through this facility, the client entered a new segment of the market. Although the facility was under-utilised, there is potential for the client to learn from the experience and increase its activity in this segment.	Marginal	Good	Medium
5	**Skills transfers** The poor quality of a significant part of the portfolio indicates that there was little transfer of skills to end borrowers.	Marginal	Marginal	Low

6	**Demonstration effects** The results achieved as reflected in low utilisation and portfolio quality are insufficient to have demonstration effect for other market players.	**Marginal**	**Marginal**	**Low**
7	**New standards for business conduct** There were some instances of sub-borrowers being advised by the client to organisational or legal changes to their operations as a condition of receiving a loan. There is some potential for this to increase if the client derives appropriate lessons from the experience with the facility.	**Marginal**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Marginal**	**Marginal**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Marginal**		

MSME Framework

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership.** The programme has promoted the growth and expansion of privately owned small businesses nationwide.	**Good**	**Good**	**Low**
5	**Skill transfers.** The programme has trained MSE loan officers nationwide and prepared a body of trainers to continue training activities within each partner bank.	**Excellent**	**Excellent**	**Medium**
6	**Demonstration effects.** Partner banks have taken ownership of the programme and have applied aspects of the programme in other activities.	**Excellent**	**Excellent**	**Medium**
7	**New standards for business conduct.** Small borrowers have been introduced to the discipline of financial analysis. Partner banks have assimilated new lending and organisational practices.	**Excellent**	**Excellent**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition.** Five partner banks compete actively with each other and with non-programme banks for small business accounts. Competition has helped contain the cost of loans to small borrowers. Two other banks which participated in the first phase of the programme where not admitted to second phase because their performance was regarded as unsatisfactory.	**Good**	**Good**	**Low**
2	**Market expansion.** The programme has positioned partner banks well to expand small business lending with the possibility to exploit cross-selling opportunities. Banks have further expanded the market by making other funds available for programme lending in addition to EBRD credit lines. There are signs that the programme has triggered short-term changes in behaviour among small business beneficiaries. However, after rapid expansion, the point of saturation may be approaching as regards high quality loans to small businesses in urban centres.	**Excellent**	**Good**	**Low**
4	**Frameworks for markets.**	**N/A**	**N/A**	**N/A**

5	**Skills transfers.** Programme skills have been disseminated both within partner banks and among other banks as loan officers have moved on in their careers. Loan officers trained by the programme are in demand in other banks which are seeking to develop small business lending following the example of the programme banks. There has been relatively high turnover of loan officers in partner banks.	**Good**	**Good**	**Low**
6	**Demonstration effects.** Although new banks have not been recruited to the programme, in part because of integrity concerns, there is evidence that other banks have sought to copy the success of the programme by establishing their own small business lending departments.	**Good**	**Good**	**Low**
7	**New standards for business conduct.** The programme has helped bring into the formal financial sector small business borrowers who previously had no access to bank finance. The discipline of financial analysis which underpins the lending methodology has been instructive for many small entrepreneurs, encouraging them to pay more attention to financial aspects of their business.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low / Medium**
	OVERALL TRANSITION IMPACT RATING: ***PARTNER BANKS ARE NOW IN THE GRADUATION PHASE OF THE PROGRAMME. BANKS HAVE INTEGRATED THE PRINCIPLES OF THE PROGRAMME AT DIFFERENT RATES, BUT ALL HAVE SOUGHT TO APPLY SOME OF THE PROGRAMME'S UNDERLYING PRINCIPLES IN OTHER AREAS OF THEIR OPERATIONS. THE RISK TO FULFILMENT OF THE REMAINING TI POTENTIAL IS ASSESSED AS LOW TO MEDIUM BECAUSE OF THE UNEQUAL PREPAREDNESS OF BANKS FOR GRADUATION. SUSTAINABILITY AND THE MAXIMISATION OF TI DEPEND UPON SUCCESSFUL GRADUATION.***	**Good**		

Bank Equity and Credit Line

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The client was privately owned from inception.	n/a	n/a	n/a
5	**Skills transfer** The client responded well to TC-funded training that accompanied the earlier projects. A recent review of the Bank's interventions with a number of local banks concluded that the client had made the most progress in developing its skill base. The maintenance and further strengthening of the skills base depends to a large extent on the availability of funds for continued on-lending.	Good	Good	Medium
6	**Demonstration effects** The client's management have indicated that they intend to apply more widely in the client's operations the standards that the EBRD has required in relation to its credit lines. This will depend upon the consistent application by management of sound banking principles which in turn may depend on the satisfactory resolution of governance issues.	Satisfactory	Good	High
	New standards for business conduct. Encouraged by the EBRD, the client maintains good standards of transparency and accountability in the reporting of its operations. However, recent developments have raised questions of shareholder transparency and disrupted the smooth running of the principal decision-making body. There appears to be a high risk to transition potential in this area unless the appropriate regulatory standards are adopted and enforced.	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 client has chosen to focus on the SME and retail sectors. The Bank's operations with the client have assisted in particular with setting up SME lending standards and improved customer orientation that competitors are obliged to follow.	Good	Good	Low
2	**Market expansion** The client's operational strength, to which the EBRD projects have contributed, has helped to build confidence in the banking sector. This in turn has expanded the deposit base. However, further expansion of lending activity may be limited by the availability of medium-term funds since commercial lenders are not yet willing to commit to this market in the absence of clear Government commitment to reforms.	Good	Good	High

3	**Private ownership** The EBRD credit lines have enabled the client to support entrepreneurial activity through SME lending.	**Good**	**Good**	**Low**
4	**Frameworks for markets** The Bank has conducted policy dialogue with the Government on regulatory issues and some results have been seen. Dialogue continues, but the overall result is heavily dependent upon political willingness to accept market reforms.	**Satisfactory**	**Good**	**High**
5	**Skills transfer** The operations have contributed to increased understanding by sub-borrowers of the importance of sound financial analysis to the investment decision.	**Good**	**Good**	**Low**
6	**Demonstration effects** The client has acquired a strong reputation for sound lending and to some extent for product innovation. Other banks acknowledge that they seek to imitate the client's success.	**Good**	**Good**	**Low**
7	**New standards for business conduct** There are indications that the functioning of the client's decision-making body may be compromised by the recent change in ownership of a significant block of shares. Earlier actions by the Bank may have helped to prevent or reduce the impact of the change.	**Marginal**	**Good**	**High**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory / Good**	**Good**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Leasing Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	NA	NA	NA
5	**Skill transfers** The leasing operation was reportedly the work of one man who, upon the closure of the financial services company, went to work for a large captive. The skills practiced in the country of operations by the client were not state of the art in leasing.	Satisfactory	Marginal	Low
6	**Demonstration effects** The client did not establish a sustainable business in the country.	Unsatisfactory	Unsatisfactory	Low
7	**New standards for business conduct** The client did not establish a sustainable business in the country.	Unsatisfactory	Unsatisfactory	Low
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** There were no competitors of the company in its line of business. It financed customers of the equipment manufacturers which the captive finance arms of the manufacturers refused to finance because of concerns about credit quality.	Marginal	Marginal	Low
2	**Market expansion** The client permitted the equipment manufacturers to sell equipment that otherwise would not have received credit from other sources. This increased the sales of equipment but by a moderate amount and not on a sustainable basis.	Marginal	Marginal	Low
3	**Private ownership** The company's clients in the country of operations were public sector bodies that operated outside the market economy and whose budgets were centrally controlled by a national fund. The fund allocated payments based on non-market criteria, incentivising non-market spending and investment decisions, including in the equipment financed by the client.	Unsatisfactory	Unsatisfactory	Low
4	**Frameworks for markets** The capital investment decisions of the customers were not made according to an assessment of market demand for the related services but by considerations of meeting the criteria for increased allocation of funds from the central fund to cover both day-to-day operating costs and to acquire equipment. The non-market incentives may have caused excess investment in equipment, financed by the Bank through the client, whose costs cannot be recovered by the purchasers.	Unsatisfactory	Unsatisfactory	Low
5	**Skills transfers**	Marginal	Marginal	Low

6	**Demonstration effects**	Unsatisfactory	Unsatisfactory	Low
7	**New standards for business conduct**	Unsatisfactory	Unsatisfactory	Low
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	Unsatisfactory	Unsatisfactory	Low
	OVERALL TRANSITION IMPACT RATING:	**Unsatisfactory**		

MORTGAGE FINANCE FACILITY

TI checklist categories	RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The client bank began life as a private firm. EBRD was an initial investor.	NA	NA	NA
5	**Skill transfers** The project did not have a TC component, nor did it foster acquisition of mortgage finance skills, because the client was already versed in them.	Marginal	Marginal	Low
6	**Demonstration effects** These were limited for the reasons cited in 5 above. The project, however, demonstrated EBRD's support for the client at a time shortly after it acquired and was planning to merge with another bank. This support in the form of the facility was offered on easy terms, i.e. no formal head office support agreement and minimal financial covenants.	Good	Good	Low
7	**New standards for business conduct** The project involved minimal reporting requirements and covenants. The client appears to manage its mortgage business soundly. The growth of this business has caused the firm's business standards to be applied to a larger business.	Satisfactory	Satisfactory	Low
	II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The project was not the Bank's first mortgage finance facility operation in the country. It helped the client to compete better with the leading players by providing longer term funding. Although the size of the client's facility was smaller, and the number of sub-loans was lower than for the other operations, the incremental impact on competition was useful. The Project rounded out the Bank's stimulation of competition in the sector, which has become highly competitive.	Excellent	Good	Low
2	**Market expansion** The Project stimulated stiff competition among banks, leading to longer loan tenors (up to 30 years), more aggressive advance rates (as low as 1:1), fewer guarantees, and other innovations. The competition fed pent up demand for mortgage loans for household acquisition and refurbishment. Importantly, the demand for mortgages highlighted drawbacks in the country's mortgage registration institutions, fuelling grassroots demand for reform. The World Bank started a related reform project, but EBRD has not directly addressed this shortcoming in the legal framework for mortgages in the country.	Excellent	Excellent	Low

3	**Private ownership** The Project stimulated wider private ownership of residential property.	**Good**	**Good**	**Low**
4	**Frameworks for markets** The Project stimulated growth of mortgage loans, which in turn heightened demand for mortgage collateral and for reform of the overburdened and archaic property registry and cadastre systems, now being led by the government with support from the World Bank and other donors.	**Good**	**Good**	**Medium**
5	**Skills transfers** The Project took place during the merger of the client with another bank, ensuring some important skill transfer through that acquisition. An unplanned dimension of the Project was the incorporation, by the client, of many more offices nation-wide and 121 staff from the government owned former payments monopoly. The client has been transferring skills to these public sector employees through this "in-sourcing" initiative, including in the field of mortgages.	**Good**	**Excellent**	**Medium**
6	**Demonstration effects** The client became a leading player in public private partnerships. If the cities have executed these in a transparent and economically sound manner (hence Medium risk), then they may demonstrate effective public-private partnerships in the construction and long-term financing of middle-income housing. One issue, identified at approval, was the risk to transition impact that a devaluation might harm borrowers and lenders of loans indexed to foreign currency.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** The Client is a respected competitor in the market place. It appears to enjoy a good reputation with the bank supervisors, municipalities (through the PPPs) and with the state-owned payments agency with which it has put in place an important in-sourcing project.	**Good**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**GOOD**		

Office Development

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The property was privately owned, but the restructuring removed a risk that it would fall under the control of a state-owned lender. A risk of expropriation exists.	**Satisfactory**	**Satisfactory**	**Medium**
5	**Skill transfers** There have been moderate skill transfers through improvements to management of cash flows and financial management, including accounting.	**Satisfactory**	**Satisfactory**	**Medium**
6	**Demonstration effects**	**Good**	**Good**	**Medium**
7	**New standards for business conduct** Some elements of governance reforms were not completed for lack of cooperation from a minority shareholder.	**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 project helped to maintain competitiveness of the project buildings in a tight market for class-A office space.	**Satisfactory**	**Satisfactory**	**Medium**
2	**Market expansion** The project stabilized ownership of the project buildings to the benefit of all tenants, including EBRD.	**Satisfactory**	**Satisfactory**	**Medium**
3	**Private ownership** The Project eliminated the risk that the project buildings might fall under the control of market-dominant state-controlled bank.	**Satisfactory**	**Satisfactory**	**Medium**
4	**Frameworks for markets** The Project attempted to improve the institutional framework for mortgages, without success, but left as a legacy a deeper understanding of the present deficiencies and need for urgent and competently executed reforms.	**Unsatisfactory**	**Unsatisfactory**	**Medium**
5	**Skills transfers**	**NA**	**NA**	**NA**
6	**Demonstration effects**	**None/ Negative**	**None/ Negative**	**Medium**
7	**New standards for business conduct**	**Marginal**	**Marginal**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Marginal**	**Marginal**	**Medium**

	OVERALL TRANSITION IMPACT RATING:	**Marginal**

District Heating Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The company, which is private, competes for municipal district heating plants which are then operated on a private basis.	**Excellent**	**Excellent**	**Low**
5	**Skill transfers** The company, which is a subsidiary of a western parent, is managed and operated following the international policies and procedures of the parent. They have introduced international procedures for operation of plants previously owned and operated as municipal plants	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** The company has contributed technically to operations in another country of operations.	**Good**	**Satisfactory**	**Low**
7	**New standards for business conduct** The country's operations fully comply with corporate good governance standards.	**Excellent**	**Excellent**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** All projects have been competitively won. Further, the company competitively awards subcontracts to local contractors and international and local vendors.	**Excellent**	**Good**	**Low**
2	**Market expansion** The proven success of the company and its competitors has contributed to the complete roll-out of the privatization of district heating market in the country.	**Excellent**	**Excellent**	**Low**
3	**Private ownership** The Government through this client and its competitors has shifted the burden of district heating operations from municipal control to private ownership and/or operation (concession).	**Excellent**	**Excellent**	**Low**
4	**Frameworks for markets** The legislative changes promoted by the Government have been instrumental in creating an open, transparent and competitive market. As noted in the TIMS report there have been isolated cases (3) in which customers have been unable to pay. This is the reality of a competitive market but is not a systemic problem.	**Good**	**Good**	**Low**

5	**Skills transfers** International developers have brought with them international managerial and financial skills while much of the technical skills and equipment has been locally sourced.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** The proven success of the company and other investors in providing a reliable service at an affordable price has contributed to furthering the privatization of this and other sectors in the country.	**Excellent**	**Good**	**Low**
7	**New standards for business conduct** The company has set an example of an open and transparent international firm competing successfully in the local market to provide a quality service.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Excellent**		

Municipal Support Project

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** This is a municipal project.	N/A	N/A	N/A
5	**Skill transfers** The TC component built in an exchange of knowledge and skills transfer as it relates to priority setting for municipal infrastructure projects. While the exchange of knowledge was very positive, the City has yet to implement the recommendations as the system developed was (1) too complex and (2) did not fully reflect EU policies and procedures.	Good	Marginal	High
6	**Demonstration effects** The TC tasks had the potential for having a demonstration effect within the country however, failure to implement the recommendations (as of the time of the evaluation) eliminates this possibility.	Good	Marginal	High
7	**New standards for business conduct** The project required open tendering according to the country's procurement laws. The TC components did introduce new systems for (1) prioritizing infrastructure projects and (2) new approaches to revenue generation.	Good	Satisfactory	Medium
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** Construction contracts were awarded via a competitive tender. Of the nine firms who expressed interest in the tender, one firm bid alone and three of the others formed a consortium.	Good	Good	Low
2	**Market expansion** This is a municipal project and market expansion is driven by the City's capacity to fund additional road works.	N/A	N/A	N/A
3	**Private ownership** This is a municipal project.	N/A	N/A	N/A
4	**Frameworks for markets** The 2 TC activities were both designed to assist the city municipality in (1) setting investment priorities and (2) identifying alternative funding sources. Both activities, if implemented should lead to additional investment programmes by the city municipality.	Satisfactory	Satisfactory	Medium
5	**Skills transfers** The TC activity provided some limited skills transfer to the city municipality but not to the broader economy.	N/A	N/A	N/A

6	**Demonstration effects** The successful development of the new road and the surrounding urban renewal that is underway is a positive demonstration of successful urban renewal and the resulting economic benefits that accrue to the City and to private investors.	**Good**	**Good**	**Low**
7	**New standards for business conduct** The use of competitive procurement is a strong indicator of new standards of business conduct. The TC recommendations, if implemented, while also lead to improved standards of business conduct.	**Satisfactory**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Rail Project

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	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 project implementation consultants closely cooperated with PIU and the railway company staff. Through this know-how and technology transfer materialised, notably in the fields of procurement, project management, business planning and financial reporting. Prior to that, the railway company had only little experience in these areas.	Good	Good	Medium
6	**Demonstration effects** Financial reporting and supervision became familiar techniques that permeated beyond the project level to include the organisation as a whole. The project preparation and implementation resulted in a significant know-how transfer not only to PIU staff, but also to the management and the maintenance staff in the regional offices.	Good	Good	Medium
7	**New standards for business conduct** The Project stimulated the competitive behaviour through the railway company's interaction with international suppliers in a completely new procurement environment. Also, covenant implementation of an Environmental Management Plan brought in a new awareness for environmental needs and mitigation measures to be set, albeit to a yet-to-be-determined degree.	Satisfactory	Satisfactory	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** First cautious steps towards opening up the railway monopoly were made (Railway Code, private activities at the fringes of the railway organisation), but it is too early for drawing conclusions.	Satisfactory	Satisfactory	Medium
3	**Private ownership**	N/A	N/A	N/A
4	**Frameworks for markets** Transformation of the Railway Department into a limited liability company.	Good	Good	High
5	**Skills transfers** Basically the same comment as under Step 1 above, but in addition it is believed that other equally state-controlled sectors have carefully observed procurement developments at the railway company and are trying to emulate.	Satisfactory	Satisfactory	Medium

6	**Demonstration effects**	N/A	N/A	N/A
7	**New standards for business conduct**	N/A	N/A	N/A
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	Satisfactory	Satisfactory	Medium
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Railway Project

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Privatisation was not a target under the Project.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** Learning about and applying international procurement rules, introducing and maintaining an appropriate management system to which newly introduced IAS, business and financial planning techniques contribute, are among the most prominent features that were brought about by the Project.	**Good**	**Good**	**Medium**
6	**Demonstration effects** Financial reporting and supervision became familiar techniques that permeated beyond the project level to include the organisation as a whole.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** The project stimulated the competitive behaviour through the Railways Corporation 's interaction with international suppliers in a completely new procurement environment. Procurement on tender basis and international competitive bidding is now the general rule.	**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** The Railways Corporation, used in the past to procure only Russian-made machines and equipment at negotiated prices, underwent a steep learning curve when obliged under the Bank's Procurement Rules and Regulations (PP&Rs) to apply international tendering procedures.	**Good**	**Good**	**Low**
3	**Private ownership** Privatisation was not a target under the Project.	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** Initiatives were taken of partly unbundling railway functions along functional lines that open opportunities for enhanced private sector participation.	**Satisfactory**	**Satisfactory**	**High**

5	**Skills transfers** Through sub-contracting some civil works in connection with the installation of equipment imported from the West, a transfer of skills is believed to have occurred beyond the project boundaries, albeit on a lesser level than it is assumed of having occurred within the Railways Corporation directly.	**Good**	**Satisfactory**	**Medium**
6	**Demonstration effects**	**N/A**	**N/A**	**N/A**
7	**New standards for business conduct**	**N/A**	**N/A**	**N/A**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Urban Transport Project

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The project achieved unbundling of services and corporatisation of transport services. Full privatisation, however, not yet envisaged, but future open tendering of service is scheduled.	**Satisfactory**	**Good**	**Low**
5	**Skill transfers** The beneficiary as a former budgetary unit of the City was not familiar with modern management principles. During the project implementation the transfer of substantial management know-how at the company and City level took place	**Good**	**Good**	**Low**
6	**Demonstration effects** No inter-departmental effects intended and achieved.	**N/A**	**N/A**	**N/A**
7	**New standards for business conduct** Improved capital planning, budgeting, debt management, utility services management, asset management and procurement	**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 Project helped the Borrower and the Beneficiary to strengthen their position (in terms of modern transport facilities) among their main potential competitors and this can be expected to emerge once the contract is re-tendered as scheduled.	**Good**	**Good**	**Low**
2	**Market expansion** New services are openly tendered already now. Once the Beneficiary's current contract expires, this core service package will be tendered on a competitive basis.	**Good**	**Good**	**Low**
3	**Private ownership** Transport services now provided by private sector entity that was formerly provided by the municipality. This also strengthened commercial orientation of the municipality itself beyond its transport sector.	**Excellent**	**Excellent**	**Low**
4	**Frameworks for markets** The newly introduced, comprehensive Public Service Contract defines, for the first time in this municipality, a client-supplier relationship in urban transport.	**Good**	**Good**	**Low**
5	**Skills transfers** On both traffic and non-traffic related business sides, suppliers to, and commercial clients of the public transport company, as well as passengers, are recognised as business partners that deserve adequate attention and handling.	**Good**	**Good**	**Low**

6	**Demonstration effects** *The municipality (being fully compliant with EU directives,) became more market-oriented in this sector than many other large cities in central Europe, and it is expected that other Cities will follow the example.*	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** Privatisation of the transport provider is not expected in the near future and it is most likely that the company will remain for years the only service supplier in the tramway sector. However, it is expected that private bus operators will gradually take over most of the services currently provided by the current provider.	**Satisfactory**	**Satisfactory**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Heavy Manufacturing

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Subsequent to a voucher privatisation a local businessman assembled majority control. The project supported the involvement of an experienced international sponsor in late1990s which allowed access to management, plant upgrades and much improved access to international markets	**Good**	**Good**	**Medium**
5	**Skill transfers** Project introduced IAS, expatriates from sponsor, training programs within the group, continued upgrades and introduction of performance based remuneration systems and encouragement of highly qualified young personnel.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** An early foreign investment in the industry immediately after the Russian financial sector crisis. Improved quality of final product and return to higher production levels and improved market penetration.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** Market focus and improved quality focus. Establishing MIS and information for productivity based incentive system for staff.	**Good**	**Excellent**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** World wide a limited number of producers due to the high entrance cost (new plants around USD 800 million). The project targets mid level quality range. Local demand is substantially below historical levels and is expected to increase if and when transformer and generator production increases again .	**Satisfactory**	**Satisfactory**	**Medium**
2	**Market expansion** The manufacturer contributes to growing international demand. Leading drivers are electrification e.g. in Asia and replacement investments in transformers and generators around the world.	**Satisfactory**	**Good**	**Low**
3	**Private ownership** Illustrates the advantages of moving from a local businessman/owner to an international owner with extensive experience in trading and also the steel industry.	**Excellent**	**Excellent**	**Low**
4	**Frameworks for markets**	**Good**	**Good**	**Low**

5	**Skills transfers** Highly specialised industry with mainly lifetime employment.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** Good combination of local and expat talents, attempts to introduce performance based compensation. Paying good salaries for top skills. Turnaround of quality improvements and increase of sales volumes was initiated by the foreign sponsor and received strong support from local workforce and also from Government entities.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** Progressing towards international MIS, strong customer focus. However, serious issues regarding transfer pricing remain.	**Satisfactory**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Refinery

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Company had already been privatised	N.A.	N.A.	N.
5	**Skill transfers** Substantial technology transfer through project. Gained expert knowledge of application and use of advanced automation technology. Plant data integration with corporate sales/ accounting/management information systems.	Excellent	Excellent	Low
6	**Demonstration effects** Central European industry first in obtaining advanced technology. Refinery capable of processing cheaper sour crude to a favourable product mix, including high quality motor fuels. Leading company in the country.	Excellent	Excellent	Low
7	**New standards for business conduct** Environmental compliance through application of EAP. Target best practice through industry wide benchmarking. Outsourcing accounting.	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 client is leading local and regional player. Main refineries are most state-of-the-art in the region. Fuels quality advantage compared to most regional refineries.	Good	Good	Low
2	**Market expansion** Limited regional growth expected in gasoline, but the client should benefit from quality advantage. The client has "surplus" capacity to produce diesel to meet growing regional supply deficit. Potential for regional market expansion in high value speciality products such as food grade wax and lubricants.	Good	Good	Low
3	**Private ownership** In mid 1990s, the State privatisation agency made three public offerings and sold in aggregate majority of the company's shares to institutional investors.	N.A.	N.A.	N.A.
4	**Frameworks for markets** Assisted Government in adjusting environmental legislation to EU standards, as the only integrated domestic Resource Group.	Good	Good	Low
5	**Skills transfers** Through staff rotations, outsourcing, and training of subcontractors to the required H&S legislation standards.	Good	Good	Low

6	**Demonstration effects** Strong bottom line orientation, staff reduction, H&S performance (incl. maintenance)	**Good**	**Good**	**Low**
7	**New standards for business conduct** Subcontracting/outsourcing Social charter on company web page.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Bottling plant

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The Company was originally incorporated in 1994 and was already a closed joint stock company by late 1990s, when EBRD took an equity share of about 40%.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** All senior management is local, with the exception of the CEO. Training is sub-contracted with experienced engineers from the US holding in-house classes on a regular basis where the work force is trained to assemble and re-assemble all major equipment. The take over by a world leading manufacturer is a tribute paid to the high level of skills demonstrated by the Company and a warranty that longer term impact will be maintained. The Company is using state of the art technology to achieve high performance in terms of unit costing through high capacity utilisation and custom designed products.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** The Company has been managed under Western standard since the EBRD investment in late 1990s. In 2002, a new CEO and CFO were appointed, marketing functions have been enhanced and high standards of business ethics are applied. The due diligence carried out by the current owner in a record time by local standards is the best illustration that the Company stood out in terms of corporate governance and 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 company's products are highly visible on the market. The Company set up new quality standards, successfully competing against imports and growing domestic producers. The company's competitive advantages stem from production efficiency and high level of customer service, combined with good corporate governance in the sector and in the region. The Company's sales strategy is successfully geared towards top quality custom made high-margin products. This can only be reinforced in the future with an anticipated strategy by the current owner of further concentration, economies of scale and integration in a world wide network	**Excellent**	**Excellent**	**Low**

2	**Market expansion** The Company's sales have doubled between 2002 and 2004 and are projected to further increase by 9 per cent in 2005. This is due to the impact of the plant expansion which increased the Company's capacity by 85 per cent, within an expanding market. The company's market share is less than the level reached in 2001 due to the late development of the plant. However it is a major player in the high value custom designed segment, which serves the domestic market and contributes to import substitution. The Company's capacity utilisation is set at a record 98 per cent for the industry. Plans for a further expansion are currently on hold, pending a review by the new owners. This would bring the company's market share to over 30 per cent in the longer run. Although the basic infrastructure is in place and orders have been placed for the new equipment, as approved by the previous board of directors, the current owners' policy in this respect is not yet known, hence an element of uncertainty remains.	**Excellent**	**Excellent**	**Medium**
3	**Private ownership** The new 80 per cent owners of the Company are a publicly traded large conglomerate. No change from the present situation in this respect.	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** The company's tax payments make 70 per cent of the regional budget and 10-12 per cent of the oblast budget. The company's approach to procurement of raw materials has demonstrated that they can be used considerably more efficiently. The Company's general manager is also the vice president of an association which is striving to establish a code of conduct between its members that would be compatible with anti monopoly regulations. There is low risk that the current owner will not follow the same principles.	**Good**	**Good**	**Low**
5	**Skills transfers** The Company's production efficiencies have been systematically replicated at its major competitors'. As a result, a concentration is taking place in the industry. Only the largest and financially strongest, able to follow the company's example in technological and marketing improvement, will be surviving. They also will most likely be a target for foreign investors. Few transfers of labour force have taken place as prospects are brighter with the Company whose rule is to bar staff that has resigned from being re-employed.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** As indicated above, the Company has set an example for the industry in terms of management, advanced technologies, marketing strategy which competition is attempting to replicate in order to survive. The Company however is not competing in the lower end of the market such as mass production of green bottles. Very significantly, the Bank's investment in the Company has resulted in a sovereign guaranteed loan to a local firm being fully repaid. This was heralded as a premiere in the country. Furthermore, the relatively short time spent by the current owner on its due diligence sent a strong signal that properly managed companies are an attractive target for international investors.	**Excellent**	**Excellent**	**Low**

7	**New standards for business conduct** The Company established best practice corporate governance rules. These rules are applied in all spheres of the Company's activity and ensure transparent and efficient performance. The Company represents a showcase for the whole industry having been run in accordance with Western norms from the technical and commercial prospective. It is a success story for the regional authorities on how to do business with a western investor in accountable and proper manner. The strong interest shown by foreign banks in the country to establish a business relationship with the company is to a large extent due to their confidence in the its business ethics.	**Excellent**	**Excellent**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Excellent**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Excellent**		

Multi-Project Facility

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** Although limited privatisation took place, the Project set an example of Foreign Direct Investment in the sector in several countries of operation; EBRD's involvement was regarded by the Company as essential to mitigate such political risks as confiscation, creeping nationalisation and administrative or tax harassment. The Group's policy to repatriate investments regarded as excessive, through reductions of the issued share capital of subsidiaries generating sufficient cash flow, is an alternative to leveraging initial investments through debt or to a generous dividend policy. It has been used carelessly though in the case of one of subsidiaries which required a fresh capital increase shortly after a reduction had been realised. The value to the sponsor of the Bank's equity risk sharing is clearly diminishing over time in advanced countries of operation and there are few signs of a pipeline of new projects contemplated in less advanced countries of operation.	**Good**	**Good**	**Medium**
5	**Skill transfers** New operations are staffed with expatriates at the early stage and for the time necessary to hand over most responsibilities to local staff. The Group's large worldwide network of operations provides numerous opportunities for training future executives before they are confirmed in their new assignments. Thus, all senior managers of a particular subsidiary are local hires. Another subsidiary has set up in-house training for sales and procurements which is available to its staff as well as its exclusive distributors (sales). The impact of skill transfers is more felt in successful and growing ventures than in those that have experienced difficulties. Looking forward, a higher rating is therefore justified.	**Good**	**Excellent**	**Low/ Medium**
6	**Demonstration effects** At corporate level, these effects materialised each time The company acquired an existing entity. The most significant illustrations have been the investments in the food sectors. In each case however turn around has been more difficult than was anticipated and if one subsidiary of the company has yet to demonstrate, with a third change in top management, that it can successfully find its place in the competitive local market, economic recovery for the other is well under way, based on the introduction of new products, improved production processes and the selection and training of competent local managers.	**Satisfactory**	**Good**	**Low**

7	**New standards for business conduct** The Group's financial management standards have been applied within all Brownfield investments shortly after their acquisition and financial management improved at all subsidiaries over time to produce monthly management accounts within 30-45 days from the end of the month. Cost accounting and cash management also provide at all subsidiaries the ability to analyse profitability by product as well as control working capital requirements efficiently. The Company's strict procurement policies are highlighted in its sourcing of suppliers. The Company has introduced pricing mechanisms based on quality and medium term contracts, with a view to stimulate quality focus of suppliers, while guaranteeing price stability. Where seasonality would typically result in a price variation of up to 50 per cent within one year, the Company undertakes to limit such amplitude to a maximum of 10 per cent. Quality testing, however, is draconian and suppliers are fully aware of cost consequences in case of slippage.	**Excellent**	**Excellent**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** In the food sector, the Company has eventually established itself as a leader in its respective markets, in two countries of the Bank's operations. This was and is being achieved in the context of stiff competition which the Company's presence and market share oriented objectives have contributed to enhance significantly. The Group's strategy consists in importing higher value added products from other subsidiaries to build market share in such new segments and subsequently launch local production. Noticeably, quality and diversity of products as well as targeting of specific markets (e.g. children) through improved nutritional values and more attractive packaging have been major competition drivers for the Group. In the agribusiness sector, the Company has made major in-roads in competing against one of local producers whose market share is currently declining and gradually taken over by the Company who expects to lead the market within a few years. Its introduction of live products has forced a rival company to offer similar quality products and therefore to adjust its own distribution system to the logistics requirements of temperature controlled transportation and storage and of shorter shelf life. Strict quality standards and superior technology have allowed the Company to maintain an edge over its competitors through longer shelf life of locally produced fresh products and to resist competition from leading foreign brands. As above, key drivers have been quality, diversity of products and targeting of specific business segments. The Company's success in the sector could lead to an erosion of competition. Indeed, a recent aborted attempt to merge with a competitor could well be resurrected in a few years time when the weakening of the target would make it ripe for a take over.	**Excellent**	**Good**	**Medium**

2	**Market expansion** As described above, the Company has contributed significantly to a diversification of product ranges within the products sectors. Examples of this successful effort include: • The introduction of new lines, the creation of the first "healthy line" in 2005, targeted at children and the successful entry into other segments. • A similar policy is expected to be implemented by the new management recently put in place at another factory. • One of the regional subsidiaries is continuously innovating and pioneered the launch of wide range of new products. All the new products have been successfully introduced, while educating customers to the concept of healthy products. • Another regional subsidiary's business development evolved with the needs and tastes of local consumer demand in terms of superior product quality and packaging, increased products' shelf life, and innovations of flavours previously unavailable in the country. The company successfully introduced new products. However, there was an example of relatively failed market development. Premium products appeared indeed too expensive for local market at the time of the Bank's investment. During the earlier economic crisis and to fight competition, the company was obliged to launch a standard cheaper product, sold at break-even point. Efforts to develop sales of children's products proved short lived as purchasing power was insufficient to build demand.	**Good**	**Excellent**	**Low**
3	**Private ownership** Examples of FDI in the wake of the Company's investments confirm the existence of strong backward linkages. A supplier is to set up new facilities on the actual premises of one of the Company's subsidiaries while the Group is strongly encouraging its worldwide suppliers to set up business locally as is already the case with one of the Bank's client in the packaging business.	**Good**	**Good**	**Low**
4	**Frameworks for markets** The Company has set very impressive standards in the areas of raw material and packaging procurement and in the transportation, storage and distribution of fresh products. As was observed earlier, competition actually had to adjust to such higher standards in order to keep a presence in dairy products where live products are rapidly gaining market acceptation in spite of a higher cost, reflecting their value added. Such standards are embodied in contractual agreements with the Group's suppliers whereby in exchange for meeting the Group's quality requirements in the long run, suppliers benefit from the reliability and stability of their client.	**Excellent**	**Excellent**	**Low**

5	**Skills transfers** The best example of skills transfers outside the Company's own operations can be found in the Group's assistance provided to its milk suppliers and to its exclusive distributors of dairy products in the country of operations. In exchange for on-going high quality ("European Standards") deliveries, suppliers are provided with free advisory to improve their operation (hygiene, transmission and cold storage), leasing of storage tanks owned by the Company and if necessary, short term financing is arranged through the Company to help suppliers through the seasonality of their activity. The Group monitors the activity of its exclusive distributors covering several countries of operations. This is achieved through regular contact, availability of training focused on long term development of their business through acceptance of lower margins to build volumes as well as assistance in their accounting and business planning.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** Beyond the overall positive impact reported earlier resulting from the Company's ability to turn around operations which have been acquired or privatised, Greenfield investments have set an example of success for state-of-the-art technology introduction in a country of operation, in terms of operating efficiency, high hygiene standards, environmental consciousness and rewarding financial returns. The MPF per se pioneered the framework approach in the Bank and served as an example through its success to induce other sponsors to work with the Bank on a similar basis. The Team considers that its appeal contributed significantly to the business developed with other sponsors. Looking forward, uncertainties as to the pace of new investments with the Group increase the risk of a declining Demonstration effect.	**Excellent**	**Excellent**	**Medium**
7	**New standards for business conduct** High ethical standards are applied in the conduct of the Group's business and in its transactions with suppliers and clients. The Company's senior executives are fully aware of integrity and transparency issues when dealing with potential partners and investment targets and are not prepared to compromise their standards for the sake of acquiring market share. In this respect, the partnership with the Bank should prove mutually rewarding.	**Excellent**	**Excellent**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

GSM company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The Bank's involvement broadened the shareholding of an existing private company but had no impact on privatisation. The take over by a major mobile telecommunications network company brings financial stability to an existing private outlet.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** The sponsor had extensive experience in the construction and operation of cellular networks. The project has been managed by a team of expatriates, as well as by the local professionals. The Company's management is excellent at marketing, branding, improving efficiencies, prioritising its capital expenditures and improving financial and operational performance. Training of local staff is on-going. New ownership is expected to have at least as beneficial an impact on skills transfer in the future.	Excellent	**Excellent**	**Low**
6	**Demonstration effects** Lean management, aggressive marketing approach and relaxed but dedicated working atmosphere have helped the Company attract skilled and performing young employees despite the higher risk involved in joining an independent operator and relatively late entrant in the market.	**Good**	**Good**	**Low**
7	**New standards for business conduct** The skills brought in by the strategic shareholder have resulted in high standards of quality and productivity. The Company is managed in a transparent way. Regular monthly reports are presented to investors and the public listing of sponsor company subjects its subsidiaries to strict disclosure rules. Same high standards should be expected from the new owner.	**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 Company contributed most positively to enhance Competition in the country's mobile telecom sector.	**Excellent**	**Excellent**	**Low**
2	**Market expansion** The Company's contribution to market expansion is illustrated by the spectacular growth of the mobile market since the Client acquired the country's third licence and stimulated competition through an aggressive marketing approach combined with lower tariffs.	**Excellent**	**Excellent**	**Low**

3	**Private ownership** The granting of the licence to a privately owned bidder was a significant step in the privatisation of the overall telecom sector. A major new step recently took place with the sale of a majority stake in the fixed line operator and owner of one of the mobile operators to a foreign telecommunications company. This impact, however, can hardly be traced back to the Bank's investment in the Company.	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** A few significant issues are still to be clarified and sorted out. These include the penalties assessed on the Client's competitors for unfair tariff practices which are still disputed, the remaining threat of bundled product practices from the land line operator and a pending legal challenge regarding the low price paid by the Client for its government awarded licence. With the implementation of the new Telecoms law which have recently become effective, the situation should improve. The Company maintains a very good dialogue with the regulatory authorities and conducts workshops to assist them with a better understanding of the industry.	**Satisfactory**	**Good**	**Medium**
5	**Skills transfers** New skills in management and marketing have been filtering into the industry and economy as a whole. The Client is a very much sought after employer in the country with young, dynamic and entrepreneurial staff. Its marketing campaigns and innovative services have been copied by its competitors. Take over by a major mobile company should have even more of a positive impact.	**Good**	**Excellent**	**Low**
6	**Demonstration effects** The Client's operations set a definite example which its competitors followed by partly adopting its practices in the areas of marketing, customer services and management innovation. The expected demonstration effect from the high yield bond is, in turn, reduced to nil with its prepayment very soon after launching.	**Satisfactory**	**Satisfactory**	**Low**
7	**New standards for business conduct** The Company refrains from lavish entertainment or other unethical practices in dealings with the Administration. Its approach of the Regulator, for instance, is based on running workshops and volunteering information to enhance sector practices transparency. The Company is subject to market scrutiny as its parent is listed on Western stock exchanges. Similar standards should be expected from the new owners.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Agribusiness Company

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	Not Applicable		
5	**Skill transfers** An international agribusiness company conducted extensive training of the oil extraction plant's managerial personnel including overseas training. Nevertheless, drastic transition from managerial skill transfer to the oil plant mostly took place during the previous investment period.	**Marginal**	**Marginal**	**Low**
6	**Demonstration effects**	Not Applicable		
7	**New standard for business conduct** A series of certification processes by external bodies is ongoing. Environmental standard has been raised during the investment period: the oil extraction plant obtained ISO standards in 2002.	**Good**	**Satisfactory**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The oil extraction plant, with an established bolted brand contributed to the tightened competition in CIS countries. As a result of increased competition, the bolted brand's market share has declined.	**Good**	**Good**	**Medium**
2	**Market expansion via Backward Linkage** The investment ensured the plant's procurement of seeds, thereby provided local suppliers with a longer term security for seed supply. However, no particular action to strengthen backward linkage was undertaken under the Project.	**Satisfactory**	**Satisfactory**	**Medium**
3	**Private ownership**	Not Applicable		
4	**Frameworks for markets: institutions, laws and policies that promote market function and efficiencies** The country's agribusiness sector has serious unresolved issues such as imposed export duty on seeds, slow recovery of VAT on export and warehouse receipt programme. The sponsor has particularly been affected by the VAT recovery problem. However, no significant progress has been marked.	**Marginal**	**Marginal**	**High**
5	**Skills transfers**	Not Applicable		
6	**Demonstration effects** The plant's syndication was followed by two new clients in the agribusiness sector in 2002.	**Satisfactory**	**Satisfactory**	**Low**

7	**New standard for business conduct** The country's agribusiness leaders regard the plant's success as a positive phenomenon of an international ownership.	**Satisfactory**	**Satisfactory**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

Food Products

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** A change from a socially-owned enterprise to a private ownership had a drastic effect at corporate level. However, the Project took place after privatisation.	**Not Applicable**		
5	**Skill transfers** An agribusiness company introduced to the Client a set of management tools including MIS.	**Good**	**Satisfactory**	**Low**
6	**Demonstration effects**	**Not Applicable**		
7	**New standards for business conduct** The quality of products has much improved with a strict standard imposed by the agribusiness company.	**Good**	**Satisfactory**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** In the second year following privatisation, the Client increased its market share by improved quality, refined segments and pricing, strengthened distribution channels, and rigorous advertisements. As a result of competition, product prices have gone down and quality has improved. The benefits of competition are accrued to consumers.	**Excellent**	**Good**	**High**
2	**Market expansion** The Client has its own farms in addition to farming contracts with a selection of local farmers. It provides consultancy to the farmers and Euro-linked payment terms.	**Excellent**	**Satisfactory**	**Medium**
3	**Private ownership**	**Not Applicable**		
4	**Frameworks for markets**	**Not Applicable**		
5	**Skills transfers**	**Not Applicable**		
6	**Demonstration effects** The investment was indispensable to revive the country's oldest producer in the sector, which had significant impact on the market. It was also considered as a regional cooperation example. However, due to lack of sustainability and poor environmental standards, high reputational risks are inherently associated with the Project.	**Good**	**Satisfactory**	**High**

7	**New standards for business conduct** For the improved corporate standing, many small local farmers now provide their products to the Client but have to observe strict quality control. The Client sells them to distributors in a second- class label.	**Good**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Telecoms

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership**	Not Applicable		
5	**Skill transfers** Although the Company had already high calibre. The Project had in general little opportunity for skill transfer, the Bank introduced the best-practice security and safety system for equipment and client database.	Good	Satisfactory	Low
6	**Demonstration effects**	Not Applicable		
7	**New standards for business conduct**	Not Applicable		
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Project enhanced the competition particularly in the former-monopoly fixed telephony market. The Company has increased the number of users maintaining its market presence and competitiveness in the telecoms market as a result of acquisition and capital expenditure investment.	Excellent	Excellent	Medium
2	**Market expansion** The Company contributed significantly to market consolidation and standardisation the quality of services. Most of high-tech equipment was imported, which had a little impact on backward linkages.	Excellent	Good	Low
3	**Private ownership**	Not Applicable		
4	**Frameworks for markets** The competition introduced into the fixed telephony market resulted in a reduction of international and long-distance calls, which benefited the telephone users.	Good	Good	Medium
5	**Skills transfers** The Company's quality standard has spread over through mergers. Reportedly, some of the company's standard practices have been copied by its competitors.	Satisfactory	Satisfactory	Low
6	**Demonstration effects** Replicated financing has not emerged yet, but may arise in the near future. The Project had certain demonstration effects in the communications market as an outstanding growth example of a medium local enterprise supported by the international financiers.	Good	Good	Low

7	**New standards for business conduct** The Company was certified for ISO as committed at appraisal as the first and only communications company in the country. The quality standard is due to be continuously improved according to ISO requirements.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

Oil Extraction

TI checklist categories	STEPS OF RATING TRANSITION IMPACT	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	Rating	Rating	Rating
3	**Private ownership** The controlling shareholder of this small listed oil company is a national oil company. The shareholder's stake has reduced following a successful placing which increased private ownership.	Good	Excellent	Low
5	**Skills transfers** The Project has introduced international oil industry practices and skills but the Company needs to improve staff retention and local recruitment.	Good	Good	Low
6	**Demonstration effects** At the corporate level there has been a good demonstration that the Project is a successful first foreign investment in a difficult operating environment. However many challenges and risks remain.	Good	Good	Medium
7	**New standards for business conduct** High standards of H&S, procurement and corporate governance are in place. The Company's business is conducted in compliance with all applicable regulations and legislation.	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 Company is one of the few foreign oil companies that are increasing competition with state controlled companies. However competition for further onshore licences is now very unlikely and further offshore licence awards have been delayed.	Good	Satisfactory	High
2	**Market expansion** The Project has increased the country's oil production but market expansion has been at a relatively low level to date with little impact on the economy as a whole. Present low risk development plans should boost production significantly and increase this impact.	Satisfactory	Satisfactory	Low
3	**Private ownership** The Project has had an impact in demonstrating that private ownership with IFI support can be an important source of funding for oil sector projects. A likely future lack of IFI support will reduce such impact.	Good	Satisfactory	Medium
4	**Frameworks for markets** The Project has had a satisfactory impact in the establishment of a legal and institutional framework for oil sector projects but the lack of general transition progress in the country has raised grave concerns.	Satisfactory	Marginal	High

5	**Skill transfers** Skill transfers to the industry and economy as a whole will continue as more local staff and local subcontractors are employed.	**Good**	**Good**	**Low**
6	**Demonstration effects** First international investment into the country's oil sector under PSA legislation, but demonstration effects are likely to decline.	**Good**	**Satisfactory**	**Medium**
7	**New standards for business conduct** High standards of H&S, procurement, corporate governance and business conduct are visible to the industry and government authorities.	**Excellent**	**Excellent**	**Low**
	Summary of verified, potential and risk ratings	**Good**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

OCE/EvD Shared Database at end 2005

Op Name	Original Board Ranking	Current TIMS ranking	EvD Overall TI (number)	Sector Type
Project 1	4	4	3	Agriculture, Forestry, Fishing
Project 2	5	5	3	Agriculture, Forestry, Fishing
Project 3	4	4	2	Agriculture, Forestry, Fishing
Project 4	4	5	2	Commerce, Tourism
Project 5	4	5	2	Commerce, Tourism
Project 6	4	4	2	Community/Social Services
Project 7	4	3	2	Community/Social Services
Project 8	4	4	4	Construction
Project 9	5	5	2	Energy
Project 10	4	3	1	Energy
Project 11	4	2	2	Energy
Project 12	4	3	2	Energy
Project 13	4	6	3	Energy
Project 14	4	1	1	Extractive Industries
Project 15	4	3	2	Extractive Industries
Project 16	5	5	4	Extractive Industries
Project 17	4	3	2	Extractive Industries
Project 18	5	5	3	Extractive Industries
Project 19	4	5	2	Finance, Business
Project 20	4	4	3	Finance, Business
Project 21	8	5	3	Finance, Business
Project 22	4	5	3	Finance, Business
Project 23	4	3	2	Finance, Business
Project 24	4	5	2	Finance, Business
Project 25	4	4	2	Finance, Business
Project 26	4	4	1	Finance, Business
Project 27	5	7	4	Finance, Business
Project 28	4	3	2	Finance, Business
Project 29	3	3	2	Finance, Business
Project 30	4	4	2	Finance, Business
Project 31	4	4	2	Finance, Business
Project 32	4	3	2	Finance, Business
Project 33	5	5	2	Finance, Business
Project 34	4	4	2	Finance, Business
Project 35	4	4	3	Finance, Business
Project 36	4	5	4	Finance, Business
Project 37	5	8	4	Finance, Business
Project 38	4	3	1	Finance, Business
Project 39	5	2	2	Finance, Business
Project 40	5	4	2	Finance, Business
Project 41	3	5	2	Finance, Business
Project 42	5	4	2	Finance, Business
Project 43	5	5	2	Finance, Business
Project 44	5	5	2	Finance, Business
Project 45	0	5	2	Finance, Business
Project 46	4	4	2	Finance, Business

OCE/EvD Shared Database at end 2005

Op Name	Original Board Ranking	Current TIMS ranking	EvD Overall TI (number)	Sector Type
Project 47	4	4	2	Finance, Business
Project 48	5	5	1	Finance, Business
Project 49	5	5	2	Finance, Business
Project 50	4	3	3	Finance, Business
Project 51	5	5	4	Finance, Business
Project 52	5	4	2	Finance, Business
Project 53	5	5	5	Finance, Business
Project 54	3	8	2	Local Authority Services
Project 55	5	4	2	Local Authority Services
Project 56	4	4	2	Local Authority Services
Project 57	4	4	1	Manufacturing
Project 58	5	4	2	Manufacturing
Project 59	4	3	2	Manufacturing
Project 60	4	3	2	Manufacturing
Project 61	4	5	2	Manufacturing
Project 62	4	3	2	Manufacturing
Project 63	4	5	1	Manufacturing
Project 64	4	4	4	Manufacturing
Project 65	5	5	1	Manufacturing
Project 66	4	6	4	Manufacturing
Project 67	4	4	3	Manufacturing
Project 68	5	4	2	Manufacturing
Project 69	4	3	2	Manufacturing
Project 70	4	3	2	Manufacturing
Project 71	5	5	2	Manufacturing
Project 72	4	4	2	Manufacturing
Project 73	5	5	2	Manufacturing
Project 74	4	4	2	Manufacturing
Project 75	4	4	2	Telecommunications
Project 76	4	2	4	Telecommunications
Project 77	5	4	2	Telecommunications
Project 78	5	2	1	Telecommunications
Project 79	5	5	2	Telecommunications
Project 80	4	3	2	Telecommunications
Project 81	4	4	2	Telecommunications
Project 82	4	3	2	Telecommunications
Project 83	5	4	3	Transport, Storage
Project 84	5	3	2	Transport, Storage
Project 85	5	5	4	Transport, Storage
Project 86	5	6	4	Transport, Storage
Project 87	5	5	3	Transport, Storage
Project 88	5	5	3	Transport, Storage
Project 89	5	5	4	Transport, Storage
Project 90	5	6	4	Transport, Storage

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

1. POST- EVALUATION OUTCOME

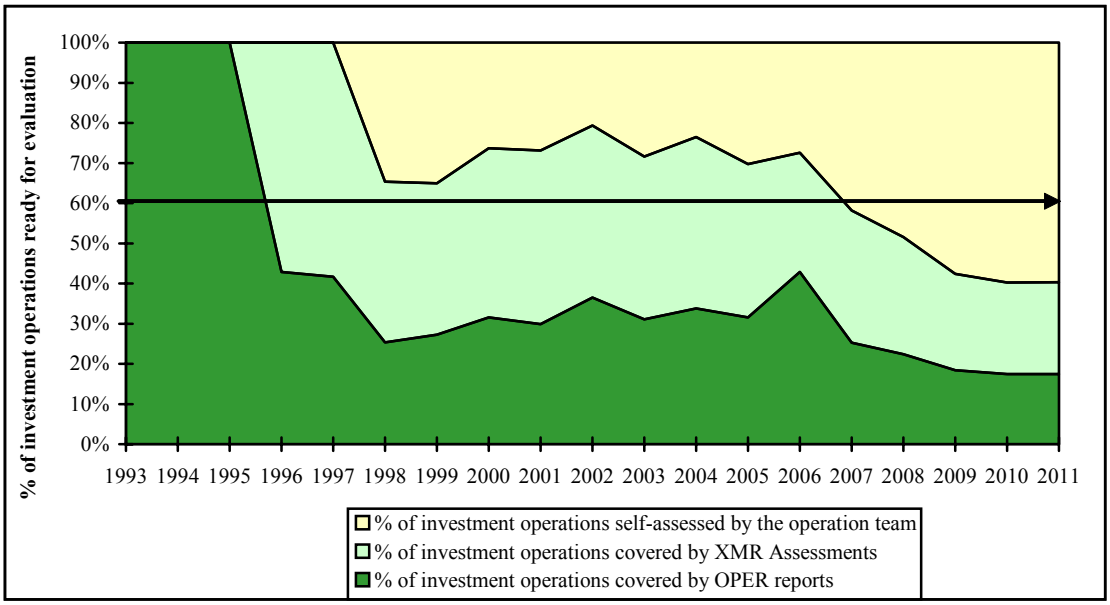
1.1. GENERAL

This Appendix analyses 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 2005

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. Chart 1.1 presents the actual and projected coverage ratio. Experience in the past has been that the number of projects actually ready for evaluation is more evenly spread than in the projections and a few projects are lost each year due to cancellations and "bundling" of projects under evaluation.

Chart 1.1: Evaluation coverage for investment operations (actual to 2005 and projected)



In 2005 the Operation Performance Evaluation Reviews (OPERs) covered 31 per cent of all new projects ready for evaluation. An additional 40 per cent was covered with independent assessment reports by EvD on bankers' expanded monitoring reports (XMR assessments).[3] This brought the

[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.

[3] An XMR assessment takes about four 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

year's coverage to 53 projects or 71 per cent of ready operations, which is well above the increased 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 2006, the total sample comprises OPER and XMR assessments by EvD on 469 projects evaluated in 1996-2005.[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 well over the 60 per cent target thereafter, as shown in Chart 1.1. A total of 654 investment projects had reached the ready-for-evaluation stage by the end of 2005. The evaluated sample of 469 projects is fairly large (72 per cent) and represents a reasonably balanced cross-section of all EBRD projects. The evaluated share of all 1,301 signed projects was lower at 36 per cent, as many of the more recently approved operations had not yet reached the evaluation stage.[6] 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:

The 23 OPER reports 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.
- **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

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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] See Appendix 6 for more detailed data; records on signed operations may also at times divide one operation into separate commitments.

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. Weighting the results:

In 2005 there was a population of 75 projects ready for evaluation, of which 53 were evaluated by EvD. The population is split into two strata:

- *Stratum 1:* 23 OPERs (30.7 per cent of 75)
- *Stratum 2*: The remaining 52 projects (69.3 per cent of 75) not selected for evaluation through an OPER report. The random sample of 30 XMR Assessments constitutes 57.7per cent (30/52) of stratum 2.

For weighting purposes, the 30 XMR Assessments must be given a 69.3 per cent weighting in the overall results. Table 1.1 below give the weighted and unweighted outcomes for Overall Performance for 2005:

Table 1.1: Outcomes for Overall Performance of projects evaluated in 2005

EvD Report Type	Highly Successful	Successful	Partly Successful	Unsuccessful	Number of reports
OPERs	13%	65%	9%	13%	23
XMRAs	20%	40%	37%	3%	30
Overall result - Unweighted	17%	51%	24%	8%	53
Overall result - Weighted	18%	48%	28%	6%	53

It can be seen that the overall result is almost identical. 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.

1.3.3. Standard error of the sample:

The distribution of the results about the mean was calculated by first giving the outcomes for the 52 evaluated projects numerical values, i.e. *Highly Successful*=1; *Successful*=2; *Partly Successful*=3; *Unsuccessful*=4. The mean score for 2005 was 2.25, which is in the *Successful* range (i.e. between 1.5 and 2.5), but moving towards *Partly Successful*. The standard deviation is 0.8 and the standard error of the sample 0.11. Therefore the 95 per cent confidence interval for the mean is a score between 2.02 and 2.47 - still within the *Successful* range.

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 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 performance and change; project and company financial performance; and fulfilment of project objectives. The *overall performance* as presented in Section

2.2 of this Appendix 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 1996-2005

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 2005. A further 27 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 469 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 (469 investment operations evaluated 1996-2005)

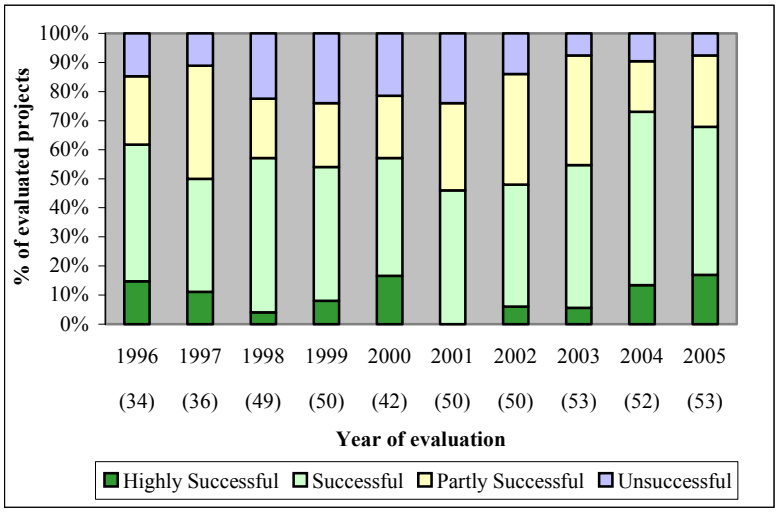


Table 2.1: Overall performance, percentage distribution of assigned ratings (469 investment operations evaluated 1996-2005)

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%	24%	*34%*	51%	17%	*66%*	53
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%*	469

Just over half (268 of 469 evaluated projects, or 57 per cent) of the operations evaluated obtained ratings in the *Successful - Highly Successful* bracket.[7] Throughout the 1990s this share varied around the 50 per cent mark but showed no definite pattern. A clear and steady rise has become apparent since a low point of 46 per cent in 2001, which has returned the cumulative figure to its level in the second half of the 1990s. Later in this appendix, we will see this trend repeated across most of the individual rating categories. However, it should be borne in mind that the unusually good results for 2004 (73 per cent *Successful* or better) are probably not representative, as relatively few classified operations were ready for evaluation in 2004 compared to previous years.[8] Even without 2004's unusual results, the upward trend is still clear.

Nine per cent of the projects scored *Highly Successful* overall, while rather more were rated *Unsuccessful* (16 per cent). Projects with the highest overall rating scored well on transition impact and the other performance indicators. Over three quarters of *Unsuccessful* projects scored *Unsatisfactory* or *Highly Unsatisfactory* for project financial performance (see Section 6 of this Appendix). This resulted in low sustainability and lost positive external factors in the sector and economy as a whole. Only sustainable projects can yield significant transition impact, via linkages or positive demonstration of successful market-driven reform of enterprises.

The overall performance outcome may seem modest, with 43 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

[7] Weighting by volume of investment yields better results, with 67 per cent *Successful* or higher, 21per cent *Partly Successful*, while the *Unsuccessful* ratings share is 12 per cent.

[8] Classified operations have a risk rating of seven or more. Only three such operations were evaluated in 2004, out of five ready for evaluation, as compared with 5 or 6 evaluated in previous years. Some planned evaluations of classified operations had to be delayed because they were at a sensitive stage of restructuring.

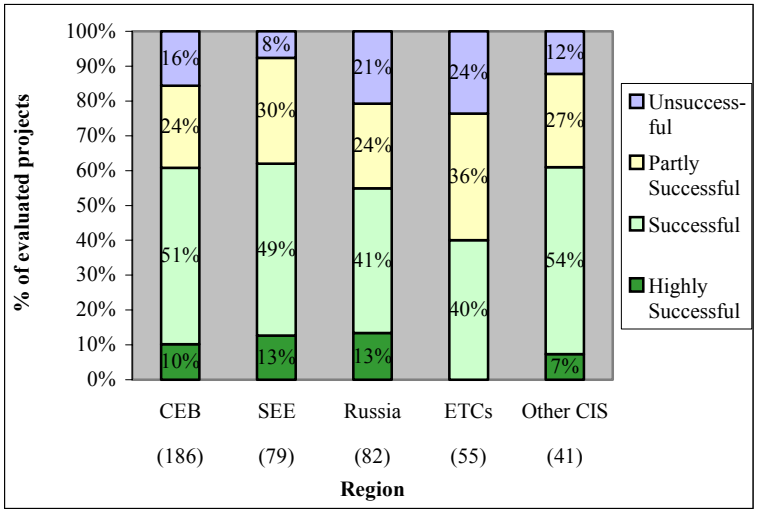
relatively high-risk projects as sponsors for lower-risk projects in these countries can readily attract financing from the market. This constraint continues to put high demands on the Bank to select and structure projects that mitigate both the industry and sector-specific risks in the particular investment 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 approximately 61-62 per cent of evaluated projects in the central and eastern Europe and the Baltics (CEB), south-eastern Europe (SEE) and Other CIS (excluding Russian and ETCs) groups of countries now fall in the *Successful* or *Highly Successful* bracket. Success rates overall in Russia were slightly lower, at 55 per cent, though this shows an improvement from previous years. ETCs still lag behind with only 40 per cent of projects rated *Successful* or *Highly Successful* overall.

Chart 2.2: Overall performance ratings by country groups
(443 investment operations evaluated 1996-2005)

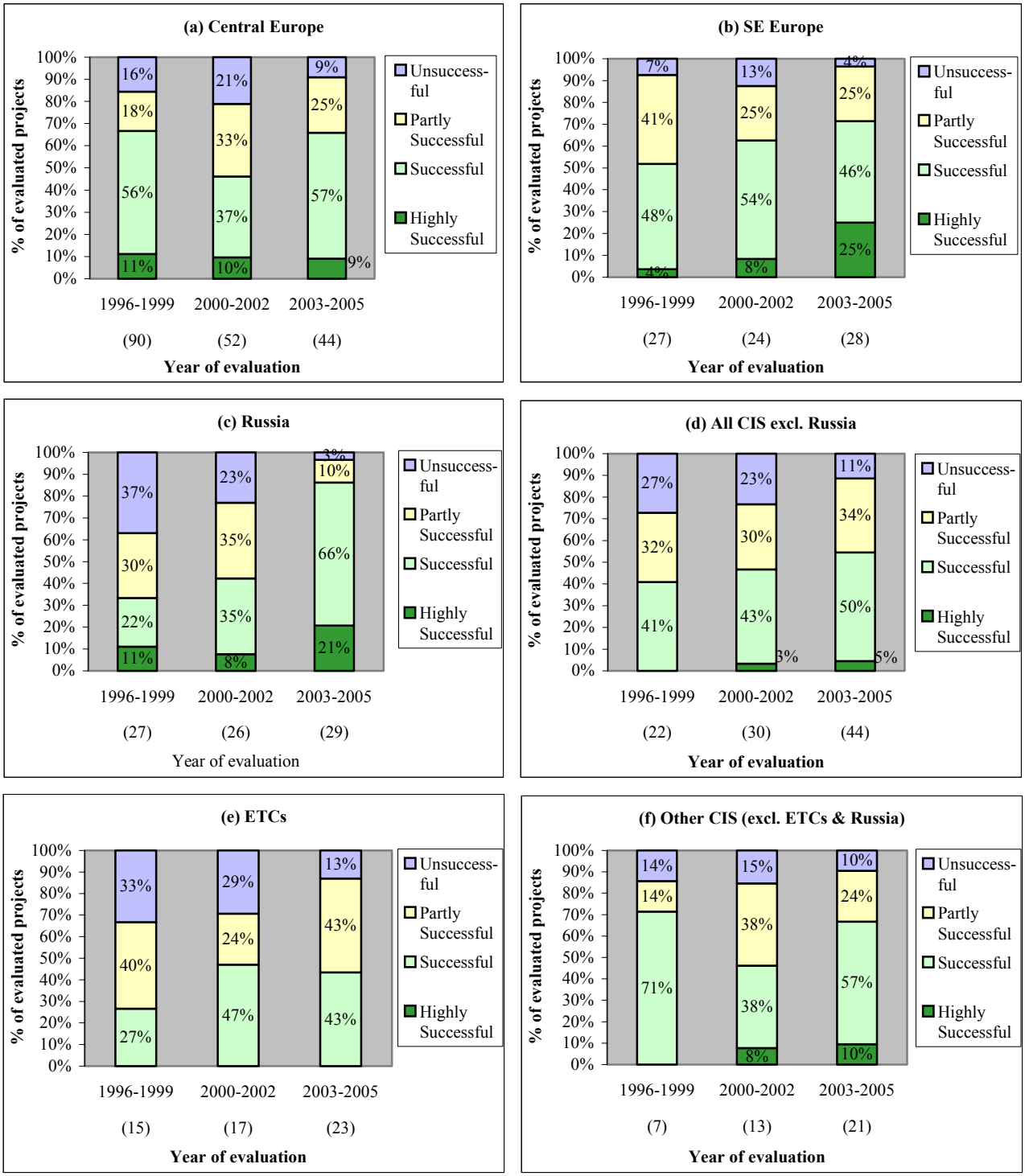


Note: 26 regional projects omitted
CEB: Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia
SEE: Albania, Bosnia & Herzegovina, Bulgaria, FYR Macedonia, Romania, Serbia & Montenegro
ETCs: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan, Uzbekistan
Other CIS: Belarus, Kazakhstan, Turkmenistan, Ukraine

The average success ratings in the various country groups suggest that investment projects in countries where the characteristics of the planned economy prevailed longest may face the highest financial and transition risks. Projects in Russia, the Caucasus and Central Asia still face more difficult challenges than did projects in the early 1990s in central Eastern Europe and the Baltic states, and more recently those in the more reform-oriented countries in South-Eastern Europe. It should be noted, however, that the CIS group is quite diversified, with major differences among its countries. Ukraine (which provides the majority of evaluated projects in this group) and Kazakhstan are far better performers than Belarus and Turkmenistan. In Ukraine, 78 per cent of the 23 operations are rated *Successful* or better, and in Kazakhstan five out of the ten projects, while in Belarus and Turkmenistan, only two of the eight projects evaluated falls into this category.

The pattern in Chart 2.3 shows the change in Overall performance ratings over time for the main geographical areas.

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



Note: 26 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. Central and Eastern Europe.

The results for Central and Eastern Europe closely mirror the overall results reported in 2.2 above, reaching a low point in 2001-2002 before rising strongly in the last three years. The improvement in the overall rating in 2002-2005 is associated with a similar pattern in the ratings for Fulfilment of Objectives, Project Financial Performance and Transition Impact, though Additionality improved only marginally in these two years. The impression from Chart 2.3(a) above is that 2000-2002 were unusual years, and that overall performance has

now returned to a gradual upward trend which has continued since the early 1990s. It remains to be seen whether the next few years reinforce this impression.

2.3.3. 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 71 per cent rated *Successful* or better in 2003-2005, with an even stronger increase in the number of projects rated *Highly Successful*.

2.3.4. Russia.

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

2.3.5. The early transition countries (ETCs).

This is the only region where overall performance has not improved in 2003-2005, although there has been a slight improvement from 2004-2005. In the last three years only 43 per cent of projects were rated *Successful* and no project in this region has ever been rated *Highly Successful*. Over the last three years, Transition Impact has been *Good* or *Excellent* in 48 per cent of cases and *Satisfactory* in a further 22 per cent, lower than the average but not as bad as the overall performance. Additionality has been very high but Fulfilment of Objectives has been *Good* or *Excellent* in only 33 per cent of cases and Project Financial Performance rated *Good* or *Excellent* in only 24 per cent of cases.

It should be borne in mind, however, that the results are still far above performance in 1996-1999, when only 27 per cent of projects in the sector were rated *Successful*. As can be seen in charts 2.4 and 2.5 below, the high overall performance ratings in 2000-2002 were matched by relatively good results in Fulfilment of Objectives and Project Financial Performance. Both these indicators have fallen sharply in recent years and this has led to a drop in the Overall Performance.

Chart 2.4 Fulfilment of Objectives

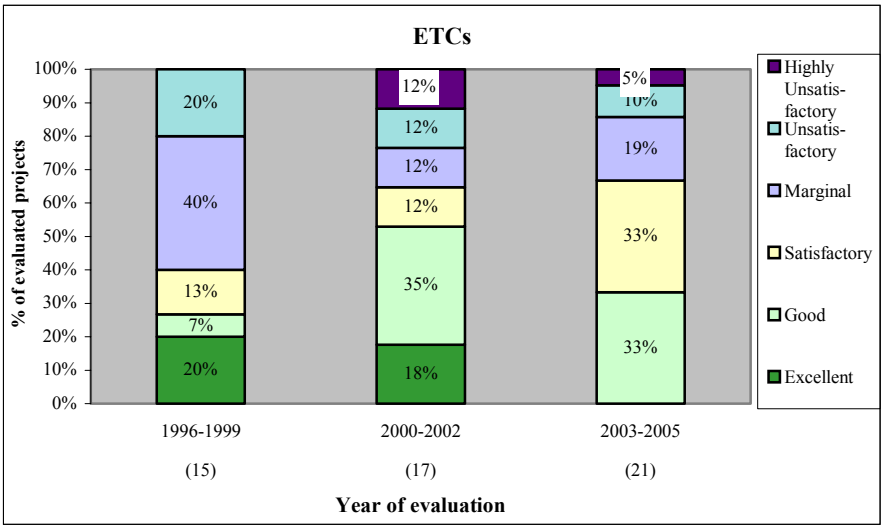
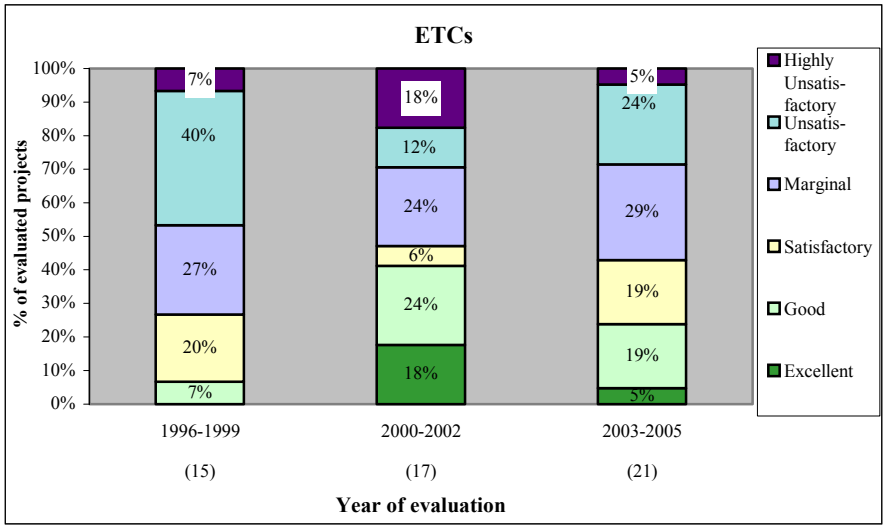


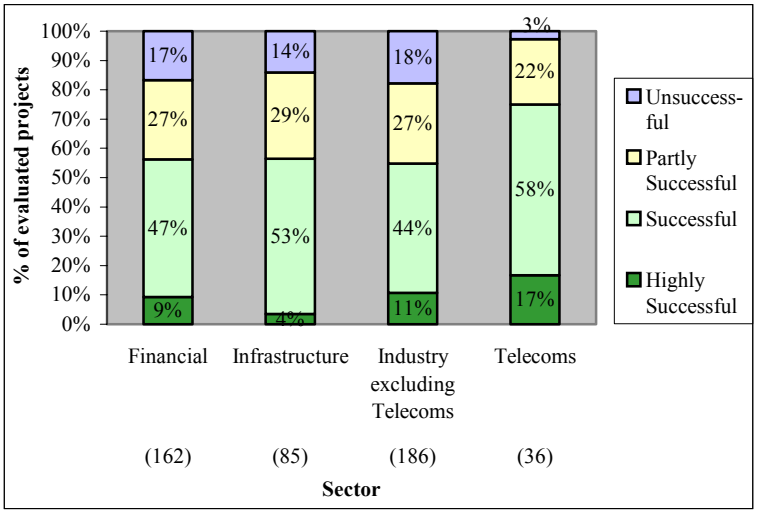
Chart 2.5 Project Financial Performance



2.4. OVERALL PERFORMANCE RATINGS BY SECTORS

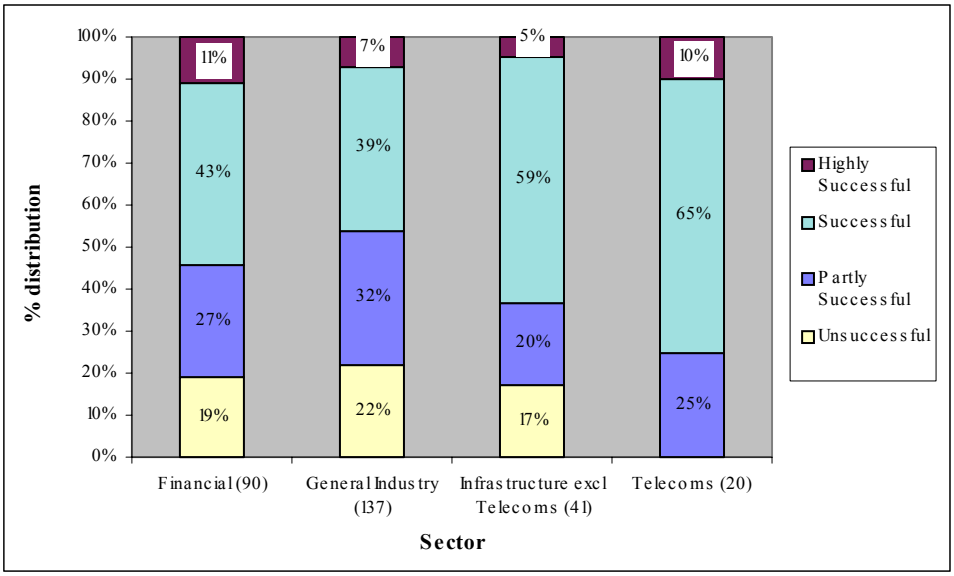
Looking at the sectoral breakdown cumulatively for all projects evaluated since 1996, there is very little difference between the performance of all the sectors excluding Telecoms. Infrastructure has the fewest projects rated *Highly Successful*, but also the fewest rated *Unsuccessful*. However, this has changed over time as can be seen from chart 2.7, which is taken from the AEOR of 2001. At that time, overall performance in the Infrastructure sector was clearly better than in other sectors.

Chart 2.6: Overall performance ratings by sector groups
(469 evaluated investment operations, 1996-2005)



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

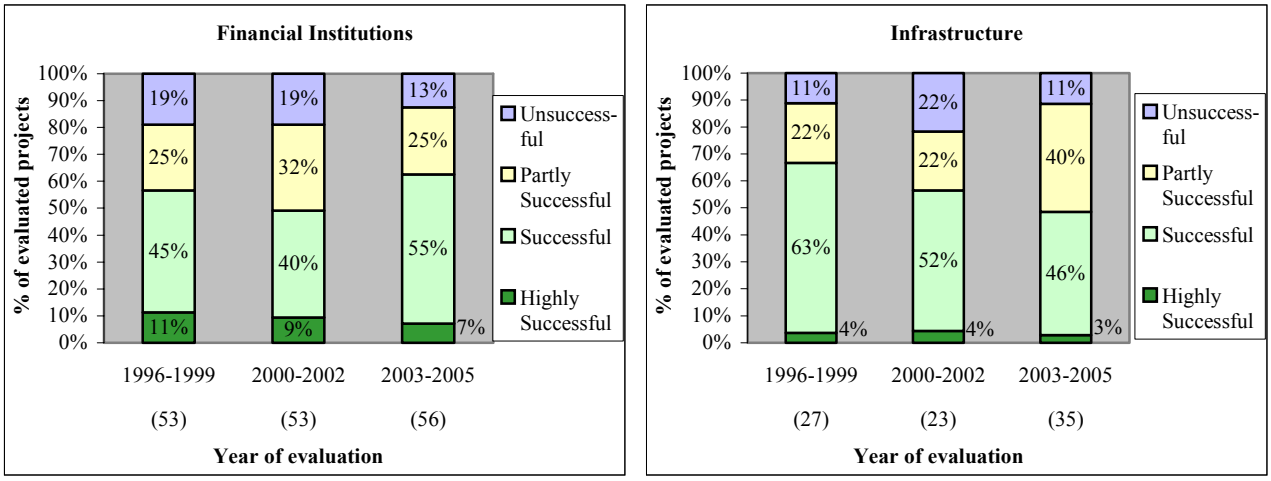
Chart 2.7: (taken from AEOR for 2001). Overall Performance ratings by Sector Groups (288 OPERs and XMR Assessments)

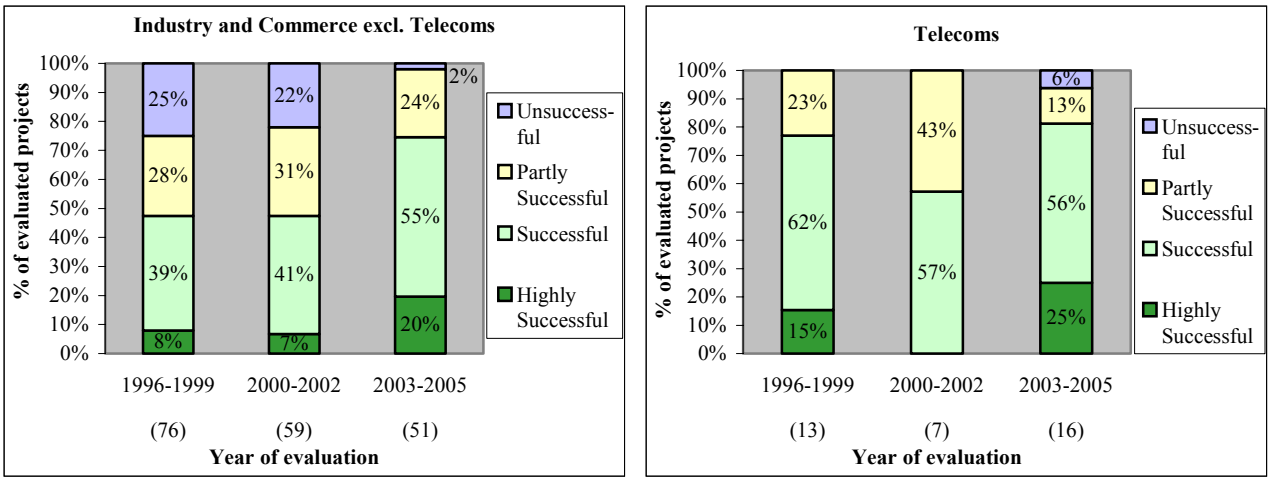


The time series data in chart 2.8 shows this in greater detail. Performance in Infrastructure has fallen steadily since the late 1990s, when it was the best performing sector, to become the worst performing sector with only 49 per cent projects rated *Successful* or *Highly Successful* in 2003-2005. As described last year, Infrastructure projects have made up a large proportion (43 per cent) of the projects in ETCs evaluated in the last three years, and it is difficult to tell whether relatively poor performance in ETCs has influenced the overall outcome for Infrastructure projects, or vice versa.

Financial Institutions has shown an improvement in 2003-2005 after several years' decline, while the performance in Industry and Commerce has improved significantly in recent years, with 75 per cent of projects rated *Successful* or *Highly Successful* in 2003-2005.

Chart 2.8: Overall performance ratings of different industry sectors, 1996-2005





Note: 26 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. As for other indicators, projects evaluated in 1996-2005 have been revisited and re-rated according to the current rating system. 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

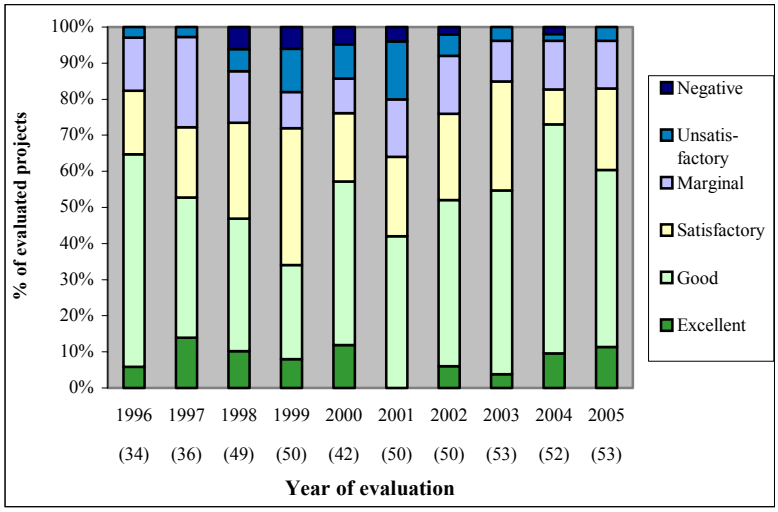
TI ratings carry a high weight in the overall performance ratings of projects. Table 3.1 shows the distribution of the ex-post TI ratings by EvD since 1996. As for the Overall Performance rating, there appears to have been a steady improvement from a low in 2001, with a particular jump in 2004. The share of projects with *Good* to *Excellent* ratings over the 10 years is 54 per cent; while 77 per cent of the projects were rated *Satisfactory* or higher, but it is notable that nine per cent of the projects during the same period rated *Unsatisfactory* or *Negative.*[9]

[9] Weighting by volume of investment yields better results, with 61 per cent *Good* or *Excellent* and 83 per cent rated *Satisfactory* or higher.

Table 3.1: TI ratings of 469 investment operations evaluated –1996-2005

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%	13%	*17%*	23%	49%	11%	*83%*	53
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%*	469

Chart 3.1: TI ratings of 469 investment operations evaluated 1996-2005



3.3. TRANSITION IMPACT RATINGS BY COUNTRY GROUPS

Chart 3.1 presents the TI rating distribution by country groups of 443 projects[10] evaluated in 1996-2005. The ratings follow a slightly different pattern to the findings for the higher level of overall performance. ETCs no longer perform worse than other groups when considering evaluations rated *Satisfactory* to *Excellent* – with 71 per cent of evaluated projects achieving these ratings, they have the same results as Other CIS countries and slightly better results than Russia (68 per cent. The CEB group achieves 78 per cent *Satisfactory* or better, while SEE is the highest-rated region with 86 per cent.

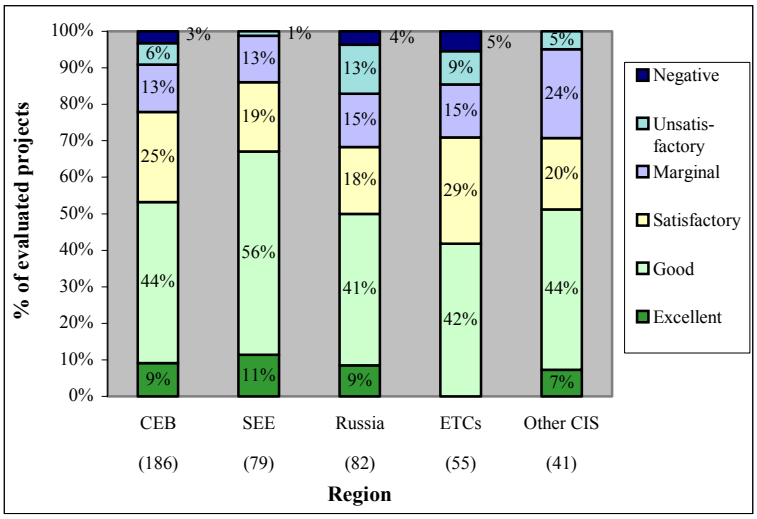
However, a lot of ETC projects are rated *Satisfactory* for TI; looking only at projects rated *Good* or *Excellent*, the ETC group does less well than other regions, with only 42 per cent of projects rated *Good* and none *Excellent*. This compares with 67 per *Good* or *Excellent* for

[10] Twenty-six regional projects were omitted.

SEE and around 50 to 53 per cent for the other regions. 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 16 ETC projects rated *Satisfactory* for TI, nine are rated *Partly Successful* overall and two *Unsuccessful*. All but one of the 11 *Partly Successful* and *Unsuccessful* projects had project financial performance rated *Marginal* or below, which contributed to the lower overall performance rating[11].

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. Only 21 of the 55 ETC projects are rated *Satisfactory* or better for project financial performance[12] and 14 of these (67 per cent) also achieve a *Good* TI rating, six achieve *Satisfactory*, one *Marginal* and none less than *Marginal* TI. Thus, the relatively small number of ETC projects which performed well financially also performed well in terms of transition impact. Looking at the same numbers from a different direction, over 60 per cent of the 23 ETC projects rated *Good* for transition impact also had *Satisfactory* or better financial performance, only 37.5 per cent of the 16 projects rated *Satisfactory* for TI performed well financially, and only one project with less than *Satisfactory* TI had financial performance which was *Satisfactory* or better. It appears that financial sustainability is necessary but not sufficient for a project to achieve transition impact.

Chart 3.2: TI ratings of 443 post-evaluated investment operations in 1996-2005 by country groups



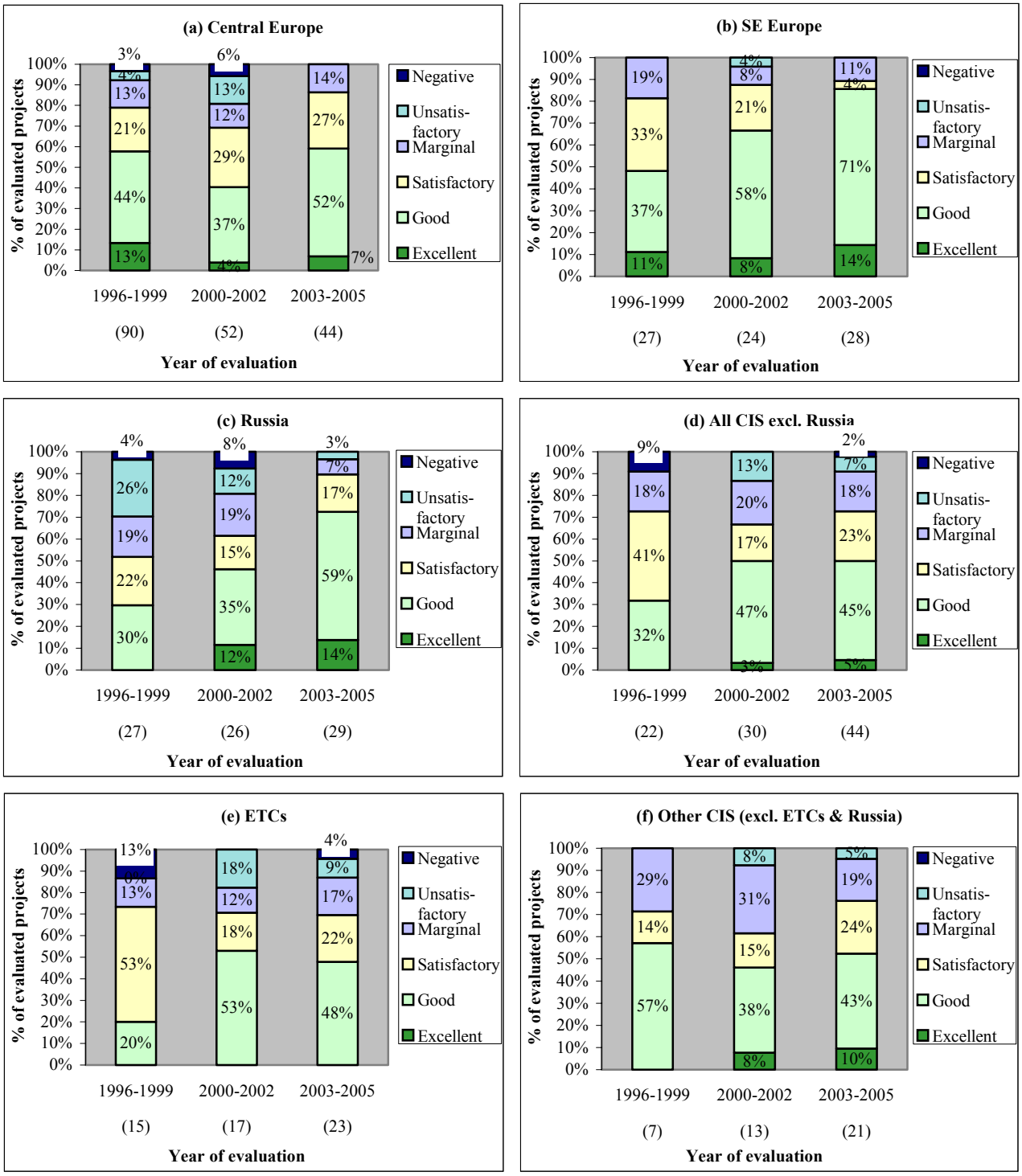
Note: 26 regional projects omitted
See chart 2.2 for list of countries in each region

Further time series analysis indicates that the only region in which transition impact did not rise between 2000-2002 and 2003-2005 was in the ETCs. In this region, performance was stagnant across the two time periods, with only 70 per cent of operations achieving *Satisfactory* to *Excellent* TI ratings in 2003-2005.

[11] Both the *Unsuccessful* projects involved a flawed concept: although achieving many of their objectives and having some transition impact, the result was an unsustainable project with no market. The single project with a *Good* project financial performance encountered shareholder issues, unsuccessfully mitigated by EBRD's handling, which damaged an otherwise successful project.

[12] Two projects which were evaluated through Special Studies were not rated for project financial performance.

Chart 3.3: Development of TI ratings over time for projects evaluated 1996-2005: presented by region



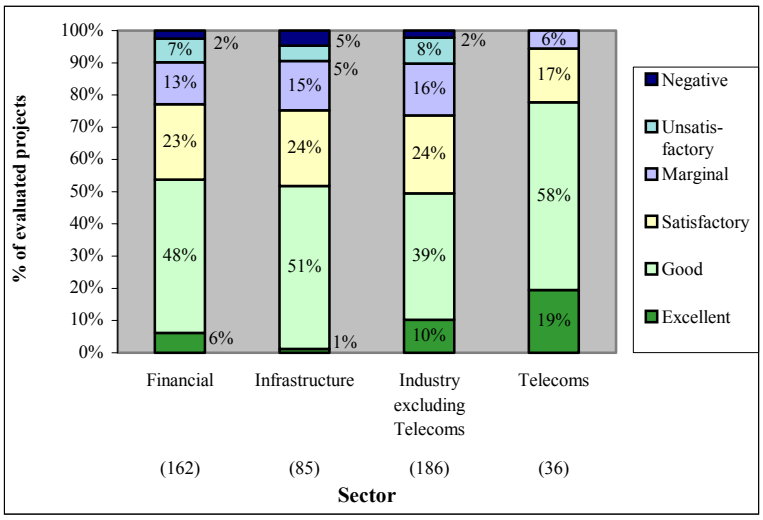
Note: 21 regional projects omitted
See chart 2.2 for list of countries in each region

3.4. TI RATINGS BY SECTORS

The sectoral breakdown for this indicator shows the same pattern as for the Overall Performance rating: there is no significant difference between the three sectors excluding Telecoms, but Infrastructure has fewer projects with the highest rating – *Excellent* in this case. As Infrastructure projects used to achieve higher transition impact ratings than other sectors, it

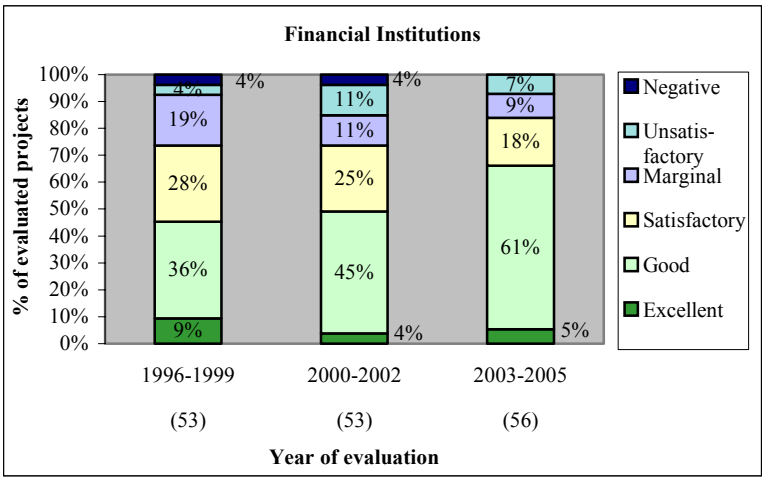
must have received lower TI ratings in recent years. This is shown in Charts 3.4 and 3.5 below.

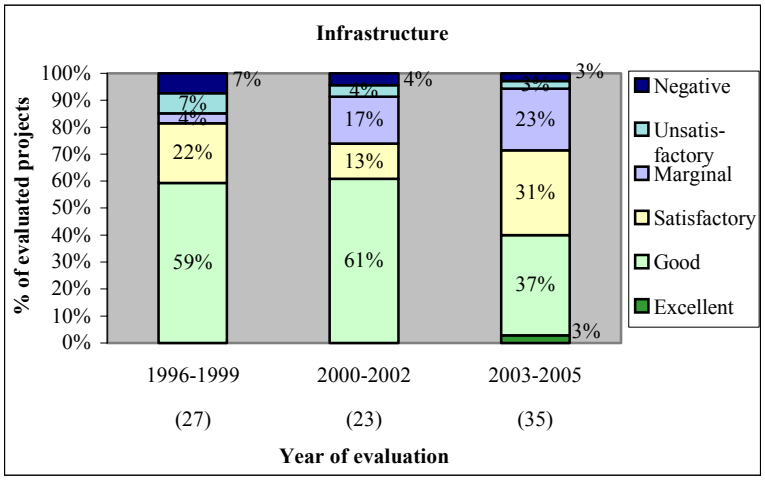
Chart 3.4: TI ratings 1996-2005 by sector groups (469 investment operations)

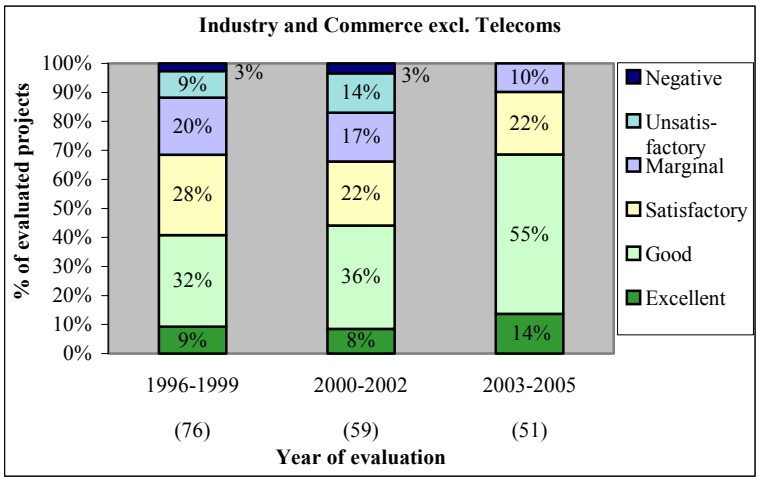


See chart 2.6 for description of each sector

Chart 3.5: Development of TI ratings over time for projects evaluated 1996-2005: presented by sector (469 investment operations)







The time series data above show that Financial and Industry projects have improved their TI ratings in 2003-2005 compared to the 2000-2002 period. Over the same period, the number of Infrastructure projects rated *Satisfactory* or above has fallen slightly, from 74 per cent to 71 per cent, and the number rated *Good* or *Excellent* only has fallen even more dramatically.

4. ADDITIONALITY

4.1. EVALUATED ADDITIONALITY OF 469 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 469 operations evaluated in 1996-2005, 61 per cent had additionality *Verified in All Respects*, while 26 per cent had additionality *Verified at Large*. This left 13 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 the case of an established relationship, additionality is reassessed for each new operation in the series. Nevertheless, 87 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.

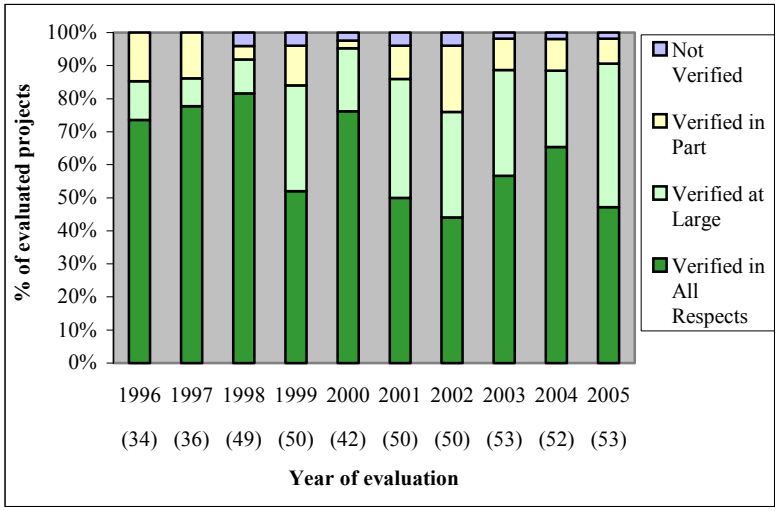
Table 4.2: Additionality, percentage distribution of assigned ratings (469 investment operations evaluated 1996-2005)

Ratings	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005
Not Verified	0%	2%	2%	2%	3%	3%	3%	3%	3%
Verified in Part	14%	10%	11%	9%	9%	10%	10%	10%	10%
Subtotal	*14%*	*12%*	*13%*	*11%*	*12%*	*13%*	*13%*	*13%*	*13%*
Verified at Large	10%	10%	17%	17%	21%	23%	24%	24%	26%
Verified in All Respects	76%	78%	70%	72%	67%	64%	63%	63%	61%
Subtotal	*86%*	*88%*	*87%*	*89%*	*88%*	*87%*	*87%*	*87%*	*87%*
Total (No. of projects)	70	119	169	211	261	311	364	416	469

Regarding annual variations of additionality, it is striking that the only variation in recent years is on the boundary between Verified in All Respects (47 per cent in 2005) 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, with the exception of 2000, has remained within a few points either side of 50 per cent since then.

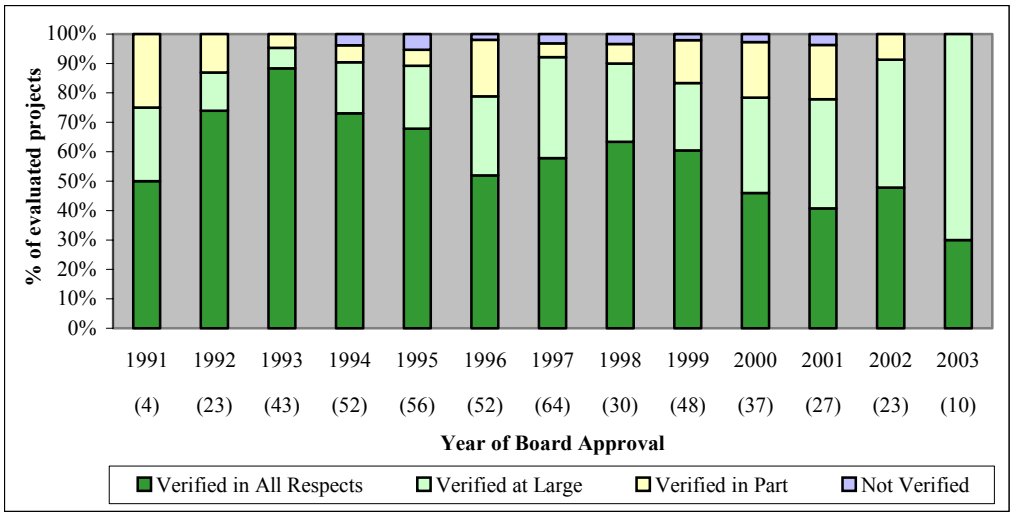
[13] Only 12 evaluated operations have received the lowest additionality rating (between 1996 and 2005). The rating was assigned due to the projects' low financial additionality, combined with a design and structure that was non-conducive to improved transition impact or sound banking, or a failure to enforce conditionalities in the project agreements.

Chart 4.1: Additionality, percentage distribution of assigned ratings (469 investment operations evaluated 1996-2005)



A more striking pattern emerges from measuring additionality by year of Board approval, as shown in Chart 4.2 below. Additionality of newly approved projects reached a peak in 1993 and the number of projects rated Verified in All Respects has dropped with small interruptions since then. However the proportion of projects rated at least Verified at Large has remained high and even improved in recent years; though this may be because the least additional projects from the last two-to-three years may also have been slow disbursing and not yet become ready for evaluation.

Table 4.2: Additionality, percentage distribution of assigned ratings shown by year of Board approval (469 investment operations evaluated 1996-2005)



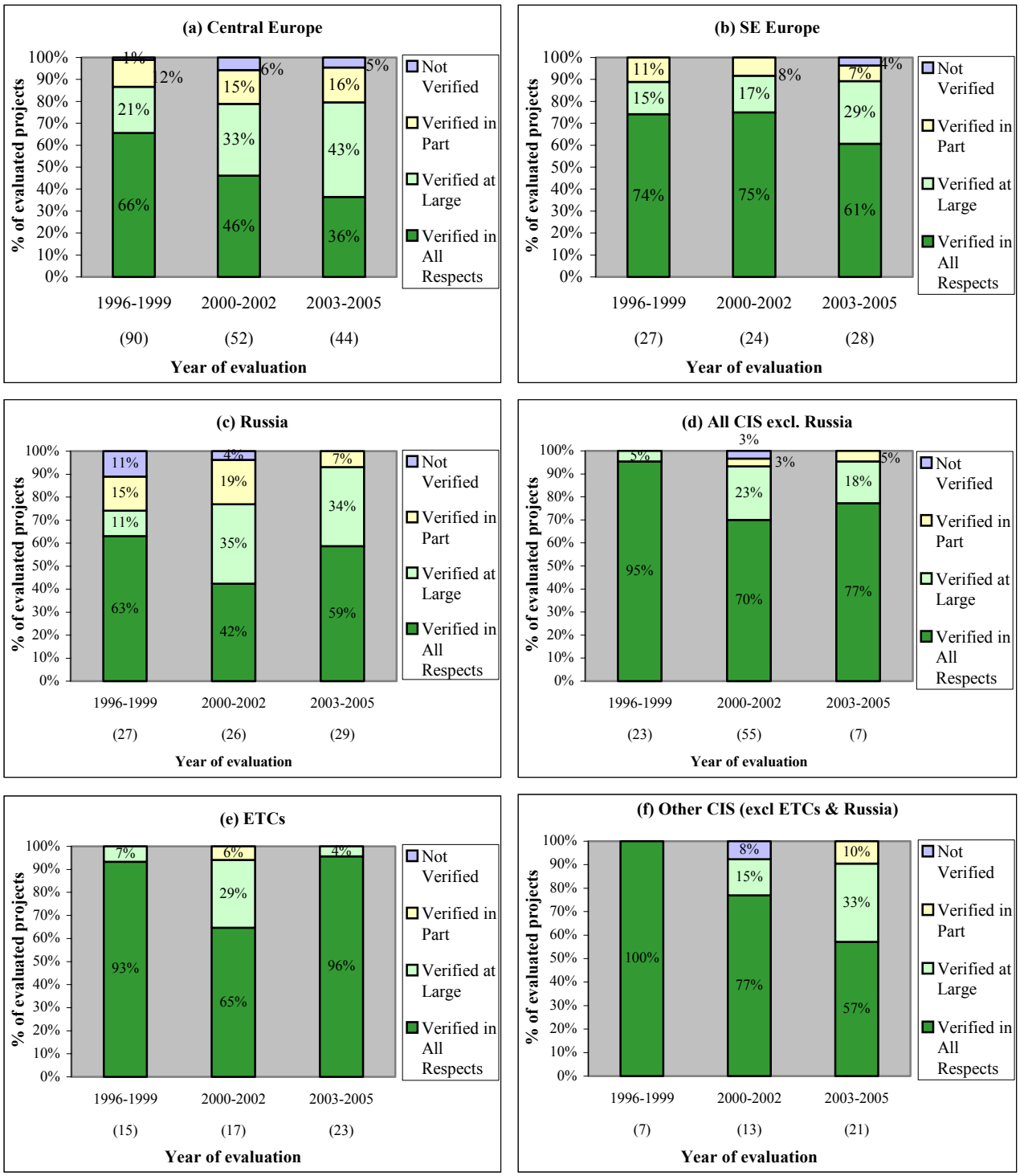
4.2. TIME VARIATIONS OF ADDITIONALITY BY REGION AND SECTOR

Charts 4.2 to 4.7 show additionality ratings, by region and over time. Russia and the ETCs show a downturn in the middle period, 2000-2002, followed by a recent improvement. CEB, SEE and Other CIS show a continuing fall in the number of projects rated Verified in All Respects[14]. By far the majority of all the projects rated Not Verified or Verified in Part – 47 out of a total of 60, or 78 per cent - are found in CEB or Russia. Only two projects outside

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

these regions are Not Verified; 11 projects outside these regions are Verified in Part, of which seven are in SEE.

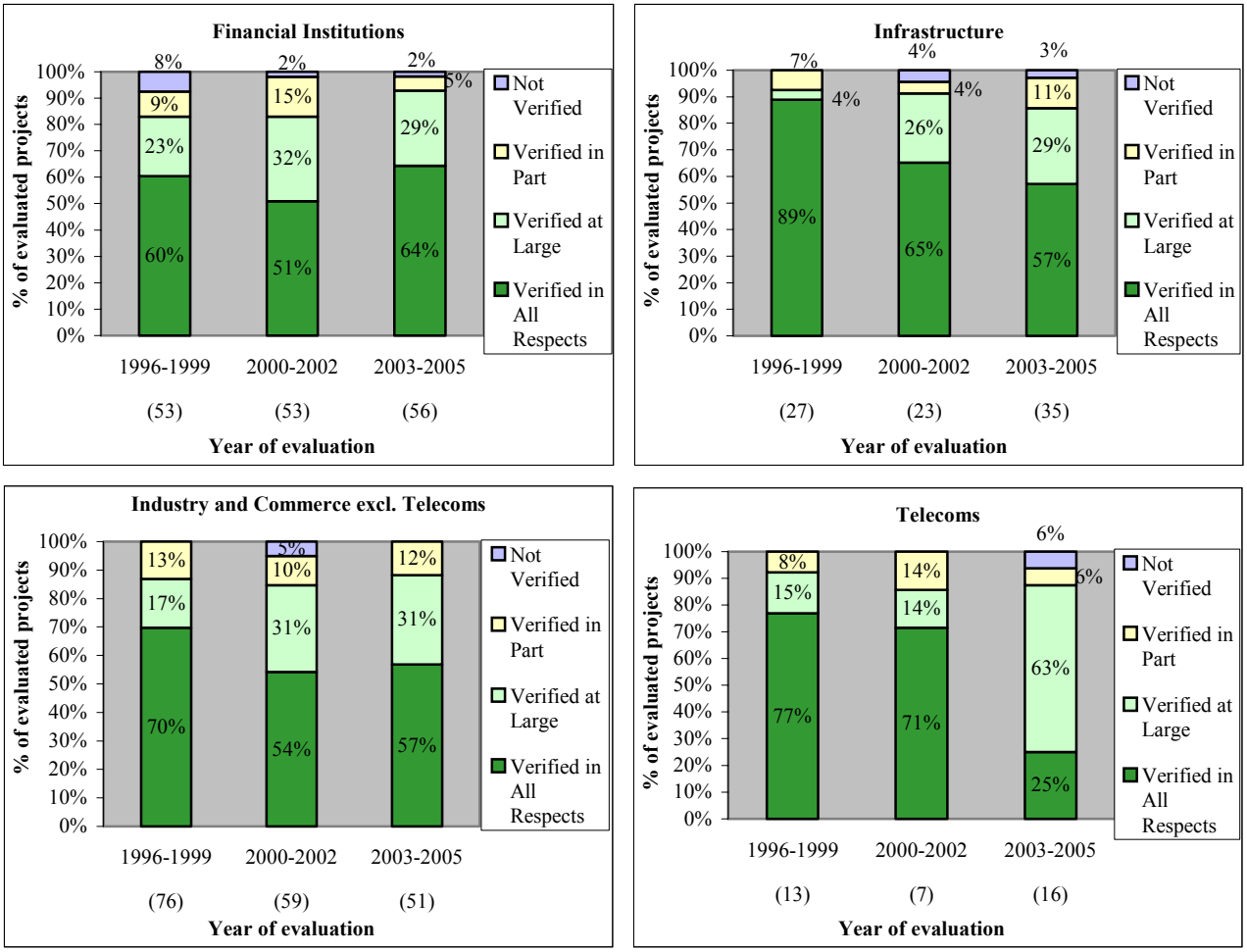
Chart 4.2-4.7: Additionality ratings: changes in year in major country groups



Note: 26 regional projects omitted
See chart 2.2 for list of countries in each region

Charts 4.8 to 4.11 indicate additionality ratings, by sector and over the same periods as above. It is seen that Financial Institutions and Industry and Commerce have both recovered somewhat from a downturn in 2000-2002. But Infrastructure and Telecoms, which both had higher additionality during that period, have continued to fall, Telecoms in particular.

Chart 4.8-4.11: Additionality ratings: changes in year in major sector groups



5. COMPANY AND PROJECT FINANCIAL PERFORMANCE

5.1. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS 1996-2005

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 462 evaluated operations by end-2005[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.

Chart 5.1: Company performance, percentage distribution of assigned ratings (462 investment operations evaluated 1996-2005)

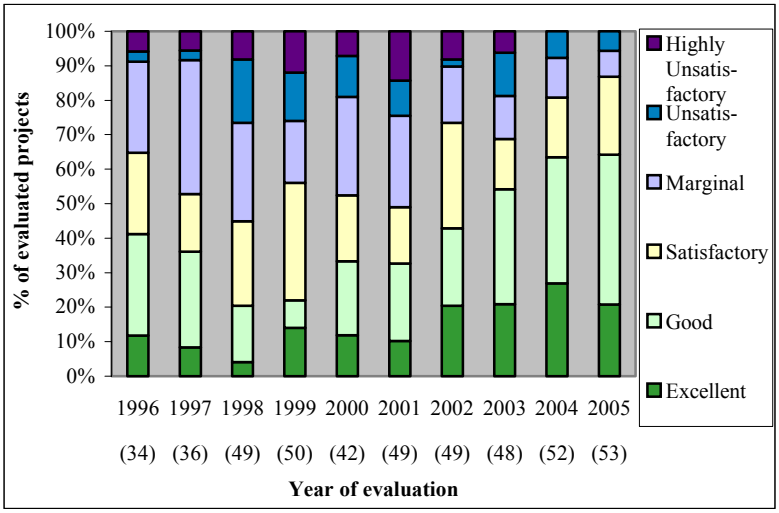


Table 5.1: Company performance, percentage distribution of assigned ratings (462 investment operations evaluated 1996-2005)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005
Highly Unsatisfactory	6%	7%	8%	8%	9%	9%	9%	8%	7%
Unsatisfactory	3%	9%	11%	11%	11%	9%	10%	10%	9%
Marginal	33%	31%	27%	27%	27%	26%	24%	22%	21%
Satisfactory	20%	22%	25%	24%	23%	24%	23%	22%	22%
Good	29%	24%	19%	19%	20%	20%	22%	24%	26%
Excellent	10%	8%	9%	10%	10%	12%	13%	15%	15%
Total (No. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**462**

Chart 5.2: Project performance, percentage distribution of assigned ratings (462 investment operations evaluated 1996-2005)

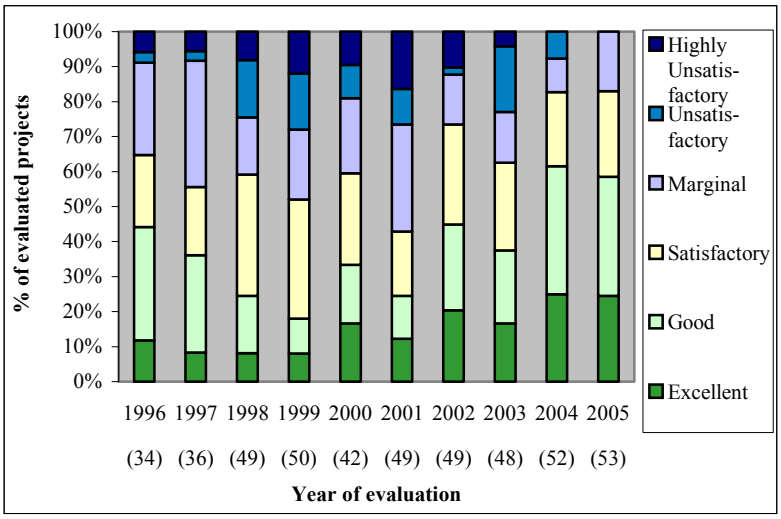


Table 5.2: Project performance, percentage distribution of assigned ratings (462 investment operations evaluated 1996-2005)

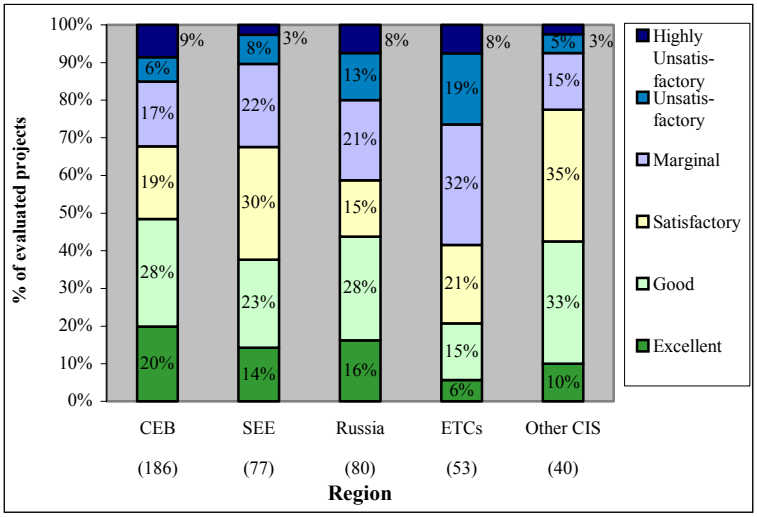
	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005
Highly Unsatisfactory	6%	7%	8%	9%	10%	10%	9%	8%	7%
Unsatisfactory	3%	8%	11%	10%	10%	9%	10%	10%	9%
Marginal	31%	25%	24%	23%	25%	23%	22%	20%	20%
Satisfactory	20%	26%	28%	28%	26%	27%	26%	26%	25%
Good	30%	24%	20%	19%	18%	19%	19%	22%	23%
Excellent	10%	9%	9%	10%	11%	12%	13%	14%	16%
Total (No. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**462**

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 improved steadily over the last four years. This improvement 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. The level of combined *Good* and *Excellent* rated projects is now over 50 per cent and the number of Excellent rated projects alone has averaged over 20 per cent over the last four years. No projects have been rated *Highly Unsatisfactory* (generally an indication of bankruptcy or default) in the last two years.

5.2. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS BY COUNTRY GROUPS

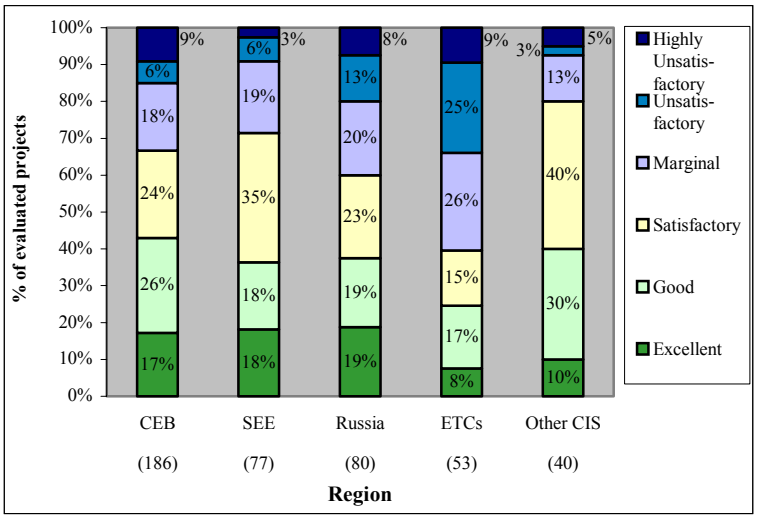
It can be seen from Charts 6.3 and 6.4 that a geographical breakdown of evaluated projects produces results that mirror those for other ratings: the ETCs have fewer projects rated *Satisfactory* to *Excellent* than other regions and also substantially the greatest number of projects with *Unsatisfactory* or *Highly Unsatisfactory* ratings for company and project performance. 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 relatively good performance but, as for 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 hugely outperform other regions: the projections may have been set higher at appraisal.

Chart 5.3 Company performance ratings by country groups (436 investment operations evaluated 1996-2005)



Note: 26 regional projects omitted
See chart 2.2 for list of countries in each region

Chart 5.4 Project performance ratings by country groups (436 investment operations evaluated 1996-2005)

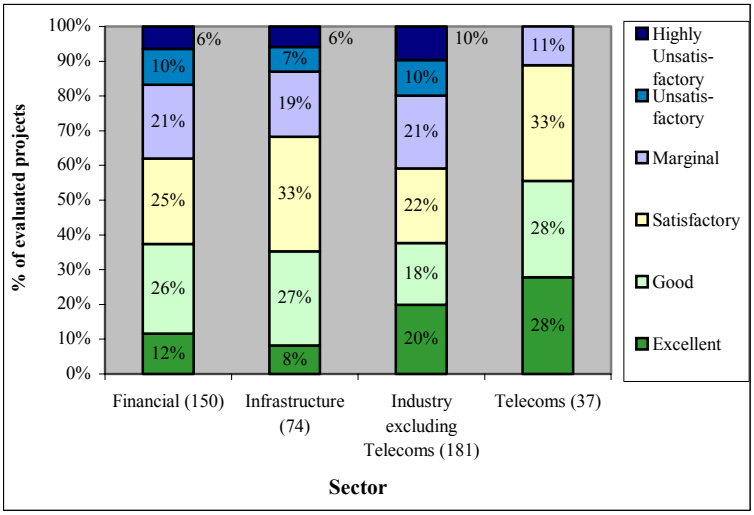


Note: 26 regional projects omitted
See chart 2.2 for list of countries in each region

5.3. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS BY SECTOR GROUPS

As shown in chart 5.5, the Industry sector has the greatest number of projects rated Excellent, though the three main sectors all have the same proportion of projects in the top two categories. Industry also has a large number of projects with the lowest ratings. Further time series analysis shows that the Industry sector has outperformed the others in recent years, with 33 per cent of projects rated Excellent for Project Financial Performance in 2003-2005; during this period only six per cent of Infrastructure projects were rated Excellent for this indicator.

Chart 5.5 Project performance ratings by sector groups
(436 investment operations evaluated 1996-2005)



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.

Chart 6.1: Fulfilment of objectives, percentage distribution of assigned ratings
(462 investment operations evaluated 1996-2005)

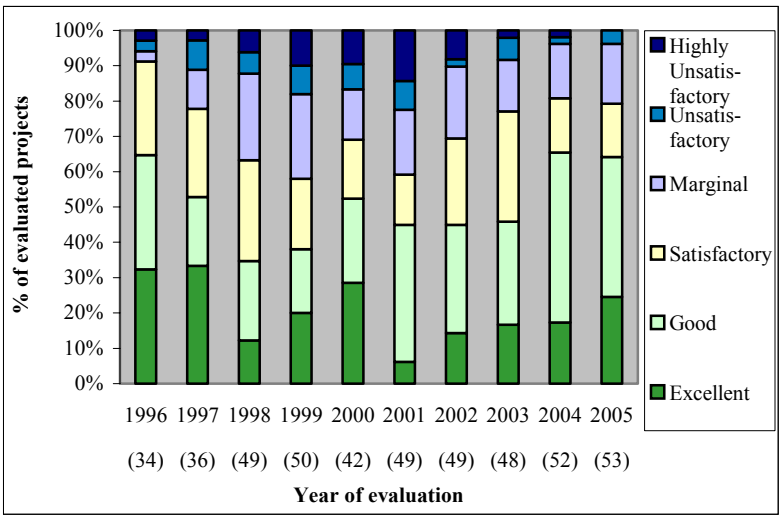


Table 6.1: Fulfilment of objectives, percentage distribution of assigned ratings (462 investment operations evaluated 1996-2005)

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

As could be expected, there is a high correlation between project and company financial performance and fulfilment of objectives (0.76 for project financial performance, and 0.72 for company financial performance).

7. THE ENVIRONMENT

7.1. THE ENVIRONMENTAL REQUIREMENT

Projects are designed and conditioned to fulfil all aspects of the Bank's mandate, including the environmental policy of the Bank at the time of appraisal. Environmental ratings form part of the overall performance rating. Environmental 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 467 evaluated projects during 1996-2005[17].

7.2. ENVIRONMENT RATING SYSTEM

The series from 1996-2005 covers two environmental dimensions: The first dimension concerns environmental performance 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 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 467 evaluated projects in 1996-2005.

[17] Two projects evaluated through Special Studies were not rated for Environmental Performance or Extent of Environmental Change.

Chart 7.1: Environmental performance, percentage distribution of assigned ratings (467 investment operations evaluated 1996-2005)

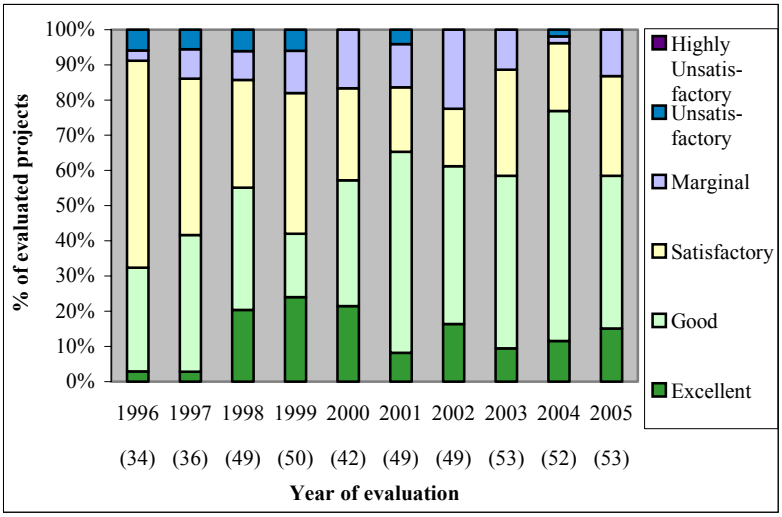


Table 7.1: Environmental performance, percentage distribution of assigned ratings (467 investment operations evaluated 1996-2005)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005
Excellent	3%	10%	14%	16%	14%	15%	14%	14%	14%
Good	34%	34%	30%	31%	36%	37%	39%	42%	42%
Satisfactory	51%	43%	42%	39%	35%	32%	32%	30%	30%
Subtotal	*89%*	*87%*	*86%*	*85%*	*85%*	*84%*	*85%*	*86%*	*86%*
Marginal	6%	7%	8%	10%	10%	12%	12%	11%	11%
Unsatisfactory	6%	6%	6%	5%	5%	4%	3%	3%	3%
Highly Unsatisfactory	0%	0%	0%	0%	0%	0%	0%	0%	0%
Subtotal	*11%*	*13%*	*14%*	*15%*	*15%*	*16%*	*15%*	*14%*	*14%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**467**

Chart 7.2: Extent of environmental change, percentage distribution of assigned ratings (467 investment operations evaluated 1996-2005)

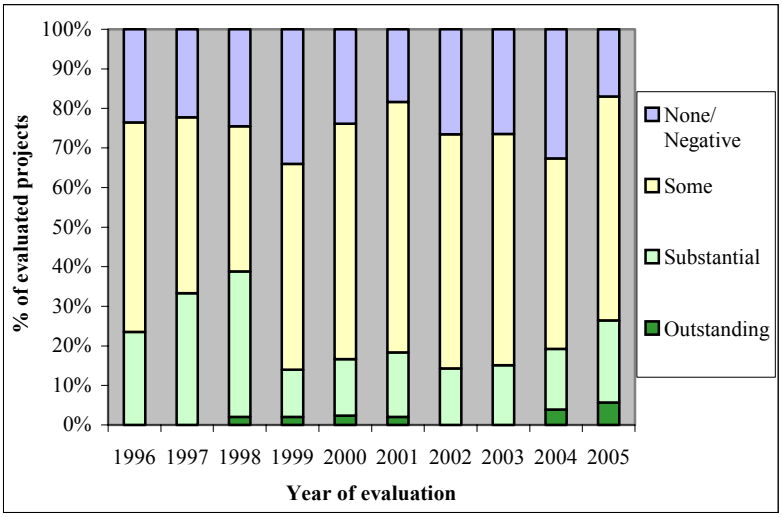


Table 7.2 Extent of environmental change, percentage distribution of assigned ratings (467 investment operations evaluated 1996-2005)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005
Outstanding	0%	1%	1%	1%	2%	1%	1%	1%	2%
Substantial	29%	32%	26%	24%	22%	21%	20%	20%	20%
Subtotal	*29%*	*33%*	*27%*	*25%*	*24%*	*22%*	*21%*	*21%*	*22%*
Some	49%	44%	46%	49%	52%	53%	54%	53%	53%
None/ Negative	23%	24%	27%	26%	25%	25%	25%	26%	25%
Subtotal	*71%*	*67%*	*73%*	*75%*	*76%*	*78%*	*79%*	*79%*	*78%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**467**

86 per cent of evaluated operations obtained a *Satisfactory* or better rating of environmental performance of the sponsor. A total of 11 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 22 per cent of the cases, *Some* for 53 per cent and *None/Negative* for 25 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 dilience, 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 (462 investment projects evaluated 1996-2005)

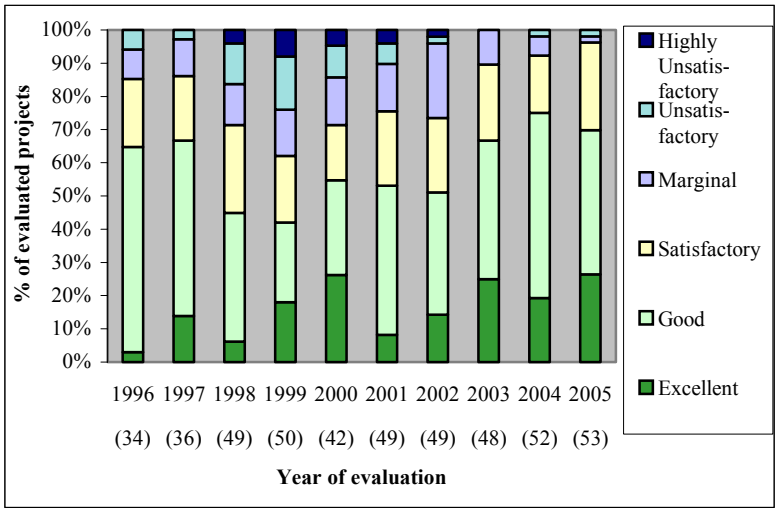


Table 8.1: Bank Handling, percentage distribution of assigned ratings (462 investment projects evaluated 1996-2005)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005
Excellent	9%	8%	11%	14%	13%	13%	15%	15%	16%
Good	57%	50%	42%	39%	40%	40%	40%	42%	42%
Satisfactory	20%	23%	22%	21%	21%	21%	22%	21%	22%
Subtotal	*86%*	*80%*	*75%*	*74%*	*74%*	*74%*	*76%*	*78%*	*80%*
Marginal	10%	11%	12%	12%	13%	14%	14%	13%	12%
Unsatis-factory	4%	8%	10%	10%	9%	8%	7%	6%	6%
Highly Unsatis-factory	0%	2%	4%	4%	4%	4%	3%	3%	2%
Subtotal	*14%*	*20%*	*25%*	*26%*	*26%*	*26%*	*24%*	*22%*	*20%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**462**

The results show that 58 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, a fifth 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 (462 investment projects evaluated 1996-2005)

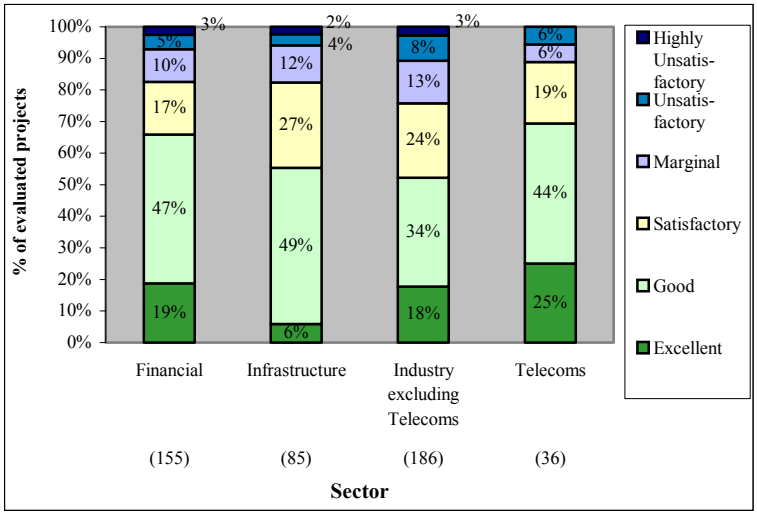
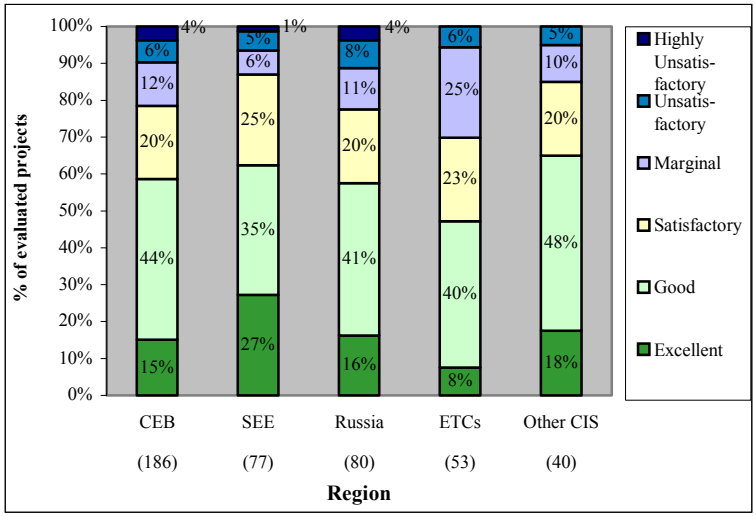


Chart 8.3 Bank Handling by country groups
(436 investment projects evaluated 1996-2005)



Note: 26 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 industry and commerce projects and among ETCs, and highest in SEE countries.

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 1996-2005

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

The sample number is smaller than for other indicators as only OPER reports are rated for this indicator. Over the period, 64 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 469 projects evaluated in 1996-2005. 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 well over 65 per cent thereafter (see Appendix 8, Chart 1.1). The sample represents 72 per cent of all 654 investment projects that had reached the ready-for-evaluation stage. The evaluated share of all signed projects by end 2005 was lower, at 36 per cent, as many more recently approved projects were still under implementation.[18] 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.

Country distribution[19]

Chart 10.1: Cumulative signed EBRD operations

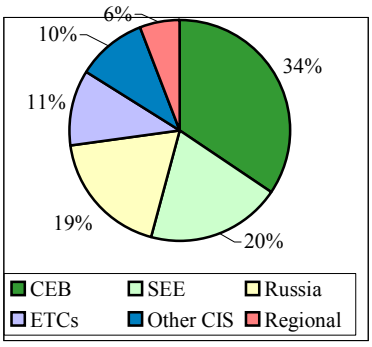


Chart 10.2: All projects ready for evaluation

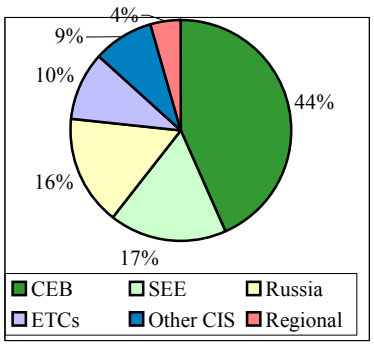
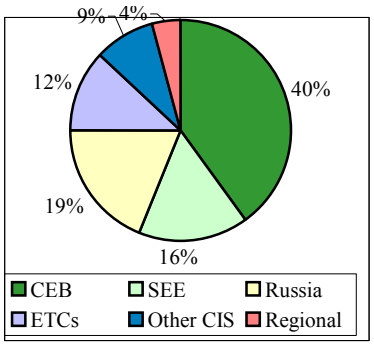


Chart 10.3: EvD's evaluated sample



Compared to the Bank's total signed operations, there is an over-representation of projects in CEB and an under-representation of projects in SEE. Most of the projects ready for evaluation in the first few years of the bank's existence were in Central Europe, 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. In particular, the Bank's involvement in some of the countries in the former Yugoslavia was delayed by the political situation there, and only now are projects in Serbia starting to become ready for evaluation.

10.3. SECTOR REPRESENTATION

Charts 10.4 to 10.6 present the comparative *sector* distribution. There is an over-representation in the evaluated sample in respect of industry and commerce, at the expense of

[18] See Appendix 6 for more detailed data; records on signed operations may also at times split one operation into separate facilities.
[19] Weighting by volume did not change the below picture significantly.

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

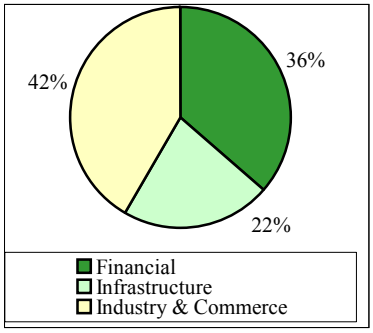


Chart 9.5: All projects ready for evaluation

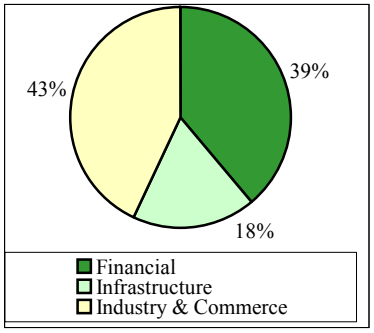
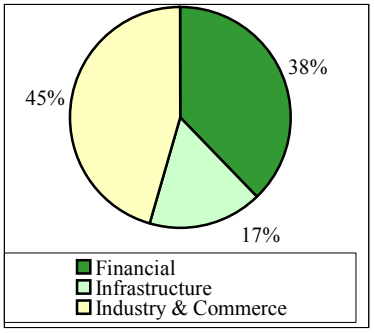


Chart 9.6: EvD's evaluated sample



10.4. FACILITY RISK RATING LEVEL OF REPRESENTATION

The following charts present overall portfolio *facility risk* ratings as at 31 December 2005.. It can be concluded that the 17 per cent of projects with a *facility risk* rating of 7-10 in the sample of evaluated projects is slightly less than the figure of 22 per cent in the portfolio of all signed operations. It should be noted that projects with a high risk rating are often facing specific difficulties or are being handled by Corporate Recovery, and sensitivities around individual cases can delay their evaluation.

Facility risk distribution by numbers of projects:

Chart 10.7: Cumulative signed EBRD operations

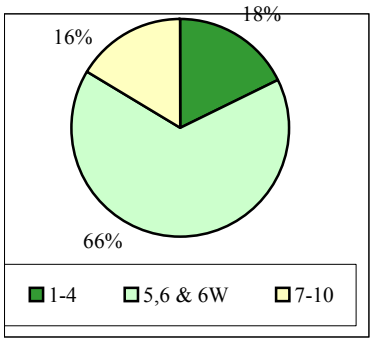


Chart 10.8: All projects ready for evaluation

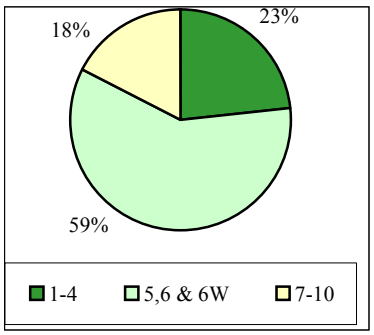
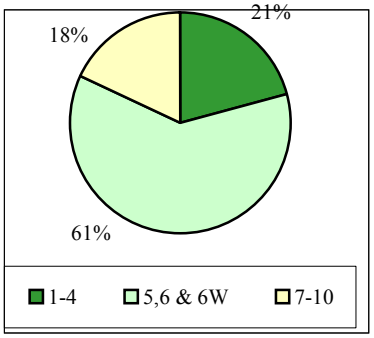


Chart 10.9: EvD's evaluated sample



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

The sample of 469 evaluated investment projects by the end of 2005 represents well all the projects ready for evaluation, with a 72 per cent sample coverage. 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%	7,982	0.79%
Belarus	0	0.00%	0	0.00%	431	0.04%
Belgium	0	0.00%	0	0.00%	1,438	0.14%
Canada	4	1.65%	1,081	1.45%	21,957	2.17%
Denmark	3	1.23%	229	0.31%	5,607	0.55%
Finland	3	1.23%	241	0.32%	9,866	0.97%
France	4	1.65%	544	0.73%	17,482	1.72%
Germany	5	2.06%	1,198	1.61%	13,841	1.37%
Greece	0	0.00%	0	0.00%	1,486	0.15%
Iceland	1	0.41%	50	0.07%	207	0.02%
Ireland	3	1.23%	88	0.12%	2,517	0.25%
Israel	1	0.41%	38	0.05%	305	0.03%
Italy	3	1.23%	115	0.15%	47,175	4.65%
Japan	45	18.52%	12,584	16.90%	105,282	10.39%
Luxembourg	0	0.00%	0	0.00%	2,595	0.26%
Netherlands	11	4.53%	2,705	3.63%	44,214	4.36%
New Zealand	1	0.41%	68	0.09%	175	0.02%
Norway	1	0.41%	908	1.22%	4,646	0.46%
Portugal	1	0.41%	19	0.03%	468	0.05%
Republic of Korea	0	0.00%	0	0.00%	304	0.03%
Spain	0	0.00%	0	0.00%	3,324	0.33%
Sweden	3	1.23%	506	0.68%	10,055	0.99%
Switzerland	6	2.47%	1,490	2.00%	18,356	1.81%
Taipei China	8	3.29%	960	1.29%	16,521	1.63%
Turkey	1	0.41%	105	0.14%	300	0.03%
United Kingdom	8	3.29%	1,680	2.26%	34,417	3.40%
USA	7	2.88%	2,542	3.41%	65,124	6.42%
Other donors						
EU	88	36.21%	40,286	54.11%	416,069	41.05%
European Agency for Reconstruction	0	0.00%	0	0.00%	10,812	1.07%
Global Environment Agency	0	0.00%	0	0.00%	1,016	0.10%
UNDP	0	0.00%	0	0.00%	1,237	0.12%
EBRD	0	0.00%	0	0.00%	306	0.03%
Chevron Munaigas Inc[1]	0	0.00%	0	0.00%	376	0.04%
BP Exploration (Caspian Sea) Ltd[1]	0	0.00%	0	0.00%	634	0.06%
World Bank	0	0.00%	0	0.00%	20	0.00%
Multiple-donor funds[2]	36	14.81%	7,016	9.42%	144,814	14.29%
Financial Sector[3]	0	0.00%	0	0.00%	2,179	0.21%
TOTAL	243	100.00%	74,453	100.00%	1,013,658	100.00%

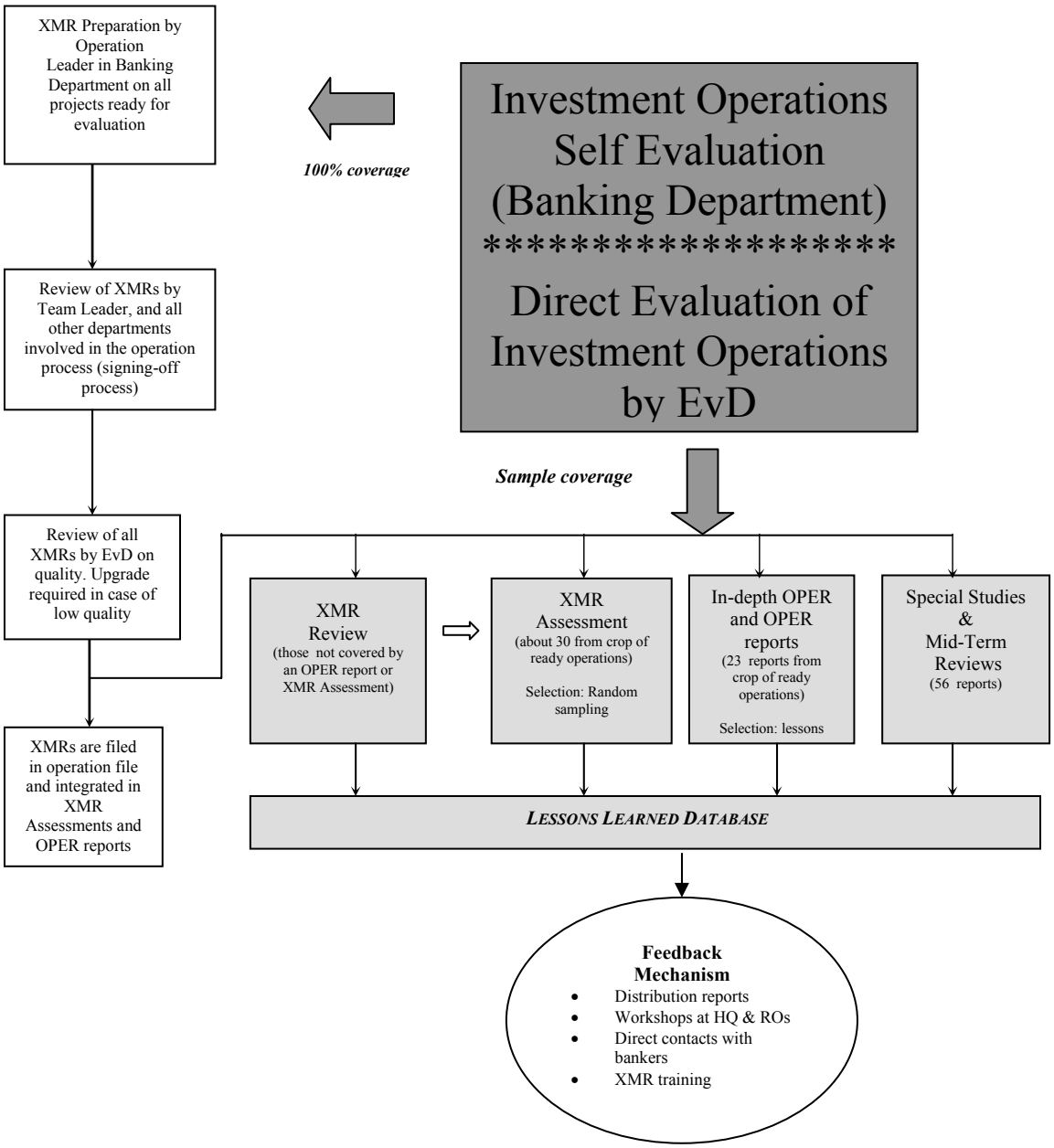
[1] Private sector donors

[2] 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, Japan, Luxembourg, Netherlands, EC, Russia, Spain, Switzerland, Taipei China, UK.

[3] 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.

Portfolio data from Funds Reporting December 2005
OPER report data from Datawarehouse December 2005

EVALUATION OF INVESTMENT OPERATIONS
THE PROCESS



EVALUATION OF TC OPERATIONS
THE PROCESS