June 2009

Annual Evaluation Overview Report for 2009

Evaluation Department
(EvD)

European Bank
for Reconstruction and Development

ANNUAL EVALUATION OVERVIEW REPORT FOR 2009

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ABBREVIATIONS AND DEFINED TERMS

ADB	Asian Development Bank
AEOR	Annual Evaluation Overview Report
CEB	Countries of central and eastern Europe and the Baltic states
CIS	Commonwealth of Independent States
CSE	Country Strategy Evaluation
EAP	Environmental Action Plan
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECG	Evaluation Cooperation Group
EEC	Eastern Europe & Caucus
EP	Environmental Performance
ESAP	Environmental and Social Action Plan
ESI	Environmental Social Impact
ESP	2008 Environmental and Social Policy
ETC	Early transition countries
ETCI	ETC Initiative
ETCF	ETC Fund
EU	European Union
EUR	Euro
ESD	Environmental and Sustainability Department
EvD	EBRD's Evaluation Department
FI	(1) Financial institutions business group (2) Financial intermediary
FIRR	Financial internal rates of return
FOPC	Financial and Operations Policies Committee
FSOP	Financial Sector Operations Policy
GPS	Good practice standards for private sector evaluation of the ECG
IFC	International Finance Corporation
IFI	International financial institution
IUF	Investment under framework
LLD	Lessons Learned Database
MC	Management comments
MDB	Multi lateral Development Bank
MEI	Municipal and Environmental Infrastructure
MR	Monitoring report
MSE	Micro and small enterprise
MSME	Micro small and medium sized enterprises
OCE	Office of the Chief Economist
OCU	Official Cofinancing Unit
OGC	Office of the General Counsel
OL	Operation leader
OM	Operations manual
OPER	Operation Performance Evaluation Review
OPSCOM	Operations Committee
OT	Operation team
PCR	Project Completion Report

PMM	Portfolio Monitoring Module
PPP	Public-private partnership
RO	Resident office (of EBRD in a country of operation)
SEE	(1) Southern and eastern Europe (2) Countries of southern and eastern Europe
SME	Small and medium-sized enterprises
TAM	Turnaround Management Programme
TC	Technical Cooperation
TC Com	Technical Cooperation Committee
TCFP	Technical Cooperation Funds Programme
TI	Transition impact
TIMS	Transition Impact Monitoring System
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 2009

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

1. INVESTMENT PERFORMANCE JUDGED AGAINST THE BANK'S MANDATE

Overall assessment of Bank performance based on evaluated projects. Based on the aggregated evaluation results, EvD concludes that the EBRD has been successful in operating according to its mandate.

In total 58 per cent of the evaluated projects in 1996-2008 achieved *Successful-Highly Successful* **overall performance** ratings. When weighted by volume of investment, this figure rises to 72 per cent. Of evaluated projects in 1996-2008 a total of 79 per cent scored positively on **transition impact** - 87 per cent when weighted by volume. Of the projects which were evaluated in 2008, 52 per cent achieved a *Successful* or *Highly Successful* overall performance rating, lower than in recent years, which demonstrates that the Bank continues to work in difficult environments[1]. Transition impact remained high in 2008, with 84 per cent of projects rated *Satisfactory* to *Good* for transition impact.

Performance ratings across most indicators show a decline from the high level of 2004. This cannot be primarily attributable to the recent economic environment; although the current crisis has had an impact on project performance and therefore overall results. It is more likely that when economies were growing well, EBRD maintained adequate transition impact potential by selecting challenging projects with new partners, new financing structures, and often in new regions outside the major cities. The economic crisis will put further strain on some existing projects and ratings are not expected to rise in the next few years.

Regional analysis reveals that the countries of Central Asia and Eastern Europe and the Caucasus still achieve lower ratings for overall performance and transition impact than projects in other regions. However, the ETCs, which form a sub-set of these regions, have shown improved performance in recent years, indicating that the additional resources and attention may be starting to show positive results.

Smaller projects perform less well than larger ones in terms of overall performance, transition impact and financial performance. This may be a result of limited resources applied to the smaller projects or the larger projects might be more robust in weathering the challenging transition environments in the Bank's countries of operation. The Bank must be aware in the coming years that in implementing its medium-term strategy of doing more smaller projects in early transition countries, overall performance might be affected.

[1] While the Bank works in difficult environments and while EvD's *ex-post* approach looks at projects approved 2-3 years after lst disbursement, the declining 2008 results may also reflect the current financial crisis.

2. MONITORING AND EVALUATION OF TRANSITION IMPACT

Review of TIMS process and methodologies. In the AEOR for 2007, EvD recommended that OCE should sharpen its definitions of objectives and benchmarks in order to give a better basis for the assessment of transition impact. OCE has been working on this over the last two years and will report in the forthcoming Transition Retrospective (TIR 3) to be issued in September 2009.

Comparison of TIMS outcomes with EvD evaluations. The report makes a comparison between the outcomes on 195 operations that have been evaluated by EvD and monitored in TIMS. Although the sample is still relatively small, it appears that EvD's ratings for transition impact tends to be higher than those of OCE. This may be because EvD considers all transition indicators in its ratings, while OCE concentrates on the two or three main transition priorities selected at Board Approval for the project. Furthermore, a number of operations in TIMS fall into category 5, just below the Bank's threshold of 4. Since it is often expected that these projects might generate higher levels of transition impact over time, several of them could move above the threshold of 4 before the end of their life. This is indeed what we observe when the comparison is reduced to the subset of projects "put asleep" by TIMS and the corresponding EvD evaluations (63 in total). In this group, the TIMS ratings are better in aggregate than for the entire sample of 195.

The treatment of social indicators for ETC. In a recent evaluation, EvD noted that there is currently no effective guidance for EBRD bankers on how the poverty reduction element of the ETCF mandate is to be interpreted. EvD recommended that the Bank should address poverty impact selectively. OCE will commission this year further studies on the link between its operations and poverty reduction impact. The results of the studies will be reviewed with donors and follow-up investigations will be carried out to assess the broader impacts of EBRD operations, including on poverty reduction and the economic situation of women, particularly given the Bank's new focus on gender as reflected in the 2009 Gender Action Plan and 2008 Environmental and Social Policy.

3. LESSONS FROM THE FINANCIAL SECTOR IN AN HISTORIC PERSPECTIVE

While the current financial crisis has originated outside the transition region, its transmission to the region was facilitated by the existence of a number of institutional fragilities solidly entrenched in banks and corporations. In Chapter 3, EvD presents selected lessons that are particularly relevant to the specific feature of the crisis with a focus on financial intermediaries, and which point towards remedial strategies and interventions. While the Bank's immediate priority has been to confront the current crisis, EvD pointed out from previous project evaluations that the financial sectors in countries of operations remain exposed to serious vulnerabilities including: (a) weak financial regulation and supervision; (b) banking sector risks attached to repeated short term borrowings; (c) foreign exchange risk; and (d) lack of consolidation of risks assessments for large banks with subsidiaries in several countries. There are already signs that the EvD related lessons are being taken into account in several Bank initiatives regarding the financial sector. In the medium-term, EBRD efforts will have to focus on further promoting solid prudential and supervisory frameworks capable of preventing a recurrence of unsustainable funding and lending patterns, including crucially the issue of cross-border regulations. The regulatory framework will need to be complemented by solid risk management systems and practices in the banks themselves, especially with regard to exposure to the wholesale market and foreign currency liabilities. This chapter has been presented separately to the Board as document CS/AU/09-18.

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 4* explains that since 1993, when EvD started TC evaluation work, it has conducted 76 operation performance evaluation reviews (OPERs) and 27 special studies on sectors and themes, covering numerous TC operations. Overall, 20.2 per cent of completed TC operations had been evaluated through an OPER report, PCR Assessment or PCR Review by the end of 2008. When TC operations evaluated through special studies are added, the cumulative coverage ratio for the period 1991-2008 is 59.0 per cent. The report reviews the outcomes of key TC evaluations in 2008.

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

The Banking Department prepares a self-evaluation report in the form of an expanded monitoring report (XMR) on each project ready for evaluation. EvD's evaluation may result in different performance ratings than assigned by the operation team in the respective XMRs. As described in *Chapter 5*, XMR ratings were validated by EvD without changing the ratings in 63 per cent of cases. Five per cent of XMR ratings were upgraded by EvD and 32 per cent downgraded. Transition impact was the indicator most likely to be rated lower (42 per cent) by evaluators and some Banking teams even reached a level of around 60 per cent downgrades. The gap between XMR and evaluation ratings does not appear to be narrowing. EvD is, however, of the view that the overall level of differences observed does not represent a cause for concern. EvD and Management will continue actively to train bankers through existing XMR training workshops. EvD will also continue the discussion with individual teams which show the most substantial differences in ratings. In particular the assignment of many *Excellent* ratings on transition impact should be reviewed by the respective teams. Contact on these outcomes with OCE will also be maintained.

6. ROLE OF THE BOARD'S AUDIT COMMITTEE IN OVERSEEING THE EVALUATION FUNCTION

Chapter 6 highlights how the Audit Committee, has reacted to important evaluation findings and lessons learned. EvD lists the 20 evaluation reports that have been discussed in the Audit Committee during 2008: 9 OPER reports on investment operations, 5 Special Studies, the Annual Evaluation Overview Report for 2008, 3 reports on EvD's work programme, one report on Evaluation Coverage, one report on evaluation recommendations and one report prepared by an ECG task force on a review framework for evaluation functions in MDBs. The chapter highlights a number of key issues on which the Committee commented during the year, including country strategy evaluation, evaluation coverage, joint evaluation with other MDBs and the importance of clarity on the scope of projects in relation to environmental due diligence.

7. CHIEF EVALUATOR'S ASSESSMENT

Performance of EBRD activities based on evaluation findings. *Chapter 7* starts with a presentation of the overall performance of the Bank based on evaluated projects since 1996 as mentioned under section 1 above. Based on these findings whereby transition impact shows continued positive results and the lower overall performance ratings demonstrate that the

Bank works in difficult environments, EvD concludes that the EBRD has been successful in operating according to its mandate.

Review of the independence of the Evaluation Department. The Chief Evaluator highlights the Evaluation Department as an important accountability tool for the Board of Directors. The Chief Evaluator is of the view that the independence of the evaluation function is very well secured in the Bank's Evaluation Policy and that in the oversight role of the Board through its Audit Committee extensive attention is given to the evaluation findings and recommendations so that EvD's accountability and lessons learned focus is fully supported. On the side of Management, the lessons learned are taken at heart during the process of project preparation and monitoring and the self-evaluation process remains of good quality. The Chief Evaluator concludes that the independence of EvD is excellently preserved in the Bank and that all stakeholders work well together to learn from past experience. Especially in a time of financial crisis this collaboration is essential. As presented in Chapter 6, the Audit Committee is extensively reviewing evaluation reports and contributes to the system of following up of evaluation recommendations in an optimum way. The President is also helping to preserve actively the independence of the evaluation function and secures an optimum functioning of the management commenting process on evaluation reports.

Although the current Evaluation Policy since its establishment in 2005 has functioned well some improvements to the evaluation process have been introduced over the past years which will have to be incorporated in the Evaluation Policy.

Assessment of environmental/social issues. In 2008 EvD published a Special Study on the 2003 Environmental Policy as input to the development of the Bank's new 2008 Environmental and Social Policy (ESAP). This section of the AEOR follows up on a few of the broader issues of the study and makes the recommendations referring to (a) the Banks shift towards making the "business case" for environmental and social investments; (b) an enhanced system for approval of the Environmental and Social Categorization separate from responsibility for environmental and social due diligence; and (c) that ESP requirements be such that EU compliance is achieved within the life of the project, or if longer, that this be clearly specified in the Board Document.

Process review of the system of follow-up of evaluation recommendations 2009. Since the Evaluation Department became fully independent from Management in June 2005, Management has had the opportunity to provide formal Management's Comments (MCs) to evaluation reports. In 2006, the Board of Directors confirmed a new system on follow-up of evaluation recommendations by Management, as proposed by EvD in the AEOR of that year. The Chief Evaluator is of the view that the process of Follow-up of Evaluation Recommendations 2009, whereby Management reports on the follow-up of evaluation recommendations presented in evaluation reports that were distributed to the EBRD Board in 2008 and whereby a review is made by EvD on Management's accomplishments respectively, worked well and that many lessons have been learned.

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

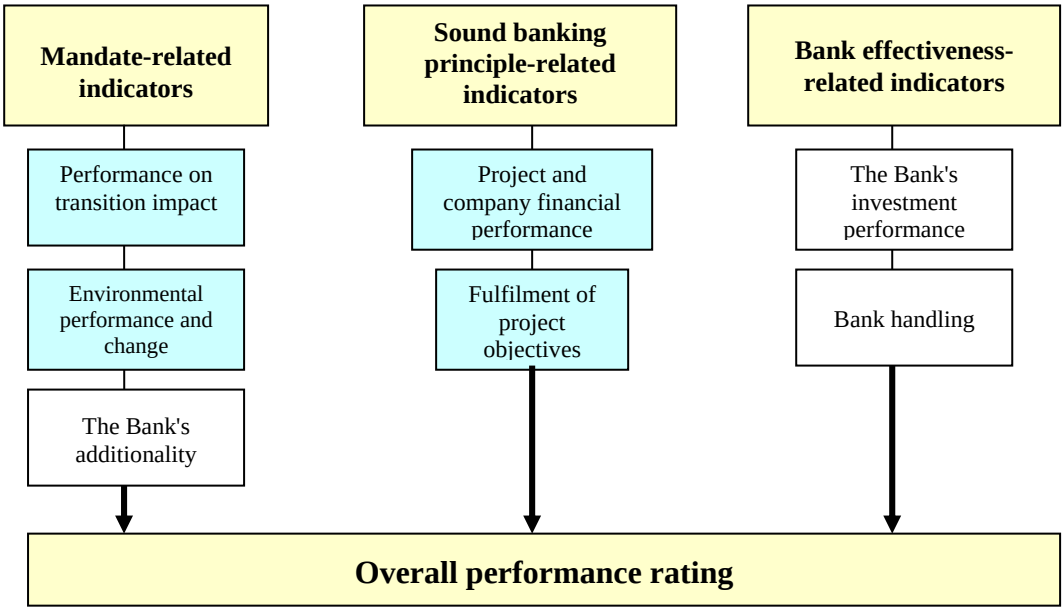
1.1 INTRODUCTION

The EBRD's Evaluation Department (EvD) helps preserve the corporate memory of the Bank by evaluating projects, strategies and policies, and by carrying out special studies on sectors, programmes and special themes. The way in which the Department carries out evaluations is presented in the Bank's Evaluation Policy.[1] EvD synthesises its overall findings, including the Bank's performance on its mandate, in this Annual Evaluation Overview Report (AEOR), thereby complying with its *accountability obligations* towards the Board of Directors. 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 in parallel to this document. This chapter presents the Bank's overall performance of evaluated projects and the performance on its mandate over the period 1996-2008.

1.2 EVALUATION PERFORMANCE INDICATORS

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[2]



The indicator boxes that are presented above in blue (italic letters) make up the indicators that define "results on the ground" and as such make up the "*transition outcome*" rating.[3] The

[1] Evaluation Policy of the EBRD as presented on the Bank's Website: http://www.ebrd.com/projects/eval/showcase/core.htm

[2] 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 the Evaluation Policy and the update on recent changes to the selection methodology on projects for evaluation is presented in Board documents "Evaluation Coverage in EBRD" (CS/AU/08-36) and "Evaluation Department's Work Programme Final Report for 2009" (BDS09-007).

figure shows that 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

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:

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

B. 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)

C. 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)

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*[4] 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 when evaluating *ex-post* (after project signing at post-evaluation) and the Office of the Chief Economist (OCE) when assessing transition impact *ex-ante* (before project signing). The transition matrices highlighted in Appendix 7.2 for projects evaluated in 2008 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 from the detailed analysis presented in Appendix 8 are described in Sections 1.4-1.8 of this chapter. In order to further document EvD benchmarks for each performance category attached to ratings of *Highly Successful*, *Successful*, etc. for overall performances and *Excellent*, *Good*, *Satisfactory*, etc. for the underlying individual seven rating categories, Appendix 11 presents detailed descriptions of the benchmarks.

[3] 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.

[4] As EvD evaluates projects at least 18 months after last disbursement of a loan and two years after disbursement of equity, it is experienced that considerable transition impact potential still remains to be realised in the years after the evaluation.

b. The environment

- *environmental and social performance* measures how well the environmental objectives of the project (institutional, emissions control, regulatory compliance, social issues and public participation) were identified and have been met, including potential environmental and social benefits;
- *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.

1.3 EVALUATION SYSTEM AND JOINT EVALUATION

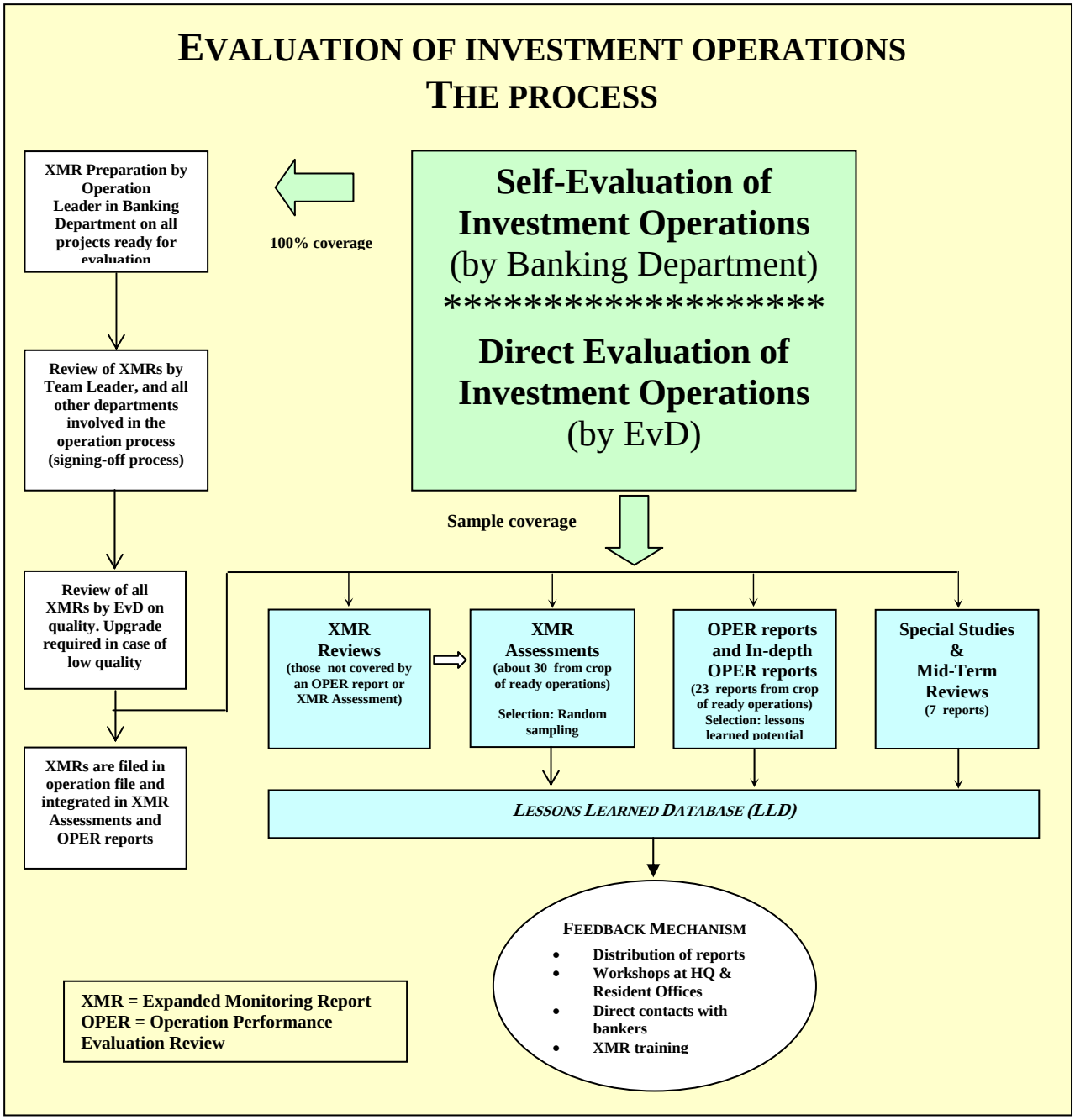
1.3.1 Functioning of the evaluation system

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 and fully complies 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 gathering lessons when carrying out operation performance evaluation reviews (OPERs) and maintaining a 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 Learned 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 well and generates valuable lessons learned. However, as suggested in Chapter 5, there is room for improvement in respect of assigning performance ratings by operational staff during the self-evaluation process. As in previous years EvD conducted an analysis comparing the ratings assigned to projects by bankers with the ratings assigned by EvD during the validation process of performance ratings in the self-evaluation XMR reports. The overall level of downgrades by EvD over the past years stays at a level of just over 30 per cent, 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.

The process of evaluation and self-evaluation of investment operations is presented in Diagram 1.

DIAGRAM 1: THE EVALUATION PROCESS



1.3.2 Project selection for evaluation

Applying the Bank's Evaluation Policy 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. In 2008, a total of 33 projects ready for evaluation were evaluated through 22 OPER reports and one Special Study, based on a purposive sample[5] comprising 35 per cent of operations ready for evaluation. The XMR assessments (XMRAs) carried out by EvD comprised a total of 21 projects (or 22 per cent of ready operations) and are selected on a random basis. Evaluation, therefore, covered a total of 57 per cent of projects ready for evaluation in 2008. Appendix 8, section 1.3 presents the selection methodology of projects for evaluation.

The conclusions of this chapter are based on a sample of 618 evaluations: 260 OPERs, 14 Special Studies and 323 XMR Assessments. The evaluations were conducted by EvD in 1996-2008. These 618 projects cover 641 of the 928 operations ready for evaluation by the end of 2008 - a coverage ratio of 69 per cent. The evaluated sample covers 42 per cent of all operations signed by the bank since 1991, as many of the more recently approved operations had not yet reached the evaluation stage.[6] 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 1.4 of this chapter and section 11 of Appendix 8 provide further details on the size and representation of the sample of evaluated projects.

Beginning with the 2009 work programme, EvD has adopted a new approach to selecting projects for evaluation, which assures the representativity of the sample through random selection. The new approach is described in detail in the Board-approved documents "Evaluation Coverage in EBRD" (CS/AU/08-36) and "Evaluation Department's Work Programme Final Report for 2009" (BDS09-007).

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 further experience. In 2006, a joint evaluation was carried out with the European Investment Bank, and the results shared with the Nordic Investment Bank, regarding an environmental project in northern Russia. Information was also shared with the ADB on an SME project in Uzbekistan. During 2007/08 EvD cooperated with the Independent Evaluation Group of the IFC on two evaluations: a bank in south east Europe and a pipeline project. In 2008, EvD collaborated with the Asian Development Bank in evaluating a road sector project in Kazakhstan, and with the Global Environment Facility in evaluating an environmental credit line in Slovenia. EvD also evaluated some operations which had EIB involvement, but which the EIB was not yet ready to evaluate. EvD will share its findings with EIB as input to their later evaluations. The Department will expand its joint evaluation activities with other IFIs over the coming years as this is an important area of learning. EvD reported in more detail on joint evaluation in its Work Programme Completion Report for 2008 (BDS09-063).

[5] 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.
[6] See Appendix 6 for more detailed data.

1.4 OVERALL PERFORMANCE

During 1996-2008, 58 per cent of evaluated operations were given *Successful* or *Highly Successful* ratings, as shown in Chart 1.1 below, where the cumulative scores of the overall performance ratings are presented. Weighting the results by volume of investment increases the proportion rated *Successful* or better to 72 per cent.

58 per cent of evaluated operations were given *Successful* or *Highly Successful* ratings on Overall Performance for the period 1996-2008.

As highlighted in Chart 1.2 below, in 2004 the *Successful* and *Highly Successful* rated projects reached 73 per cent. Since then they have fallen, and in 2008 they totalled 52 per cent, the lowest level since 2002. The proportion of projects rated Highly Successful rose from none in 2001 to 19 per cent in 2006, but dropped back to 7 per cent in 2008. At the same time, the number or projects with an *Unsuccessful* rating has remained steadily below 10 per cent since 2003.

Chart 1.1: Overall performance, cumulative percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)

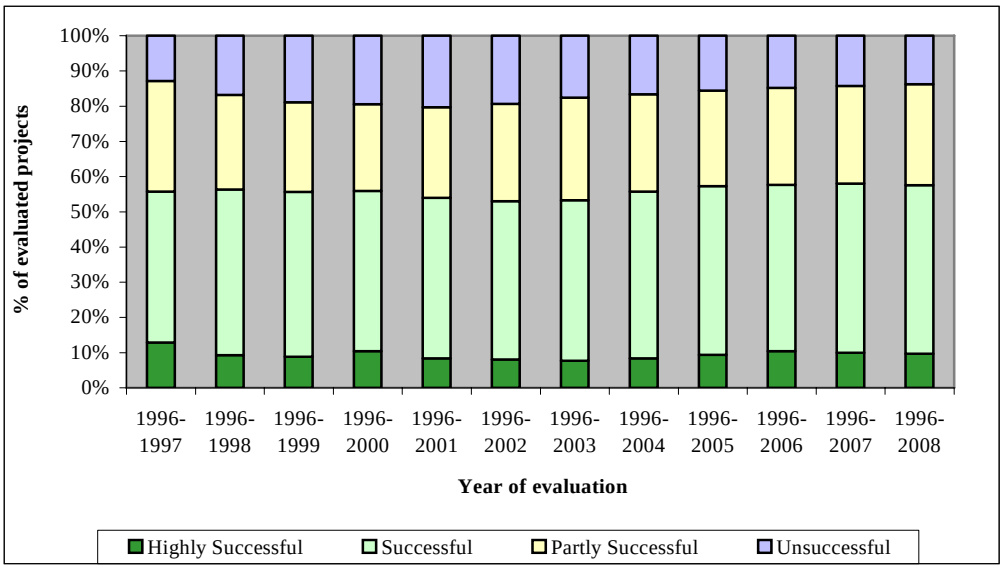
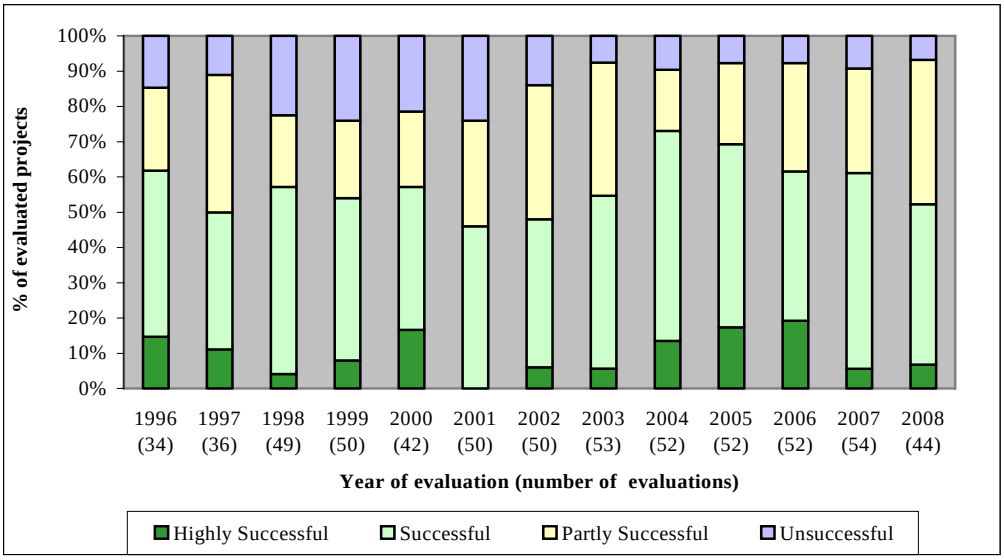


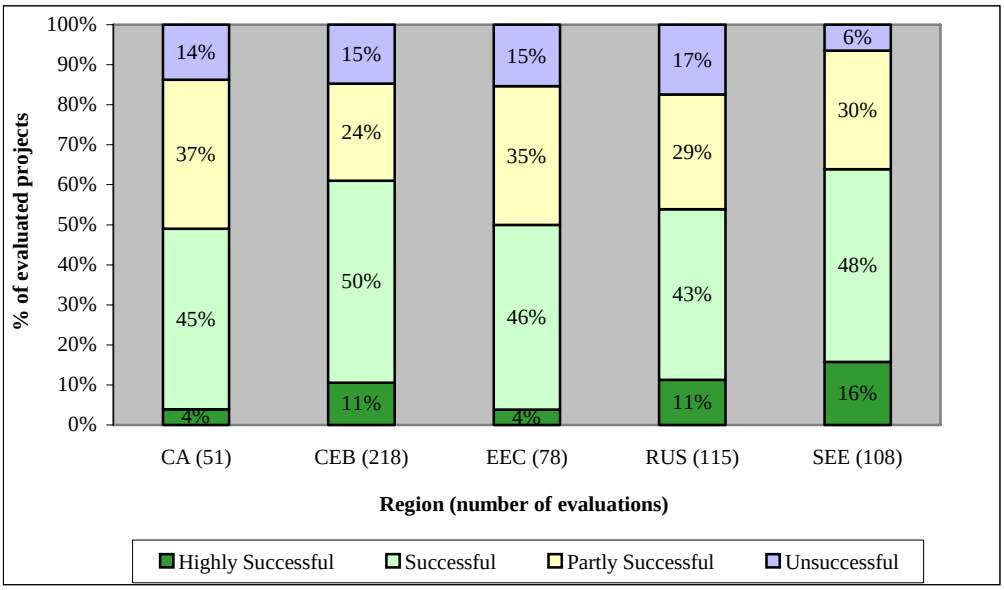
Chart 1.2: Overall performance, percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)



The decline in ratings each year since 2004 is investigated further in Appendix 8, section 2. It is suggested that during the expansionary period of 2003-2006, when there were large inflows of foreign direct investment (FDI) into EBRD's countries of operations, EBRD may have felt the need to take on more challenging projects in order to maintain adequate transition impact potential. The lower outcomes in some cases reflect the greater risk. EvD concludes that the decline is not primarily a result of the recent economic downturn. However, the current economic difficulties are likely to add further strains to existing projects and EvD does not expect performance ratings to improve for a while. As a private sector-oriented bank, EBRD cannot expect to avoid the effects of a major economic downturn. Chapter 3 discusses the current financial crisis in more detail.

Chart 1.3 below shows the breakdown of overall performance ratings by country groups, for all investment operations evaluated since 1996. South Eastern Europe has the highest ratings overall, and this has continued in recent years. The EEC region (see classifications below), has shown improving results in recently evaluated projects, while Central Asia, which has the lowest overall ratings, does not show a clear pattern of improvement. The Early Transition Countries are distributed between the EEC and CA groups. They are discussed separately in Section 1.7 of this chapter and Section 10 of Appendix 8.

Chart 1.3: Overall performance, percentage distribution of assigned ratings by country groups (570 investment operations evaluated 1996-2008)



Note: 48 regional projects are omitted
Central Asia (CA): Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan
Central Europe and Baltics (CEB): Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia
Eastern Europe and Caucasus (EEC): Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
Russia (RUS)
South Eastern Europe (SEE): Albania, Bosnia & Herzegovina, Bulgaria, FYR Macedonia, Montenegro, Romania, Serbia

It has been observed over a number of years that weighting the results by volume of investment gives better outcomes, with 72 per cent rated *Successful* or better. To test this, EvD divided evaluated projects into three groups: large (EUR 100 million or more of EBRD finance), medium-sized (EUR 20-100 million) and small (less than EUR 20 million). EvD has found that large projects tend to have higher performance ratings than medium-sized, which in turn have higher ratings than small projects. This appears to be independent of the geographic location of the project. It also applies to both transition impact and project financial performance ratings, but is stronger in the case of the financial performance. It is not clear whether this outcome is the result of greater staff resources and attention devoted to

large projects or to some intrinsic properties of large investments in terms of high profile or national importance. However, it is important to keep this in mind in the light of the Bank's medium-term plans to do more small projects.

1.5 TRANSITION IMPACT

Charts 1.4 and 1.5 below present the performance ratings on transition impact, applying the six-point rating scale that was introduced in 1999. Of a total of 618 projects evaluated in 1996-2008, 79 per cent achieved *Satisfactory-Excellent* ratings.

79 per cent of evaluated operations obtained *Satisfactory-Excellent* ratings on transition impact for the period 1996-2008.

This score is a very important accomplishment which confirms the Bank's mandate compliance. However, 21 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. An illustration of this outcome is presented in Chart 1.6 where a *Negative-Marginal* rating of 37 per cent is reached for projects evaluated in Central Asia. It can be seen in Chart 1.5 that ratings for transition impact reach a high point in 2004 and have again been followed by a drop in 2005-2008. Nevertheless, the results for 2008 are still better than in most years before 2004. The proportion of projects rated *Excellent* fell in 2008, but the proportion of projects rated less than *Satisfactory* remained low (around 16 per cent).

Chart 1.4: Transition impact, cumulative percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)

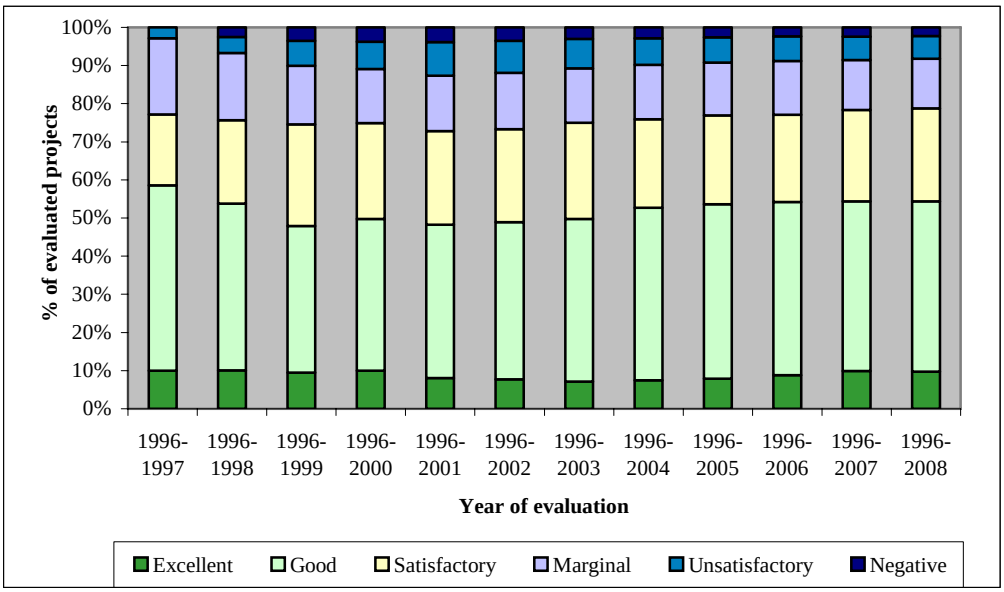
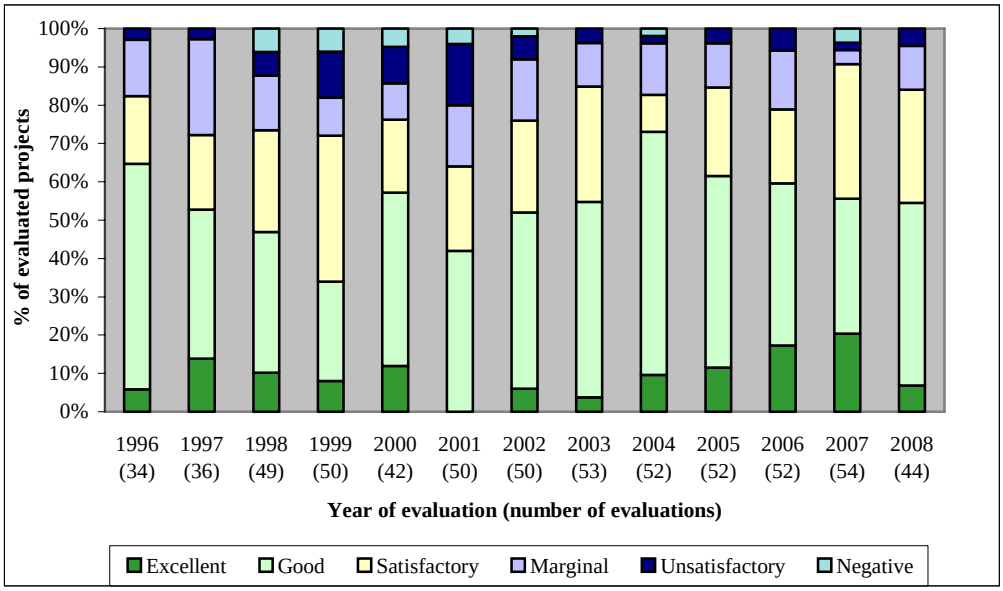


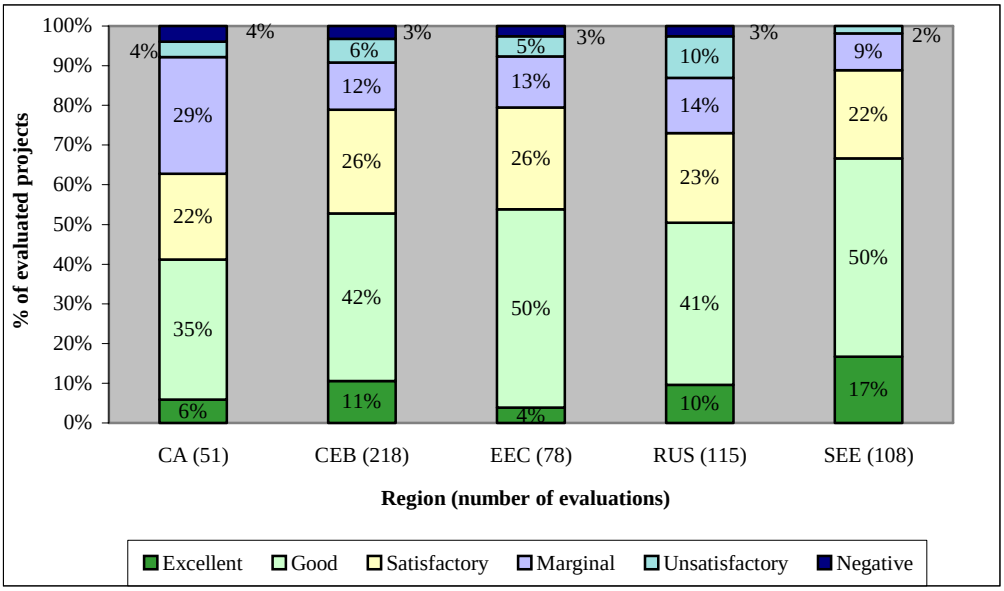
Chart 1.5: Transition impact, percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)



As is the case for overall performance, the results are better when weighted by volume: in 1996-2008 the outcomes are 63 per cent rated *Good* or *Excellent* and a further 24 per cent rated *Satisfactory*. Further analysis shows that large projects score higher on transition impact than small or medium sized projects. 73 per cent of large projects were rated *Good* or *Excellent* for transition impact. The difference between results for the small and medium sized projects is much smaller - 59 per cent of medium sized projects and 50 per cent of small projects were rated *Good* or *Excellent*. It is possible that the size and importance of the largest projects puts EBRD in a better position to achieve transition impact, whether through policy dialogue, demonstration effect or other indicators.

Chart 1.6 below presents the transition impact (TI) rating distribution by country groups of the 570 projects evaluated in 1996-2008, after a deduction of 48 regional projects. The best performance is found in southern and Eastern Europe (SEE). The time-sequence analysis in Appendix 8, Section 3.4 shows that the number of projects rated *Satisfactory* to *Excellent* for transition impact has risen compared to the 2000-2003 period in every region except Central Asia, where it has remained static. Central Asia is also the region with the lowest transition impact ratings, both overall and in the most recent period.

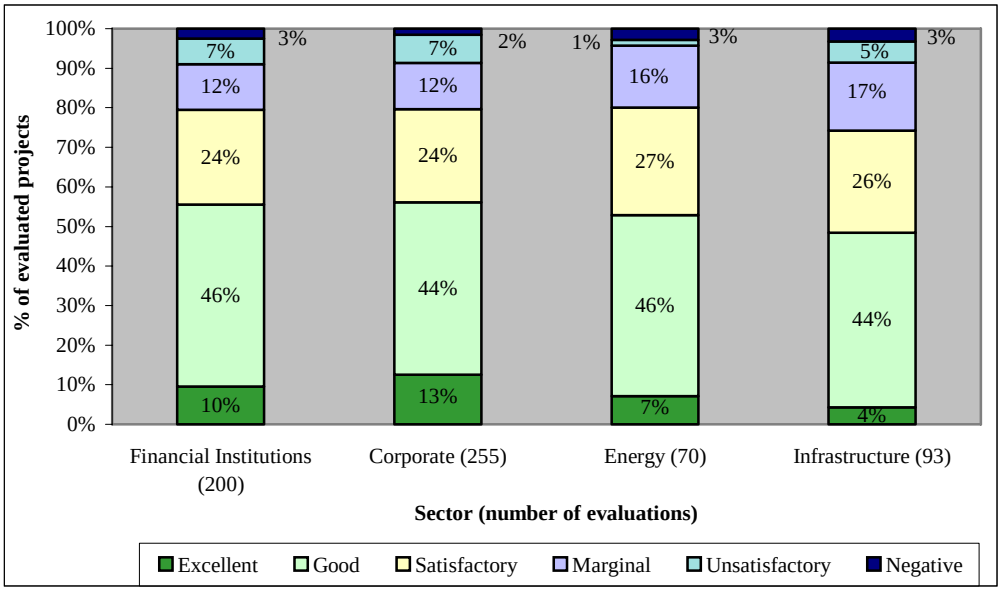
Chart 1.6: Percentage distribution of transition impact ratings on 570 post-evaluated investment operations in 1996-2008 by country groups



Note: 48 regional operations are omitted.

Chart 1.7 below shows assigned TI ratings by sector. Differences in results between sectors, observed in past years, have become much less apparent. Infrastructure still has slightly lower outcomes than other sectors, but the differences are small and all sectors have improved over the 2000-2003 period (see Appendix 8, Section 3.5).

Chart 1.7: Percentage distribution of transition impact ratings on 618 post-evaluated investment operations in 1996-2008 by sector groups



Corporate - agribusiness, general industry, property/tourism and telecommunications
Energy - natural resources, and power and energy
Infrastructure - municipal/environemt and transport;

1.6 ENVIRONMENTAL AND SOCIAL PERFORMANCE AND CHANGE

1.6.1 Measuring Environmental Performance and Environmental Change

The environmental evaluation data from 1996-2008 covers two environmental dimensions: The first dimension concerns environmental and social performance[7] 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 and project monitoring.

Environmental Performance[8] is included in the *ex-post* assessments of all projects. As presented in Chart 1.8 below, cumulative environmental performance in 1996-2008 was rated *Good* or *Excellent* in 55 per cent of cases and *Satisfactory* in a further 31 per cent. Over the period 1996-2008, only 3 per cent of the projects evaluated have been rated *Unsatisfactory* in respect of environmental performance and none *Highly Unsatisfactory.*

Cumulatively, 86 per cent of evaluated operations obtained ratings of *Satisfactory* to *Excellent* on environmental performance for the period 1996-2008.

However, as presented in Chart 1.9 below, following a peak in environmental performance in 2004, the average year-on-year rating has declined from 96 per cent *Excellent*, *Good* or *Satisfactory* in 2004 to 77 percent in 2008. Some of the projects evaluated in 2008 had already experienced delays in environmental investments as a result of the crisis. This downward trend is significant. During the financial crisis greater emphasis needs to be placed on Environmental Performance and meeting the project specific Environmental and Social Action Plan (ESAP) conditions to arrest these declines. EvD recognizes that current conditions place additional burdens on clients, therefore, where necessary, ESD and the banking teams may need to re-assess the ESAPs and re-design them to meet current market conditions/realities.

Environmental Performance ratings have been declining from a high of 77 per cent *Good* or *Excellent* in 2004 to 44 per cent in 2008, while *Satisfactory* or *better* has declined from 96 to 77 over this same time period.

In respect of cumulative environmental change[9], 23 per cent of the evaluated projects were rated *Substantial* or *Outstanding*, while 53 per cent achieved *Some* environmental change.

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

[8] 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.

[9] 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.

Chart 1.8: Cumulative ratings on environmental performance (1996-2008)

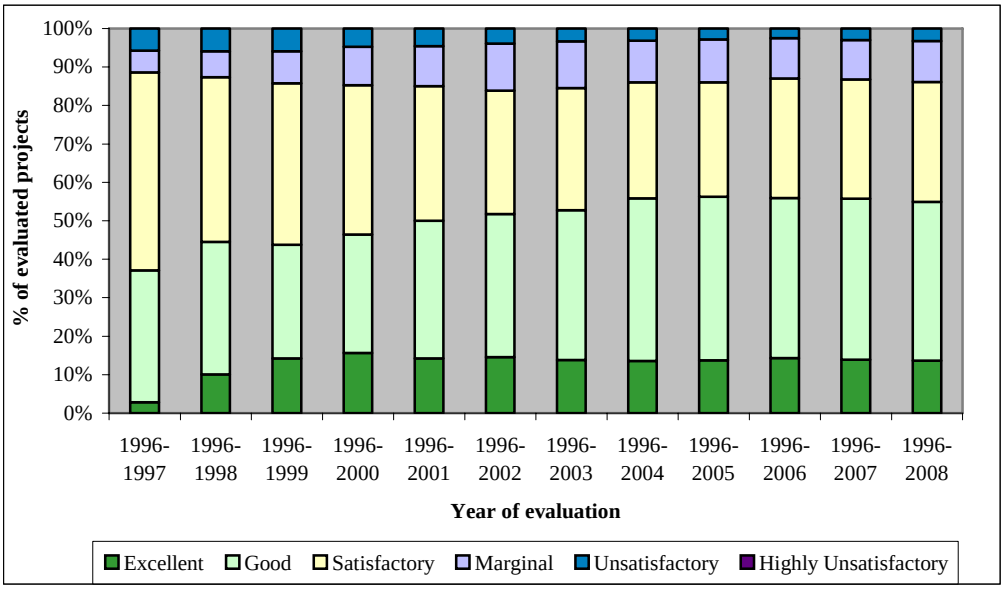
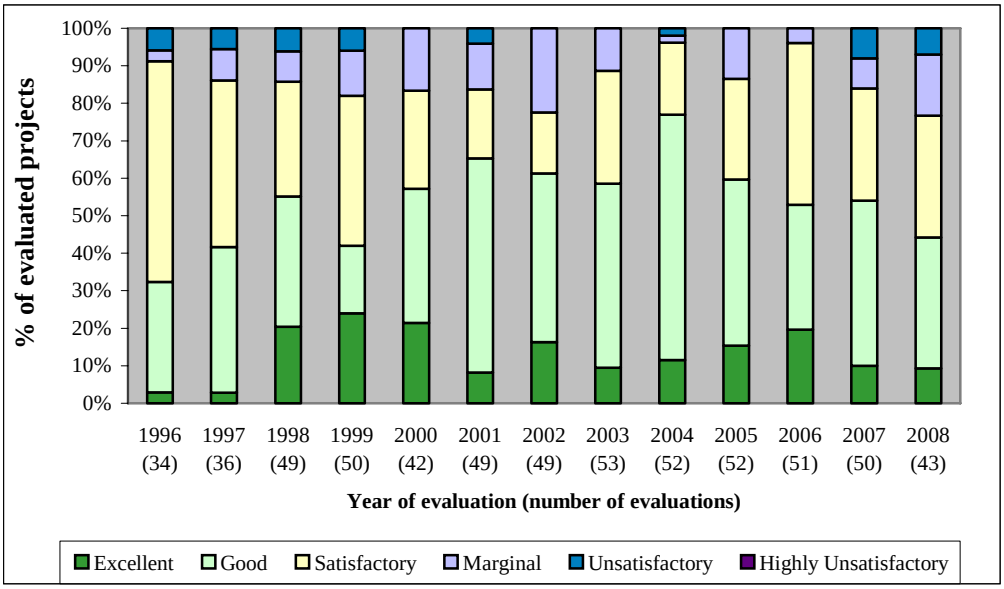


Chart 1.9: Ratings on environmental performance (1996-2008)



1.6.2 Environmental Impact

As part of the EvD Special Study on Achieving the Bank's Environmental and Social Mandate through Direct Investments, EvD introduced and proposed a new measure for Environmental Social Impact (ESI) and pilot tested this during 2008. The new index was designed to parallel the Bank's assessment of Transition Impact and to combine the current Environmental Performance (EP) and Environmental Change (EC) ratings into one rating. An initial limited pilot was undertaken on 13 selected OPERS and XMRAs reviewed in 2008, indicates that for most projects the ratings for EP and ESI are identical. There were a few projects for which the ESI rating was higher, and few were the ESI rating was lower, but overall the rating for ESI was equal to or higher than EP. EvD believes that the new rating gives a more accurate assessment of the Bank's Environmental and Social Impact. EvD will continue to pilot test the ESI indicator in 2009.

1.7 EARLY TRANSITION COUNTRIES

The Early Transition Countries Initiative (ETCI) was launched in 2004 to increase the Bank's activities in it poorest countries of operations: Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova, Tajikistan and Uzbekistan. Mongolia was added when it became a country of operations in 2007. The countries form a sub-set of the Central Asia and Eastern Europe and Caucasus regions. The performance of evaluated projects in the early transition countries has been and remains lower than in other regions. Charts 1.10 and 1.11 below show the development over time of overall performance and transition impact ratings in Early Transition Countries. The performance of evaluated projects has improved in recent years. Transition impact in particular has reached a higher level in 2004-2008. While the cause is not proven, it appears that the increased focus on these countries through the ETCI has resulted in improving project performance. It should be noted, however, that the Bank's investments in ETC countries made progress from the low performance levels of the 1990s and still have many opportunities to further improve towards the full achievement of their transition potential during this decade. Further details on performance outcomes of evaluated projects in ETCs, i.e. on additionality and project financial performance are presented in Appendix 8, Section 10.

Chart 1.10 Overall performance in early transition countries: development of ratings over time (72 investment projects evaluated 1996-2008)

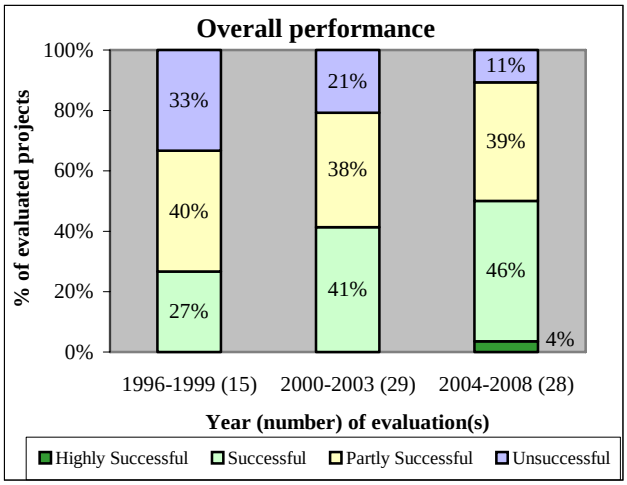
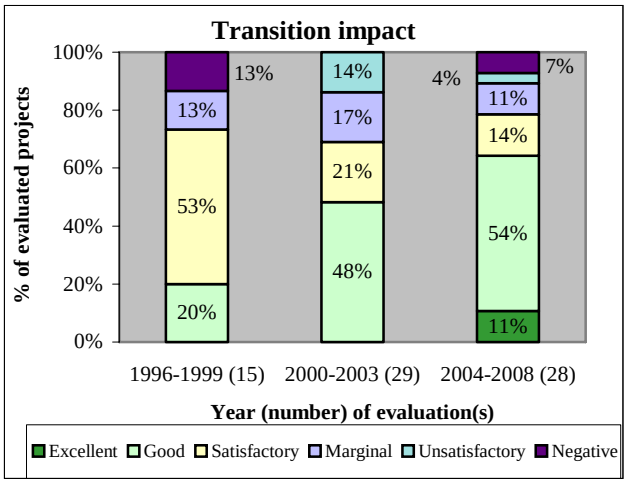


Chart 1.11 Transition impact in early transition countries: development of ratings over time (72 investment projects evaluated 1996-2008)



1.8 FINDINGS AND CONCLUSIONS BASED ON PERFORMANCE OF EVALUATED OPERATIONS IN 2008

- In total 58 per cent of the evaluated projects in 1996-2008 achieved *Successful-Highly Successful* **overall performance** ratings. When weighted by volume of investment, this figure rises to 72 per cent. Of evaluated projects in 1996-2008 a total of 79 per cent scored positively on **transition impact** - 87 per cent when weighted by volume. Based on the above findings whereby transition impact shows continued positive results and the lower overall performance ratings demonstrate that the Bank works in difficult environments, EvD concludes that the EBRD has been successful in operating according to its mandate.

- **Performance ratings across most indicators** show a decline from the high level of 2004. This cannot be primarily attributable to the recent economic environment. It is more likely that when economies were growing well, EBRD maintained adequate transition impact potential by selecting challenging projects with new partners, new financing structures, and often in new regions outside the major cities. The economic crisis will put further strain on some existing projects and ratings are not expected to rise in the next year or two.

- **Regional analysis** reveals that the countries of Central Asia and Eastern Europe and the Caucasus still achieve lower ratings for overall performance and transition impact than projects in other regions. However, the ETCs, which form a sub-set of these regions, have shown improved performance in recent years, indicating that the additional resources and attention may be starting to show positive results.

- **Smaller projects** perform less well than larger ones in terms of overall performance, transition impact and financial performance. This may be a result of limited resources applied to the smaller projects or the larger projects might be more robust in weathering the challenging transition environments in the Bank's countries of operation. The Bank must be aware in the coming years that in implementing its medium-term strategy of doing more smaller projects in early transition countries, overall performance might be affected.[10]

[10] EvD will do further analysis for the AEOR of 2010 in respect of the reason why smaller projects seem to perform less good than large projects. Such analysis might lead to further sector analysis and also private sector versus public sector might be a factor to recon with.

2. MONITORING AND EVALUATION OF TRANSITION IMPACT

2.1. INTRODUCTION

The Transition Impact Monitoring System (TIMS) was established in 2003 to better monitor the transition impact during project implementation[11]. Since then EvD has paid regular attention to the developments of the entire system, from process to findings and methodologies, including recent OCE initiatives to introduce and monitor broader social indicators for ETC. The EvD Work Programme for this year specified that the 2009 AEOR would include a review of TIMS, building upon the findings of previous years[12].

Regarding the process of TIMS, the *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. In the 2004 and 2006 AEORs, recommendations were made to support the very good start and further improve the processing of the *Review Checklist*[13]. In the AEOR of last year, EvD noted that most of the recommendations have been implemented, the remaining ones becoming less relevant over time[14]. By now, the TIMS process is well tuned for information gathering and presentation of results for quarterly reporting[15].

In the area of TIMS ratings *methodologies* it was suggested in the AEOR for 2007 that OCE should sharpen its definitions of objectives and benchmarks in order to give a better basis for the assessment of transition impact. OCE has been working over the last two years to standardise indicators in each sector of operation and harmonise the rating structure across sectors in an attempt to refocus the project reviews on key transition priorities. This initiative should not only further improve the overall quality of TIMS, but it would also allow for aggregation of ratings within and across sectors. OCE intends to report on standardization and aggregation by the end of 2009. OCE is also trying to receive better information from Banking by introducing a new rating on information quality. EvD intends to update next year its review of the entire system when the implementation of the standardisation, harmonisation and data quality improvement task is more advanced.

Meanwhile, given the continuously growing number of projects which become subject to TIMS review, it is useful to provide this year a new comparison of TIMS outcomes and EvD evaluations. The common sample of operations which all have both an *ex ante* and

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[11] 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 (See the ExCom Paper of December 2002). A summary description of the TIMS methodology is provided in the 2005 Strategic Portfolio Review, Report BDS06-52 pages 28-29.

[12] See "Evaluation Department's Work Programme Final Report for 2009", Report BDS09-007, January 2009, section 13.2, page 18.

[13] See Annual Evaluation Overview Report (AEOR) for 2004 (BDS04-069), Chapter 7, section 7.3.4, and AEOR 2006 (BDS06-122(Final)), Chapter 2, section 2.2.4

[14] See AEOR 2008, Chapter 2, section 2.3.1, page 17, Report BDS08-113 (Final).

[15] A benchmarking system is built to assess realised transition and the risk attached to the remaining potential, i.e. the more is realised, the lower the risk attached to remaining potential. The 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.

ex post transition impact rating, has increased to 195 projects this year, compared with 138 last year[16]. The analysis of the sample is presented in section 2.2.

Further rationalisation of TIMS around standard transition impact objectives raises the issue of the treatment *social and environmental indicators* which are intertwined with transition, but conceptually different. This issue was already identified in the evaluation of TIMS in the AEORs of 2007 and 2008. An update of the discussion is now provided in section 2.3, where the new initiatives of OCE in the area of social indicators for ETC are summarized and commented.

2.2 COMPARISON OF TIMS OUTCOMES WITH EVD EVALUATIONS

2.2.1 What is to be compared

The TIMS process generates a series of reports for each project that reflect the history of the transition performance during the life of the project, while EvD evaluations are typically made after project completion for selected projects. Both EvD and TIMS use a rating structure that summarises the performance of a project at a particular time. While there are some methodological differences (see Box 2.1 on next page), 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. The comparison places TIMS outcomes in a broader framework of the evaluation cycle that goes beyond project implementation. In this section EvD identifies a common sample of projects that had both TIMS monitoring and EVD ratings, uses the sample to compare the latest TIMS to the EvD ex post ratings, and derives conclusions on current TIMS rating properties.

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

[16] OCE has recently changed its Final TIMS Project Review. In previous years, OCE provided a final rating in TIMS at closure of a project, which was comparable with the EvD rating of the same project. Now, when a project is put "to sleep", OCE set the Transition Potential to what has been *achieved*, and the Risk to *negligible* or *low*. The project stays in the database with these ratings as long as it remains on the Bank's books. Once the operation is repaid or exited, it disappears from the database of active projects, on which OCE bases its quarterly reporting. The comparison in this chapter is based on 132 projects from the OCE database of active projects, augmented by 63 OCE completed projects.

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

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

EvD focuses on *ex post* performance and works with three categories of ratings separating (a) short term *realised* transition (b) remaining transition *potential* and (c) *risk* attached to the remaining potential, as components entering into an overall transition impact rating. The rating scale used by EvD (and Banking for projects at entry and Expanded Monitoring Reports) includes all the above components at different levels of TI performance which are:

1 excellent, **2** good, **3** satisfactory, **4** marginal, **5** unsatisfactory, **6** negative (only ex post)

OCE monitors ongoing implementation and uses only 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. In the context of the strategic management of the Bank's Portfolio, OCE has developed a 1 to 8 rating system that combines *risk* with transition impact *potential* in order to assess how both flow and stock of projects are achieving their expected impact on transition (See the 2006 Strategic Portfolio review, BDS07-069, pages 29-41). The OCE 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.

2.2.2 The comparison from the common OCE/EvD sample

a. The full sample of 195 projects

While it has reached the level of 195 common projects[17], the full sample still appears relatively small as it only represents 19 per cent of the 1,033 projects monitored in TIMS at the end of 2008. As shown in table 2.1 below, the sample is now more representative than in the past of the population of all projects evaluated by EvD during the period 2001-2008. The proportion of projects in the joint sample rated excellent are now closer to the proportion in the population of all evaluated projects for the same rating category, and the differences with the other categories have remained in the same range[18]. However, this joint sample does not closely mirror the sectoral distribution of projects in

[17] Although EvD sometimes groups operations for evaluation purposes, care was taken to include in the sample of 195 projects only the results from evaluation reports which had a clear "lead operation" monitored in TIMS. Evaluations covering several distinct operations, or focusing on a different lead operation from the corresponding TIMS reports, were excluded.

[18] Last year the EvD ratings for the common sample of 138 projects were 18% for the *Excellent* category, 51% for *Good*, and 20% and 8% for *Satisfactory* and *Marginal* respectively.

the TIMS portfolio as a whole[19]. Therefore, the findings could still change substantially over the coming years as the sample changes.

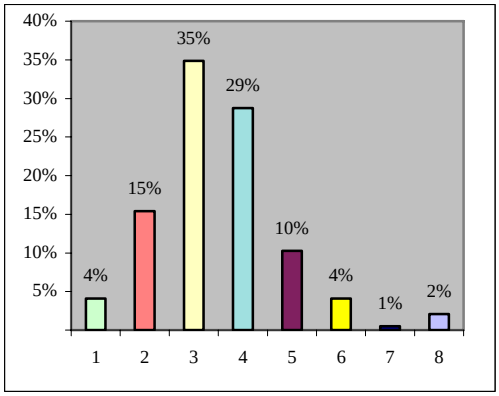
Table 2.1: Distribution of overall transition impact ratings in the 195 project sample compared with larger EvD project groups.

	Excellent	Good	Satisfactory	Marginal	Unsatisfactory	Negative
All projects 1996-2008	10%	45%	24%	13%	6%	2%
All projects 2001-2008	10%	47%	24%	12%	5%	2%
Projects in the sample of 195	12%	52%	24%	10%	2%	0%

b. The results of the comparison for the full sample

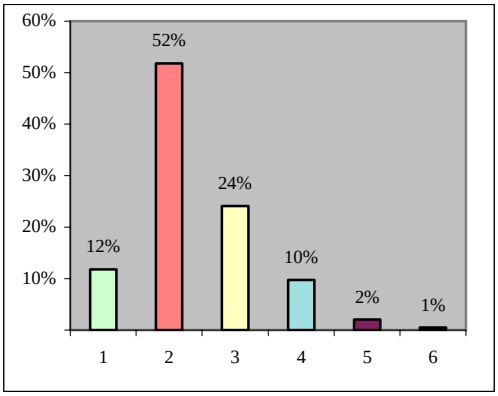
The results show further improvements in transition impact in EvD evaluations when compared with TIMS ratings. As indicated in Charts 2.1 and 2.2, the highest score in EvD's categories is in rank 2 (52 per cent) and covers the *Good* range, while the highest proportion of TIMS ratings is in rank 3 (35 per cent) which extends from the *Excellent/ Medium* and *Good/Low* to *Satisfactory/Negligible*.

Chart 2.1: Latest TIMS updated expected Transition impact ranking of 195 projects assessed and evaluated in 2000 to 2008



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 195 projects assessed and evaluated in 2000 to 2008



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

When the rating categories are aggregated on both sides (Charts 2.3 and 2.4 below) the results also appear contrasted with 83 per cent of TIMS project ratings in the positive range 1 to 4 (from *Excellent/negligible* to *Satisfactory/low*) compared with 88 per cent of

[19] About one third of the evaluated projects in the joint sample are in the Financial Institutions sector (28%), 39% in the Corporate sector, 11% in Energy and the remaining 23% in Infrastructure. Among the 1,033 projects currently monitored in TIMS, 50% are in the Financial Institutions sector, 23% in the Corporate sector, 8% in Energy and 19% in Infrastructure.

EvD ratings in the 1 to 3 range (*Excellent to Satisfactory*). One reason for this slight difference could be that EvD evaluates transition impact systematically through the full range of standard indicators while TIMS focuses on the two or three main transition priorities selected at Board Approval time for the project[20].

Chart 2.3: Latest TIMS updated expected transition impact ranking of 195 projects assessed and evaluated in 2000 to 2008

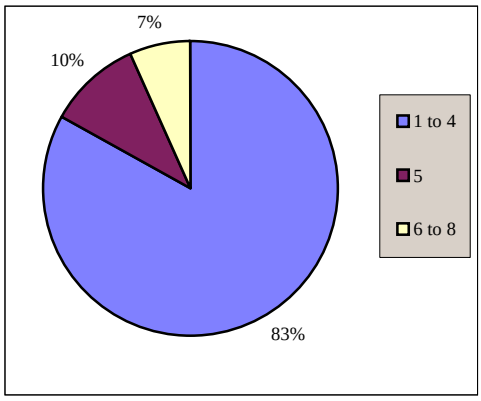
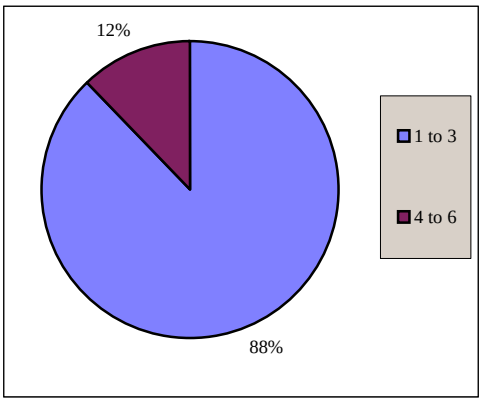


Chart 2.4: EvD Overall transition impact rating of 195 projects assessed and evaluated in 2000 to 2008



Another reason for the difference may result from timing of TIMS reviews. The category 5 in TIMS, which is the tranche immediately below the Bank's threshold of 4, remains fairly large with 15 per cent (see Chart 2.3 above). 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.

2.2.3 A subset of the full sample that is limited to projects rated under TIMS at exit and the corresponding EvD evaluations

A new comparison is made on a smaller set of 63 completed operations taken from the joint database, which includes only the transition impact ratings from projects rated under TIMS at exit and the corresponding ratings of the EvD's transition impact. As shown in Charts 2.5 and 2.6 below, the pattern is now a little closer to that seen in full sample of the 195 common projects that includes both active and inactive projects from TIMS as previously observed in charts 2.1 and 2.2. Now there is an even higher percentage of projects in TIMS ranked 3 (44 per cent) and even lower percentage ranked 4 (17 per cent). It appears that at exit, when a final transition impact rating is assigned by OCE to an operation, a sudden upgrade seems to take place (compare charts 2.1 and 2.5) as at that time new significant progress towards the transition objectives of a project has been observed and no risk remains. Therefore the differences between TIMS and EvD results might not be as high as they appear in the first instance. This analysis and the related conclusion apply to the sample in its entirety. It is not excluded that variances could occur at sector level[21].

[20] In its ex-ante assessment of the transition potential of an operation the Bank typically concentrates on its two, perhaps three, most salient transition indicators/objectives, and so does TIMS. This is different from EvD, which reviews ex post the transition impact of a project through all the 7 transition indicators of the EBRD guidelines.

[21] Other comparison exercises show that EvD and XMRs (not TIMS) ratings differ significantly for operation in the Natural Resources and the Power sectors where EvD downgrades self-evaluation ratings on transition impact up to approximately 60 per cent (see Chapter 7 in this AEOR). Only a small number of the projects in this comparison have also been monitored through TIMS, but it is seen that the TIMS ratings tend to be lower than the XMR ratings but higher than EvD's ratings in these two sectors.

Chart 2.5: Latest TIMS updated expected Transition impact ranking of 63 completed projects assessed and evaluated in 2000 to 2008

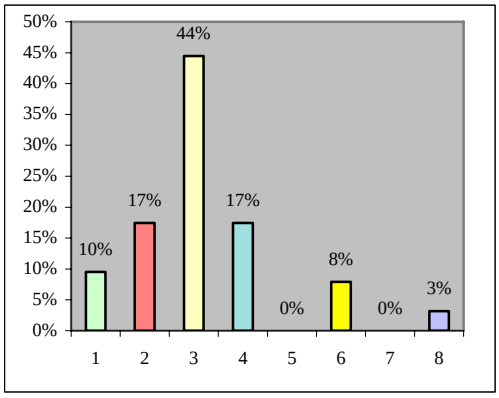
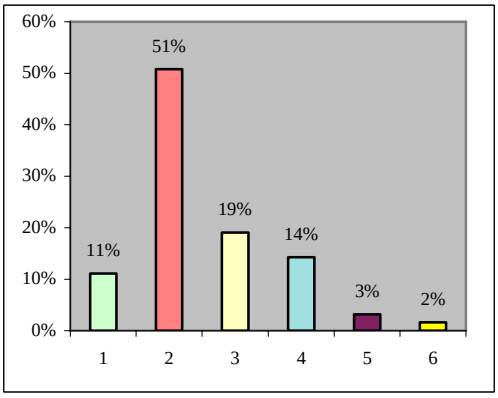


Chart 2.6: EvD overall transition impact rating of 63 completed projects assessed and evaluated in 2000 to 2008



2.3. THE TREATMENT OF SOCIAL INDICATORS FOR ETC

2.3.1. EvD Evaluation

In a recent evaluation of TC operations, EvD noted that at the moment there is no effective guidance for EBRD bankers on how the poverty reduction element of the ETCF mandate is to be interpreted[22]. While there is strong evidence in the literature that successful private sector development is necessary to achieving sustainable poverty reduction, significant choices remain about the design and monitoring of specific projects that may have significantly different poverty impacts. In addition, a strong understanding of the social context appears to be critical to achieving TI in the ETC context.

EvD recommended that the Bank should address poverty impact selectively. Rather than subjecting all types of proposed interventions for ETCF financing to a general poverty impact scrutiny, the Bank should consider (a) to develop project criteria which allow identifying suitable candidates with commensurate potential, and (b) to establish corresponding project preparation, monitoring, and impact assessment procedures.

2.3.2. OCE response

As noted in the EvD Report and the follow on Audit Committee discussions, Transition Impact and Poverty Reduction is a complex subject requiring careful review. The Bank had followed up with further discussions including with the World Bank. OCE will commission this year further studies on the link between its operations and poverty reduction impact[23]. As a first step, a review will be undertaken of existing surveys and studies to identify the incidence of poverty in the ETC region, and the sources of changes in household incomes. Second, studies will be undertaken to clarify the pathways through which EBRD projects have had an effect on household incomes, using the broader survey

[22] See "Early Transition Cooperation (ETC) Fund (Regional) Mid-Term Review " Report SGS07-188 (Add 2), February 2008.

[23] Three categories of impact are being identified: (a) *Transition Impacts* which describe how the operation has helped a client advance the process of transition towards a market-based economy; (b) *Performance Impacts* which describe how the operation has enabled the client to achieve specific performance goals.; and (c) *Broader Community Impacts* which describe how the operation affects the community beyond the Bank's client(s). These types of impact reflect the wider goals of international assistance efforts, and may be identified by measures such as poverty reduction, gender equality or overall improvements in the physical environment.

results as a reference point. Third, EBRD will participate in surveys being organised by the World Bank on economic opportunities and constraints facing women in the region.

These studies will assist the Bank and donors to understand better the linkages between EBRD operations and broader impacts, and the factors that influence the strength of the linkages[24] The results of the studies will be reviewed with donors and from this, follow-up investigations will be carried out to assess the broader impacts of EBRD operations, including on poverty reduction and the economic situation of women.

[24] For the purposes of impact assessment, the focus is not only on documenting outcomes (although that is important), but also the ability to measure their causes. Donors are interested in knowing the extent to which their programme *caused the impacts*. Establishing causality is a critical part of impact assessment work.

3. LESSONS FROM THE FINANCIAL SECTOR IN AN HISTORIC PERSPECTIVE

3.1 INTRODUCTION

While the current crisis has originated outside the transition region, its transmission to the region was facilitated by the existence of a number of institutional fragilities solidly entrenched in banks and corporations. Several of these fragilities were known by the Bank and regularly monitored through the transition gap analysis and regular credit worthiness reports.

The fragilities which were well identified by the Bank included the considerable growth of banking systems which had moved ahead of local deposit-raising capacity, as well as the quality of risk management and systemic regulation. It had also been found that domestic capital markets had remained too shallow to supply the term-funding capabilities, amongst others local currency, needed to match the region's investment drive. In addition, the Bank was concerned that foreign investors chasing yield tended to disregard immature corporate governance and weaknesses in the legal and institutional framework. These fragilities remain untouched in spite of the considerable slow down of the economic activity, and they still leave the region more exposed to the continuing global downturn.

There are, however, a few other fragilities of equal importance that have emerged in the past and were noted by EvD in its evaluations, especially those related to the Bank operations that accompanied and followed the 1998 financial crisis in Russia. These fragilities are less publicized, but would now require equal attention. The financial crisis in Russia in August 1998 and its negative effects on the value of the Bank's assets led EvD to review the effects of the crisis in more detail and to consider certain lessons that had been learned at the broader, supra-project level. While the lessons were derived with the benefit of hindsight and with the specific circumstances of the Russian crisis in focus, they had and still have a wider relevance and reference, especially as far as future IFI strategy formulation is concerned.

Other lessons were further communicated in Operation Evaluations (OPERs) that were accomplished in the years following the 1998 crisis whenever the sector issues became recurrent. More recently, in 2007, EvD evaluated the implementation of the 1999 financial sector policy of the Bank. The aim of the 1999 Bank policy was precisely to correct past policies focusing on financial sector growth by promoting more actively financial sector stability through lending, investments, policy dialogue and technical cooperation.

This paper displays selected lessons that are particularly relevant to the specific features of the current financial crisis with focus on financial intermediaries and point towards remedial strategies and interventions. The lessons are classified in two main categories for operational purposes: those which deal with the financial sector in general, and the lessons which cover institutional strengthening at the financial intermediary level.

3.2 MORE FOCUS ON THE SUSTAINABILITY AND SUPERVISION OF THE BANKING SYSTEM

As a fully private sector oriented IFI, EBRD's interventions are closely related to the regional and internal business cycles, and consequently directly affected by downturns. It has therefore been a continuous priority for EBRD to help strengthen financial systems so that they are better endowed to weather financial crisis. EvD has been part of this effort by drawing lessons from Bank experience that refer to the subject. Two areas have retained EvD's attention in recent years: the financial sector sustainability in general, and more precisely the supervision of the banking system.

3.2.1 Promoting financial sector sustainability

EvD has a significant record of reflections and lessons on financial sector policies linked to Bank sector policy documents and specific investment operations. The evaluation work of financial sector policies has identified where exactly EBRD did set its priorities after the financial crisis of 1998 and how they were implemented. EvD's project work paid attention to the level of cooperation of public and private sector counterparts in recipient countries.

a. Level of implementation of EBRD sector policies

In 2007 an EvD study assessed the Bank's performance in the financial sector[25]. The study focused on the Bank's 1999 operation policy (FSOP) and on the manner in which investment operations signed between late 1999 and 2006 responded to the priorities set out in the 1999 policy document (see Box 1). It is worth recalling that the Bank's 1999 policy was prepared in the aftermath of the 1998 banking crisis in Russia. The policy document noted: "The Russian crisis and its repercussions throughout the region, in particular, have revealed the considerable risks in transition banking, arising from both macroeconomic instability and structural weaknesses within the banking sector itself. These risks are greatest in countries at earlier stages of transition." This observation remains relevant to the currently weak position of the banking sector in the countries of operation.

Box1: The main message of the 1999 financial sector operation policy paper

The 1999 FSOP paper stated that it "reviews and refocuses" the FSOP taking "a more systemic view, with particular emphasis on how the Bank's operations affect the development of the financial system as a whole." The document identified a set of operational priorities with one key overall objective which it expressed as follows:

> "The key to achieving a well functioning and stable financial system is to strengthen market mechanisms and initiatives and to support them with effective financial laws and regulations. The Bank's financial sector operations policy should thus focus on the overall objective of promoting **confidence** and **competition** in an independent financial system. This policy aims to translate these broad objectives into concrete criteria for the **selection and design of investment projects** in the financial sector and to identify priorities for **investment climate initiatives.**"

Source: Financial Sector Operations Policy, BDS99-63 (Final), page 20 – emphases as in original.

[25] Evaluation Department: Operation Performance Evaluation Review (OPER) – Special Study – Financial Sector Operations Policy (Regional), 5 September 2007, Report SGS07-155.

In the language of transition impact developed by the Bank, confidence building and sustainability are stimulated by interventions which promote market-supporting institutions and market-based behaviour, while financial deepening is achieved by targeting the structure and extent of markets through encouraging competition and market expansion. The 2007 study found that the Bank's interventions through investment operations since 2000 focused rather more on "structure and extent of markets" through promoting competition and market expansion than on "market-supporting institutions and policies".

Looking ahead, the Bank is committed to pursue its efforts to drive through the reforms that are needed to underpin a sustainable financial sector[26]. In spite of the depth of the current crisis, however, the Bank (and the international community) might have to keep struggling with an insufficient political will that is likely to persist in a number of countries. As well as contributing through its Legal Transition initiatives to the development of a sound legal framework, the Bank can do (and has done) much to support the development of technical competence in the fields of regulation and supervision. However, these efforts will be fruitful in the long term only when they have political support in-country and if the Bank can tie up disbursement and investments that are conditional to a minimum of systemic changes at the sector level.

b. Level of receptivity to reforms in client countries

While the Bank has made efforts through its Legal Transition Programme[27], as well as through the influence of investment operations, to bring about systemic and regulatory changes in the financial sector, not all countries have responded as the Bank would have wished.[28] In the case of Russia, for example, the EBRD publication "Law in Transition" noted in October 2005: "In Russia, after the financial crisis of 1998, authorities made significant efforts to protect the banking sector from any future crisis."[29] However, the assessment observed that "regulation of banking activities and ongoing supervision in Russia is unsatisfactory. There are deficiencies within lending and investment regulation, in particular with formulating internal policies and procedures for granting credit and making investments and with lending to related parties". Overall the assessment concluded: "In general, transition countries tend to have good legislation relating to the start up of new banks, but weak legislation related to continuing supervision. This is particularly the case for issues relating to the disclosure of beneficial ownerships and the consolidated supervision of banking groups."

The call for an even more proactive policy dialogue in the area of financial sector reforms was echoed recently in a recommendation from an evaluation of an insurance project Bridge (Allianz) Slovakia[30]. The evaluation mentioned that the Slovak

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[26] The commitment has been confirmed in the Board Document "Promoting Recovery and Deepening Transition" Background Note for the Bank Retreat, 20 February 2009, where it stated that "In the medium-term, [the Bank's] efforts must focus on building solid prudential and supervisory frameworks capable of preventing a recurrence of unsustainable funding and lending patterns, including crucially the issue of cross-border regulation. This is a challenge not unlike that faced by the mature market economies, and reform will benefit from mutual learning and cooperation." Report SGS09-049 (page 6).

[27] See "Legal Transition Programme. Legal Reform Projects, 1996 to January 2007", prepared by the Legal Transition Team, OGC.

[28] See also "Banking Legislation Assessment. Report on the Quality of Banking Legal Regimes in Early Transition Countries", February 2005, OGC.

[29] "The Quality of Banking Legislation in Transition Countries", Law in Transition Online, October 2005.

[30] "Project Bridge" operation evaluation, April 2007, OPER PE 06-340.

Republic successfully reformed and restructured its financial sector, the insurance sector included. Building upon the vision and determination of the Slovak Republic's authorities, the EBRD had the opportunity to assist in the reform process in accordance with Article 2 of EBRD's Agreement Establishing the Bank through an offer to invest in the project in partnership with a strategic investor.

A lesson of Project Bridge was that it remains important to acknowledge the primacy of sound country-led reform programmes in order to enable EBRD to carry out its mission. For the EBRD to be able to support the transition, the recipient member country authorities must be *really* committed to implementing sectoral reforms in the financial sector. While this seems obvious and widely acknowledged within the Bank, countries of operations are known to have often avoided taking the concrete steps in financial sector reform that would allow EBRD to successfully assist the transition process (Box 2). Promising EBRD projects run the danger to have limited transition impact because of the lack of commitment to adequate reforms which only the country authorities can undertake.

3.2.2 Consolidated supervision of international banks

EBRD supported the rapid growth of the financial sector in the region in the years following the recovery from the Russian crisis. At the same time, EvD warned that this growth could outstrip official capacity to regulate the banks according to Basle Core Principals, echoing lessons learned within the international community from the collapse of BCCI and the Asia Crisis[31]. EvD added that the lessons learned and the steps to be taken by the international community regarding supervision across borders were highly relevant to EBRD's project work with banks in the region, especially the rapidly growing international banks with which the EBRD has executed multiple projects in different countries and built up large exposure.

As a matter of sound banking, achieving *consolidated* supervision of such banks would provide a valuable second line of defence to EBRD's monitoring of its exposures. It would further transition impact by contributing to policies and institutions that support markets. EvD recommended that the Bank should consider how it could help regulatory authorities overcome obstacles to adequate consolidated regulatory supervision of internationally active financial institutions in the Region. The Bank could take a client-level approach to complement the systemic work done by the World Bank, the IMF and the EU[32].

[31] See "Mid-Term Review Board Summary of Collaboration with Raiffeisen Bank (RZB) Regional - A rivate sector investment operation" - June 2004, OPER No PE03-252, page 2.

[32] For example, EBRD could monitor official progress towards execution of a consolidated supervisory review of a client. Successful implementation of such a review could enhance transition impact and have spill-over effects on building, testing and demonstrating capacity to conduct consolidated supervision across the region.

Box 2: Some lessons from projects executed in adverse business environments

While reviewing Bank financial sector project operations that were carried after the 1998 crisis in particularly poor business environments, EvD noted the extent of harm caused by the lack of proper regulation and governance. In addition, a recent EvD study found that adverse business environment had caused poor project performance in 29% of the cases the sample analysed and unfavourable government behaviour in 24% (AEOR 2008, Chapter 3, page 24).
EvD derived accordingly lessons for future similar operations. Since the Bank has entered into a new phase of higher risk lending and equity operations in the context of the current international financial crisis, it is worth to recall a few of these lessons. Some are related to SME lending, a current Bank priority. Others deal with corporate governance, a key factor for successful additional equity investment, which also considered as a priority item in the current circumstances:

Business Environment. Poor investment climate presents the same threats to SME and MSE sub-projects as it does to direct investment by the Bank. Given the magnitude of the financial sector reforms required in a low transition country and the apparent inertia within the system to do so, it is hardly conceivable that one International Financial Institution (IFI) alone would be capable of breaking the ground in opening the door to reforms in the sector. More consultation and coordination among IFIs is seriously needed. It also appears more effective for the Bank to front load the technical assistance for the policy dialogue before starting an operation, in addition to developing it while the operation is being implemented (OPER Report SGS07-070, April 2007).

Transparent share-holding structure. Inadequate information about the identity of large shareholders could lead to fears about possible connections with criminal elements, which would clearly disqualify companies from obtaining investment or loans from reputable sources. EvD found in one evaluation of an equity investment in a bank that major shareholders may have adopted questionable business practices such as to cast doubt on their fitness to manage and be bank shareholders. A *lesson learned* was that EBRD bankers, following sound banking standards, should make every attempt to recognize indications of improper practices. Bank staff must be encouraged to document any examples of dubious practice so that any financial or reputational risks to the Bank can be avoided. In another project, EvD found that control of the client bank was exercised largely through a web of intermediate holdings owned by individuals who acted for the ultimate beneficial owners in the absence of any written agreement. A *lesson learned* is that the Bank as a shareholder must be satisfied that there is full transparency with regard to shareholding structure and beneficial ownership of the corporation. This requires full disclosure of the ultimate beneficial owners (AEOR 2007, chapter 3, page 24, para 3.2.a).

Disclosure. Good governance implies a systematic and open communication with shareholders through the provision of properly audited accounts, information about the progress of the company and explanations of the major decisions taken by management in the form of an Annual Operational and Financial Review included in the Annual Report. In an EBRD equity investment the exit was exercised earlier than foreseen because of a disagreement between EBRD and another shareholder over corporate governance matters that resulted from the discovery of a case of insider trading. A *lesson learned* is that corporate governance failings should be recognised as precursors of likely serious financial underperformance. Speed of reaction to corporate governance issues is therefore essential. (AEOR 2007, chapter 3, page 24, para 3.2.b).

3.3 MORE FOCUS ON THE INSTITUTIONAL STRENGTHENING OF BANKS

EvD's awareness of financial sector vulnerabilities went beyond system wide considerations of Bank interventions at sector level. A number of these fragilities have been and remain associated with the investment operations themselves. Very soon after the 1998 Russia crisis, the Annual Evaluation Overview Report (AEOR) focused on lessons learned regarding operations in the banking sector, support to large enterprises to be restructured, and institution building. The document was published in 1999 to help the Bank cope with the financial crisis and rebuild its portfolio in a

very difficult environment[33]. The lessons have been recalled in recent EvD documents sent to Management at the onset of the current crisis[34].

The remaining part of this paper is selecting a few of these lessons dealing with the vulnerabilities issues that are particularly relevant to present Bank operations in respect of crisis response and further discuss them on the basis of findings from more recent OPERs. The topics discussed cover the refinancing of shorter tenor Bank loans, the currency risks attached to loan operations, the risk assessment of operations handled by large multi-project banks and the consequences for EBRD financing support throughout the current crisis.

3.3.1 Refinancing and additionality risks of shorter tenor Bank loans

The financial crisis has had a substantial impact on the types of transactions the Bank is likely to finance in the near term. The main focus of business activity is shifting away from expansion and developing new products towards refinancing and survival as clients concentrate on their core business at the expense of new capital investments. Already at the time of the 1998 financial crisis, Russia's deteriorating credit risk rating and liquidity shortages had prompted the Bank to provide credits with relatively short tenors. These facilities, however, did produce in the following years significant refinancing challenges for the individual bank borrowers and for the country. With hindsight, the Bank could have been somewhat more aware of the danger that the tenor of its interventions could adversely influence some key additionality and transition objectives.

When transposed to the context of the current crisis, the lesson would be that providing short term financial assistance to clients in difficulty should not deter the Bank to seek returning to longer term assistance as soon as business conditions permit. This would lead to clearer additionality and better coordination with commercial and official creditors. It would give a better matching of lending maturities to project finance timeframes and opportunities, In this way the Bank would send the signal of greater commitment to the borrowing country.

Similar issues and recommendations were reiterated more recently in an evaluation on a mortgage intermediation operation[35]. The Bank's strong liquidity and access to capital markets gives it a competitive advantage in financing long-term loans to financial intermediaries for housing loans. Such funding would be most useful to intermediaries wishing to make long-term, fixed rate housing loans in the countries of operations. These are usually more desirable than floating rate housing loans. The Bank's main constraint would be its willingness to take the credit risks of making such long term loans to banks. The credit risks, however, could be mitigated thanks to the mortgage collateral that could be available in the countries and assigned to the Bank, either directly via financial intermediaries or more likely via special purpose mortgage vehicles that the Bank could establish.

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[33] See AEOR 1998, chapter 3 "Lessons on key sectors in Russia partly based on the 1998 Financial Crisis", June 1999.

[34] See "Evaluation Department: Lessons relevant to EBRD handling projects during the 2008 financial crisis", 8 December 2008, Report SGS08-276, and "Evaluation Department: Lessons Learned Material from Annual Evaluation Overview Reports prepared since the Russian Crisis in 1998", 8 December 2008, Report SGS08-277.

[35] (OPER) HVB Croatia d.d. (Mortgage Finance Facility) (BDS02-119), Memorandum to Directors, 25 January 2006, SGS06-016.

The recommendation of the OPER was that 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 the long dated loan market to use for financing long term loans for the purpose of mortgage financing. Such loans should enjoy good additionality and could contribute importantly to the development of mortgage markets. Another key lesson from the project was to make sure that appropriate mortgage legislation is in place.

3.3.2 Assessing the currency risk issue

It is well known that the Bank's euro-indexed loans have contributed to exposing national banking systems to credit risk in case of devaluation of the local currency. The risk affects part of a bank's loan portfolio as normal credit risk does, but also impacts most borrowers of euro-indexed loans in a negative way, giving possible rise to system-wide losses for banks in the recipient country. The Bank can systematically monitor its own exposure to local banks and seek to mitigate the risk through borrower selection, larger long Euro positions, increased capital allocations, or other measures. This issue was discussed in the 2002 Strategy for Croatia.

Box 3: Local versus foreign currency lending in the Balkans

A 2002 Strategy for Croatia, which was discussed in a board workshop on October 18th shortly before the October 22nd board date for the Project, highlighted information from the World Bank/IMF Financial Sector Assessment Program report about potential risks to the banking system stemming from foreign currency-based borrowing, observing that "banks are vulnerable to credit risks stemming from exchange rate volatility and widespread foreign currency-based borrowing by their customers."[36] . It is useful to take a closer look at what the IMF has been saying about the situation. Its August 2002 Financial System Stability Assessment for Croatia reported that "the economy remains highly euroized and susceptible to shifts in residents' sentiments toward the local currency, so that severe macroeconomic shocks can cause difficulties for the banking system by straining the debt servicing capacity of borrowers in domestic and foreign currency…The majority of banks are well capitalized, but they may be vulnerable to a sharp deterioration in credit quality…indirectly through significant exchange rate changes." The report made an important distinction between banks' direct exposure to exchange rate risk, which it judged to be "limited", and the indirect effects of exchange rate fluctuations on the banking system, which it judged to be "considerable because of the widespread use of foreign currency-based borrowing." The report argued that a 25% change in the exchange rate could cut the capitalization ratio of the banking system in half.

Source: Republic of Croatia, Financial System Stability Assessment, August 2002, IMF Country Report No. 02/80

In the OPER of a Croatia Mortgage Financing Facility, each operation report for the four loans of the Facility stressed the risk to transition impact posed by the risk of devaluation of the local currency and its effect on the payment capacity of retail mortgage borrowers. The response was to promise to require the intermediary banks to formally warn borrowers about the risks. The loan agreement required the bank to inform the borrowers of the risks associated with taking out a mortgage in local currency linked to the Euro or other foreign currency. However, the Evaluation Team could not verify in detail to what extent the bank was implementing this undertaking, although the bank'ss general counsel explained that borrowers are informed in general that the amount of their monthly payment will depend on the exchange rate.

[36] Strategy for Croatia, 27 November 2002. The 2005 strategy paper did not refer to currency risks.

More generally in response to the financial crisis, the Bank may need to re-evaluate its strategy for managing currency risk in lending to financial intermediaries within the context of greater concern for the real needs of the economy of each country of operation, and the extent of risk that the final borrower in that country can really carry. The strategy should also take into account the broader concern for local capital market trends and development.

3.3.3 Consolidated Risk Management approach

The 2004 evaluation of a relationship with the Bank showed the importance of centralising and deepening risk analysis and management of a multi-project client within the Bank. Taking this as an example, the rapid regional growth of this client warranted a more centralized risk analysis and management of the EBRD's exceptionally large exposure to this bank. There was a need for a consolidated risk management approach to large multi-project clients that would ensure that at least one credit manager has a clear and consistent view of the rapidly growing and changing situation[37]. This would have complemented the Financial Institutions Team's (FI) relationship management approach[38]. A new EvD evaluation of Bank operations with Raiffeisen Bank is planned for this year. The evaluation intends to assess the extent to which a new centralized risk management approach has been established and implemented.

It was recommended in the OPER that total exposure to the group should be reviewed annually through an in-depth annual review framework that is independent of a given project approval. The supporting credit analysis, furnished by the FI team but vetted by Risk Management, should go beyond what is available in credit agency analysis[39]. The financial analysis should include analytical accounting analysis of key figures, including "double leverage" and sensitivity analysis as well as thorough assessment of management[40]. In particular, the analysis should show how the insights gathered through monitoring the projects affect the overall assessment of the group.

A solid and thorough risk analysis of international banks matters in the context of the current crisis. A more recent evaluation of another international bank the UniCredit Group (UC) has concluded that the parent banks may find themselves having to be selective in the level of support they give to individual subsidiaries during the present crisis. Furthermore, subsidiaries in the region are likely to face declining portfolio quality and increasing refinancing needs. The OPER recommends that their financial condition should be assessed carefully, individually and within the Group, before committing additional EBRD funds. EBRD support should in principle be provided only

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[37] Organizing risk management by distributing the monitoring of RZB projects among credit managers according to geography rather than sponsor sits well with EBRD's project-focused approach. However, in this situation no single credit manager has a clear and persisting view of both the project-level and global exposure of EBRD to RZB.

[38] The FI team has assigned a relationship manager to oversee and coordinate the banking effort with RZB, including making a relationship plan. This was a sound response to managing multiple projects backed by a single sponsor. In terms of creditworthiness analysis the relationship manager prepares one report per year, the "Annual Counterpart Review", which is sent to Credit.

[39] EvD fully acknowledges the usefulness of credit agency information as external source of financial performance assessment for large private international banks. EvD, however, has issued warnings through its lessons learned that too much reliance should *not* be placed on standard western credit worthiness and evaluation yardsticks in case of (a) third party lending, (b) local accounting standards not unified with international standards, and (c) where the value of fixed assets, or the ownership structure is unclear (see "Evaluation Department: Lessons relevant to EBRD handling projects during the 1998 crisis", Report SGS08-276, page 3).

[40] Double leveraging occurs when a bank holding company borrows in the debt market and transfers the proceeds to a subsidiary bank in the form of equity. The question is then how much of the equity in network units may be debt at the consolidated level.

to subsidiaries that have a sufficiently robust balance sheet and possess the necessary crisis-focused credit assessment skills.

3.4 CONCLUSION ON THE CURRENT BANK CRISIS RESPONSE AND THE INCLUSION OF PAST LESSONS

The Bank's immediate priority has been to confront the current crisis. The initial crisis response, like elsewhere among IFIs, was directed at the effects of financial sector disruption, at preserving external balance and at supporting aggregate demand. In the first quarter of 2009, the Bank has both scaled up and refocused its operational targets. A significant share of its operations in 2009 are often in coordination with other IFIs, directed towards the strengthening of bank balance sheets, the extension of intermediated "life-line" credit facilities for SMEs, and a strong boost to its trade finance programme. In addition, the Bank is implementing a working capital and refinancing facility for corporate clients and making every effort to ensure the viability of critical infrastructure projects where commercial funding has fallen away. The Bank is also expanding grant-financed assistance with the help of donors and the new Shareholder Special Fund. While all these initiatives have in common to immediately respond to the pressing needs of the clients, they appear to be exposed to vulnerabilities that have remained well entrenched in the financial sectors of countries of operation: (a) weak financial regulation and supervision; (b) banking sector risks attached to repeated short term borrowings; (c) foreign exchange risk; and (d) lack of consolidation of risk assessments for large banks with subsidiaries in several countries.

There are already signs, however, that the lessons are being taken into account in several Bank initiatives regarding the financial sector. The immediate priority has been to ensure stability and the resumption of normal conditions of financing to the real economy, especially smaller enterprises. This often requires the recapitalisation and funding of those banks that have a *viable business model*, including with government involvement.

In the medium-term, EBRD efforts will have to focus on further promoting solid prudential and *supervisory frameworks* capable of *preventing* a recurrence of unsustainable funding and lending patterns, including crucially the issue of *cross-border regulations*. The regulatory framework will need to be complemented by solid *risk management systems* and practices in the banks themselves, especially with regard to exposure to the wholesale market and *foreign currency liabilities*.

EvD recommends that, as described in this paper, the need to support the above specific corrective measures should be kept fully in mind by Management when it maintains policy dialogue and provides technical cooperation in the area of banking regulation and risk analysis of financial intermediaries, as well as in the course of developing new financial products that meet the immediate client requirements in the financial intermediary sector.

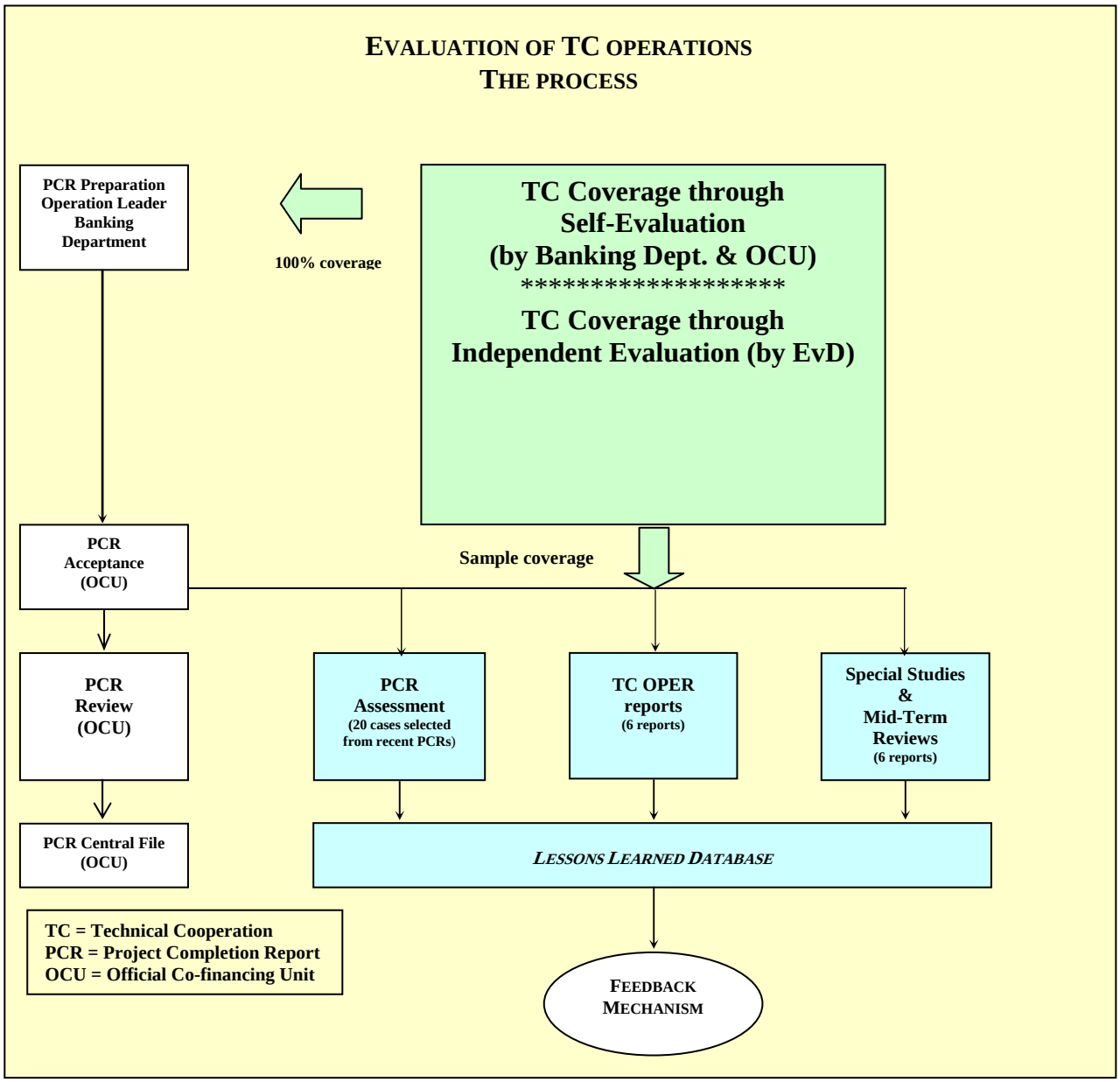
4. EVALUATION OF TECHNICAL COOPERATION OPERATIONS

4.1 TC EVALUATION COVERAGE

4.1.1 Introduction

Technical cooperation (TC) activities are primarily used to facilitate the EBRD's core investment operations and enhance the fulfilment of its transition impact mandate. In compliance with its fiduciary responsibility towards the contributors to its Technical Cooperation Funds Programme (TCFP), the Bank's main TC funding source, and to those of 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). The TC evaluation and self-evaluation process is presented in diagram 1 below.

DIAGRAM 1: THE PROCESS OF TC EVALUATION



The existing processes to approve and monitor TC projects, have become quite robust, even if they could still be improved. In addition, they appear to have been strengthened by the implementation of the EBRD Shareholder Special Fund. [42] As part of the Fund's governance structure, it is envisaged that an initial independent evaluation will be launched two years after the fund came into operation, and thereafter every 3-5 years. The first such evaluation will fall due under EvD's 2011 work programme.

In addition to 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 three categories:

(a) *In-depth evaluations of individual TC operations* in the form of an Operation Performance Evaluation Review (OPER). Around six TC OPERs are completed per year, occasionally supported by consultant input
(b) *Special Stud*y, often a Mid-Term Review of a TC fund or programme, which typically involves a field visit and is sometimes supported by a consultant. From 2002, there have been six such Special Studies prepared per year, not all related to TC
(c) *Desk-study-type review of a group of PCR Assessments* (which is also counted as a Special Study) is conducted annually involving around 20 TC projects. Through a review of available files and interviews conducted with the OL, it is attempted to verify the information base provided through the self-evaluation of the OL.

4.1.2 TC evaluation coverage by EvD

Since 1993, when EvD started TC evaluation work, 76 OPERs and 27 special studies on sectors and themes have been carried out covering many TC operations. In addition, since 1998 a total of 11 PCR Assessment synthesis exercises have been completed. Between 1998 and 2002, EvD also prepared PCR Reviews of 40 assignments per year. From 2003, this role was taken on by OCU. Overall, these reports though very different in scope and evaluation focus, have covered over 1,600 TC-funded consultant assignments, involving approximately EUR 473 million of funding from some 29 individual countries and 32 multilateral funds under the EBRD's TCFP.[43] The total volume of evaluated TC operations based on an OPER exercise, as a percentage of the volume of TC operations with a completed PCR (see Table 4.1) has increased from 13.3 per cent in 1997, immediately before the PCR review and assessment work was introduced, to 20.2 per cent in 2008. If groups of TC commitments covered in special studies on sectors and themes are included, the coverage ratio rises to 59 per cent.

[42] As reported in the last year's AEOR, and in connection with the proposal to allocate part of the Bank's 2007 net income for "other purposes" a new Special Fund, "the EBRD Shareholder Special Fund", has been approved by the Bank's Governors during the 2008 Annual General Meeting.

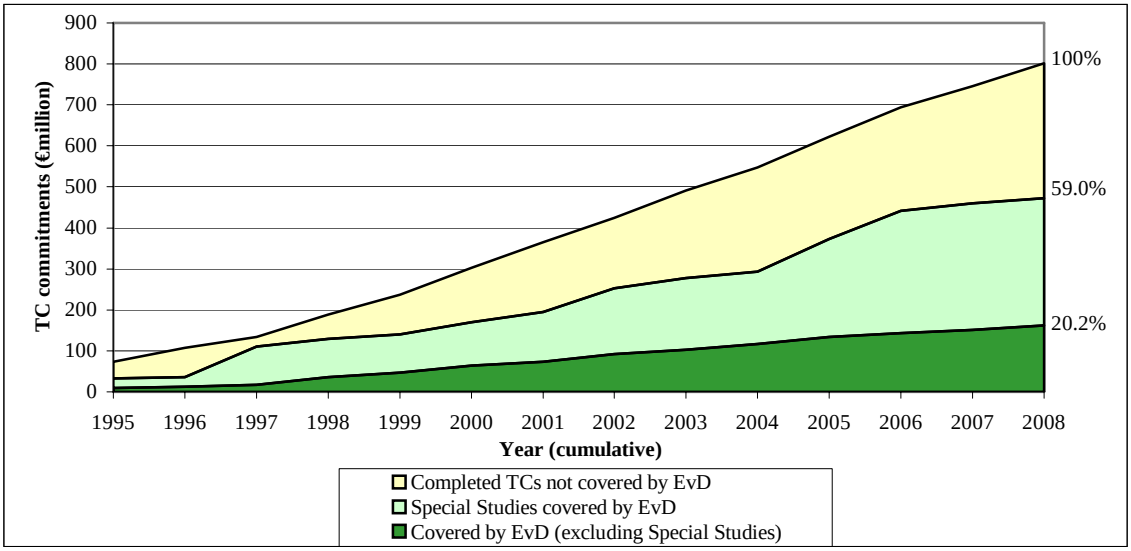
[43] This represents about 40 per cent of total TCFP funding commitments or 34 per cent of cumulative TCFP funding mobilisation. As at 31 December 2008 the Bank was successful in mobilising EUR 1,396.7 million of TC funding of which EUR 1,192.9 million was committed.

Table 4.1: Technical cooperation evaluation coverage status in 1991-2008 (EUR million)

	TC completion and PCR coverage	1991-1998	1991-1999	1991-2000	1991-2001	1991-2002	1991-2003	1991-2004	1991-2005	1991-2006	1991-2007	1991-2008
a.	PCRs completed	188.8	236.5	302.8	364.8	424.4	491.8	547.4	623.1	694.4	746.2	802.2
b.	TC operations evaluated through OPER reports	29.3	32.1	36.6	41.1	49.2	56.5	63.4	73.8	82.1	86.0	93.4
c.	PCR assessments by EvD	3.4	8.7	13.8	18.9	23.1	27.9	34.5	40.5	42.7	45.8	49.2
d.	PCR reviews by EvD	3.1	6.3	13.0	13.0	19.3	19.3	19.3	19.3	19.3	19.3	19.3
e.	Total TC operations (**b+c+d**)	35.8	47.1	63.5	72.9	91.6	103.7	117.2	133.5	144.1	151.1	161.9
f.	Evaluation coverage (**b+c+d**)/**a** (%)	18.9%	19.9%	21.0%	20.0%	21.6%	21.1%	21.4%	21.4%	20.8%	20.2%	20.2%
g.	TC operations related to Evaluation Special Studies	93.4	93.4	106.4	121.7	160.7	174.5	175.3	239.6	297.6	308.3	311.3
h.	Total TC operations evaluated (**b+c+d+g**)	129.1	140.5	169.9	194.6	252.3	278.2	292.5	373.2	441.7	459.4	473.1
i.	Evaluation coverage (**b+c+d+g**)/**a** (%)	68.4%	59.4%	56.1%	53.4%	59.5%	56.6%	53.4%	59.9%	63.6%	61.6%	59.0%

Chart 4.1 below presents the information from Table 4.1 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 of TC performance. In fact the evaluation results of these projects reflect indirectly on the outcome of the respective TC operations.

Chart 4.1: Evaluation coverage of technical cooperation commitments for 1995-2008 (EUR million)



When selecting TC operations for evaluation, EvD 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.

4.2 PERFORMANCE EVALUATION OF TC OPERATIONS

Performance outcomes of the evaluation of TC operations do not lend themselves to aggregation of overall evaluation results in the same way as investment operations. This is because of two reasons. Firstly, given their mainly 'facilitating' role as noted earlier, only a part of TC results are meaningfully assessable in their own rights upon TC completion. The full 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. This can be attributed in part to the TC Review Committee, which reviews and approves all acceptable TC funding requests. An important role is played by the Official Co-financing Unit (OCU), aiming to increase the quality of TC operations through providing guidance to operation leaders and ensuring a systematic and unified reporting regime to the Donors. In addition, the assistance provided by the Consultancy Services Unit (CSU) in terms of reviewing the terms of reference and helping with consultant selection in relation to the TC operations helps secure a good quality at entry.

EvD enjoys a steady and cooperative dialogue with OCU and CSU for TC work and regularly discusses individual issues and findings from its reports, to find pragmatic solutions and ways of improvement. In addition, these units join EvD in its view that a more systematic provision of TC-related skills (i.e. in project management) is desirable in the Bank. Responding to the recommendations from recent PCR Assessment exercises, OCU readily took the lead in developing a basis for a future training of bankers, including general project management techniques and internal process-related knowledge to which EvD substantially contributed.[44] This appears even more necessary, as the forthcoming substantial increase of available TC funds (see previous paragraph) per year will also challenge the administrative and managerial capacities at the Bank to ensure the efficient and effective usage of resources.

4.3 TC-RELATED EVALUATION WORK IN 2008

The TC operations that were evaluated in 2008 through TC OPER exercises were funded by donor contributions from Canada, Finland, France, the Netherlands and Switzerland, EC Tacis, the Balkan Region Special Fund, the EU-EBRD Investment Preparation Facility and the Northern Dimension Environmental Partnership Support Fund. TC operations evaluated through special studies including the PCR Assessment were funded by donor contributions from Austria, Canada, Finland, Germany, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, Taipei China, the United Kingdom and the United States, as well as the Balkan Region Special Fund, the EBRD Shareholder Special Fund, EC Tacis, the EU-EBRD Investment Preparation Facility, the Early Transition Countries Fund and the Mongolian Cooperation Fund. These operations were approved between 2000 and 2008 and cover the following sectors: CEALS, co-financing lines and RVFs; community/social services; energy; finance; local authority services; and transport and storage. By TC type, they involved advisory services, project implementation, project preparation, sector work and training. They were linked to investment operations representing EUR 1.1 billion.

4.3.1 TC OPER reports

Under its work programme for 2008, EvD carried out six TC OPER exercises. For the TC OPERs the following ratings were assigned:

- MBASK Insurance Company Institutional Strengthening Programme, IT Development and MIS Upgrade (Azerbaijan): *Successful*
- Bucharest Multi-Sector Project (Romania): *Partly Successful*

[44] According to the most recent information received from OCU, the training is expected to be piloted during this year, and hopefully sees systematic implementation thereafter.

- TC Support to the Subordinated Loan Framework for Russian Mid-Sized Banks: *Successful*
- Komi Municipal Water Services (Russian Federation): *Successful*
- Kazakhstan Atyrau Airport Project: *Unsuccessful*
- ZTP Belgrade Reconstruction Project (Serbia): *Successful*

Selected lessons learned from these TC operations are presented in Appendix 5.

4.3.2 Special study on PCR Assessments.

In 2008, EvD and OCU have elaborated a joint report on PCRs. Whilst OCU has contributed its regular report on PCR review, EvD has conducted its individual assessments of 20 case studies. These were – unlike last years – not selected by EvD aiming at a 'structured sample', but were recommended by OCU for a more in-depth assessment.[45] The TC operations assessed totalled EUR 4.4 million for projects in 12 countries of operation (and one regional commitment). Funds came from 11 individual bilateral donors plus four EU commitments, and three other multilateral funds. The commitments funded advisory services, project preparation, project implementation, and sector work. Sectors covered included energy, finance (including MSME-related activities), transport, local authority services and legal transition/ sector work.

EvD is of the opinion that the Operation Leaders (OLs) responsible for the TC operations covered under the 2008 PCR Assessment exercise have done their self-evaluation work well and agreed with 14 out of the 20 ratings provided. Some 70 per cent of the sample achieved a *Successful* or *Highly Successful* overall rating whilst no *Unsuccessful* case was noted. As observed in PCR Assessment exercises of previous years, Successful TCs in the Sample are often driven by *Excellent* Client Commitment or Consultant Performance, in combination with *Good* or *Excellent* Bank performance. Less successful projects mostly show *Marginal* ratings for Fulfilment of Objectives, as well as Bank Handling, Client Commitment and Transition Impact.

[45] The operations were recommended either because they demonstrated best practice or because they encountered difficulties and thus potentially provided valuable *Lessons Learned* material.

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

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

When a project is ready for evaluation, the operation team prepares a self-evaluation document, the Expanded Monitoring Report (XMR). The XMR builds on the basic monitoring report (MR) by adding information requirements that are relevant for a self-evaluation document (e.g, 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 (ECG)[46], in its annual overview report each ECG member must present an analysis of the differences between the self evaluation ratings of the operation team and the independent evaluation ratings.

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

Ratings are provided for nine indicators: Overall Performance, Transition Impact, Environmental Performance, Extent of Environmental Change, Additionality, Project Financial Performance, Company Financial Performance, Fulfilment of Objectives and Bank Handling. This analysis covers the 542 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[47]. 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.[48]

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

Indicator	Upgraded by EvD	Unchanged by EvD	Downgraded by EvD	Number of comparisons
Overall Performance	4%	66%	30%	524
Transition Impact	5%	53%	42%	521
Environmental Performance	6%	61%	33%	506
Extent of Environmental Change	10%	72%	18%	492
Additionality	9%	70%	21%	523
Company Financial Performance	6%	64%	30%	506
Project Financial Performance	3%	61%	36%	513
Fulfilment of Objectives	3%	61%	36%	515
Bank Handling	4%	56%	40%	516
All ratings	5%	63%	32%	4616

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

[47] 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.

[48] Evaluation reports dating back to 1996 were revisited in 2005 and missing ratings assigned to create a complete database, as mentioned in Chapter 1. However, a number of XMRs have individual performance categories rated "Not applicable" to the project under review 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 from one indicator to another.

Table 5.1 above and Chart 5.1 below show that while the majority of XMR ratings remained unchanged, (63 per cent of all the ratings compared) 32 per cent were downgraded. The greatest number of downgrades was on Transition Impact (42 per cent) and Bank Handling (40 per cent). The Overall Performance rating was downgraded for 30 per cent of projects. Far fewer ratings were upgraded: only 5 per cent in total. The highest number of upgrades occurred in relation to Environmental Change, which also displays the smallest number of downgrades.

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

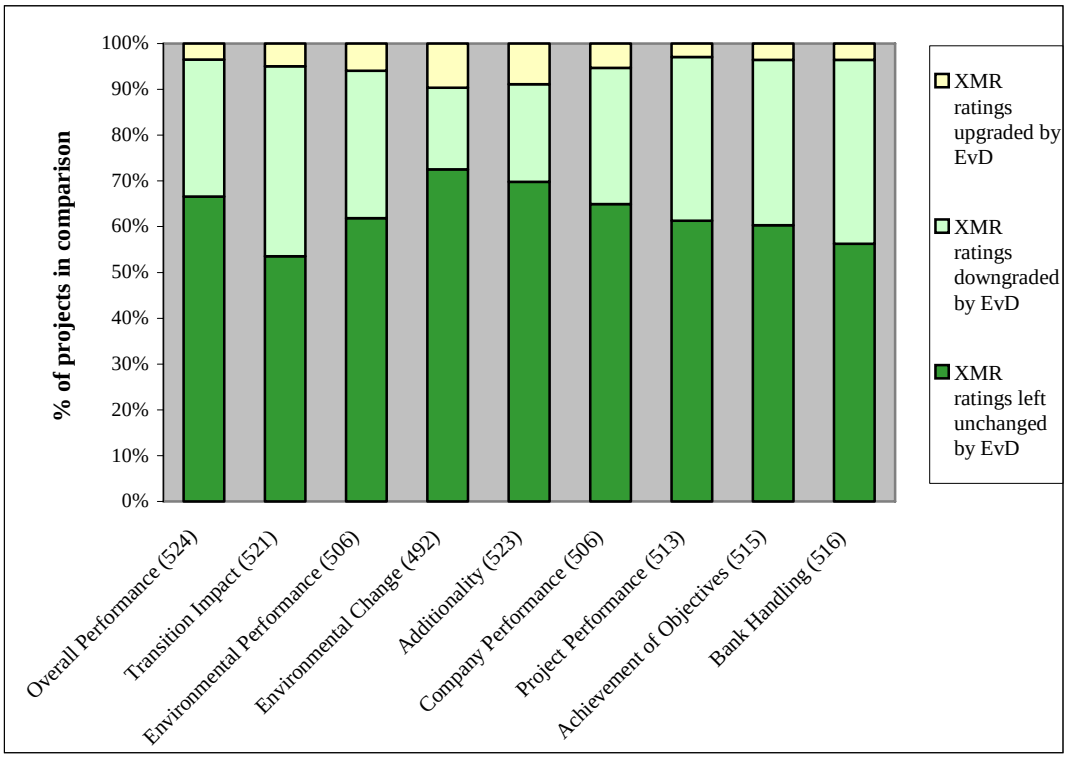


Table 5.2 below shows the maximum upgrade and downgrade for each rating category. The maximum upgrade for any category is never greater than the maximum downgrade. Not only are ratings more likely to be downgraded than upgraded, but they are likely to be downgraded further.

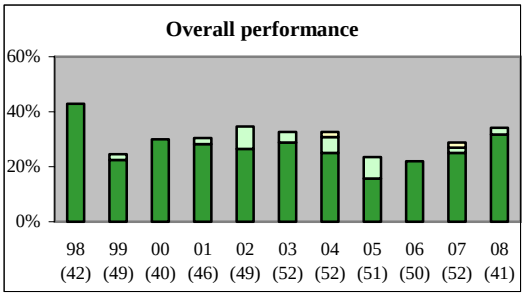
Table 5.6: Overview of maximum down grades and upgrades when comparing the differences between the self-evaluation and independent evaluation ratings

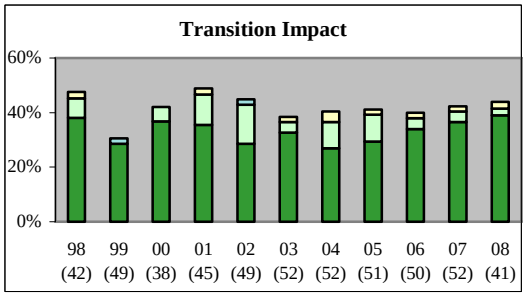
Indicator	Maximum upgrade (no. of rating points)	Maximum downgrade (no. of rating points)	Number of reports with maximum downgrade
Overall Performance	1	3	2
Transition Impact	3	4	2
Environmental Performance	2	4	1
Extent of Environmental Change	3	3	1
Additionality	3	3	2
Company Financial Performance	2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

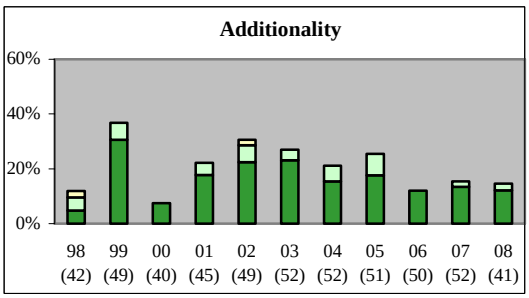
5.3 DEVELOPMENT OF THE OBSERVED DIFFERENCES OVER TIME

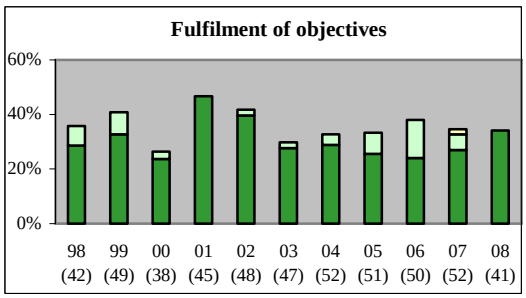
A study of the results over time does not show any pattern of the differences between XMR and evaluation ratings becoming smaller (see Charts 5.2-5.10 below). In 2008 compared to 2007 there was a fall in the number of adjustments for additionality and environmental change. There was an increase in the number of downward adjustments for overall performance, transition impact, environmental performance, company financial performance and bank handling. Fulfilment of objectives and project financial performance remained about the same. The cumulative proportion of ratings downgraded remained the same, at 32 per cent. It is important that the development of the difference between the ratings is monitored in the AEOR and that efforts are made to reduce the differences.

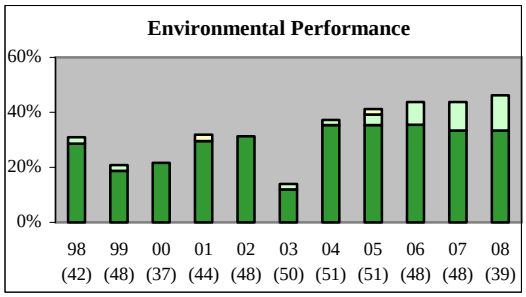
Graphs 5.2-5.10: Differences over time in evaluation performance ratings assigned by operation staff and independent evaluators

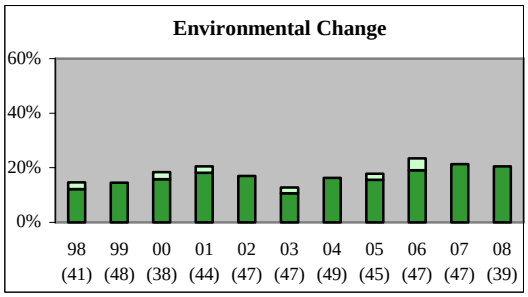


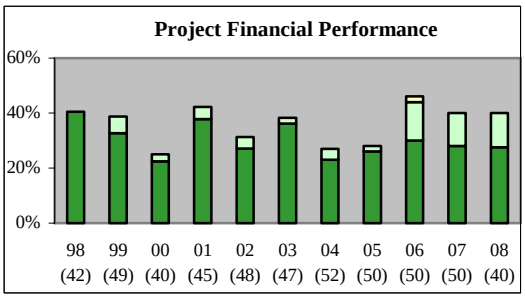


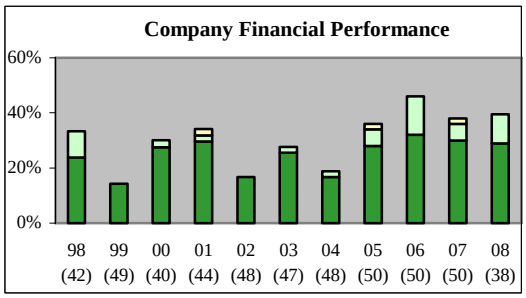


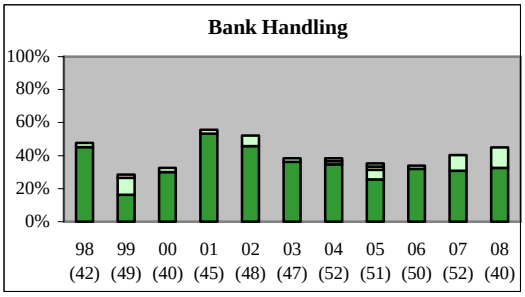












Key to charts

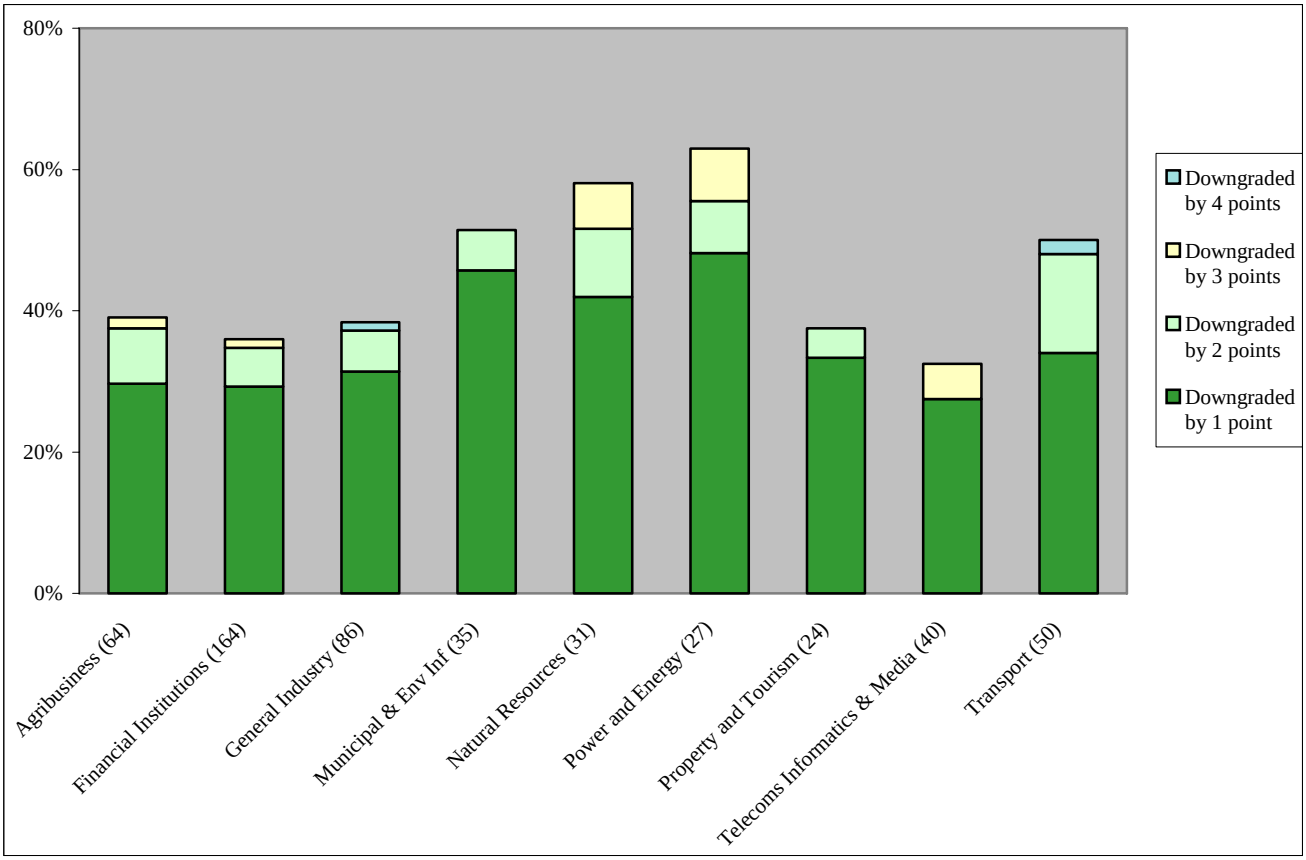
Downgraded by 1 point	Downgraded by 2 points
Downgraded by 3 points	Downgraded by 4 points

The bracketed numbers shown beneath the years indicate the total number of comparisons made for that year, including XMRs upgraded or unchanged.
The chart shows downgrades as a percentage of the total number of comparable reports for each year.

5.4 THE TRANSITION IMPACT RATING

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 5.11 below shows that the teams whose ratings were most frequently downgraded by EvD were Power and Energy (63 per cent) and Natural Resources (58 per cent). These figures show little change over the results reported for 2007.

Graphs 5.11: Differences across sector teams in evaluation performance ratings assigned by operation staff and independent evaluators



5.5 CONCLUSIONS

Overall, XMR ratings were validated by independent evaluation in 63 per cent of cases. Five per cent of XMR ratings were upgraded by evaluators and 32 per cent downgraded. Transition impact was the indicator most likely to be rated lower (42 per cent) by evaluators and some Banking teams even reached a level of around 60 per cent downgrades. The gap between XMR and evaluation ratings does not appear to be narrowing; indeed, for many indicators it has increased in recent years. EvD is, however, of the view that the overall level of differences observed between EvD-assigned performance ratings and ratings assigned by operation staff during self-evaluation does not represent a cause for concern. The majority of the downgrades are one level downgrades only and in the few cases where differences of two or three level downgrades are observed, extensive dialogues with between EvD and Management took place whereby the end result was to agree to disagree on the rating. However, the persistence of the differences over the five years that EvD has reported on the subject is more concerning.

EvD and Management will continue actively to train bankers through existing XMR training workshops. These workshops should also enhance communication with the operation teams during the preparation of the XMR. Although there will always be a positive bias in the self-evaluation performance ratings, the aim remains to bring the standards applied by the bankers more closely in line with the standards applied by EvD. However, it should be noted that XMR training is aimed at new bankers, who often have the task of drafting XMRs, while the final decision on ratings in an XMR may be taken by more senior staff, whom XMR training does not reach.

There have been some discussions with individual Banking teams which showed the most substantial differences in relation to rating transition impact. These discussions have been productive in clarifying the issues and some points for follow-up were raised. In particular the assignment of many *Excellent* ratings on transition impact during self-evaluation will have to be reviewed by the respective teams. Another issue that was addressed during these discussions was the fact that exceptionally operation staff in preparing their XMR-ratings during the self-evaluation process have to review all seven transition indicators, while normally they would only concentrate on the 2-3 TIMS-monitored transition indicators as described in the original Board-approved project document. Addressing more than 2-3 indicators creates most likely a positive bias towards transition impact and drives the ratings upwards. Continued monitoring of the assignment of ratings by operational staff will reveal whether these interactions with teams over time will have a noticeable effect on differences between performance ratings from independent evaluation and self-evaluation or whether further action is required. Contact on these outcomes with OCE will also be maintained.

Recommendation: EvD recommends that in the future during the self-evaluation process when expanded monitoring reports (XMRs) are prepared, operation staff base their assessment of transition impact exclusively on those transition indicators/objectives which have been formulated in the Board document and which are monitored in TIMS and in principle the TIMS ratings can be used. In addition, for operation staff not to lose the wider perspective, when they visit their projects at the time of XMR preparation, they should describe in an altered section on transition impact how the project has influenced a broader range of transition indicators. However, this assessment of the broader range of transition indicators must not influence the TI rating assigned during the self-evaluation process. EvD would see this altered section as an important contribution from staff close to the project which can enrich the evaluation process. These proposals require a change of the XMR template and an amendment to the Operations Manual.

6. ROLE OF THE BOARD'S AUDIT COMMITTEE IN OVERSEEING THE EVALUATION FUNCTION

6.1 INTRODUCTION

This chapter highlights how the Audit Committee, the Board Committee which oversees the evaluation function in the EBRD, has reacted to important evaluation findings and lessons learned. In Section 6.2 the evaluation reports are listed that have been discussed in the Audit Committee during 2008 which gives an impression of the focus of the Committee in carrying out its oversight function. In Section 6.3 EvD reviews observations which the Committee has made on evaluation findings and lessons learned as presented in the minutes of meetings of the Audit Committee during 2008.

6.2 REVIEW OF EVALUATION REPORTS BY THE AUDIT COMMITTEE

During 2008 the Audit Committee met 14 times to discuss in total 20 evaluation reports. The Committee reviewed 9 OPER reports on investment operations, 5 Special Studies, the Annual Evaluation Overview Report of 2008, 3 reports on EvD's Work Programme, one report on Evaluation Coverage, one report on evaluation recommendations and one report prepared by an ECG task Force on a review framework for evaluation functions in MDBs. Details are presented in Table 6.1 below:

Table 6.1: Reports in respect of evaluation discussed in the Audit Committee during 2008

21 January 2008: Report on EvD's Work Programme: - Work Programme Final Report for 2008 Evaluation Cooperation Group (ECG) prepared document: - Framework for Peer Reviews of Evaluation Systems in MDBs **28 January 2008:** Operation Performance Evaluation Review on: - Wool project in Uzbekistan **4 February 2008** Evaluation Special Study on: - 2003 Environmental Policy Review: Achieving the Bank's Environmental Mandate through Direct Investments **7 March 2008:** Evaluation Special Study on: - Early Transition Country Fund, Final Mid-Term Review (Regional) **17 March 2008:** Operation Performance Evaluation Reviews on: - Real estate project in Poland - Regional Bank in Russia **14 April 2008:** Report on EvD's Work Programme: - Work Programme Completion Report 2007 Special report: - Follow-up of Evaluation Recommendations 2008 **28 April 2008:** Operation Performance Evaluation Reviews on: - Steel project in Russia - Commercial bank in Romania	**11 June 2008:** Operation Performance Evaluation Reviews on: - Pipeline project in the Caucasus region - Oil project in Azerbaijan - Air traffic control centre in Croatia **26 June 2008:** Special report: - Evaluation Coverage in EBRD **7 July 2008:** Special report: - Annual Evaluation Overview Report for 2008 **22 September 2008:** Report on EvD's Work Programme: - EvD Work Programme Preliminary Report for 2008 Evaluation Special Study on: - Project Completion Report (PCR) Assessment Report **4 November 2008:** Operation Performance Evaluation Review on: - Mining project in Russia **13 November 2008:** Evaluation Special Study on: - Agribusiness Operations in EBRD **8 December 2008:** Evaluation Special Study on: - Japan-European Cooperation Fund

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

The Committee concentrated on reviewing the evaluation recommendations in the evaluation reports on which EvD and Management jointly report on an annual basis through "Follow-up of evaluation recommendations" report.[49] However, other issues not dealt with in the above mentioned report were also discussed by the Audit Committee. A selection of those issues, including some from the AEOR of 2007, is highlighted below:

- **Country Level Evaluation.** Over the past years, several reviews were made by EvD at the request of the Audit Committee to consider a system of formal country strategy evaluation which is customary in other MDBs. The recently prepared good practice standards in respect of Country Programme and Strategy Evaluation by the ECG also allowed for a less formal country strategy evaluation approach which would fit the EBRD better. Therefore, in the Work Programme Completion Report for 2009 and in the Work Programme Final Report for 2009 a proposal was made by EvD to carry out country level evaluation whereby the evaluation exercise would concentrate on certain sectors and themes of existing country strategies. The subjects to be selected would in principle have the support from Management and the Board of Directors. The Audit Committee endorsed this new approach and the full Board approved country level evaluation as part of EvD's Work Programme for 2009.
- **Evaluation Coverage.** During 2008, the Chief Evaluator presented a report "Evaluation Coverage in the EBRD" to the Audit Committee and the Board of Directors where it was proposed to base the selection of projects for evaluation on random sampling thereby following the ECG-established good practice standards in respect of private sector evaluation. This proposal that was adopted by the Board of Directors helps the Bank coping with larger numbers of projects for evaluation as the Bank's portfolio is expected to grow considerably over the coming years. In addition best practice was adopted in respect evaluating smaller samples on priority sectors (financial institutions in Russia), and countries (early transition countries).
- **Joint Evaluation with other MDBs.** As in previous years the Audit Committee stressed the importance for the evaluation functions of the multilateral development banks to do more joint evaluation. EvD has now done some landmark joint evaluations with the IFC and the ADB, caries out a joint evaluation with the EIB at the moment and continues promoting joint evaluation among the ECG members and observers. The increased importance of joint evaluation is again anchored in EvD's Work Programme Report for 2009.
- **Clarity on scope of projects in relation to environmental due diligence.** During the discussion of one of the OPER reports the Audit Committee highlighted that the Board documents should be clear on the scope of the project in relation to the environmental due diligence. In the case discussed, Management's description of the boundaries of the project seemed to be more restrictive than suggested by parts of the Board document where the overall potential investment programme of the Company is described rather then the specific Project financed by the Bank. The Committee was of the view that in the future project documents should contain adequate information about all relevant aspects, e.g. project history if environmental classification has been changed and other factors that might influence the scope of the project. This recommendation has been implemented in the 2008 Environmental and Social Policy through highlighting the "project's area of influence".

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[49] Comments on the evaluation recommendations by the Audit Committee are presented in document "Follow up of Evaluation Recommendations by Management 2009" (BDS08-078) which has been discussed in the Audit Committee of 27 April 2009 and in the Board of Directors meeting of 20 May 2009.

7. CHIEF EVALUATOR'S ASSESSMENT

7.1 PERFORMANCE OF EBRD ACTIVITIES BASED ON EVALUATION FINDINGS[50]

By evaluating its operations, the EBRD is able to assess its performance and account for its decisions. The Bank looks at the outcomes of policies and projects, determines how successful they were and tries to use these lessons to improve operations in the future. Of all EBRD projects evaluated up to 2008, 79 per cent received an "Excellent-Satisfactory" rating on transition impact.

Impact on the transition process

The share of projects with an "Excellent-Satisfactory" transition impact rating in 2008 was 84 per cent. In that year 16 per cent of evaluated projects were rated "Marginal-Negative" for transition impact. This is in line with the outcomes seen since 2003, and compares well with the period 1997-2002, when higher numbers of projects were rated "Marginal-Negative". Projects evaluated during those years had been approved and implemented in the late 1990s when the economic climate in the region was more difficult than in recent years. This may have damaged the sustainability of some private sector projects and prevented them from realising their full potential. Current economic difficulties have not yet had a negative effect on evaluation results in 2008.

The cumulative results for the transition impact of a total of 618 projects evaluated since 1996 show that 55 per cent achieved a rating of "Good" or "Excellent" and a further 24 per cent were assessed as "Satisfactory". Weighting the results by volume of investment, yields better outcomes with 87 per cent "Satisfactory" or better in 1996-2008.

Overall performance of EBRD activities

The overall performance rating gives a high weighting to transition impact but also includes other indicators, such as the fulfilment of project objectives, financial performance, environmental performance and additionality (the Bank's ability to complement rather than replace private sources of finance).

Since 1996, 58 per cent of evaluated projects achieved a rating of "Successful" or "Highly Successful" (see Chart 3 in Chapter 1). Weighting the results by volume of investment gives a figure of 72 per cent "Successful" or "Highly Successful" over the same period. These percentages have been higher in the last five to six years than previously. In 2007 and 2008 there were fewer projects rated "Highly Successful" than in previous years, but more were rated "Successful", giving a similar number of positive results overall.

The "Successful" or "Highly Successful" score for overall performance is much lower than the percentage of projects that received "Excellent-Satisfactory" ratings for transition impact (84 per cent in 2008). This difference is partly due to lower ratings for financial performance reducing the overall performance score. These lower ratings are triggered by the high-risk investment climate in the countries where the EBRD operates, particularly in the countries at the early or intermediate stages of the transition process. Furthermore, the limited progress in institutional reform and the

[50] The text in this section is taken from Chapter 10 "Evaluating EBRD Activities" in the Bank's Annual Report of 2008.

slow implementation of privatisation programmes have added to the investment risks. However, during 2008, three projects scored an overall rating of "Highly Successful".

Based on the above findings whereby transition impact shows continued positive results and the lower overall performance ratings demonstrate that the Bank works in difficult environments, EvD concludes that the EBRD has been successful in operating according to its mandate.

7.2 REVIEW OF THE INDEPENDENCE OF THE EVALUATION DEPARTMENT

As in previous years it is essential to highlight the Evaluation Department (EvD) as an important accountability tool for the Board of Directors. In that respect it is important to put the independence of the function in the context of the governance structure of the group of multilateral development banks (MDBs) and to assess how the independence of EvD has progressed in the EBRD. Details on the international standards on independence are presented in the good practice standards (GPSs) for private and public sector evaluation which have been established by the Evaluation Cooperation Group (ECG). The ECG constitutes a collaborative body in which the heads of evaluation departments in the MDBs collaborate and work towards harmonisation of evaluation procedures and practices.[51]

In the EBRD the Evaluation Department became operational in the early 1990-ies whereby the Head of Evaluation (now Chief Evaluator) reported to a Vice President not involved in operational activities. Following good practice standards, the Evaluation Department, at an initiative by the Board of Directors, became fully independent from Management in June 2005. The independence of EvD is anchored in the Evaluation Policy of 2005 whereby it is stated in Section 4: "The Chief Evaluator is directly and only responsible to, and only takes his/her instructions from the Board of Directors as a whole (and not from any Board committee, except as may be provided under the Terms of Reference of any such committee, or from any individual Board member). He/she is not part of Management." Now being in the fourth year of implementation of the new Evaluation Policy it can be concluded that independence of the evaluation department is functioning well, and that although the collaboration with Management has improved over the past years, EvD manages to maintain the necessary rigor in its evaluation reports.

In 2008 the ECG completed a working document on "Review Framework for the Evaluation Function". This Review Framework concentrates on the application of good practice standards in the MDBs and provides guidelines on how such a Review could work. In the Audit Committee of 21 January 2008 it was concluded that the Committee should note the approach proposed in the document, rather than endorsing it. The Committee looked forward to reports from the Chief Evaluator on how this framework would be taken forward in other IFIs (where it was understood there was some interest) and reserved its view on how it might be taken forward in EBRD. The

[51] The ECG was established by the Heads of the evaluation departments in the MDBs in 1996 in response to a report from a Development Committee Task Force, which asked the MDBs to harmonize evaluation practices in order to contribute to "...the public accountability of the MDBs and their ability to justify their use of public resources to shareholder governments, parliaments, and the public." The group was tasked with " promoting harmonization of evaluation practices ", and to that end has concentrated on the development of evaluation methods and the promotion of good practice standards for carrying out evaluation work.

Committee further mentioned that if the Bank was to engage in this process more fully, it would need to be closely reviewed by the Audit Committee, Board and Management.

The Chief Evaluator is of the view that the independence of the evaluation function is very well secured in the Bank's Evaluation Policy and that in the oversight role of the Board through its Audit Committee extensive attention is given to the evaluation findings and recommendations so that EvD's accountability and lessons learned focus is fully supported. On the side of Management, the lessons learned are taken at heart during the process of project preparation and monitoring and the self-evaluation process remains of good quality. The Chief Evaluator concludes that the independence of EvD is excellently preserved in the Bank and that all stakeholders work well together to learn from past experience. Especially in a time of financial crisis this collaboration is essential. As presented in Chapter 6, the Audit Committee is extensively reviewing evaluation reports and contributes to the system of following up of evaluation recommendations in an optimum way. The President is also helping to preserve actively the independence of the evaluation function and secures an optimum functioning of the management commenting process on evaluation reports.

Although the current Evaluation Policy since its establishment in 2005 has functioned well some improvements to the evaluation process have been introduced over the past years which require amendments to the Evaluation Policy:

1. *Agreement on "Access to Information" by staff in the Evaluation Department as concluded between Management and EvD in September 2006;*
2. *System of Follow-up of Evaluation Recommendations approved by the Board of Directors in 2006 and fully implemented in 2007;*
3. *Efficiency improvement through the introduction of a "light" short version of the Expanded Monitoring Reports in cases where an XMR Review is made by EvD and no more extensive evaluation product such as an OPER report or XMR Assessment is prepared; the "light" version XMR can also be an efficient self-evaluation product in cases of frameworks.*
4. *A selection procedure for the Chief Evaluator has been established by the Bank in the new Evaluation Policy of 2005 and in July 2008 the Board of Directors approved an amendment to the procedure with a detailed selection process for the Chief Evaluator.*
5. *In 2008 an improved selection process for the evaluation of projects ready for evaluation based on random sampling was developed and approved by the Audit Committee. With the approval of the Work Programme Preliminary Report for 2009 in October 2008, the Board endorsed the new selection process.*

7.3 ASSESSMENT OF ENVIRONMENTAL AND SOCIAL ISSUES

In 2008 EvD published a Special Study on the 2003 Environmental Policy as input to the development of the Bank's new 2008 Environmental and Social Policy. That Special Study contained many recommendations, most of which were incorporated into the new Policy. This section of the AEOR follows up on a few of the broader issues and recommendations.

7.3.1 Making the Business Case for Environmental and Social Investments

A major recommendation coming out of EvD's recent special study on the 2003 Environmental Policy was the need to focus on making the business case for environmental and social investments. EvD welcomes the paradigm shift by ESD from compliance to a banking approach towards making the business case for environmental investments, as most recently presented in the BDS09-054: "Fighting the Crisis, Promoting Recovery and Deepening Transition". This new thrust should parallel the work and structure of the Bank's focus on Energy Efficiency. However, EvD argues that, just as the Bank has developed an energy efficiency team with bankers and technical experts to implement this approach for energy efficiency projects, then if the Bank is serious about undertaking such an approach for environmental investments, ESD will require more staff with different skill mix than the staff currently assigned to "Sustainability Initiatives".

Recommendation: EvD supports the Bank's shift towards making the "business case" for environmental and social investments as a strong addition to the more traditional compliance based risk mitigation approach. EvD recommends that within ESD a separate unit be set up sufficiently staffed to undertake this new initiative.

7.3.2 Environmental Categorization

EvD has previously written regarding environmental categorization. Environmental categorization is the initial, risk mitigation and triage step undertaken as part of the project approval process and establishes the general level of effort put in projects by ESD. Overall this is a robust system. As part of the new 2008 Environmental and Social Policy, ESD eliminated the previous "0/1" rating and clarified the A, B, C, FI ratings. EvD has, at times questioned the initial classification given to a project and continues to question projects when it believes that the classification is not in compliance with the Policy. (One example was a Iron Palletizing project evaluated in 2008 that included an existing mine with potential investment in a new mine.) Further, the classification has a direct impact on the length of public consultation. Public consultation is recognized by the Board as an important issue and OSG reports to the Board annually on any derogations of the PIP. In addition, ESD has reorganized its units into two major sub-departments whereby one concentrates on project appraisal and the other sub-department on environmental oversight, which includes monitoring. This can be considered an important division of responsibly in the environmental and social area of the Bank, which enhances transparency and corporate governance.

Recommendation: EvD recommends that, given the new ESD structure, responsibility for approval of the Environmental Categorization be made separate from responsibility for environmental due diligence. The Project Appraisal team would still recommend the appropriate categorization, but the Project Oversight team, in conjunction with the Corporate Environmental Director, would separately review

and approve the classification prior to OPSCOM. On complex projects, this review and approval process should also include someone from OGC.

7.3.3 EU Environmental Compliance and Achieving Environmental Additionality

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". The term "sustainable development" was first coined by the *Brundtland Commission* in 1983 to encompass environmental, social, and economic development. In the 2003, the Environmental Policy (EP) was updated to include social impacts. In 2008, the Board approved a new Environmental and Social Policy (ESP) further expanding the Bank's understanding of the term "environmentally sound and sustainable development." The Bank's approach is a risk management compliance-based approach built on EU compliance standards.

In 2008, EvD published a Special Study on the "Achieving the Bank's Environmental and Social Mandate through Direct Investments". This Special Study provides a broad assessment of performance and provided several recommendations. In response Management has stated that:

> "The Bank has maintained its commitment to EU environmental standards, whilst continuing to recognise that this represents a challenge for many of our clients. Where necessary projects will be given time and support to help them meet the Performance Requirements. The key instrument for this is the project's Environmental and Social Action Plan (ESAP); PR 3 states that agreed ESAP implementation *time frames will be consistent with any bilateral agreements agreed between the EU and the relevant country* and may also take into account implementation cost and local conditions."

It is important to make sure that this does not result in minimal to no environmental additionality. If clients only have to meet bilateral *EU Acquis* agreements, within the time frame of such agreements, then, (assuming reasonable enforcement), if such timeframe is longer than the life of the EBRD project, then it is unclear what EBRD brings to the equation. EvD's understanding is that the Bank's 2008 Environmental and Social Policy (ESP) requires compliance with national and EU standards, so as to provide a demonstration affect.

Recommendation: EvD recommends that, in order to provide better transparency, management should present in the Board Paper, timeframes for achieving environmental and social compliance, particularly if this is longer than the expected time frame of the Bank's financial involvement in a project. In new member states, when there is a schedule for EU compliance, this should be taken into account, but is not a reason to delay compliance. The Bank's additionality is based on achieving EU standards which often will be in advance of EU timeframes. In cases where, during implementation it becomes clear that achieving EU standards over the life of the project, or the timeframe specified in the Board Paper, is simply not possible, then, this should be considered a material change.

7.4 ASSESSMENT OF TECHNICAL COOPERATION RELATED ISSUES

In the PCR Assessment report prepared in 2008 EvD recommended that Management should take steps to ensure the aggregation of call-off data per country and client. This would usually require a more detailed classification than the current standards used in EBRD's TC management information system. In addition, call-offs per client exceeding certain thresholds (to be defined), should require separate progress and completion reporting. Management advised EvD in this respect that in the future the TC Com will request from the relevant banking teams a regular update on the utilisation of the frameworks under the ETC Fund, including aggregated data by client and by country of operation.

7.5 PROCESS REVIEW OF THE SYSTEM OF FOLLOW-UP OF EVALUATION RECOMMENDATIONS 2009

7.5.1 Background

Since the Evaluation Department became fully independent from Management in June 2005, Management has had the opportunity to provide formal Management's Comments (MCs) to evaluation reports. However, as no system existed to inform the Board of Directors on the follow-up of evaluation recommendations by Management, EvD proposed the establishment of a new system as presented in the AEOR for 2006. The Board of Directors in July 2006 confirmed the proposed system. In May 2009 a report "Follow up of Evaluation Recommendations 2009" (BDS09-078) jointly prepared by EvD and Management was presented to Board of Directors, after having been reviewed in April 2009 by the Audit Committee. In the next section EvD presents its views on the working of the system.

7.5.2 Process analysis of the system of Follow up of Evaluation Recommendations 2009

Management has responded in a balanced and constructive way to evaluation recommendations, referring back extensively to the respective Management's Comments and sometimes to Board deliberations on the evaluation as was reflected in the above mentioned report. In 2008 in total 13 evaluation reports on specific themes, sectors and Bank projects incorporated recommendations which had been reviewed by the Audit Committee and in respect of which Management had taken the necessary follow-up. The process also benefits from the fact that the Audit Committee pays good attention to the evaluation recommendations in its deliberations. The Audit Committee Chairman's report to the Board of Directors and the Minutes of the meetings explain the position of the Committee in respect of the evaluation recommendations and give guidance to Management in respect of the follow-up of these recommendations.

Concerning some issues EvD was able to reiterate its views and some issues were addressed and will be further addressed by Management in sectors policies of the Bank:

- Many of the recommendations in respect of the evaluation of the Bank's evaluation policy were incorporated in the 2008 Environmental and Social Policy;

- The evaluation report on the Early Transition Cooperation (ETC) Fund resulted in further work on how to measure social impact and which indicators could be used;
- The special study Assessment of Project completion reports on TC operations helped Management develop a better structure for recording success indicators for TC operations;
- The evaluation of a mining project in Russia alerted Management to develop a new Operation Policy to cover all forms of non-energy related extraction of natural resources (mining policy);
- The Agribusiness sector study helped Management in further activities in the following areas: further improve linkages to primary agriculture; continue adapting rang of financing products specifically geared to agribusiness; improve rural access to credit, increase of use of technical cooperation; and increase in policy dialogue;
- With reference to the study on the Danube River Basin Management is actively developing its activities in water and wastewater projects with special emphasis on wastewater. In addition the municipal environmental investment team will focus its activities on secondary versus capital cities.

Noting the report on Follow up of Evaluation Recommendations 2009 the Board in its meeting of 20th May 2009 expressed its appreciation that it had been given the necessary insights into the process and that it was shown that Management takes the follow up in respect of the evaluation recommendations seriously.

With the review and approval of the joint report of EvD and Management by the Board, the follow up of the 2008 evaluation recommendations is completed in a positive way.

The Chief Evaluator is of the view that the process of Follow up of Evaluation Recommendations 2009, whereby Management reports on the follow-up of evaluation recommendations presented in evaluation reports that were distributed to the EBRD Board in 2008 and whereby a review is made by EvD on Management's accomplishments respectively, worked well and that many lessons have been learned.

ANNUAL EVALUATION OVERVIEW REPORT 2009

LIST OF APPENDICES

EvD's Work Programme 2008: Operation performance ratings on the 23 OPERs

Operation	Year of Board Approval	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2002	ROMANIA	Municipal & Env Inf	PRIVATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 2	2003	<REGIONAL>	Agribusiness	PRIVATE	L	Excellent	Excellent	Substantial	Successful
Project 3	2003	SLOVENIA	Bank Lending	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 4	2001	<REGIONAL>	Property and Tourism	PRIVATE	L/E	Good	Excellent	Some	Successful
Project 5	2004	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Substantial	Successful
Project 6	2003	<REGIONAL>	Bank Lending	PRIVATE	L/E	Good	Good	Some	Successful
Project 7	2000	<REGIONAL>	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 8	2005	BELARUS	Agribusiness	PRIVATE	L/E	Good	Satisfactory	Substantial	Successful
Project 9	1998	<REGIONAL>	General Industry	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 10	2002	SERBIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 11	2002	RUSSIAN FEDERATION	Transport	STATE	L	Satisfactory	Marginal	Some	Successful
Project 12	2005	FYR MACEDONIA	General Industry	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 13	1999	ALBANIA	Power and Energy	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 14	2005	KAZAKHSTAN	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 15	2006	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Satisfactory	Satisfactory	Some	Partly Successful
Project 16	2006	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 17	2006	CROATIA	Agribusiness	PRIVATE	E	Satisfactory	Marginal	Some	Partly Successful
Project 18	2000	FYR MACEDONIA	Municipal & Env Inf	STATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 19	2005	RUSSIAN FEDERATION	Power and Energy	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 20	2000	KAZAKHSTAN	Transport	STATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 21	1996	UKRAINE	Power and Energy	STATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 22	2004	RUSSIAN FEDERATION	Municipal & Env Inf	PRIVATE	L	Unsatisfactory	Unsatisfactory	Some	Unsuccessful
Project 23	2000	<REGIONAL>	Natural Resources	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful

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

EvD's Work Progamme 2008:
Operation performance ratings on the 21 XMR assessments

Operation	Year of Board Approval	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2001	CROATIA	Municipal & Env Inf	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 2	1997	UKRAINE	General Industry	STATE	L	Good	Satisfactory	Outstanding	Highly Successful
Project 3	2005	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 4	2007	ROMANIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 5	2004	HUNGARY	Transport	PRIVATE	L	Good	Good	Some	Successful
Project 6	2005	MOLDOVA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 7	2006	GEORGIA	Small Business Finance	PRIVATE	L	Good	Good	Some	Successful
Project 8	2001	BOSNIA AND HERZEGO	Transport	STATE	L	Good	Marginal	Some	Successful
Project 9	2005	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L/E	Good	Marginal	None/Negative	Successful
Project 10	2005	POLAND	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 11	2002	ROMANIA	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 12	2005	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 13	2006	BULGARIA	Agribusiness	PRIVATE	L	Good	Good	Substantial	Partly Successful
Project 14	2005	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	Good	Some	Partly Successful
Project 15	2003	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Partly Successful
Project 16	2005	GEORGIA	Municipal & Env Inf	STATE	L	Good	Marginal	Some	Partly Successful
Project 17	2003	BULGARIA	Natural Resources	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 18	2004	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 19	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 20	2001	TAJIKISTAN	Transport	STATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 21	2001	KAZAKHSTAN	Transport	STATE	L	Marginal	NR	NR	Partly Successful

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

Basic data sheet: Operation performance ratings on the 251 OPERs prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2000	2005	CZECH REPUBLIC	Municipal & Env Inf	PRIVATE	L	Excellent	Excellent	Outstanding	Highly Successful
Project 2	2001	2004	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Excellent	Excellent	Outstanding	Highly Successful
Project 3	2003	2007	ROMANIA	Bank Equity	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 4	2003	2006	SLOVAK REPUBLIC	Non Bank Financial Institutions	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 5	1995	1997	CROATIA	General Industry	PRIVATE	L/E	Excellent	Excellent	Substantial	Highly Successful
Project 6	1993	1996	HUNGARY	General Industry	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 7	2003	2005	UKRAINE	General Industry	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 8	1999	2004	UKRAINE	Natural Resources	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 9	2000	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 10	1997	2000	KAZAKHSTAN	General Industry	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 11	2002	2006	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 12	2004	2006	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 13	2000	2004	POLAND	Non Bank Financial Institutions	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 14	1998	2000	CROATIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 15	1995	1999	LITHUANIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 16	1991	1997	HUNGARY	Telecoms Informatics & Media	PRIVATE	L/E	Excellent	Good	Some	Highly Successful
Project 17	1993	1997	SLOVENIA	Bank Lending	PRIVATE	L/E	Excellent	Good	Some	Highly Successful
Project 18	1992	1996	<REGIONAL>	Equity Funds	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 19	1998	2000	CZECH REPUBLIC	Bank Equity	PRIVATE	E	Excellent	Satisfactory	Some	Highly Successful
Project 20	1993	2000	SLOVENIA	Power and Energy	STATE	L	Good	Excellent	Some	Highly Successful
Project 21	1992	1996	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Substantial	Highly Successful
Project 22	2003	2005	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Highly Successful
Project 23	1994	1996	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Good	Some	Highly Successful
Project 24	1994	1996	POLAND	Property and Tourism	PRIVATE	L	Good	Good	Some	Highly Successful
Project 25	1994	1999	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L/E	Good	Satisfactory	None/Negative	Highly Successful
Project 26	1997	2000	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 27	1996	2007	POLAND	Equity Funds	PRIVATE	E	Excellent	Good	Substantial	Successful
Project 28	2003	2007	TAJIKISTAN	Small Business Finance	PRIVATE	L	Excellent	Good	Some	Successful
Project 29	1994	1997	POLAND	Agribusiness	PRIVATE	L	Excellent	Good	Some	Successful
Project 30	2005	2007	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Excellent	Satisfactory	Some	Successful
Project 31	2003	2007	AZERBAIJAN	Bank Lending/Bank Equity	PRIVATE	L/E	Excellent	Marginal	None/Negative	Successful
Project 32	2003	2005	HUNGARY	Natural Resources	PRIVATE	L	Good	Excellent	Outstanding	Successful
Project 33	1999	2002	UKRAINE	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 34	1996	2002	LATVIA	Municipal & Env Inf	STATE	L	Good	Excellent	Substantial	Successful
Project 35	1995	2002	UKRAINE	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 36	1995	2001	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 37	1995	1998	UKRAINE	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful

Basic data sheet: Operation performance ratings on the 251 OPERs prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 38	2001	2004	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Excellent	Some	Successful
Project 39	2002	2004	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Excellent	Some	Successful
Project 40	1997	1999	ESTONIA	General Industry	PRIVATE	L	Good	Excellent	Some	Successful
Project 41	1997	2002	CZECH REPUBLIC	Non Bank Financial Institutions	PRIVATE	E	Good	Excellent	None/Negative	Successful
Project 42	1999	2006	POLAND	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful
Project 43	2004	2006	<REGIONAL>	Natural Resources	PRIVATE	E	Good	Good	Substantial	Successful
Project 44	2001	2006	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 45	1995	2005	<REGIONAL>	Agribusiness	PRIVATE	E	Good	Good	Substantial	Successful
Project 46	1999	2005	TURKMENISTAN	Natural Resources	PRIVATE	L	Good	Good	Substantial	Successful
Project 47	2000	2004	AZERBAIJAN	Natural Resources	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 48	2000	2004	ESTONIA	Municipal & Env Inf	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 49	1996	2004	<REGIONAL>	Municipal & Env Inf	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 50	2002	2004	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 51	2001	2003	UKRAINE	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 52	1999	2002	CROATIA	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful
Project 53	1998	2001	SLOVAK REPUBLIC	Agribusiness	PRIVATE	L	Good	Good	Substantial	Successful
Project 54	1996	2000	<REGIONAL>	General Industry	PRIVATE	E	Good	Good	Substantial	Successful
Project 55	1996	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 56	1992	1997	LATVIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 57	1994	1997	SLOVENIA	General Industry	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 58	1994	1996	POLAND	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 59	2003	2007	SLOVAK REPUBLIC	Power and Energy	PRIVATE	L	Good	Good	Some	Successful
Project 60	2002	2006	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Good	Some	Successful
Project 61	1999	2006	KAZAKHSTAN	Power and Energy	STATE	L	Good	Good	Some	Successful
Project 62	1994	2005	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 63	2000	2005	POLAND	Municipal & Env Inf	STATE	L	Good	Good	Some	Successful
Project 64	1996	2004	RUSSIAN FEDERATION	Transport	STATE	L	Good	Good	Some	Successful
Project 65	1999	2004	CROATIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 66	1997	2003	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 67	1997	2003	KYRGYZ REPUBLIC	Property and Tourism	PRIVATE	L	Good	Good	Some	Successful
Project 68	2000	2003	BULGARIA	Municipal & Env Inf	PRIVATE	L	Good	Good	Some	Successful
Project 69	1999	2002	<REGIONAL>	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 70	1998	2001	POLAND	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 71	1997	2001	ESTONIA	Transport	STATE	L	Good	Good	Some	Successful
Project 72	1996	2001	FYR MACEDONIA	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 73	1998	2001	AZERBAIJAN	Natural Resources	PRIVATE	L	Good	Good	Some	Successful
Project 74	1998	2001	KAZAKHSTAN	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 75	1997	2000	BULGARIA	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 76	1997	2000	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Good	Good	Some	Successful

Basic data sheet: Operation performance ratings on the 251 OPERs prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 77	1995	1998	HUNGARY	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 78	1994	1996	ESTONIA	Bank Lending	PRIVATE	L/E	Good	Good	Some	Successful
Project 79	2002	2004	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Good	None/Negative	Successful
Project 80	1999	2004	BULGARIA	Non Bank Financial Institutions	PRIVATE	L/E	Good	Good	None/Negative	Successful
Project 81	2001	2002	POLAND	Bank Lending	PRIVATE	L	Good	Good	None/Negative	Successful
Project 82	1999	2002	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Successful
Project 83	1994	2001	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Good	Good	None/Negative	Successful
Project 84	1997	2000	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Successful
Project 85	2004	2007	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Satisfactory	Outstanding	Successful
Project 86	2004	2007	ALBANIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 87	2004	2007	SERBIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 88	2000	2006	CROATIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 89	1999	2005	AZERBAIJAN	Transport	STATE	L	Good	Satisfactory	Substantial	Successful
Project 90	1997	2003	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 91	1995	1999	ESTONIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Substantial	Successful
Project 92	1995	1998	HUNGARY	Municipal & Env Inf	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 93	1994	1998	ROMANIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Substantial	Successful
Project 94	1992	1996	HUNGARY	Transport	STATE	L	Good	Satisfactory	Substantial	Successful
Project 95	2003	2007	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 96	2004	2007	RUSSIAN FEDERATION	Bank Lending/Bank Equity	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 97	1995	2006	ROMANIA	Equity Funds	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 98	1996	2006	<REGIONAL>	Equity Funds	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 99	2002	2006	UZBEKISTAN	Small Business Finance	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 100	1996	2006	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 101	1999	2005	GEORGIA	Bank Lending/Bank Equity	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 102	1997	2005	KAZAKHSTAN	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 103	1997	2004	UKRAINE	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 104	2000	2003	SLOVAK REPUBLIC	Bank Lending	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 105	2001	2003	ROMANIA	General Industry	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 106	1997	1999	BOSNIA AND HERZEGOVINA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 107	1993	1998	ROMANIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 108	1992	1996	UKRAINE	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 109	2000	2005	CZECH REPUBLIC	Telecoms Informatics & Media	PRIVATE	L/E	Good	Satisfactory	None/Negative	Successful
Project 110	2002	2005	CROATIA	Bank Lending	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 111	1993	1996	LATVIA	Transport	STATE	L	Good	Satisfactory	None/Negative	Successful
Project 112	2003	2005	SERBIA	Agribusiness	PRIVATE	L	Good	Marginal	Some	Successful
Project 113	1995	2002	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E	Good	Marginal	Some	Successful
Project 114	2002	2007	POLAND	Property and Tourism	PRIVATE	L	Good	Marginal	None/Negative	Successful
Project 115	2005	2007	KAZAKHSTAN	Telecoms Informatics & Media	PRIVATE	L	Good	NR	NR	Successful

Basic data sheet: Operation performance ratings on the 251 OPERs prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 116	2005	2007	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L/E	Good	NR	NR	Successful
Project 117	2003	2006	HUNGARY	Municipal & Env Inf	PRIVATE	L	Satisfactory	Excellent	Outstanding	Successful
Project 118	1993	2001	SLOVAK REPUBLIC	General Industry	PRIVATE	L/E	Satisfactory	Good	Outstanding	Successful
Project 119	2003	2005	LITHUANIA	Municipal & Env Inf	STATE	L	Satisfactory	Good	Substantial	Successful
Project 120	1997	2001	UZBEKISTAN	Natural Resources	STATE	L	Satisfactory	Good	Substantial	Successful
Project 121	1996	1999	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Good	Substantial	Successful
Project 122	2000	2004	UKRAINE	Transport	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 123	2000	2003	RUSSIAN FEDERATION	Transport	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 124	1994	1999	ESTONIA	Bank Lending	PRIVATE	L/E	Satisfactory	Good	Some	Successful
Project 125	1994	1999	BELARUS	Transport	STATE	L	Satisfactory	Good	Some	Successful
Project 126	1994	1998	ROMANIA	Property and Tourism	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 127	1993	1998	SLOVENIA	Transport	STATE	L	Satisfactory	Good	Some	Successful
Project 128	1997	1999	BOSNIA AND HERZEGOVINA	Small Business Finance	PRIVATE	E	Satisfactory	Good	None/Negative	Successful
Project 129	2002	2006	RUSSIAN FEDERATION	Municipal & Env Inf	PRIVATE	L	Satisfactory	Satisfactory	Outstanding	Successful
Project 130	1995	1998	<REGIONAL>	Natural Resources	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Successful
Project 131	2004	2007	FYR MACEDONIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 132	1999	2007	UKRAINE	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 133	1999	2006	KAZAKHSTAN	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 134	2000	2005	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 135	1999	2004	KAZAKHSTAN	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 136	1997	2003	ESTONIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 137	1993	1997	UZBEKISTAN	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 138	2001	2005	UKRAINE	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 139	1997	2004	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 140	1999	2003	KAZAKHSTAN	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 141	2002	2003	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 142	1998	2005	GEORGIA	Transport	STATE	L	Satisfactory	Marginal	Some	Successful
Project 143	1996	1999	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	None/Negative	Successful
Project 144	1992	2000	POLAND	General Industry	PRIVATE	L	Good	Excellent	Outstanding	Partly Successful
Project 145	1997	1999	POLAND	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 146	1996	1998	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 147	1997	2001	GEORGIA	Agribusiness	PRIVATE	L/E	Good	Good	Substantial	Partly Successful
Project 148	2000	2002	LITHUANIA	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Partly Successful
Project 149	1999	2004	FYR MACEDONIA	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Partly Successful
Project 150	1999	2003	UKRAINE	Small Business Finance	PRIVATE	L/E	Good	Satisfactory	Some	Partly Successful
Project 151	2001	2003	SERBIA	Small Business Finance	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 152	2000	2003	GEORGIA	Small Business Finance	PRIVATE	L/E	Good	Satisfactory	Some	Partly Successful
Project 153	1999	2003	ALBANIA	Small Business Finance	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 154	1995	1997	GEORGIA	Transport	STATE	L	Good	Satisfactory	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 251 OPERs prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 155	1997	2000	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Good	Satisfactory	None/Negative	Partly Successful
Project 156	1996	2002	GEORGIA	Bank Lending	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 157	2000	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Marginal	None/Negative	Partly Successful
Project 158	1992	1998	BULGARIA	Power and Energy	STATE	L	Good	Unsatisfactory	None/Negative	Partly Successful
Project 159	2003	2007	<REGIONAL>	Natural Resources	PRIVATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 160	2003	2007	AZERBAIJAN	Natural Resources	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 161	2000	2006	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 162	1999	2003	GEORGIA	Power and Energy	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 163	2003	2006	RUSSIAN FEDERATION	Natural Resources	STATE	L	Satisfactory	Good	Some	Partly Successful
Project 164	2002	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 165	1999	2002	CROATIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 166	1995	2002	FYR MACEDONIA	Bank Equity	PRIVATE	L/E	Satisfactory	Good	Some	Partly Successful
Project 167	1998	2002	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Good	None/Negative	Partly Successful
Project 168	1992	1996	POLAND	General Industry	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 169	2001	2006	POLAND	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 170	1997	2005	MOLDOVA	Bank Equity	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 171	1994	1999	AZERBAIJAN	Power and Energy	STATE	L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 172	2000	2003	MOLDOVA	Small Business Finance	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 173	1996	1999	MOLDOVA	Small Business Finance	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 174	1992	1998	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 175	1993	1996	HUNGARY	Agribusiness	STATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 176	2002	2007	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 177	2001	2007	SERBIA	Municipal & Env Inf	STATE	L	Satisfactory	Marginal	Outstanding	Partly Successful
Project 178	1998	2000	BULGARIA	General Industry	PRIVATE	L/E	Satisfactory	Marginal	Some	Partly Successful
Project 179	1999	2004	<REGIONAL>	Property and Tourism	PRIVATE	E	Satisfactory	Marginal	None/Negative	Partly Successful
Project 180	1997	2003	HUNGARY	General Industry	PRIVATE	E	Satisfactory	Marginal	None/Negative	Partly Successful
Project 181	1994	1997	BULGARIA	Bank Equity	PRIVATE	E	Satisfactory	Unsatisfactory	None/Negative	Partly Successful
Project 182	2002	2007	CROATIA	Transport	STATE	L	Satisfactory	NR	NR	Partly Successful
Project 183	1993	2002	RUSSIAN FEDERATION	Small Business Finance	PRIVATE	L	Satisfactory	NR	NR	Partly Successful
Project 184	2000	2003	FYR MACEDONIA	Natural Resources	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 185	2000	2002	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 186	1993	1998	POLAND	General Industry	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 187	1996	2001	LATVIA	Property and Tourism	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 188	2001	2004	<REGIONAL>	Transport	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 189	1997	2003	UZBEKISTAN	Power and Energy	STATE	L	Marginal	Good	Some	Partly Successful
Project 190	1996	2002	KAZAKHSTAN	Transport	STATE	L	Marginal	Good	Some	Partly Successful
Project 191	1995	2001	TURKMENISTAN	General Industry	PRIVATE	L/E	Marginal	Good	Some	Partly Successful
Project 192	1999	2000	LITHUANIA	Agribusiness	PRIVATE	E	Marginal	Good	Some	Partly Successful
Project 193	1996	2000	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 251 OPERs prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 194	1998	2006	UZBEKISTAN	Municipal & Env Inf	STATE	L	Marginal	Satisfactory	Outstanding	Partly Successful
Project 195	1995	2006	SLOVAK REPUBLIC	Equity Funds	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 196	1996	2006	KAZAKHSTAN	Equity Funds	PRIVATE	L/E	Marginal	Satisfactory	Some	Partly Successful
Project 197	1995	2001	AZERBAIJAN	Municipal & Env Inf	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 198	2003	2005	AZERBAIJAN	Property and Tourism	PRIVATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 199	1998	2003	HUNGARY	Municipal & Env Inf	PRIVATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 200	1994	1997	HUNGARY	Property and Tourism	PRIVATE	L/E	Marginal	Satisfactory	None/Negative	Partly Successful
Project 201	1998	2006	KAZAKHSTAN	Bank Lending/Non Bank Financial	PRIVATE	L	Marginal	Marginal	Substantial	Partly Successful
Project 202	1998	2001	SLOVENIA	General Industry	PRIVATE	L/E	Marginal	Marginal	Some	Partly Successful
Project 203	1995	1997	UKRAINE	Natural Resources	PRIVATE	L	Marginal	Marginal	Some	Partly Successful
Project 204	1993	1997	RUSSIAN FEDERATION	Natural Resources	STATE	L	Marginal	Marginal	Some	Partly Successful
Project 205	1993	1996	BULGARIA	Bank Equity	PRIVATE	E	Marginal	Marginal	Some	Partly Successful
Project 206	1999	2002	HUNGARY	Bank Equity	PRIVATE	E	Marginal	Marginal	None/Negative	Partly Successful
Project 207	1996	1999	RUSSIAN FEDERATION	Transport	PRIVATE	L/E	Unsatisfactory	Marginal	Some	Partly Successful
Project 208	1994	1999	MOLDOVA	Agribusiness	STATE	L	Satisfactory	Satisfactory	None/Negative	Unsuccessful
Project 209	1995	2003	CZECH REPUBLIC	General Industry	PRIVATE	L	Satisfactory	Marginal	Some	Unsuccessful
Project 210	1996	1999	POLAND	Agribusiness	PRIVATE	L/E	Marginal	Excellent	Some	Unsuccessful
Project 211	2001	2005	CROATIA	Bank Lending	PRIVATE	L	Marginal	Good	Some	Unsuccessful
Project 212	1994	2002	BULGARIA	Equity Funds	PRIVATE	E	Marginal	Good	Some	Unsuccessful
Project 213	1998	2004	KAZAKHSTAN	Power and Energy	PRIVATE	L	Marginal	Satisfactory	Outstanding	Unsuccessful
Project 214	1995	1999	LATVIA	Bank Lending	PRIVATE	L/E	Marginal	Satisfactory	Some	Unsuccessful
Project 215	2001	2004	SERBIA	Equity Funds	PRIVATE	E	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 216	1993	1997	HUNGARY	Agribusiness	PRIVATE	L	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 217	1997	2001	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Marginal	Substantial	Unsuccessful
Project 218	1993	1997	UZBEKISTAN	Natural Resources	PRIVATE	L	Marginal	Marginal	Some	Unsuccessful
Project 219	1994	1998	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Marginal	Marginal	None/Negative	Unsuccessful
Project 220	2003	2007	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 221	1995	1998	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 222	1994	1996	CZECH REPUBLIC	General Industry	PRIVATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 223	1997	1999	CZECH REPUBLIC	General Industry	PRIVATE	E	Unsatisfactory	Excellent	Some	Unsuccessful
Project 224	1997	2001	POLAND	Agribusiness	PRIVATE	L/E	Unsatisfactory	Good	Some	Unsuccessful
Project 225	1998	2001	CROATIA	Agribusiness	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 226	1995	2000	MOLDOVA	Transport	STATE	L	Unsatisfactory	Good	Some	Unsuccessful
Project 227	1999	2007	LITHUANIA	General Industry	PRIVATE	L/E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 228	1997	2006	BULGARIA	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 229	1995	1998	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 230	1996	2003	UZBEKISTAN	Bank Lending	PRIVATE	L	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 231	1995	2002	UKRAINE	General Industry	PRIVATE	L	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 232	1997	2001	POLAND	General Industry	PRIVATE	E	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful

Basic data sheet: Operation performance ratings on the 251 OPERs prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 233	2001	2006	SLOVAK REPUBLIC	General Industry	PRIVATE	L	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 234	2003	2005	KAZAKHSTAN	Bank Equity	PRIVATE	E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 235	2000	2005	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	L	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 236	1996	2000	BULGARIA	Agribusiness	PRIVATE	L/E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 237	1996	1998	RUSSIAN FEDERATION	Transport	PRIVATE	L	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 238	1992	1997	CZECH REPUBLIC	General Industry	PRIVATE	L	Unsatisfactory	Unsatisfactory	Some	Unsuccessful
Project 239	2000	2006	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Unsatisfactory	NR	NR	Unsuccessful
Project 240	1994	2001	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Unsatisfactory	NR	NR	Unsuccessful
Project 241	1993	1999	HUNGARY	Transport	PRIVATE	L/E	Negative	Excellent	Some	Unsuccessful
Project 242	1994	1998	SLOVAK REPUBLIC	Natural Resources	PRIVATE	L/E	Negative	Satisfactory	Substantial	Unsuccessful
Project 243	1994	2000	CZECH REPUBLIC	Transport	STATE	L	Negative	Satisfactory	None/Negative	Unsuccessful
Project 244	1997	2001	POLAND	General Industry	PRIVATE	E	Negative	Marginal	Substantial	Unsuccessful
Project 245	1995	1999	KYRGYZ REPUBLIC	Agribusiness	PRIVATE	L	Negative	Marginal	Some	Unsuccessful
Project 246	1995	2002	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Negative	Marginal	None/Negative	Unsuccessful
Project 247	1996	1999	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Negative	Marginal	None/Negative	Unsuccessful
Project 248	1993	1998	ARMENIA	Power and Energy	STATE	L	Negative	Marginal	None/Negative	Unsuccessful
Project 249	1995	2004	MOLDOVA	Transport	PRIVATE	L/E	Negative	Unsatisfactory	None/Negative	Unsuccessful
Project 250	1997	1998	ESTONIA	Bank Equity	PRIVATE	E	Negative	Unsatisfactory	None/Negative	Unsuccessful
Project 251	1996	2007	UZBEKISTAN	General Industry	PRIVATE	L/E	Negative	NR	NR	Unsuccessful

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

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 1	2000	2007	ROMANIA	Power and Energy	STATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 2	2003	2006	CROATIA	Municipal & Env Inf	STATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 3	2004	2006	POLAND	General Industry	PRIVATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 4	1995	1998	HUNGARY	General Industry	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 5	2003	2006	ALBANIA	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 6	2001	2005	BULGARIA	Small Business Finance	PRIVATE	L/E	Excellent	Excellent	Some	Highly Successful
Project 7	1996	2004	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 8	2001	2003	BULGARIA	General Industry	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 9	2004	2007	UZBEKISTAN	Telecoms Informatics & Media	PRIVATE	E	Excellent	Excellent	None/Negative	Highly Successful
Project 10	2002	2006	FYR MACEDONIA	Small Business Finance	PRIVATE	L/E	Excellent	Excellent	None/Negative	Highly Successful
Project 11	2001	2003	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L/E	Excellent	Excellent	None/Negative	Highly Successful
Project 12	2003	2006	ROMANIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 13	2003	2006	BULGARIA	Telecoms Informatics & Media	PRIVATE	L/E	Excellent	Good	Some	Highly Successful
Project 14	1997	2005	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 15	2002	2005	ROMANIA	Natural Resources	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 16	1995	1997	HUNGARY	General Industry	PRIVATE	E	Excellent	Good	Substantial	Highly Successful
Project 17	1998	2002	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Excellent	Satisfactory	Some	Highly Successful
Project 18	2003	2005	ROMANIA	General Industry	PRIVATE	E	Good	Excellent	Outstanding	Highly Successful
Project 19	1996	1999	RUSSIAN FEDERATION	General Industry	PRIVATE	L/E	Good	Excellent	Outstanding	Highly Successful
Project 20	2002	2005	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 21	1997	2000	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 22	2003	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Good	Substantial	Highly Successful
Project 23	1997	2005	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Good	Some	Highly Successful
Project 24	2002	2004	BULGARIA	Bank Equity	PRIVATE	E	Good	Good	Some	Highly Successful
Project 25	2001	2003	CROATIA	Bank Lending	PRIVATE	L	Good	Good	Some	Highly Successful
Project 26	1996	2000	HUNGARY	General Industry	PRIVATE	L/E	Good	Good	Some	Highly Successful
Project 27	1996	1998	ESTONIA	Bank Lending	PRIVATE	L	Good	Good	Some	Highly Successful
Project 28	2003	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Highly Successful
Project 29	1998	2004	ROMANIA	Property and Tourism	PRIVATE	L/E	Good	Good	None/Negative	Highly Successful
Project 30	1999	2002	SLOVENIA	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Highly Successful
Project 31	1993	1999	HUNGARY	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Highly Successful
Project 32	1997	2000	ROMANIA	Bank Equity	PRIVATE	E	Good	Marginal	Some	Highly Successful
Project 33	1995	2000	ROMANIA	Agribusiness	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 34	1997	1999	HUNGARY	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 35	2002	2007	BULGARIA	Power and Energy	PRIVATE	L	Excellent	Good	Substantial	Successful
Project 36	1997	1999	BULGARIA	General Industry	PRIVATE	L	Excellent	Good	Substantial	Successful
Project 37	2002	2007	POLAND	General Industry	PRIVATE	L	Excellent	Good	Some	Successful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 38	2004	2007	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Excellent	Good	Some	Successful
Project 39	1995	1998	CROATIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Successful
Project 40	1992	1998	BULGARIA	Telecoms Informatics & Media	STATE	L	Excellent	Good	Some	Successful
Project 41	1997	1999	LATVIA	Telecoms Informatics & Media	PRIVATE	L/E	Excellent	Good	None/Negative	Successful
Project 42	1993	1998	ALBANIA	Property and Tourism	PRIVATE	L/E	Excellent	Good	None/Negative	Successful
Project 43	2002	2005	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	L/E	Excellent	Satisfactory	Some	Successful
Project 44	1995	1998	POLAND	Non Bank Financial Institutions	PRIVATE	E	Excellent	Satisfactory	None/Negative	Successful
Project 45	1999	2002	FYR MACEDONIA	Telecoms Informatics & Media	PRIVATE	L	Excellent	Marginal	None/Negative	Successful
Project 46	1994	1998	POLAND	Power and Energy	PRIVATE	L	Good	Excellent	Outstanding	Successful
Project 47	2004	2007	BULGARIA	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 48	2002	2006	<REGIONAL>	General Industry	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 49	2000	2005	UZBEKISTAN	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 50	2001	2003	CROATIA	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 51	1997	2000	<REGIONAL>	Municipal & Env Inf	PRIVATE	L/E	Good	Excellent	Substantial	Successful
Project 52	1995	1998	HUNGARY	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 53	1993	1998	POLAND	General Industry	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 54	2002	2005	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Excellent	Some	Successful
Project 55	2000	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Excellent	Some	Successful
Project 56	1992	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Excellent	Some	Successful
Project 57	1996	1999	CROATIA	Bank Lending	PRIVATE	L	Good	Excellent	Some	Successful
Project 58	1997	1999	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Good	Excellent	Some	Successful
Project 59	1998	2004	UKRAINE	General Industry	PRIVATE	L	Good	Excellent	None/Negative	Successful
Project 60	1994	1999	KYRGYZ REPUBLIC	Telecoms Informatics & Media	STATE	L	Good	Excellent	None/Negative	Successful
Project 61	2003	2005	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 62	1999	2004	POLAND	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 63	1997	2001	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 64	1995	1998	LITHUANIA	General Industry	PRIVATE	L	Good	Good	Substantial	Successful
Project 65	1995	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	Good	Substantial	Successful
Project 66	1992	1997	LITHUANIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 67	1992	1997	ESTONIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 68	1993	1997	ROMANIA	Bank Equity	PRIVATE	L	Good	Good	Substantial	Successful
Project 69	1992	1996	ROMANIA	Natural Resources	STATE	L	Good	Good	Substantial	Successful
Project 70	1996	1996	ESTONIA	Bank Lending	PRIVATE	L	Good	Good	Substantial	Successful
Project 71	1993	1996	SLOVAK REPUBLIC	Natural Resources	PRIVATE	L	Good	Good	Substantial	Successful
Project 72	1999	2007	ARMENIA	Bank Lending	PRIVATE	L/E	Good	Good	Some	Successful
Project 73	2005	2007	HUNGARY	Transport	PRIVATE	L	Good	Good	Some	Successful
Project 74	2000	2007	POLAND	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 75	2003	2007	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E	Good	Good	Some	Successful
Project 76	2004	2007	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Good	Some	Successful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 77	1998	2006	LATVIA	Transport	STATE	L	Good	Good	Some	Successful
Project 78	2001	2005	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 79	2002	2005	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 80	2001	2005	SLOVAK REPUBLIC	Power and Energy	STATE	L	Good	Good	Some	Successful
Project 81	1999	2005	FYR MACEDONIA	Bank Equity	PRIVATE	L	Good	Good	Some	Successful
Project 82	2001	2005	HUNGARY	Non Bank Financial Institutions	PRIVATE	L	Good	Good	Some	Successful
Project 83	2000	2005	SERBIA	Small Business Finance	PRIVATE	L/E	Good	Good	Some	Successful
Project 84	2001	2004	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Good	Good	Some	Successful
Project 85	1999	2004	BOSNIA AND HERZEGOVINA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 86	2000	2004	RUSSIAN FEDERATION	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 87	2002	2004	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 88	2001	2004	SERBIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 89	2002	2004	SLOVENIA	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 90	1999	2004	UZBEKISTAN	Transport	STATE	L	Good	Good	Some	Successful
Project 91	2002	2004	ESTONIA	Non Bank Financial Institutions	PRIVATE	E	Good	Good	Some	Successful
Project 92	1999	2004	FYR MACEDONIA	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 93	2002	2004	CZECH REPUBLIC	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 94	2000	2003	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 95	1996	2003	CROATIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 96	1996	2003	KYRGYZ REPUBLIC	Bank Equity	PRIVATE	L	Good	Good	Some	Successful
Project 97	2001	2003	CROATIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 98	1996	2003	ROMANIA	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 99	2000	2003	KYRGYZ REPUBLIC	Bank Lending	PRIVATE	L/E	Good	Good	Some	Successful
Project 100	2000	2002	POLAND	Property and Tourism	PRIVATE	E	Good	Good	Some	Successful
Project 101	1999	2002	BOSNIA AND HERZEGOVINA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 102	1997	2002	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 103	1998	2002	MOLDOVA	Transport	STATE	L	Good	Good	Some	Successful
Project 104	1999	2001	GEORGIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 105	2000	2001	ARMENIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 106	1995	2001	FYR MACEDONIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 107	1999	2001	TAJIKISTAN	Transport	STATE	L	Good	Good	Some	Successful
Project 108	1996	2001	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 109	1999	2001	ROMANIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 110	1995	2000	POLAND	Property and Tourism	PRIVATE	L	Good	Good	Some	Successful
Project 111	1994	1998	POLAND	Equity Funds	PRIVATE	L	Good	Good	Some	Successful
Project 112	1994	1998	UKRAINE	Telecoms Informatics & Media	STATE	L	Good	Good	Some	Successful
Project 113	1992	1998	ALBANIA	Telecoms Informatics & Media	STATE	L	Good	Good	Some	Successful
Project 114	1995	1997	CZECH REPUBLIC	General Industry	PRIVATE	L	Good	Good	Some	Successful
Project 115	1994	1996	POLAND	General Industry	PRIVATE	L	Good	Good	Some	Successful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 116	2003	2006	SERBIA	Property and Tourism	PRIVATE	L	Good	Good	None/Negative	Successful
Project 117	2003	2006	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Successful
Project 118	1999	2004	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Successful
Project 119	1999	2004	HUNGARY	Transport	STATE	L	Good	Good	None/Negative	Successful
Project 120	2001	2003	SLOVENIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Successful
Project 121	1998	2003	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Good	None/Negative	Successful
Project 122	2000	2003	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Successful
Project 123	1998	2001	BOSNIA AND HERZEGOVINA	Telecoms Informatics & Media	STATE	L	Good	Good	None/Negative	Successful
Project 124	1997	2001	KYRGYZ REPUBLIC	Power and Energy	STATE	L	Good	Good	None/Negative	Successful
Project 125	2002	2007	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 126	2005	2006	KYRGYZ REPUBLIC	Property and Tourism	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 127	1994	1997	CZECH REPUBLIC	General Industry	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 128	2004	2006	LITHUANIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Some	Successful
Project 129	1998	2003	GEORGIA	General Industry	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 130	2000	2003	UKRAINE	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 131	1994	2002	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 132	1999	2002	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 133	1999	2002	UKRAINE	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 134	1996	2001	ROMANIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 135	1996	2000	CROATIA	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 136	1996	2000	CROATIA	Bank Lending	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 137	1996	2000	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 138	1996	1998	CROATIA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 139	1993	1997	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 140	1994	1997	POLAND	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 141	1994	1997	HUNGARY	Natural Resources	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 142	1993	1996	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 143	1993	1996	POLAND	General Industry	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 144	1993	1996	BULGARIA	Agribusiness	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 145	1994	1996	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 146	1993	1996	HUNGARY	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 147	1997	2006	UKRAINE	Transport	STATE	L	Good	Satisfactory	None/Negative	Successful
Project 148	2004	2006	KAZAKHSTAN	Agribusiness	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 149	2003	2006	<REGIONAL>	Municipal & Env Inf	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 150	1995	2004	<REGIONAL>	Bank Lending	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 151	1999	2004	CROATIA	Non Bank Financial Institutions	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 152	1992	1999	POLAND	Equity Funds	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 153	1997	1999	SLOVENIA	General Industry	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 154	1991	1997	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Satisfactory	None/Negative	Successful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 155	1993	1997	UKRAINE	Transport	STATE	L	Good	Satisfactory	None/Negative	Successful
Project 156	1994	1996	HUNGARY	Bank Equity	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 157	1998	2002	GEORGIA	Bank Equity	PRIVATE	L/E	Good	Marginal	Some	Successful
Project 158	1997	2000	HUNGARY	Bank Equity	PRIVATE	E	Good	Marginal	Some	Successful
Project 159	2001	2003	LATVIA	Non Bank Financial Institutions	PRIVATE	E	Good	Marginal	None/Negative	Successful
Project 160	1995	1999	SLOVAK REPUBLIC	Agribusiness	PRIVATE	L	Satisfactory	Excellent	Some	Successful
Project 161	1999	2000	SLOVAK REPUBLIC	Natural Resources	STATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 162	1993	1999	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 163	1995	1998	SLOVENIA	General Industry	PRIVATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 164	1993	1998	SLOVENIA	General Industry	PRIVATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 165	2005	2007	ROMANIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Substantial	Successful
Project 166	2001	2005	RUSSIAN FEDERATION	Natural Resources	STATE	L	Satisfactory	Good	Substantial	Successful
Project 167	1997	2000	POLAND	General Industry	PRIVATE	L/E	Satisfactory	Good	Substantial	Successful
Project 168	2002	2007	SERBIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 169	2002	2007	<REGIONAL>	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 170	2003	2005	UKRAINE	General Industry	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 171	2000	2003	CROATIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 172	1999	2003	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 173	1999	2002	POLAND	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 174	1995	2002	LATVIA	Power and Energy	STATE	L	Satisfactory	Good	Some	Successful
Project 175	2000	2002	ALBANIA	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Successful
Project 176	1996	2001	<REGIONAL>	Agribusiness	PRIVATE	L/E	Satisfactory	Good	Some	Successful
Project 177	1998	2001	ESTONIA	General Industry	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 178	1996	1999	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Good	None/Negative	Successful
Project 179	1995	1998	KYRGYZ REPUBLIC	Power and Energy	STATE	L	Satisfactory	Good	None/Negative	Successful
Project 180	2000	2007	UKRAINE	Transport	STATE	L	Satisfactory	Satisfactory	Substantial	Successful
Project 181	2002	2007	POLAND	Municipal & Env Inf	STATE	L	Satisfactory	Satisfactory	Substantial	Successful
Project 182	1993	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Successful
Project 183	1994	1999	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Satisfactory	Substantial	Successful
Project 184	1999	2001	HUNGARY	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 185	1993	1999	<REGIONAL>	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	Some	Successful
Project 186	1995	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 187	1994	1998	LITHUANIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 188	1992	1996	POLAND	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 189	1993	1999	SLOVENIA	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Successful
Project 190	1997	1999	POLAND	General Industry	PRIVATE	L	Satisfactory	Marginal	Some	Successful
Project 191	2001	2004	POLAND	Agribusiness	PRIVATE	L	Excellent	Good	Some	Partly Successful
Project 192	2002	2007	BOSNIA AND HERZEGOVINA	Telecoms Informatics & Media	STATE	L	Excellent	Marginal	None/Negative	Partly Successful
Project 193	2003	2006	UZBEKISTAN	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Partly Successful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 194	2003	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Excellent	Some	Partly Successful
Project 195	1997	2000	ROMANIA	General Industry	PRIVATE	L/E	Good	Excellent	Some	Partly Successful
Project 196	1997	2003	RUSSIAN FEDERATION	Power and Energy	STATE	L	Good	Good	Substantial	Partly Successful
Project 197	1997	2007	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Good	Some	Partly Successful
Project 198	2002	2005	GEORGIA	Transport	PRIVATE	L	Good	Good	Some	Partly Successful
Project 199	2000	2004	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Partly Successful
Project 200	2005	2007	AZERBAIJAN	Non Bank Financial Institutions	PRIVATE	L/E	Good	Good	None/Negative	Partly Successful
Project 201	1994	2001	SLOVENIA	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 202	1997	1999	TAJIKISTAN	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Partly Successful
Project 203	1993	1996	ALBANIA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Partly Successful
Project 204	1995	1998	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Good	Satisfactory	None/Negative	Partly Successful
Project 205	1996	1997	POLAND	Telecoms Informatics & Media	PRIVATE	L/E	Good	Satisfactory	None/Negative	Partly Successful
Project 206	1993	1996	HUNGARY	Property and Tourism	PRIVATE	E	Good	Satisfactory	None/Negative	Partly Successful
Project 207	1997	2005	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 208	1998	2002	POLAND	General Industry	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 209	1995	2002	ROMANIA	Power and Energy	STATE	L	Good	Marginal	Some	Partly Successful
Project 210	1995	2001	<REGIONAL>	Agribusiness	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 211	1999	2003	BOSNIA AND HERZEGOVINA	Agribusiness	PRIVATE	L	Good	Marginal	None/Negative	Partly Successful
Project 212	2002	2007	ARMENIA	General Industry	PRIVATE	L	Good	Unsatisfactory	Some	Partly Successful
Project 213	1996	2002	ROMANIA	Transport	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 214	1996	2001	POLAND	Agribusiness	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 215	1998	2001	BULGARIA	Agribusiness	PRIVATE	L/E	Satisfactory	Excellent	Some	Partly Successful
Project 216	1997	2003	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Excellent	None/Negative	Partly Successful
Project 217	2001	2007	POLAND	Municipal & Env Inf	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 218	1999	2006	<REGIONAL>	Power and Energy	PRIVATE	E	Satisfactory	Good	Substantial	Partly Successful
Project 219	1999	2003	POLAND	Bank Lending	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 220	1997	2003	AZERBAIJAN	Power and Energy	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 221	1996	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 222	1994	1998	ESTONIA	Municipal & Env Inf	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 223	1994	1997	LITHUANIA	Bank Equity	PRIVATE	L/E	Satisfactory	Good	Substantial	Partly Successful
Project 224	1994	1997	BULGARIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 225	2003	2007	SERBIA	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 226	2004	2007	MOLDOVA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 227	2004	2007	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 228	1996	2005	<REGIONAL>	General Industry	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 229	1997	2003	POLAND	Equity Funds	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 230	2000	2002	CROATIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 231	1997	2002	CROATIA	Agribusiness	STATE	L	Satisfactory	Good	Some	Partly Successful
Project 232	2000	2002	POLAND	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Good	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 233	1997	2001	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 234	1995	2001	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 235	1998	2001	LITHUANIA	Bank Lending/Bank Equity	PRIVATE	L/E	Satisfactory	Good	Some	Partly Successful
Project 236	1997	2000	BELARUS	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 237	2005	2007	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Good	None/Negative	Partly Successful
Project 238	1997	2004	HUNGARY	Transport	STATE	L	Satisfactory	Good	None/Negative	Partly Successful
Project 239	2004	2007	ESTONIA	General Industry	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 240	2001	2007	UKRAINE	General Industry	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 241	1998	2005	CROATIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 242	1998	2002	ESTONIA	General Industry	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 243	1994	1999	POLAND	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	Some	Partly Successful
Project 244	1993	1998	ALBANIA	Property and Tourism	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 245	1994	1997	ROMANIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 246	1992	1996	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 247	2002	2006	KAZAKHSTAN	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 248	2004	2006	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L/E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 249	1999	2005	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 250	1995	2001	<REGIONAL>	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 251	1992	2000	BELARUS	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 252	1994	1999	KYRGYZ REPUBLIC	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 253	1996	1999	UZBEKISTAN	Bank Equity	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 254	1993	1997	SLOVAK REPUBLIC	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 255	1992	1997	<REGIONAL>	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 256	1992	1996	HUNGARY	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 257	1994	1996	LATVIA	Bank Equity	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 258	1993	1998	ROMANIA	General Industry	PRIVATE	L/E	Satisfactory	Marginal	Substantial	Partly Successful
Project 259	2002	2005	POLAND	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 260	2002	2005	<REGIONAL>	General Industry	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 261	1995	1999	POLAND	General Industry	PRIVATE	E	Satisfactory	Marginal	Some	Partly Successful
Project 262	1997	2003	ALBANIA	Bank Lending	PRIVATE	L	Satisfactory	Marginal	None/Negative	Partly Successful
Project 263	1995	2000	UZBEKISTAN	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Marginal	None/Negative	Partly Successful
Project 264	2003	2006	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 265	2002	2005	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 266	2000	2005	POLAND	Municipal & Env Inf	STATE	L	Marginal	Good	Substantial	Partly Successful
Project 267	2001	2004	TURKMENISTAN	General Industry	PRIVATE	L	Marginal	Good	Substantial	Partly Successful
Project 268	1996	1997	ROMANIA	General Industry	PRIVATE	E	Marginal	Good	Substantial	Partly Successful
Project 269	1994	1997	ROMANIA	Agribusiness	PRIVATE	L	Marginal	Good	Substantial	Partly Successful
Project 270	1997	2003	MOLDOVA	Municipal & Env Inf	STATE	L	Marginal	Good	Some	Partly Successful
Project 271	1996	2003	UZBEKISTAN	Bank Equity	PRIVATE	L	Marginal	Good	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 272	1998	2002	SLOVAK REPUBLIC	General Industry	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 273	1994	2001	BELARUS	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 274	1996	1999	HUNGARY	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 275	2000	2004	SLOVAK REPUBLIC	Telecoms Informatics & Media	PRIVATE	E	Marginal	Good	None/Negative	Partly Successful
Project 276	2003	2006	UKRAINE	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 277	2002	2005	RUSSIAN FEDERATION	Transport	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 278	2001	2004	SERBIA	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 279	2001	2003	KAZAKHSTAN	Bank Equity	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 280	1999	2001	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 281	1996	1999	BULGARIA	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 282	1994	1998	RUSSIAN FEDERATION	Transport	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 283	1994	1997	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 284	1999	2006	CZECH REPUBLIC	Property and Tourism	PRIVATE	E	Marginal	Satisfactory	None/Negative	Partly Successful
Project 285	1996	2002	RUSSIAN FEDERATION	Bank Equity	PRIVATE	L	Marginal	Marginal	None/Negative	Partly Successful
Project 286	1996	2003	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Good	Some	Unsuccessful
Project 287	1994	2000	ARMENIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Unsuccessful
Project 288	1993	1999	ROMANIA	Agribusiness	STATE	L	Satisfactory	Satisfactory	Some	Unsuccessful
Project 289	1993	1998	BELARUS	Agribusiness	STATE	L	Marginal	Excellent	Substantial	Unsuccessful
Project 290	2000	2002	ROMANIA	General Industry	PRIVATE	L	Marginal	Excellent	Some	Unsuccessful
Project 291	1999	2002	LATVIA	Transport	PRIVATE	L	Marginal	Excellent	None/Negative	Unsuccessful
Project 292	1995	1998	UZBEKISTAN	General Industry	PRIVATE	E	Marginal	Good	Some	Unsuccessful
Project 293	1999	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Marginal	Good	None/Negative	Unsuccessful
Project 294	1995	1998	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Marginal	Satisfactory	Substantial	Unsuccessful
Project 295	1994	1997	CZECH REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 296	1991	1996	CZECH REPUBLIC	General Industry	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 297	1993	1996	ROMANIA	Non Bank Financial Institutions	PRIVATE	E	Marginal	Satisfactory	Some	Unsuccessful
Project 298	1997	2006	<REGIONAL>	Agribusiness	PRIVATE	E	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 299	2002	2005	POLAND	Transport	STATE	L	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 300	1993	2000	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 301	1992	1996	POLAND	Bank Lending	PRIVATE	L	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 302	1995	2000	UKRAINE	Agribusiness	PRIVATE	L/E	Marginal	Marginal	None/Negative	Unsuccessful
Project 303	2000	2007	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 304	1995	2001	MOLDOVA	Municipal & Env Inf	STATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 305	1993	1998	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Unsatisfactory	Good	Substantial	Unsuccessful
Project 306	1997	2000	RUSSIAN FEDERATION	General Industry	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 307	1998	2001	POLAND	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 308	1995	2000	<REGIONAL>	Bank Equity	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 309	1999	2004	AZERBAIJAN	Transport	STATE	L	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 310	1997	2002	CZECH REPUBLIC	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful

Basic data sheet: Operation performance ratings on the 323 XMR assessments prepared in 1996-2007

Operation	Year of Board Approval	Year of evalu-ation	Country Name	Industry Sector	Portfolio Class	Operation Type[1]	Transition Impact[2]	Environmental Performance of the Project and Sponsor[3]	Extent of Environmental Change[4]	Overall Rating[5]
Project 311	1996	2002	GEORGIA	Bank Lending	PRIVATE	L/E	Unsatisfactory	Marginal	Some	Unsuccessful
Project 312	1995	1999	POLAND	General Industry	PRIVATE	E	Unsatisfactory	Marginal	Some	Unsuccessful
Project 313	1999	2003	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 314	1997	2001	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 315	1997	2001	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L/E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 316	1994	2001	SLOVENIA	General Industry	PRIVATE	E	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 317	1994	1999	RUSSIAN FEDERATION	General Industry	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 318	1997	1999	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 319	1996	1999	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L/E	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 320	1991	1996	CZECH REPUBLIC	General Industry	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 321	1996	2001	LATVIA	Bank Equity/Bank Lending	PRIVATE	L/E	Negative	Satisfactory	Some	Unsuccessful
Project 322	1995	2000	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Negative	Marginal	None/Negative	Unsuccessful
Project 323	2002	2007	SLOVAK REPUBLIC	Equity Funds	PRIVATE	E	Negative	Unsatisfactory	None/Negative	Unsuccessful

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

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

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

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

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

1993-2008 Technical Cooperation Operation Performance Evaluation Reviews (OPERs)

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

1993-2008 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]
	2003										
1	Inst. Dev. & Mgt. of Baku Port	Azerbaijan	State	Transport	991	PI	01-May-98	24-Jul-98	23-Sep-02	Apr-03	Successful
2	Norsi Oil Refinery	Russia	Private	Oil & Gas	1,165	PP	25-Jul-97	07-Aug-97	05-Jun-02	Aug-03	Partly Successful
3	Env. Support to Budapest Bank Credit Line	Hungary	Private	Finance	281	PP/PI	07-Jun-96	13-Feb-97	05-Jun-02	Dec-03	Partly Successful
4	Technical Assistance to Uzbekneftegas	Uzbekistan	State	Oil & Gas	1,443	PP/AS	03-Mar-95	01-Apr-95	05-Jun-02	Oct-03	Partly Successful
5	Scoping Study for Railway Restructuring Project	Bosnia & Herz.	State	Transport	199	PP	04-Apr-00	30-Jun-00	05-Jun-02	Mar-04	Successful
6	Azeri Multi Bank Framework Financing Facility	Azerbaijan	Private	Finance	3,227	PP/PI/AS/T	12-Jul-96	19-Aug-96	13-Nov-02	Feb-04	Partly Successful
				Subtotal	**7,306**						
	2004										
1	Gostomel Glass Factory	Ukraine	Private	Manufacturing	172	PP	30-May-01	07-Aug-01	13-Aug-03	Jul-04	Successful
2	Air Navigation System Modernisation	Tajikistan	State	Transport	500	PI	31-Oct-01	29-Oct-02	17-Sep-04	Aug-04	Successful
3	KTZ Kazakh Rail TC	Kazakhstan	State	Transport	976	PP/AS	28-Feb-97	14-Mar-97	20-Jan-04	Jan-05	Successful
4	Romanian Ports Commercial Enhancement Prog.	Romania	State	Transport	320	PP	13-Feb-98	26-Aug-09	05-Jun-02	Jan-05	Partly Successful
5	BGZ Pre-Privatisation	Poland	State	Finance	4,161	PP	27-Feb-98	07-Apr-98	28-Jan-04	Feb-05	Successful
6	Bydgoszcz Water Supply	Poland	State	Municipal	779	PP/PI	08-Mar-96	16-Jun-00	05-Jun-02	Apr-05	Successful
				Subtotal	**6,908**						
	2005										
1	Sakhalinmorneftegaz	Russia	State	Mining	317	PI	13-Jun-01	25-Sep-01	07-Dec-01	Apr-06	Partly Successful
2/3	The Mongolian Cooperation Fund [2]	Mongolia	Private	Various	6,255	PP/PI/AS/T	30-May-01	14-Jun-01	26-Aug-03	Oct-05	Successful
4	Privatisation of Electricity Distribution Companies	Bulgaria	State	Energy	984	AS	06-Feb-02	07-May-02	26-Jul-05	Apr-06	Highly Successful
5	Sofia District Heating Rehabilitation	Bulgaria	State	Energy	1,552	PI	20-Jul-99	22-Nov-01	10-Feb-04	Feb-06	Successful
6	Private Sector Road Network Management	Poland	Private	Transport	1,262	PP/AS	23-Nov-99	12-Jun-00	06-Feb-03	Jan-06	Unsuccessful
				Subtotal	**10,370**						
	2006										
1	SME/MSE Lines of Credit Belarus	Belarus	Private	SME	721	PI	09-May-00	29-Jun-00	30-Jan-03	Apr-07	Successful
2	Road Sector Reform	Russia	State	Transport	1,412	PP/SW	28-Nov-01	08-Jan-02	17-Oct-02	Jan-07	Successful
3	Warsaw Metro & PPP Task Force Support	Poland	State	Municipal	1,486	PP	29-May-02	18-Dec-02	14-Mar-05	Jun-06	Partly Successful
4	Belgrade Municipal Infrastructure Reconstruction	Serbia	State	Municipal	598	PP/PI	24-Jul-98	30-May-01	05-Jun-02	Aug-07	Successful
5	Municipal Environmental Loan Facility	Romania	State	Municipal	654	PI	17-Dec-03	05-Feb-04	NA	Mar-07	Successful
6	Microfinance Bank of Azerbaijan	Azerbaijan	Private	SME	3,436	PP/PI	04-Jun-01	18-Dec-01	01-Sep-03	May-07	Successful
				Subtotal	**8,307**						
	2007										
1	Kombinat Aluminium Podgorica	Montenegro	Private	Manufacturing	359	AS	07-Oct-04	08-Feb-05	ongoing	Oct-08	Partly Successful
2	Sofia Public Transport	Bulgaria	State	Municipal	365	PP/PI	12-Feb-03	20-Jun-03	07-Oct-05	Jul-08	Partly Successful
3	Surgut Municipal Services Development Programme	Russia	State	Municipal	786	PP/PI	05-Sep-01	13-Sep-01	29-Aug-07	Feb-08	Successful
4	Port of Dubrovnik	Croatia	State	Transport	345	PI/AS	08-Sep-04	17-Dec-04	13-Mar-06	Feb-08	Successful
5	Energy Efficiency and Renewable Energy Credit Lines	Bulgaria	Private	Finance/Energy	1,808	PP/PI	20-Nov-03	16-Jun-04	14-Mar-06	Mar-08	Successful
6	Prioritisn. of Inv. Needs in Power Generation & Transmission	Azerbaijan	State	Energy	253	PP	07-Aug-02	11-Dec-02	08-Mar-06	Mar-08	Partly Successful
				Subtotal	**3,916**						
	2008										
1	ZTP Belgrade Reconstruction Project	Serbia	State	Transport	2,990	AS/PI/PP	01-Aug-01	03-Oct-01	ongoing	May-09	Successful
2	Kazakhstan Atyrau Airport Project	Kazakhstan	State	Transport	653	PI/PP	22-Jan-03	15-Dec-05	20-Aug-07	Oct-08	Unsuccessful
3	Bucharest Multi-Sector Project	Romania	State	Municipal	1,228	AS/PI/PP	05-Feb-02	13-Feb-02	28-Sep-05	Mar-09	Partly Successful
4	MBASK Insurance Company	Azerbaijan	Private	Finance	369	AS/PI	28-Oct-04	07-Dec-04	30-Jul-08	Feb-09	Successful
5	Komi Municipal Water Services	Russian Federation	State	Municipal	1,673	PI/PP	14-Nov-01	18-Jun-02	19-Dec-08	May-08	Successful
6	Environmental Training for Financial Intermediaries	Regional	Private	Finance	476	T	16-Jun-05	12-Dec-05	02-Nov-08	Mar-09	Successful
				Subtotal	**7,339**						

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

1993-2008 Special Studies and Evaluation Progress Reviews

	Operation	Country	Sector	Industry	EBRD Finance	TC Funds Amt	Type [1]	Board Approval	Report Date	Report Type
	1994									
1	Russia Small Business Fund I	Russia	Private	SME	1,778	2,851	Line of Credit/TC	26-Jul-93	Jul-94	Special Study/Mid-Term Review
				Sub-Total	**1,778**	**2,851**				
	1995									
1	Russia Small Business Fund II	Russia	Private	SME	14,099	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	21,340	1,420	Loan/TC	01-Nov-94	Jan-96	Mid-Term Review
				Sub-Total	**35,439**	**21,417**				
	1996									
1	SME Credit Line Project	Ukraine	Private	Finance	86,204	-	Loan	29-Nov-94	Dec-96	Special Study/Mid-Term Review
2	Wholesale Market Special Study	Hungary	State	Agriculture	43,983	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	**130,187**	**5,159**				
	1997									
1	Kyrgyzstan SME Credit Line	Kyrgyz Rep	Private	Finance	7,469	1,888	Line of Credit/TC	11-Nov-94	May-97	Mid-Term Review
2	Russia Small Business Fund III	Russia	Private	SME	380,249	32,707	Line of Credit/TC	26-Jul-93	Jul-97	Special Study/Mid-Term Review
3/4	Regional Venture Funds	Russia	State	SME	269,703	20,814	Equity/TC	n.a.	Aug-97	Special Study
5	Business Advisory Service	Baltics	Private	Finance	n.a.	4,196	TC	n.a.	Sep-97	Mid-Term Review
6	TAM Programme	Regional	Private	Priv/Restr	n.a.	11,417	TC	n.a.	Feb-98	Special Study
7	Financial Institutions Development Project	Russia	Private	Finance	30,252	-	Loan	23-May-94	Jan-98	Mid-Term Review
				Subtotal	**687,673**	**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.	121,964	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	**121,964**	**30,812**				
	2001									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	7,023	TC	Various	Jan-02	Special Study
2	Direct Investment Facility	Various	SME	Various	21,340	3,029	Equity	24-Feb-98	Nov-01	Mid-Term Review
3	Legal Transition Programme	Various	n.a.	Various	n.a.	11,624	n.a.	n.a.	Oct-01	Mid-Term Review
4	Financial Institutions Development Programme	Russia	Private	Finance	28,900	1,140	Loan	23-May-94	Aug-02	Special Study
5	Energy Efficiency of the Bank's Operations	Various	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Feb-02	Special Study
				Subtotal	**50,240**	**22,817**				
	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	396,126	38,492	Line of Credit/TC	26-Jul-93	Apr-03	Mid-Term Review
4	EBRD's Investments in Equity Funds	Various	Private	SME	1,500,000	n.a.	Equity Funds	Various	Oct-02	Mid-Term Review
				Subtotal	**2,196,126**	**54,237**				

1993-2008 Special Studies and Evaluation Progress Reviews

	Operation	Country	Sector	Industry	EBRD Finance	TC Funds Amt	Type [1]	Board Approval	Report Date	Report Type
	2003									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	5,458	TC	Various	Mar-04	Special Study
2	TurnAround Management Programme	Regional	Private/State	Various	n.a.	4,447	TC	Various	Apr-04	Special Study
3	Extractive Industries	Regional	Private/State	Various	n.a.	n.a.	Equity/Loan	Various	May-04	Special Study
4	Country Strategy Evaluation	Slovak Rep.	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Mar-04	Country Strategy Evaluation
5	Microfinance Institutions	Various	Private	SME	21,079	11,355	Equity/Loan/TC	n.a.	Sep-04	Country Strategy Evaluation
				Subtotal	**21,079**	**21,260**				
	2004									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	6,586	TC	Various	May-05	Special Study
2	MSME Delivery Mechanisms	Regional	Private	SME	n.a.	n.a.	Equity/Loan/TC	Various	Jan-05	Special Study
3	Grain Receipts Programme	Regional	Private	Agribusiness	347,277	830	Loan/TC	Various	Nov-04	Special Study
4	Power & Energy Sector Strategy Review	Regional	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Mar-05	Sector Strategy Evaluation
5	Country Strategy Evaluation	Croatia	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	Various	Mar-05	Country Strategy Evaluation
6	Country Strategy Evaluation	Azerbaijan	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Apr-05	Country Strategy Evaluation
				Subtotal	**347,277**	**7,416**				
	2005									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	5,977	TC	Various	May-06	Special Study
2	Telecommunications Sector Strategy Review	Regional	Private/State	Telecoms	n.a.	n.a.	Equity/Loan/TC	n.a.	May-06	Sector Strategy Evaluation
3	Property & Tourism Sector Strategy Review	Regional	Private/State	Property &	n.a.	n.a.	Loan/TC	n.a.	May-06	Sector Strategy Evaluation
4	DIF Programme	Regional	Private/State	Finance	42,680	1,228	Equity/Loan/TC	24-Feb-98	Apr-06	Special Study
5	Conditionality and Waivers	Croatia	Private/State	n.a.	n.a.	n.a.	Equity/Loan/TC	n.a.	Nov-05	Country Strategy Evaluation
6	Application of Environmental Guidelines in FI Projects	Azerbaijan	Private/State	Finance/Environ	n.a.	n.a.	Equity/Loan/TC	n.a.	May-06	Country Strategy Evaluation
7	Regional Venture Funds	Russia	Private	Finance		84,106	Equity/TC	Various	Apr-06	Special Study
				Subtotal	**42,680**	**91,312**				
	2006									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	2,247	TC	Various	May-07	Special Study
2	Post-Privatisation Funds	Regional	Private	Finance	121,964	25,936	Equity/TC	n.a.	Mar-07	Special Study
3	Business Advisory Services	Regional	Private	Finance	n.a.	33,735	TC	n.a.	Apr-07	Special Study
4	Financial Sector Operations Policy	Regional	Private/State	Finance	n.a.	n.a.	Equity/Loan/TC	n.a.	Sep-07	Sector Strategy Evaluation
5	Danube River Basin	Regional	Private/State	Environment	n.a.	n.a.	Equity/Loan/TC	n.a.	May-07	Special Study
				Subtotal	**0**	**61,917**				
	2007									
1	Sample of PCR Assessments	Various	Private/State	Various	n.a.	3,094	TC	Various	Apr-08	Special Study
2	Early Transition Countries Fund	Regional	Private	Various	n.a.	5,466	TC	Nov-04	Feb-08	Special Study
3	Japan-Europe Cooperation Fund	Regional	Private/State	Various	n.a.	5,170	TC	Various	Jul-08	Special Study
4	Agribusiness Sector Operations Policy Evaluation	Regional	Private/State	Agribusiness	n.a.	n.a.	Equity/Loan/TC	n.a.	Jun-08	Special Study
5	Environmental Policy of the Bank	Regional	Private/State	Environment	n.a.	n.a.	Other	n.a.	Jan-08	Special Study
				Subtotal	**0**	**13,730**				
	2008									
1	Assessment of Project Completion Reports	Various	Private/State	Various	n.a.	4,190	TC	Various	May-09	Special Study
2	Direct Investment Facility	Regional	Private	Various	129,852	3,069	Equity/TC	24-Feb-98	Dec-08	Special Study
3	Trade Facilitation Programme	Regional	Private	Various	1,308,966	2,757	Loan/Guarantee/TC	13-Dec-94	Jun-09	Special Study
4	The Bank's Small Business Finance Operations Policies	Regional	Private	Finance	n.a.	n.a.	Equity/Loan/TC	n.a.	Jun-09	Special Study
5	The Bank's Leasing Operations	Regional	Private	Finance	n.a.	n.a.	Equity/Loan/TC	various	May-09	Special Study
6	Bank's activities in Energy Efficiency	Regional	Private/State	Environment	n.a.	n.a.	Equity/Loan/TC	various	May-09	Special Study
				Subtotal	**1,438,818**	**10,016**				

SELECTED LESSONS LEARNED FROM INVESTMENT OPERATIONS EVALUATED IN 2008

INTRODUCTION

The lessons learned presented in this Appendix have been gathered from the projects evaluated in 2008. Certain lessons which were gathered during 2008 were also observed in projects of an earlier date. EvD notes that during the execution of projects operation teams are constantly learning and do their best to put into practice what they have learned. To help ensure that lessons from EvD's OPERs are also fully and permanently taken on board by the Operation Teams, EvD organises lessons learned workshops with the Teams. In these workshops, EvD looks at a wide range of lessons, the positive ones, as well as lessons of a more negative connotation.

A. TRANSITION IMPACT/ADDITIONALITY

Well balanced conditionality to enhance corporate governance. It is important to define appropriate conditionality from the outset for ensuring important governance improvements. This will facilitate the search process for an appropriate strategic investor.

Enhancing transition impact by addressing specific sector issues which affect various potential market participants. Enhancing transition impact by including further components in a project operation is an important task of an IFI. Private sector initiatives may be limited to specific investment operations and may not be able to properly address specific sector shortcomings like lack of information etc. Whilst the investment operation by the Bank can enhance competition and provide demonstrations effects, it is very important that the structuring team search for additional sector framework contributions which can be delivered via a TC Operation to facilitate the set up of such a system or via a joint venture with an international company active in this field by providing incentives to go further into the regions. In this case the client expressed that the creation e.g. of a real estate market index in 2001 would have contributed to reducing the lack of information flows and could have enhanced transition impact in a significant way (solving information bottlenecks for all market participants.) This could also provide feedback to EBRD for the periodic review of its strategy in this sector.

Processors of agricultural products may need Bank support for enhancing backward linkages. Technical assistance operations could facilitate the introduction of state-of-the-art technology and farming practices in the primary production patterns, triggered by the processor striving to reach international productivity benchmarks at all levels, including at the level of its farmers supplying tomatoes and for the entire tomato growing industry at large. Transition impact could be enhanced even further if such operations could be directed at a broader group of farmers and could involve various processors.

Lasting transition impact on an agricultural sub-sector may require a sequence of operations. Initial processor focus may need to be broadened in subsequent stages to have a lasting transition impact on the wider agricultural sub-sector (tomato growing industry in this case). A longer term Bank engagement may be crucial in a fast changing industry since processor-induced changes in primary farming take time and require substantial working capital. Broader sector improvements could further enhance transition impacts.

Sector policy dialogue is a crucial ingredient for successful agribusiness operations by the Bank and this activity cannot be delegated to other IFIs. The sector policy dialogue is challenging and time consuming in a large country of operation with different reform agendas by the various political parties and industrialists. Whilst a project by project approach can be effective

in certain situations, it is essential to forge also a reform consensus at the sector policy level either by EBRD alone or ideally jointly with other IFIs. The Bank's clients alone are often not able to successfully push for sector reforms such as VAT reimbursement system reform, or a timetable for the abolition of the moratorium on agricultural land sales.

Enhancing backward linkages in the agribusiness sector cannot be left to the Sponsors alone and should in selected projects be supported by TC and other operations by the Bank. The Bank should more actively use targeted TC and other operations to support backward linkages both related to a specific processor-related Bank operation (e.g. food processor, drinks manufacturer etc). This effort should ideally go beyond the Bank operation concerned and address entrance barriers for all market participants with the intention to reduce such barriers to market entrance and seek a broader transition impact as per the Bank's mandate. This may involve a cooperation with Government programs and a more active involvement in organisations which would provide rural credit and training etc. In this respect collaboration with other IFIs should be considered. In some cases the TC undertaken by Sponsors maybe supported and expanded to reach a broader group of farmers.

Evolution and application of a new regulatory framework for the National Electricity Grid is a complex process in most countries and needs constant attention and support. The introduction of the fairly complex new legislatory framework is at first sight very impressive. However, identified shortcomings will need to be addressed in the Russian electricity sector. The regulator should also evolve to some degree of independence from the Ministry of Power and Energy.

In public sector operations the Bank should seek an ongoing policy dialogue in order to ensure a strong transition impact over the full term of the operation and beyond. An active and ongoing commitment from both the Government and the Bank should ensure lasting and long term operation support with minimal risk of prepayment.

Anti-corruption robustness is a quality-at-entry 'project structuring' dimension which calls for more attention. According to anti-corruption experts, construction works are particularly prone to corruption adding often significant cost, causing delays, and can adversely affect quality and safety, all of which are noted in the implementation of this project; although, EvD found no direct or indirect evidence of corruption. Clearly separating of design and implementation supervision responsibilities is one of several features that make project designs more robust against corruption attempts.

Political comfort and promised policy dialogue. EBRD's investment in a project might contribute an intangible and uncertain level of political comfort. The Bank's relationships with the national and neighbouring governments might discourage actions that could adversely affect a project. A sponsor might reasonably judge that associating EBRD to a project would not increase political risk and might help to reduce it. The Bank, however, should avoid invoking policy dialogue in board documents as a source of political comfort unless it is prepared to be specific about the identity of the interlocutors, the subjects and objectives of the dialogue, and the likelihood of success. Indeed, caution is paramount as there is in general scant evidence of the effectiveness of EBRD's policy dialogue overall.

Assessing and mitigating transition impact risks in competition. EBRD should apply clear standards and sound judgement when assessing and mitigating market dominance and other risks to competition. The EU competition standards are useful guidelines in this regard, especially in countries aspiring to EU membership. The Bank should avoid asserting that non-compliance of an EBRD project with EU competition standards could be acceptable, or worse, that non-compliance could mitigate transition risk. Instead, projects that do not comply with EU competition standards

should contain features that will bring them into compliance as soon as possible in order to mitigate the risks.

EBRD should ensure that future projects with subsidiaries of international banking groups comply with the mandated principle of additionality. Pressure to reduce pricing or lessen the burden of covenants on such matters as use of funds or reporting requirements may be a sign that the local bank client is able to obtain financing on reasonable terms and conditions from another source or sources which could include the parent bank. In such cases it could be appropriate for EBRD to decline the proposal.

International banking groups can assist the transition process by improving standards of governance at local level. Where EBRD has previously had well founded concerns arising from integrity issues, the imposition by the new parent of best practice controls and standards may help alleviate or remove these concerns. However, before approving projects with the local bank in such circumstances, EBRD should satisfy itself through thorough enquiry that the source of earlier concerns has indeed been removed and that integrity concerns have been properly addressed.

Work with sound strategic investors to accelerate improvements in corporate governance. EBRD collaboration with international banks has the potential to intensify the influence of corporate governance improvements introduced by a strategic investor. The Bank's local knowledge and influence can help disseminate the advantages of sound governance practices and enhance their demonstration effect across the region.

Mandate considerations, particularly the additionality constraint, may require EBRD to withdraw from a market segment or sub-segment earlier than expected. When market conditions are improving rapidly, the Bank may come under pressure to cut margins on existing credit lines or agree to lower margins on new facilities. Where this pressure is the result of increasing market activity and the new entry of commercial sources of finance, the Bank should assess carefully whether its further involvement would be consistent with the principle of additionality. Withdrawal by the Bank from a market segment that commercial sources of finance have the appetite and capacity to support should be taken as a sign of the Bank's success in encouraging the development of the market segment in question.

B. ENVIRONMENT

Non-compliance of EAP implementation. In projects where the cost of the EAP is significant, non-compliance in implementing the EAP should be considered as material. Corporate decisions, market conditions, or other factors may cause a failure to fully implement the EAP. Regardless of the cause, when there are "material changes" Senior Management and the Board need to be informed.

EAPs should include a financing plan and preferably be associated with an environmental improvement fund. It is insufficient to present an EAP which implies significant use of "own resources" by the company, without ensuring that the funding is in place to fully support the EAP. As EAPs are often front loaded, EvD suggests the use of a declining Environmental Improvement Fund to annualise costs so as to ensure the availability of funding over the long term.

Health and Safety at work should be enhanced in construction projects through the inclusion of specific training as a project covenant. For construction projects, EBRD should include the requirement for the Company to undertake specific training in health and safety and provide guidance documents to assist in this task.

Dedicated staff with appropriate incentives are necessary to implement GEF-type projects. By agreeing to be an implementing agency of the GEF, EBRD agrees to undertake projects using the GEF objectives and to be an active promoter of environmental investments. Thus, such projects are "developmental". They may also have strong "transitional" components. To the extent that the bank seeks to undertake and participate in labour intensive efforts such as this, the bank needs to allocate staff who have the time and incentives to successfully implement such projects, and to "promote" the project model.

Regulatory enforcement is necessary to achieve full compliance with environmental standards. A strong and effective regulatory environmental is as important as cash incentives, if full compliance of EU environmental rules and regulations is expected.

C. SOUND BANKING

1. Appraisal and Due Diligence

A well defined TC input during restructuring of a local manufacturer can facilitate the tendering process for identifying a suitable strategic investor. In this case the well targeted TC delivered by an experienced specialist in the beverage industry contributed to improved offers from strategic investors who took confidence from the Bank's ongoing active role and the strengthening of management and production processes already underway.

In a large electricity sector reform undertaking it is important to present the Bank's effort in the context of the overall TC activities by IFIs and bilateral donors. The fit, direction and size of the Bank's TC effort attached to an electricity sector operation should be presented in the context of an overview and assessment of past, present and future efforts in the same sector by other IFIs and bilateral agencies. This would facilitate the assessment of the potential impact and coordination of the Bank TC with other multilateral agencies.

The Bank should demonstrate a clearer linkage to sector policy dialogue in the design and structuring of a project operation. The project design may need to consider a better balance between providing budgetary financing for a Government owned company in the electricity sector and the efforts towards transition progress which may be linked through conditionality in disbursements or via conditionality in the design of a longer term TC operation which would complement the financing of infrastructure solutions.

Prior to instigating reform processes the Bank needs to undertake more thorough and broader-based institutional analysis. Through comprehensive institutional analysis the Bank needs to identify main constituent parties, implementation capacity, process ownership, risk to the processes and logical sequencing and related milestone events. Related investments would need to be tailored and inter-linked with such reforms in order to serve as effective leverage tools.

Lack of Capacity of Implementing Institutions. Quality-at-entry standards need to ensure that the institutional analysis is of sufficient quality to identify risks and establish appropriate mitigation measures. To address the gaps in institutional capacity, TA support should be appropriately structured during project preparation.

A more holistic approach needs to be adopted by the Bank in infrastructure projects during project preparation with particular focus on project interfaces. Project preparation work in the Bank appears often pursued by designated banking teams in isolation, including for process expediency, or other reasons. Inherent synergy and cross-project leverage potentials and further reaching developmental requirements seem not systematically explored calling into question the effectiveness of inter-departmental committee meetings such as by the Operations Committee.

Measuring debt leverage using EBITDA multiples. It is important to be aware of the strengths and weaknesses of the various measures of debt leverage. It is good practice to use a combination of accounting ratios, rather than relying on a single ratio, when assessing the degree of a firm's leverage and limiting its leverage through covenants. Relying solely on one measure, such as a debt-to-EBITDA, ratio can encourage the borrower to behave in ways that generate a superior EBITDA, to the neglect of other factors, such as sound working capital management and liquidity. Also, it can permit or even encourage excessive short-term indebtedness and exposure to refinancing risk.

At worst, relying solely on the debt-to-EBITDA ratio can foster manipulation of earnings in order to comply with a covenant based on EBITDA; earnings are easier to manipulate than the level of indebtedness and book value of equity. Finally, the market value of the firm's assets, and therefore the multiplier in the EBITDA multiple, will vary with the equity market business cycle; a fall in the market value of the firm's assets (which is what the EBITDA multiple estimates) will increase the leverage of a given amount of debt. The Bank should also apply standard leverage and other financial ratios, based on accounting values, in its debt agreements and in its financial analysis.

Taking specific risks to support demonstration of new ways of financing. The Bank can be additional and have a positive and substantial demonstration effect especially when supporting the development of new financial instruments by assuming certain types of risks (e.g. commingling risk in the securitisation of consumer loans) that the market is not yet prepared to take. The support to a new type of financial instrument hardly tested in some of the EBRD countries may require the Bank to take risks that the market is not yet willing to assume. The combined challenges of a scarcely tested instrument, an uncertain legal environment, and a type of asset presenting specific risk associated may deter investors. By segmenting the risks and assuming some of them with a structure specifically designed to do so, the Bank can play an important role bridging the gap and contributing to the development of the market, so that in a later stage of development private investors may be willing to take the risks.

Market and credit risk should not be underestimated in moments of positive market growth. The timeframe of a construction project is not limited to the construction phase. In times of market exuberance it is easy to assume that market will continue to be as positive in the future and thus fail to address and mitigate the risk of a possible less positive cycle during the life of the project (i.e. once the construction phase is completed and sales are still due) and mitigate these risks accordingly.

Financial covenants should be focussed on cash flow and on operating performance against plan. Detailed cash flow forecasts should be prepared and scrutinised carefully at appraisal with any material shortfall during implementation triggering an event of default. Where projections show the potential for insufficient resistance to adverse cash flow events, the Bank should ensure that the sponsor has the capacity to make additional equity contributions.

Balancing risk and reward. As in the present case, the Bank should seek rehabilitation projects that have added potential for profit opportunities. Given the difficulties and costs of oil and gas work-over projects in the EBRD's region, additional profit potential should be sought, for example from exploration activities in or near the rehabilitation area. Such opportunities could achieve a more effective balance of risk and reward. They could also provide an additional incentive to the sponsor to continue investing if the profit expectations of the rehabilitation programme are not realised in the expected timeframe. The sponsor must also have access to sufficient cash resources outside the project to meet unexpected cash demands.

Negotiations on legal matters affecting EBRD relations with international groups should be conducted at an appropriately senior level. In the present case it appears likely that negotiations on replacement and new forms of guarantee agreement could have been concluded sooner if the

location of the decision-making authority on the question of parental guarantees had been identified at the outset of negotiations. The Bank should take swift action to identify and open communication with the central legal mind when it becomes apparent that managers with operational responsibility are functioning as interlocutors rather than decision-makers.

2. Design and Structuring

Project structures as proposed in the Board Report should more clearly spell out conflicts between various objectives: risk taking, security requirements, quick disbursement of Bank operations and maximum impact of Bank operations. A Board Report should spell out structuring choices in more detail and explain why a specific mix of refinancing and new project pipeline (as in this case) was selected. The objective of achieving maximal effect through the Bank supported facility maybe better served by not buying into an existing inventory of real estate projects which have already been financed. Other Bank guidelines regarding Credit risk and possibility to syndicate may create a conflict with the transition objective. Adequate explanations should be provided why a particular structure is chosen in the first place and whether the structure is requested by the Bank or by the client.

Multi-project facilities in the agribusiness sector provide a framework but need to be reviewed and adapted from time to time to the requirements of the Clients. Multi-project facilities have the advantage the a group of smaller sub-projects including working capital lines can be more efficiently processed by the Bank. In cases like this one where the relationship extends over a long period of time, it may be important to review with the client periodically how certain features can be further improved in order to fit into the Clients use of the working capital facilities during harvest season and also address more quickly re-focussing of facilities to other countries in case of changing harvest outlooks.

The Bank focus of upgrading facilities in a National Grid Company should also address important transmission planning issues and include elements for enhancing such areas. The Bank's project design with an emphasis on infrastructure upgrades should also address vital expansion planning system upgrades in order to achieve efficiency gains on a larger scale and not only related to the two transformer stations financed by the project loan operation.

Importance of Sufficient Maintenance Allocations. Project sustainability hinges on the provision of sufficient resources (financial and personnel), presence of skills, and supply of equipment for routine and periodic maintenance. Strong commitment of the benefiting government needs to be ensured in this respect. This requires productive and sustained dialogue with the respective Government to enable policy and institutional change.

Adequacy of Loan Covenants. A loan covenant needs to be realistic, i.e., ownership within the Government must be strong to ensure its implementation. In the absence of adequate ownership, implementation of such agreements is delayed and unlikely to be fully implemented.

Border Infrastructure Project design of physical infrastructure projects need to adopt a more holistic approach that understands the logistics chain rather than just a road section. In other words, complementary projects should be implemented in parallel or sequentially to ensure that overall trade costs are reduced and thus full benefits of the road infrastructure can be realized.

Fundamental changes in the business conduct of a utility can hardly be brought about by a TC operation implemented through management contract. The idea that vesting a TC operation with co-management responsibilities would be an effective means for achieving a company turnaround is mistaken. Co-management is not feasible without a strategic alliance between companies/partners, based on common goals and the sharing of resources as well as risks. A TC operation, even when it is embedded in a management contract, does not meet these criteria and, thus, cannot be expected to lock in profound changes in how a business is run, especially when such

changes require investment support. At best, a TC operation may provide sound managerial and operational assistance accepted by the Client. But it cannot substitute for a true co-management or concession contract involving the mutually agreed transfer of business rights and risks to an outsider.

Project rationale, corporate loans and shifting corporate strategies. A project rationale that depends on corporate commercial strategies should be taken with a grain of salt, unless they become the object of Key Covenants in the board report. Past experience has shown that sponsors may rapidly adapt their strategies and abandon investment plans that are the basis of the project rationale. Should the Bank wish to ensure that a planned investment takes place, it should require it to be set out as a Key Covenant in the board report. Also, when strategies shift due to market changes, merger of the sponsor or other reasons, management should perform a mid-term assessment of the project and inform management and the board about the strategic changes and their compatibility with the original project proposal. To do otherwise would imply that the original rationale was trivial and should not have been the basis for EBRD investing in the project.

Competition is no substitute for regulation in financial markets. It has proven untrue that spontaneous competitive behaviour will cure deficiencies in banking practices, such as predatory lending and inadequate financial disclosure, in the absence of law and regulation. It turns out that market participants will not self-regulate when that might result in losing market share to less transparent participants. In other words, competitors may view transparency to be a source of competitive vulnerability, not competitive advantage, resulting in a "race to the bottom". Transparency is a costly public good that participants will only supply under compulsion. Therefore, EBRD should not invoke self-regulating competition as a source of improved business practices and transparency in poorly regulated environments.

Support to the development of new financial instruments through long standing relationships. A long standing relationship of the Bank can represent a good opportunity to expand the range of financial instruments and to test new instruments (i.e. securitisation of consumer loans) still underdeveloped and with high potential in new markets. This can have a positive demonstration effect at the company level through skill transfers and at the market level through capital markets development.

Promoting the development of the mortgage market in parallel with the residential real estate market to secure commercial success. In order to promote an effective development of residential real estate projects, especially when it refers to housing development, the Bank should pay special attention to the mortgage financing market in the area, its drivers and constraints, strengths and weaknesses (e.g. high dependence on international financing) and, to the extent possible through the project or by coordination with the FI team, to work to secure that funds for mortgage financing in the adequate amounts, terms, prices and conditions are available.

Assist local governments to develop urban planning and construction regulations through TC programmes, to guarantee an adequate environment for real estate projects. In the context of strong growth of the property market in many of the countries of operation, there is a good opportunity for TC programs to transfer the experience of urban planning and construction regulations in western countries. This would secure a more organised and efficient city growth, more transparent markets and better quality of the final product, including safety and environmental standard.

Use loan covenants to ensure that EBRD funds continue to reach targeted customers and market segments. Loan agreements with partner banks, including subsidiaries of international banks, must contain appropriate conditions to ensure that the partner bank disburses EBRD funds to the intended market segment. Experience has shown that well constructed covenants can enhance the achievement of the Bank's transition goals. Covenants are capable of being amended if

circumstances change, for example if it becomes desirable to broaden the outreach of an SME credit line to embrace microlending. Tight control of use of proceeds is especially important when liquidity is under pressure generally.

3. Monitoring

Periodic review of investment criteria of a real estate fund. The Bank may need to review periodically detailed investment criteria prescribed at the time of approval of a real estate fund investment. This is particularly important in fast changing markets with strong downward pressure on yields. The Client is of the view that projects in regional cities pose often bigger challenges than projects in the capitals. In regional cities it is often more difficult to raise debt. Furthermore, the development effort is more difficult, since a less "sophisticated" municipality may need more support from the developer and last but not least it may also be more difficult for the developer to exit after project completion.

Project phasing: To structure real estate projects in phases when the nature of the assets allows to, in order to minimize market risk. In construction projects where the nature of the assets (i.e. individual houses versus unit buildings) allows for phasing of the construction process, the Bank should consider the possibility of financing by phases, with each phase conditional to performance of each previous one in terms of achievement of construction in time and quality and, more importantly, sales performance, and to establish covenants in the financing agreements to reflect the phasing of the project.

To the extent possible the Bank should insist on the right to determine minimum requirements for the content and timing of regular management reports on operations. Where sensitive environmental issues are involved, the Bank should ensure that there is sufficient regularity of inspection of sites by Bank staff or by independent experts appointed by the Bank. The Bank should insist on disclosure to the Bank of the financial statements of the sponsor and borrower and disclosure of any audit findings and reports commissioned by shareholders of the sponsor or borrower.

4. Role of Sponsor

International Sponsors involved in processing of agricultural products have contributed to increased efficiencies through restructuring and upgrading of outdated processing plants and to quality improvements in primary agriculture in order to obtain raw materials (e.g. barley, milk) which meet the quality requirements for further processing stages. International Sponsors have contributed to the consolidation and upgrading of outdated processing facilities and have contributed to achieving longer term supply contracts with farmers. In this case their effort to produce more competitive and higher quality malt from local barley combined with higher supply reliability were key ingredients for achieving off take arrangements with leading breweries.

Securitisation and sponsor risks. Securitisation of a portfolio of loans does not eliminate financial and reputational risk exposure to the originator. Monitoring should not focus exclusively on the financial performance of the loan pool but also pay attention to financial performance and business practices of the originator.

When a new operating entity is proposed as 'sponsor' the Bank should make a full assessment of the entity's technical, managerial and financial capacity to support the project. This assessment should form an integral part of due diligence. The background and experience of key individuals should be clearly appraised. Where proposed sponsors lack experience of similar projects or of the operating environment in the countries concerned, the Bank's operation team should make clear how weaknesses are to be overcome.

Big name shareholders with minority stakes in sponsoring entities may not be willing to commit management, technical and financial resources if the project runs into difficulties.

Especially where the project is minor relative to their normal operations, large company shareholders of new entities set up to fill the role of sponsor may have little interest or incentive to commit senior management or resources to problem solving or to undertake the task of overseeing activities on a day-to-day basis. As part of due diligence the Bank should investigate the capacity and willingness of shareholders to provide technical support as well as financial support through the injection of additional equity when necessary.

Checking sponsor experience and capacity. Ensure that sponsors have sufficient relevant experience, technical skills and management capacity to undertake operations confidently. The Bank must be satisfied that sponsors have a reasonable expectation of meeting PSA terms and conditions and achieving PSA milestones in a timely manner. While some allowance must be made to accommodate a learning curve in a difficult environment, the sponsor must be capable of producing an early detailed implementation plan that has reasonable prospects of success.

Enforcing sponsor commitments. Obtain reasonable assurances that the sponsor's financial commitment to a project is enforceable, especially where failure by the sponsor to meet financial obligations could damage the Bank's reputation by association. In the present case, work on the development plan was delayed for several months when the original sponsor lost interest in the project. Impairment of the Bank's investment was averted only after protracted negotiations which resulted in the new sponsor taking full control of the operation. Wherever possible, the Bank should seek enforceable sponsor guarantees that can be called upon to safeguard both the project and the Bank's investment.

The Bank should continue working with international banking groups and national authorities to raise standards in the financial sector. As seen in the present case, the Bank has used its cooperation with an international group to assist the development of new banking products in individual countries. In a number of countries the Bank has simultaneously engaged in policy dialogue with the authorities to put in place appropriate legislation, regulation and standards for particular sub-sectors. By continuing these efforts the Bank can help partner banks and end-borrowers work through the crisis while sustaining transition achievements to date.

D. EBRD-RELATED LESSONS

In a relatively small loan operation to an entrepreneurial food processing company monitoring costs may be a concern to the Team. The selection of debt or equity product may need to consider besides the credit risk, also required monitoring resources and costs. Supporting an entrepreneurial local agribusiness company may be more effective by using an EBRD supported equity/venture capital fund to ensure more participation in business development through a nominee director in the Board. This would require an equity stake, or a sub-debt involvement and an appropriate mechanism to also participate in the upside potential.

Review EBRD's risk taking appetite in the agribusiness sector with the objective to support more initiatives which are addressing the key constraints faced by primary agriculture. The Bank's engagement in agribusiness has been very selective and in essence closer to the processor and distributor stages of agricultural products. Whilst the argument is valid that processors ultimately have a beneficial impact on primary agriculture the case can be made that a portion of the Bank's agribusiness activities may target the higher risk primary agriculture in combination with a focus on rural credit, extension services and storage.

Selection criteria for defining project scope in view of achieving the project objectives should be clearly presented in the Board Report. The selection of project components should be explained in some detail in the Board Report especially in public sector projects where the Bank project only has a small impact on the overall annual investment program as in the case of a Federal

Grid Company. The definition of clear project objectives and relevant project components for achieving such objectives is important for the ex post evaluation process.

The Bank has limited capabilities to manage complex projects with interdependent components financed by different donors/IFI, especially when the Client lacks experience and the operation takes place in a difficult political and institutional environment. In the case of the Reconstruction Loan, the Bank took considerable implementation risks by launching a complex project with multi-party involvement. Unsurprisingly, it encountered implementation problems that could only be contained with the heavy and costly support of the Lender's Engineer by stepping beyond its normal remit and becoming de facto part of the PMU structure (Section 3.2.7). In fact, increased reliance on the Lender's Engineer was the only feasible remedy since the Bank has neither the mandate nor the means to heavy-handedly manage project implementation. The positive aspect of this failure was, however, that the Bank rapidly learned the lesson: It financed the follow-on project in the distribution sector on a stand-alone basis and implemented the investment through single-responsibility contracts for discrete (regionally distinct) packages, which eased project implementation and, as a consequence, considerably reduced the need for engineering support and supervision.

The Bank must exercise its own judgement in interpreting and acting on the conclusions of experts hired by the Bank to contribute to due diligence. In the present case the Bank adjusted the projections for the operation in the light of the independent engineering firm's report. However, probing by the Bank should have should have highlighted the dangers inherent in the sponsor's limited experience of the operating environment and limited access to additional capital. The opinions of experts do not absolve the Bank of the need to examine expert findings critically and exercise its own sound judgement.

E. RELATIONS WITH AUTHORITIES AND REGULATORS

Industrial experience by the Bank's specialist team can be useful for encouraging the Government to improve the quality of crucial raw materials produced by Government owned companies. Sector dialogue with a focus to improve malt quality could be helpful to all beer producers in the country. The Bank with its focus to also improve sector framework and enhance product quality and competition in the upstream sector may be able to seek a Government dialogue with a view to assist in a review of barley and malt production standards and how these could be improved in the interest of all local beer producers.

SELECTED LESSONS LEARNED FROM TECHNICAL COOPERATION OPERATIONS EVALUATED IN 2008

A. TC PREPARATION AND DESIGN

The Bank must ensure a professional ex-ante risk assessment of a TC operation in the same way it does for investment operations. Related factors should be clearly determined, and appropriate mitigation measures described, otherwise it should also be stated expressively, where risks can not be mitigated. It is important not to simply apply the same risk factors as identified for the investment to the TC work. In this case, the risk factors proved more troublesome for the TC work and its expected transition impact than for the construction works.

The Bank must act to secure the maximum benefit from TC for its related investment project and the intended transition impact. In general, the TC project's scope of work would be congruent with the Bank's and the Client's priorities anyway. When these differ however, the Bank should both defend and effectively communicate its position.

Fully align investment covenants with outcomes supported by the associated TC. When the risks associated with reform outcomes, investment and TC support, this signals that there is a potential deficit in the client capability to fulfil reform requirements. This can result from institutional constraints within the client company or from external policy constraints or both. Expected outcomes in TC, which are clearly specified and tightly linked to covenants in the related project, should help clarify the reform objectives, the steps to achieve them, and ensure that implementation follows.

Tailor TC to project implementation timing constraints. When the design and purpose of a TC component is closely related to the execution of a timed institutional covenant, the timing and content of the component itself must carefully follow the implementation of the project and adapt to changes in order to avoid inefficiencies in the use of financial or human resources.

Institution building can work even in the absence of a foreign sponsor. When well supported by the active presence of EBRD at the Board of the client company and by good Bank handling of the project, a well targeted TC package can help management of the company to improve its practices to levels closer to international standards. In such circumstances, the TC can do at least as well as a foreign sponsor could have done to ensure the long term profitability of the company.

It is quite effective to start a TC operation slightly ahead of an investment operation. In the case of MBASK, the TC started a little earlier to prepare the ground and went into full operation after the Bank had purchased shares in the company. In that way the TC benefited from the presence of the Bank as a shareholder. The TC then produced results relatively quickly, partly due to the gestation period that preceded the Bank investment in the company.

Cost-sharing of FI environmental training may enhance sustainability. Local capacity now exists to offer high level training to local/regional FIs. If there is cost sharing, FIs are more likely to buy into the results and EvD notes that IFC requires FIs to contribute to the cost of environmental training. Also, the FIs interviewed indicated that there were internal funds allocated for training. EvD has argued for the development of localised "Equator Banks" (requiring adherence to local laws). Supporting capacity development of local trainees, certified by ESD, could expand the scope and availability of training to FIs. Creating a sense of competition among the banks to promote best practice could enhance the associated Transition Impact.

B. TC ADMINISTRATION AND RESOURCE MANAGEMENT

Make sure continuity is provided when a TC contract ends and more assistance is still needed. When a TC is so closely linked with the design and execution of procurement for the investment project, the needs must be as realistic as possible from the outset. This includes contingencies to avoid a rupture in the middle of the execution or renegotiating new contracts in order to continue work.

Select international experts that are willing remain on site long enough to ensure that the local practitioners fully assimilate the content and use of the new technologies. In the case of MBASK, the management expert consultant of **TC1** stayed long enough in the field to develop sufficient professional and technical relations with the local practitioners and in that way ensure the success of the TC operation.

A two or three stage phase TC could be more effective than putting all the support requirements in one operation only. It could be beneficial to indicate in a first TC round that the tasks to be undertaken may not cover all what is needed to fulfil the original TC objectives, when doubts remain on where all the problems are. Depending on what is found on the ground over time, more TC may have to be delivered later as a complement to what was not included in the first place. This is what happened for MBASK where it was clearly spelled out that the IT and MIS requirements and related support could only be identified when all aspects of instructional strengthening are sorted out during the course of the first TC.

Provision of environmental training would benefit EBRD Operation Leaders. As well as expanding the environmental training to more of the EBRD's FI clients, EBRD should consider providing similar environmental training to its own Operation Leaders (OLs). This would help EBRD to manage the environmental risks of its own project portfolio. It would enable the OLs, for example, to monitor environmental aspects of lower risk projects and provide more time for ESD specialists to focus on higher-risk projects.

C. TC MONITORING AND SUPERVISION

Manage TC funds in the same 'efficient' way as other scarce Bank resources. A Client should 'qualify' for receiving a TC project by other means than just being the Borrower of the related investment. Financial Additionality should be a precondition for granting a TC project to a recipient, followed by other eligibility criteria such as the commitment to transition. All criteria should be monitored over time, especially if delays occur with project implementation. Should TC work be prevented from implementation over a significant time period, in agreement with the donor, the Bank should not hesitate to abort the dormant TC project and to re-commit funds to other opportunities.

The Bank should be in the front line to help maintain momentum in project implementation. When preparing a TC, the Bank staff (not the Consultant) should be the first one to be aware of the more difficult aspects of working and motivating a counterpart in the public sector, to buy into the benefits of this assignment. The Bank should be more proactive in preparing the ground for a successful collaboration between the Consultant and the Client.

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

Management should show perseverance and creativity in pursuing required sector reform. The OT must carefully monitor the Government's commitment to reform. Any developments opposing intended sector reform should be identified and mitigated as soon as possible. For instance, asking for an intensified policy dialogue involving the Bank's Senior Management, or the approval of stand-alone TC operations in order to 'save' individual elements of reform.

Technical cooperation to assist in the sector reforms could serve as a policy dialogue tool. In this TC, for the assistance in facilitating the reforms, the large public transportation enterprise sought a dialogue-type consulting services for a tailor-made reform actions. Also, the participatory approach to all concerned agencies and ministries would yield more efficient and effective results of the technical assistance, which aimed at the accomplishment of the sector reform agenda. This technical cooperation suggested that the interactions between the international consultants and the beneficiary enterprise, and the government agencies during the preparation process of the reports could enhance the understanding of the Bank's aim and complement to the Bank's policy dialogue.

INVESTMENT OPERATION DATABASE

1 THE DATABASE

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

Table 1: Evaluation Coverage Summary
(as at 31 December 2008)

All investment operations	*No.*	%	MEUR	%
Bank Net Cumulative Business				
Board-approved	2,008.0	108%	41,545.3	112%
Signed	1,864.0	100%	36,986.5	100%
12 Months + Past Board Approval	1,860.0	100%	36,890.4	100%
Of which subject to Evaluation				
Total ready for Post-Evaluation	1,087.0	58%	19,348.0	52%
With OPER Reports	400.0	21%	8,468.2	23%
With XMR Assessment	391.0	21%	5,859.6	16%
With XMR Review	296.0	16%	5,020.1	14%

PRIVATE SECTOR	*No.*	%	MEUR	%
Bank Net Cumulative Business				
Board-approved	1,654.0	108%	31,328.1	115%
Signed	1,525.0	100%	27,355.4	100%
12 Months + Past Board Approval	1,536.0	101%	27,822.1	102%
Of which subject to Evaluation				
Total ready for Post-Evaluation	916.0	60%	14,895.1	54%
With OPER Reports and Special Studies	347.0	23%	6,802.4	25%
With XMR Assessments	327.0	21%	4,422.4	16%
With XMR Review	242.0	16%	3,670.3	13%

PUBLIC SECTOR	*No.*	%	MEUR	%
Bank Net Cumulative Business				
Board-approved	354.0	104%	10,217.2	106%
Signed	339.0	100%	9,631.1	100%
12 Months + Past Board Approval	324.0	96%	9,068.3	94%
Of which subject to Evaluation				
Total ready for Post-Evaluation	171.0	50%	4,452.9	46%
With OPER Reports	53.0	16%	1,665.9	17%
With XMR Assessments	64.0	19%	1,437.2	15%
With XMR Review	54.0	16%	1,349.8	14%

Source: Data Warehouse, December 2008

Table 1 outlines the evaluation coverage of EvD's evaluated sample: the investment operations evaluated from 1996 to 2008 which form the basis of the conclusions drawn in Chapter 1,

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

Appendix 8 and other sections of the report. This is compared with the Bank's total investment operations portfolio at the end of 2008, using the counting method outlined above. If frameworks with five or more IUFs are also included, the total number of operations signed by the Bank since 1991 reaches 2,599, totalling EUR 41,709 million. Of these, 1,369 (EUR 20,824 million) are sufficiently mature to be ready for evaluation and EvD has actually evaluated 1,059 (EUR 15,745 million). The evaluated sample comprises 1,030 operations (EUR 15,464 million) including all operations under frameworks.

1.1 PORTFOLIO PROFILE AND EVALUATION COVERAGE

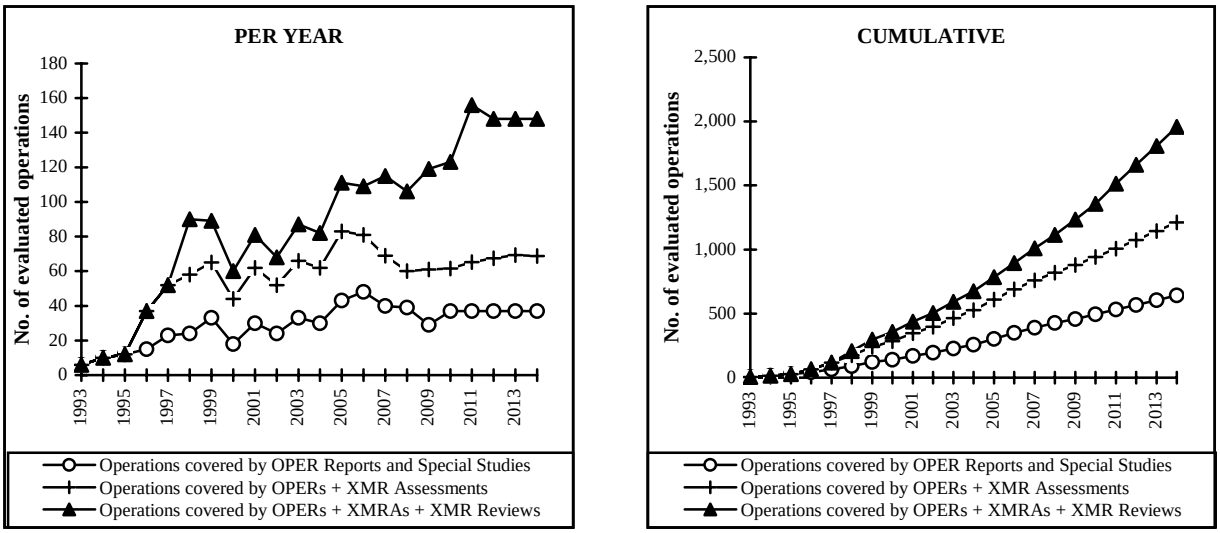
1.1.1 Part of the portfolio ready for evaluation.

In 1996-2008, excluding investments under large frameworks, 1,087 investment operations (916 private sector and 171 state sector) were judged ready for post-evaluation in accordance with prevailing Operations Manual (OM) procedures. In total 260 OPERs, 14 Special Study evaluations of specific operations, 344 XMR assessments and 262 XMR Reviews cover 100 per cent of operations ready for post-evaluation during that period. Twenty two OPERs and one Special Study on investment operations were produced in the 2008 plan (comprising only 35 per cent of operations ready for post-evaluation). Therefore, a selection process for these 23 reports took place using criteria such as large Bank exposures, transition impact relevance, complexity, lessons learned potential, large state sector and classified operations. Please see section 1.3 of Appendix 8 for further details on the selection process.

1.1.2 Growing numbers of ready operations and evaluation coverage ratio.

Chart 1 indicates that the number of projects ready for post-evaluation fell slightly in years 2000 to 2002 but has risen since then. The figure is expected to increase further over the next few years as the Bank approves more and smaller projects. In 2011 it is expected that around 150 operations per year will be ready for evaluation. For 2009 the number of operations identified as ready for post-evaluation is 119.

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



1.2 OVERVIEW OF THE INVESTMENT EVALUATION DATABASE

1.2.1 Timing of the evaluations.

The operations evaluated or reviewed since 1996 were self-evaluated by the operation team, on average, 19.5 months after final disbursement of the Bank's investments and 53 months after Board approval. In 2004, EvD implemented a new policy on the timing of evaluations in order to conform to the requirement of the Good Practice Standards for Private Sector Evaluation (GPS) of the Evaluation Cooperation Group (ECG) that the project should have reached "early operating maturity".[2] Since the implementation of the new guidelines, projects have been self-evaluated by the operation team, on average, 3 months after early operating maturity and EvD has published independent evaluation reports, where applicable, an average of 10 months after early operating maturity.

1.2.2 The representivity of the sample of selected operations.

As shown in section 1 above, the operations subjected to OPERs, Special Studies and XMR Assessments comprise a growing portion of the Bank's Board-approved portfolio. By the end of 2008 the evaluated sample had reached a cumulative evaluation coverage level of 42 per cent of the total number of signed operations and 39 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 11 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 791 independently evaluated loan investments, 152 have been fully repaid and 80 fully prepaid, while 22 operations have been fully or partially written off. Of the *equity investments*, 40 operations have been fully or partially written off and 342 have been fully divested.

1.2.4 Diversification of the selected operations for evaluation.

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

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

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

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

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

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

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

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

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

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

ASSESSMENT OF STRENGTH OF TRANSITION POTENTIAL

1. COUNTRY SECTOR AND REGIONAL CONTEXT

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

2. THE TRANSITION CHALLENGES FACING SECTOR, COUNTRY AND REGION

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

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

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

CHECKLIST OF SEVEN TRANSITION CRITERIA/OBJECTIVES

PROJECT CONTRIBUTIONS TO THE STRUCTURE AND EXTENT OF MARKETS

1. GREATER COMPETITIVE PRESSURES

Project contributes to greater competition in the project sector: efficiency, innovation and customer orientation of other suppliers through competitive pressure.
To what extent does the project directly improve the competitive environment and/or extend the use of market-type mechanisms in the economy? (e.g. more rational pricing, significant new entry into the market, setting new quality or technical standards that other firms must follow, trade facilitation, etc.)

2. MARKET EXPANSION VIA LINKAGES TO SUPPLIERS AND CUSTOMERS

Stimulation of competitive behaviour through the project entity's interactions with suppliers (*backward/upstream linkages*) and clients (*forward/downstream linkages*); project contributions to the integration of economic activities into the national, regional or international economy, in particular by lowering the cost of transactions.
(a) To what extent does the project change the market behaviour of local suppliers of inputs? (backward linkages);
(b) To what extent does the project change the market behaviour of downstream marketing and/or processing activities of customers? (forward linkages)

CHECKLIST OF TRANSITION CRITERIA/OBJECTIVES (CONT.)

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

3. INCREASED PRIVATE SECTOR PARTICIPATION

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

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

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

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

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

PROJECT CONTRIBUTIONS TO BUSINESS BEHAVIOUR AND PRACTICES

5. TRANSFER AND DISPERSION OF SKILLS

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

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

6. DEMONSTRATION EFFECTS FROM INNOVATION

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

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

7. HIGHER STANDARDS OF CORPORATE GOVERNANCE AND BUSINESS CONDUCT

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

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

TRANSITION IMPACT ANALYSIS

EBRD COLLABORATION WITH AN INTERNATIONAL BANKING GROUP

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.** Operations included working with government to promote a privatisation strategy that significant demonstration effect in the country and regionally.	**Good**	**Good**	**Low**
5	**Skill transfers**. In a number of cases technical assistance linked to specific debt products improved skills at local level. Assistance from the parent to local banks also resulted in substantial transfer of expertise which was accelerated by EBRD projects.	**Excellent**	**Good**	**Low**
6	**Demonstration effects.** See above.	**Good**	**Good**	**Low**
7	**New standards for business conduct.** High standards for business conduct were promoted through covenants in loan agreements and through EBRD representation on supervisory boards in the case of equity investments.	**Good**	**Good**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition**. EBRD support to an international market player with a wide range of products and sound market practices stimulated competition significantly.	**Excellent**	**Excellent**	**Low**
2	**Market expansion.** The introduction of new products contributed to expansion of the market locally and the use of syndicated loans introduced new international partners.	**Good**	**Good**	**Low**
3	**Private ownership**	**n/a**	**n/a**	**n/a**
4	**Frameworks for markets.** As well as the introduction of syndications, EBRD operations with this international group helped convey to governments and capital markets the importance of transparency in governance.	**Good**	**Good**	**Low**
5	**Skills transfers.** Improved technical and managerial skills helped to upgrade standards for banking services generally by example.	**Good**	**Good**	**Low**
6	**Demonstration effects.** Product innovation and improved levels of customer service were cited to the evaluation team as providing incentives to other institutions to adopt improvements in these areas.	**Good**	**Good**	**Low**
7	**New standards for business conduct**. EBRD projects contributed to the setting of good practice standards for the sector in such areas as mortgages and leasing.	**Excellent**	**Excellent**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**

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

	OVERALL TRANSITION IMPACT RATING:[4] Through co-operation with individual entities and at group level the Bank's debt financing operations and equity investments have assisted and accelerated the transformation of less efficient banking entities into market-oriented private sector banks, often with a significant market share. These banks are run on sound banking principles and have widened the scope and quality of banking products to customers, including new customers for such products as leasing and mortgage finance. The risk to potential TI is rated low because of the parent bank's declared intention to continue supporting its subsidiary operations in the region, although expansion plans have been put on hold, probably for the duration of the present crisis.	**Good**

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

EBRD COLLABORATION WITH AN INTERNATIONAL BANKING GROUP

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**. In two cases in particular EBRD was instrumental in achieving the privatisation of banks which subsequently became part of this international group.	**Good**	**Good**	**Low**
5	**Skill transfers**. Strengthening and supporting viable local banks through appropriately designed skill transfer efforts was an achieved objective of these operations.	**Excellent**	**Good**	**Low**
6	**Demonstration effects.** EBRD operations in specific product areas helped to improve the quality of products and services more broadly in the institutions involved.	**Good**	**Good**	**Low**
7	**New standards for business conduct.** Technical assistance provided by EBRD in coordination with the parent helped to eradicate deficiencies and improve standards generally.	**Good**	**Good**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition.** With EBRD support banks that are now part of this international group have stimulated competition and expanded the market for banking services to new groups of clients.	**Excellent**	**Excellent**	**Low**
2	**Market expansion**. See above.	**Good**	**Good**	**Low**
3	**Private ownership.**	**n/a**	**n/a**	**n/a**
4	**Frameworks for markets.** EBRD operations with this international group have contributed to the development of market frameworks through acquisitions and restructurings.	**Good**	**Good**	**Low**
5	**Skills transfers.** The dissemination of technical and managerial skills more broadly in the sector as a result of EBRD operations is strongly in evidence in several countries.	**Good**	**Good**	**Low**
6	**Demonstration effects.** EBRD operations helped to broaden the availability of banking products and services through demonstration of their successful implementation.	**Good**	**Good**	**Low**
7	**New standards for business conduct.** Regulators and other market participants commented to the evaluation team on the favourable example set by banks in this group and their contribution to the raising of business standards.	**Excellent**	**Excellent**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**

	OVERALL TRANSITION IMPACT RATING: EBRD operations with subsidiaries of this international group have contributed significantly to market expansion and increased competition, as well as to improvements in governance and business standards with tangible benefits for the real sector. Remaining transition potential is also rated *Good*, although this is dependent on the capacity and willingness of the parent to continue supporting subsidiaries in the region through the economic crisis.	**Good**

ENVIRONMENTAL CREDIT 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 (PARTICIPATING BANKS)	**Rating**	**Rating**	**Rating**
3	**Private ownership** All four partner banks were privately owned.	**Good**	**Good**	**Low**
5	**Skill transfer** This was a sector specific dedicated credit line and the partner banks lacked experience in lending for environmental projects. All partner banks were assisted by a local environmental consultant.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** The model has been copied for dedicated energy efficiency credit lines but the desired demonstration effect in the industrial wastewater sector has not occurred.	**Good**	**Satisfactory**	**Low**
7	**New standards for business conduct** This project provided an introduction to the four partner banks on the use of dedicated environmental credit lines for environmental goods.	**Good**	**Good**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY (SUB-PROJECTS) AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The partner banks used a combination of existing client lists and sound banking to select the projects that they supported. Indirectly, this also created a secondary market for design and construction of wastewater treatment facilities.	**Good**	**Good**	**Low**
2	**Market expansion** By becoming fully EU compliant, the individual companies and the country of operation are able to better integrate into the EU market.	**Excellent**	**Excellent**	**Low**
3	**Private ownership** Most of the subprojects were loans to private companies.	**Good**	**Good**	**Low**
4	**Frameworks for markets** For the companies, it was simply a matter of comply or shut down, thus the program allowed for greater integration into the EU market.	**Good**	**Good**	**Low**
5	**Skills transfers** While many of the subprojects already had loans with the partner banks, this was the first time many had borrowed explicitly for environmental improvements. The environmental consultants assisted both the partner banks and the companies in project design and technology selection.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** The project reached a quarter of the companies in the country that had to comply by the deadline. Every indication is that the other companies also complied and several also borrowed from local banks.	**Good**	**Satisfactory**	**Low**
7	**New standards for business conduct** The project allowed for full IPPC compliance for wastewater by the participating companies.	**Satisfactory**	**Satisfactory**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

EQUITY INVESTMENT IN A FOOD COMPANY

TI checklist categories	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 private and its privatisation work preceded the Bank's investment.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** This project focused attention on the issues of capital structure and debt policy, to good effect; however, the company prefers a higher degree of leverage than it agreed with the Bank. The company has applied advanced practices to its operations, except in environmental matters, and invested considerably in staff training.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** *See below.*			
7	**New standards for business conduct** *See below.*			
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The company's market dominance and abuse of its market and financial power were a matter of official public record during appraisal.	**Negative**	**Negative**	**High**
2	**Market expansion** The company vigorously expanded its business outlets in retail in several countries. It also vigorously invested to improve its operations in all of its new acquisitions and sectors. This expanded demand for products and services from domestic suppliers. The company managed to expand markets due to acquisition and turn-around projects as well as financing programmes.	**Excellent**	**Good**	**Medium**
3	**Private ownership**	**Satisfactory**	**Satisfactory**	**Low**
4	**Frameworks for markets**	**N/A**	**N/A**	**N/A**
5	**Skills transfers** The company is a source of well-trained staff for other concerns in the long run. It applies better management to the firms that it acquires.	**Good**	**Good**	**Low**
6	**Demonstration effects** The company's competitive conduct, which fell short of good practice, did not make for sound demonstration effects. On the other hand, its strong commitment to growing its business through investment and application of modern practices set a good example for imitators and pressured competitors to improve their operations. Those imitators, however, found in the company an implacable competitor that, in some cases, would deprive them of the competitive space in which to replicate its better practices.	**Marginal**	**Satisfactory**	**High**
7	**New standards for business conduct** See comments in number 6, above.	**Marginal**	**Marginal**	**High**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

LOAN AND EQUITY FACILITY IN FAVOUR OF A BEVERAGE 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 was already privately owned, however, through project new strategic investor.	**Good**	**Good**	**Low**
5	**Skill transfers** Strategic investors contributed know-how, technical cooperation and management.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** The project contributed to strengthening the company while the Bank's involvement in the international tender helped find a strong investor and achieve a high price.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** Strong Board, improved reporting system	**Good**	**Good**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** Product improvements and stronger marketing led to improving market share.	**Excellent**	**Excellent**	**Medium**
2	**Market expansion** Increasing market through local competition; potential for replacing prestige imports in the future.	**Good**	**Good**	**Medium**
3	**Private ownership** Shows how private sector can be more successful through quality, marketing, etc.	**Good**	**Good**	**Low**
4	**Frameworks for markets** Government restricts marketing and tends to support more Government owned plants in retail/ distribution sector.	**Marginal**	**Marginal**	**Medium**
5	**Skills transfers** Natural rotation of Management/staff to other groups.	**Good**	**Good**	**Low**
6	**Demonstration effects** Other acquisitions followed.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct**	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

LOAN FOR REHABILITATION AND OPERATION OF A WATER TREATMENT 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**	**N/A (this part was taken care of by another financial institution with its concession tender support)**		
5	**Skill transfers** Skill transfer in theory and practice has been regularly conducted under the technical support agreement.	**Good**	**Good**	**Low**
6	**Demonstration effects** Thanks to perceptiveness demonstrated by its employees, the private sector owner of the company reduced a significant number of staff quickly and successfully.	**Good**	**N/A**	**Low**
7	**New standards for business conduct** The water services company has brought the quality of services commensurate with EU standards. This increased the customer satisfaction.	**Good**	**Good**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition**	**N/A**		
2	**Market expansion**	**N/A**		
3	**Private ownership** The project was an integral part of the concession agreement, which made a water treatment plant operational.	**Good**	**Good**	**Low**
4	**Frameworks for markets** The concession agreement allowed tariffs on a full-cost recovery basis. The water services company won the tender with its declining tariffs during the concession period, which is considered to accrue the benefits to users. The efficiency of operations is expected to be transferred in the future, however the timing is still uncertain. Tariffs have increased by about 30% in real terms since 2001, which changed the excessive consumption patterns of water users.	**Excellent**	**Excellent**	**High**
5	**Skills transfers**	**N/A**		
6	**Demonstration effects** The project has demonstrated that the first private sector involvement in the municipal and environmental infrastructure sector in the region appears beneficial to users by providing high standard services in water supply. The company will be commissioned for operation and maintenance of the wastewater treatment plant once it is completed. The project will serve as a good example that ISPA/EU Cohesion Fund does not preclude a private sector operator from its grant eligibility.	**Excellent**	**Excellent**	**High**
7	**New standards for business conduct** The city's water supply is ahead of many other cities in terms of service standards.	**Good**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Excellent**	**Medium**
	OVERALL TRANSITION IMPACT RATING: Transition impact of the project is the result of many years of cooperation between international finance institutions and the municipality to bring private sector participation in the municipal water supply system.	**Excellent**		

LOAN TO AN AGRICULTURAL 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 was privately owned prior to the Bank loan operation.	N/A	N/A	N/A
5	**Skill transfers** The company has selected young staff, brings in industry experts in various fields and provides in-house training.	Good	Good	Low
6	**Demonstration effects** Dynamic entrepreneurial leadership of the company strives for best industry standards at all levels.	Good	Good	Low
7	**New standards for business conduct** International accounting standards and improved corporate governance standards.	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 company has established itself as a well known brand name with strong market shares in its key product ranges and is in continuous competition with other brands (both domestic and global).	Excellent	Good	Low
2	**Market expansion** Through its backward and forward linkages the company has expanded the local market: direct links with primary producers who have expanded local production due to the company's supply contracts and forward linkages with increased product volumes for local distribution market.	Excellent	Good	Low
3	**Private ownership** Broadening of the private ownership by recently including two private equity funds as shareholders replacing the previous majority shareholder.	Good	Good	Low
4	**Frameworks for markets** The company is conducting a dialogue with the relevant authorities to create a more level playing field for all companies active in this industry sector by adopting quality standards and control of official imports.	Good	Good	Low
5	**Skills transfers** The company is particularly keen to ensure skills transfer to its key suppliers via a technical assistance programme and regular visits to leading suppliers worldwide.	Excellent	Good	Low
6	**Demonstration effects** The company's state of the art operation has had a strong demonstration effect in a region which experienced a lack of investment at the time of the company's formation.	Excellent	Good	Low
7	**New standards for business conduct** The modern approach adopted by the company from the outset was described in a case study prepared by a leading business school.	Good	Good	Low
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	Good	Good	Low
	OVERALL TRANSITION IMPACT RATING:	**GOOD**		

LOAN TO AN INDUSTRIAL 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 company has transferred skilled senior managers, reorganised the operational model, and has trained local staff both on site and at sister mills within its group.	Excellent	Excellent	Medium
6	**Demonstration effects** The company managed to turnaround a practically unviable plant, settle employees' unpaid wages and restore the plant's access to vital raw materials and spare parts. It put through a redundancy programme, which the union viewed as fair, and also hired new staff.	Good	Good	Medium
7	**New standards for business conduct**	Excellent	Excellent	Medium
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The company countered the virtually unopposed dominance of US producers providing valuable competition in the region.	Good	Good	Medium
2	**Market expansion** The company reportedly increased its market share by 21 per cent. The company supplied the local economy and benefited local wholesalers for positive market expansion and backward linkages.	Excellent	Excellent	Medium
3	**Private ownership**	NA	NA	NA
4	**Frameworks for markets**	NA	NA	NA
5	**Skills transfers**	Satisfactory	Good	Medium
6	**Demonstration effects**	Good	Good	Medium
7	**New standards for business conduct**	Good	Good	Medium
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS The project risk is assessed as "Medium" due to the unclear production outlook during the 2008-9 financial crisis and the country's persistent transition and political challenges.	Good	Good	Medium
	OVERALL TRANSITION IMPACT RATING: The project helped the client to turnaround a moribund industrial plant, secure the employment of hundreds of workers, modernise the organisation, improve safety performance, and increase output, benefiting national exports and the company's customers locally and abroad. Production levels fell far short, however, of the targeted full capacity utilisation. Also, certain changes in the company's original plans raise questions about the long-term strategic relevance of the plant to the group that owns it.	**Good**		

MULTI PROJECT FACILITY IN FOOD 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** The company was already privately owned.	**Good**	**Good**	**Low**
5	**Skill transfers** Strategic investor contributes know-how, training and management.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** The impressive upgrading of the plant, combined with introduction of new technology and reduction of the number of employees led to substantial productivity and quality increases.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct** The client introduced its own group standards.	**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 company has increased local competition by achieving international quality standards of their products. The company mostly supplies on long-term contracts.	**Excellent**	**Excellent**	**Medium**
2	**Market expansion** Local market was expanded due to full local sourcing of raw materials and increased production which substituted previously imported products.	**Good**	**Good**	**Medium**
3	**Private ownership** The ownership passed to a specialised producer who was able to effectively drive both quality improvements and backward linkages.	**Good**	**Good**	**Low**
4	**Frameworks for markets** The Bank relied on the client to solve its own problems; no specific TC was attached with a focus on framework issues.	**Marginal**	**Marginal**	**Medium**
5	**Skills transfers** The upgraded plant is an important employer in a remote rural region and most employees stay with the company for a long time.	**Marginal**	**Marginal**	**Low**
6	**Demonstration effects** The restructuring was copied by a local ceramics group which encountered similar restructuring challenges.	**Good**	**Good**	**Low**
7	**New standards for business conduct** The client's standards are state of the art and have an impact on the industry. A foreign company involved in the same line of business sent various delegations to learn from the client's experience.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Excellent**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Excellent**		

POWER SECTOR RECONSTRUCTION & DISTRIBUTION REHABILITATION PROJECTS

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 unbundled and its distribution business has been slated for privatisation. Negotiations are underway with a utility from another country of operations that has won the tender.	**Good**	**Satisfactory**	**Medium**
5	**Skill transfers** The client's management and staff, notably the project management unit, have gained from the transfer of know-how accomplished during the implementation of the projects.	**Good**	**Good**	**Low**
6	**Demonstration effects** Project-related demonstration effects cannot be ascertained.	**N/A**	**N/A**	**N/A**
7	**New standards for business conduct** The projects enhanced operational standards (notably in power generation and transmission) and contributed new environmental standards implemented by the client, but there are still formidable deficiencies with regard to customer billing and revenue collection.	**Satisfactory**	**Satisfactory**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** At present, there is no competition in power generation, transmission, distribution or trade.	**Marginal**	**Satisfactory**	**Medium**
2	**Market expansion** Electricity sales grew slowly and have been constrained by shortages in supply and high network losses.	**Marginal**	**Satisfactory**	**Medium**
3	**Private ownership.** Private ownership was not widened by the projects.	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** Power sector reforms and changes in legislation resulted in unbundling of the client company and improvement of the regulatory regime. However, the reforms are unfinished and the government authorities continue to interfere with the sector's business concerns.	**Satisfactory**	**Good**	**Medium**
5	**Skills transfers** The transfer of skills was limited to the power sector; spill-over effects to other sectors were not observed.	**Good**	**Good**	**Medium**
6	**Demonstration effects** A concerted and unyielding approach is required to bring about fundamental changes in business behaviour and customer perceptions.	**Satisfactory**	**Satisfactory**	**Medium**
7	**New standards for business conduct** The projects were involved in developing performance standards and targets for the client and fostered an improved culture of corporate governance.	**Good**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

REAL ESTATE 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**	**Rating**	**Rating**
3	**Private ownership**	**N/A**	**N/A**	**N/A**
5	**Skill transfers** From EBRD to the company fund structure, legal due diligence.	**Good**	**Satisfactory**	**Low**
6	**Demonstration effects** The fund was awarded various prizes for excellence. In recent years the wider market has also developed and it is difficult to measure the impact of a single fund.	**Excellent**	**Good**	**Low**
7	**New standards for business conduct** The EBRD requirements support the existing high standards in internal decision making, procedures, etc. The company has introduced standard lease and construction contracts.	**Excellent**	**Good**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The company as one of the early entrants contributed significantly to competition.	**Good**	**Good**	**Low**
2	**Market expansion** The company was able to fill the gap between early developers and late institutional investors illustrated by yield compression.	**Excellent**	**Good**	**Low**
3	**Private ownership** New fund approach with private ownership.	**Good**	**Satisfactory**	**Low**
4	**Frameworks for markets** The project operation had no components or TC targeting market framework.	**Satisfactory**	**Satisfactory**	**Medium**
	Skills transfers The company participates in conferences and has published a book on real estate asset management.	**Good**	**Satisfactory**	**Low**
6	**Demonstration effects** The client expressed surprise at how quickly imitators copied its approach.	**Excellent**	**Excellent**	**Low**
7	**New standards for business conduct**	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

REAL ESTATE 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 Company has been private since inception.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** The Project was conceived to replicate the successful experience of projects developed by the shareholders in a neighbouring country. A number of key staff were brought to work in the Project, who had worked in the previous development, in order to replicate the construction techniques. By working together with local staff they provided for transference of skills.	**Good**	**Good**	**Low**
6	**Demonstration effects** The Project design and quality of construction represent a new concept to the market. This new design presented initially breaking but finally proved successful with wide acceptance as evidenced by replication from other developers. Any developer aiming at targeting the same market segment is looking at replicating the design and characteristics of the Project. Replication by at least two developers (TI benchmark) to similar standards has been checked.	**Satisfactory**	**Satisfactory**	**Medium**
7	**New standards for business conduct** The exposure of the Company to work for the first time with an IFI and the requirements implemented also provided for a significant improvement in the Company's corporate governance and business conduct. In particular, the Bank set as a prerequisite the implementation of IFRS accounting, annual audited financial statements, appointment of an independent Board representative, periodic performance and environmental reporting.	**Satisfactory**	**Satisfactory**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Project was the first development of its type to be built in the city on Western standards and presented a ground breaking innovation in the market. The commercial success and acceptance of the design has attracted new entrants to the market.	**Good**	**Good**	**High**
2	**Market expansion** Many of the construction tasks and supplies were subcontracted with local companies. Contracting was done on a tendering process based on quality and price. This had an effect on the development of the supply industry, many of them local SMEs, increasing competition amongst suppliers and upgrading the technical specifications required. As a result backward linkages have been developed with suppliers.	**Good**	**Satisfactory**	**Medium**
3	**Private ownership** The real estate market in the former Soviet countries has been traditionally dominated by State initiative, which led to low quality property, inefficient centralized services and very poor maintenance. The Project was a catalyst for the development of the market in the City. The Project encouraged other private developers to replicate the initiative. This also contributed to the development of the mortgage market which was instrumental in providing access to a private home for many individuals	**Good**	**Good**	**High**

4	**Frameworks for markets** There has been little action in relation to the Project contributing to the adequate development of a better urban planning. The urban planning is still in a very early stage. There is an opportunity for the Bank to cooperate on the right development through a TC program.	**Marginal**	**Marginal**	**Medium**
5	**Skills transfers** See skills transfer at Company level.	**Satisfactory**	**Good**	**Medium**
6	**Demonstration effects** See Demonstration effect section at Company level.	**Satisfactory**	**Satisfactory**	**High**
7	**New standards for business conduct** See standards for business conduct section at Company level.	**Satisfactory**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium/ High**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

ROAD SECTOR 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**. Involve the private sector in project construction activities. One loan covenant was that the Borrower would establish a state joint stock company to manage the road equipment pool on a commercial basis. The covenant was not complied with.	**Marginal**	**Satisfactory**	**Medium**
5	**Skill transfers**. The foreseen technical cooperation from EBRD could not be implemented. The outputs of technical assistance from other sources were not implemented. The performance of the TA is rated partly successful. The MDBs could—or should—have added value in the areas of institutional strengthening and capacity development. Also, the abandonment by the authorities of a (previously existing) PIU with foreign consultant support reduced skill transfer potential.	**Marginal**	**Marginal**	**Medium**
6	**Demonstration effects.** (Step II: Transition Impact at the Level of the Industry and the Economy as a Whole)	**NA**	**NA**	**NA**
7	**New standards for business conduct.** Partly complied with EBRD environmental covenants. Valuable experience with international public procurement methods and contract supervision was gained. Improvements were made in road financing.	**Satisfactory**	**Satisfactory**	**Low**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition.** The road Project did not introduce any concession or PPP system that could enhance potential competition among companies tendering for the concession of PPP.	**NA**	**NA**	**NA**
2	**Market expansion**. Backward-linkages benefited small- and medium-sized enterprises in the construction industry, introducing international standards stipulated under the MDB financed road construction.	**Good**	**Satisfactory**	**Medium**
3	**Private ownership.** The state-owned company still holds the monopoly for routine maintenance.	**Marginal**	**Marginal**	**High**
4	**Frameworks for markets.** The transition objectives related to (i) legislative aspects (such as automobiles road act and road traffic safety act), (ii) road sector financing (provide sufficient budgetary allocation to the road sector and improvement to cost recovery), and (iii) some technical aspects (such as motorway design and standards). The related detailed discussion in the main text shows that the corresponding rating of the different TI constituents is rather mixed; the assigned rating is therefore a composite covering a rating range from "marginal" to "good" with less favorable subratings considered as having a heavier weight.	**Marginal/ Satisfactory**	**Marginal/ Satisfactory**	**Medium**
5	**Skills transfers.** Skill transfer, particularly reaching beyond the Project, was not specifically targeted under the Project (Step I)	**NA**	**NA**	**NA**
6	**Demonstration effects.**	**NA**	**NA**	**NA**

7	**New standards for business conduct.** From anecdotal evidence, subcontractors appear to have benefited from contract-imposed strict construction standards and norms, although this should be reassessed to determine if the improved business conduct implied is holding true for the benefit of other ongoing MDB-financed road construction work.	**Satisfactory**	**Satisfactory**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Low to Medium**
	OVERALL TRANSITION IMPACT RATING:	**Marginal/Satisfactory**		

ROAD SECTOR REFORM

TI checklist	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition	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 transfer of know-how and new management practices in the area of road safety, monitoring systems and quality control for road maintenance and construction, new administrative organisation occurred through a sequence of reports, seminars and discussions with the consultant.	Good	Good	Low
6	**Demonstration effects** To some extent, the findings of the studies were diffused across the main client's departments, beyond those which were initially concerned with the technical aspects of the TC. The awareness of more effective approaches to management and controls were used by the client as reference to pursue its administrative reform.	Satisfactory	Satisfactory	Low
7	**New standards for business conduct** The establishment and installation of new management systems helped to further modernise the client's management practices.	Good	Good	Low
	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**	N/A	N/A	Medium
3	**Private ownership** The transfer of the regional agencies' assets to the private sector has been very slow. These assets have been temporarily "frozen" in a newly created public sector entity.	Marginal	Satisfactory	High
4	**Frameworks for markets** The current practices of financing road maintenance and construction are remotely linked to the principle that users should pay for road services. There is a possibility of some improvement in the future through public private partnerships (PPP). In addition, several key recommendations from the legal advice on PPP were not taken on board by the authorities when the PPP law was passed.	Marginal	Satisfactory	Medium
5	**Skills transfers** The skills developed by the client in the areas of road management and financing are still being diffused across the road sector in the regions or other public administrations. This is occurring at a slower than expected pace since external factors intervened to change the course of the reforms.	Satisfactory	Satisfactory	Medium
6	**Demonstration effects**	N/A	N/A	N/A
7	**New standards for business conduct (see No. 5)**	Satisfactory	Satisfactory	Medium
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	Satisfactory	Satisfactory	Medium
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

SECURITISATION PROJECT

TI checklist	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The client (the originator) has been private since establishment.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** The public launch of a new financial instrument with a complex structure through an offshore vehicle has contributed to build skills at the company level, [which is evidenced by successive launch of other securitisations], although the extent of this impact is limited to a specific company segment. Also, the management of the securitised loan portfolio as a servicer has required enhancement of internal information systems for portfolio loan tracking and reporting. Growth of the company based on its defined business model has contributed to build skills mainly in relation with the credit scoring system, loan collections and sales network.	**Good**	**Good**	**Medium**
6	**Demonstration effects** The project has had a positive demonstration effect at the company level by increasing the company's awareness of securitisation as a viable instrument to access new sources of funding for growth and diversify its funding base, as evidenced by securitisations for other types of assets (car loans) subsequently issued by the company and plans for further securitisations in the future (subject to market conditions). However, securitisation of consumer loans and the capacity for further replication still presents some challenges in relation with the availability of financial investors willing to take the specific commingling risk, which is the reason for a medium risk assessment to potential transition impact.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** The company has adequate corporate governance bodies and sound management in place. The issue of the securitisation has had some positive impact in requiring the company to implement reliable information systems and work in coordination with the different parties involved to provide adequate and timely disclosure of information. However, the client took an aggressive approach to loan origination that led to protests by consumer protection groups and a crackdown by the state, forcing the client later to eliminate non-transparent pricing practices, resulting in a material negative restatement of its earnings.	**Marginal**	**Satisfactory**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The facility has supported the client's growth and strengthens the position of an innovative and challenging competitor in the national consumer loan market, allowing expanding into the regions. Increase in competition has already had a positive although limited effect in reduction of loan margins charged to consumers. The client's success and high profitability, communicated through public disclosure of its financial statements and numerous credit rating reports by three agencies, has attracted new entrants to the market. At the time of the project, however, the company's dominant positions in points of sale (POS) and credit cards imperilled competitive impact, but new entrants are slowly eroding that dominant position.	**Satisfactory**	**Satisfactory**	**Medium**

2	**Market expansion** The country's consumer finance penetration is lower than that in western European countries and there is still room for development. The facility however has supported development of a new type finance product (consumer loans) and expansion into the regions reaching over 20 million borrowers, the majority of them being new clients. In this sense the project has contributed to establish forward linkages with clients, many of which the company expects to consolidate through other financial products as credit cards. The project has also contributed to develop backward linkages with the development of relationships with POS.	**Good**	**Good**	**High**
3	**Private ownership** Please refer to private ownership section at corporate level.	**n/a**	**n/a/**	**n/a**
4	**Frameworks for markets** Regulation of consumer finance is underdeveloped and has permitted predatory practices by market participants, including by the client. The national regulation of securitisation is still at an early stage but the facility has clearly brought attention from the regulation authorities on the need to develop specific legislation for this new type of instrument. By the same token, the lack of legislation means that the regulators are not empowered to control the effect of securitisation on the banking system. The authorities' approach gives, in effect, full and unregulated capital relief to banks from securitisation. The collection operations of the company and litigation for non-payment before the courts are bringing pressure on the judiciary system to modernise and improve efficiency (with c. 45,000 cases brought to the courts every month). As a result of stakeholder and government pressures, the client reportedly instituted procedural changes to enhance consumer communication, transparency and avoid excessive fees charged to consumers.	**Marginal**	**Marginal**	**High/ Excessive**
5	**Skills transfers** Please refer to skills transfers section at company level.	**n/a at industry level**	**n/a at industry level**	**n/a at industry level**
6	**Demonstration effects** Securitisation of a pool of receivables (consumer loans) has proved as a viable financial instrument in the national market to provide alternative sources of funding. Its successful launch has had a positive demonstration effect which is evidenced by replication by the company and other banks in other asset classes more amenable to securitisation than consumer loans that present a large amount of commingling risk. As mentioned at the company level, the replicability of this type of structure remains conditional on the "marketability" of this type of risk. However, the dependence of the country's securitisation on international markets exposed it to the 2007 credit crunch that sharply curtailed new transactions in 2008.	**Good**	**Good**	**High**
7	**New standards for business conduct** The client is contributing to set standards for the industry in relation to sound corporate governance, regarding strong management systems (credit scoring, portfolio management) and business conduct (standards for loan documentation, credit approval). The changes introduced to increase transparency on fees applied following pressure for financial authorities has reportedly been followed by competitors. The client has a poor track record in predatory lending and it remains to be seen, and formally assessed, to what degree it has upgraded its practices.	**Unsatisfactory**	**Marginal**	**High/ Excessive**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

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** **Privatisation:** The covenanted transformation of the municipal entity into a joint stock company did not happen because of legal impediments that were not attended to with the necessary assertiveness. The transformation is still regarded as likely in the future	**Unsatisfactory**	**Good**	**High**
5	**Skill transfers** **Learning about and applying of:** Adoption of management information system (MIS) and International Financial Reporting Standards (IFRS) was targeted and training was provided correspondingly. However, only MIS eventually became introduced threatening IFRS training benefits to vanish due to lacking practicing opportunities.	**Satisfactory**	**Marginal**	**Medium**
6	**Demonstration effects**	**N/A**	**N/A**	**N/A**
7	**New standards for business conduct.** Intended implementation of cost recovery principles, business planning and environmental health and safety standards mostly did not materialise.	**Unsatisfactory**	**Marginal**	**High**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** Since transition impact project measures influencing market positions did not materialise, the investment programme alone proved not generating a market bias.	**N/A**	**N/A**	**N/A**
2	**Market expansion** The envisaged route tendering system along with several other reform measures did not materialise. Some of the reasons were management crisis at the senior city administration level, lack of ownership, pre-mature loan cancellation (after the hardware component was financed).	**Unsatisfactory**	**Marginal**	**High**
3	**Private ownership**	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets** The aspired transport strategy did not materialise for similar reasons as noted under Step 2.	**Unsatisfactory**	**Marginal**	**High**
5	**Skills transfers** Quality improvement of private sector service providers did not materialise materialise for similar reasons as noted under Step 2.	**Unsatisfactory**	**Marginal**	**High**
6	**Demonstration effects**	**N/A**	**N/A**	**N/A**
7	**New standards for business conduct** The public service contract (PSC), a cornerstone of the reform process, did not materialise for legal reasons but also for those noted under Step 2.	**Unsatisfactory**	**Marginal**	**High**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Unsatisfactory**	**Marginal**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Unsatisfactory**		

WATER AND WASTEWATER INFRASTRUCTURE INVESTMENT PROGRAMME

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		
5	**Skill transfers** Procurement skill transfers were realised for the water supply components. Principles of transparent and fair bidding process were adequately passed on to the project implementation unit.	**Good**	**Good**	**Medium**
6	**Demonstration effects**	N/A		
7	**New standards for business conduct** Financial and operational performance improvement programme (FOPIP) roll-out was not conducted in the fullest manner. The degree of application of FOPIP varied. Sustainability of FOPIP is a major concern.	**Satisfactory**	**Good**	**Excessive**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition**	Not Applicable		
2	**Market expansion** Hiring private sector contractors and consultants is a novelty experience for the involved utility companies. This resulted in mixed outcome, positive and negative.	**Satisfactory**	**Good**	**Medium**
3	**Private ownership**	N/A		
4	**Frameworks for markets** Cost recovery and commercialisation moves were expected at appraisal. Tariff increases were implemented in 2001, since when no further increase has been conducted. Full cost recovery remains a remote goal for the utility companies. Commercialisation is still impeded in the overall framework of the sector.	**Satisfactory**	**Marginal**	**Excessive**
5	**Skills transfers**	N/A		
6	**Demonstration effects** A programme supporter, has been appointed as general manager of a utility company. The Bank expects this move to be replicated in other companies demonstrating that good financial practices are key to successful running of the utilities.	**Satisfactory**	**Satisfactory**	**High**
7	**New standards for business conduct**	N/A		
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Excessive**
	OVERALL TRANSITION IMPACT RATING: The programme has realised certain transition objectives at corporate level. However, due to the established framework and the size of the economy the sector level transition is still limited to support investments in municipal services.	**Satisfactory**		

OUTCOME OF PERFORMANCE RATINGS OF THE BANK'S INVESTMENT OPERATIONS

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 findings and conclusions in the main text. Projects for evaluation are selected from all projects considered ready for evaluation.[1] Performance evaluations of individual projects are generally only conducted once in their lifetime, normally with no subsequent re-validation.

1.2. EVALUATION COVERAGE IN 2008

During 2008, the Evaluation Department developed a new approach to the selection of projects for evaluation and calculation of the coverage ratio, including a new method of counting operations.[2] The new approach is based on random sampling and is fully in line with the stipulations from ECG's Good Practice Standards (GPSs) on private sector evaluation[3]. It is expected that the new approach will lead to a falling coverage ratio in the coming years. It was implemented for the first time in the selection of the 2009 work programme. As the 2008 work programme selection was based on the previous policy, the figures in this document are expressed in terms of the old method of calculating evaluation coverage.

The Bank's Evaluation Policy, which is applicable to the 2008 and previous work programmes, sets a minimum coverage ratio of 60 per cent. This was increased from 50 per cent in 2004. The coverage ratio was sufficient to ensure a good representation of projects, accountability and timely identification of relevant lessons. In 2008 the Operation Performance Evaluation Reviews (OPERs) and Special Studies covered 35 per cent of all new projects ready for evaluation. An additional 22 per cent was covered with independent assessment reports by EvD on bankers' expanded monitoring reports (XMR assessments).[4] This brought the year's coverage to 54 operations or 57 per cent of ready operations. The cumulative coverage ratio of 72 per cent over the period 1993-2008 remained well above the minimum coverage ratio.[5]

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[1] 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.

[2] Described in the Board documents "Evaluation Coverage in EBRD" (CS/AU/08-36) and "Evaluation Department's Work Programme Final Report for 2009" (BDS09-007)

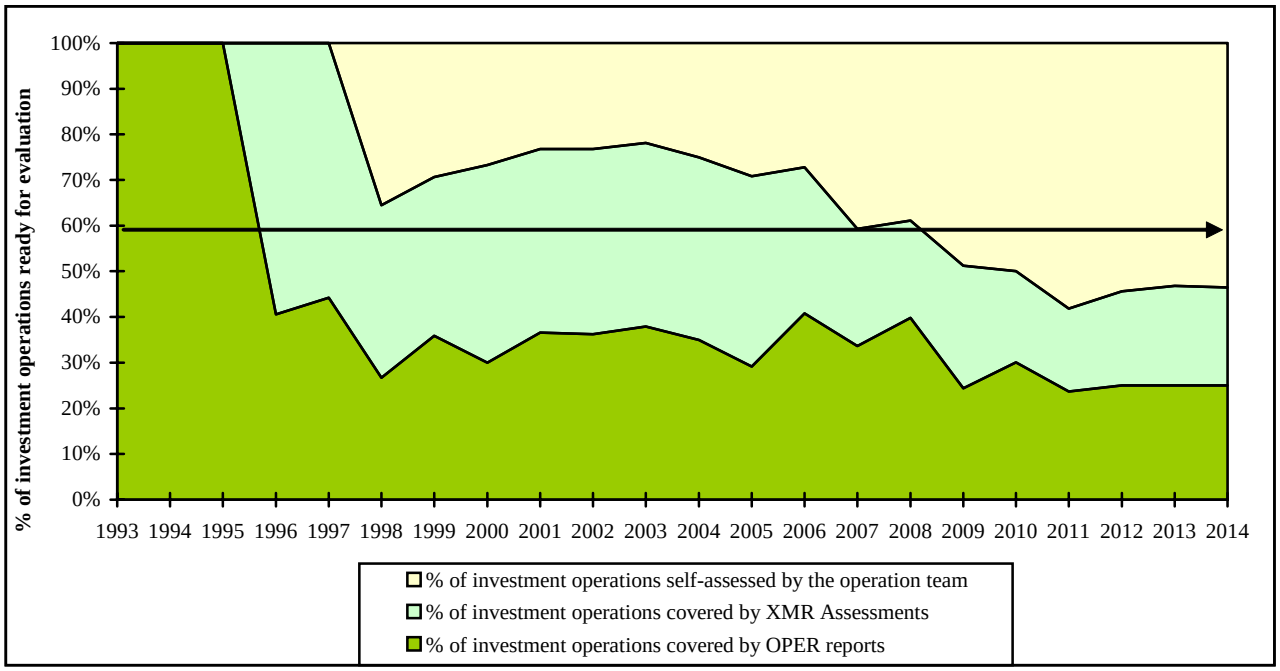
[3] Reference is made to the Third Edition of the GPS on private sector evaluation (18 April 2006) and in particular to Section 2 on "Evaluation Timing, Population, Coverage and Sampling". The EBRD also adopted *Best Practice Alternative 1*as described in Standard 2.2.1. In 2008 EvD has proposed to the Board for 2009 to select ready operations in ETC countries and in the financial institution sector in Russia as *"strategically targeted groups"*.

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

[5] 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.

Chart 1.1 below shows the actual and projected coverage ratio using the new approach to counting and selecting projects for evaluation. It illustrates clearly the expected fall in coverage over the coming years.

Chart 1.1: Evaluation coverage for investment operations (actual to 2009 and projected)



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 of the EBRD as published on the Bank's website. For the exercise of performance evaluation in this AEOR for 2009, the total sample comprises 618 individually evaluated projects: 260 evaluated through OPERs, 14 through Special Studies and 323 through XMR assessments. These evaluations were conducted by EvD in 1996-2008.[6] The projects were selected to represent a cross-section of all EBRD operations, while also looking at the prospect of generating useful lessons. The annual evaluation coverage was 100 per cent at the end of 1996 and above the 60 per cent target thereafter, as shown in Chart 1.1. The evaluated sample covers 641 of the 928 standalone operations and small frameworks which were ready for evaluation by the end of 2008 - a coverage ratio of 69 per cent - and represents a reasonably balanced cross-section of all EBRD projects. A further 27 projects, constituting 100 per cent of projects ready for evaluation in 1993-1995, are omitted from the results because they were evaluated before a refined and consistent system of evaluation had been introduced. The evaluated sample covers 42 per cent of all operations signed by the bank since 1991, as many of the more recently approved operations had not yet reached the evaluation stage.[7] Section 10 of this Appendix presents an analysis of the country, sector representation in the sample as well as and the risk rating distribution of the evaluated sample. The sample of projects selected from the groups of operations ready for evaluation continues to be a good representation of the Bank's portfolio as a whole.

[6] 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.
[7] See Appendix 6 for more detailed data.

1.3.1. Selection of projects for evaluation:

In 2008, EvD evaluated 33 projects through 22 OPERs and one Special Study. The evaluations were selected according to the following criteria:

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

In this way EvD identifies the projects which have the greatest potential for learning from EBRD's experience. However, this can lead to a bias towards unsuccessful projects, which are particularly good sources of lessons. As EvD also uses evaluation outcomes to report on success rates for accountability purposes, it is necessary to balance the sample with a random selection of the remaining projects not selected for full evaluation through OPERs. EvD conducted several random samples of the operations not selected as OPERs, and analysed 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*, provided the best match for EBRD's portfolio as a whole. In 2008, 21 XMR Assessments were prepared, taking the total number of evaluations in the database for 2008 to 44.[8]

Starting with the 2009 work programme, the selection of projects used to report on success rates for accountability purposes is entirely random. The Chief Evaluator will continue to select operations for in-depth evaluation based on their lessons potential, but the results of these evaluations will not enter the evaluation database unless they also form part of the random sample.

1.3.2. Standard error of the sample:

The new project selection procedure will ensure, in conformity with the ECG's Good Practice Standards for Private Sector Evaluation (GPS), that the Evaluation Department selects sufficient projects for evaluation to establish, for a combined three-year rolling sample, success rates at the 95 per cent confidence level, with sampling error not exceeding ±5 percentage points. In the three years 2006-2008, there was a combined population of 336 individual standalone operations and investments under frameworks ready for evaluation, excluding investments under large frameworks. Of these, 210 were evaluated by EvD. Thus the overall coverage ratio was 63 per cent. The population is split into two strata:

- *Stratum 1:* 127 operations evaluated through OPERs (38 per cent of 336)
- *Stratum 2*: The remaining 209 operations (62 per cent of 336) not selected for evaluation through an OPER report. The random sample of 83 operations evaluated through XMR Assessments constitutes 40 per cent of stratum 2.

[8] This is lower than the number of evaluations in recent years. This is because the figure includes two evaluations of EBRD's relationship with banking groups. Each of these evaluations covered several projects, but was given only one set of ratings covering the whole relationship rather than individual ratings for each project.

The random sample error for Stratum 2 is 8.37 per cent, at the 95 per cent confidence level. This exceeds the 5 per cent prescribed in the GPS. In selecting the random sample, EvD ran several samples and selected one which, combined with the projects in Stratum 1, gave the closest possible match to the regional, sectoral and risk distribution of all the projects signed by the Bank since 1991. In this way, EvD believes that it achieved a greater degree of representativity, and a greater statistical significance, than is suggested by the bare figures. As described in section 1.3.1 above, the new selection procedure in use from 2009 uses a fully random sample which is of adequate size to conform to the GPS requirements.

1.3.3. Weighting the results:

The GPS also require EvD to calculate the weighted average success rates, based on the weight of each stratum in the overall population. In 2006-2008, 210 operations were evaluated out of a total population of 336 projects ready for evaluation. *Stratum 1* consisted of 127 operations (or 38 per cent) selected through OPER, while *Stratum 2* consisted of the remaining 209 operations (62 per cent of the total), of which a random sample of 83 were evaluated through XMR Assessments.

For weighting purposes, the 83 operations evaluated through XMR Assessments must be given a 62 per cent weighting in the overall results. Table 1.1 below give the weighted and unweighted outcomes for Overall Performance for 2006-2008:

Table 1.1: Outcomes for Overall Performance of projects evaluated in 2006-2008

EvD Report Type	Highly Successful	Successful	Partly Successful	Unsuccessful	Number of operations
OPERs	7%	30%	51%	12%	127
XMRAs	14%	37%	45%	4%	83
Overall result - Unweighted	11%	33%	48%	8%	210
Overall result - Weighted	12%	34%	47%	7%	336

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

2. PERFORMANCE RATING OF EVALUATED PROJECTS

2.1. THE COMPOSITE OVERALL PERFORMANCE RATING OF A PROJECT

The *overall performance* rating of an evaluated operation builds on several underlying performance ratings, derived from the Bank's mandate. Transition impact is the overriding individual rating for all operations. Environmental performance and change are significant indicators for projects with high environmental risks. The following broad performance dimensions, as described in more detail in Chapter 1, are addressed:

- Transition impact
- The environment
- Additionality
- Sound banking principles
- The Bank's investment performance
- Bank handling

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. In the past, EvD has commented on the close relationship between this rating and the *overall performance* rating (presented in detail in Section 2.2 of this appendix). Starting from 2007, EvD has assigned a *transition outcome* rating to each of the projects evaluated. The results are shown in Table 1.2 below, where they are compared with the distribution of *overall performance* ratings. EvD will extend this comparison in future years to build up a time series as for other indicators.

Table 1.2: Transition Outcome, percentage distribution of assigned ratings (98 investment operations evaluated 2007-2008)

		Unsuccessful	Partly Successful	*Sub-total*	Successful	Highly Successful	*Sub-total*	No. of evaluations
Transition Outcome	2007	7%	28%	*35%*	58%	7%	*65%*	54
	2008	11%	37%	*48%*	45%	7%	*52%*	44
	2007-2008	9%	32%	*41%*	52%	7%	*59%*	98
Overall Performance	2007-2008	8%	35%	*43%*	51%	6%	*57%*	98

It can be seen that the *overall performance* and the *transition outcome* ratings, when compared, are highly similar. The fall in results between 2007 and 2008 mirrors a similar fall in the ratings for *overall performance* (see section 2.2 below). 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 1996-2008

Table 2.1 and Chart 2.1 present the assigned *overall performance* ratings given to all EBRD investment projects evaluated 1996. Projects evaluated before that date are omitted because EvD introduced a refined and consistent system of evaluation only in 1996.

Chart 2.1: Overall performance, percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)

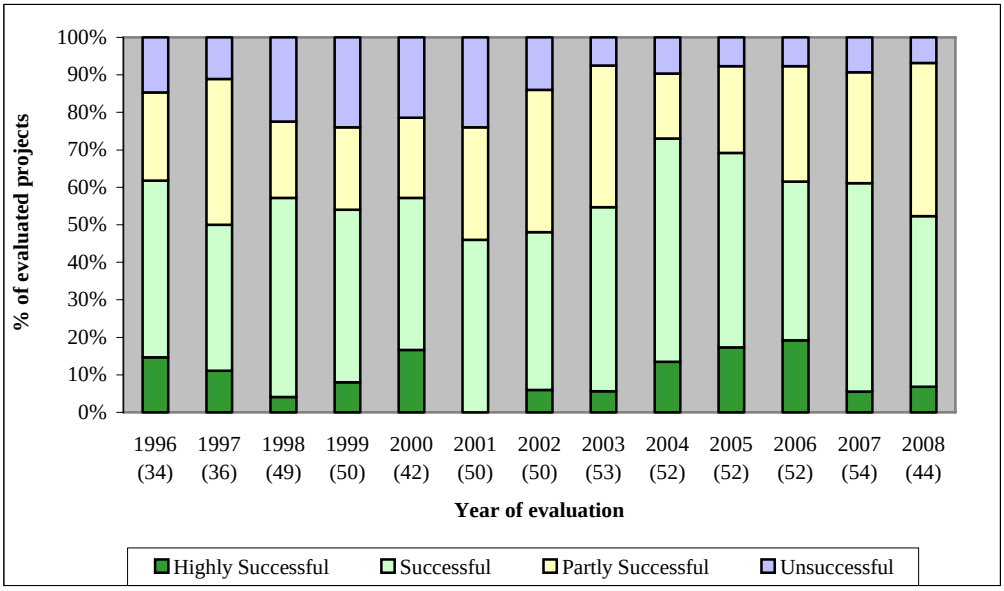


Table 2.1: Overall performance, percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)

Year of evaluation	Unsuccessful	Partly Successful	*Sub-total*	Successful	Highly Successful	*Sub-total*	No. of evaluations
1996	15%	24%	*39%*	46%	15%	*51%*	34
1997	11%	39%	*50%*	39%	11%	*50%*	36
1998	22%	21%	*43%*	53%	4%	*57%*	49
1999	24%	22%	*46%*	46%	8%	*54%*	50
2000	21%	22%	*43%*	40%	17%	*57%*	42
2001	24%	30%	*54%*	46%	0%	*46%*	50
2002	14%	38%	*52%*	42%	6%	*48%*	50
2003	8%	38%	*46%*	48%	6%	*54%*	53
2004	10%	17%	*27%*	60%	13%	*73%*	52
2005	8%	23%	*31%*	52%	17%	*69%*	52
2006	8%	31%	*39%*	42%	19%	*61%*	52
2007	9%	29%	*38%*	56%	6%	*62%*	54
2008	7%	41%	*48%*	45%	7%	*52%*	44
1996-97	13%	31%	*44%*	43%	13%	*56%*	70
1996-98	17%	27%	*44%*	47%	9%	*54%*	119
1996-99	19%	25%	*44%*	47%	9%	*56%*	169
1996-2000	19%	25%	*44%*	46%	10%	*56%*	211
1996-2001	20%	26%	*46%*	46%	8%	*54%*	261
1996-2002	19%	28%	*47%*	45%	8%	*53%*	311
1996-2003	18%	29%	*47%*	45%	8%	*53%*	364
1996-2004	17%	28%	*45%*	47%	8%	*55%*	416
1996-2005	16%	27%	*43%*	48%	9%	*57%*	468
1996-2006	15%	28%	*43%*	47%	10%	*57%*	520
1996-2007	14%	28%	*42%*	48%	10%	*58%*	574
1996-2008	14%	28%	*42%*	48%	10%	*58%*	618

Rather more than half (356 of 618 evaluated projects, or 58 per cent) of the operations evaluated obtained ratings in the *Successful - Highly Successful* bracket. Throughout the 1990s this share varied around the 50 per cent mark but showed no definite pattern. In 2001 it fell to a low point of 46 per cent before rising steadily to reach a peak of 73 per cent of projects rated *Successful* or *Highly Successful* in 2004. Since then the figure has fallen each year. In 2008, 52 per cent of projects were rated *Successful* or *Highly Successful*. This is lower than in recent years; indeed it is the lowest result since 2002. The proportion of

projects rated *Highly Successful* in 2008 was 7 per cent, similar to 2007, while the proportion rated *Unsuccessful*, at 7 per cent, was lower than in any previous year. Rather a high proportion of projects (41%) were rated *Partly Successful* in 2008. In most cases these projects had moderate ratings on all indicators rather than an *Excellent* rating in one area and *Unsatisfactory* in another. According to the Evaluation Policy, a project which is rated *Satisfactory* for all the major indicators would be rated *Partly Successful* overall, and many projects evaluated in 2008 had ratings that were close to this pattern.

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

In previous AEORs the Evaluation Department hesitated to describe the fall in ratings after 2004 as a trend because of limited data, but the results of an additional year now make the downward pattern clearer. These results cannot be a result of the current macroeconomic environment, since they are spread over a number of years and are more reflective of developments 3-5 years ago. Nonetheless, the downturn in the international economy is likely to add further strains to existing projects and EvD does not expect results to shown an improvement in the immediate future.

The decline in ratings in the benign economic environment of recent years may be an indication that EBRD has not shied away from risky projects. Some clients and countries of operation have been moving away from EBRD, as shown by a relatively high level of prepayments and moves towards countries "graduating" from EBRD support. In order to produce a high level of business in such an environment, EBRD may have felt that it needed to seek out additionality beyond what other FDI investors were already providing during the expansionary period of 2003-2006. This additionality was translated into more unusual financing structures, and geographical changes to the composition of the portfolio. This does not only mean moving out of central Europe towards Russia, south-eastern Europe and Central Asia (discussed further in section 2.3 below), but also becoming more active in regions and towns outside the capital cities of a given country. There may also have been increased engagement with a "second tier" of clients which were not previously sufficiently well established to approach EBRD. These data are difficult to confirm easily from the information in the Bank's database.

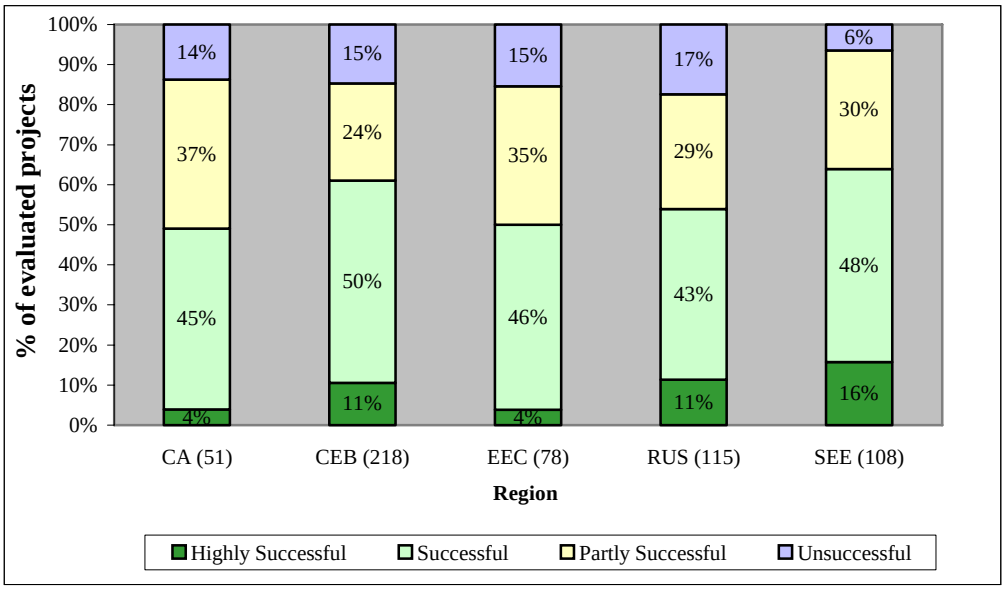
2.3. OVERALL PERFORMANCE RATINGS BY COUNTRY GROUPS

This year, the Evaluation Department adopts the regional groupings used by the Bank in its other publications. In order to continue the analysis of ETC performance from recent AEORs, section 10 considers the performance of ETCs. In the regional groups used below, ETC countries are split between the "CA" and "EEC" groups.

Chart 2.2 below shows that the highest overall performance ratings have been achieved in Central Europe and the Baltics (CEB) and South-Eastern Europe (SEE), where over 60 per cent of evaluated projects have been rated *Successful* or better). The corresponding figures

for other regions are 54 per cent for Russia (RUS), 50 per cent for Eastern Europe and Caucasus (EEC) and 49 per cent for Central Asia (CA).

Chart 2.2: Overall performance ratings by country groups
(570 investment operations evaluated 1996-2008)

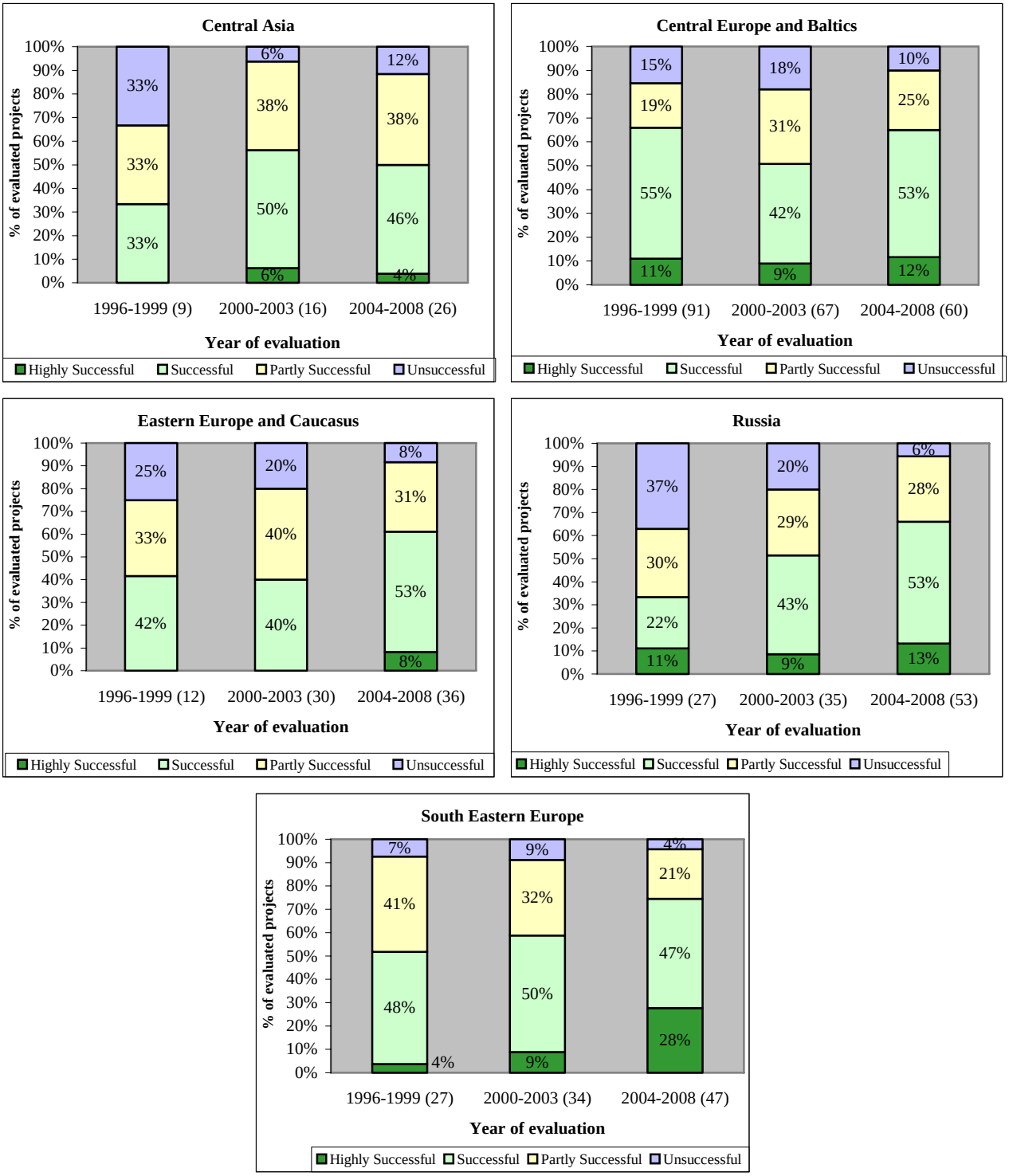


Note: 48 regional projects omitted
CA: Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, Uzbekistan
CEB: Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia
EEC: Armenia, Azerbaijan, Belarus, Georgia, Moldova, Ukraine
SEE: Albania, Bosnia & Herzegovina, Bulgaria, FYR Macedonia, Montenegro, Romania, Serbia

The average success ratings in the various country groups reflect the more difficult environment the Bank faces in the countries towards the east and south of its region, compared with those in central and south-eastern Europe. This justifies the additional resources EBRD intends to direct towards these countries in the future, but also indicates the challenge facing the Bank as it withdraws from central Europe.

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

Chart 2.3: Development of overall performance ratings over time for projects evaluated 1996-2008: presented by region



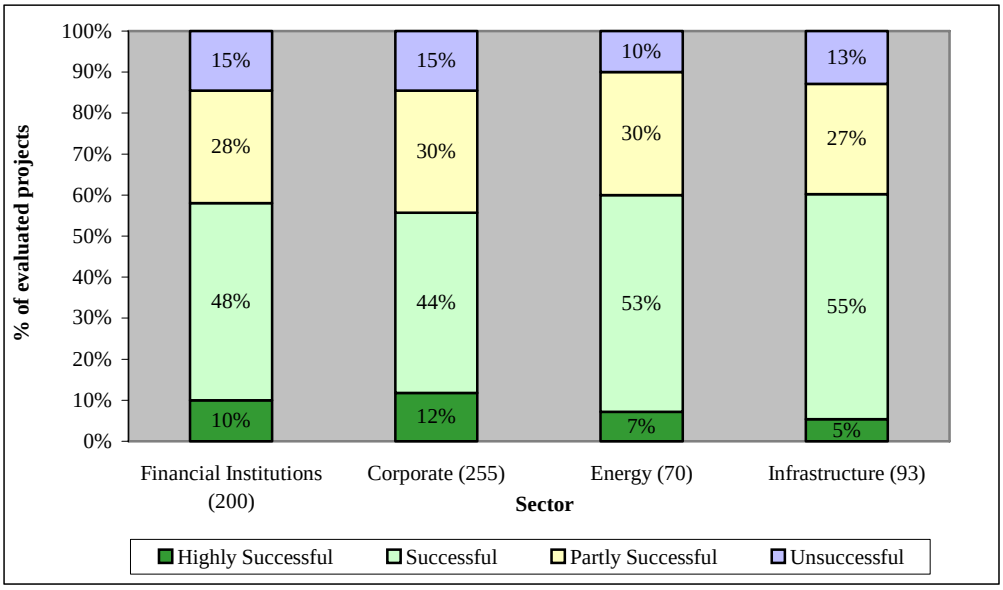
Note: 48 regional projects omitted
See chart 2.2 for list of countries in each region

Performance in Russia, EEC and SEE has improved substantially and consistently over the period of evaluation (after a slow start in the EEC region). The picture is less clear for Central Asia and CEB. In Central Asia, gains in the period 2000-2003 have dropped off somewhat in recent years, ratings remain well below those in other regions at only 50 per cent *Successful* or better in 2004-2008. In CEB, by contrast there was a drop in performance in 2000-2003, which has since been recovered. SEE is the region with the highest overall performance ratings in recent years, with 75 per cent *Successful* or better in 2004-2008.

2.4. OVERALL PERFORMANCE RATINGS BY INDUSTRY SECTORS

The Evaluation Department has also adopted EBRD's sector classifications for this year's AEOR, replacing the former classifications of Financial, Infrastructure, Corporate excluding Telecoms and Telecoms by Financial Institutions, Corporate, Energy and Infrastructure. Looking at the sectoral breakdown cumulatively for all projects evaluated since 1996, there is very little difference between the performance of all the sectors. The Corporate sector falls slightly behind the other two sectors with 56 per cent of projects rated *Successful* or *Highly Succcessful*, but the difference between the highest and lowest performing sectors is only 4 per cent.

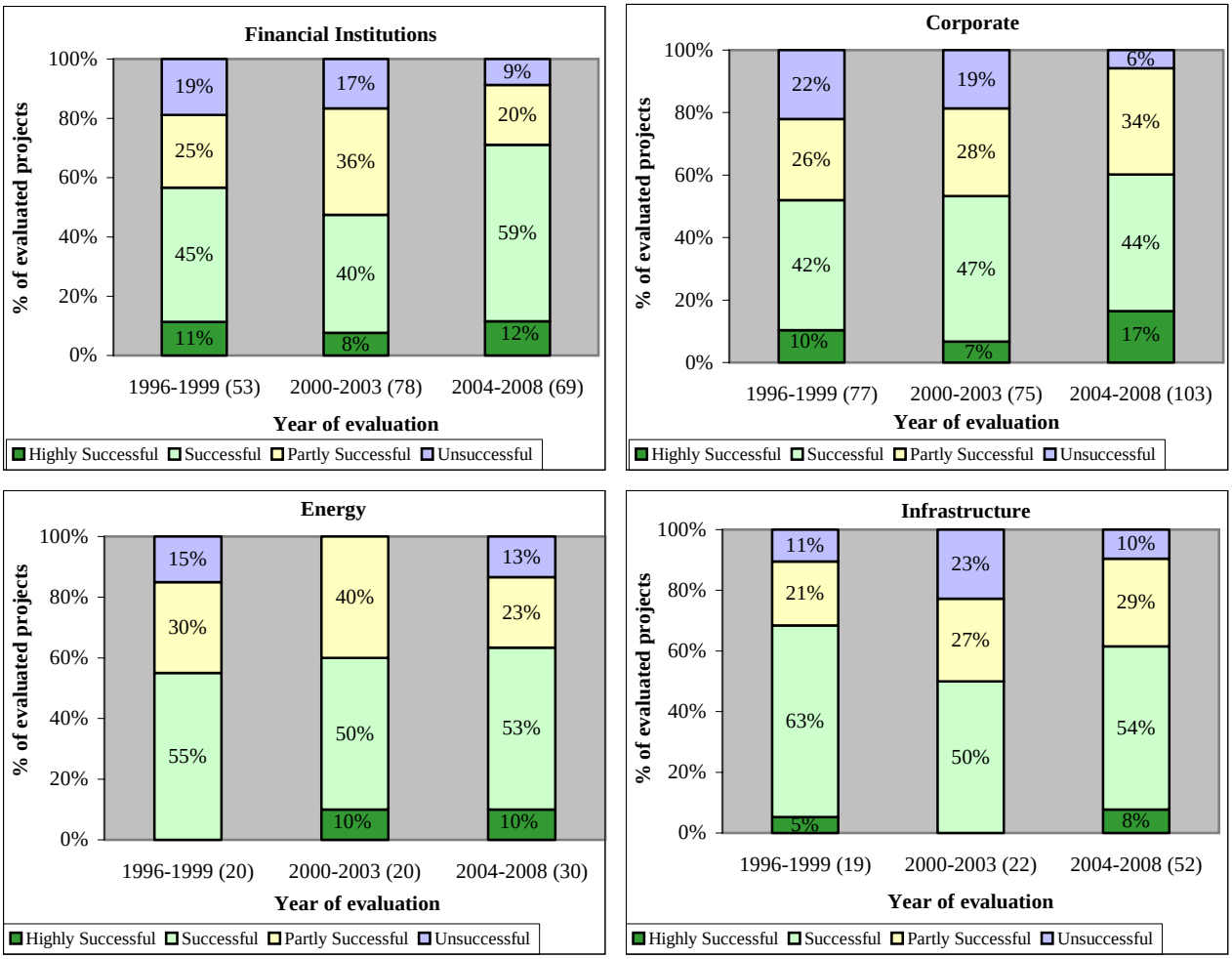
Chart 2.4: Overall performance ratings by sector groups
(618 evaluated investment operations, 1996-2008)



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

The time series data in chart 2.5 show that in recent years Financial Insitutions have been rated substantially higher than projects in other sectors, with 71 per cent of projects rated *Successful* or better. This follows a period of lower ratings in 2000-2003 which is likely to have been negatively influenced by the Russian banking crisis of 1998. The Corporate sector still lags a little behind the others, but the difference is now small, with 60-64 per cent of projects rated *Successful* or *Highly Successful* in each sector in 2004-2008.

Chart 2.5: Development of overall performance ratings over time for projects evaluated 1996-2008: presented by industry sector

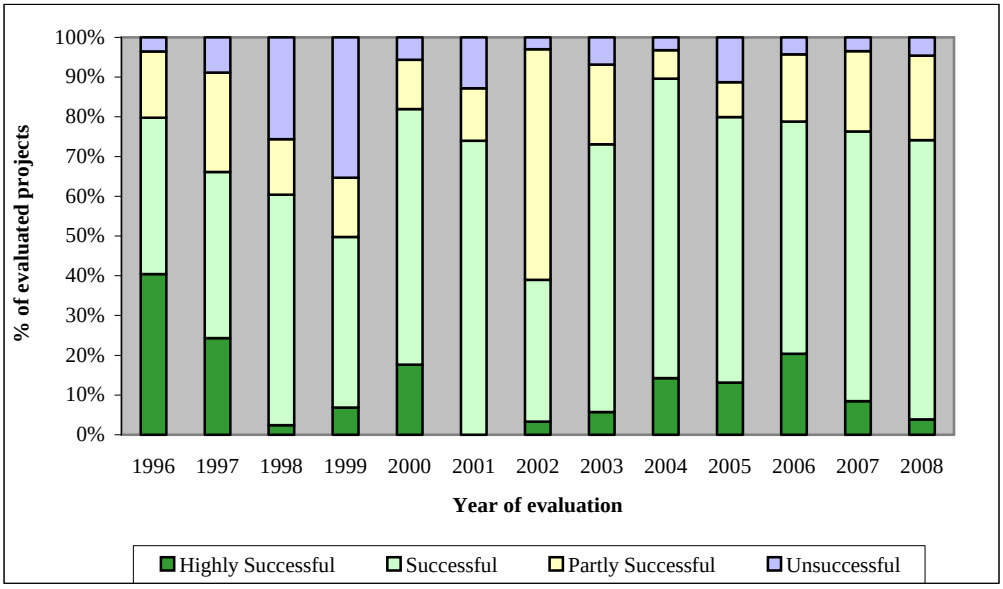


See chart 2.4 for list of industries in each sector

2.5. OVERALL PERFORMANCE RATINGS BY VOLUME

Considered by volume, the results are better, and this has been observed over several years. In 2008, 58 per cent of evaluated projects by volume were rated *Successful* or *Highly Successful* overall (compared with 52 per cent in terms of numbers of evaluations). The cumulative figure for projects evaluated in 1996-2008 is 72 per cent (compared with 58 per cent in terms of numbers of evaluations), of which 10 per cent were rated *Highly Successful*. It is a welcome result in terms of the allocation of EBRD resources to find that almost three-quarters of the volume evaluated has been rated *Successful* or better.

Chart 2.6: Overall performance, percentage distribution of assigned ratings in terms of volume of projects evaluated



The difference in outcomes, compared to the results when the number of evaluated projects is considered, indicates that larger projects are more likely to be successful than small ones. Of the 30 evaluated projects with EBRD finance of over EUR 100 million, 26 were rated *Successful* overall (but none *Highly Successful*). Small projects, below EUR 20 million, were rated *Successful* or better in only 51 per cent of cases (190 evaluations out of 375) while medium-sized projects between these two extremes achieved 66 per cent *Successful* or better overall.

The tables below show the results for the Overall Performance, Transition Impact, Project Financial Performance and Additionality of large, medium-sized and small projects.

Table 2.2: Overall Performance by project size

Project size	Highly Successful	Successful	*Sub-total*	Partly Successful	Unsuccessful	*Sub-total*	No. of evaluations
Large	0%	87%	*87%*	6%	7%	*13%*	30
Medium	14%	52%	*66%*	24%	10%	*34%*	213
Small	8%	43%	*51%*	33%	16%	*49%*	375
Grand Total	10%	48%	*58%*	28%	14%	*42%*	618

Table 2.3: Transition Impact by project size

Project size	Excellent	Good	Satisfactory	*Sub-total*	Marginal	Unsatisfactory	Negative	*Sub-total*	No. of evaluations
Large	3%	70%	20%	*93%*	3%	0%	3%	*7%*	30
Medium	14%	45%	24%	*84%*	9%	5%	2%	*16%*	213
Small	8%	42%	25%	*75%*	16%	7%	2%	*25%*	375
Grand Total	10%	45%	24%	*79%*	13%	6%	2%	*21%*	618

Table 2.4: Project Financial Performance by project size

Project size	Excellent	Good	Satisfactory	*Sub-total*	Marginal	Unsatisfactory	Highly Unsatisfactory	*Sub-total*	No. of evaluations
Large	31%	31%	23%	*85%*	12%	0%	4%	*15%*	26
Medium	18%	33%	27%	*77%*	14%	5%	4%	*23%*	211
Small	12%	24%	24%	*60%*	22%	10%	8%	*40%*	370
Grand Total	15%	27%	25%	*67%*	19%	8%	7%	*33%*	607

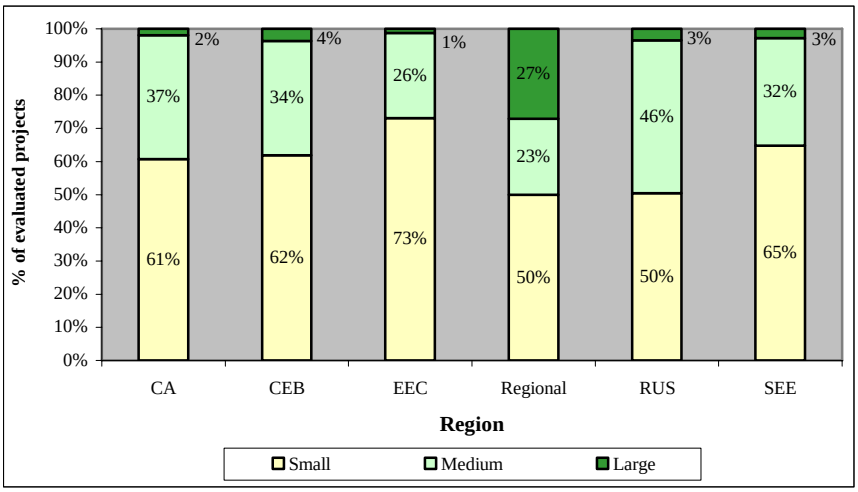
Table 2.5: Additionality by project size

Project size	Verified in All Respects	Verified at Large	*Sub-total*	Verified in Part	Not Verified	*Sub-total*	No. of evaluations
Large	47%	43%	*90%*	7%	3%	*10%*	30
Medium	62%	29%	*91%*	8%	1%	*9%*	213
Small	62%	25%	*87%*	10%	3%	*13%*	375
Grand Total	61%	27%	*89%*	9%	2%	*11%*	618

It can be seen that Transition Impact and Project Financial Performance both show a similar pattern, but that it is more pronounced in the case of Project Financial Performance. It may be that smaller projects are less likely to be financially solid and that this has a detrimental effect on the project's ability to achieve other objectives. Additionality has a different outcome from the other indicators: very large projects are less likely to be rated *Verified in All Respects* than small or medium-sized ones.

The results do not appear to be just the result of geographic distribution. It was seen in section 2.3 above that Overall Performance ratings in the CA and EEC regions were lower than elsewhere. If small projects are concentrated in those regions, that might be affecting the results. Chart 2.7 shows the distribution of large, medium and small projects in each region. The EEC has the highest proportion of smaller projects, while many large projects are Regional and do not fit into any individual region.[9] However, there is little difference between the size distribution of projects in CA, CEB and SEE. There is no particular relationship between this distribution and the performance of projects in the different regions as shown in Chart 2.2 above.

Chart 2.7: Proportion large, medium and small evaluated projects in each region

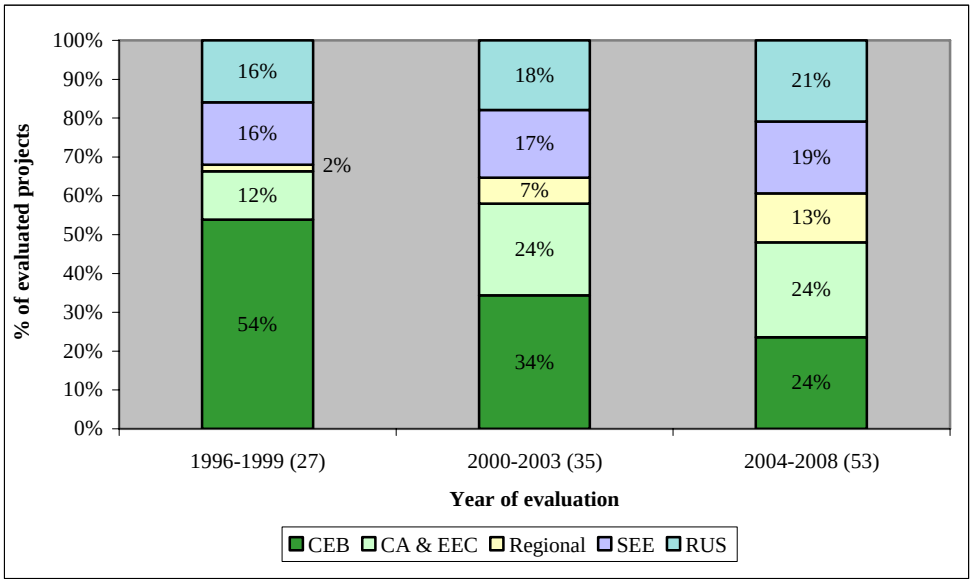


It appears therefore that the poorer performance of smaller projects is independent of their geographic location. The outcome may be the result of greater staff resources and attention devoted to larger projects. However, the result is important given the Bank's medium-term intention to move towards a greater number of smaller projects in more difficult transition environments. It seems that both the target project types (small projects, and those in CA and EEC) tend to lead to lower performance ratings.

[9] These are the 48 projects which are omitted from each of the charts showing project performance by region. Therefore they do not affect the performance ratings of any of the individual regions discussed throughout the report.

Chart 2.8 shows the change over time in the regional distribution of projects evaluated by EvD. To simplify the chart, the CA and EEC groups have been combined. These groups, together with Regional projects, have shown the greatest increase over time in terms of the proportion of total evaluated projects. The proportion of evaluated projects from CEB has fallen, as could be expected, while the proportion of projects in SEE and Russia has increased only slightly. The database of evaluated project reflects EBRD's move over time towards the south and east.

Chart 2.8: Development of the regional distribution of projects evaluated 1993-2008



3. THE TRANSITION IMPACT (TI) RATING

3.1. METHODOLOGY

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

3.2. TRANSITION IMPACT RATINGS 1996-2008

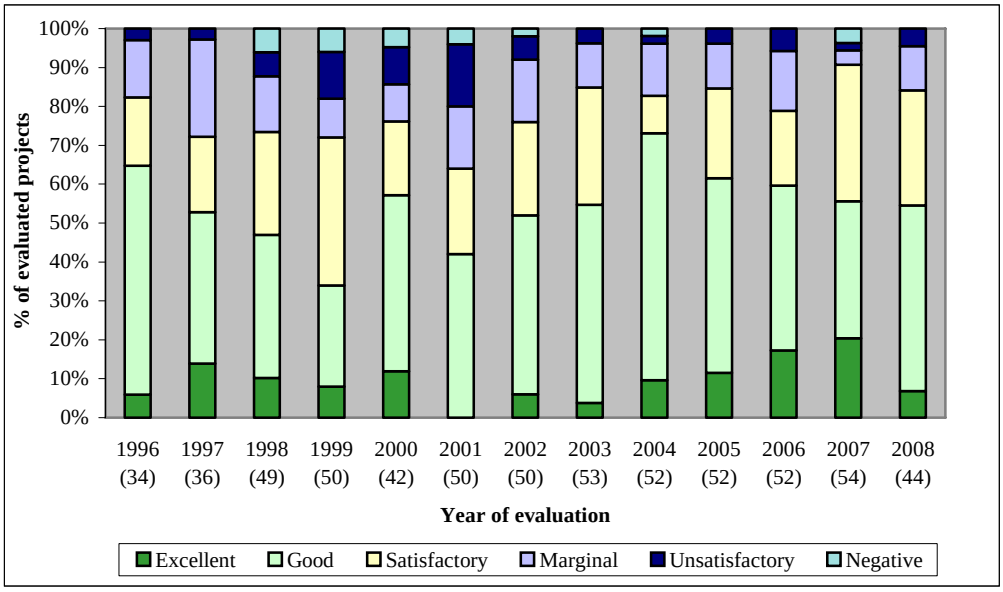
TI ratings carry a high weight in the overall performance ratings of projects. Table 3.1 shows the distribution of the ex-post TI ratings by EvD since 1996. As for the Overall Performance rating, there appears to have been a steady improvement from a low in 2001 to a peak in 2004. Since then there has been a decline in the proportion of projects rated *Good* to *Excellent*, though the share of projects rated *Excellent* continues to rise and the proportion rated *Satisfactory* to *Excellent* remains high. Over the entire period, the share of projects with *Good* to *Excellent* ratings is 55 per cent, while 79 per cent of the projects were rated

Satisfactory or higher, but it is notable that eight per cent of the projects during the same period rated *Unsatisfactory* or *Negative.*[10]

Table 3.1: TI ratings of 618 investment operations evaluated –1996-2008

Period	Negative	Unsatis-factory	Marginal	*Subtotal Negative - Marginal*	Satisfactory	Good	Excellent	*Subtotal Satisfactory - Excellent*	Total projects evaluated
1996	0%	3%	15%	*18%*	18%	58%	6%	*82%*	34
1997	0%	3%	25%	*28%*	19%	39%	14%	*72%*	36
1998	6%	6%	14%	*26%*	27%	37%	10%	*74%*	49
1999	6%	12%	10%	*28%*	38%	26%	8%	*72%*	50
2000	5%	10%	10%	*25%*	19%	44%	12%	*75%*	42
2001	4%	16%	14%	*34%*	24%	42%	0%	*66%*	50
2002	2%	6%	16%	*24%*	24%	46%	6%	*76%*	50
2003	0%	4%	11%	*15%*	30%	51%	4%	*85%*	53
2004	2%	2%	13%	*17%*	10%	63%	10%	*83%*	52
2005	0%	4%	12%	*16%*	23%	49%	12%	*84%*	52
2006	0%	6%	15%	*21%*	19%	43%	17%	*79%*	52
2007	4%	2%	4%	*10%*	35%	35%	20%	*90%*	54
2008	0%	5%	11%	*16%*	29%	48%	7%	*84%*	44
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%	43%	7%	*75%*	364
1996-2004	3%	7%	14%	*24%*	24%	45%	7%	*76%*	416
1996-2005	2%	7%	14%	*23%*	23%	46%	8%	*77%*	468
1996-2006	2%	7%	14%	*23%*	23%	45%	9%	*77%*	520
1996-2007	2%	6%	13%	*21%*	24%	45%	10%	*79%*	574
1996-2008	2%	6%	13%	*21%*	24%	45%	10%	*79%*	618

Chart 3.1: Transition impact, percentage distribution of assigned ratings in terms of number of projects evaluated

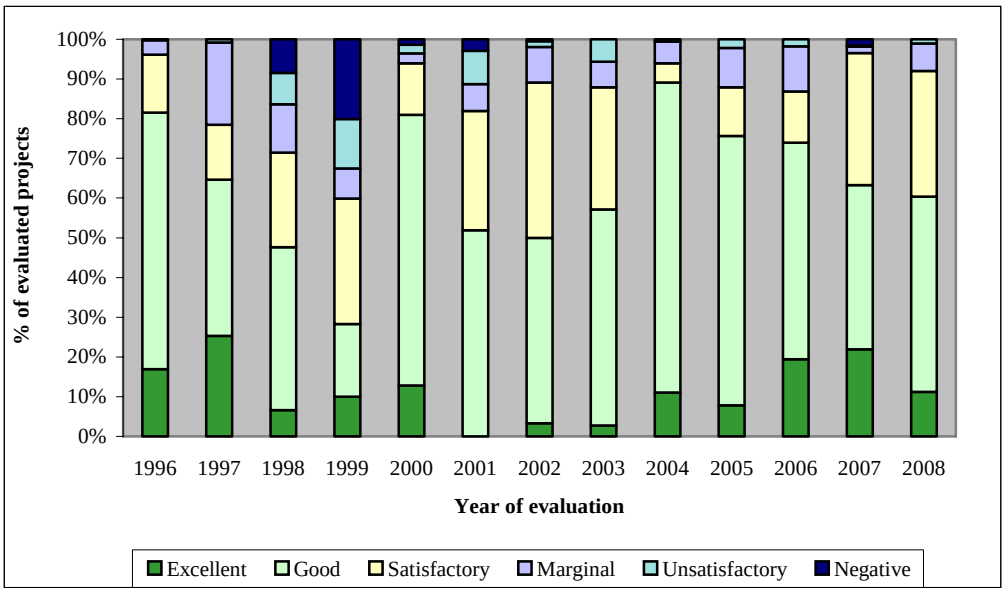


[10] Weighting by volume of investment yields better results, with 64 per cent *Good* or *Excellent* and 86 per cent rated *Satisfactory* or higher.

3.3. TRANSITION IMPACT RATINGS BY VOLUME

As for the Overall Performance rating, the proportion of evaluated projects achieving top transition impact ratings is higher when measured by volume. Cumulatively over the period 1996-2008, 63 per cent of projects by volume have been rated *Excellent* or *Good* for transition impact, while a further 24 per cent have been rated *Satisfactory*. The percentages tend to fluctuate from year to year more than when counting the number of projects, and it is harder to observe a clear pattern. This is because a few large projects can have a major impact on the overall results for a given year, though a low result in 2001 and a higher result in 2004 are still visible. In 2008, 60 per cent of projects by volume were rated *Good* or *Excellent* and a further 32 per cent were rated *Satisfactory*.

Chart 3.2: Transition impact, percentage distribution of assigned ratings in terms of volume of projects evaluated

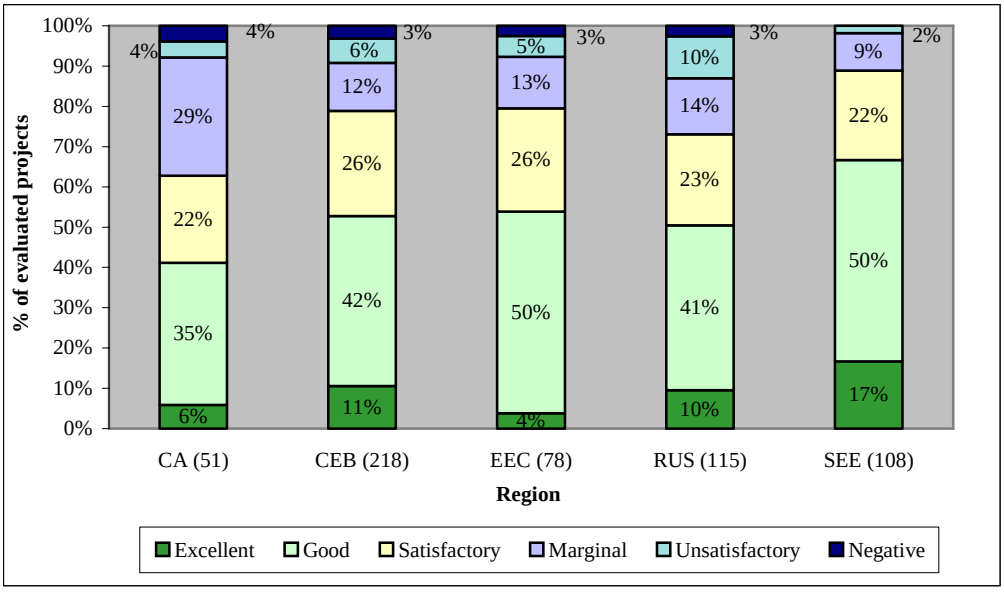


The size effect is apparent here, as it is for the overall performance rating. Of the 30 evaluated projects with EBRD finance of over EUR 100 million, all but 2 were rated *Satisfactory* or better for transition impact. The difference between medium-sized and small projects is not so great, except that the medium-sized projects have a larger number of *Excellent* ratings (14 per cent, compared to 8 per cent for projects with EBRD finance below EUR 20 million). More investigation would be needed to tell whether the differences are because of greater resources allocated to larger projects, or result from an inherently greater potential for transition in larger projects. For example, it seems reasonable to assume that very large projects may offer greater leverage for improving areas such as frameworks for markets.

3.4. TRANSITION IMPACT RATINGS BY COUNTRY GROUPS

Chart 3.3 presents the TI rating distribution by country groups of 570 projects evaluated in 1996-2008. Overall, Central Asia shows markedly lower ratings than the other groups, with only 41 per cent of projects rated *Good* or *Excellent* for transition impact. SEE is the best performing region with 67 per cent of projects rated *Good* or *Excellent*. CEB, EEC and Russia fall between these two extremes, with results in Russia slightly below those in the other two regions.

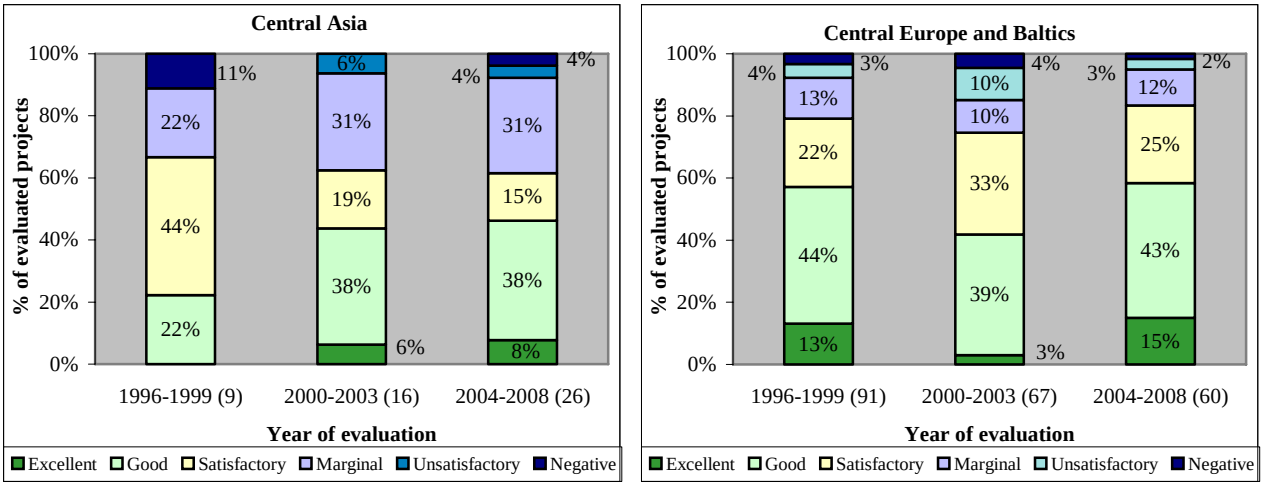
Chart 3.3: TI ratings of 570 post-evaluated investment operations in 1996-2008 by country groups

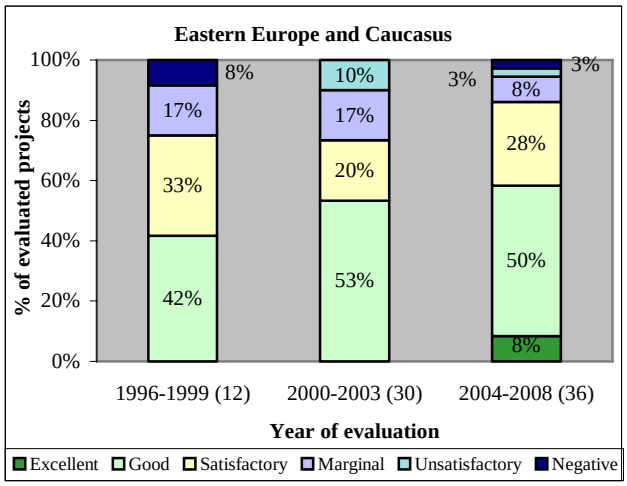


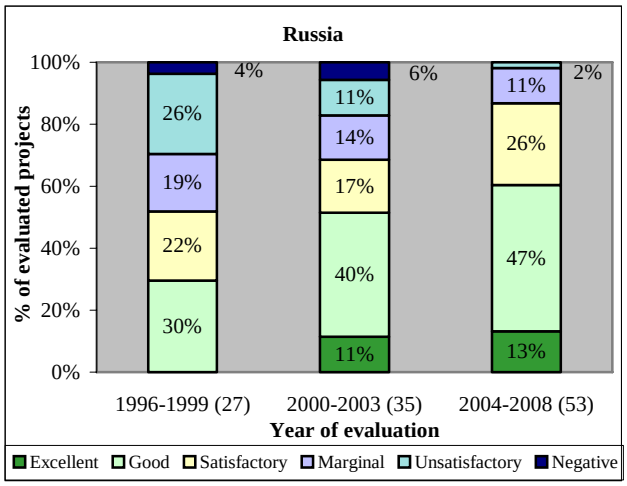
Note: 48 regional projects omitted
See chart 2.2 for list of countries in each region

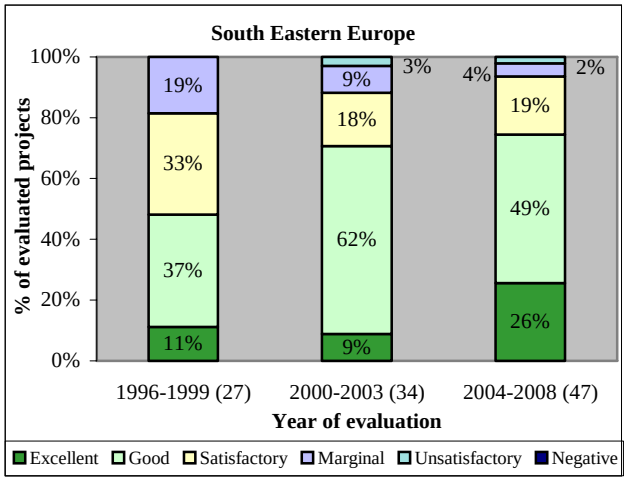
Time series analysis indicates that Transition Impact ratings have improved in recent years in every region except Central Asia, where the picture is less clear. Although here, too, the proportion of projects rated *Good* or *Excellent* has risen slightly, there has been a greater fall in the proportion of projects rated *Satisfactory*. Still only 61 per cent of projects in this region were rated *Satisfactory* or better in 2004-2008, much lower than in the other regions. In the same period, SEE had the highest proportion (75 per cent) of projects rated *Good* or *Excellent*, followed by Russia (60 per cent), and then CEB and EEC (both 60 per cent).

Chart 3.4: Development of TI ratings over time for projects evaluated 1996-2008: presented by region







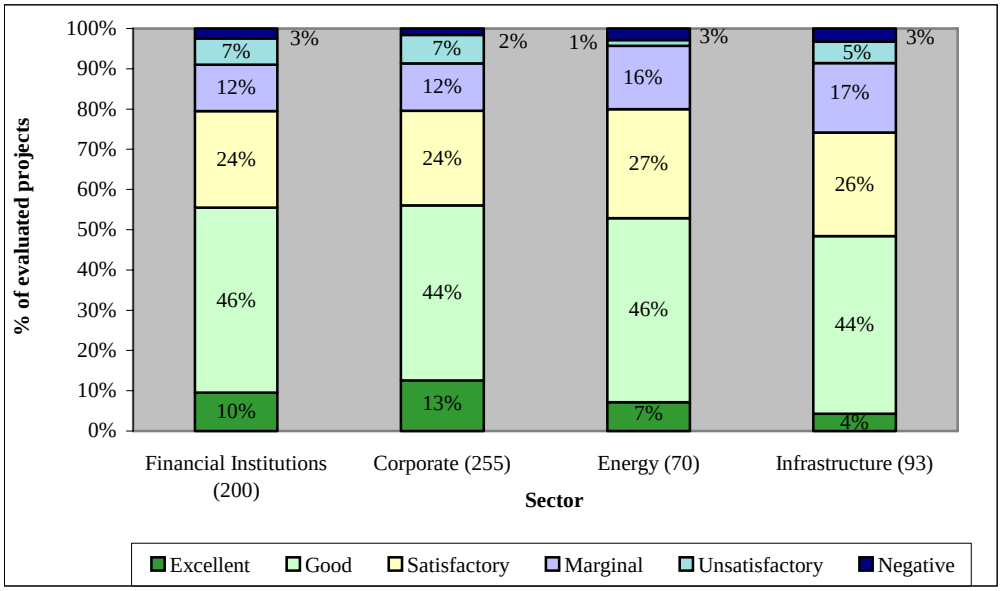


Note: 48 regional projects omitted
See chart 2.2 for list of countries in each region

3.5. TRANSITION IMPACT RATINGS BY SECTORS

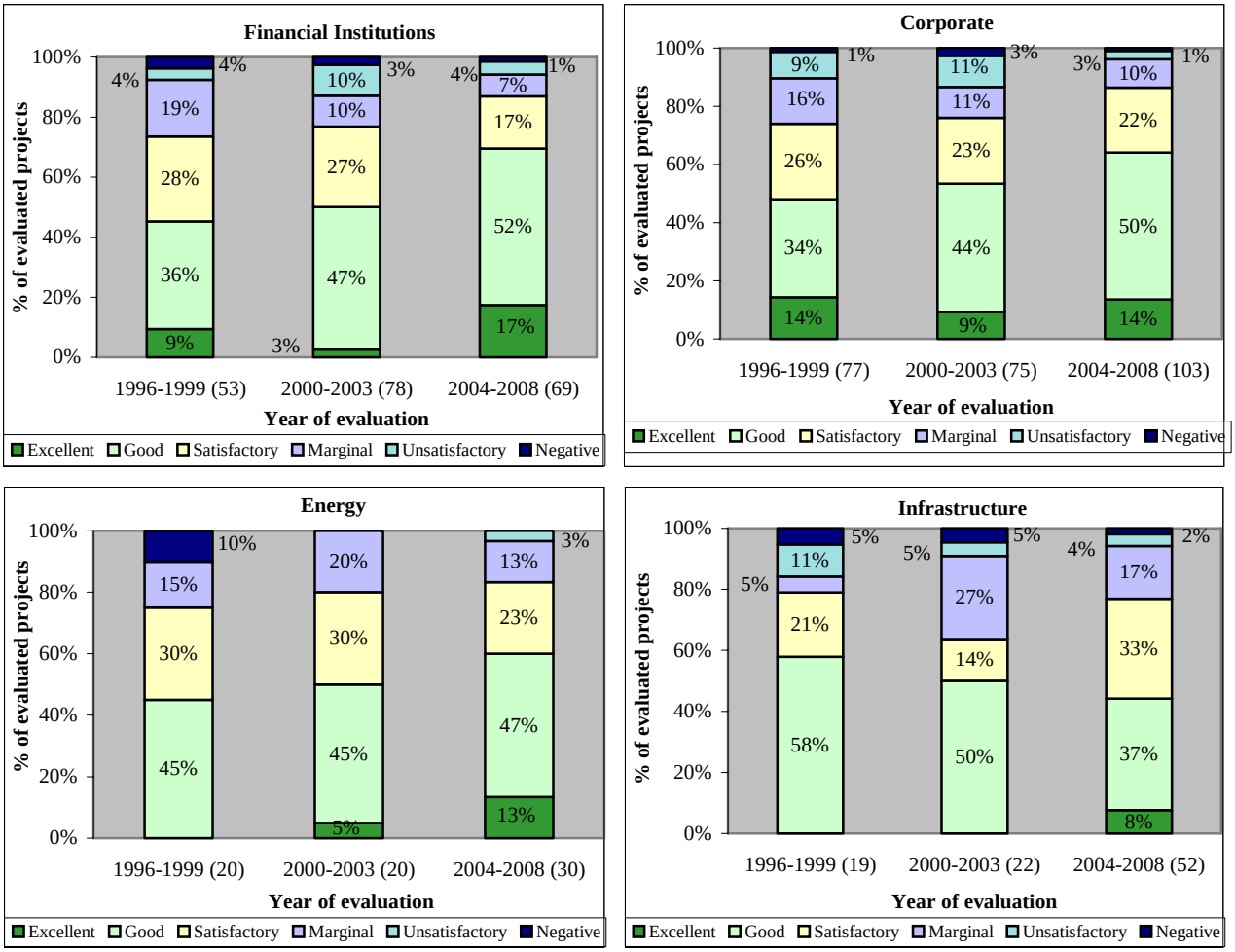
The sectoral breakdown for this indicator shows very little difference in performance between the four sectors. The Infrastructure sector has performed slightly less well than the other three sectors over the full period, and its results, in terms of projects rated *Good* or *Excellent* have fallen further in the most recent period. In the Financial Institutions, Corporate and Energy sectors, transition impact ratings have improved between the periods 2000-2003 and 2004-2008. In Infrastructure, the proportion of projects rated *Satisfactory* for transition impact has increased sharply over the same period, so that the proportion of projects rated *Good* or *Excellent* has actually fallen - from 50 per cent to 45 per cent - while the proportion rated *Satisfactory* or better has risen - from 64 per cent to 78 per cent. These results are shown in charts 3.5 and 3.6 below.

Chart 3.5: TI ratings 1996-2008 by sector groups (618 investment operations)



See chart 2.4 for description of each sector

Chart 3.6: Development of TI ratings over time for projects evaluated 1996-2008: presented by sector (618 investment operations)



4. ADDITIONALITY

4.1. METHODOLOGY

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.

4.2. ADDITIONALITY RATINGS 1996-2008

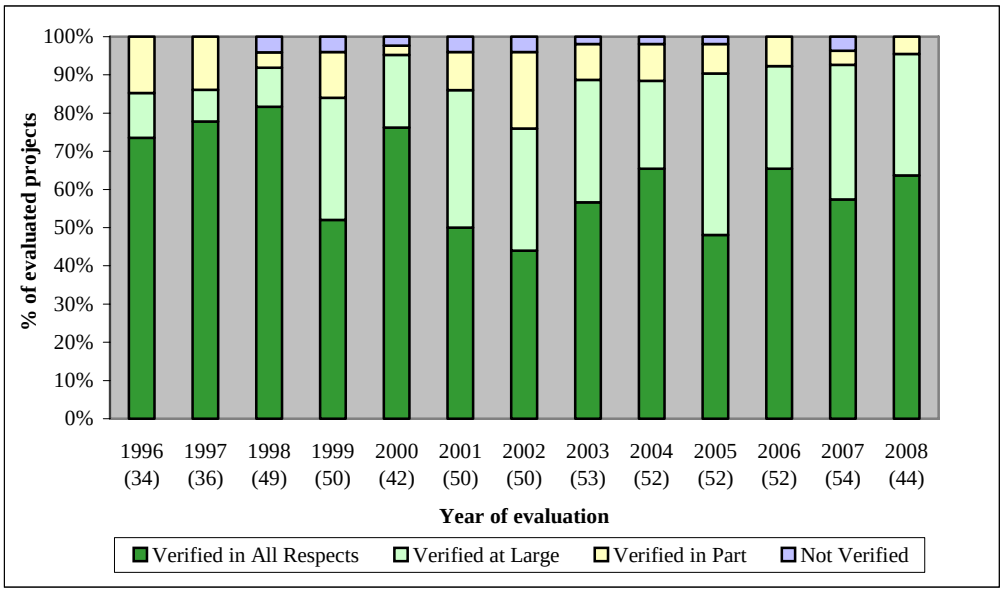
Of 618 operations evaluated in 1996-2008, 62 per cent had additionality *Verified in All Respects*, while 27 per cent had additionality *Verified at Large*. This left 11 per cent of projects with additionality *Verified in Part* or *Not Verified* (Table 4.2). Only 14 projects were rated in the latter group between 1996 and 2008. 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, 89 per cent of projects with additionality verified fully or at large supports the EBRD's additionality requirement under the Bank's mandate and confirms that there was no crowding out of market financing.

Table 4.2: Additionality, percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)

Ratings	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Verified in All Respects	76%	78%	70%	72%	67%	64%	63%	63%	61%	62%	62%	62%
Verified at Large	10%	10%	17%	17%	21%	23%	24%	24%	26%	26%	27%	27%
Subtotal	*86%*	*88%*	*87%*	*89%*	*88%*	*87%*	*87%*	*87%*	*87%*	*88%*	*89%*	*89%*
Verified in Part	14%	10%	11%	9%	9%	10%	10%	10%	10%	10%	9%	9%
Not Verified	0%	2%	2%	2%	3%	3%	3%	3%	3%	2%	2%	2%
Subtotal	*14%*	*12%*	*13%*	*11%*	*12%*	*13%*	*13%*	*13%*	*13%*	*12%*	*11%*	*11%*
Total (No. of projects)	**70**	**119**	**169**	**211**	**261**	**311**	**364**	**416**	**468**	**520**	**574**	**618**

Regarding annual variations of additionality, it is striking that the only variation in recent years is on the boundary between Verified in All Respects (64 per cent in 2008) and Verified at Large. After very high results in the early years of the Bank, the proportion of projects rated Verified in All Respects fell to 52 per cent in 1999 and there have been several years since then where only around 50 per cent of evaluated projects achieved the highest rating. However, results have been more positive in recent years. There has also been a steady decline in the proportion of projects rated *Verified in Part* or *Not Verified*.

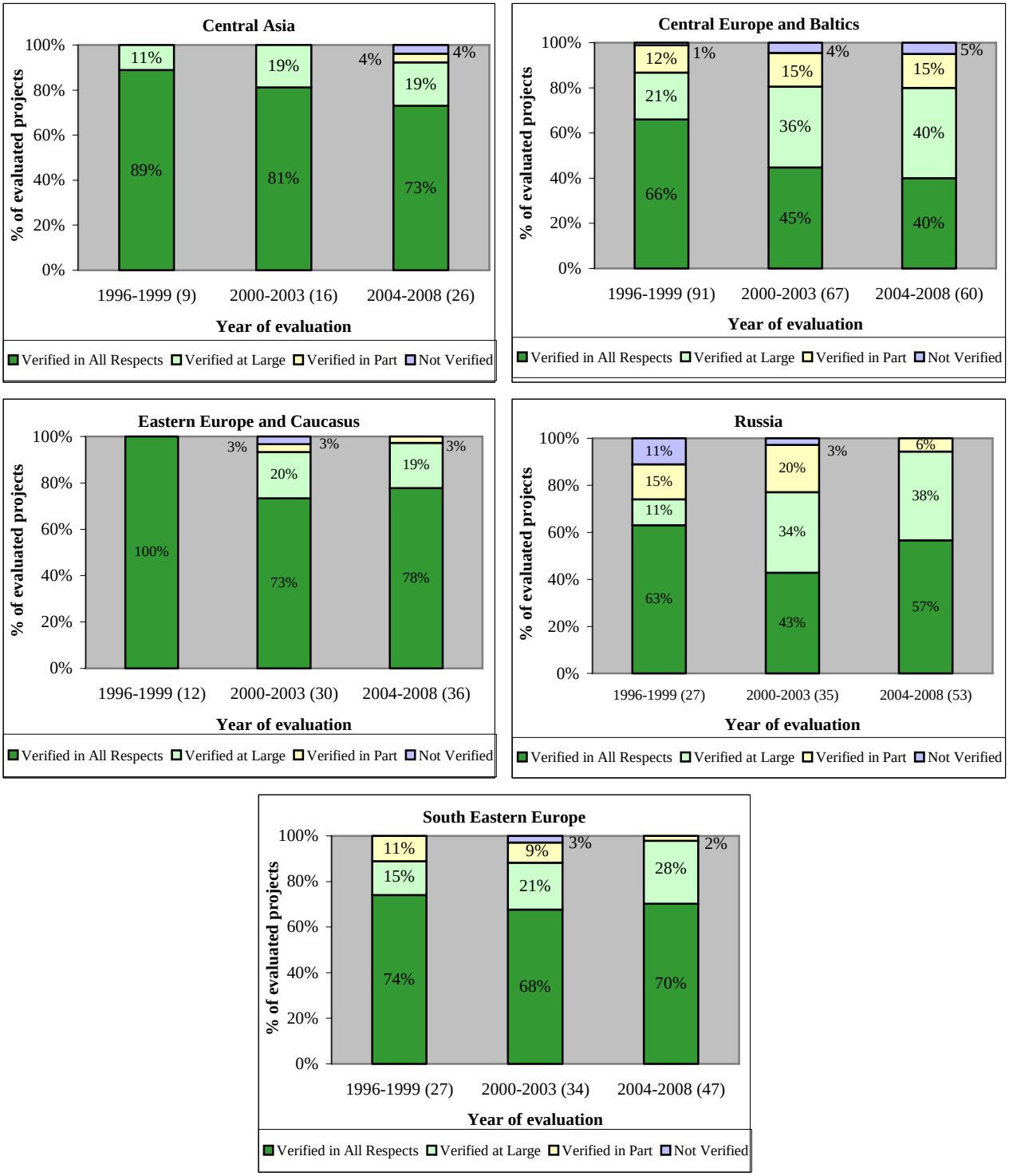
Chart 4.1: Additionality, percentage distribution of assigned ratings (618 investment operations evaluated 1996-2008)



4.3. ADDITIONALITY RATINGS BY REGION AND SECTOR

Chart 4.2 shows additionality ratings, by region and over time. EEC, Russia and SEE show a downturn in the middle period, 2000-2003, followed by a recent improvement. Central Asia and CEB show a continuing fall in the number of projects rated *Verified in All Respects*. The proportion rated *Verified at Large* or better, while falling somewhat, has remained high in most regions. By far the majority of all the projects rated *Not Verified* or *Verified in Part* – 55 out of a total of 70, or 79 per cent - are found in CEB or Russia. Of these, the cases in Russia are not recent. Only three projects outside these two regions are *Not Verified*; 10 projects outside these regions are *Verified in Part*, of which seven are in SEE.

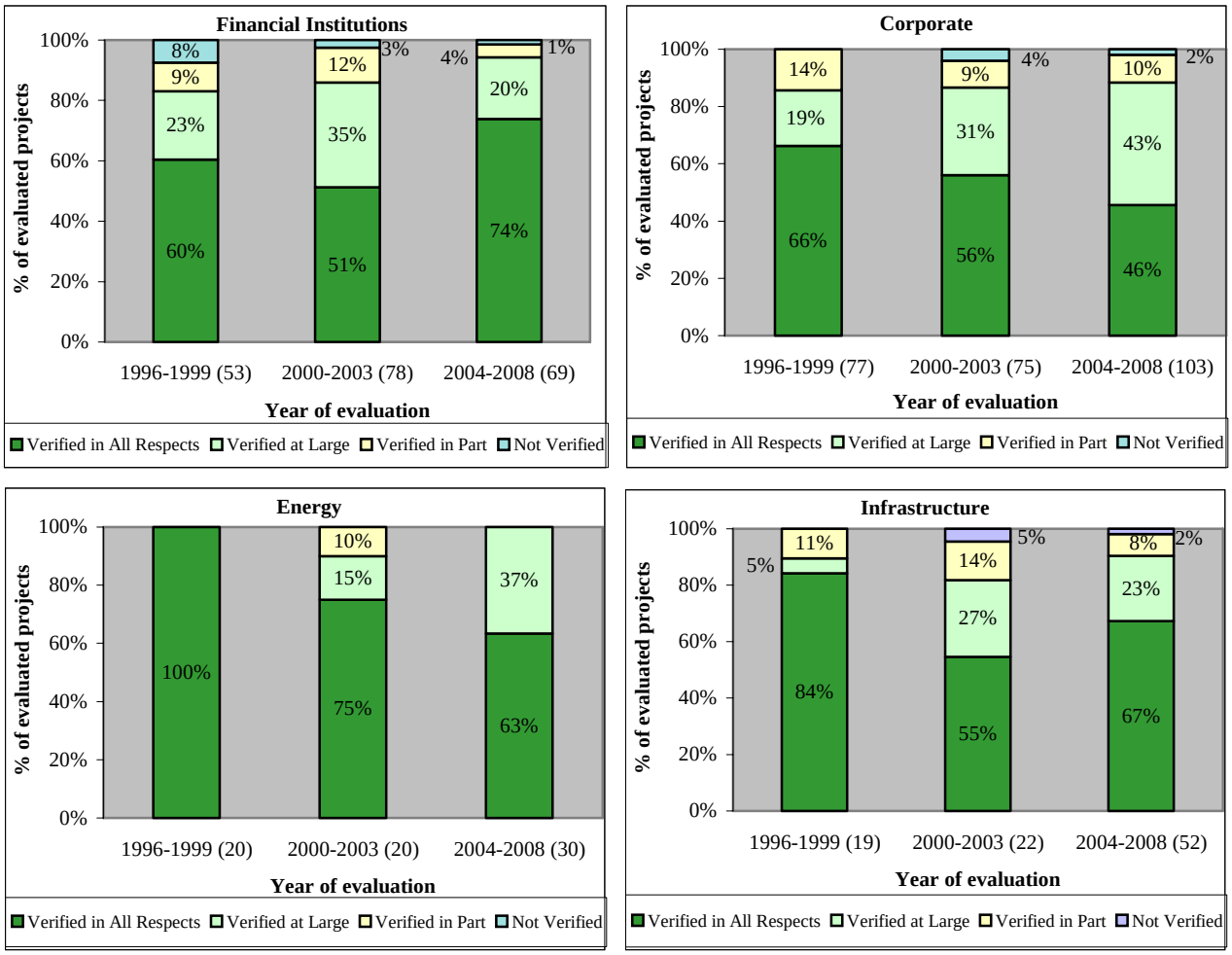
Chart 4.2: Development of additionality ratings over time for projects evaluated 1996-2008: presented by region



Note: 48 regional projects omitted
See chart 2.2 for list of countries in each region

Chart 4.3 indicates additionality ratings, by sector and over the same periods as above. Following a downturn in 2000-2003, ratings have improved in recent years in the Financial Institutions and Infrastructure sectors. In the Corporate and Energy sectors additionality ratings have declined. This has particularly affected the proportion of projects rated *Verified in All Respects*, which has fallen as low as 46 per cent in the Corporate sector. A particularly large proportion of projects in this sector have been rated *Verified at Large*.

Chart 4.3: Development of additionality ratings over time for projects evaluated 1996-2008: presented by region



5. COMPANY AND PROJECT FINANCIAL PERFORMANCE

5.1. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS 1996-2008

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.[11] The financial performance ratings of 607 evaluated operations by the end of 2008[12] are presented in Charts 5.1 and 5.2:

[11] 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.

[12] For this indicator and those following, the number of evaluated projects is reduced by 11 operations. Seven were evaluated through Special Studies and were formally rated only for Overall Performance, Transition Impact and Additionality. Two evaluations related to broad client relationships for which a financial performance rating was not applicable, and two more were not rated for company and project financial performance because the client was not a commercial undertaking in its own right generating revenue.

Chart 5.1: Company performance, percentage distribution of assigned ratings (607 investment operations evaluated 1996-2008)

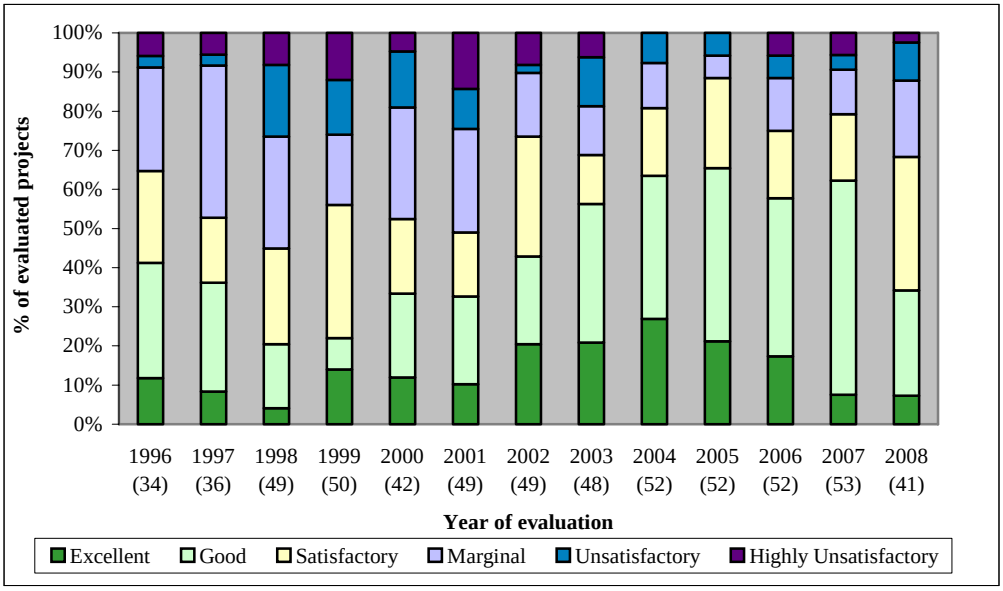


Table 5.1: Company performance, percentage distribution of assigned ratings (607 investment operations evaluated 1996-2008)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Excellent	10%	8%	9%	10%	10%	12%	13%	15%	15%	16%	15%	14%
Good	29%	24%	19%	19%	20%	20%	22%	24%	26%	28%	30%	30%
Satisfactory	20%	22%	25%	25%	23%	24%	23%	22%	22%	21%	21%	22%
Subtotal	*59%*	*54%*	*53%*	*54%*	*53%*	*56%*	*58%*	*61%*	*63%*	*65%*	*66%*	*66%*
Marginal	32%	30%	27%	27%	27%	26%	24%	22%	21%	20%	19%	19%
Unsatisfactory	3%	9%	11%	11%	11%	9%	10%	10%	9%	9%	8%	9%
Highly Unsatisfactory	6%	7%	8%	8%	9%	9%	8%	7%	7%	6%	7%	6%
Subtotal	*41%*	*46%*	*46%*	*46%*	*47%*	*44%*	*42%*	*39%*	*37%*	*35%*	*34%*	*34%*
Total (No. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**461**	**513**	**566**	**607**

Chart 5.2: Project performance, percentage distribution of assigned ratings (607 investment operations evaluated 1996-2008)

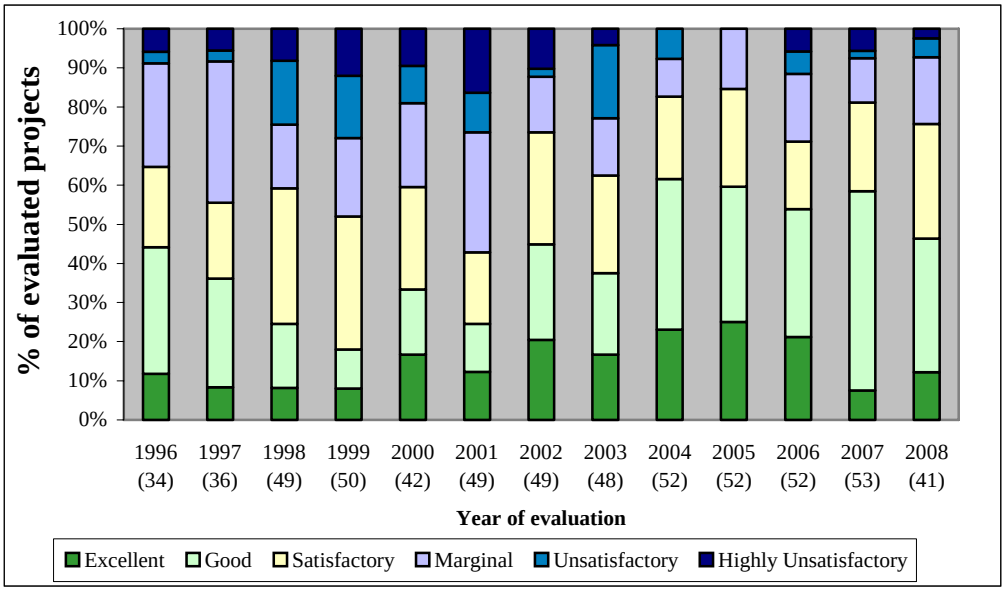


Table 5.2: Project performance, percentage distribution of assigned ratings (607 investment operations evaluated 1996-2008)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Excellent	10%	9%	9%	10%	11%	12%	13%	14%	15%	16%	15%	15%
Good	30%	24%	20%	19%	18%	19%	19%	22%	23%	24%	26%	26%
Satisfactory	20%	27%	28%	28%	26%	27%	26%	26%	26%	25%	25%	25%
Subtotal	*60%*	*60%*	*57%*	*57%*	*55%*	*58%*	*58%*	*62%*	*64%*	*65%*	*66%*	*66%*
Marginal	31%	25%	24%	24%	25%	23%	23%	20%	20%	19%	19%	19%
Unsatisfactory	3%	8%	11%	10%	10%	9%	10%	10%	9%	9%	8%	8%
Highly Unsatisfactory	6%	7%	8%	9%	10%	10%	9%	8%	7%	7%	7%	7%
Subtotal	*40%*	*40%*	*43%*	*43%*	*45%*	*42%*	*42%*	*38%*	*36%*	*35%*	*34%*	*34%*
Total (No. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**461**	**513**	**566**	**607**

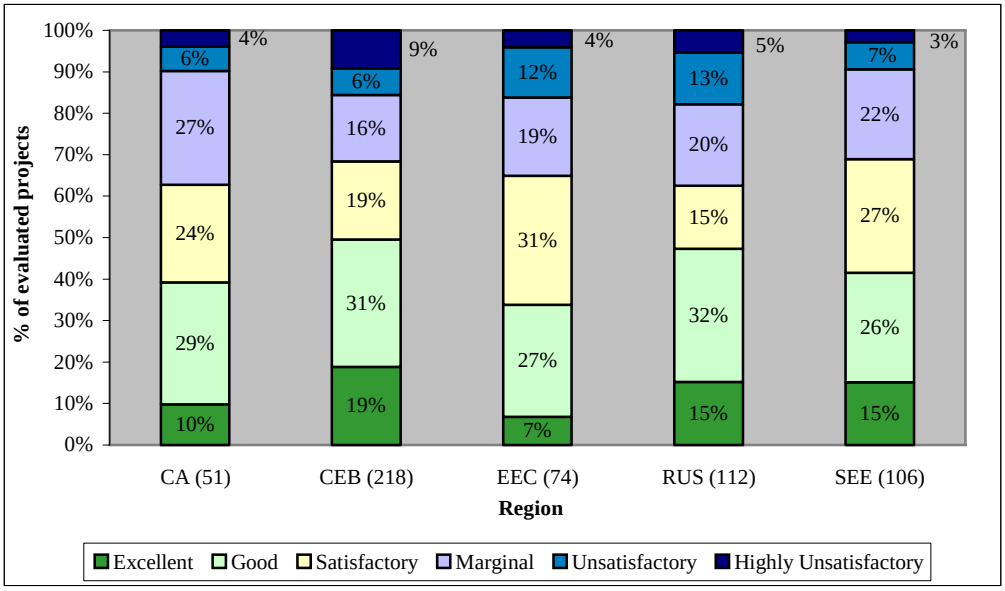
The close correlation between company and project performance reflects the fact that these ratings may be identical (as in greenfield investments) or closely interrelated. The above tables show that results tended to improve after a low period in 1998-2001, although this improvement levelled off in the last 2-3 years and then fallen noticeably in 2008. The company financial performance in particular has seen a substantial fall in 2008, which is almost certainly linked to the current economic conditions. The project financial performance has fallen less, which indicates that the specific investment projects financed by the Bank are in many cases doing better than the client company as a whole.

5.2. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS BY COUNTRY GROUPS

Charts 6.3 and 6.4 show the geographical breakdown of evaluated projects. In terms of projects rated *Satisfactory* or above, there are only minor differences between the different regions. There is a greater difference at the level of projects rated *Good* or better, and the differences are also more pronounced on company financial performance than project performance. This may indicate that while the financial performance of a company is affected by the local economic environment, a specific investment project can be designed to overcome (at least partly) such regional variations. CEB and Russia have the highest proportion of projects rated *Good* or *Excellent*, while the other regions have a higher proportion of projects rated *Satisfactory*. The proportion of projects rated less than *Satisfactory* varies between 10 and 18 per cent, the highest proportion being in Russia.

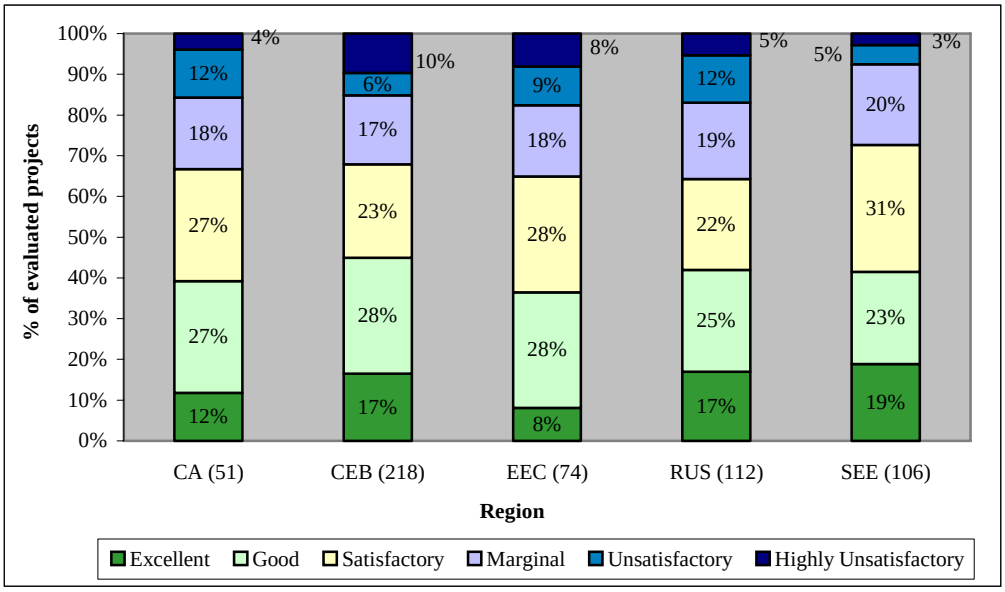
It should also be noted that this indicator, like many others, is rated with reference to the projections made at appraisal, so that an *Excellent* or *Good* rating means that the project has outperformed projections. This helps to explain why more advanced transition regions do not always outperform other regions on these indicators: the projections may have been set higher at appraisal.

Chart 5.3 Company performance ratings by country groups
(561 investment operations evaluated 1996-2008)



Note: 46 regional projects omitted
See chart 2.2 for list of countries in each region

Chart 5.4 Project performance ratings by country groups
(561 investment operations evaluated 1996-2008)



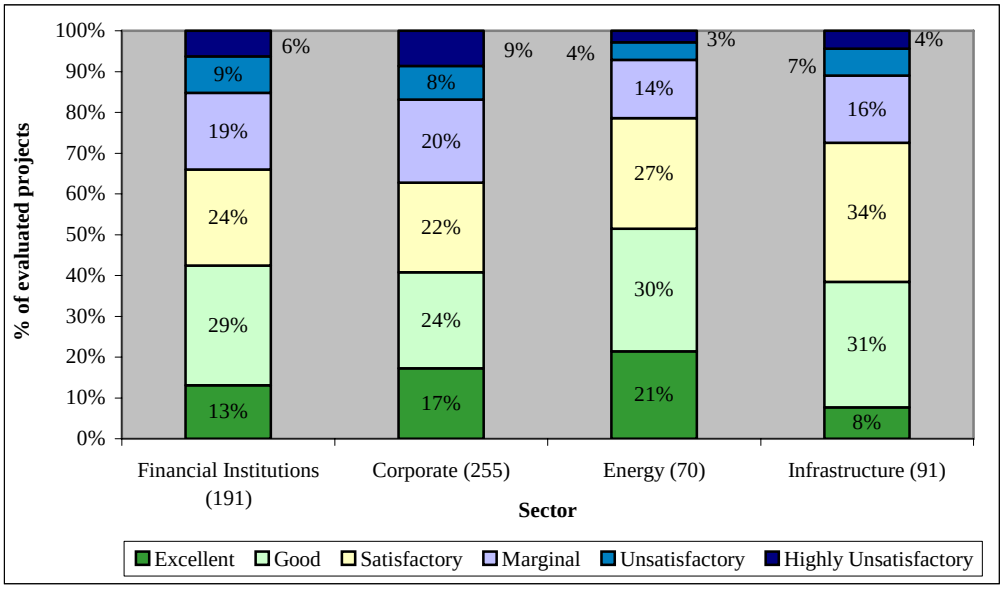
Note: 46 regional projects omitted
See chart 2.2 for list of countries in each region

5.3. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS BY SECTOR GROUPS

As shown in chart 5.5, the Energy sector has the greatest number of projects rated *Excellent* or *Good*. The other three sectors do not differ much, though the Corporate sector has a relatively high proportion of projects rated *Excellent*. The Corporate sector also has a large number of projects with the lowest ratings, though this differential is not large. Further time series analysis shows that during the period 2004-2008, the Financial and Energy sectors have had the best outcomes for project financial performance, with respectively 66 and 67 per cent of evaluated projects rated *Good* to *Excellent*, compared with 52 per cent in the Corporate sector

and 46 per cent in Infrastructure. However, all sectors show an improvement over the period 2000-2004.

Chart 5.5 Project performance ratings by sector groups
(566 investment operations evaluated 1996-2008)



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, increased steadily until the last 2-3 years, when it has stabilised or fallen slightly. In 2008 the proportion of projects rated *Excellent* or *Good* fell, but the proportion rated *Satisfactory* or better remained stable. There were no projects rated *Unsatisfactory* or *Unsatisfactory* in 2008.

Chart 6.1: Fulfilment of objectives, percentage distribution of assigned ratings (611 investment operations evaluated 1996-2008)

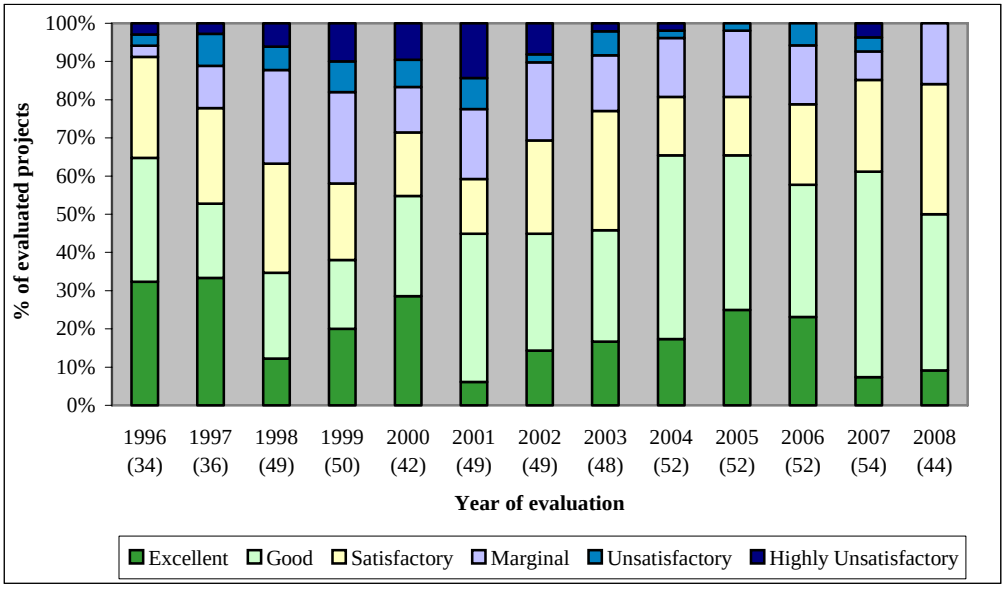


Table 6.1: Fulfilment of objectives, percentage distribution of assigned ratings (611 investment operations evaluated 1996-2008)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Excellent	33%	24%	23%	24%	21%	20%	19%	19%	20%	20%	19%	18%
Good	26%	24%	22%	23%	26%	27%	27%	30%	31%	32%	33%	34%
Satisfactory	26%	27%	25%	23%	22%	22%	23%	22%	21%	21%	22%	23%
Subtotal	*84%*	*76%*	*70%*	*70%*	*68%*	*68%*	*69%*	*71%*	*72%*	*73%*	*74%*	*75%*
Marginal	7%	14%	17%	17%	17%	17%	17%	17%	17%	17%	16%	15%
Unsatisfactory	6%	6%	7%	7%	7%	6%	6%	6%	5%	5%	5%	5%
Highly Unsatisfactory	3%	4%	6%	7%	8%	8%	7%	7%	6%	5%	5%	5%
Subtotal	*16%*	*24%*	*30%*	*30%*	*32%*	*32%*	*31%*	*29%*	*28%*	*27%*	*26%*	*25%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**462**	**513**	**567**	**611**

7. THE ENVIRONMENT

7.1. THE ENVIRONMENTAL AND SOCIAL REQUIREMENT

Projects are designed and conditioned to fulfil all aspects of the Bank's mandate, including the environmental and social policy of the Bank at the time of appraisal. Environmental and social ratings form part of the overall performance rating. Environmental and social evaluation concerns the physical environment, social environment, as well as occupational health and safety, and issues such as public consultation. The analysis in this Appendix refers to 610 evaluated projects during 1996-2008[13].

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

7.2. ENVIRONMENTAL AND SOCIAL RATING SYSTEM

The series from 1996-2008 covers two environmental dimensions: The first dimension concerns environmental and social performance[14] of the sponsor, e.g. the preparation and implementation of environmental action plans; compliance with contractual environmental conditions and statutory regulations etc. The second dimension is the extent of environmental change (positive or negative) brought about by the evaluated operation. Under Bank Handling, EvD also considers environmental bank handling with respect to categorization, environmental due diligence, audits and project monitoring.

7.3. EVOLUTION OF ENVIRONMENTAL AND SOCIAL RATINGS

The Charts and Tables 7.1 and 7.2 present ratings of environmental performance and of the extent of environmental change as assigned to 610 evaluated projects in 1996-2008.

Chart 7.1: Environmental and social performance, percentage distribution of assigned ratings (610 investment operations evaluated 1996-2008)

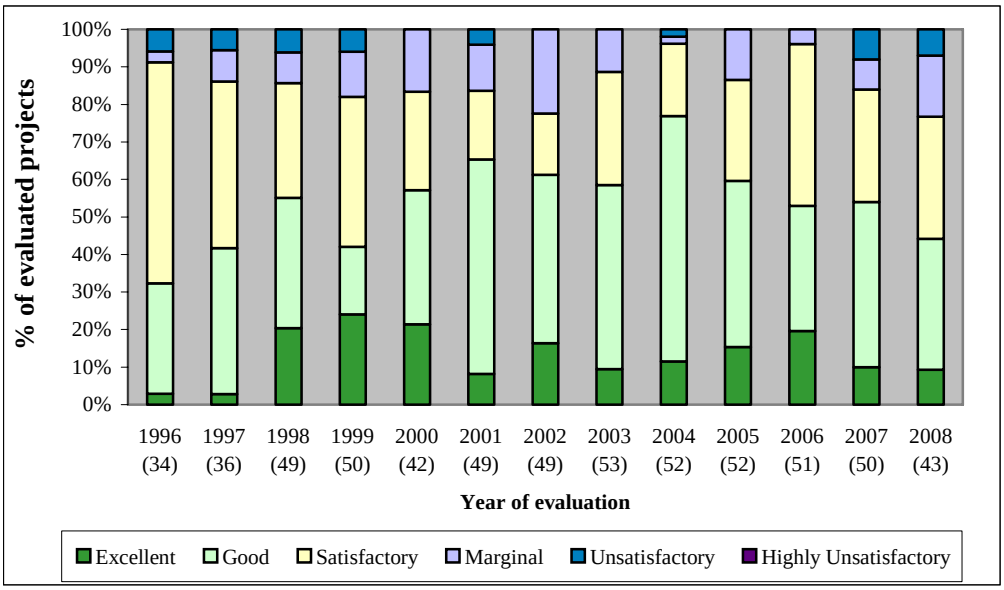


Table 7.1: Environmental and social performance, percentage distribution of assigned Ratings (610 investment operations evaluated 1996-2008)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Excellent	3%	10%	14%	16%	14%	15%	14%	14%	14%	14%	14%	14%
Good	34%	34%	30%	31%	36%	37%	39%	42%	42%	42%	42%	41%
Satisfactory	51%	43%	42%	39%	35%	32%	32%	30%	30%	31%	31%	31%
Subtotal	*89%*	*87%*	*86%*	*85%*	*85%*	*84%*	*85%*	*86%*	*86%*	*87%*	*87%*	*86%*
Marginal	6%	7%	8%	10%	10%	12%	12%	11%	11%	10%	10%	11%
Unsatisfactory	6%	6%	6%	5%	5%	4%	3%	3%	3%	3%	3%	3%
Highly Unsatisfactory	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Subtotal	*11%*	*13%*	*14%*	*15%*	*15%*	*16%*	*15%*	*14%*	*14%*	*13%*	*13%*	*14%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**466**	**517**	**567**	**610**

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

Chart 7.2: Extent of environmental change, percentage distribution of assigned ratings (610 investment operations evaluated 1996-2008)

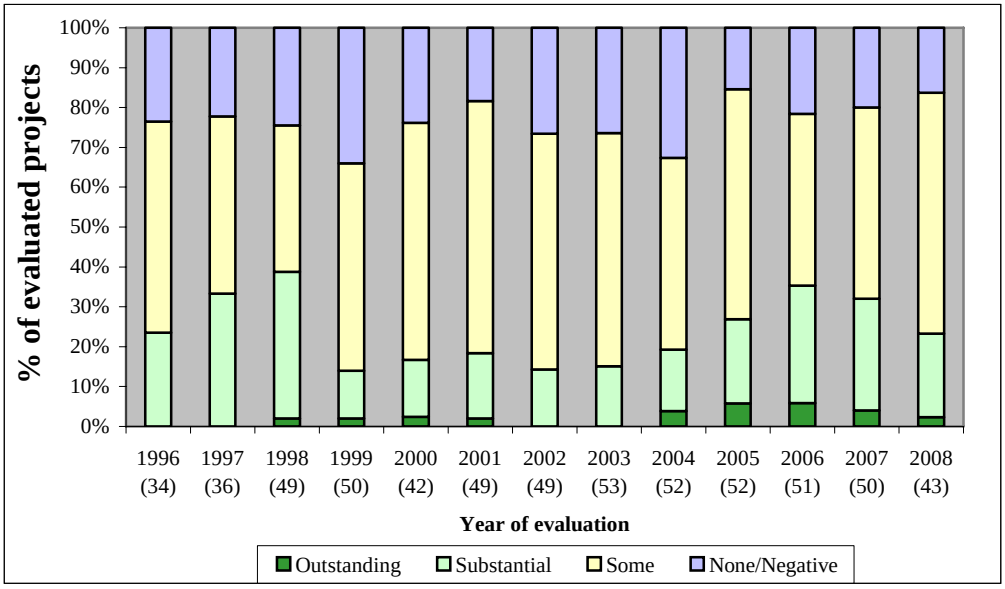


Table 7.2 Extent of environmental change, percentage distribution of assigned ratings (610 investment operations evaluated 1996-2008)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Outstanding	0%	1%	1%	1%	2%	1%	1%	1%	2%	2%	2%	2%
Substantial	29%	32%	26%	24%	22%	21%	20%	20%	20%	21%	21%	21%
Subtotal	*29%*	*33%*	*27%*	*25%*	*24%*	*22%*	*21%*	*21%*	*22%*	*23%*	*23%*	*23%*
Some	49%	44%	46%	49%	52%	53%	54%	53%	53%	52%	53%	53%
None/ Negative	23%	24%	27%	26%	25%	25%	25%	26%	25%	25%	24%	24%
Subtotal	*71%*	*67%*	*73%*	*75%*	*76%*	*78%*	*79%*	*79%*	*78%*	*77%*	*77%*	*77%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**466**	**517**	**567**	**610**

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 project was rated *Highly Unsatisfactory*). The ratings confirm that the Bank has generally been successful in improving the environmental performance of projects, with very few exceptions.

The extent of environmental change of evaluated projects was rated as *Substantial* or *Outstanding* in 23 per cent of the cases, *Some* for 53 per cent and *None/Negative* for 24 per cent.[15]

8. BANK HANDLING

Bank Handling assesses the due diligence, structuring and monitoring of the project and judges the quality of the work of the Banking Department, in particular the Operation Team, and support departments involved in the operation process, including Environmental Department.

[15] The rating system introduced in 2004 no longer distinguishes between *None* and *Negative*.

Chart 8.1: Bank Handling, percentage distribution of assigned ratings (610 investment projects evaluated 1996-2008)

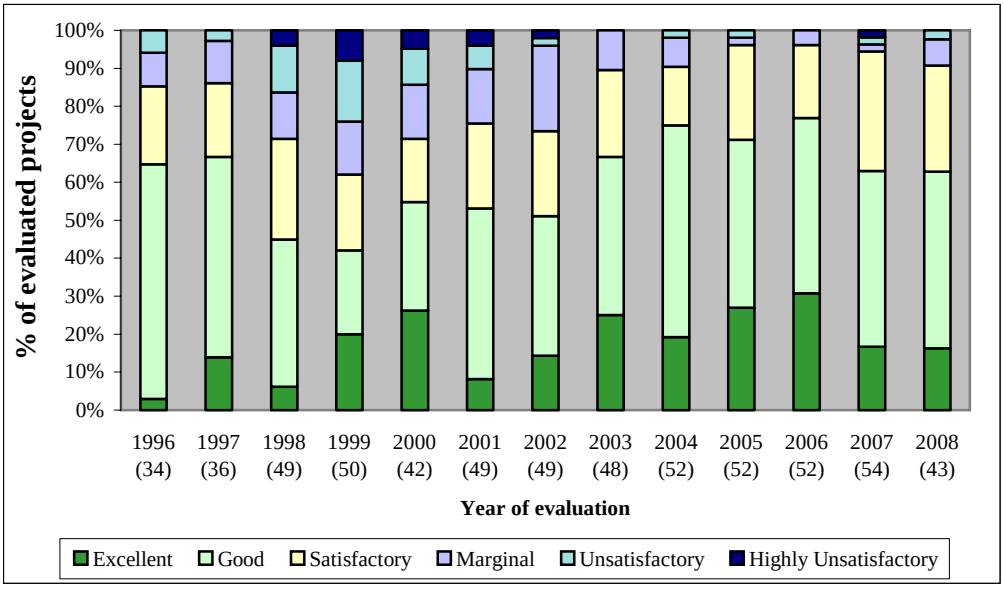


Table 8.1: Bank Handling, percentage distribution of assigned ratings (610 investment projects evaluated 1996-2008)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Excellent	9%	8%	11%	14%	13%	13%	15%	15%	17%	18%	18%	18%
Good	57%	50%	42%	39%	40%	40%	40%	42%	42%	43%	43%	43%
Satisfactory	20%	23%	22%	21%	21%	21%	22%	21%	21%	21%	22%	22%
Subtotal	*86%*	*80%*	*75%*	*74%*	*74%*	*74%*	*76%*	*78%*	*80%*	*82%*	*83%*	*83%*
Marginal	10%	11%	12%	12%	13%	14%	14%	13%	12%	11%	10%	10%
Unsatis-factory	4%	8%	10%	10%	9%	8%	7%	6%	6%	5%	5%	5%
Highly Unsatis-factory	0%	2%	4%	4%	4%	4%	3%	3%	2%	2%	2%	2%
Subtotal	*14%*	*20%*	*25%*	*26%*	*26%*	*26%*	*24%*	*22%*	*20%*	*18%*	*17%*	*17%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**357**	**409**	**461**	**513**	**567**	**610**

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

Chart 8.2 Bank Handling by sector groups
(610 investment projects evaluated 1996-2008)

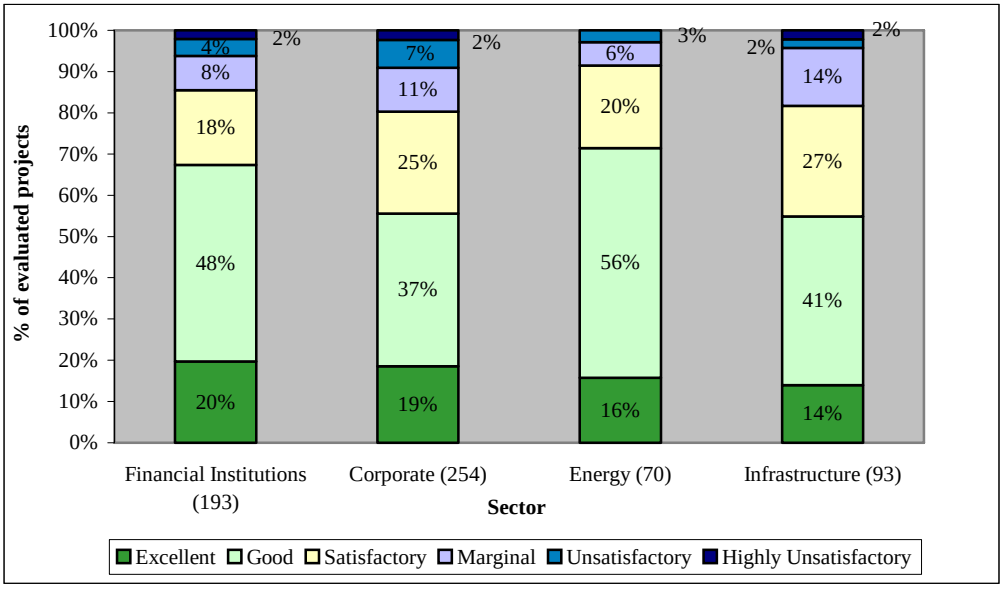
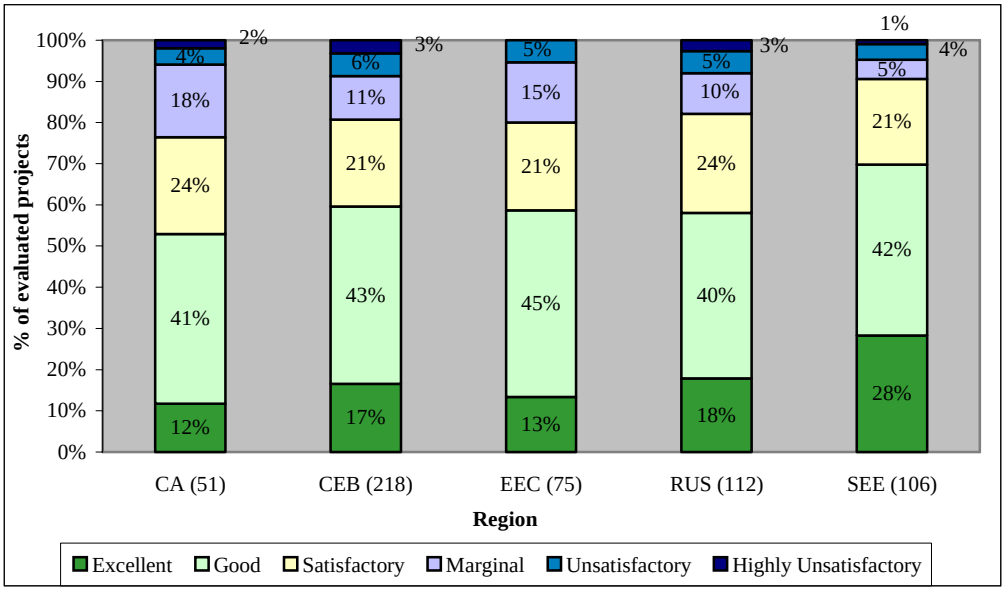


Chart 8.3 Bank Handling by country groups
(562 investment projects evaluated 1996-2008)



Note: 48 regional projects omitted
See chart 2.2 for list of countries in each region

Comparing the results in different sectors and regions, it can be seen that the ratings for bank handling are lowest among Corporate and Infrastructure sector projects and in Central Asia, and highest in SEE countries and Energy sector projects.

9. THE BANK'S INVESTMENT PERFORMANCE

In calculating the Bank's investment performance, EvD uses the model developed by Strategic and Corporate Planning and Budgeting Department and introduced in 2000, which is used by

the banking department on projects at the approval stage. EvD uses actual recorded costs and risk ratings to recalculate the investment performance at the time of evaluation.

Table 9.1: The Bank's investment performance, ratings distribution in OPER reports 1996-2008

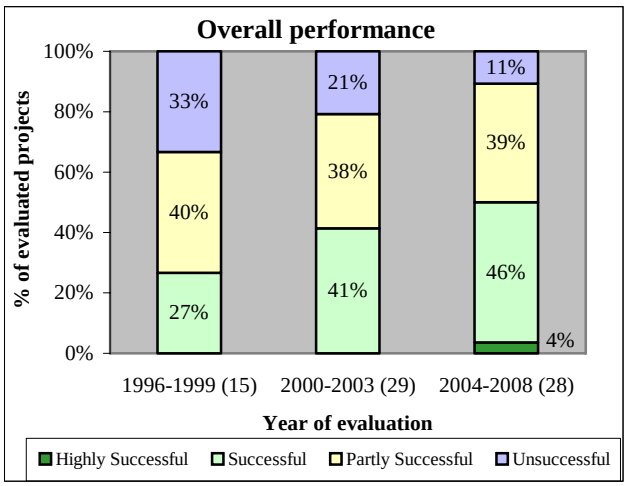
	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008
Excellent	38%	33%	26%	25%	21%	18%	16%	14%	14%	15%	14%	13%
Good	0%	2%	3%	2%	3%	5%	9%	13%	14%	15%	16%	17%
Satisfactory	17%	21%	22%	29%	34%	34%	35%	36%	36%	35%	37%	38%
Subtotal	*55%*	*56%*	*51%*	*56%*	*58%*	*57%*	*60%*	*63%*	*64%*	*65%*	*67%*	*68%*
Marginal	21%	15%	16%	14%	14%	16%	16%	15%	17%	15%	14%	15%
Unsatisfactory	21%	17%	17%	15%	12%	11%	10%	9%	8%	8%	7%	6%
Highly Unsatisfactory	3%	13%	16%	15%	16%	16%	14%	13%	11%	12%	12%	11%
Subtotal	*45%*	*44%*	*49%*	*44%*	*42%*	*43%*	*40%*	*37%*	*36%*	*35%*	*33%*	*32%*
Total (no. of projects)	**29**	**48**	**69**	**87**	**107**	**129**	**147**	**170**	**193**	**219**	**243**	**265**

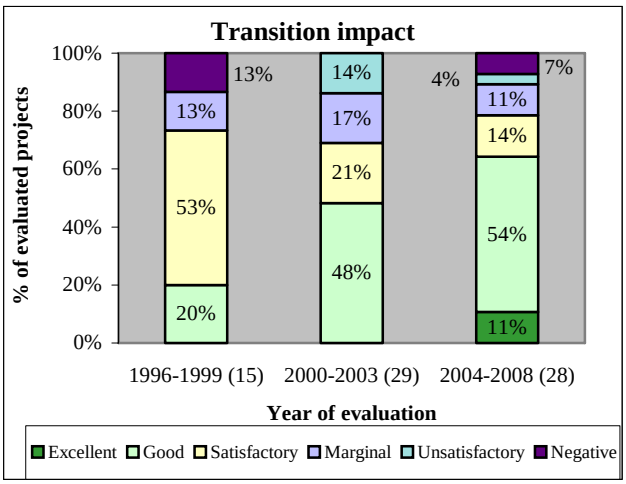
The sample number is smaller than for other indicators as only OPER reports are rated for this indicator. Over the period, 68 per cent of fully evaluated operations achieved a *Satisfactory* or better rating for investment performance.

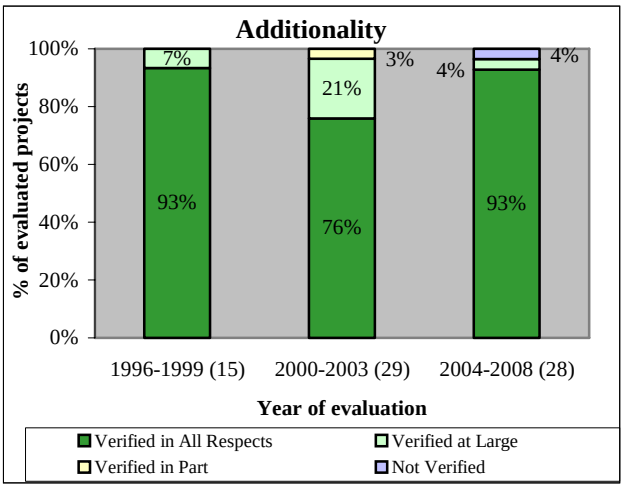
10. EVALUATION PERFORMANCE RATINGS IN EARLY TRANSITION COUNTRIES

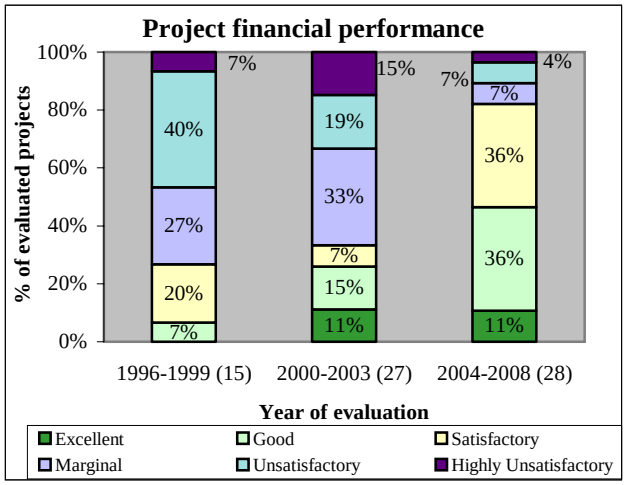
In past years, the AEOR has reported on performance ratings in early transition countries (ETCs). This year a decision was taken to follow the Bank's standard classifications for regions as well as industry sectors, and these do not show ETCs separately. This section has been added to allow a brief analysis of ETCs to be included. Chart 10.1 below shows the development of ratings over time for some key performance indicators.

Chart 10.1 Key evaluation indicators in early transition countries: development of ratings over time (72 investment projects evaluated 1996-2008)









Additionality, as expected, is higher than in any other region. The Overall Performance rating is lower than in other regions, though it has shown a steady improvement over time. Transition Impact and Project Financial Performance have both shown much stronger improvement over time. Transition impact in 2004-2008 reached a level of 65 per cent of projects rated *Good* or *Excellent*. This was higher than in any other region apart from SEE. Project financial performance remains rather low; only 47 per cent of projects in 2004-2008 were rated *Good* or *Excellent*, which is lower than in other regions. However, the proportion of projects rated *Satisfactory* is quite high, and 83 per cent of projects were rated *Satisfactory* or better. This is in line with other regions, where the figure varies between 79 per cent and 86 per cent in the most recent five years. This is a major improvement over financial performance in earlier years. Previous AEORs have commented on the necessity for financial sustainability in order for Transition Impact to be achieved. The Bank has focused on ETCs in recent years through the ETC Initiative, and substantial amounts of donor funds have been directed towards these challenging countries. Furthermore, the Bank's longer-term policy, once the current crisis has been weathered is to do more business in these and similar countries. The improvement in Project Financial Performance, and the accompanying improvement in Transition Impact are therefore to be welcomed.

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

The ECG Good Practice Standards for Private Sector Evaluation require that the AEOR should include an annex profiling the important characteristics of the evaluated sample (e.g., sector, investment size, and percentage of operations affected by specific loss provisions) against the population. This information is presented below.

11.1. SAMPLE SIZE

The full evaluated sample comprises OPER and XMR assessment reports by EvD on 618 projects evaluated in 1996-2008. As described in section 1 of this appendix, the projects were selected with structured sampling to combine the level of representation with potential for useful lessons. The annual coverage was 100 per cent by the end of 1996 and at least 60 per cent thereafter (see Appendix 8, Chart 1.1). The sample represents 69 per cent of all 928 investment projects that had reached the ready-for-evaluation stage. The evaluated share of all signed projects by end 2008 was lower, at 38 per cent, as many more recently approved

projects were still under implementation.[16] Charts 10.1-10.9 below illustrate the level of representation in respect of *countries*, *sectors* and *facility risk* ratings.

11.2. 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 by numbers of projects[17]

Chart 11.1: Cumulative signed EBRD operations

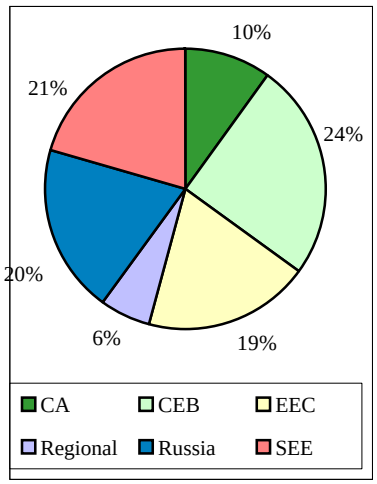


Chart 11.2: All projects ready for evaluation

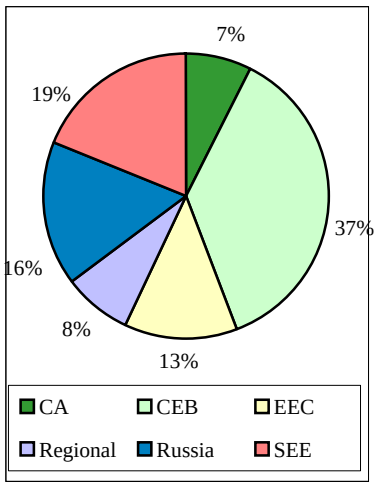
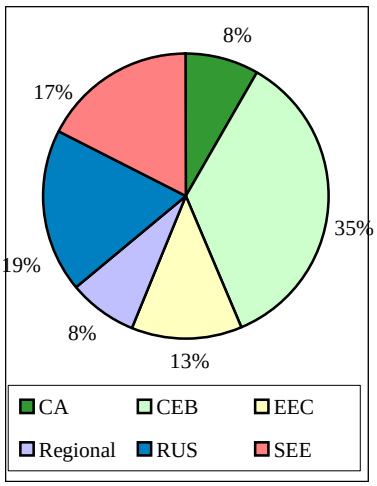


Chart 11.3: EvD's evaluated sample



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

11.3. SECTOR REPRESENTATION

Charts 11.4 to 11.6 present the comparative *sector* distribution. Financial Institutions is clearly under-represented in the number of projects evaluated. Partly this has been because of grouping of operations for evaluation in this sector, so that several individual operations may show up as only one evaluation. However, this problem was also mentioned in the report "Evaluation Coverage in EBRD" (CS/AU/08-36) and is being addressed over the next 2-3 years by making Financial Institutions a priority sector in which EvD aims to achieve a higher coverage ratio than in other sectors.

[16] See Appendix 6 for more detailed data.
[17] Weighting by volume did not change the below picture significantly.

Sector distribution of projects by numbers of projects:

Chart 11.4: Cumulative signed EBRD operations

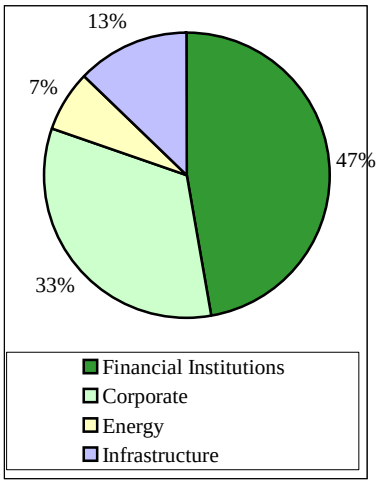


Chart 11.5: All projects ready for evaluation

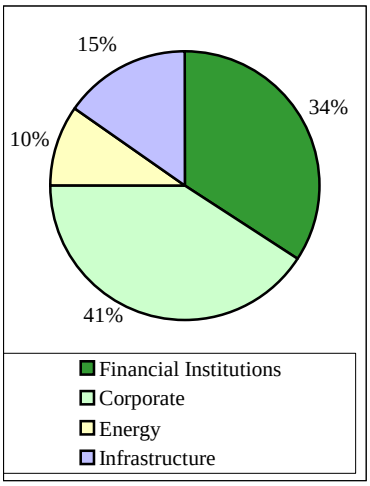
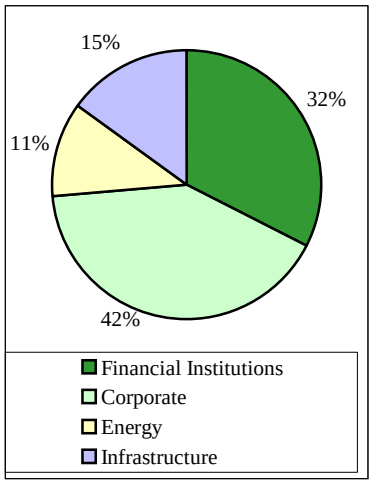


Chart 11.6: EvD's evaluated sample



11.4. FACILITY RISK RATING LEVEL OF REPRESENTATION

The following charts present overall portfolio *facility risk* ratings as at 31 December 2008. There representation here is very good.

Facility risk distribution by numbers of projects:

Chart 11.7: Cumulative signed EBRD operations

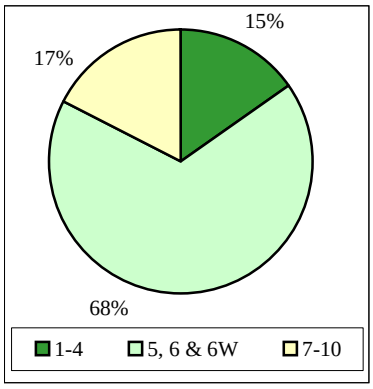


Chart 11.8: All projects ready for evaluation

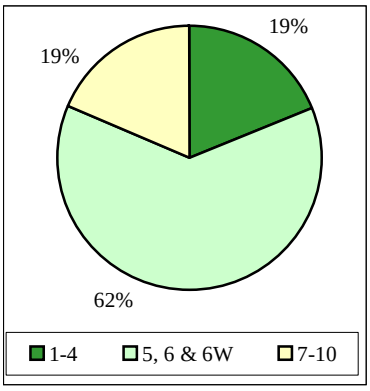
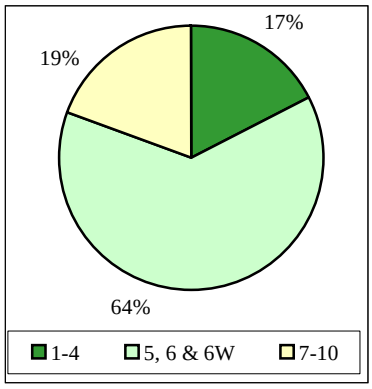


Chart 11.9: EvD's evaluated sample



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

The sample of 618 evaluated investment projects by the end of 2008 provides a good representation of all the projects ready for evaluation. There is also a good 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. It is hoped that the focus on Financial Institutions projects over the next few years will rectify the underrepresentation in this area.

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%	13,826	1.16%
Belarus	0	0.00%	0	0.00%	431	0.04%
Belgium	0	0.00%	0	0.00%	1,494	0.13%
Canada	8	2.61%	3,714	4.05%	27,542	2.31%
Czech Republic	0	0.00%	0	0.00%	148	0.01%
Denmark	4	1.31%	268	0.29%	5,900	0.49%
Finland	4	1.31%	429	0.47%	13,013	1.09%
France	6	1.96%	1,594	1.74%	20,755	1.74%
Germany	7	2.29%	1,237	1.35%	18,177	1.52%
Greece	0	0.00%	0	0.00%	1,536	0.13%
Iceland	1	0.33%	50	0.05%	202	0.02%
Ireland	3	0.98%	88	0.10%	2,741	0.23%
Israel	1	0.33%	38	0.04%	305	0.03%
Italy	7	2.29%	818	0.89%	57,338	4.81%
Japan	45	14.71%	12,584	13.74%	120,091	10.07%
Luxembourg	1	0.33%	0	0.00%	5,403	0.45%
Netherlands	18	5.88%	4,011	4.38%	56,592	4.74%
New Zealand	1	0.33%	68	0.07%	175	0.01%
Norway	1	0.33%	908	0.99%	6,331	0.53%
Portugal	1	0.33%	19	0.02%	636	0.05%
Republic of Korea	0	0.00%	0	0.00%	850	0.07%
Spain	0	0.00%	0	0.00%	10,466	0.88%
Sweden	4	1.31%	554	0.60%	17,376	1.46%
Switzerland	10	3.27%	2,458	2.68%	21,226	1.78%
Taipei China	15	4.90%	1,752	1.91%	17,901	1.50%
Turkey	1	0.33%	105	0.11%	300	0.03%
United Kingdom	11	3.59%	1,811	1.98%	37,906	3.18%
USA	9	2.94%	2,902	3.17%	60,516	5.07%
Other donors						
EU	108	35.29%	49,063	53.56%	450,576	37.77%
Multi-donor funds[1]	40	13.07%	7,138	7.79%	196,183	16.45%
Financial Sector[2]	0	0.00%	0	0.00%	2,174	0.18%
Various[3]	0	0.00%	0	0.00%	24,695	2.07%
TOTAL	306	100.00%	91,610	100.00%	1,192,926	100.00%

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

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

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

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

Portfolio data from Funds Reporting December 2008

OPER report data from Datawarehouse December 2008

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

1. OVERALL PERFORMANCE MATRIX

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

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

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

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

2. BENCHMARKING PERFORMANCE RATINGS

2.1 TRANSITION IMPACT

EvD tends to evaluate a project relatively soon after disbursement (18 months as described in the main text) and the evaluator should be conscious that concrete evidence of the achievement of some transition objectives may not become visible for some time. As presented in the transition impact criteria table in Appendix 2 and transition impact rating table in Appendix 5, the evaluation methodology allows for three ratings on each of the criteria which are relevant for the specific operation: (a) judging the realised transition impact at the time of evaluation; (b) assessing the transition potential that can still be reached, and (c) assigning a risk rating (Low, Medium, High, Excessive) in respect of the likelihood to reach the full transition impact potential over time. A high rating could be appropriate where the transition impact potential in the future is considered substantial. However, if the probability that the transition impact potential can be reached is low due to considerable risk, the evaluator will award a higher 'risk-to-transition-impact' rating and explain the nature of the risk. As explained in section 1.1 above, the transition impact is measured at the industry level and the level of the economy as a whole, including possible regional and cross-border effects. During the evaluation of transition impact EvD concentrates on assessing performance under the "major relevant transition impact objectives" as mentioned in Table 2. They are those objectives (mostly two or three) identified by the Operation Team during project appraisal which are presented in the operation reports to the Board of Directors and monitored through TIMS. EvD also reviews performance under the other transition impact criteria to identify whether any important transition effect might have been missed. Therefore, EvD reviews all seven criteria in the overall assessment of transition impact.

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

Table 2
RATING TRANSITION IMPACT

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

2.2. PROJECT AND COMPANY FINANCIAL PERFORMANCE

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

Table 3
RATING PROJECT FINANCIAL PERFORMANCE

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

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

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

2.3 FULFILMENT OF PROJECT OBJECTIVES (EFFICACY)

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

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

2.4 ENVIRONMENTAL AND SOCIAL PERFORMANCE

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

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

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

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

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

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

2.5 THE BANK'S ADDITIONALITY

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

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

2.6 THE BANK'S INVESTMENT PERFORMANCE

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

TABLE 9

THE BANK'S INVESTMENT PERFORMANCE

RATING A LOAN OR EQUITY INVESTMENT'S *PROFIT CONTRIBUTION* PERFORMANCE

RATINGS	BENCHMARKS
Excellent	NPVNME[2] is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost allocation[3] is more than 40% higher than the level foreseen at appraisal.
Good	NPVNME is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost Allocation is more than 10% but not more than 40% higher than the level foreseen at appraisal.
Satisfactory	NPVNME is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost allocation is not more than 10% higher than the level foreseen at appraisal.
Marginal	NPVNME is greater than or equal to Direct Cost but less than twice Direct Cost.
Unsatisfactory	NPVNME is less than Direct Cost but greater than or equal to zero (i.e. discounted project contribution after Direct Cost allocation is negative).
Highly Unsatisfactory	NPVNME is negative (i.e. discounted project contribution after Direct Cost allocation is negative).

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

2.7 BANK HANDLING OF AN OPERATION

"Bank handling", a performance indicator in use since 1994 (see footnote 9) but not yet incorporated in the Evaluation Policy Update of 1997, assesses the due diligence, structuring and monitoring of the project and judges the quality of the work of the Banking Department, in particular the Operation Teams, and support departments involved in the operation process, including the Environmental Department. An assessment is made on how effectively the Bank carries out its work during the life of the project. In case operations are evaluated that are handled by the Corporate Recovery Unit, Bank Handling will also take into account problem recognition,

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

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

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

Table 10
RATING BANK HANDLING

RATINGS	BENCHMARKS
Excellent	Appraisal[4] was very well conducted, did not show any gaps and provided an excellent basis to make the investment decision. The Bank structured the operation very well under difficult circumstances thereby securing excellent initial conditions to realise transition impact during the life of the project. Risk to transition was adequately mitigated through a strong conditionality package. Implementation[5] was very skilful and contributed to the success of the operation.
Good	Appraisal was well conducted, and although not all relevant issues were addressed, provided an adequate basis to make the investment decision. The Bank structured the operation so that adequate initial conditions formed a good basis to realise transition impact during the life of the project. Risk to transition was mitigated through a conditionality package that could have been somewhat stronger. Implementation was skilful and contributed to the success of the operation.
Satisfactory	Appraisal could have been better and there is evidence that not all relevant issues were addressed. Nonetheless, it provided a sufficient basis to make the investment decision. Structuring of the operation increased the risk to realise transition impact some important risk mitigating factors were in place. Implementation could have been more skilful and constituted a risk to the project's success.
Marginal	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. Deficiencies in the structuring of the operation enhanced the risk to realise transition impact although some important risk mitigating factors were in place. Implementation was deficient, resulting in a high risk of loss for the Bank. Prospects for recovery of the Bank's investment exist.
Unsatisfactory	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. A flawed structuring of the operation was an important reason for the complete failure of the project. Transition impact could not be realised. Implementation was deficient resulting in a high chance for the Bank to lose all its investment. Some prospects for recovery of part of the Bank's money still exist.
Highly Unsatisfactory	Appraisal was clearly deficient and there is evidence that important issues were not addressed. It did not provide an adequate basis to make a sound investment decision. A flawed structuring of the operation was an important reason for the complete failure of the project. Transition impact could not be realised. Implementation was deficient and was partly the cause for losing the entire investment in the operation. No prospects for recovery of part of the Bank's money exist.

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

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