June 2010

Annual Evaluation Overview Report for 2010

Evaluation Department
(EvD)

European Bank
for Reconstruction and Development

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ABBREVIATIONS AND DEFINED TERMS

ADB	Asian Development Bank
AEOR	Annual Evaluation Overview Report
BGD	Banking Group Director
BP	British Petroleum
CA	Central Asia
CEALS	Central Europe Agency Lines
CEB	Countries of central and eastern Europe and the Baltic states
CEO	Chief Executive Officer
CIS	Commonwealth of Independent States
CLE	Country Level Evaluation
CSE	Country Strategy Evaluation
CSU	Consultancy Services Unit
EAP	Environmental Action Plan
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECG	Evaluation Cooperation Group
EEC	Eastern Europe & Caucus
EIB	European Investment Bank
EP	Environmental Performance
ESAP	Environmental and Social Action Plan
ESD	Environmental and Sustainability Department
ESI	Environmental Social Impact
ETC	Early transition countries
EU	European Union
EUR	Euro
EvD	EBRD's Evaluation Department
FDI	Foreign Direct Investment
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
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
PEP	Politically Exposed Person
PIU	Project Implementation Unit
PMM	Portfolio Monitoring Module
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
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 2010

The Evaluation Department (EvD) operates fully independent from management and reports to the Board of Directors exclusively. In the Annual Evaluation Overview Report (AEOR) EvD synthesises the findings of the evaluation process 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 the 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 57 per cent of the evaluated projects in 1996-2009 achieved *Successful–Highly successful* **overall performance** ratings. When weighted by volume of investment, this figure rises to 69 per cent. Of evaluated projects in 1996-2009 a total of 79 per cent scored positively on **transition impact** – 86 per cent when weighted by volume. Of the projects that were evaluated in 2009, 51 per cent achieved a *Successful* or *Highly successful* overall performance rating, the lowest level since 2002, while 75 per cent of projects were rated *Satisfactory* to *Good* for transition impact, down from 86 per cent in 2008. In 2009, evaluated projects began to show the effects of the current economic turmoil, which was seen particularly in financial performance ratings.

Performance ratings across most indicators continue to decline from the high levels seen in 2004. In the current economic situation, ratings for financial performance have suffered more than ratings for transition impact and fulfilment of objectives.

Although overall **performance levels in respect of additionality** showed continued high scores, this indicator fell sharply in 2009 in respect of the *Verified in all respects* rating category, and this appears to be caused by a gradual decline that is visible when ratings are presented in terms of year of project approval.

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. In the ETCs, very low ratings have been reduced but the recent increase in the proportion of *Successful* projects appears to have stalled.

The proportion of projects rated *Good* or *Excellent* for **environmental performance** has been falling steadily since 2004.

2. MONITORING AND EVALUATION OF TRANSITION IMPACT **[QUERY: CAN'T CHANGE CAPITALISATION]**

Review of TIMS process and methodologies. In the AEOR for 2007, EvD recommended that the Office of the Chief Economist (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 recent years to standardise indicators in each industry sector and

harmonise the rating structure across sectors in an attempt to refocus the project reviews on key transition priorities. The new approach has been developed and is being tested on a pilot basis during the first half of 2010. OCE is continuing to work on improving the consistency of its data records and ensuring that each completed project receives a final assessment and rating in TIMS. Because of differences in focus, purpose and timing between credit monitoring and transition impact monitoring, OCE has taken steps to ensure that it is able to track and monitor projects in parallel to the credit monitoring process where necessary.

Comparison of TIMS outcomes with EvD evaluations. The report makes a comparison between the outcomes on 255 operations that have been evaluated by EvD and monitored in TIMS. For the 168 active projects in the sample, EvD's ratings for transition impact tend to be higher than OCE's transition rank. This may be because an increase in risk (which has been seen in 2009) leads directly to a downgrade of the OCE rank. EvD's evaluation reviews the transition impact of a project through all the seven transition indicators of the EBRD guidelines, and does not have such a rigid relationship between risk and overall transition impact rating. Among the 87 completed operations in the sample, where OCE has removed the risk adjustment and applied a final rating for transition impact, there is a very close correspondence between the results from EvD and OCE.

3. FURTHER ANALYSIS ON PERFORMANCE OF EVALUATED PROJECTS

This chapter presents the results of two studies that have been performed during the year on factors affecting performance of evaluated projects. Based on a comprehensive database of projects evaluated by EvD in 1996-2009, the first part of the chapter analysed factors contributing to project success/failure using simple statistics and econometric modelling (ordered logit method). The main conclusions broadly concur with those of previous studies (AEOR 2004 and 2008) for the *overall project performance*:

- The main factors contributing to the project being successful are both internal (*market analysis* and *financial analysis*) and external (*government behaviour*).
- The same factors together with *management skills* appear to be important negative factors pushing the *overall project performance* down.
- *Bank handling* is relatively less important as a negative factor than as a positive one.

With regards to *transition impact*, explanatory power of factors affecting performance is weaker than that for the overall performance:

- *Bank handling* stands our as being particularly an important positive factor for project success, however, it is insignificant as a negative factor.
- *Sponsor commitment* has a weaker but still significant effect as a positive factor, but again becomes insignificant as a negative factor.
- *Market analysis, management skills* and *government behaviour* are both important negative and positive factors.

All the above factors appear in most of the EvD reports and lessons learned, underscoring importance of areas requiring particular attention from the Bank:

- In government-sensitive sectors, projects should be pursued with full agreement and continuous active policy dialogue with country authorities at all levels.
- Good governance remains an important source of long-term project success.
- Enhancing competitive environments supports project success.

The second half of the chapter revisits the issue of project size and the finding in the AEOR for 2009 that larger projects tend to be rated higher than smaller projects for a number of key indicators. The Evaluation Department prepared a paper during 2009 that investigated the findings in more depth, and has updated the main analysis to incorporate the 61 projects evaluated in 2009. The Evaluation Department does not find any reason to revise the conclusions of the original paper based on this update. Although the results from 2009 show a number of larger projects with rather low performance ratings, the numbers (only nine larger projects) are too small to draw firm conclusions. To date, the cumulative results confirm that larger projects are generally rated more highly than small projects. Further analysis to find the main reasons for this conclusion will be carried out.

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 82 Operation Performance Evaluation Reviews (OPERs) and 30 Special Studies on sectors and themes, covering numerous TC operations. Overall, 27.2 per cent of completed TC operations had been evaluated through an OPER report, PCR Assessment or PCR Review by the end of 2009. When TC operations evaluated through Special Studies are added, the cumulative coverage ratio for the period 1991-2009 is 64.6 per cent. The report reviews key TC evaluations in 2009.

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, in the last five years XMR ratings were validated by EvD without changing the ratings in 60 per cent of cases. Six per cent of XMR ratings were upgraded by EvD and 34 per cent downgraded. Projects subject to evaluation through OPERs or special studies were much more likely to have ratings adjusted than those evaluated through XMR Assessments. The gap between XMR and evaluation ratings appears to be increasing. Environmental performance was the indicator most likely to be rated lower (46 per cent) by evaluators, followed by transition impact at 40 per cent. Some teams showed much higher levels of downgrades than others. The Evaluation Department currently provides training for new bankers drafting XMRs for the first time, and uses such opportunities to warn against over-optimistic ratings. Ongoing communication with senior Banking staff continues, mostly through the process of discussing draft OPER reports, and this issue will continue to be raised in that context. EvD has discussed the environmental performance ratings with the Environment and Sustainability Department and is organising discussions with the sector teams showing the most substantial differences in relation to transition impact in particular.

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 27 evaluation reports that have been discussed in the Audit Committee during 2009: 15 OPER reports on investment operations, two OPER reports on technical cooperation operations, three special studies, the Annual Evaluation Overview

Report for 2009, three reports on EvD's work programme, two special reports and one report on evaluation recommendations. The chapter highlights a number of key issues on which the Committee commented during the year, including country-level evaluation, the use of the log-frame approach, joint evaluation with other MDBs and realistic transition targets in municipal and environmental infrastructure projects.

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 operates in difficult environments, EvD concludes that the EBRD has been successful in operating according to its mandate. However, the downward trend since 2004 in the higher rating categories on environmental performance gives an indication that this is an area that should be watched. It is important to note, that if performance outcomes are weighted by volume, higher scores are obtained, as is demonstrated in parts of the document.

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 continues to be very well secured in the recently Board-approved Update of the Evaluation Policy of the EBRD (2010) 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.

The Evaluation Policy established in 2005 has in the mean time been updated and appears on the Bank's website as "Update of the Evaluation Policy of the EBRD". The Chief Evaluator lists the issues taken into account in this policy update:

Assessment of environmental/social issues. During 2009-2010, EBRD's Evaluation Department (EvD) and Environmental and Sustainability Department (ESD) conducted a dialogue on the Bank's **environmental and social categorisation process**, summarised in Appendix 11. Based on this dialogue EvD then developed a number of recommendations as steps that could be undertaken and management/ESD responded. These recommendations and responses are summarised in this section of the report.

Process review of the system of follow-up of evaluation recommendations 2010. 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 2010", whereby management reports on the follow-up of evaluation recommendations presented in evaluation reports 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 1996-2009

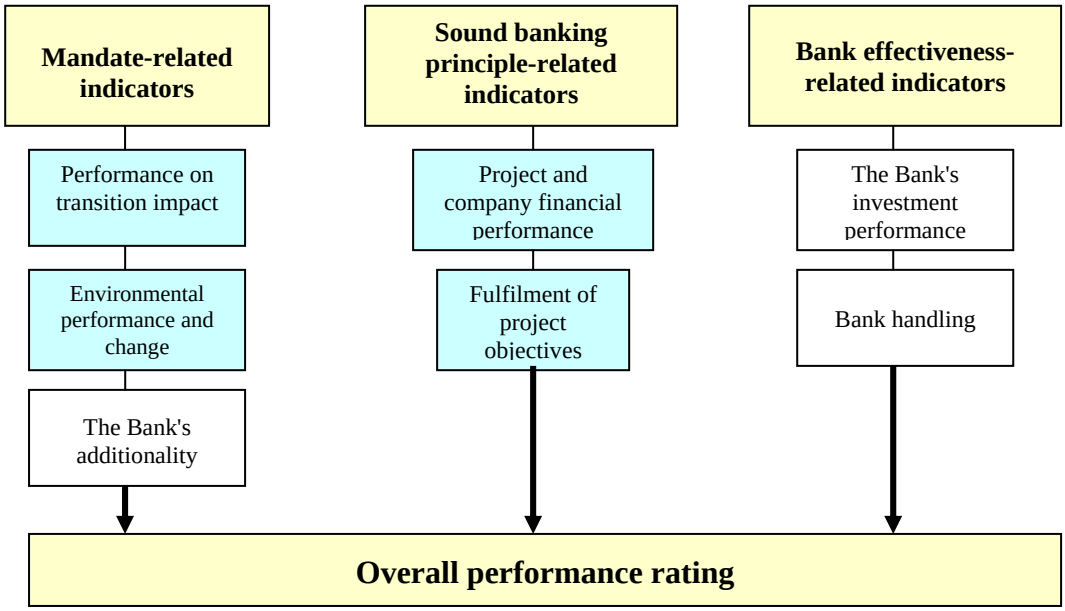
1.1 INTRODUCTION

The EBRD's Evaluation Department (EvD) operates fully independent from management and reports to the Board of Directors exclusively. 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, including country-level evaluation. 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 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 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 over the period 1996-2009, based on results from evaluated projects.

1.2 EVALUATION PERFORMANCE INDICATORS

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

FIGURE 1.1: EVALUATION PERFORMANCE INDICATORS[2]



[1] Evaluation Policy of the EBRD as presented on the Bank's Website: http://www.ebrd.com/projects/eval/showcase/core.htm. An Update to the Evaluation Policy of the EBRD (BDS10-024) was approved by the Board of Directors on 23 March 2010.

[2] Details on the EBRD's Operation Performance Rating System at Post-Evaluation, with details on the benchmarks for each of the rating criteria are presented in Appendix 1 of the Evaluation Policy. See also Appendix 13.

In Figure 1.1, the indicator boxes presented in blue make up the indicators that define "results on the ground" and as such make up the "*transition outcome*" rating.[3] The 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 a centrally planned economy 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 6 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 presented in Appendix 7 for projects evaluated in 2009 illustrate how EvD deals with measuring *ex-post.* Appendix 8 gives further details than presented in this chapter (Sections 1.4-1.8) on the *overall performance* scores and shows how the seven underlying performance rating categories behave for all evaluated projects. In order to further document EvD benchmarks for each performance category, Appendix 13 presents detailed descriptions of the benchmarks applied to the individual performance evaluation categories.

[3] Presenting evaluation findings based on "results on the ground", that is "*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
- *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.

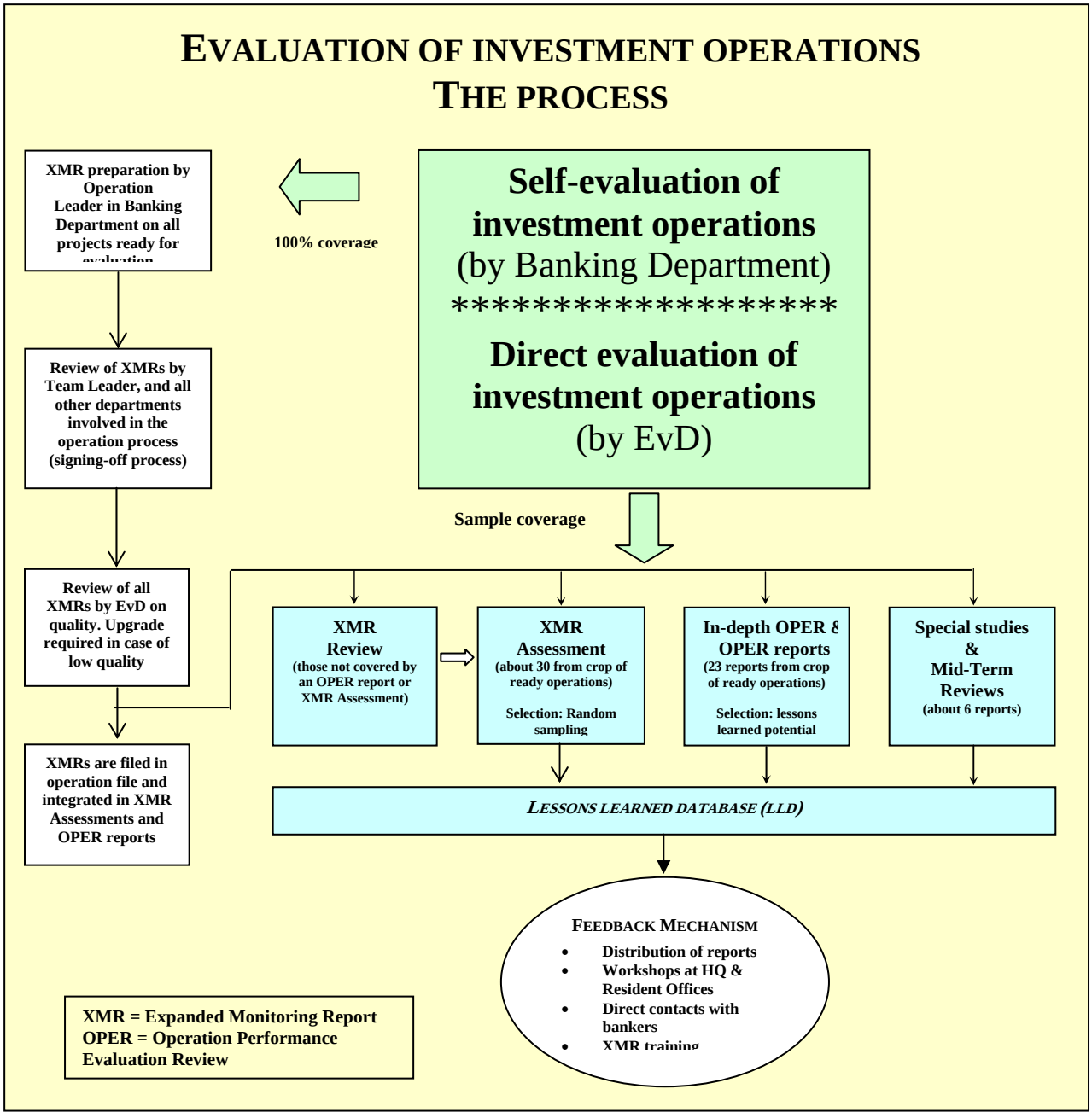
1.3 EVALUATION SYSTEM

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 preparing OPER reports 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 check 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 in the EBRD, 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 five years is 34 per cent, with environmental performance the indicator most often downgraded by EvD, that is in 46 per cent of the cases. The regular training sessions for bankers on the preparation of their XMRs, which are conducted by EvD, aim to further improve quality of the self-evaluation process. The process of evaluation and self-evaluation of investment operations is presented in Diagram 1.1.

DIAGRAM 1.1: THE EVALUATION PROCESS



1.3.2 Project selection for evaluation

Applying the Bank's Evaluation Policy, evaluations are normally undertaken by EvD after the investment has been made, that is 18 months after last disbursement of a loan and two years after last disbursement of equity. In addition, at least one year of commercial operation must have occurred, evidenced by one year of audited financial accounts. Evaluation results from 2009 are taken from 61 randomly sampled operations, 115 of which were ready for evaluation. Of the 61 operations selected, 24 were evaluated through OPER reports, five through Special Studies and 32 through XMR Assessments. Evaluation, therefore, covered a total of 53 per cent of projects ready for evaluation in 2009. Section 1.3 of Appendix 8 presents the selection methodology of projects for evaluation in more detail.

Between 1996 and 2009, 934 investment operations of the Bank's total cumulative portfolio of 1,830 standalone operations had reached a stage where they were ready for evaluation. The conclusions of this chapter are based on a sample of 679 evaluated projects: 284 evaluated through OPERs, 19 through Special Studies and 376 through XMR Assessments. The evaluations were conducted by EvD in 1996-2009. The overall coverage ratio is therefore 73%. 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. Appendix 6 provides further details on the size and representation of the sample of evaluated projects.

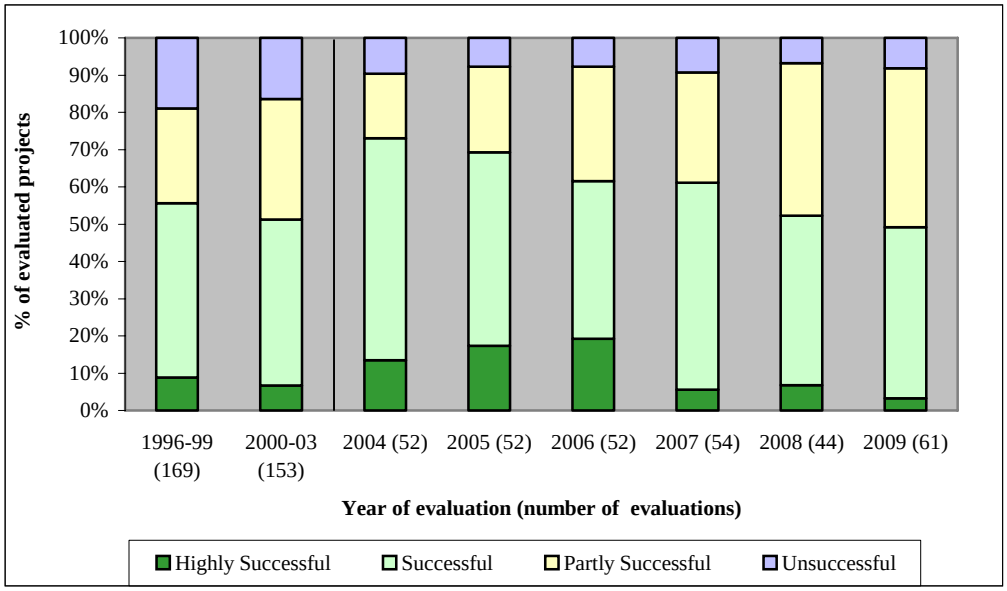
1.4 OVERALL PERFORMANCE

During 1996-2009, 57 per cent of evaluated operations were given *Successful* or *Highly Successful* rating. Weighting the results by volume of investment increases the proportion rated *Successful* or better to 69 per cent.

57 per cent of evaluated operations were given *Successful* or *Highly Successful* ratings on Overall Performance for the period 1996-2009.

In 2004 the *Successful* and *Highly Successful* rated projects reached 73 per cent (Chart 1.1). Since then they have fallen and in 2009 they totalled 51 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 three per cent in 2009. At the same time, the number or projects with an *Unsuccessful* rating has remained steadily below 10 per cent since 2003.

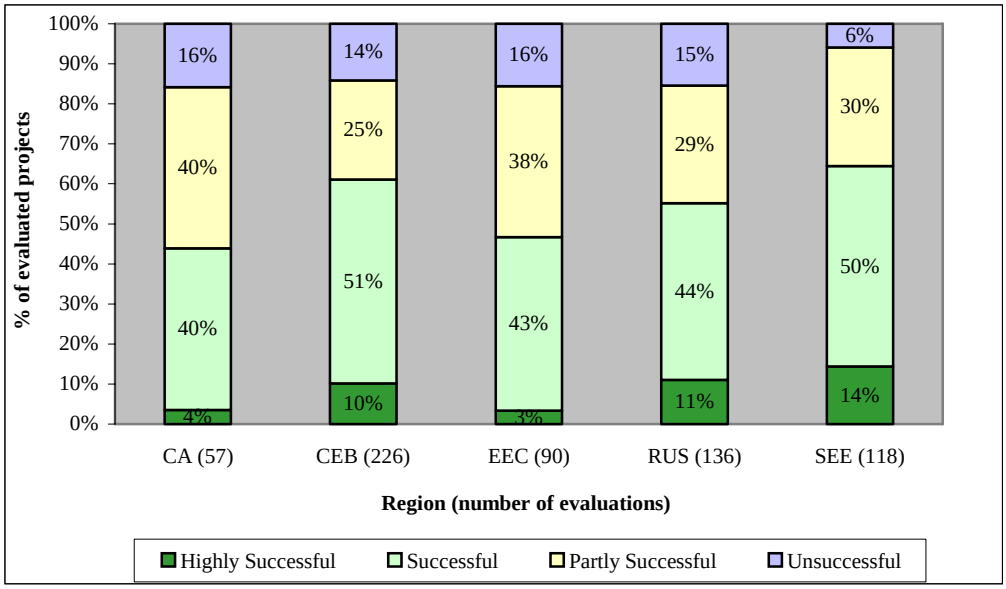
Chart 1.1: Overall performance, percentage distribution of assigned ratings (679 investment operations evaluated 1996-2009)



The decline in ratings each year since 2004 was investigated in the AEOR for 2009, in which it was suggested that during the expansionary period of 2003-06, when there were large inflows of foreign direct investment (FDI) into the EBRD's countries of operations. The EBRD may have felt the need to take on more challenging projects in order to remain additional. The lower outcomes in some cases reflect the greater risk. The outcomes for additionality in 2009 may be seen to support this argument (see Section 1.7 below). In 2009, evaluated projects began to show the effects of the current economic turmoil, which was seen particularly in financial performance ratings.

Chart 1.2 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. Results for Central Asia and Russia, which had been improving strongly, have weakened somewhat in the last couple of years. The Early Transition Countries are distributed between the EEC and CA groups. They are discussed separately in Section 10 of Appendix 8.

Chart 1.2: Overall performance, percentage distribution of assigned ratings by country groups (627 investment operations evaluated 1996-2009)[5]



Note: 52 regional projects are omitted

[5] **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

1.5 TRANSITION IMPACT

Chart 1.3 below presents the performance ratings on transition impact, applying the six-point rating scale that was introduced in 1999. Of a total of 679 projects evaluated in 1996-2009, 79 per cent achieved *Satisfactory–Excellent* ratings.

79 per cent of evaluated operations obtained *Satisfactory–Excellent* ratings on transition impact for the period 1996-2009.

This score is a very important accomplishment that 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. It can be seen in Chart 1.3 that the proportion of projects rated *Good* or better has fallen since 2004. Nevertheless, the results for 2009 are still better than in the years before 2004. In 2009, a slightly increased proportion of projects achieved an *Excellent* or *Good* rating for transition impact, although there was also an increase in the proportion of projects rated less than *Satisfactory*.

Chart 1.3: Transition impact, percentage distribution of assigned ratings (679 investment operations evaluated 1996-2009)

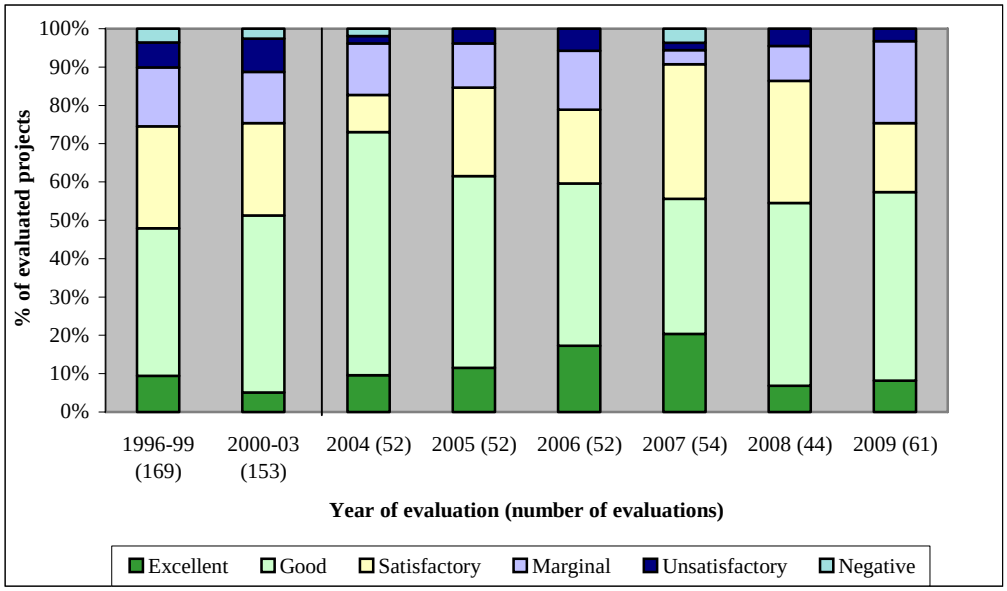
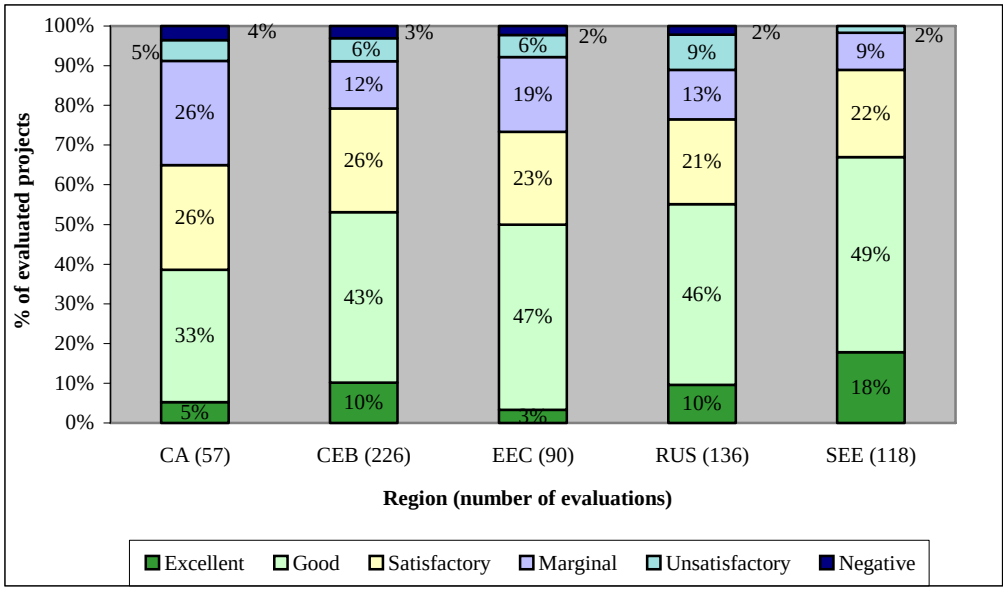


Chart 1.4 presents the transition impact (TI) rating distribution by country groups of the 627 projects evaluated in 1996-2009, after 52 regional projects have been removed. The best performance is found in southern and eastern Europe (SEE). Transition impact ratings have improved in recent years in most regions. In Eastern Europe and Caucasus (EEC), the proportion of projects rated *Excellent* to *Good* has fallen in recent years and the proportion rated *Excellent* to *Satisfactory* stayed at the same level. In the period 2005-09, the worst performing region was Central Asia, with only 43 per cent of projects rated *Excellent* or *Good* and a further 25 per cent rated *Satisfactory*.

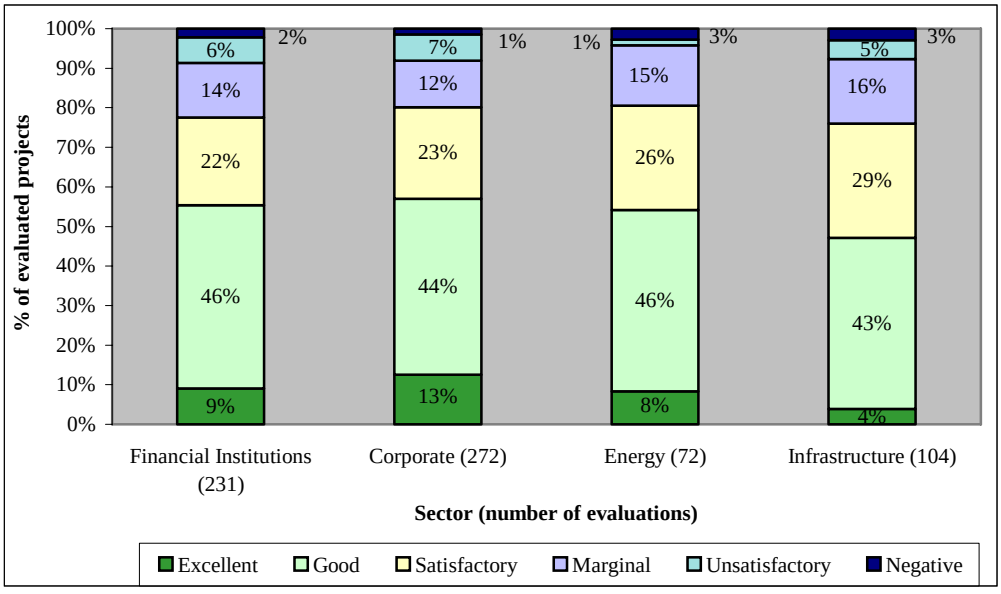
Chart 1.4: Percentage distribution of transition impact ratings on 627 post-evaluated investment operations in 1996-2009 by country groups



Note: 52 regional operations are omitted.

Chart 1.5 shows assigned TI ratings by sector. Infrastructure has slightly lower outcomes than other sectors but the differences are small. All sectors have improved at the level of *Satisfactory* or better ratings, compared with the 2000-04 period (see Appendix 8, Section 3.5).

Chart 1.5: Percentage distribution of transition impact ratings on 679 post-evaluated investment operations in 1996-2009 by sector groups[6]

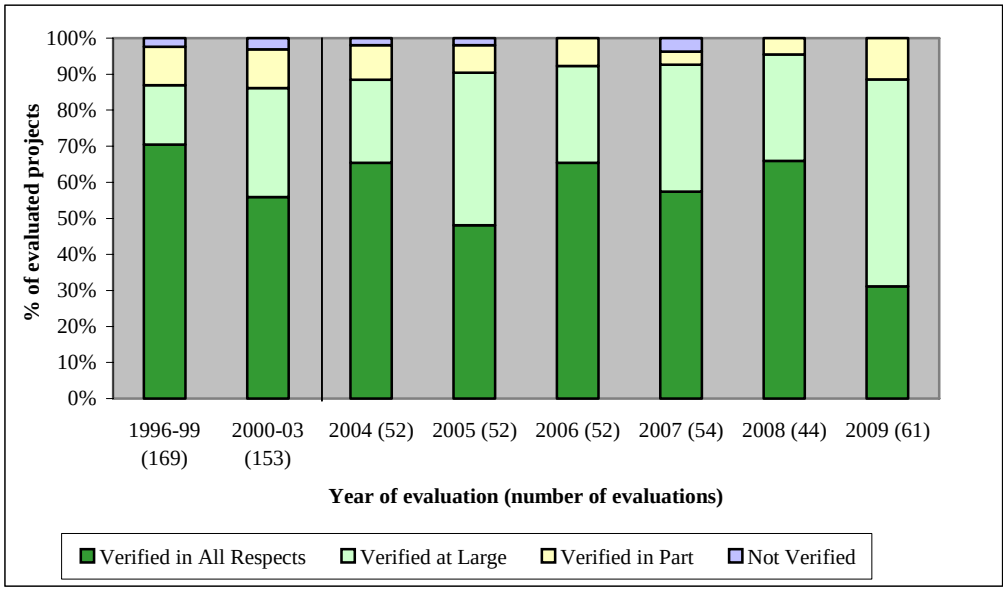


[6] **Corporate –** agribusiness, general industry, property/tourism and telecommunications
Energy – natural resources, and power and energy
Infrastructure – municipal/environment and transport

1.6 ADDITIONALITY

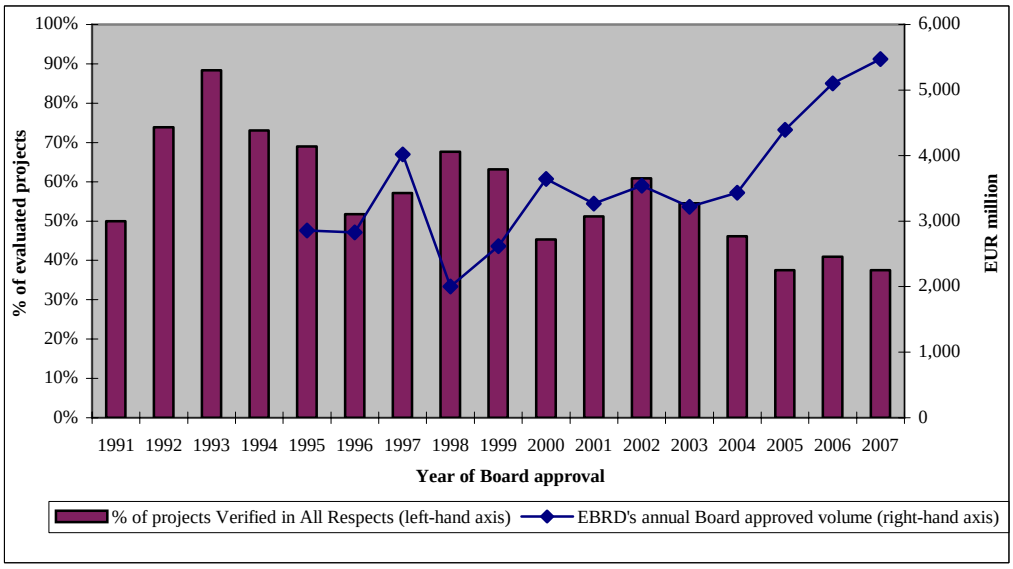
Chart 1.6 shows the performance of projects on additionality, over the period 1996-2009.

Chart 1.6: Additionality, percentage distribution of assigned ratings (679 investment operations evaluated 1996-2009)



Although a very high proportion of projects continue to be rated *Verified at Large* or better, there has been a gradual deterioration in performance at the *Verified in All Respects* level, and this has culminated in a strong fall in 2009. Additionality is strongly related to conditions at the time of project approval. Chart 1.7 shows the proportion of evaluated projects rated *Verified in All Respects* for additionality by their year of Board approval, and also juxtaposes the level of total Board approvals in the same years, in terms of EUR million.

Chart 1.7: Additionality, percentage of projects *Verified in All Respects* by year of Board approval (679 investment operations approved 1991-2007 and evaluated 1996-2009) and total annual volume of Board approved projects



The decline in ratings achieved for additionality is clearer when shown by year of approval than by year of evaluation. The majority of projects evaluated in 2009 (around 75 per cent) were approved in 2005-07, when only around 40 per cent of approved projects subsequently achieved *Verified in All Respects*, the highest rating for additionality. The sudden fall in this performance category in projects evaluated in 2009 is actually the result of a more gradual decline. The decline is seen across a number of regions but particularly SEE and Central Asia.

Much of the fall took place after 2002. At this time there was an economic boom in the EBRD's countries of operations. Foreign direct investment (FDI) across the region quadrupled between 2003 and 2007. Liquidity in the market was also increasing, which would tend to threaten the financial additionality of the EBRD's projects. The Bank had the experience of some of its longer standing or better established clients prepaying loans and choosing to obtain finance from elsewhere. Nonetheless, volumes of new EBRD project approvals increased strongly during the period. Given the liquidity in the market, it is worth mentioning that the EBRD found itself additional in so many projects rated *Verified in All Respect* or *Verified at Large*. The Evaluation Department poses the question whether the fall in ratings was entirely because of the greater availability of finance during those years, or whether the EBRD's strategy of strong growth itself led it to accept projects in which it was less additional. In answering this question it should be mentioned that the relatively high scores (89 per cent) on the two top additionality ratings shows that although at times the financial additionality of a project at Board approval might have been on the low side, this must have been compensated by a higher design and functioning additionality, pointing to positive transition impact at the corporate level.

1.7 ENVIRONMENTAL AND SOCIAL PERFORMANCE AND CHANGE

1.7.1 Measuring environmental performance and environmental change

The environmental evaluation data from 1996-2009 covers two environmental dimensions. The first dimension concerns environmental and social performance[7] of the Sponsor, for example the preparation and implementation of environmental action plans, compliance with contractual environmental conditions, performance against national and EU statutory regulations, and so on. 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 categorisation, 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, cumulative environmental performance in 1996-2009 was rated *Good* or *Excellent* in 54 per cent of cases and *Satisfactory* in a further 32 per cent. Over the period 1996-2009, only three per cent of the projects evaluated have been rated *Unsatisfactory* in respect of environmental performance and none *Highly Unsatisfactory.*

[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.

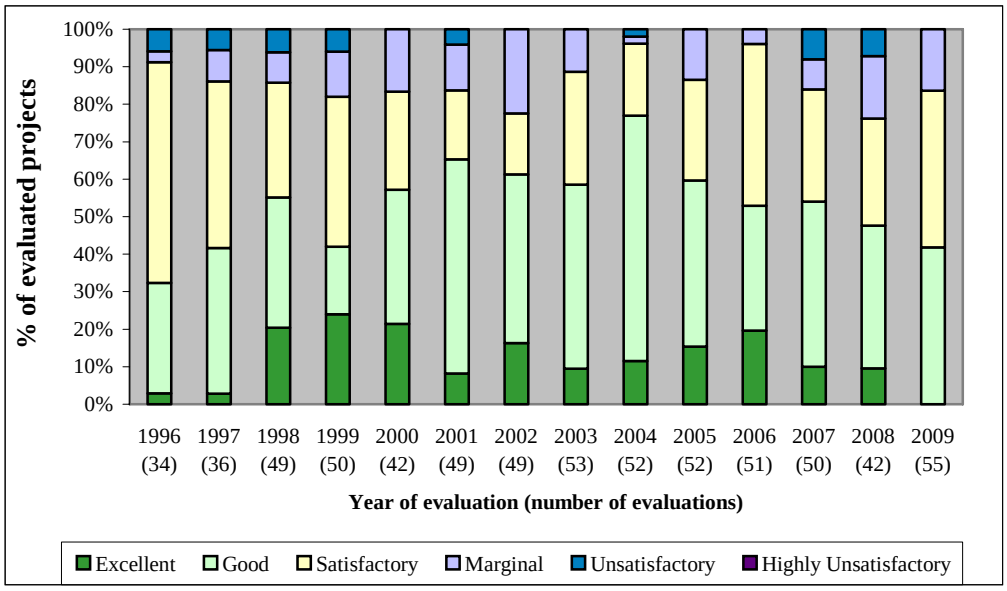
Cumulatively, 86 per cent of evaluated operations obtained ratings of *Satisfactory* to *Excellent* on environmental performance for the period 1996-2009.

This cumulative rating of 86 per cent shows an overall positive development and reflects the dedication of the Bank in handling environmental issues. However, as presented in Chart 1.9 below, following a peak in environmental performance in 2004, the average year-on-year *Excellent* or *Good* rating has declined from 77 per cent in 2004 to 42 per cent in 2009, when no projects were rated *Excellent* for this indicator. Some of the projects evaluated in 2008-09 had already experienced delays in environmental investments as a result of the crisis. When companies are under financial stress, investments in environmental quality may be delayed resulting in a lower compliance of environmental conditionality. During the financial crisis it is important that greater emphasis is placed on environmental performance and meeting the project specific Environmental and Social Action Plan (ESAP) conditions to stop and possibly reverse these declines.

Environmental performance ratings have been declining from a high of 77 per cent *Good* or *Excellent* in 2004 to 42 per cent in 2009.

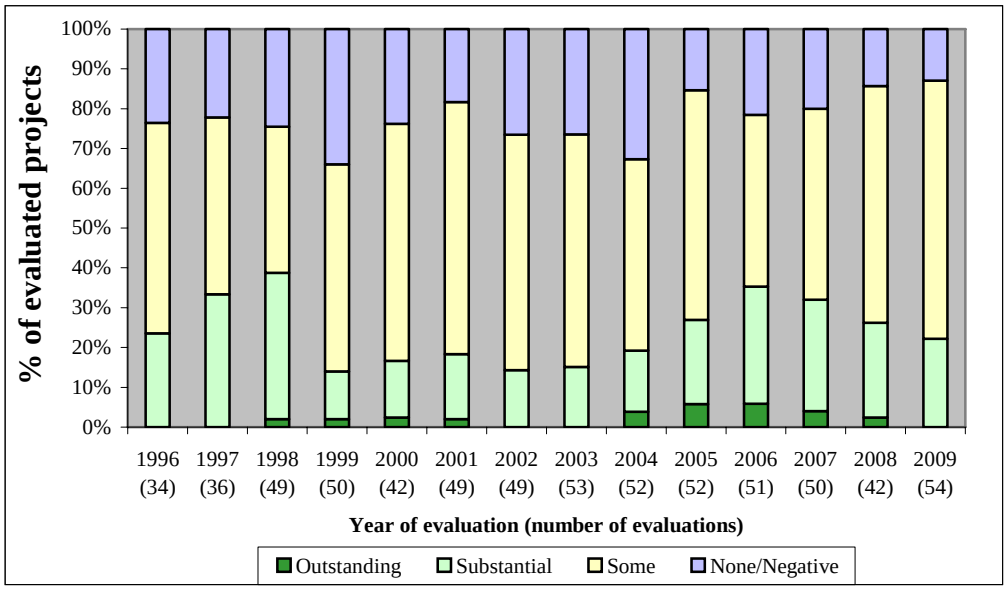
In respect of cumulative environmental change,[9] cumulatively 24 per cent of the evaluated projects were rated *Substantial* or *Outstanding*, while 53 per cent achieved *Some* environmental change. However, in 2009 no projects attained an *Outstanding* rating, which is cause for some concern. The proportion of projects achieving *Some* change has been growing at the expense of other ratings, especially higher ones, in recent years.

Chart 1.8: Environmental and social performance, percentage distribution of assigned ratings (664 investment operations evaluated 1996-2009)



[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 1.9: Extent of environmental change, percentage distribution of assigned ratings (6634 investment operations evaluated 1996-2009)



1.7.2 Environmental and social impact

As part of the EvD 2007 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 and 2009. 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. EvD has found 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 (see Appendix 8). EvD believes that the new rating gives a more accurate assessment of the Bank's environmental and social impact.

1.8 EARLY TRANSITION COUNTRIES

The Early Transition Countries Initiative (ETCI) was launched in 2004 to increase the Bank's activities in its 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 show the development over time of overall performance and transition impact ratings in early transition countries. The proportion of projects rated *Unsuccessful* has fallen to nine per cent, which is a major achievement. However, improvements in the proportion rated *Successful* or better appear to have stalled. This may be an effect of the current economic situation. A similar result is seen for transition impact, where very few projects are now rated *Unsatisfactory* or *Negative* but there is still a relatively large number rated *Marginal*.

Chart 1.10: Overall performance in early transition countries: development of ratings over time (83 investment projects evaluated 1996-2009)

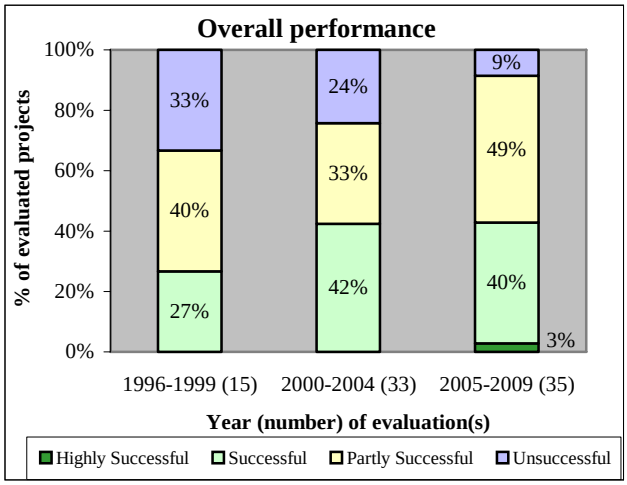
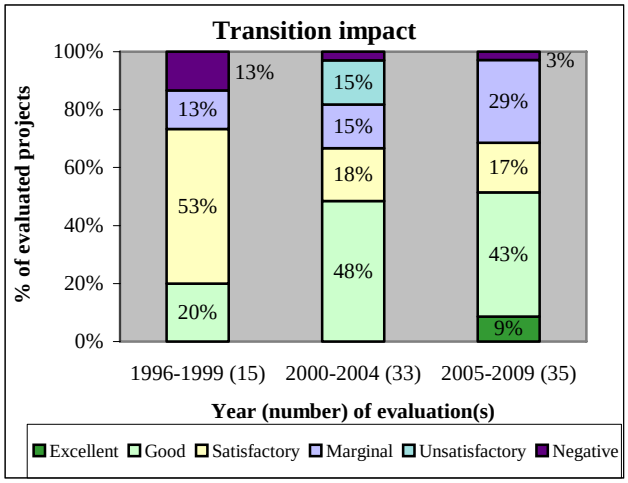


Chart 1.11: Transition impact in early transition countries: development of ratings over time (83 investment projects evaluated 1996-2009)



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

- In total 57 per cent of the evaluated projects in 1996-2009 achieved *Successful–Highly Successful* **overall performance** ratings. When weighted by volume of investment, this figure rises to 69 per cent. Of evaluated projects in 1996-2009 a total of 79 per cent scored positively on **transition impact** – 86 per cent when weighted by volume. These positive outcomes lead EvD to the conclusion that the EBRD has been successful in operating according to its mandate.

- **Performance ratings across most indicators** continue to decline from the high levels seen in 2004. In the current economic situation, ratings for financial performance have suffered more than ratings for transition impact and fulfilment of objectives.

- **Additionality** fell sharply in 2009 in respect of the *Verified in All Respects* rating category, and this appears to be a result of a gradual decline that is visible when ratings are presented in terms of year of project approval. Nevertheless, a high proportion of projects are rated at least *Verified at Large* for additionality.

- **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. In the ETCs, very low ratings have been reduced but the recent increase in the proportion of *Successful* projects appears to have stalled.

- The proportion of projects rated *Good* or *Excellent* for **environmental performance** has been falling steadily since 2004.

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.[10] 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 2010 AEOR would again compare evaluation data with data from the transition monitoring system on a cohort of projects rated both by EvD and by OCE.[11]

Regarding the process of TIMS, the *TIMS Review* document (formerly the *Review Checklist***)** is the core monitoring report of TIMS that 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.*[12] In the AEOR of last year, EvD noted that the TIMS process had become well tuned for information gathering and presentation of results for quarterly reporting.[13]

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 recent years to standardise indicators in each industry sector and harmonise the rating structure across sectors in an attempt to refocus the project reviews on key transition priorities. The new approach has been developed and is being tested on a pilot basis during the first half of 2010. This initiative is expected not only to further improve the overall quality of TIMS, but it will also allow for aggregation of transition impact within and across sectors. OCE has also introduced a new rating on information quality, in order to try to receive better information from Banking. It is continuing to work on improving the consistency of its data records and ensuring that each completed project receives a final assessment and rating in TIMS.

Because of differences in focus, purpose and timing between credit monitoring and transition impact monitoring, OCE has taken steps to ensure that it is able to track and monitor projects in parallel to the credit monitoring process where necessary. This will also ensure that operations that are no longer monitored in Project Monitoring Module (PMM) (for example, sovereign loans that have achieved physical completion) continue to be monitored in TIMS while their transition objectives remain to be achieved. OCE is also working at rationalising transition impact monitoring so that it focuses its resources

[10] 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.

[11] See "Evaluation Department's Work Programme Final Report for 2010", Report BDS10-012, January 2010, Section 10, page 16.

[12] 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.

[13] A benchmarking system is built to assess realised transition and the risk attached to the remaining potential, that is 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.

on those projects with a greater potential role for the OCE to affect their success during implementation and at those times that are most critical to the achievement of the transition objectives of the project.

Meanwhile, given the continuously growing number of projects that 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 that all have both an *ex-ante* and *ex-post* transition impact rating, has increased to 255 projects this year, an increase of 60 projects compared with last year. The analysis of the sample is presented in Section 2.2.

Further rationalisation of TIMS around standardised transition impact objectives raises the issue of the treatment of *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 to 2009. This issue continues to be an area of discussion in the Bank. OCE is working on ways to broaden its monitoring system to be able to monitor integrated approaches and, to the extent possible, social and environmental issues.

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), 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 that 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.

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 of transition impact potential/risk are classified and ranked as:

Rank	Potential	Risk	Potential	Risk	Potential	Risk
1	Excellent	Negligible				
2	Excellent	Low	Good	Negligible		
3	Excellent	Medium	Good	Low	Satisfactory	Negligible
4	Excellent	High	Good	Medium	Satisfactory	Low
5	Excellent	High/Excessive	Good	High	Satisfactory	Medium
6	Good	High/Excessive	Satisfactory	High	Marginal	Low/Negligible
7	Satisfactory	High/Excessive	Marginal	High	Marginal	Medium
8	Marginal	High/Excessive	Unsatisfactory	<any>	<any>	Excessive

2.2.2 Features of the common OCE/EvD sample

At the end of 2009, the stock of active operations subject to transition impact monitoring in TIMS stood at 1,113. In addition, 411 projects formerly monitored in TIMS were considered "completed" from a transition perspective and were no longer monitored. The common sample now comprises 255 projects,[14] which represents only 17 per cent of all projects that have been monitored in TIMS. As shown in Table 2.1, the performance of the sample is quite closely aligned to that of the population of all projects evaluated by EvD during the period 2001-2009. However, this joint sample does not closely mirror the sectoral distribution of projects in the TIMS portfolio as a whole.[15] Therefore, the findings could still change substantially over the coming years as the sample changes.

[14] Although EvD sometimes groups operations for evaluation purposes, care was taken to include in the sample of 255 projects only the results from evaluation reports that 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.

[15] About one third of the evaluated projects in the joint sample are in the Financial Institutions sector (31 per cent), 39 per cent in the Corporate sector, 10 per cent in Energy and the remaining 20 per cent in Infrastructure. Among the 1,524 projects currently or previously monitored in TIMS, 44 per cent are in the Financial Institutions sector, 31 per cent in the Corporate sector, 8 per cent in Energy and 17 per cent in Infrastructure.

Table 2.1: Distribution of overall transition impact ratings in the 255 project sample compared with larger EvD project groups.

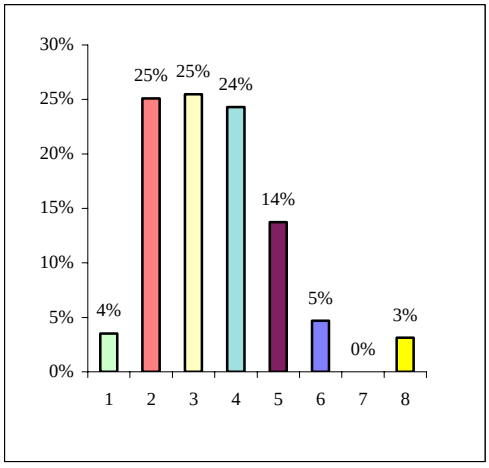
	Excellent	Good	Satisfactory	Marginal	Unsatisfactory	Negative
All projects 1996-2009	10%	45%	24%	13%	6%	2%
All projects 2001-2009	10%	48%	23%	13%	5%	1%
Projects in the sample of 255	12%	50%	24%	11%	2%	1%

2.2.3 Results of the comparison for the full sample

The results shown in Charts 2.1 and 2.2 show that there is a general similarity in the pattern between EvD and TIMS ratings. Half the projects have been rated *Good* by EvD, and a majority of the sample has achieved a TIMS ranking between 2 and 4, which equates to a *Good* potential with *Negligible* to *Medium* risk. However, the TIMS ratings do not follow a smooth curve: there is an almost equal proportion of the projects at each of the ranks 2 to 4 and a spike at rank 8. This seems to have been caused by the increasing proportion of completed projects included in the sample. Therefore, for further analysis EvD has separated the active from the complete projects in the TIMS database.

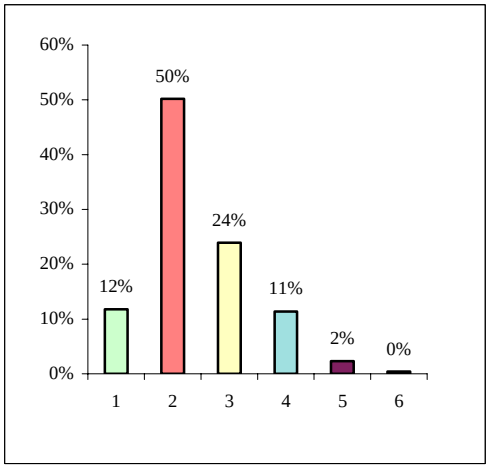
Projects continue to be actively monitored in TIMS until the EBRD exits from the project itself (through repayment, prepayment or equity exit), or until OCE concludes that an active project has achieved all the transition impact it is likely to achieve and further monitoring is not worthwhile. At this stage a final rating is applied for transition impact and the risk rating is reduced to *Negligible* (or occasionally *Low*). As is clear from the list in Box 2.1, this means that projects for which TIMS monitoring is complete cannot have a rank of 5 or 7 and are unlikely to have a rank of 4. Once the sample includes a large proportion of completed operations, they will start to distort the curve of the overall results. At the end of 2009, the sample of 255 projects consisted of 87 complete and 168 active operations.

Chart 2.1: Latest TIMS updated expected transition impact ranking of 255 projects assessed and evaluated in 2000 to 2009



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 255 projects assessed and evaluated in 2000 to 2009



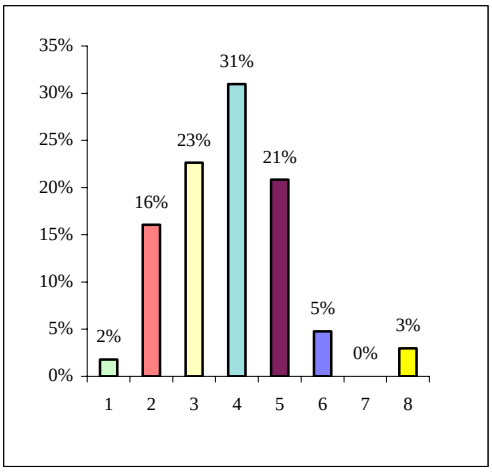
Key: **1**=Excellent
2=Good
3=Satisfactory
4=Marginal
5=Unsatisfactory
6=Negative

2.2.4 Results of the comparison for the active sample (168 operations)

Charts 2.3 and 2.4 show the results for the active projects only. The TIMS rankings show a smoother curve than for the full sample, while the pattern of EvD ratings is virtually unchanged. The patterns are similar for EvD and TIMS, although the TIMS rankings appear to peak at a slightly lower level than the EvD ratings. The striking difference compared with the results in the AEOR for 2009 is that the most common TIMS rank this year is 4 (31 per cent of rated operations, up from 29 per cent at the end of 2008) while last year it was 3 (23 per cent of rated operations this year, down from 35 per cent at the end of 2008). There is also a noticeable increase in the proportion of projects with rank 5 in TIMS (21 per cent, up from 10 per cent last year). Closer analysis shows that this has less to do with operations downgraded in TIMS during the year, than with additions to the common database (that is, projects evaluated during 2009). Of the projects evaluated in 2009 and actively monitored in TIMS, around 17 per cent had rank 3 in TIMS, 23 per cent had rank 4 and 40 per cent had rank 5.

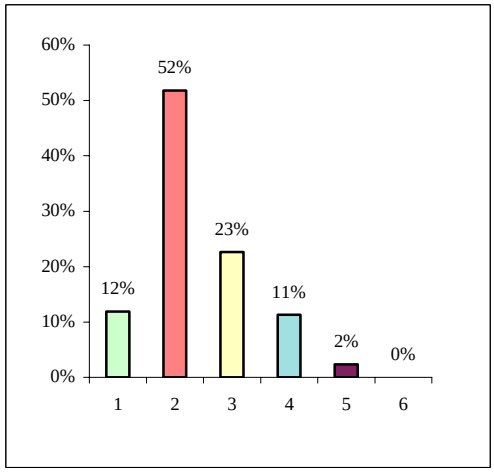
It is recognised that TIMS ratings have fallen during 2009. In the Institutional Performance Report: Fourth Quarter 2009 and Year Ended 31 December 2009 (BDS10-022), it was reported that "the largest number of downgrades ever realised in a year" had occurred in 2009. In many cases the downgrade was because of a rise in the risk rating. It was also reported that an unusually high proportion of projects entering the TIMS database had a high risk rating, leading to a lower rank.[16] Although such new entrants to the TIMS database will not yet show up in the common database of projects also evaluated by EvD, this illustrates the new environment of increased risk in which the Bank is operating.

Chart 2.3: Latest TIMS updated expected transition impact ranking of 168 evaluated projects active in TIMS at the end of 2009



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 2.4: EvD overall transition impact rating of 168 evaluated projects active in TIMS at the end of 2009



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

Why is this reduced risk not also seen in the results of projects evaluated by EvD? One

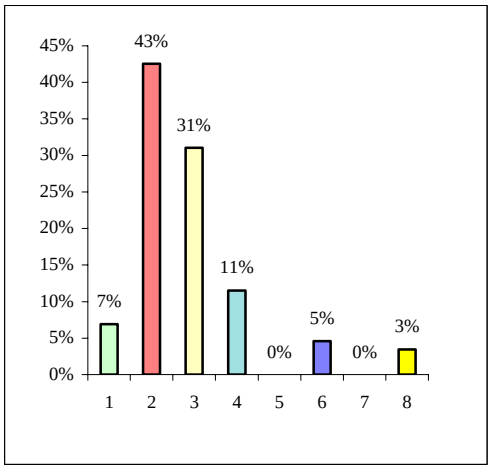
[16] Around 70 per cent of projects entering the TIMS database in 2009 were rated as having "Good" potential with "High" or "High, perhaps Excessive" risk (that is, rank 5).

explanation may be the way EvD is treating of risk. Although both OCE and EvD take consideration of risk, in the case of TIMS an increase in risk leads directly to a downgrade of the rank. Furthermore, the ratings are linked to the achievement of specific transition objectives within the foreseen timeframe. EvD's evaluation reviews the transition impact of a project through all the seven transition indicators of the EBRD guidelines, and does not have such a rigid relationship between risk and overall transition impact rating. This allows for a broader and more long-term assessment that a project, while at risk of missing some immediate and specific targets, scores on other transition criteria. It is also possible that the project recovers over time and achieves part of the intended transition impact in the long run. Some of the transition objectives tracked in TIMS might be regarded by EvD as more closely related to achievement of objectives, or even environmental and social impact, than to transition impact.

2.2.5 Results of the comparison for the completed sample (87 operations)

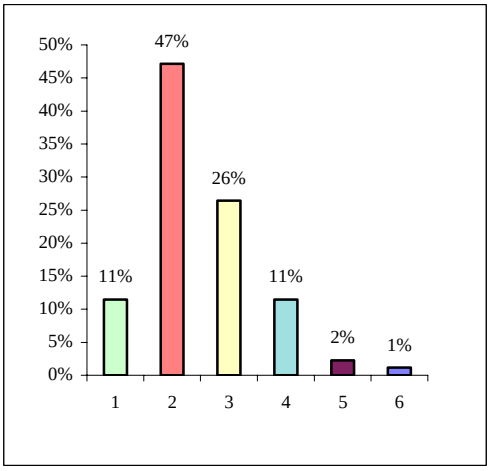
A comparison is also made on a smaller set of 87 completed operations taken from the joint database, which includes only projects considered "complete" by OCE and no longer rated under TIMS, and the corresponding ratings of the EvD's transition impact. As shown in Charts 2.5 and 2.6, the patterns of TIMS rankings and EvD ratings are very similar, with the largest group of projects obtaining a rank of 2 in TIMS. A rank of 2 represents *Good/Negligible* or *Excellent/Low* ratings and corresponds well to the *Good* rating most commonly applied by EvD. Therefore it appears that the differences between TIMS and EvD results tend to disappear once the risk factor is removed and a final TIMS rating is applied. This analysis and the related conclusion apply to the sample in its entirety. It is not excluded that variances could occur at sector level.

Chart 2.5: Latest TIMS updated expected transition impact ranking of 87 completed projects assessed and evaluated in 2000 to 2009



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 2.6: EvD overall transition impact rating of 87 completed projects assessed and evaluated in 2000 to 2009



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

2.3 TRANSITION IMPACT RETROSPECTIVE 3: SYNOPSIS OF EVD PROJECT EVALUATIONS

In 2009, EvD prepared a synopsis of EvD project evaluations,[17] which covered 202 operations evaluated in 2005-08, the period after the second Transition Impact Retrospective (TIR 2) report. The evaluation of transition impact (TI) performed *ex-post* by the EvD measures the degree to which a project succeeded in advancing transition, for a given stage of country and sector reform environment.[18]

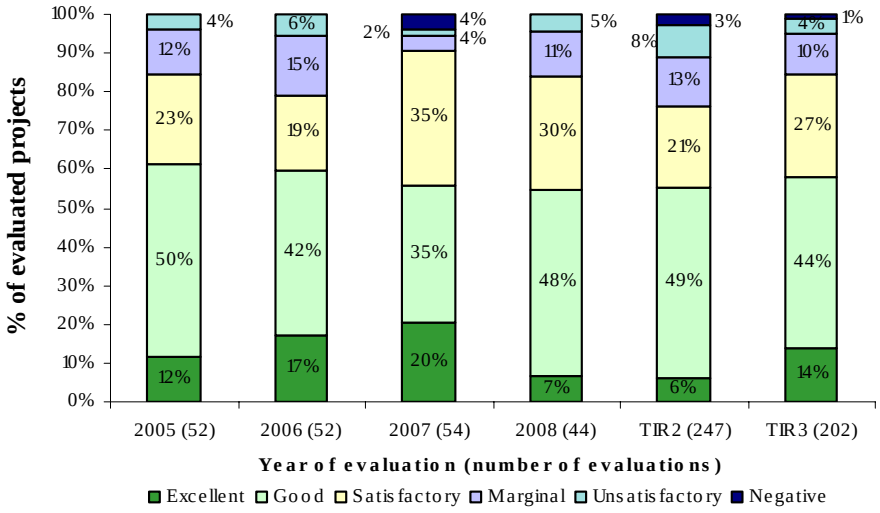
The main findings show that the transition impact performance emerging from the EvD project evaluations in 2005-08 has improved compared with that in the TIR 2 period, with 85 percent of 202 evaluated projects being rated *Satisfactory* and above. However, performance varies quite significantly by sector and country groups. Sector disaggregation shows that in infrastructure, those ratings sum up to 78 per cent, which EvD attributes partly to difficult economic environment in a number of countries and risk of changes on the political front.

When disaggregated by country groups, the performance in SEE countries was the best, as the reform environment has been conducive to high gains in transition impact from projects. Cross-regional projects have shown the second-best scores. At the same time, countries at both ends of transition, the most advanced CEB countries and the least advanced Central Asian countries, have the lowest proportion of projects rated *Good* and above. Russia's performance was only slightly higher than that in the CEB country group, with performance in infrastructure being worse compared with that in other sectors, which is similar to infrastructure sector performance across the entire region.

The analysis of factors affecting performance indicates that commercial and institutional building factors together with the Bank handling appeared the most important ones for a project to be successful. Lessons from unsuccessful projects emphasise once again importance of governance and management skills, integrity and transparency, better initial project design, as well as rigorous due diligence at the initial stage of the project.

[17] Evaluation Department, 2009, *Transition Impact Retrospective 3: Synopsis of EvD Project Evaluations.*
[18] The EvD overall transition impact rating for a project is derived from an assessment of the short-term verified impact, the potential for further transition impact, and the risk attached to the realisation of this potential.

Chart 2.6: TI ratings of 202 investment operations evaluated, 2005-08



3. FURTHER ANALYSIS ON PERFORMANCE OF EVALUATED PROJECTS

This chapter presents the results of two studies that have been performed during the year on factors affecting performance of evaluated projects. Section 3.1 reports on a study analysing the relative importance of different factors in affecting project performance, building on previous studies presented in the AEORs for 2004 and 2008. Section 3.2 revisits the issue of project size and the finding in the AEOR for 2009 that larger projects tend to be rated higher than smaller projects for a number of key indicators.

3.1 FACTORS AFFECTING PERFORMANCE IN EVALUATION REPORTS

This section is an extension of the analysis of factors affecting project performance, conducted in the 2004 and 2008 AEORs. The purpose of this section is twofold: (i) to assess the sample of projects evaluated by EvD[19] using the previously created "factors affecting performance" framework and (ii) to perform statistical and econometric analysis into the causality with regards to the factors and the various project performance ratings that are assigned by EvD.

The methodology used to realise the first objective is almost identical to the previous studies. The main difference, apart from the obvious further sample expansion, is that all projects are assessed for the presence of both positive and negative factors, denoted by a plus and minus one respectively in the newly created database. In previous work, *Successful* and *Highly Successful* projects were assumed to only have positive factors and *Unsuccessful* and *Partly Successful* projects only to have negative factors.

While this change in methodology could potentially introduce a bias when comparing results across the old and new samples or when using econometric techniques across the complete sample, the initial assumption is largely realised across the expanded sample – only two per cent of *Successful* projects have a negative factor and five per cent of *Partly Successful* projects have a positive factor. As a result, any such bias is likely to be minimal. In this chapter, for the purpose of the factor analysis, the bar between "successful" and "unsuccessful" was set in the middle of the scale of the four-level rating scale that EvD uses to assess "overall performance".[20]

The second objective is the most complex and adds the most to this exercise compared to the previous work. Apart from assembling a simple statistical summary, the econometric analysis was conducted using the "ordered logit" approach, which has its origin in the econometrics in consumer choice and survey data. Fundamentally, this approach asks that given a set of ordered ratings, what is the probability of a project being assigned a particular rating, given a set of explanatory variables. To take into account potential endogeneity issues (econometric jargon that captures the fact that all ratings are part of a larger whole and hence are all correlated with each other) that could bias the results, a restricted set of regressions was run with the set of explanatory variables limited to the 10 factors described below. Nevertheless, the model proved effective and led to some powerful results.

[19] Based on OPERs covering the period 1996-2009.

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

3.1.1 Factors affecting performance

Factors affecting performance are not intrinsically part of the OPER reports, and they are not recorded in a systematic way, although these factors are tightly linked to the specific characteristics of each project. However, the factors can be detected from a careful review of each OPER report. They are at times explicitly mentioned and on other occasions more difficult to apprehend, especially for financial and commercial categories. Institutional building factors are more easily found since they often appear in the transition impact section.

Regarding the factors themselves, as in the previous works, the projects were assessed for 10 key factors affecting project performance, which can be grouped into five functional categories (see Table 3.1). Three are internal to projects: the financial, commercial and institutional performance. The two others were external to the project: the effect of business cycle (a catch-all for all macroeconomic shocks) and role of government. *Bank handling* of the process is added as a determinant factor both in project design and implementation. One further point that should be made is that in the 2008 exercise, it was not necessary to add new separable factors to properly describe the enlarged sample. The earlier set of 10 secondary factors was complete and robust enough to be applied to the updated analysis. This also facilitates comparing the results of this exercise with previous studies in the 2004 and 2008 AEORs.

Table 3.1: Description of factors affecting performance

Main factors	Secondary factors	Comments
Financial	Financial analysis	Quality of financial analysis as part of project appraisal [1/]
	Cost performance	Actual costs versus expected costs at appraisal
Commercial	Sales performance	Actual sales of the client company versus projected sales
	Market analysis	Understanding of demand and competition, as part of project analysis at appraisal
	Competition	On both quality and price of the product [2/]
Institutional	Sponsor commitment	Local or international sponsor
	Management skills	Including senior management skill, experience and entrepreneurship [3/]
	Governance	Quality of corporate governance at Board level
External	Business cycle	Extended to include other external shocks such as financial crises, natural disasters and conflicts (when not directly attributable to the government)
	Government behaviour	Positive or negative government interference with client's implementation of the project
Bank handling		The EBRD's management of the project at appraisal and implementation, including quality of relations with the client [4/]

Notes:
1/ Identified in OPER reports mostly when the project appraisal is clearly off track.
2/ Also increased market share of company in presence of competitors.
3/ Plus effect on improved organisation of company when observed.
4/ Relies upon either on *Good* (and better) or *Marginal* (and worse) OPER ratings for Bank handling.

3.1.2 Summary statistics

The descriptive statistics for the main performance ratings, assigned to each project in an OPER report, show that on average most projects are overall rated somewhere between *Successful* and *Partly Successful*, with *Successful* being the most common rating (see Table 3.2).[21] For most other ratings, projects are on average rated *Satisfactory* and *Good*, with *Good* being the most common rating.[22]

Table 3.2: Summary statistics of evaluation ratings

	Mean	Mode	Median	Standard deviation	Frequencies						
					n/r	1	2	3	4	5	6
Overall performance	2.5	3.0	3.0	0.9	0	44	62	122	26	—	—
Transition impact	4.2	5.0	5.0	1.3	0	11	19	37	56	104	27
Environmental performance	4.4	5.0	5.0	1.0	6	0	10	37	72	95	34
Environmental change	2.1	2.0	2.0	0.8	6	55	112	70	11	—	—
Company financial performance	4.0	5.0	4.0	1.5	1	23	19	33	71	73	34
Project financial performance	3.9	5.0	4.0	1.5	1	27	20	37	68	69	32
Fulfilment of objectives	4.2	5.0	4.0	1.4	0	15	16	39	58	88	38
Bank handling	4.3	5.0	5.0	1.2	0	11	13	31	62	108	29
Investment performance	3.8	4.0	4.0	1.5	2	26	17	37	97	41	34

Source: OPERs and EvD calculations.

Furthermore, as one would expect, the performance ratings are highly correlated with each other (see Table A.2.2, Appendix 10). The strongest between-ratings correlation is between company and project financial performance. *Overall performance* is highly correlated with the *transition impact* and *fulfilment of objectives*, with readings of 0.85 and 0.86 respectively, although *financial performance* and *Bank performance* are also important co-variants. The two environmental ratings, with the exception of their own cross-correlation, are the exception to the rule of strong correlations across ratings.

Bank handling is highly correlated with *overall performance*, *transition impact* and *fulfilment of objectives,* while it is slightly less correlated with *net factor balance,*[23] *company financial performance* and *project financial performance*.

Net factor balance is highly correlated with many of the performance ratings; indeed, the correlation with *overall performance* is almost perfect (see Charts A.2.1 and A.2.2). A histogram on Chart A.2.1 shows a breakdown of net factor balances across the entire sample,

[21] In the translation of ratings to numerical values in Table 3.2, a higher number indicates a higher rating. Hence, for *overall performance*, a "Highly Successful" project scores 4 and an "Unsuccessful" project scores 1.

[22] In the analysis the following numbers are associated with the rating scores: Highly Successful=4, Successful=3, Partly Successful=2 and Unsuccessful =1 for *overall performance*; Outstanding=4, Substantial=3, Some=2 and None/Negative=1 for *environmental change;* for all other performance categories: Excellent=6, Good=5, Satisfactory=4, Marginal=3, Unsuccessful=2 and Highly Unsuccessful=1.

[23] Net factor balance here denotes the sum of all positive and negative factors in a project, thus if a project has three positive factors and two negative factors, it would have a net balance of +1.

which confirms the hypothesis of factors contributing to success/failure of projects. For example, one would expect *Unsuccessful* projects to have a net factor balance of approximately -4. Putting the correlation between overall performance and the net factor balance in a bubble chart[24] shows that the upward trend between the net factor balance and project performance is clearly observable. However, the more subtle conclusion is that the net factor balance appears to have an almost symmetrically distribution close to each different project rating and this is supportive of the distributional assumptions necessary to conduct the econometric analysis.

Looking beyond just the sum of the factors, the prevalence of positive individual factors across *Successful* and *Highly Successful* projects, broken down by industry groups, shows a similar picture to that of the net factor analysis in the AEOR 2008 (see Table 3.3).

Table 3.3: Breakdown of positive factors affecting performance for Successful and Highly Successful projects

Categories determining outcomes		Sector				
		Financial institutions	Corporate	Energy	Infrastructure	Average across sectors
	Number of projects	41	56	18	33	148
Financial factors	Financial analysis	10%	9%	0%	3%	7%
	Cost performance	2%	18%	11%	27%	15%
Commercial factors	Sales performance	27%	34%	17%	9%	24%
	Market analysis	29%	21%	6%	15%	20%
Institutional building factors	Competition	27%	41%	11%	15%	28%
	Sponsor commitment	24%	64%	39%	21%	41%
	Management skills	68%	57%	50%	58%	59%
External factors	Governance	37%	30%	39%	39%	35%
	Business cycle	2%	7%	0%	0%	3%
	Government behaviour	10%	11%	28%	15%	14%
Bank handling		73%	45%	61%	55%	57%

Sources: EvD database and calculations.

Noticeably, the concentration of occurrences is on the institutional building factors, especially management skills. *Bank handling* is also a recurrent factor contributing to the success of the projects with an occurrence rate of 57 per cent of *Successful* and *Highly Successful* projects. This rate increases to 73 per cent for successfully implemented financial sector projects. *Competition* is the most prevalent of the commercial factors with an occurrence rate of 28 per cent. However this jumps to 41 per cent of the projects in the corporate sector.

For *Unsuccessful* or *Partly Successful* projects, the prevalence in the negative factors is more evenly distributed than in the case of the successful projects (see Table 3.4).

[24] See Chart A2.2 of Appendix 10. The size of the bubbles is proportional to the number of projects – in fact, the chart is a graphical representation of a three-dimensional frequency table.

Table 3.4: Breakdown of negative factors affecting performance for Partly Successful and Unsuccessful projects

Categories determining outcomes		Sector				
		Financial institutions	Corporate	Energy	Infrastructure	Average across sectors
	Number of projects	21	47	20	18	106
Financial factors	Financial analysis	24%	26%	10%	33%	24%
	Cost performance	0%	34%	40%	33%	28%
Commercial factors	Sales performance	0%	40%	10%	28%	25%
	Market analysis	14%	28%	20%	17%	22%
Institutional building factors	Competition	10%	19%	0%	0%	10%
	Sponsor commitment	14%	23%	25%	6%	19%
	Management skills	62%	45%	45%	28%	45%
External factors	Governance	57%	34%	20%	17%	33%
	Business cycle	43%	26%	5%	22%	25%
	Government behaviour	5%	23%	50%	67%	32%
Bank handling		29%	36%	35%	33%	34%

Sources: EvD database and calculations.

Once again, a concentration of occurrences is on the institutional building factors, especially management skills. *Bank handling* is also important, with a 34 per cent occurrence rate. The role of government appears also disruptive, with a third of *Unsuccessful* or *Partly Successful* projects suffering a negative *government behaviour* factor. This is particularly common in the energy and infrastructure sectors.

3.1.3 Econometric methodology

Looking at the prevalence of factors is a simple way to understand their basic distribution and to characterise what sort of factors an average, say, *Successful* infrastructure project has. It is not possible to answer the more nuanced question of what is the marginal effect of a particular factor – that is, which factors most strongly influence a project's rating – without turning to econometrics for analysis of the data.

The econometric methodology used is known as the "Ordered Logit" model, which can answer questions on the marginal effects of factors.[25] First, it is important to understand that the model is based on the fact that there is a set of ordered ratings that describe the variable in question. For example, in this assignment *overall performance* is described by the ratings *Highly Successful* through to *Unsuccessful*. Indeed, all the variables of interest in this assignment are based around an ordered rating of some form, as this is EvD's method of rating characteristics of a project, which are fundamentally unquantifiable. This is what makes the Ordered Logit approach so appropriate for this analysis.

The model essentially asks, given a set of explanatory variables, what is the probability of a project achieving a certain rating (as mentioned above, project performance ratings are assigned by EvD in evaluation reports). What is the appropriate set of explanatory variables for this assigning a certain rating? The factors themselves are clearly appropriate to try to explain aspects of a project's performance; however, a problem emerges if other project ratings are included. For example, if the probability of overall project performance was regressed on both the factors and the fulfilment of objectives rating, interpreting the results

[25] Appendix 10 discusses the mathematical and statistical underpinnings of the model in more detail as well as the exact method to calculate the marginal effects, but it is worth making some aspects of this model clear from a non-technical standpoint.

would be difficult. This is because, as shown in Section 3.3, overall project performance and fulfilment of objectives are highly correlated (and thus there is an endogeneity problem) and it is impossible to say which way the causation runs.

As a result, any idiosyncratic shock to overall performance may also be reflected in fulfilment of objectives, and this means that the results could be biased. In the lexicon of econometrics this is known as an endogeneity problem. There are ways to correct for this, and indeed the construction of an exogenous set of factors is one such approach, but the data set is not rich enough neither in the number observations nor the number of rating categories to use more sophisticated methods to allow the inclusion of clearly endogenous variables. Thus, all of the analysis was conducted with the set of explanatory variables limited to the 10 exogenous factors affecting performance.

Marginal effects can then be calculated by asking how the probability of a project, being assigned a particular ranking, changes when a factor is added or removed. Note, to allow for a more parsimonious model the set of factors has been split between positive and negative factors. Therefore, there is a difference in marginal effects between adding a negative factor and subtracting a positive one.

Finally, the change in the probability of a particular rating by adding a factor depends on what factors a project already has. For example, if a project has a lot of negative factors adding one positive factor has a negligible effect on the probability of a project being successful, while if the project has no other factors, the additional positive factor may be quite important. The form of the model used here provides us with a tool to address this. The Ordered Logit model requires the estimation of "cut-off points" where a project is on a cusp between one rating and another. That is to say, at the cut-off between *Partly Successful* and *Successful*, a project will have a 50 per cent chance of being rated *Successful* or *Highly Successful* and 50 per cent chance of being rated *Partly Successful* or *Unsuccessful*. These cut-off points are useful in the sense that they allow for platforms from which to assess the marginal effects.

Therefore, the question that is considered in the results is: ***what is the marginal effect of adding/removing a factor at a particular cut-off point?***

3.1.4 Econometric results

Here we present the results of econometric analysis for the *overall performance* ratings, from nine main OPER ratings.[26] *Overall performance* appears by far the most significant. The results for *project financial performance* and *company financial performance* are nearly identical. The results for *Bank performance* are almost entirely down to the *Bank handling* factor; almost all the remaining factors are insignificant.

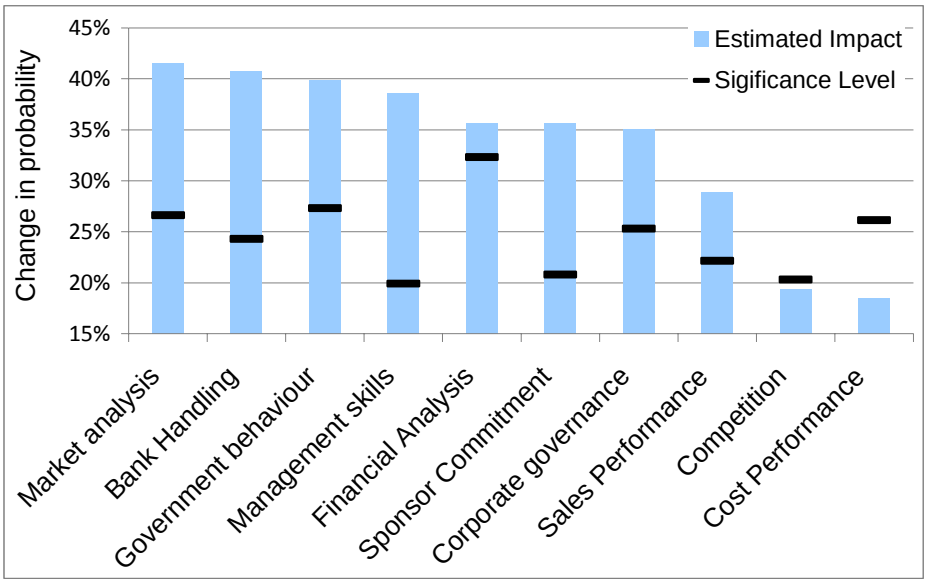
3.1.5 Overall performance

The key results for the model for overall project performance are summarised by positive and negative factors (see Charts 3.1 and 3.2). First, we look at what happens to the probability that a project achieves a *Successful* rating when an additional positive factor is added, and the

[26] These are overall performance, transition impact, fulfilment of objectives, project financial performance, company financial performance.

project is at the cut-off between a *Partly Successful* and *Successful* ratings (see Chart 3.1).[27] The first result is that both *competition* and *cost performance* do not have a significant impact on the probability of a project being successful. This is in contrast to the *market analysis* factor, which raises the probability by 41.5 per cent. At this cut-off point, the probability of being a *Successful* project is 50 per cent anyway, so adding a *market analysis* factor raises this probability to over 90 per cent. *Bank handling*, *government behaviour* and *financial analysis* have slightly weaker impacts, although they are of the same order of magnitude of around 40 per cent.

Chart 3.1: Change in probability of a successful project by adding a positive factor[28]



Sources: EvD database and calculations.

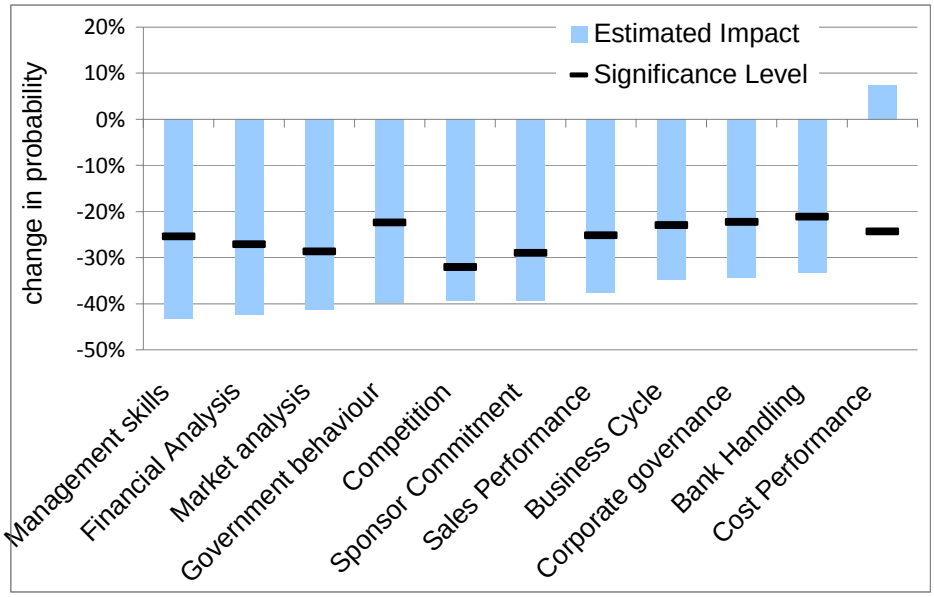
We follow the same principle when considering what happens when a negative factor is added as opposed to a positive one (see Chart 3.2). As before, *cost performance* is the least significant factor, and in this case the estimated effect even has a wrong sign. The remaining factors are all significant, with *management skills* having the strongest effect. *Financial analysis*, *market analysis* and *government behaviour* also appear to be particularly important as is the case with the results of adding a positive factor. On the other hand, *Bank handling* has become relatively less important as a negative factor than as a positive one.

In general, there is less heterogeneity across the marginal effects for negative factors compared with that for positive factors. The negative factors mostly have marginal effects of a similar order of magnitude, in the 30-40 per cent range. The standard errors of these estimated marginal effects are roughly 10 per cent, thus most of the small differences between the marginal effects of negative factors are not statistically significant. The exception of this is *cost performance*. Abstracting from this factor, it is possible to say that when a project acquires a negative factor, it does not matter too much what type of factor it is for the impact on the *overall performance*. In contrast, the factor type is more important when a positive factor is added.

[27] Note that in these charts, the black line represents the critical value of a one-sided five-per cent significant level test on the estimated change in the probability. Hence, for the change to be statistically different from zero, the black line must be contained within the bar.

[28] Project at the cut-off between Successful and Partly Successful.

Chart 3.2: Change in probability of a successful project by adding a negative factor[29]



Sources: EvD database and calculations.

The results for other cut-off points are very similar to those described above. Thus, the same conclusions can largely be drawn.

A final point to recognise is that the cut-off points are far away from each other. Thus, a project that is on a cut-off point between *Successful/Partly Successful* has almost a zero probability of being *Highly Successful* or *Unsuccessful* and, more importantly, adding any one additional factor has a negligible impact on the probability of either a *Highly Successful* or *Unsuccessful* ratings. This applies equivalently to other cut-off points.

There are two reasons for this. First, there are only four ratings of project overall performance, hence, by definition, the step between each rating is large and therefore it is very unlikely that a project can easily jump across two ratings with just a small change (that is, a change of just one factor) in its attributes. Second, the factors are powerful explanatory variables that capture the majority of the variance of the *overall performance*, thus the stochastic element of the rating is much smaller. This means that the probability distribution tends to be more densely distributed about the point estimated by the factors. In other words, if the project has the factors estimated to be consistent with a particular project rating, it is almost certain to have that rating.

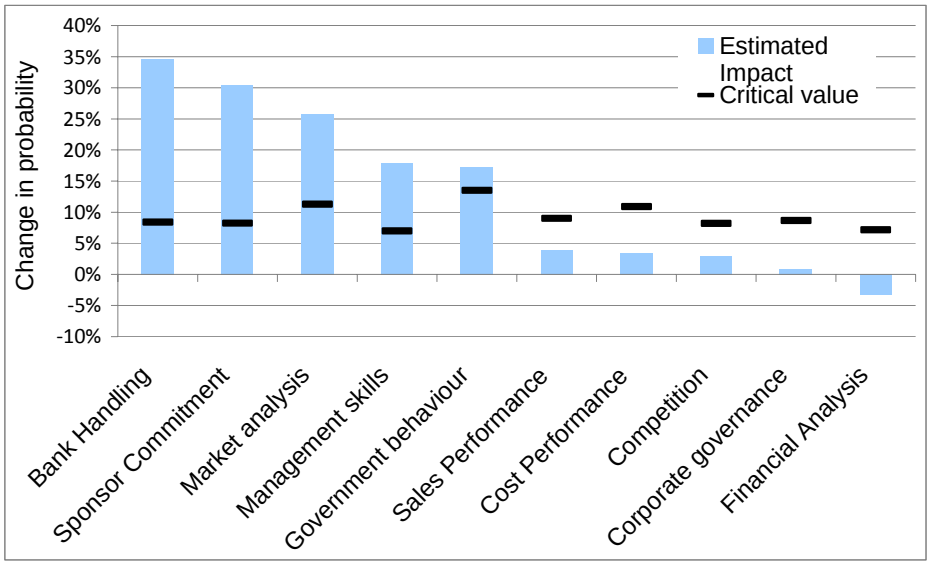
Transition impact

The behaviour of *transition impact* rating in its response to the factors contrasts to that of the *overall performance* rating. The main difference comes from the fact that *transition impact* has six rating categories as opposed to four. It appears that the explanatory power of the factors is weaker. Hence, there is much greater variance in the probability distribution of a particular rating. This makes the representation of marginal effects for the transition impact regression more difficult, as there is more variation in what adding a factor does to the probability of a particular rating.

[29] Project at the cut-off between Successful and Partly Successful.

As in the previous case, first, we look at what happens to the probability of a *Satisfactory transition impact* when an additional positive factor is added at the cut-off point between *Marginal* and *Unsatisfactory* (see Chart 3.3).[30] Since the cut-off points are much closer together in this model, adding an additional factor raises the probability of a *Satisfactory* rating and has insignificant effects on the probability of a *Marginal* rating. In effect, there is a transfer in the net balance of probabilities away from an *Unsatisfactory* rating to a *Satisfactory* one. In terms of individual factors, the explanatory powers of the factors have weakened when compared with those for the *overall performance* regressions, with five factors having an insignificant effect. *Bank handling* stands out as being particularly important, with a marginal effect of 25 per cent. *Sponsor commitment* is slightly weaker at 30 per cent, followed by *market analysis* at 25 per cent.

Chart 3.3: Change in probability of a satisfactory transition impact given an additional positive factor[31]

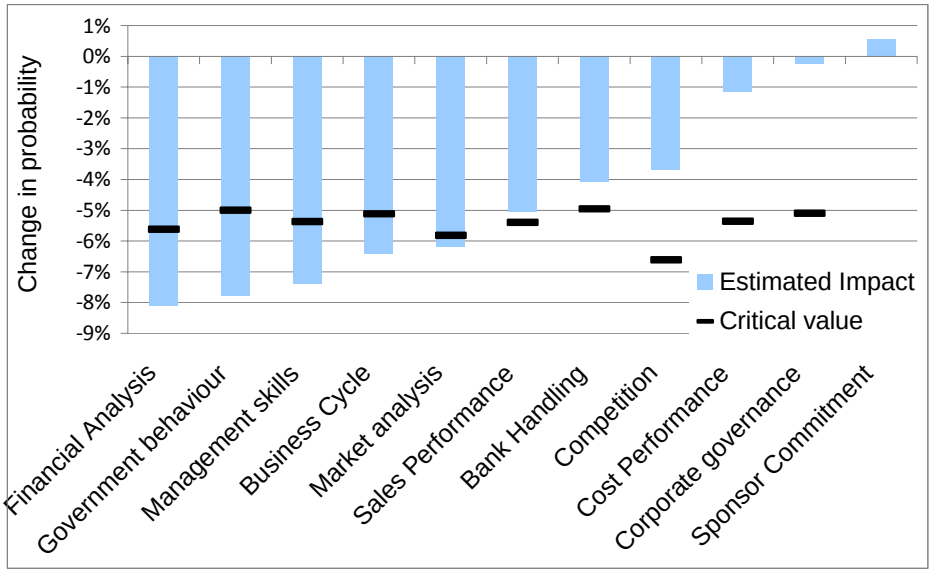


Sources: EvD database and calculations.

The equivalent results for adding a negative factor show that the overall marginal effects are much weaker, with the largest being eight per cent (see Chart 3.4). This is because the addition of a negative factor at this cut-off point is essentially a transfer of probabilities away from a marginal rating to a negative rating (see Chart 3.5). The probability of being satisfactory is already quite low at this cut-off point, thus adding an additional negative factor does not make a difference.

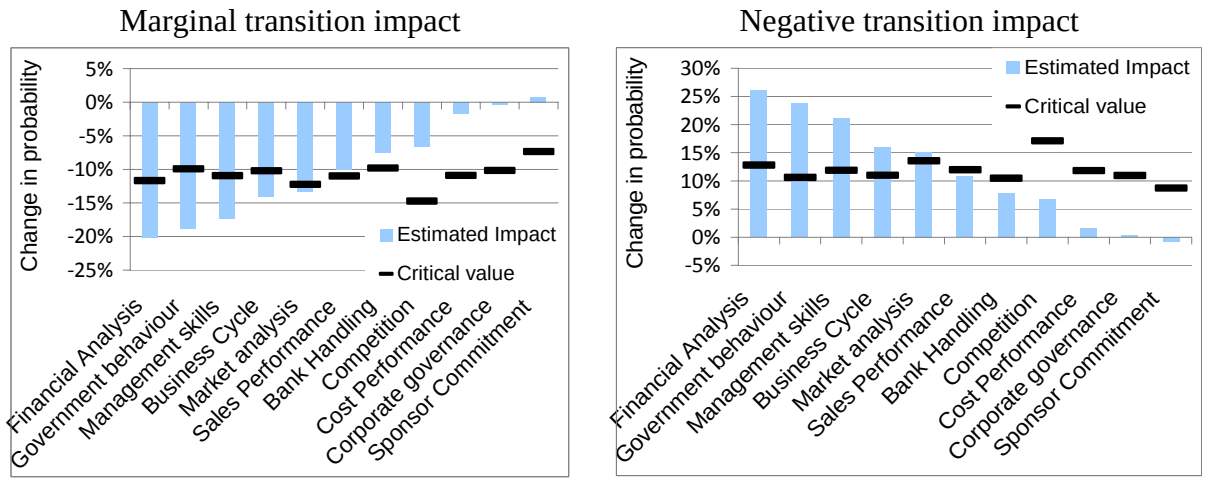
[30] As with the *overall performance* model, the results are broadly similar, but not identical, when different cut-off points are reviewed as long as we keep the relative positions of the ratings that are being compared the same.
[31] Project at the cut-off between Marginal/Unsatisfactory.

Chart 3.4: Change in probability of a satisfactory transition impact given an additional negative factor[32]



Sources: EvD database and calculations.

Chart 3.5: Change in probability of a transition impact given an additional negative factor[33]



Sources: EvD database and calculations.

There are large differences to the types of negative factors that affect *transition impact* ratings when compared with the effect of positive factors. *Financial analysis* has the largest marginal effect (see Chart 3.5), while its addition as a positive factor was insignificant. In contrast, while *Bank handling* was an important positive factor, it is insignificant as a negative factor, and the same applies to *Sponsor commitment*. However, *management skills*, *market analysis* and *government behaviour* are important negative and positive factors.

3.1.6 Concluding remarks

Based on a comprehensive database of projects evaluated by EvD in 1996-2009, this chapter analysed factors contributing to project success/failure using simple statistics and econometric modelling (the Ordered Logit method).

[32] Project at the cut-off between Marginal/Unsatisfactory.

[33] Project at the cut-off between Marginal/Unsatisfactory.

The main conclusions of this chapter broadly concur with those of the previous studies (AEOR 2004 and 2008) for the *overall project performance*:

- The main factors contributing to the project being successful are both internal (*market analysis* and *financial analysis*) and external (*government behaviour*).

- The same factors, together with *management skills,* appear to be important negative factors pushing the *overall project performance* down.

- *Bank handling* is relatively less important as a negative factor than as a positive one.

With regards to *transition impact,* explanatory power of factors affecting performance becomes weaker compared with that for the overall performance:

- *Bank handling* stands out as being a particularly important positive factor for project success, however it is insignificant as a negative factor.

- *Sponsor commitment* has a weaker but still significant effect as a positive factor, but again becomes insignificant as a negative factor.

- *Market analysis, management skills* and *government behaviour* are both important negative and positive factors.

All the above factors appear in most of the EvD reports and lessons learned, underscoring the importance of areas requiring particular attention from the Bank:

- In government-sensitive sectors, projects should be pursued with full agreement and continuous active policy dialogue with country authorities at all levels.

- Good governance remains an important source of long-term project success.

- Enhancing competitive environments supports project success.

3.2 COMPARISON OF PROJECT PERFORMANCE BY SIZE

In the AEOR for 2009, the Evaluation Department mentioned that larger projects tend to perform better than small ones in three dimensions: overall performance, transition impact and financial performance. The tendency had been observed over a number of years. This finding provoked interest in the Audit Committee and, in response, the Evaluation Department prepared a paper during 2009 that investigated the findings in more depth. It consisted of an analysis of the performance of large and small projects across performance indicators, geographic regions and industry sectors. It also reported on a more qualitative analysis of the projects in terms of factors of project success or failure, and appended a number of case studies of a cross-section of individual projects. The paper was circulated to the Board of Directors as input to the discussion on the Capital Resources Review (CRR4) and is attached at Appendix 9.

This section of the AEOR for 2010 updates the numerical results to the end of 2009 but does not repeat or update the qualitative analysis and case studies from the later part of the paper. The sample used for the analysis is the same as in Chapter 1 and Appendix 8 of this report: 679 investment projects evaluated in 1996-2010. The sample contains 247 smaller projects, defined as having less than €10 million of EBRD-approved finance; 333 medium projects,

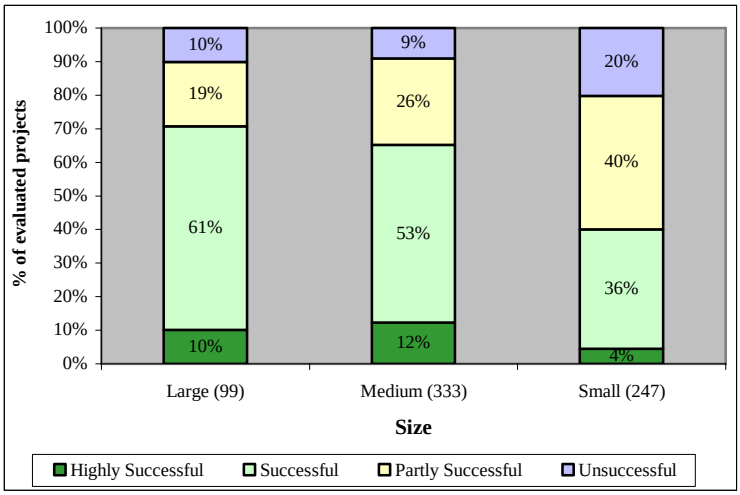
with at least €10 million but less than €50 million; and 99 large projects, with at least €50 million of EBRD-approved finance. Investments made through vehicles such as the Direct Investment Facility, Direct Lending Facility and Western Balkans Initiative are not included.

3.2.1 Overall results

Chart 3.6 shows that it is still the case that larger projects have better overall performance ratings: 71per cent of larger projects were rated *Highly Successful* or *Successful* compared to 40per cent of smaller projects. Of the 61 evaluations added to the database in 2009, the results are not entirely in line with this pattern. Only nine larger projects were evaluated in 2009 and only three (33per cent) of these were rated *Successful* or better. However, with such a small number of evaluations the results are decided by a handful of cases and cannot be considered representative. Among the 27 medium projects the figure was 59per cent and among the 25 smaller projects it was 44per cent, closer to the overall results shown in Chart 3.6.

Chart 3.6: Overall performance rating by project size:

679 projects evaluated 1996-2009



The results for transition impact and financial performance are shown in Charts 3.7 and 3.8. The pattern of higher ratings for larger projects has been maintained in 2009. Among the 61 evaluations conducted in 2009, the medium projects were rated more highly than smaller projects for both these indicators. Of the nine larger projects evaluated in 2009, seven were rated *Satisfactory* to *Excellent* for financial performance and seven for transition impact. In the case of transition impact, this was the same proportion as among medium projects; in the case of financial performance, the larger projects were the best performing group, although the small numbers mean that firm conclusions cannot be drawn.

Chart 3.7: Transition impact

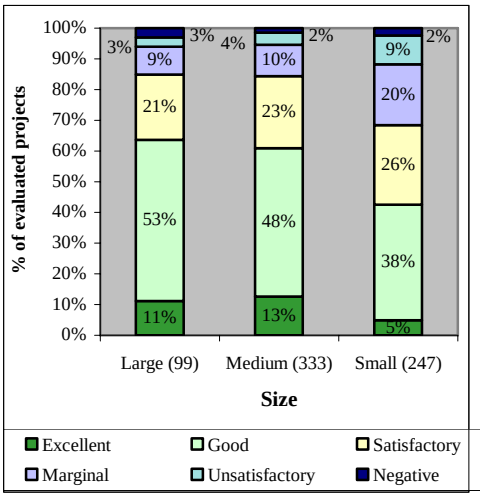
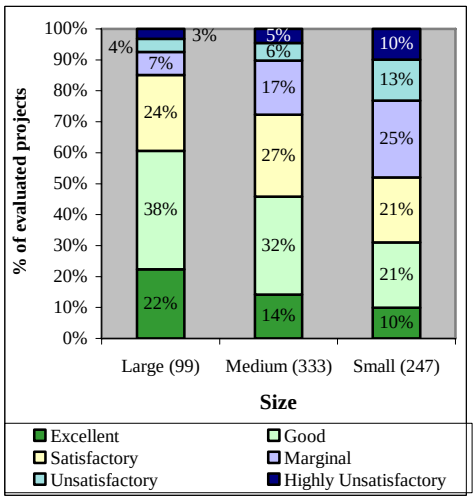


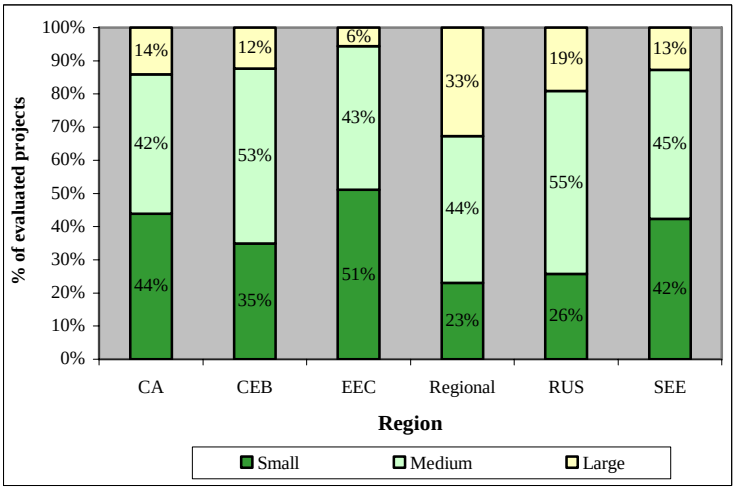
Chart 3.8: Project financial performance



3.2.2 Results by country groups

Charts 1.2 and 1.4 in Chapter 1 show that projects in the CEB and SEE regions continue to achieve the highest ratings for overall performance and transition impact. This is also the case for financial performance, as shown in Chart 5.3 of Appendix 8. CA and EEC are the worst performing regions for each of these indicators. Chart 3.9 below shows the distribution of evaluated projects across these regions.

Chart 3.9: Regional distribution of 679 projects evaluated 1996-2009[34]



We might expect to see a large number of smaller projects in the poorly performing regions and a higher proportion of larger projects in the better performing regions. It is the case that the regions with the highest proportion of smaller projects are the two lowest achieving regions, CA and EEC. However, SEE, the best performing region of all, also has a relatively high proportion of small projects. Excluding Regional projects, which are not considered in the regional analysis, Russia has the lowest proportion of smaller projects and the highest

[34] **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.

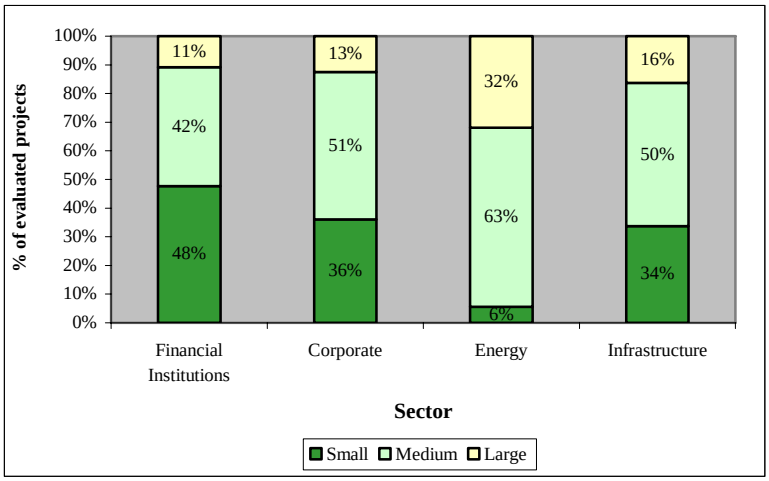
proportion of larger projects, but this is not reflected in very high ratings. Therefore it cannot be concluded that the difference between performance of larger and smaller projects is directly related to the regional distribution, although there seems to be some relationship in the case of the more poorly performing regions.

3.2.3 Results by sector

Charts 2.4 and 3.5 of Appendix 8 both show that there is little difference among sectors in terms of overall performance and transition impact ratings. There is more difference in project financial performance ratings, as shown in Chart 5.5 of Appendix 8. Projects in the Energy and Infrastructure sectors are more likely to be rated *Satisfactory* or better than those in the Corporate and Financial sectors. This may be because Energy and Infrastructure projects are more likely to have public sector involvement and be less open to market forces.

Chart 3.10 below shows the distribution of evaluated projects across sectors. It does not show any clear relationship to the distribution of performance ratings by sector.

Chart 3.10: Sectoral distribution of 679 projects evaluated 1996-2009[35]



3.2.4 Conclusions

The Evaluation Department does not find any reason to revise the conclusions of the original paper based on this update. Although the results from the 61 projects evaluated in 2009 show a number of larger projects with rather low performance ratings, the numbers (only nine larger projects) are too small to draw firm conclusions. To date, the cumulative results confirm that larger projects are generally rated more highly than small projects. Further analysis to find the main reasons for this conclusion will be carried out.

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

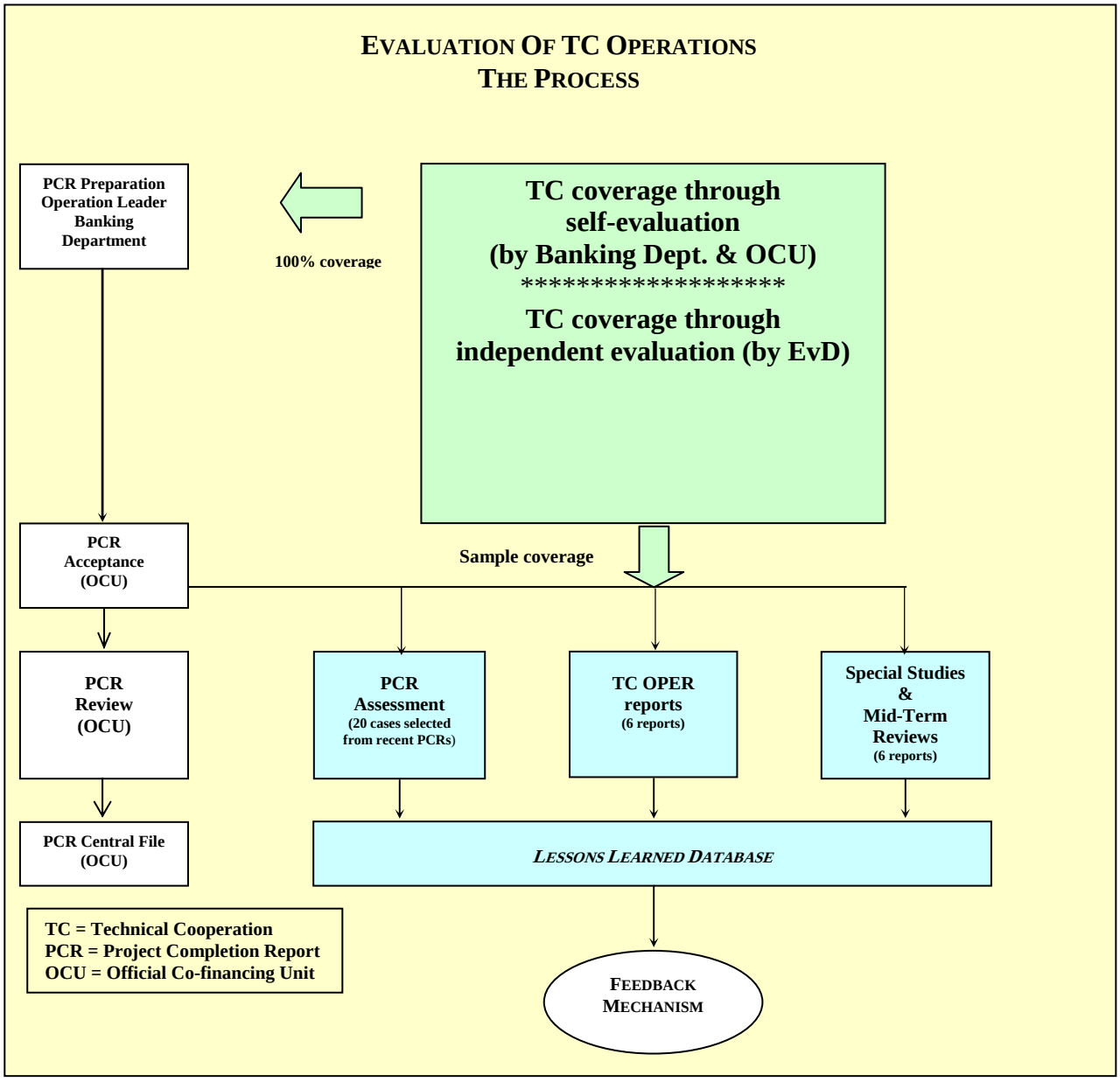
4. EVALUATION OF TECHNICAL COOPERATION OPERATIONS

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.

DIAGRAM4.1: THE PROCESS OF TC EVALUATION [QUERY: CAN'T CHANGE CAPITALISATION IN TITLE OR DIAGRAM]



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. Since 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) has been conducted annually since 1998 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, 82 OPERs and 30 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, although very different in scope and evaluation focus, have covered over 1,750 TC-funded consultant assignments, involving approximately €549 million of funding from some 29 individual countries and 32 multilateral funds under the EBRD's TCFP.[36] 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 27.2 per cent in 2009. If groups of TC commitments covered in Special Studies on sectors and themes are included, the coverage ratio rises to 65 per cent.

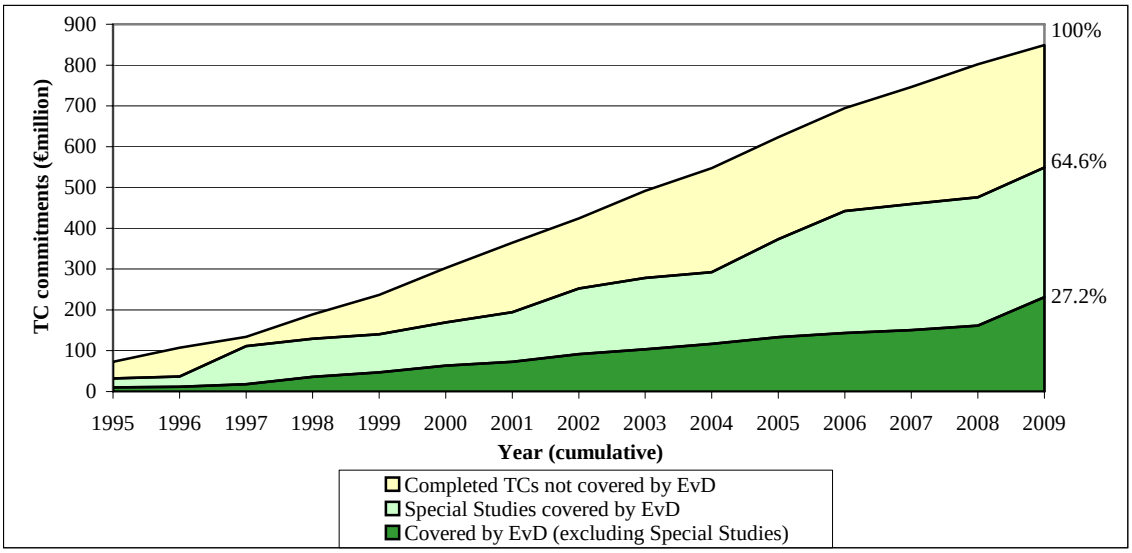
Table 4.1: Technical cooperation evaluation coverage status in 1991-20098 (€ million)

TC completion and PCR coverage		1991-1999	1991-2000	1991-2001	1991-2002	1991-2003	1991-2004	1991-2005	1991-2006	1991-2007	1991-2008	1991-2009
a.	PCRs completed	236.5	302.8	364.8	424.4	491.8	547.4	623.1	694.4	746.2	802.2	849.1
b.	TC operations evaluated through OPER reports	32.1	36.6	41.1	49.2	56.5	63.4	73.8	82.1	86.0	93.4	163.1
c.	PCR assessments by EvD	8.7	13.8	18.9	23.1	27.9	34.5	40.5	42.7	45.8	49.2	49.2
d.	PCR reviews by EvD	6.3	12.7	12.7	19.0	19.0	19.0	19.0	19.0	19.0	19.0	19.0
e.	Total TC operations (**b+c+d**)	47.1	63.2	72.7	91.4	103.5	116.9	133.3	143.8	150.9	161.6	231.3
f.	Evaluation coverage (**b+c+d**)/**a** (%)	19.9%	20.9%	19.9%	21.5%	21.0%	21.4%	21.4%	20.7%	20.2%	20.1%	27.2%
g.	TC operations related to Evaluation Special Studies	93.4	106.4	121.7	160.7	174.5	175.3	239.6	297.9	308.6	314.1	317.6
h.	Total TC operations evaluated (**b+c+d+g**)	140.5	169.6	194.4	252.1	278.0	292.3	373.2	441.8	459.4	475.7	548.9
i.	Evaluation coverage (**b+c+d+g**)/**a** (%)	59.4%	56.0%	53.3%	59.4%	56.5%	53.4%	59.9%	63.6%	61.6%	59.3%	64.6%

Chart 4.1presents the information from Table 4.1 in graphic form. It shows the growth of TC evaluation since 1995. In addition to direct TC evaluation, EvD provides further important assessments of TC performance through the evaluation of investment operations which have an important TC component (for example, project preparation, implementation, and so on).

[36] This represents about 43 per cent of total TCFP funding commitments or 36 per cent of cumulative TCFP funding mobilisation. As at 31 December 2009 the Bank was successful in mobilising €1,532.9 million of TC funding, of which €1,283.7 million was committed.

Chart 4.1: Evaluation coverage of technical cooperation commitments for 1995-2009 (€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 12 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, for two reasons. First, given their mainly "facilitating" role as noted earlier, not all TC results are meaningfully assessable in their own right 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 €200,000), *lessons learned* relevance and potential, and *other practical considerations* (for example, country, sector, banking unit spread, more recent TC operations where direct beneficiary counterparts are assumed to be still with the TC recipient, and so on).

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, EvD experiences that there is a general notion that a more systematic provision of TC-related skills (that is, 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.

EvD has substantially contributed not only to the preparation of relevant training material, such as case studies from its evaluation experience, but also regularly presents lessons learned during the training sessions. In total, four training courses on TC issues have been conducted since June 2009, with some 45 participants.

Another EvD recommendation that was taken on board was the elaboration of a more streamlined template for TC project progress and completion reporting. After due discussion of the new format with donors and operating staff, the new templates are introduced as of March 2010. The next PCR Assessment might be a good opportunity to judge on the application of the new template and whether any effects can be observed on the quality of reporting. In addition to these activities, a feedback mechanism was established between EBRD's Evaluation Department (EvD) and Technical Cooperation Committee (TC Com) by which EvD comments on those project proposals that are linked to assignments previously evaluated, hence reminding the members of the TC Review Committee of related lessons learned.

4.3 TC-RELATED EVALUATION WORK IN 2009

The TC operations that were evaluated in 2009 through TC OPER exercises were funded by donor contributions from France, Italy, the EBRD-Central Asia Institution Building Fund, the Early Transition Countries Fund and the EU/EBRD SME Finance Facility. TC operations evaluated through Special Studies were funded by donor contributions from Belgium, Switzerland, the Early Transition Countries Fund, the Mongolian Cooperation Fund and EC-Tacis. These operations were approved between 1999 and 2008 and cover the following sectors: Central Europe Agency Lines (CEALS), co-financing lines and Regional Venture Funds (RVFs); community/social services; energy; extractive industries; finance; local authority services; manufacturing; and transport and storage. By TC type, they involved advisory services, project implementation and project preparation.

4.3.1 TC OPER reports

Under its work programme for 2009, EvD carried out six TC OPER exercises. For the TC OPERs, the following ratings were assigned:

- Bosnia and Herzegovina Regional Railway Project: *Partly Successful*
- Dnipropetrovsk Municipal Water Corporate Development Support (Ukraine): *Successful*
- Uzbekistan Telecommunications Regulatory Development Programme: *Partly Successful*
- Tbilisi Public Transport Project Corporate Development Programme (Georgia): *Unsuccessful*
- EU/EBRD SME Finance Facility Special Fund (Regional): *Partly Successful*
- Georgian Gas Transmission Pipeline Rehabilitation: *Successful*

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

4.3.2 Special Study on PCR Assessments.

In 2009, the Evaluation Department completed the PCR Assessment exercise from the 2008 work programme. This was substantially delayed to allow collaboration with the Official Co-financing Unit (OCU). The 2008 exercise comprised both the review and assessment of PCRs. The review process, conducted by OCU, considered all PCRs prepared during the period under consideration and examined the quality of the PCR reports themselves. The assessment process, conducted by the Evaluation Department, considered a selection of 20 PCRs prepared during the period and addressed the performance of the underlying TC operation. The final report combined both the review and assessment exercises and therefore involved a significant amount of cooperation between the two departments. The 2009 exercise will be completed in 2010, after the Audit Committee review of the previous report.

Each of the PCR Assessments prepared by the Evaluation Department comprises a short desk review during which the responsible operations staff and OCU are consulted and short file reviews are made. The assessments aim at further strengthening the TC monitoring and evaluation system, by focusing on the following quality criteria:

- fulfilment of objectives
- client commitment
- Bank performance
- consultant performance
- contribution to the Bank's investment
- transition impact
- donor visibility
- lessons learned

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 (for example, relating to achievement of objectives, environmental performance, transition impact, lessons learned 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).

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 255 projects evaluated in the last five years for which a full XMR was provided.[37] 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.[38] *In contrast to the analyses in previous AEORs, EvD opted to cut off the figures from projects evaluated more than five years ago, so that the results are not overly influenced by very old results.*

5.2.1 Proportion of ratings amended by EvD

Table 5.1 and Chart 5.1 show that while the majority of XMR ratings remained unchanged, (60 per cent of all the ratings compared), 34 per cent were downgraded. The greatest number of downgrades was on environmental performance (46 per cent), followed by transition impact, company financial performance and Bank handling (all 40 per cent). The overall performance rating was downgraded for 30 per cent of projects. Far fewer ratings were upgraded: only six per cent in total. The highest number of upgrades occurred in relation to environmental change, which also displays the smallest number of downgrades.

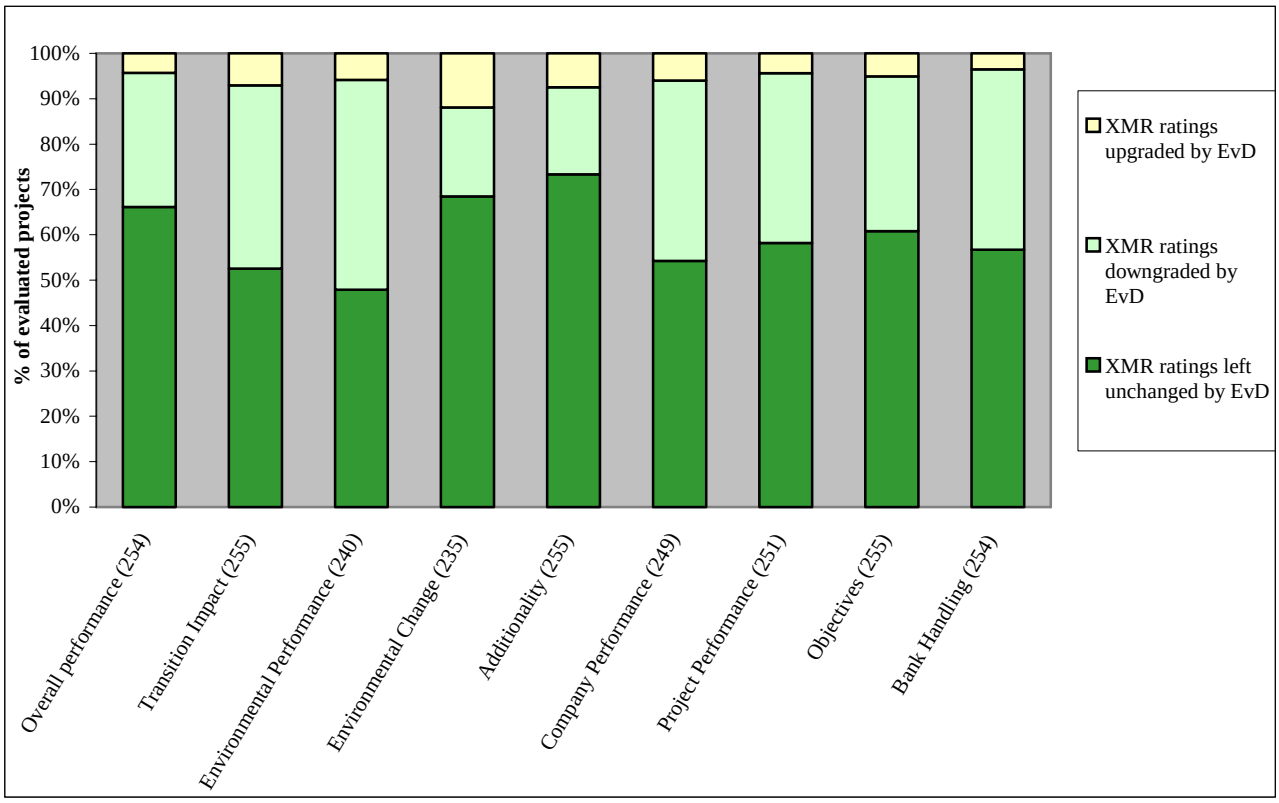
Table 5.1: Differences in performance ratings between self-evaluation and independent evaluation, 2005-2009

Indicator	Upgraded by EvD	Unchanged by EvD	Downgraded by EvD	Number of comparisons
Overall performance	4%	66%	30%	254
Transition impact	7%	53%	40%	255
Environmental performance	6%	48%	46%	240
Extent of environmental change	12%	69%	20%	235
Additionality	7%	74%	19%	255
Company financial performance	6%	54%	40%	249
Project financial performance	4%	58%	38%	250
Fulfilment of objectives	5%	61%	34%	255
Bank handling	4%	56%	40%	254
All ratings	6%	60%	34%	2247

[37] There have been a few occasions where this did not 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.

[38] A number of XMRs or evaluation reports 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 that were possible to make for each indicator, and these vary from one indicator to another.

Chart 5.1: Graphic representation of the differences in performance ratings between self-evaluation and independent evaluation, 2005-2009



It is not unexpected that Bank handling might be downgraded more often than other indicators, since operations staff are asked to judge their own and their colleagues' performance directly. Transition impact has shown up in the past as the indicator that was most frequently marked down. This has been discussed at some length in previous AEORs; one possibility may be simply that this indicator is considered the most influential in determining the overall performance rating and therefore bankers are likely to aim for the best possible rating.

More unexpected are the results for environmental performance and company financial performance. The Environmental and Sustainability Department (ESD) signs off XMRs and therefore implicitly confirms the environmental ratings contained in them. In many cases they contribute to this section of the report. Therefore large differences between XMR and evaluation ratings for this indicator indicate differences of opinion between the Evaluation Department and ESD. This issue is being followed up between the two departments.

The benchmarks for company financial performance are clearly defined in the Evaluation Policy and leave less room than some others for subjectivity. The performance is compared with the projections made at appraisal and the rating defined by whether the company has out-performed or under-performed those projections. It is the experience of EvD however that in difficult economic circumstances, operation teams tend to report on how well the company has performed in the circumstances – that is, how well it has performed in comparison with its peers. As a result of discussions between EvD and the Banking Department on this issue, a footnote was added to the new version of the Evaluation Policy approved in 2010[39] *allowing evaluators more flexibility to take local conditions into account when rating this indicator.* It is assumed therefore that the

[39] Footnote 6 to Appendix 1 to the Update of the Evaluation Policy of the EBRD (BDS10-024). Please see Appendix 13 to this report.

differences of opinion over company financial performance will diminish in coming years, and EvD will watch this.

Tables 5.2 and 5.3 show figures separately for OPERs and XMR Assessments. The figures for OPERs include those operations evaluated through Special Studies, as these are evaluated to a comparable depth. It is clear that the evaluation concurs with the self-evaluation much more frequently in the case of XMR Assessments (75 per cent compared with 42 per cent). The more in-depth OPERs and Special Studies are more likely to amend the self-evaluation ratings either to raise or lower them. The majority of the indicators have a greater than 50 per cent chance of being downgraded in the case of an OPER evaluation. In all types of report, environmental performance is one of the most frequently downgraded indicators, although in OPERs Bank handling is slightly more likely to be marked down. In all cases, environmental change, additionality and overall performance are among those indicators least likely to be amended downwards.

Table 5.2: Differences in performance ratings between OPERs and independent evaluation, 2005-2009

Indicator	Upgraded by EvD	Unchanged by EvD	Downgraded by EvD	Number of comparisons
Overall performance	4%	47%	49%	117
Transition impact	5%	41%	54%	118
Environmental performance	9%	30%	61%	106
Extent of environmental change	21%	50%	29%	102
Additionality	13%	62%	25%	118
Company financial performance	8%	33%	59%	116
Project financial performance	5%	36%	59%	116
Fulfilment of objectives	6%	47%	47%	118
Bank handling	6%	32%	62%	118
All ratings	8%	42%	50%	1029

Table 5.3: Differences in performance ratings between XMR Assessments and independent evaluation, 2005-2009

Indicator	Upgraded by EvD	Unchanged by EvD	Downgraded by EvD	Number of comparisons
Overall performance	4%	82%	13%	137
Transition impact	9%	63%	28%	137
Environmental performance	3%	63%	34%	134
Extent of environmental change	5%	83%	12%	133
Additionality	3%	83%	14%	137
Company financial performance	5%	73%	23%	133
Project financial performance	4%	77%	19%	135
Fulfilment of objectives	5%	72%	23%	137
Bank handling	1%	78%	21%	136
All ratings	4%	75%	21%	1219

A difference is to be expected, as the XMR Assessment does not allow an in-depth evaluation of the project. The evaluator is dependent on internal Bank documents and the views of Bank staff for the assessment, while an OPER allows greater opportunity to visit the site and discuss the project with individuals not forming part of the operation team. It may be difficult, for example, for an evaluator to decide that Bank handling was at fault without looking at the issues in more depth, while it may be easier to reach an assessment on an indicator such as fulfilment of objectives, which is based on the achievement of clear outcomes. Another factor explaining the differences is that OPERs are often selected for their lessons learned potential and high profile, and that among them one will find a higher proportion of more challenging projects where management has different opinions than EvD. In addition, when evaluation staff must sign off on an XMR on which they have to prepare an OPER report later, the scrutiny of the XMR will be less, as EvD's in-depth analysis will take place

when the OPER exercise is done. When preparing an XMR Assessment, however, evaluators tend to challenge bankers more thoroughly and the outcome is that downgrades are agreed during the assessment process before signing off the XMR. Therefore, the difference between EvD's OPER ratings and XMR Assessment ratings is not necessarily alarming, but it is important to continue gathering these data and EvD will continue to report respectively in future AEORs.

5.2.2 Extent of changes to ratings

Table 5.4 shows the maximum upgrade and downgrade for each rating category. In most cases the maximum upgrade for a given category is less than the maximum downgrade. Not only are ratings more likely to be downgraded than upgraded, but they are likely to be downgraded further.

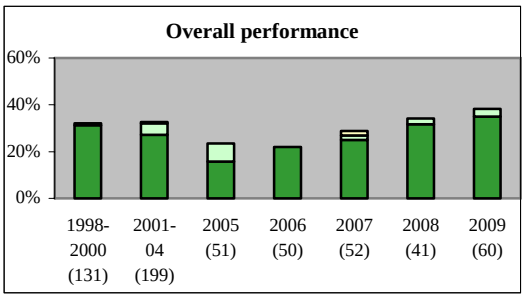
Table 5.4: Overview of maximum downgrades and upgrades when comparing the differences between the self-evaluation and independent evaluation ratings, 2005-2009

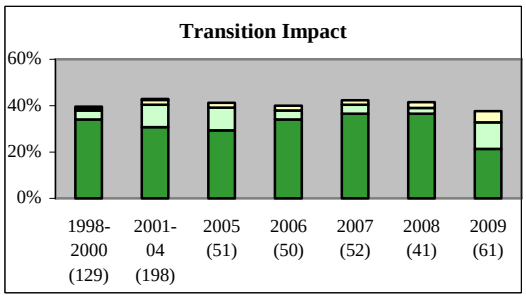
Indicator	Maximum upgrade (no. of rating points)	Maximum downgrade (no. of rating points)	Number of reports with maximum downgrade
Overall performance	1	3	1
Transition impact	2	3	7
Environmental performance	2	4	1
Extent of environmental change	3	3	1
Additionality	2	2	11
Company financial performance	1	3	3
Project financial performance	1	3	4
Fulfilment of objectives	1	3	2
Bank handling	1	4	1

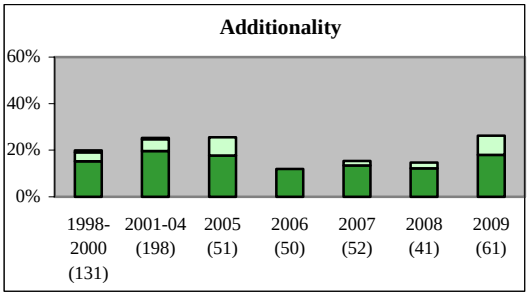
5.3 DEVELOPMENT OF THE OBSERVED DIFFERENCES OVER TIME

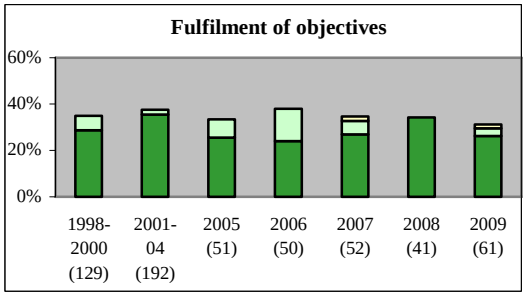
A study of the results over time shows the differences between XMR and evaluation ratings tend to become larger in recent years (see Charts 5.2-5.10). Variance has increased in 2009 for overall performance, environmental performance and additionality (although, in the last case, this followed a number of years where the differences were very low). In the case of some other indicators, notably transition impact and Bank handling, although the total proportion of downgraded reports has remained steady or fallen, the proportion adjusted by more than one grade has increased.

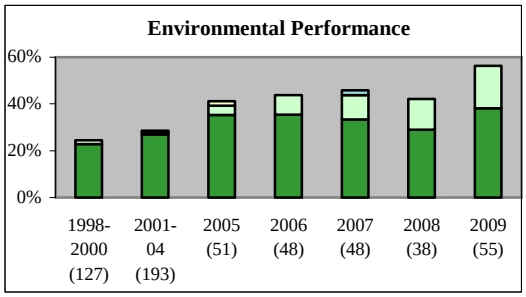
Charts 5.2-5.10: Differences over time in evaluation performance ratings assigned by operation staff and independent evaluators, 2005-2009 [QUERY: CAN'T EDIT CHARTS TO EDIT CAPS]

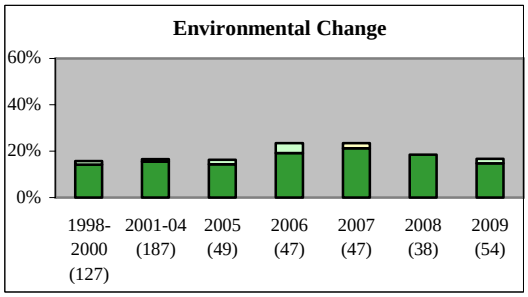


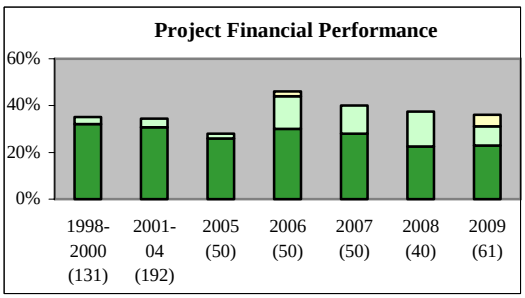


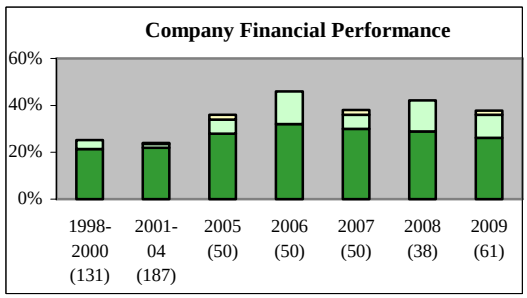


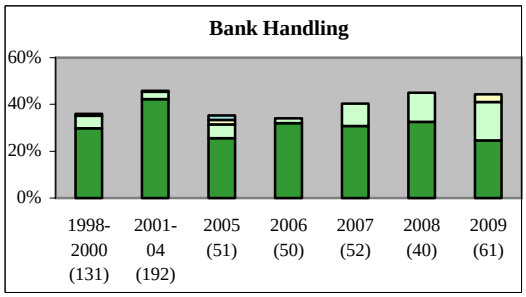












Key to charts

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 COMPARISON BY SECTOR

The Evaluation Department has compared the results by sector for two of the most commonly adjusted indicators: environmental performance and transition impact. The results are shown in Chart 5.11 and 5.12. The analysis shows a great deal of variation between sector teams. Chart 5.11 shows that the teams whose transition impact ratings were most frequently downgraded by EvD over the last five years were Natural Resources (71 per cent) and Municipal and Environmental Infrastructure (54 per cent). Both these teams featured among the top three in the analysis in the AEOR for 2009.

Chart 5.11: Differences across sector teams in transition impact ratings assigned by operation staff and independent evaluators, 2005-2009

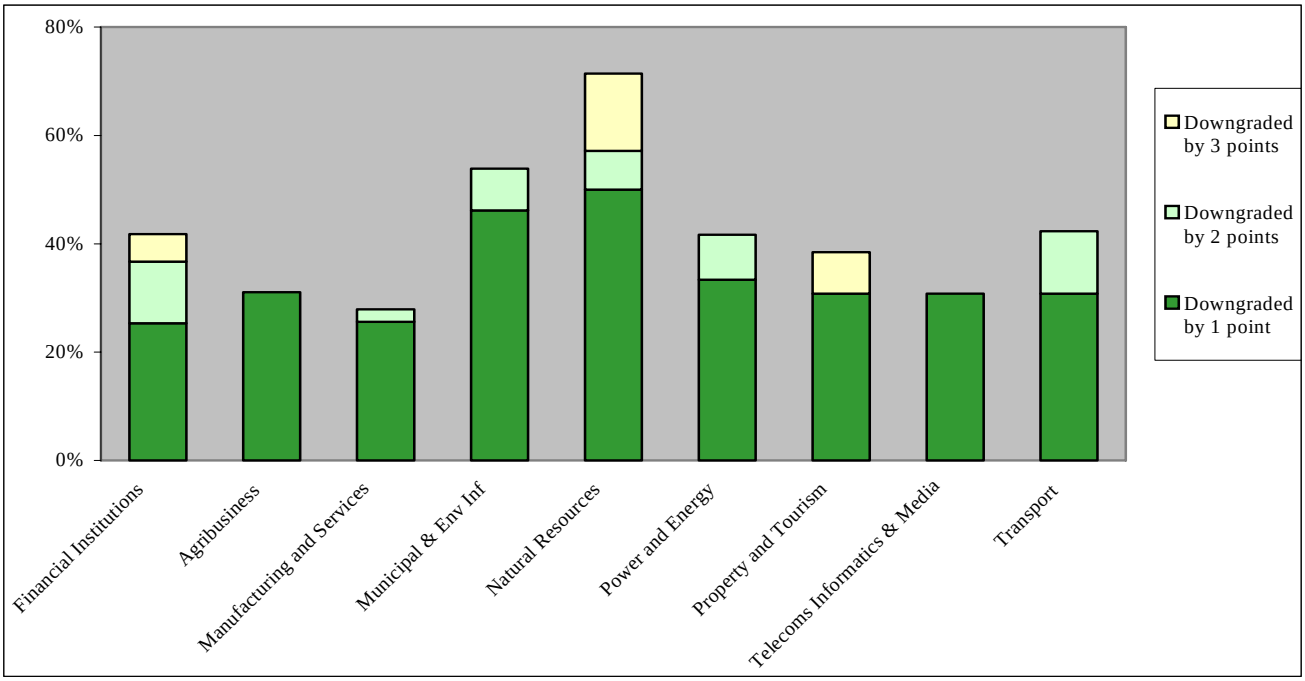
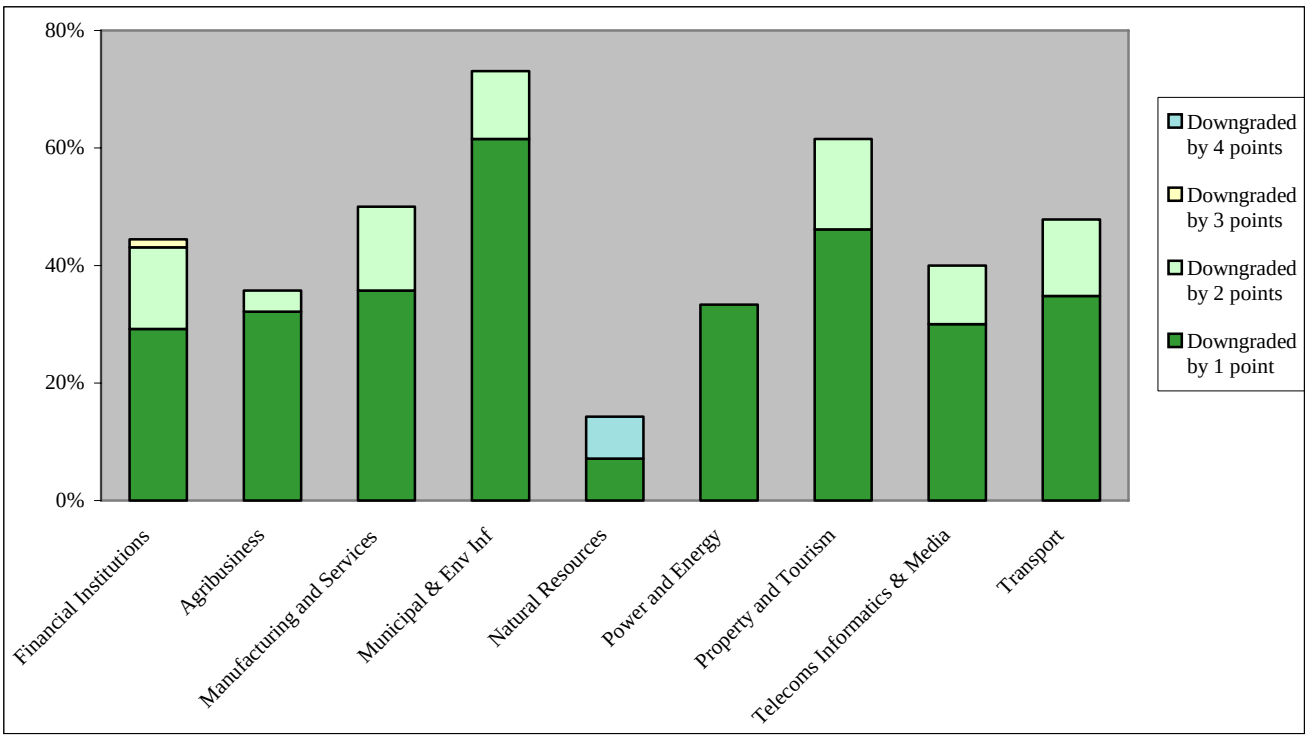


Chart 5.12 shows the corresponding results for environmental performance. The sector teams showing the greatest discrepancy are Municipal and Environmental Infrastructure (73 per cent) and Property and Tourism (62 per cent). The result for Municipal and Environmental Infrastructure is particularly worrying because this sector often has an environmental focus (particularly in water and wastewater treatment projects). It is notable that the other sectors associated with large potential environmental effects, Natural Resources, Power and Energy and Manufacturing and Services (which includes heavy industry) show less discrepancy between XMR ratings and evaluation ratings.

Chart 5.12: Differences across sector teams in environmental performance ratings assigned by operation staff and independent evaluators, 2005-2009



5.5 MAJOR CONCLUSIONS

Overall, XMR ratings over the last five years were validated by independent evaluation in 60 per cent of cases. Six per cent of XMR ratings were upgraded by evaluators and 34 per cent downgraded. These figures show a decline in results reported in previous AEORs, which considered ratings over the entire period from 1996. XMR ratings were much more likely to be downgraded by evaluators if they were subject to an OPER or Special Study evaluation than to a less in-depth XMR Assessment. This pattern is not necessarily cause for concern as the XMRs before EvD sign-off are discussed extensively with the bankers, resulting in more realistic ratings needing less downgrading. On the other hand, projects on which an OPER report will be prepared by EvD are selected based on lessons learned potential and high profile, and differences of opinion on the ratings between management and EvD are common. It is, however, important to look at those performance indicators and sectors where the differences are most significant.

Environmental performance was the indicator most likely to be rated lower (46 per cent) by evaluators. Transition impact, company financial performance and Bank handling were also often marked down by evaluators. While a disagreement over Bank handling is to some extent to be expected, the rating of company financial performance leaves less room for subjective judgement, and it is hoped that a recent amendment to the Evaluation Policy, whereby evaluators can take into account local conditions, will reduce the differences in this area.

The gap between XMR and evaluation ratings appears to be increasing, particularly in relation to overall performance and environmental performance. A closer analysis of two of the indicators showing the greatest proportion of downgrades shows considerable differences between sector teams. The Evaluation Department currently provides training for new bankers drafting XMRs for the first time, and uses such opportunities to warn against over-optimistic ratings. However, it has been noted in the past that the final decision on ratings in an XMR may be taken by more senior staff, who do not participate in these training sessions. Ongoing communication with senior Banking staff continues, mostly through the process of discussing draft OPER reports, and this issue will continue to be raised in that context.

EvD has discussed the environmental performance ratings with the Environment and Sustainability Department, who confirmed that they would give additional focus in future to the review and rating of the environmental indicators in XMRs. In cooperation with the Managing Director for Monitoring, EvD is organising discussions with the sector teams showing the most substantial differences in relation to transition impact in particular.

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

6.1 INTRODUCTION

This part of the report highlights how the Audit Committee, the Board Committee that oversees the evaluation function in the EBRD, has reacted to important evaluation findings and lessons learned. Section 6.2 lists the evaluation reports that have been discussed in the Audit Committee during 2009, which shows how the Committee has carried out its oversight function. In Section 6.3, EvD reviews some key issues that the Committee has discussed and which are reflected in the minutes of the Audit Committee meetings during 2009.[40]

6.2 REVIEW OF EVALUATION REPORTS BY THE AUDIT COMMITTEE

During 2009 the Audit Committee met 13 times to discuss in total 26 evaluation reports. Among them were 16 OPER reports on investment operations, three Special Studies, the Annual Evaluation Overview Report for 2009, three reports on EvD's work programme and three other special reports. Details are presented in Table 6.1.

Table 6.1: Reports in respect of evaluation discussed in the Audit Committee during 2009

12 January 2009:
Evaluation Special Study on:
- Danube River Basin, Regional

26 January 2009:
Report on EvD's work programme:
- Work Programme Final Report for 2009

Operation Performance Evaluation Review on:
- Togliatti Urban Transport Development Project, Russian Federation

23 February 2009
Operation Performance Evaluation Reviews on:
- Agrokor Equity Investment, Croatia

6 April 2009:
Report on EvD's work programme:
- Work Programme Completion Report for 2008

Operation Performance Evaluation Reviews (technical cooperation):
- Pre-privatisation loan for Kombinat Aluminiyuma Podgorica Environment, Health and Safety, Montenegro

27 April 2009:
Evaluation Special Study on:
- Equity Exits, Regional

Special reports:
- Lessons from the Financial Sector in an historic perspective
- Follow-up of evaluation recommendations by Management 2008

19 May 2009:
Operation Performance Evaluation Reviews on:
- Road Sector Reform 1&2, Russian Federation
- Almaty-Bishkek Regional Road Rehabilitation Project, Kazakhstan and Kyrgyz Republic
- RSB Term Securitisation, Russian Federation

1 June 2009:
Evaluation Special Study on:
- Direct Investment Facility (DIF), Regional

Operation Performance Evaluation Reviews on:
- Collaboration with Société Générale, Regional
- Collaboration with UniCredit Group, Regional
- Frontera Resources, Regional

24 June 2009:
Operation Performance Evaluation Review on:
- Mittal Steel Skopje, FYR Macedonia
- Federal Grid Company Modernisation, Russian Federation

7 July 2009:
Special report:
- Annual Evaluation Overview Report for 2009

27 July 2009:
Operation Performance Evaluation Review on:
- Relationship with Raiffeisen Bank, Regional

25 September 2009:
Report on EvD's work programme:
- EvD Work Programme Preliminary Report for 2010

Operation Performance Evaluation Review on:
- Mid-term review of Rosvodokanal, Russian Federation

5 October 2009:
Operation Performance Evaluation Review on:
- EBRD/GEF Environmental Credit Line, Slovenia
- Atyrau Airport Project, Kazakhstan

28 October 2009:
Operation Performance Evaluation Review on:
- Tulpar II, Kazakhstan

Special Report:
- Country Level Evaluation Approach Paper

[40] Issues are addressed from Audit Committee deliberations in 2009 that will not be discussed in the report on "Follow-up of Evaluation Recommendations", a joint report of EvD and management.

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 the "Follow-up of Evaluation Recommendations" report.[41] However, other issues not dealt with in this report were also discussed by the Audit Committee. A selection of those issues, including some from the AEOR of 2009, is highlighted below:

- **Country-level evaluation.** The Work Programme Completion Report for 2009 and the Work Programme Final Report for 2010 referred to a country-level evaluation (CLE) Special Study whereby the evaluation exercise would concentrate on certain sectors and themes of existing country strategies. For the 2009 CLE exercise (to be finalised in 2010), the following themes/sectors were selected: in Russia, corporate governance in large enterprises and the Power and Energy sector; and in Romania, the financial intermediary sector. The 2009 CLE exercise is considered a pilot case in respect of the CLE methodology applied. Country-level evaluation is now incorporated in the Bank's Evaluation Policy although further discussion on the methodology to be applied is expected in the course of 2010.

- **The use of the log-frame approach.** There was support in the Audit Committee for the suggestion from EvD in one of its OPER reports to consider the use of the log-frame approach in assessing what the Bank wanted to achieve in projects. While it was not something that would change the way the Bank did business, it was considered a straightforward method of providing greater clarity up front on what was a project's purpose beyond its immediate output and what were the necessary conditions for achieving that purpose. It was a simple model and could be used in the context of the EBRD's business model generally. The Committee agreed that the use of the instrument should be taken into serious consideration by management and be discussed in the context of the discussion within the Bank on the integrated approach.

- **Joint evaluation with other multilateral development banks (MDBs).** As in previous years the importance for the evaluation functions of the multilateral development banks to focus on joint evaluation was highlighted. The bottlenecks for the production of a larger number of joint evaluations were recognised and the efforts by the evaluators to overcome such obstacles through active coordination among MDB evaluators were appreciated. EvD continues doing landmark joint evaluations with the IFC, the IsDB, the ADB, and the EIB 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 2010.

- **Realistic transition targets in municipal and environmental infrastructure projects.** In one of the municipal and environmental infrastructure (MEI) projects presented to the Audit Committee it was considered adequate that EvD would normally base their evaluations on the original timeline and transition objectives of the project. The Committee felt that EvD's emphasis on the importance of realistic timelines and transition targets and – to the extent possible – an adequate synchronisation of the Technical Assistance supported reforms and loan distributions was also essential in MEI projects.

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41 Comments on the evaluation recommendations by the Audit Committee will be presented in document *Follow up of Evaluation Recommendations by Management 2010*, which will be discussed in the Audit Committee and in the Board of Directors.

7. CHIEF EVALUATOR'S ASSESSMENT

7.1 PERFORMANCE OF THE EBRD ACTIVITIES BASED ON EVALUATION FINDINGS[42]

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 the EBRD projects evaluated in the period 1996 to 2009, 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 2009 was 75 per cent. In that year 25 per cent of evaluated projects were rated *Marginal–Negative* for transition impact. This is a slightly poorer result than the outcomes seen in the last few years, but still 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 begun to have a negative effect on evaluation results in 2009.

The cumulative results for the transition impact of a total of 679 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 86 per cent *Satisfactory* or better in 1996-2009.

Overall performance of the EBRD's 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, 57 per cent of evaluated projects achieved a rating of *Successful* or *Highly Successful*. Weighting the results by volume of investment gives a figure of 69 per cent *Successful* or *Highly Successful* over the same period. The proportion of projects rated *Successful* or *Highly Successful* has been falling since 2004, when they reached 73 per cent. In 2009 the corresponding figure was 51 per cent, the lowest level since 2002.

The decline in ratings each year since 2004 was investigated in the AEOR for 2009, in which it was suggested that during the expansionary period of 2003-06, when there were large inflows of foreign direct investment (FDI) into the EBRD's countries of operations, the EBRD may have felt the need to take on more challenging projects in order to remain additional. The lower outcomes in some cases reflect the greater risk. In 2009, evaluated projects began to show the effects of the current economic turmoil, which was seen particularly in financial performance ratings. In respect of environmental performance the proportion of projects rated *Good* or *Excellent* has

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

been falling steadily since 2004. As the Bank strives towards excellence in respect of the environment, this trend should be carefully watched.

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

However, the downward trend since 2004 in the higher rating categories on environmental performance gives an indication that this is an area that should be watched.

It is important to note that if performance outcomes are weighted by volume, higher scores are obtained, as is demonstrated in parts of the document.

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 view 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 for evaluation functions are presented in the good practice standards (GPSs) on Independence of International Financial Institutions' Central Evaluation Departments. These GPSs have been prepared by the Evaluation Cooperation Group (ECG).[43]

In the EBRD, the Evaluation Department became operational in the early 1990s, 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 the EBRD, which was updated in 2010. It is stated Section 4 of the Evaluation Policy: "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 after five years of directly reporting to the Board of Directors and full independence from management, and taking into account the recently-approved Update of the Evaluation Policy of the EBRD, the Chief Evaluator concludes that independence of the Evaluation Department is functioning well. It is important to note that while the collaboration with management has improved over the past years, EvD manages to maintain the necessary rigor in its evaluation reports, which results in a constructive dialogue with management on key evaluation findings.

The Chief Evaluator is of the view that the independence of the evaluation function continues to be very well secured in the recently Board-approved Update of the

[43] 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. The ECG was established by the Heads of the evaluation departments in the MDBs in 1996.

Evaluation Policy of the EBRD (2010) and that in the oversight role of the Board through its Audit Committee, extensive attention is given to the evaluation findings and recommendations. On the side of management, the lessons learned are taken to 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 continue working well together to learn from past experience. Especially in a time of financial crisis, this collaboration has demonstrated to be essential. As presented in Chapter 6, the Audit Committee is extensively reviewing evaluation reports and contributes to the system of following up evaluation recommendations in an optimum way. During 2009 EvD contributed to the dialogue on CRR4 through preparing an evaluation of the implementation of CRR3. The President is also helping to preserve actively the independence of the evaluation function through securing an optimum functioning of the management commenting process on evaluation reports. The comprehensive and constructive management comments on evaluation reports and the interaction with EvD respectively can be seen as proof of that.

The Evaluation Policy established in 2005 has in the mean time been updated and appears on the Bank's website as "Update of the Evaluation Policy of the EBRD". This policy update takes into account the following issues proposed in the AEOR for 2009:

1. *In Section 2.4.4 and beyond, efficiency improvements were introduced through the introduction of a "short-form" 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 "short-form" XMR can also be an efficient self-evaluation product in cases of frameworks. For all the projects that will be evaluated through an OPER report or XMR Assessment, "long-form" XMRs need to be produced by the Operation Team.*
2. *The system of Follow-up of Evaluation Recommendations approved by the Board of Directors in 2006 and fully implemented in 2007 was incorporated as Section 2.9.*
3. *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 and incorporated in the work programmes of EvD since then. Section 2.4.5 on evaluation coverage of investment operations provides details on the selection process applied.*
4. *Section 3.3.5 on "Access to Information" by staff in the Evaluation Department, as concluded between management and EvD in September 2006, was incorporated.*
5. *The Update of the Evaluation Policy now also incorporates a selection procedure for the Chief Evaluator, which is highlighted in Chapter 4 on "Independence of the Evaluation Function".*

Other changes incorporated in the "Update of the Evaluation Policy of the EBRD" are the following:

1. *Country-level evaluation (CLE) has been introduced in Sections 2.1 and 2.5.3, although the Board still needs to approve the methodology in respect of CLE based on a pilot Country-level Evaluation Special Study that is ongoing at the moment.*

2. *In Section 2.5.2, a common practice was introduced whereby before a new sector strategy is prepared by management, an evaluation must have taken place first. This enhances the learning process.*
3. *In Section 2.7, new text has been introduced whereby the Work Programme Preliminary Report, containing EvD's budget, is discussed in back-to-back meetings of the Audit Committee and the Budget and Administrative Affairs Committee, after which the Board of Directors will decide on EvD's budget in the same meeting where the full budget of the Bank is approved, in a separate vote on EvD's budget.*
4. *The text is simplified in Section 4(b) in respect of "Term and removal of Chief Evaluator". Two terms of four years (maximum eight years) have been maintained but that it can be extended "beyond the retirement age" has been removed.*

7.3 ASSESSMENT OF ENVIRONMENTAL AND SOCIAL ISSUES

7.3.1 Environmental and social impact (ESI) rating

For the past two years EvD has been pilot testing the ESI rating, the results of which are summarised in Section 1.4 and Appendix 8 of this AEOR. The ESI indicator is structured to be parallel to the Bank's Transition Impact Monitoring System (TIMS). EvD now recommends that the Bank move to full utilisation of the ESI indicator. ESD currently provides an environmental and social categorisation at the time of Board approval. Implementation of ESI requires that ESD also provide an *ex-ante* rating of the potential for change, and develop an ESI monitoring system in parallel to the Bank's TIMS system. This is closely aligned with the recommendation under the first bullet in Section 7.3.2 below. EvD would then use these data as the basis for *ex-post* evaluation.

7.3.2 Environmental and social categorisation

During 2009-2010, EvD and ESD conducted a dialogue on the Bank's **environmental and social categorisation process**, summarised in Appendix 11. Based on this dialogue EvD then developed the following recommendations as steps that could be undertaken and management/ESD responded. These recommendations and ESD's responses in italics are summarised here:

- ESD should discuss with management whether providing project *environmental and social risk ratings* would improve decision making within the Bank.[44]

  The Environmental Review Summary remains the document in which ESD summarises environmental and social risks, but a rating is not provided. Rather, post-approval, ESD then assigns a risk rating for project monitoring[45] purposes only.

[44] This is consistent with paragraph 19(i) of the ESP. Currently ESD's categorisation process gives emphasis to paragraph 19(ii).

[45] Project monitoring risks are important and useful, but are inherently different from structural risks. A primary function of the Bank is to carry out project due diligence, which isfundamentally about understanding and mitigating risks prior to Board approval, and environmental and social risks should be part of this process.

- The Operations Manual (internal website) and the categorisation guidelines (external website) need to be updated to reflect the new 2008 ESP. The current texts refer to the 2003 EP and are therefore out of date.

  There is agreement on this issue. The first focus of attention after the ESP was approved was to train the Banking Department and relevant support groups and develop necessary guidance notes. Banking training has been completed and a number of the Resident Offices (ROs) have also been trained (Moscow, Central Asia, Caucuses). ESD notes this point about the Online Operations Manual and will work with the Banking and Communications Departments to update relevant sections of the ESP in 2010.

- Guidance on categorisation of social impacts needs to be developed, as part of the implementation procedures. While guidance is provided for environmental impacts, no such guidance has been provided for social impacts. Such guidance notes, once approved, should be posted on the external website of the Bank.

  The sensitivity and subjectivity of social issues can vary dramatically with slightly different characteristics, and so it is not easy to draft guidance on categorisation that can be applied universally. Therefore, ESD reviews each project on a case-by-case basis and goes through a robust two-stage internal review and oversight process to justify project requirements and to confirm or challenge the categorisation. A social specialist is assigned to each project and has input into categorisation. ESD has allocated additional resources on social issues, andone additional social expert and one OHS expert have been recruited in 2009.

- Categorisation of equity and working capital projects needs to be based on the environmental/social liabilities associated with all the operations of the company.

  ESD notes that the 2008 ESP already requires past and current operational issues to be taken into consideration in categorisation, along with the impacts of the Bank's investment, and includes the concept of "area of influence", which goes beyond the proceeds of the Bank's investment. The project appraisal also looks at opportunities, not just liabilities.

- Categorisation of refinancing projects should be based on the underlining environmental and social risks associated with the debt that is being refinanced and the adequacy with which commitments are being undertaken.

  As in the previous item, this is already taking place, as ESD applies the ESP systematically and most of these type of projects will be categorised B under 2008 ESP. Any refinancing, typically balance sheet restructuring, is by nature general corporate finance and the Client's business activity is considered to be the Bank's project as per ESP. The Bank's environmental and social due diligence will, therefore, not only assess the risk with the refinanced debt, but with all of the client's operations. Any specific underlying risk with the debt to be refinanced may not be directly relevant to the Bank as the Bank is likely to structure its own security package regardless of what security was provided for the debt to be refinanced.

- Because of the nature of social impacts and the need for public consultation, social impacts should be given the priority in setting the categorisation – that is, if a project is a Category B for environment but a Category A for social impacts, the project should be categorised as Category A.

The 2008 ESP contains specific performance requirements and language on social impacts. ESD has hired additional staff to address social issues; however, this is an area that continues to present challenges and the Bank's approach is "learning-by-doing".

7.4 ASSESSMENT OF TECHNICAL COOPERATION RELATED ISSUES

Recommendations in respect of technical cooperation based on evaluation experiences in 2009 are the following:

- Further to the follow-up of evaluation recommendations on technical cooperation (TC) presented in Chapter 4, in respect of the successful launch of the Bank's first dedicated TC training, EvD recommends that more senior bankers should be motivated to participate.
- It is also considered important to extend existing guidance to bankers on project design and required time phases to realise the TC. As part of this training, Bank units such as CSU should continue advising Operation Teams on fine-tuned project planning that essentially pursues a bottom-up approach.
- Project planning should be strictly based on the time to be spent by foreign and local consultants in-country for the execution of tasks, rather than determining the TC input through an approved budget.
- Evaluation of TC operations revealed that it is essential for the Bank to foster the cooperation between the Communications Department and OCU in order to plan for donor visibility for each project at the outset. Ideally, objectives and benchmarks would be set as well, so that reporting to donors on visibility is based on agreed parameters.

7.5 PROCESS REVIEW OF THE SYSTEM OF FOLLOW-UP OF EVALUATION RECOMMENDATIONS 2010

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. A new report "Follow-up of Evaluation Recommendations 2010" is now ready for final management's omments. Although the joint report has not been presented to the Audit Committee and the Board yet, EvD can already presents its views on the working of the system.

7.5.2 Process analysis of the system of "Follow-up of Evaluation Recommendations 2010"

Management has responded in a balanced and constructive way to evaluation recommendations, referring back extensively to the respective management's comments and sometimes to Audit Committee deliberations on the evaluation as is reflected in the above-mentioned report. In 2009, in total 12 evaluation reports on specific themes, sectors and Bank projects incorporated recommendations that had been reviewed by the Audit Committee and in respect of which management reported on the follow-up taken. The process also benefits from the fact that the Audit Committee pays good attention to the evaluation recommendations in its deliberations.

It is expected that the joint report of EvD and management on the "Follow-up of Evaluation Recommendations by Management 2010" will be presented to the Audit Committee for review in June 2010 and to the Board of Directors for approval in July 2010.

The Chief Evaluator is of the view, based on the preparations of the document so far, that the process of "Follow-up of Evaluation Recommendations 2010", whereby management reports on the follow-up of evaluation recommendations presented in evaluation reports that were distributed to the EBRD Board in 2009 and whereby a review is made by EvD on management's accomplishments respectively, worked well. Management has commented on the progress of follow-up to all the recommendations constructively and it became clear that many lessons have been learned.

ANNUAL EVALUATION OVERVIEW REPORT 2009

LIST OF APPENDICES

Evaluation Database for 2009:
Operation performance ratings on the 35 operations covered by OPERs and Special Studies

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	2004	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E	Satisfactory	Satisfactory	Some	Partly Successful
Project 2	2006	RUSSIAN FEDERATION	Transport	PRIVATE	L/E	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 3	2005	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	NR	NR	Successful
Project 4	2005	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	NR	NR	Partly Successful
Project 5	2005	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Good	NR	NR	Successful
Project 6	2005	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Good	NR	NR	Successful
Project 7	2005	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Satisfactory	NR	NR	Partly Successful
Project 8	2005	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Good	NR	NR	Partly Successful
Project 9	2005	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	NR	NR	Successful
Project 10	2005	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	NR	NR	Successful
Project 11	2000	BELARUS	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 12	2000	SERBIA	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 13	2000	<REGIONAL>	Bank Equity	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 14	2000	<REGIONAL>	Equity Funds	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 15	2006	AZERBAIJAN	Manufacturing and Services	PRIVATE	E	Good	Satisfactory	Substantial	Successful
Project 16	2005	GEORGIA	Bank Lending	PRIVATE	L	Marginal	Marginal	Some	Partly Successful
Project 17	2005	GEORGIA	Non Bank Financial Institutions	PRIVATE	E	Marginal	Marginal	Some	Partly Successful
Project 18	2005	GEORGIA	Bank Lending	PRIVATE	L	Marginal	Marginal	Some	Partly Successful
Project 19	2005	GEORGIA	Bank Lending	PRIVATE	L	Marginal	Marginal	Some	Partly Successful
Project 20	2005	GEORGIA	Non Bank Financial Institutions	PRIVATE	L	Marginal	Marginal	Some	Partly Successful
Project 21	2006	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 22	2006	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 23	2007	GEORGIA	Property and Tourism	PRIVATE	L	Marginal	Marginal	None/Negative	Unsuccessful
Project 24	2007	GEORGIA	Property and Tourism	PRIVATE	E	Marginal	Marginal	None/Negative	Unsuccessful
Project 25	2006	RUSSIAN FEDERATION	Power and Energy	PRIVATE	E	Good	Satisfactory	Substantial	Successful
Project 26	2004	AZERBAIJAN	Transport	STATE	L	Satisfactory	Good	Substantial	Successful
Project 27	2004	UZBEKISTAN	Manufacturing and Services	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 28	2005	KAZAKHSTAN	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 29	2005	KAZAKHSTAN	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 30	2005	KAZAKHSTAN	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 31	2007	KAZAKHSTAN	Small Business Finance	PRIVATE	L	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 32	2006	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Good	Substantial	Successful
Project 33	2005	UZBEKISTAN	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	NA	Partly Successful
Project 34	2007	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 35	2005	UKRAINE	Bank Lending	PRIVATE	L	Unsatisfactory	Satisfactory	Some	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

Evaluation Database for 2009:
Operation performance ratings on the 32 operations covered by 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	2003	KAZAKHSTAN	Transport	STATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 2	2001	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 3	2006	POLAND	Manufacturing and Services	PRIVATE	L	Good	Good	Some	Successful
Project 4	2007	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 5	2004	POLAND	Municipal & Env Inf	PRIVATE	E	Good	Good	Substantial	Successful
Project 6	2006	SERBIA	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 7	2007	KAZAKHSTAN	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 8	2005	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Good	Some	Partly Successful
Project 9	2005	ROMANIA	Agribusiness	PRIVATE	E	Excellent	Good	Substantial	Partly Successful
Project 10	2005	ROMANIA	Agribusiness	PRIVATE	E	Excellent	Good	Substantial	Partly Successful
Project 11	2005	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	Good	None/Negative	Successful
Project 12	2006	SERBIA	Agribusiness	PRIVATE	L	Good	Good	Substantial	Successful
Project 13	2001	CROATIA	Transport	STATE	L	Marginal	Good	Some	Partly Successful
Project 14	2007	AZERBAIJAN	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 15	2007	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	NR	NR	Successful
Project 16	2005	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 17	2005	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 18	2006	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 19	2006	LITHUANIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 20	2000	POLAND	Municipal & Env Inf	STATE	L	Satisfactory	Marginal	Substantial	Successful
Project 21	2006	CROATIA	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful
Project 22	2001	SERBIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 23	2006	UKRAINE	Manufacturing and Services	PRIVATE	E	Good	Good	Some	Partly Successful
Project 24	1997	CROATIA	Equity Funds	PRIVATE	E	Good	Good	None/Negative	Partly Successful
Project 25	2006	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 26	2006	LITHUANIA	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful
Project 27	2005	ROMANIA	Power and Energy	PRIVATE	E	Excellent	Good	Substantial	Successful
Project 28	2005	SERBIA	Manufacturing and Services	PRIVATE	L	Good	Marginal	Some	Successful
Project 29	2006	ROMANIA	Municipal & Env Inf	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 30	2006	ROMANIA	Municipal & Env Inf	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 31	2003	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Good	Some	Partly Successful
Project 32	2003	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Good	Some	Partly Successful

[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 274 OPERs prepared in 1996-2008

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	1992	1996	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Substantial	Highly Successful
Project 2	1993	1996	HUNGARY	Manufacturing and Services	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 3	1992	1996	UKRAINE	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 4	1994	1996	POLAND	Property and Tourism	PRIVATE	L	Good	Good	Some	Highly Successful
Project 5	1993	1996	BULGARIA	Bank Equity	PRIVATE	E	Marginal	Marginal	Some	Partly Successful
Project 6	1993	1996	HUNGARY	Agribusiness	STATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 7	1994	1996	ESTONIA	Bank Lending	PRIVATE	L/E	Good	Good	Some	Successful
Project 8	1992	1996	HUNGARY	Transport	STATE	L	Good	Satisfactory	Substantial	Successful
Project 9	1992	1996	POLAND	Manufacturing and Services	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 10	1992	1996	<REGIONAL>	Equity Funds	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 11	1994	1996	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 12	1993	1996	LATVIA	Transport	STATE	L	Good	Satisfactory	None/Negative	Successful
Project 13	1994	1996	POLAND	Manufacturing and Services	PRIVATE	L	Good	Good	Substantial	Successful
Project 14	1994	1996	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Good	Some	Highly Successful
Project 15	1993	1997	UZBEKISTAN	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 16	1993	1997	HUNGARY	Agribusiness	PRIVATE	L	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 17	1993	1997	RUSSIAN FEDERATION	Natural Resources	STATE	L	Marginal	Marginal	Some	Partly Successful
Project 18	1993	1997	UZBEKISTAN	Natural Resources	PRIVATE	L	Marginal	Marginal	Some	Unsuccessful
Project 19	1994	1997	POLAND	Agribusiness	PRIVATE	L	Excellent	Good	Some	Successful
Project 20	1994	1997	SLOVENIA	Manufacturing and Services	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 21	1992	1997	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	L	Unsatisfactory	Unsatisfactory	Some	Unsuccessful
Project 22	1993	1997	SLOVENIA	Bank Lending	PRIVATE	L/E	Excellent	Good	Some	Highly Successful
Project 23	1995	1997	CROATIA	Manufacturing and Services	PRIVATE	L/E	Excellent	Excellent	Substantial	Highly Successful
Project 24	1995	1997	GEORGIA	Transport	STATE	L	Good	Satisfactory	Some	Partly Successful
Project 25	1991	1997	HUNGARY	Telecoms Informatics & Media	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 26	1992	1997	LATVIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 27	1994	1997	HUNGARY	Property and Tourism	PRIVATE	L/E	Marginal	Satisfactory	None/Negative	Partly Successful
Project 28	1995	1997	UKRAINE	Natural Resources	PRIVATE	L	Marginal	Marginal	Some	Partly Successful
Project 29	1994	1997	BULGARIA	Bank Equity	PRIVATE	E	Satisfactory	Unsatisfactory	None/Negative	Partly Successful
Project 30	1995	1998	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 31	1992	1998	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 32	1994	1998	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Marginal	Marginal	None/Negative	Unsuccessful
Project 33	1994	1998	SLOVAK REPUBLIC	Natural Resources	PRIVATE	L/E	Negative	Satisfactory	Substantial	Unsuccessful
Project 34	1993	1998	ROMANIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 35	1992	1998	BULGARIA	Power and Energy	STATE	L	Good	Unsatisfactory	None/Negative	Partly Successful
Project 36	1996	1998	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 37	1993	1998	POLAND	Manufacturing and Services	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 38	1995	1998	<REGIONAL>	Natural Resources	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Successful

Basic data sheet: Operation performance ratings on the 274 OPERs prepared in 1996-2008

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 39	1995	1998	HUNGARY	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 40	1997	1998	ESTONIA	Bank Equity	PRIVATE	E	Negative	Unsatisfactory	None/Negative	Unsuccessful
Project 41	1993	1998	SLOVENIA	Transport	STATE	L	Satisfactory	Good	Some	Successful
Project 42	1994	1998	ROMANIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Substantial	Successful
Project 43	1995	1998	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 44	1995	1998	HUNGARY	Municipal & Env Inf	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 45	1994	1998	ROMANIA	Property and Tourism	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 46	1995	1998	UKRAINE	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 47	1993	1998	ARMENIA	Power and Energy	STATE	L	Negative	Marginal	None/Negative	Unsuccessful
Project 48	1996	1998	RUSSIAN FEDERATION	Transport	PRIVATE	L	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 49	1996	1999	POLAND	Agribusiness	PRIVATE	L/E	Marginal	Excellent	Some	Unsuccessful
Project 50	1996	1999	RUSSIAN FEDERATION	Transport	PRIVATE	L/E	Unsatisfactory	Marginal	Some	Partly Successful
Project 51	1997	1999	BOSNIA AND HERZEGOVINA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 52	1994	1999	BELARUS	Transport	STATE	L	Satisfactory	Good	Some	Successful
Project 53	1995	1999	ESTONIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Substantial	Successful
Project 54	1997	1999	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	E	Unsatisfactory	Excellent	Some	Unsuccessful
Project 55	1994	1999	MOLDOVA	Agribusiness	STATE	L	Satisfactory	Satisfactory	None/Negative	Unsuccessful
Project 56	1995	1999	LATVIA	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 57	1994	1999	ESTONIA	Bank Lending	PRIVATE	L/E	Satisfactory	Good	Some	Successful
Project 58	1996	1999	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Good	Substantial	Successful
Project 59	1997	1999	ESTONIA	Manufacturing and Services	PRIVATE	L	Good	Excellent	Some	Successful
Project 60	1997	1999	BOSNIA AND HERZEGOVINA	Small Business Finance	PRIVATE	E	Satisfactory	Good	None/Negative	Successful
Project 61	1997	1999	POLAND	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 62	1995	1999	LITHUANIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 63	1994	1999	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L/E	Good	Satisfactory	None/Negative	Highly Successful
Project 64	1995	1999	KYRGYZ REPUBLIC	Agribusiness	PRIVATE	L	Negative	Marginal	Some	Unsuccessful
Project 65	1994	1999	AZERBAIJAN	Power and Energy	STATE	L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 66	1996	1999	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	None/Negative	Successful
Project 67	1996	1999	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Negative	Marginal	None/Negative	Unsuccessful
Project 68	1993	1999	HUNGARY	Transport	PRIVATE	L/E	Negative	Excellent	Some	Unsuccessful
Project 69	1996	1999	MOLDOVA	Small Business Finance	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 70	1997	2000	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 71	1997	2000	KAZAKHSTAN	Manufacturing and Services	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 72	1997	2000	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	E	Good	Good	Some	Successful
Project 73	1996	2000	BULGARIA	Agribusiness	PRIVATE	L/E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 74	1997	2000	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Successful
Project 75	1995	2000	MOLDOVA	Transport	STATE	L	Unsatisfactory	Good	Some	Unsuccessful
Project 76	1996	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L/E	Good	Good	Substantial	Successful

Basic data sheet: Operation performance ratings on the 274 OPERs prepared in 1996-2008

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	2000	BULGARIA	Manufacturing and Services	PRIVATE	L/E	Satisfactory	Marginal	Some	Partly Successful
Project 78	1992	2000	POLAND	Manufacturing and Services	PRIVATE	L	Good	Excellent	Outstanding	Partly Successful
Project 79	1994	2000	CZECH REPUBLIC	Transport	STATE	L	Negative	Satisfactory	None/Negative	Unsuccessful
Project 80	1996	2000	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 81	1996	2000	<REGIONAL>	Manufacturing and Services	PRIVATE	E	Good	Good	Substantial	Successful
Project 82	1998	2000	CROATIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 83	1999	2000	LITHUANIA	Agribusiness	PRIVATE	E	Marginal	Good	Some	Partly Successful
Project 84	1997	2000	BULGARIA	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 85	1993	2000	SLOVENIA	Power and Energy	STATE	L	Good	Excellent	Some	Highly Successful
Project 86	1998	2000	CZECH REPUBLIC	Bank Equity	PRIVATE	E	Excellent	Satisfactory	Some	Highly Successful
Project 87	1997	2000	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Good	Satisfactory	None/Negative	Partly Successful
Project 88	1997	2001	POLAND	Manufacturing and Services	PRIVATE	E	Negative	Marginal	Substantial	Unsuccessful
Project 89	1995	2001	AZERBAIJAN	Municipal & Env Inf	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 90	1998	2001	KAZAKHSTAN	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 91	1998	2001	AZERBAIJAN	Natural Resources	PRIVATE	L	Good	Good	Some	Successful
Project 92	1993	2001	SLOVAK REPUBLIC	Manufacturing and Services	PRIVATE	L/E	Satisfactory	Good	Outstanding	Successful
Project 93	1995	2001	TURKMENISTAN	Manufacturing and Services	PRIVATE	L/E	Marginal	Good	Some	Partly Successful
Project 94	1996	2001	FYR MACEDONIA	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 95	1997	2001	GEORGIA	Agribusiness	PRIVATE	L/E	Good	Good	Substantial	Partly Successful
Project 96	1998	2001	CROATIA	Agribusiness	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 97	1997	2001	ESTONIA	Transport	STATE	L	Good	Good	Some	Successful
Project 98	1997	2001	UZBEKISTAN	Natural Resources	STATE	L	Satisfactory	Good	Substantial	Successful
Project 99	1994	2001	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Good	Good	None/Negative	Successful
Project 100	1997	2001	POLAND	Manufacturing and Services	PRIVATE	E	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 101	1998	2001	SLOVENIA	Manufacturing and Services	PRIVATE	L/E	Marginal	Marginal	Some	Partly Successful
Project 102	1997	2001	POLAND	Agribusiness	PRIVATE	L/E	Unsatisfactory	Good	Some	Unsuccessful
Project 103	1997	2001	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Marginal	Marginal	Substantial	Unsuccessful
Project 104	1996	2001	LATVIA	Property and Tourism	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 105	1995	2001	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 106	1998	2001	POLAND	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 107	1998	2001	SLOVAK REPUBLIC	Agribusiness	PRIVATE	L	Good	Good	Substantial	Successful
Project 108	1994	2001	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Unsatisfactory	NR	NR	Unsuccessful
Project 109	1997	2002	CZECH REPUBLIC	Non Bank Financial Institutions	PRIVATE	E	Good	Excellent	None/Negative	Successful
Project 110	1999	2002	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Successful
Project 111	1999	2002	CROATIA	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful
Project 112	1995	2002	UKRAINE	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 113	2000	2002	LITHUANIA	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Partly Successful
Project 114	1996	2002	LATVIA	Municipal & Env Inf	STATE	L	Good	Excellent	Substantial	Successful

Basic data sheet: Operation performance ratings on the 274 OPERs prepared in 1996-2008

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 115	1995	2002	FYR MACEDONIA	Bank Equity	PRIVATE	L/E	Satisfactory	Good	Some	Partly Successful
Project 116	1996	2002	KAZAKHSTAN	Transport	STATE	L	Marginal	Good	Some	Partly Successful
Project 117	1998	2002	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Good	None/Negative	Partly Successful
Project 118	2001	2002	POLAND	Bank Lending	PRIVATE	L	Good	Good	None/Negative	Successful
Project 119	1994	2002	BULGARIA	Equity Funds	PRIVATE	E	Marginal	Good	Some	Unsuccessful
Project 120	2000	2002	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 121	2000	2002	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Marginal	None/Negative	Partly Successful
Project 122	1999	2002	CROATIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 123	1995	2002	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Negative	Marginal	None/Negative	Unsuccessful
Project 124	1999	2002	<REGIONAL>	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 125	1993	2002	RUSSIAN FEDERATION	Small Business Finance	PRIVATE	L/E	Satisfactory	NR	NR	Partly Successul
Project 126	2000	2002	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 127	1995	2002	RUSSIAN FEDERATION	Agribusiness	PRIVATE	E	Good	Marginal	Some	Successful
Project 128	1996	2002	GEORGIA	Bank Lending	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 129	1995	2002	UKRAINE	Manufacturing and Services	PRIVATE	L	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 130	1999	2002	UKRAINE	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 131	1999	2002	HUNGARY	Bank Equity	PRIVATE	E	Marginal	Marginal	None/Negative	Partly Successful
Project 132	1997	2003	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 133	2001	2003	UKRAINE	Manufacturing and Services	PRIVATE	L	Good	Good	Substantial	Successful
Project 134	1998	2003	HUNGARY	Municipal & Env Inf	PRIVATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 135	2000	2003	BULGARIA	Municipal & Env Inf	PRIVATE	L	Good	Good	Some	Successful
Project 136	1997	2003	KYRGYZ REPUBLIC	Property and Tourism	PRIVATE	L	Good	Good	Some	Successful
Project 137	2001	2003	ROMANIA	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 138	1997	2003	HUNGARY	Manufacturing and Services	PRIVATE	E	Satisfactory	Marginal	None/Negative	Partly Successful
Project 139	1995	2003	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	L	Satisfactory	Marginal	Some	Unsuccessful
Project 140	1996	2003	UZBEKISTAN	Bank Lending	PRIVATE	L	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 141	2000	2003	FYR MACEDONIA	Natural Resources	PRIVATE	L	Marginal	Excellent	Substantial	Partly Successful
Project 142	1997	2003	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 143	1997	2003	UZBEKISTAN	Power and Energy	STATE	L	Marginal	Good	Some	Partly Successful
Project 144	2002	2003	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 145	2000	2003	RUSSIAN FEDERATION	Transport	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 146	1997	2003	ESTONIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 147	2000	2003	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 148	1999	2003	KAZAKHSTAN	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 149	1999	2003	GEORGIA	Power and Energy	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 150	1999	2003	ALBANIA	Small Business Finance	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 151	2000	2003	GEORGIA	Small Business Finance	PRIVATE	L/E	Good	Satisfactory	Some	Partly Successful
Project 152	2001	2003	SERBIA	Small Business Finance	PRIVATE	E	Good	Satisfactory	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 274 OPERs prepared in 1996-2008

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 153	2000	2003	MOLDOVA	Small Business Finance	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 154	1999	2003	UKRAINE	Small Business Finance	PRIVATE	L/E	Good	Satisfactory	Some	Partly Successful
Project 155	1997	2004	UKRAINE	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 156	1995	2004	MOLDOVA	Transport	PRIVATE	L/E	Negative	Unsatisfactory	None/Negative	Unsuccessful
Project 157	2002	2004	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 158	2002	2004	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Excellent	Some	Successful
Project 159	1998	2004	SERBIA	Equity Funds	PRIVATE	E	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 160	2000	2004	POLAND	Non Bank Financial Institutions	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 161	1999	2004	<REGIONAL>	Property and Tourism	PRIVATE	E	Satisfactory	Marginal	None/Negative	Partly Successful
Project 162	1999	2004	UKRAINE	Natural Resources	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 163	1998	2004	KAZAKHSTAN	Power and Energy	PRIVATE	L	Marginal	Satisfactory	Outstanding	Unsuccessful
Project 164	2001	2004	<REGIONAL>	Transport	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 165	2001	2004	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	E	Excellent	Excellent	Outstanding	Highly Successful
Project 166	1999	2004	CROATIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 167	1996	2004	<REGIONAL>	Municipal & Env Inf	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 168	2001	2004	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Excellent	Some	Successful
Project 169	1999	2004	FYR MACEDONIA	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Substantial	Partly Successful
Project 170	1999	2004	BULGARIA	Non Bank Financial Institutions	PRIVATE	E	Good	Good	None/Negative	Successful
Project 171	1996	2004	RUSSIAN FEDERATION	Transport	STATE	L	Good	Good	Some	Successful
Project 172	2000	2004	UKRAINE	Transport	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 173	2002	2004	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Good	None/Negative	Successful
Project 174	1999	2004	KAZAKHSTAN	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 175	1997	2004	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 176	2000	2004	ESTONIA	Municipal & Env Inf	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 177	2000	2004	AZERBAIJAN	Natural Resources	PRIVATE	L/E	Good	Good	Substantial	Successful
Project 178	2003	2005	HUNGARY	Natural Resources	PRIVATE	L	Good	Excellent	Outstanding	Successful
Project 179	1999	2005	TURKMENISTAN	Natural Resources	PRIVATE	L	Good	Good	Substantial	Successful
Project 180	2000	2005	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 181	2003	2005	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Highly Successful
Project 182	1995	2005	<REGIONAL>	Agribusiness	PRIVATE	E	Good	Good	Substantial	Successful
Project 183	1997	2005	KAZAKHSTAN	Small Business Finance	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 184	2002	2005	CROATIA	Bank Lending	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 185	2000	2005	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	L	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 186	2000	2005	POLAND	Municipal & Env Inf	STATE	L	Good	Good	Some	Successful
Project 187	2000	2005	CZECH REPUBLIC	Municipal & Env Inf	PRIVATE	L	Excellent	Excellent	Outstanding	Highly Successful
Project 188	2003	2005	LITHUANIA	Municipal & Env Inf	STATE	L	Satisfactory	Good	Substantial	Successful
Project 189	2001	2005	CROATIA	Bank Lending	PRIVATE	L	Marginal	Good	Some	Unsuccessful
Project 190	2000	2005	CZECH REPUBLIC	Telecoms Informatics & Media	PRIVATE	E	Good	Satisfactory	None/Negative	Successful

Basic data sheet: Operation performance ratings on the 274 OPERs prepared in 1996-2008

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 191	1999	2005	AZERBAIJAN	Transport	STATE	L	Good	Satisfactory	Substantial	Successful
Project 192	1997	2005	MOLDOVA	Bank Equity	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 193	1998	2005	GEORGIA	Transport	STATE	L	Satisfactory	Marginal	Some	Successful
Project 194	2003	2005	UKRAINE	Manufacturing and Services	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 195	2003	2005	AZERBAIJAN	Property and Tourism	PRIVATE	L	Marginal	Satisfactory	None/Negative	Partly Successful
Project 196	1999	2005	GEORGIA	Bank Equity	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 197	1994	2005	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 198	2003	2005	KAZAKHSTAN	Bank Equity	PRIVATE	E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 199	2001	2005	UKRAINE	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Successful
Project 200	2003	2005	SERBIA	Agribusiness	PRIVATE	L	Good	Marginal	Some	Successful
Project 201	2002	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 202	2003	2006	HUNGARY	Municipal & Env Inf	PRIVATE	L	Satisfactory	Excellent	Outstanding	Successful
Project 203	1999	2006	KAZAKHSTAN	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 204	2001	2006	POLAND	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	Substantial	Partly Successful
Project 205	2004	2006	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Excellent	Good	Some	Highly Successful
Project 206	1996	2006	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 207	1996	2006	KAZAKHSTAN	Equity Funds	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 208	1995	2006	SLOVAK REPUBLIC	Equity Funds	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 209	1995	2006	ROMANIA	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 210	1997	2006	BULGARIA	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 211	2003	2006	SLOVAK REPUBLIC	Non Bank Financial Institutions	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 212	1996	2006	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 213	1998	2006	UZBEKISTAN	Municipal & Env Inf	STATE	L	Marginal	Satisfactory	Outstanding	Partly Successful
Project 214	2002	2006	RUSSIAN FEDERATION	Municipal & Env Inf	PRIVATE	L	Satisfactory	Satisfactory	Outstanding	Successful
Project 215	2002	2006	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 216	2000	2006	CROATIA	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 217	1999	2006	KAZAKHSTAN	Power and Energy	STATE	L	Good	Good	Some	Successful
Project 218	2001	2006	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Good	Substantial	Successful
Project 219	2000	2006	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 220	2000	2006	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Unsatisfactory	NA	NA	Unsuccessful
Project 221	2004	2006	<REGIONAL>	Natural Resources	PRIVATE	E	Good	Good	Substantial	Successful
Project 222	2002	2006	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Good	Some	Successful
Project 223	2001	2006	SLOVAK REPUBLIC	Manufacturing and Services	PRIVATE	L	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 224	1998	2006	KAZAKHSTAN	Bank Lending	PRIVATE	L	Marginal	Marginal	Substantial	Partly Successful
Project 225	1999	2006	POLAND	Municipal & Env Inf	STATE	L	Good	Good	Substantial	Successful
Project 226	2002	2006	UZBEKISTAN	Small Business Finance	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 227	2003	2006	RUSSIAN FEDERATION	Natural Resources	STATE	L	Satisfactory	Good	Some	Partly Successful
Project 228	1996	2007	UZBEKISTAN	Manufacturing and Services	PRIVATE	L/E	Negative	NA	NA	Unsuccessful

Basic data sheet: Operation performance ratings on the 274 OPERs prepared in 1996-2008

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 229	2005	2007	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L/E	Good	NA	NA	Successful
Project 230	2005	2007	KAZAKHSTAN	Telecoms Informatics & Media	PRIVATE	L	Good	NA	NA	Successful
Project 231	2002	2007	POLAND	Property and Tourism	PRIVATE	L	Good	Marginal	None/Negative	Successful
Project 232	2004	2007	SERBIA	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 233	2003	2007	<REGIONAL>	Natural Resources	PRIVATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 234	1999	2007	UKRAINE	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 235	2004	2007	RUSSIAN FEDERATION	Bank Equity	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 236	2003	2007	AZERBAIJAN	Natural Resources	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 237	2002	2007	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 238	2003	2007	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 239	2005	2007	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Excellent	Satisfactory	Some	Successful
Project 240	1996	2007	POLAND	Equity Funds	PRIVATE	E	Excellent	Good	Substantial	Successful
Project 241	2003	2007	AZERBAIJAN	Bank Equity	PRIVATE	L/E	Excellent	Marginal	None/Negative	Successful
Project 242	2004	2007	FYR MACEDONIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 243	2003	2007	SLOVAK REPUBLIC	Power and Energy	PRIVATE	L	Good	Good	Some	Successful
Project 244	2003	2007	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 245	2004	2007	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Satisfactory	Outstanding	Successful
Project 246	2004	2007	ALBANIA	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 247	1999	2007	LITHUANIA	Manufacturing and Services	PRIVATE	L/E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 248	2002	2007	CROATIA	Transport	STATE	L	Satisfactory	NA	NA	Partly Successful
Project 249	2003	2007	ROMANIA	Bank Equity	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 250	2001	2007	SERBIA	Municipal & Env Inf	STATE	L	Satisfactory	Marginal	Outstanding	Partly Successful
Project 251	2003	2007	TAJIKISTAN	Small Business Finance	PRIVATE	L	Excellent	Good	Some	Successful
Project 252	2005	2008	BELARUS	Agribusiness	PRIVATE	L/E	Good	Satisfactory	Substantial	Successful
Project 253	2002	2008	ROMANIA	Municipal & Env Inf	PRIVATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 254	2000	2008	FYR MACEDONIA	Municipal & Env Inf	STATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 255	1996	2008	UKRAINE	Power and Energy	STATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 256	2002	2008	SERBIA	Transport	STATE	L	Good	Good	Substantial	Successful
Project 257	2006	2008	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	E	Satisfactory	Satisfactory	Some	Partly Successful
Project 258	2001	2008	<REGIONAL>	Property and Tourism	PRIVATE	L/E	Good	Excellent	Some	Successful
Project 259	2004	2008	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Unsatisfactory	Unsatisfactory	Some	Unsuccessful
Project 260	2005	2008	RUSSIAN FEDERATION	Power and Energy	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 261	2000	2008	KAZAKHSTAN	Transport	STATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 262	2004	2008	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Substantial	Successful
Project 263	2003	2008	<REGIONAL>	Agribusiness	PRIVATE	L	Excellent	Excellent	Substantial	Successful
Project 264	2006	2008	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	NA	NA	Partly Successful
Project 265	2006	2008	CROATIA	Agribusiness	PRIVATE	E	Satisfactory	Marginal	Some	Partly Successful
Project 266	2005	2008	KAZAKHSTAN	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful

Basic data sheet: Operation performance ratings on the 274 OPERs prepared in 1996-2008

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 267	2002	2008	RUSSIAN FEDERATION	Transport	STATE	L	Satisfactory	Marginal	Some	Successful
Project 268	2000	2008	<REGIONAL>	Natural Resources	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 269	2000	2008	<REGIONAL>	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 270	2003	2008	<REGIONAL>	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 271	2005	2008	FYR MACEDONIA	Manufacturing and Services	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 272	2003	2008	SLOVENIA	Bank Lending	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 273	1998	2008	<REGIONAL>	Manufacturing and Services	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 274	1999	2008	ALBANIA	Power and Energy	STATE	L	Satisfactory	Good	Substantial	Partly Successful

[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 344 XMR assessments prepared in 1996-2008

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	1993	1996	SLOVAK REPUBLIC	Natural Resources	PRIVATE	L	Good	Good	Substantial	Successful
Project 2	1992	1996	POLAND	Bank Lending	PRIVATE	L	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 3	1993	1996	HUNGARY	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 4	1993	1996	ROMANIA	Non Bank Financial Institutions	PRIVATE	E	Marginal	Satisfactory	Some	Unsuccessful
Project 5	1991	1996	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 6	1993	1996	ALBANIA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Partly Successful
Project 7	1994	1996	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 8	1996	1996	ESTONIA	Bank Lending	PRIVATE	L	Good	Good	Substantial	Successful
Project 9	1994	1996	HUNGARY	Bank Equity	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 10	1994	1996	POLAND	Manufacturing and Services	PRIVATE	L	Good	Good	Some	Successful
Project 11	1994	1996	LATVIA	Bank Equity	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 12	1992	1996	ROMANIA	Natural Resources	STATE	L	Good	Good	Substantial	Successful
Project 13	1991	1996	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 14	1992	1996	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 15	1993	1996	HUNGARY	Property and Tourism	PRIVATE	E	Good	Satisfactory	None/Negative	Partly Successful
Project 16	1992	1996	POLAND	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 17	1993	1996	BULGARIA	Agribusiness	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 18	1992	1996	HUNGARY	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 19	1993	1996	POLAND	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 20	1993	1996	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 21	1994	1997	HUNGARY	Natural Resources	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 22	1994	1997	BULGARIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 23	1994	1997	LITHUANIA	Bank Equity	PRIVATE	L/E	Satisfactory	Good	Substantial	Partly Successful
Project 24	1994	1997	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 25	1993	1997	UKRAINE	Transport	STATE	L	Good	Satisfactory	None/Negative	Successful
Project 26	1994	1997	ROMANIA	Agribusiness	PRIVATE	L	Marginal	Good	Substantial	Partly Successful
Project 27	1996	1997	ROMANIA	Manufacturing and Services	PRIVATE	E	Marginal	Good	Substantial	Partly Successful
Project 28	1994	1997	ROMANIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 29	1993	1997	ROMANIA	Bank Equity	PRIVATE	L	Good	Good	Substantial	Successful
Project 30	1994	1997	POLAND	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 31	1992	1997	ESTONIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 32	1992	1997	<REGIONAL>	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 33	1993	1997	RUSSIAN FEDERATION	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 34	1995	1997	HUNGARY	Manufacturing and Services	PRIVATE	E	Excellent	Good	Substantial	Highly Successful
Project 35	1994	1997	CZECH REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Unsuccessful
Project 36	1992	1997	LITHUANIA	Power and Energy	STATE	L	Good	Good	Substantial	Successful
Project 37	1996	1997	POLAND	Telecoms Informatics & Media	PRIVATE	L/E	Good	Satisfactory	None/Negative	Partly Successful
Project 38	1991	1997	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Satisfactory	None/Negative	Successful

Basic data sheet: Operation performance ratings on the 344 XMR assessments prepared in 1996-2008

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 39	1995	1997	CZECH REPUBLIC	Manufacturing and Services	PRIVATE	L	Good	Good	Some	Successful
Project 40	1993	1997	SLOVAK REPUBLIC	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 41	1994	1997	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 42	1995	1998	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Good	Satisfactory	None/Negative	Partly Successful
Project 43	1994	1998	ESTONIA	Municipal & Env Inf	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 44	1993	1998	POLAND	Manufacturing and Services	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 45	1993	1998	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	E	Unsatisfactory	Good	Substantial	Unsuccessful
Project 46	1993	1998	BELARUS	Agribusiness	STATE	L	Marginal	Excellent	Substantial	Unsuccessful
Project 47	1992	1998	BULGARIA	Telecoms Informatics & Media	STATE	L	Excellent	Good	Some	Successful
Project 48	1994	1998	RUSSIAN FEDERATION	Transport	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 49	1992	1998	ALBANIA	Telecoms Informatics & Media	STATE	L	Good	Good	Some	Successful
Project 50	1993	1998	SLOVENIA	Manufacturing and Services	PRIVATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 51	1995	1998	HUNGARY	Manufacturing and Services	PRIVATE	E	Excellent	Excellent	Substantial	Highly Successful
Project 52	1996	1998	ESTONIA	Bank Lending	PRIVATE	L	Good	Good	Some	Highly Successful
Project 53	1995	1998	POLAND	Non Bank Financial Institutions	PRIVATE	E	Excellent	Satisfactory	None/Negative	Successful
Project 54	1995	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	Good	Substantial	Successful
Project 55	1994	1998	UKRAINE	Telecoms Informatics & Media	STATE	L	Good	Good	Some	Successful
Project 56	1995	1998	HUNGARY	Transport	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 57	1994	1998	POLAND	Equity Funds	PRIVATE	L	Good	Good	Some	Successful
Project 58	1996	1998	CROATIA	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 59	1995	1998	LITHUANIA	Manufacturing and Services	PRIVATE	L	Good	Good	Substantial	Successful
Project 60	1994	1998	POLAND	Power and Energy	PRIVATE	L	Good	Excellent	Outstanding	Successful
Project 61	1993	1998	ALBANIA	Property and Tourism	PRIVATE	L/E	Excellent	Good	None/Negative	Successful
Project 62	1995	1998	UZBEKISTAN	Manufacturing and Services	PRIVATE	E	Marginal	Good	Some	Unsuccessful
Project 63	1995	1998	KYRGYZ REPUBLIC	Power and Energy	STATE	L	Satisfactory	Good	None/Negative	Successful
Project 64	1994	1998	LITHUANIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Successful
Project 65	1993	1998	ROMANIA	Manufacturing and Services	PRIVATE	L/E	Satisfactory	Marginal	Substantial	Partly Successful
Project 66	1995	1998	SLOVENIA	Manufacturing and Services	PRIVATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 67	1995	1998	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Marginal	Satisfactory	Substantial	Unsuccessful
Project 68	1996	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 69	1993	1998	ALBANIA	Property and Tourism	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 70	1995	1998	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 71	1995	1998	CROATIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Successful
Project 72	1997	1999	TAJIKISTAN	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Partly Successful
Project 73	1997	1999	BULGARIA	Manufacturing and Services	PRIVATE	L	Excellent	Good	Substantial	Successful
Project 74	1996	1999	BULGARIA	Manufacturing and Services	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 75	1995	1999	POLAND	Manufacturing and Services	PRIVATE	E	Satisfactory	Marginal	Some	Partly Successful
Project 76	1997	1999	POLAND	Manufacturing and Services	PRIVATE	L	Satisfactory	Marginal	Some	Successful

Basic data sheet: Operation performance ratings on the 344 XMR assessments prepared in 1996-2008

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	1997	1999	LATVIA	Telecoms Informatics & Media	PRIVATE	L/E	Excellent	Good	None/Negative	Successful
Project 78	1994	1999	KYRGYZ REPUBLIC	Telecoms Informatics & Media	STATE	L	Good	Excellent	None/Negative	Successful
Project 79	1996	1999	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L/E	Good	Excellent	Outstanding	Highly Successful
Project 80	1994	1999	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Satisfactory	Satisfactory	Substantial	Successful
Project 81	1993	1999	<REGIONAL>	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	Some	Successful
Project 82	1993	1999	SLOVENIA	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Successful
Project 83	1993	1999	ROMANIA	Telecoms Informatics & Media	PRIVATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 84	1994	1999	POLAND	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	Some	Partly Successful
Project 85	1997	1999	SLOVENIA	Manufacturing and Services	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 86	1993	1999	HUNGARY	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Highly Successful
Project 87	1996	1999	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Good	None/Negative	Successful
Project 88	1992	1999	POLAND	Equity Funds	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 89	1997	1999	HUNGARY	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 90	1995	1999	SLOVAK REPUBLIC	Agribusiness	PRIVATE	L	Satisfactory	Excellent	Some	Successful
Project 91	1993	1999	ROMANIA	Agribusiness	STATE	L	Satisfactory	Satisfactory	Some	Unsuccessful
Project 92	1995	1999	POLAND	Manufacturing and Services	PRIVATE	E	Unsatisfactory	Marginal	Some	Unsuccessful
Project 93	1996	1999	UZBEKISTAN	Bank Equity	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 94	1996	1999	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L/E	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 95	1997	1999	RUSSIAN FEDERATION	Bank Equity	PRIVATE	E	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 96	1994	1999	KYRGYZ REPUBLIC	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 97	1996	1999	HUNGARY	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 98	1997	1999	SLOVAK REPUBLIC	Bank Lending	PRIVATE	L	Good	Excellent	Some	Successful
Project 99	1994	1999	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 100	1996	1999	CROATIA	Bank Lending	PRIVATE	L	Good	Excellent	Some	Successful
Project 101	1992	2000	BELARUS	Telecoms Informatics & Media	STATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 102	1997	2000	POLAND	Manufacturing and Services	PRIVATE	L/E	Satisfactory	Good	Substantial	Successful
Project 103	1995	2000	ROMANIA	Agribusiness	PRIVATE	L	Excellent	Excellent	Some	Successful
Project 104	1995	2000	POLAND	Property and Tourism	PRIVATE	L	Good	Good	Some	Successful
Project 105	1997	2000	ROMANIA	Manufacturing and Services	PRIVATE	L/E	Good	Excellent	Some	Partly Successful
Project 106	1992	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Good	Excellent	Some	Successful
Project 107	1996	2000	HUNGARY	Manufacturing and Services	PRIVATE	L/E	Good	Good	Some	Highly Successful
Project 108	1996	2000	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 109	1997	2000	<REGIONAL>	Municipal & Env Inf	PRIVATE	L/E	Good	Excellent	Substantial	Successful
Project 110	1993	2000	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 111	1997	2000	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	E	Unsatisfactory	Good	Some	Unsuccessful
Project 112	1993	2000	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L/E	Satisfactory	Satisfactory	Substantial	Successful
Project 113	1994	2000	ARMENIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Unsuccessful
Project 114	1997	2000	BELARUS	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful

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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 115	1996	2000	CROATIA	Bank Lending	PRIVATE	L/E	Good	Satisfactory	Some	Successful
Project 116	1995	2000	<REGIONAL>	Bank Equity	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 117	1997	2000	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 118	1995	2000	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Negative	Marginal	None/Negative	Unsuccessful
Project 119	1995	2000	UZBEKISTAN	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Marginal	None/Negative	Partly Successful
Project 120	1996	2000	CROATIA	Bank Equity	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 121	1997	2000	HUNGARY	Bank Equity	PRIVATE	E	Good	Marginal	Some	Successful
Project 122	1997	2000	ROMANIA	Bank Equity	PRIVATE	E	Good	Marginal	Some	Highly Successful
Project 123	1995	2000	UKRAINE	Agribusiness	PRIVATE	L/E	Marginal	Marginal	None/Negative	Unsuccessful
Project 124	1999	2000	SLOVAK REPUBLIC	Natural Resources	STATE	L	Satisfactory	Excellent	None/Negative	Successful
Project 125	1998	2001	ESTONIA	Manufacturing and Services	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 126	1997	2001	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 127	1999	2001	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 128	1998	2001	LITHUANIA	Bank Lending	PRIVATE	L/E	Satisfactory	Good	Some	Partly Successful
Project 129	1994	2001	SLOVENIA	Manufacturing and Services	PRIVATE	E	Unsatisfactory	Unsatisfactory	None/Negative	Unsuccessful
Project 130	1995	2001	<REGIONAL>	Equity Funds	PRIVATE	E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 131	1995	2001	<REGIONAL>	Agribusiness	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 132	1994	2001	SLOVENIA	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Partly Successful
Project 133	1999	2001	ROMANIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 134	1997	2001	KYRGYZ REPUBLIC	Power and Energy	STATE	L	Good	Good	None/Negative	Successful
Project 135	1996	2001	POLAND	Agribusiness	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 136	1998	2001	POLAND	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	Some	Unsuccessful
Project 137	1996	2001	ROMANIA	Transport	STATE	L	Good	Satisfactory	Some	Successful
Project 138	1994	2001	BELARUS	Bank Lending	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 139	1996	2001	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 140	1997	2001	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L/E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 141	1999	2001	HUNGARY	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 142	1999	2001	TAJIKISTAN	Transport	STATE	L	Good	Good	Some	Successful
Project 143	1998	2001	BULGARIA	Agribusiness	PRIVATE	L/E	Satisfactory	Excellent	Some	Partly Successful
Project 144	1995	2001	FYR MACEDONIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 145	1995	2001	MOLDOVA	Municipal & Env Inf	STATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 146	2000	2001	ARMENIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 147	1999	2001	GEORGIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 148	1995	2001	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 149	1997	2001	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 150	1997	2001	SLOVAK REPUBLIC	Bank Equity	PRIVATE	E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 151	1996	2001	<REGIONAL>	Agribusiness	PRIVATE	L/E	Satisfactory	Good	Some	Successful
Project 152	1998	2001	BOSNIA AND HERZEGOVINA	Telecoms Informatics & Media	STATE	L	Good	Good	None/Negative	Successful

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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 153	1996	2001	LATVIA	Bank Equity	PRIVATE	L/E	Negative	Satisfactory	Some	Unsuccessful
Project 154	1998	2002	MOLDOVA	Transport	STATE	L	Good	Good	Some	Successful
Project 155	2000	2002	ROMANIA	Manufacturing and Services	PRIVATE	L	Marginal	Excellent	Some	Unsuccessful
Project 156	1999	2002	SLOVENIA	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Highly Successful
Project 157	1998	2002	SLOVAK REPUBLIC	Manufacturing and Services	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 158	1995	2002	ROMANIA	Power and Energy	STATE	L	Good	Marginal	Some	Partly Successful
Project 159	1998	2002	POLAND	Manufacturing and Services	PRIVATE	L	Good	Marginal	Some	Partly Successful
Project 160	1997	2002	CZECH REPUBLIC	Equity Funds	PRIVATE	E	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 161	1998	2002	RUSSIAN FEDERATION	Natural Resources	PRIVATE	L	Excellent	Satisfactory	Some	Highly Successful
Project 162	2000	2002	ALBANIA	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Successful
Project 163	2000	2002	POLAND	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 164	1999	2002	UKRAINE	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 165	1999	2002	LATVIA	Transport	PRIVATE	L	Marginal	Excellent	None/Negative	Unsuccessful
Project 166	1997	2002	CROATIA	Agribusiness	STATE	L	Satisfactory	Good	Some	Partly Successful
Project 167	1995	2002	LATVIA	Power and Energy	STATE	L	Satisfactory	Good	Some	Successful
Project 168	1997	2002	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 169	1999	2002	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 170	1996	2002	ROMANIA	Transport	STATE	L	Satisfactory	Excellent	Substantial	Partly Successful
Project 171	1998	2002	ESTONIA	Manufacturing and Services	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 172	1994	2002	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Satisfactory	Some	Successful
Project 173	1998	2002	GEORGIA	Bank Equity	PRIVATE	L/E	Good	Marginal	Some	Successful
Project 174	1999	2002	FYR MACEDONIA	Telecoms Informatics & Media	PRIVATE	L	Excellent	Marginal	None/Negative	Successful
Project 175	1999	2002	POLAND	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 176	2000	2002	CROATIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 177	1999	2002	BOSNIA AND HERZEGOVINA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 178	1996	2002	RUSSIAN FEDERATION	Bank Equity	PRIVATE	L	Marginal	Marginal	None/Negative	Partly Successful
Project 179	2000	2002	POLAND	Property and Tourism	PRIVATE	E	Good	Good	Some	Successful
Project 180	1996	2002	GEORGIA	Bank Lending	PRIVATE	L/E	Unsatisfactory	Marginal	Some	Unsuccessful
Project 181	1997	2003	AZERBAIJAN	Power and Energy	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 182	2000	2003	KYRGYZ REPUBLIC	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 183	2000	2003	UKRAINE	Bank Lending	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 184	2001	2003	CROATIA	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 185	1998	2003	GEORGIA	Manufacturing and Services	PRIVATE	L	Good	Satisfactory	Some	Successful
Project 186	2001	2003	KAZAKHSTAN	Bank Equity	PRIVATE	E	Marginal	Satisfactory	Some	Partly Successful
Project 187	1997	2003	ALBANIA	Bank Lending	PRIVATE	L	Satisfactory	Marginal	None/Negative	Partly Successful
Project 188	1996	2003	ROMANIA	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 189	2000	2003	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Successful
Project 190	1998	2003	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Good	None/Negative	Successful

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Project 191	2001	2003	BULGARIA	Manufacturing and Services	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 192	1997	2003	RUSSIAN FEDERATION	Power and Energy	STATE	L	Good	Good	Substantial	Partly Successful
Project 193	2001	2003	SLOVENIA	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Successful
Project 194	1997	2003	POLAND	Equity Funds	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 195	1999	2003	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	E	Unsatisfactory	Marginal	None/Negative	Unsuccessful
Project 196	1996	2003	POLAND	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Good	Some	Unsuccessful
Project 197	2001	2003	CROATIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 198	1996	2003	KYRGYZ REPUBLIC	Bank Equity	PRIVATE	L	Good	Good	Some	Successful
Project 199	1999	2003	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 200	2001	2003	CROATIA	Bank Lending	PRIVATE	L	Good	Good	Some	Highly Successful
Project 201	2001	2003	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L/E	Excellent	Excellent	None/Negative	Highly Successful
Project 202	2000	2003	CROATIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 203	2001	2003	LATVIA	Non Bank Financial Institutions	PRIVATE	E	Good	Marginal	None/Negative	Successful
Project 204	1996	2003	CROATIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful
Project 205	1996	2003	UZBEKISTAN	Bank Equity	PRIVATE	L	Marginal	Good	Some	Partly Successful
Project 206	1999	2003	BOSNIA AND HERZEGOVINA	Agribusiness	PRIVATE	L	Good	Marginal	None/Negative	Partly Successful
Project 207	1997	2003	MOLDOVA	Municipal & Env Inf	STATE	L	Marginal	Good	Some	Partly Successful
Project 208	2000	2003	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 209	1999	2003	POLAND	Bank Lending	PRIVATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 210	1997	2003	<REGIONAL>	Non Bank Financial Institutions	PRIVATE	E	Satisfactory	Excellent	None/Negative	Partly Successful
Project 211	2001	2004	POLAND	Agribusiness	PRIVATE	L	Excellent	Good	Some	Partly Successful
Project 212	2002	2004	CZECH REPUBLIC	Telecoms Informatics & Media	PRIVATE	L	Good	Good	Some	Successful
Project 213	2000	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Excellent	Some	Successful
Project 214	1999	2004	FYR MACEDONIA	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 215	2000	2004	SLOVAK REPUBLIC	Telecoms Informatics & Media	PRIVATE	E	Marginal	Good	None/Negative	Partly Successful
Project 216	2002	2004	ESTONIA	Non Bank Financial Institutions	PRIVATE	E	Good	Good	Some	Successful
Project 217	2001	2004	TURKMENISTAN	Manufacturing and Services	PRIVATE	L	Marginal	Good	Substantial	Partly Successful
Project 218	1999	2004	CROATIA	Non Bank Financial Institutions	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 219	1999	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Marginal	Good	None/Negative	Unsuccessful
Project 220	1999	2004	POLAND	Manufacturing and Services	PRIVATE	L	Good	Good	Substantial	Successful
Project 221	1999	2004	UZBEKISTAN	Transport	STATE	L	Good	Good	Some	Successful
Project 222	1997	2004	HUNGARY	Transport	STATE	L	Satisfactory	Good	None/Negative	Partly Successful
Project 223	1999	2004	HUNGARY	Transport	STATE	L	Good	Good	None/Negative	Successful
Project 224	1999	2004	AZERBAIJAN	Transport	STATE	L	Unsatisfactory	Satisfactory	None/Negative	Unsuccessful
Project 225	1998	2004	ROMANIA	Property and Tourism	PRIVATE	L/E	Good	Good	None/Negative	Highly Successful
Project 226	2002	2004	SLOVENIA	Bank Equity	PRIVATE	L/E	Good	Good	Some	Successful
Project 227	2002	2004	BULGARIA	Bank Equity	PRIVATE	E	Good	Good	Some	Highly Successful
Project 228	2001	2004	SERBIA	Bank Equity	PRIVATE	E	Good	Good	Some	Successful

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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 229	2002	2004	ROMANIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 230	2000	2004	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L/E	Good	Good	Some	Successful
Project 231	1999	2004	BOSNIA AND HERZEGOVINA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 232	1998	2004	UKRAINE	Manufacturing and Services	PRIVATE	L	Good	Excellent	None/Negative	Successful
Project 233	1996	2004	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 234	2003	2004	POLAND	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Highly Successful
Project 235	1999	2004	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Good	None/Negative	Successful
Project 236	1995	2004	<REGIONAL>	Bank Lending	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 237	2001	2004	SERBIA	Manufacturing and Services	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 238	2001	2004	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Good	Some	Successful
Project 239	2000	2004	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Partly Successful
Project 240	2000	2005	SERBIA	Small Business Finance	PRIVATE	L/E	Good	Good	Some	Successful
Project 241	2001	2005	BULGARIA	Small Business Finance	PRIVATE	L/E	Excellent	Excellent	Some	Highly Successful
Project 242	2002	2005	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Good	Excellent	Some	Successful
Project 243	2001	2005	HUNGARY	Non Bank Financial Institutions	PRIVATE	L	Good	Good	Some	Successful
Project 244	1999	2005	FYR MACEDONIA	Bank Equity	PRIVATE	L	Good	Good	Some	Successful
Project 245	2002	2005	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 246	2001	2005	RUSSIAN FEDERATION	Natural Resources	STATE	L	Satisfactory	Good	Substantial	Successful
Project 247	2002	2005	POLAND	Transport	STATE	L	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 248	1996	2005	<REGIONAL>	Manufacturing and Services	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 249	2001	2005	SLOVAK REPUBLIC	Power and Energy	STATE	L	Good	Good	Some	Successful
Project 250	1997	2005	<REGIONAL>	Telecoms Informatics & Media	PRIVATE	E	Good	Marginal	Some	Partly Successful
Project 251	2002	2005	ROMANIA	Natural Resources	PRIVATE	L	Excellent	Good	Substantial	Highly Successful
Project 252	1999	2005	POLAND	Property and Tourism	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 253	2002	2005	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Excellent	Some	Highly Successful
Project 254	2002	2005	<REGIONAL>	Manufacturing and Services	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 255	2003	2005	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Good	Good	Substantial	Successful
Project 256	2002	2005	BOSNIA AND HERZEGOVINA	Bank Equity	PRIVATE	L/E	Excellent	Satisfactory	Some	Successful
Project 257	1998	2005	CROATIA	Transport	STATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 258	2002	2005	GEORGIA	Transport	PRIVATE	L	Good	Good	Some	Partly Successful
Project 259	2003	2005	ROMANIA	Manufacturing and Services	PRIVATE	E	Good	Excellent	Outstanding	Highly Successful
Project 260	2002	2005	POLAND	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Marginal	Some	Partly Successful
Project 261	2000	2005	UZBEKISTAN	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 262	2003	2005	UKRAINE	Manufacturing and Services	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 263	1997	2005	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L	Good	Good	Some	Highly Successful
Project 264	2000	2005	POLAND	Municipal & Env Inf	STATE	L	Marginal	Good	Substantial	Partly Successful
Project 265	2002	2005	RUSSIAN FEDERATION	Transport	STATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 266	1997	2005	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L	Excellent	Good	Some	Highly Successful

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Project 267	2002	2005	UKRAINE	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 268	2001	2005	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 269	1999	2006	CZECH REPUBLIC	Property and Tourism	PRIVATE	E	Marginal	Satisfactory	None/Negative	Partly Successful
Project 270	2003	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Excellent	Some	Partly Successful
Project 271	2003	2006	UZBEKISTAN	Agribusiness	PRIVATE	L	Good	Excellent	Substantial	Partly Successful
Project 272	2005	2006	KYRGYZ REPUBLIC	Property and Tourism	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 273	2003	2006	<REGIONAL>	Municipal & Env Inf	PRIVATE	E	Good	Satisfactory	None/Negative	Successful
Project 274	2003	2006	<REGIONAL>	Agribusiness	PRIVATE	L	Good	Good	Substantial	Highly Successful
Project 275	1999	2006	<REGIONAL>	Power and Energy	PRIVATE	E	Satisfactory	Good	Substantial	Partly Successful
Project 276	2004	2006	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L/E	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 277	2003	2006	BULGARIA	Telecoms Informatics & Media	PRIVATE	L/E	Excellent	Good	Some	Highly Successful
Project 278	2004	2006	POLAND	Manufacturing and Services	PRIVATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 279	2003	2006	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Successful
Project 280	1997	2006	<REGIONAL>	Agribusiness	PRIVATE	E	Marginal	Satisfactory	None/Negative	Unsuccessful
Project 281	2002	2006	<REGIONAL>	Manufacturing and Services	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 282	2002	2006	FYR MACEDONIA	Small Business Finance	PRIVATE	L/E	Excellent	Excellent	None/Negative	Highly Successful
Project 283	2003	2006	ALBANIA	Telecoms Informatics & Media	PRIVATE	L	Excellent	Excellent	Some	Highly Successful
Project 284	2004	2006	KAZAKHSTAN	Agribusiness	PRIVATE	L	Good	Satisfactory	None/Negative	Successful
Project 285	1997	2006	UKRAINE	Transport	STATE	L	Good	Satisfactory	None/Negative	Successful
Project 286	2003	2006	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Marginal	Excellent	Some	Partly Successful
Project 287	2003	2006	ROMANIA	Bank Lending	PRIVATE	L	Excellent	Good	Some	Highly Successful
Project 288	1998	2006	LATVIA	Transport	STATE	L	Good	Good	Some	Successful
Project 289	2004	2006	LITHUANIA	Municipal & Env Inf	STATE	L	Good	Satisfactory	Some	Successful
Project 290	2003	2006	SERBIA	Property and Tourism	PRIVATE	L	Good	Good	None/Negative	Successful
Project 291	2003	2006	UKRAINE	Manufacturing and Services	PRIVATE	L	Marginal	Satisfactory	Some	Partly Successful
Project 292	2003	2006	CROATIA	Municipal & Env Inf	STATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 293	2002	2006	KAZAKHSTAN	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Satisfactory	None/Negative	Partly Successful
Project 294	2002	2007	POLAND	Municipal & Env Inf	STATE	L	Satisfactory	Satisfactory	Substantial	Successful
Project 295	2005	2007	AZERBAIJAN	Non Bank Financial Institutions	PRIVATE	E	Good	Good	None/Negative	Partly Successful
Project 296	2004	2007	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 297	1997	2007	<REGIONAL>	Equity Funds	PRIVATE	E	Good	Good	Some	Partly Successful
Project 298	2000	2007	RUSSIAN FEDERATION	Municipal & Env Inf	STATE	L	Marginal	Unsatisfactory	None/Negative	Unsuccessful
Project 299	2004	2007	RUSSIAN FEDERATION	Transport	PRIVATE	L	Good	Good	Some	Successful
Project 300	2004	2007	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Excellent	Good	Some	Successful
Project 301	2003	2007	RUSSIAN FEDERATION	Agribusiness	PRIVATE	L/E	Good	Good	Some	Successful
Project 302	2000	2007	POLAND	Equity Funds	PRIVATE	E	Good	Good	Some	Successful
Project 303	2000	2007	UKRAINE	Transport	STATE	L	Satisfactory	Satisfactory	Substantial	Successful
Project 304	2005	2007	ROMANIA	Agribusiness	PRIVATE	L	Satisfactory	Good	Substantial	Successful

Basic data sheet: Operation performance ratings on the 344 XMR assessments prepared in 1996-2008

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 305	2002	2007	ARMENIA	Manufacturing and Services	PRIVATE	L	Good	Unsatisfactory	Some	Partly Successful
Project 306	2001	2007	UKRAINE	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 307	2004	2007	BULGARIA	Natural Resources	PRIVATE	L	Good	Excellent	Substantial	Successful
Project 308	2000	2007	ROMANIA	Power and Energy	STATE	L	Excellent	Excellent	Substantial	Highly Successful
Project 309	2005	2007	HUNGARY	Transport	PRIVATE	L	Good	Good	Some	Successful
Project 310	1999	2007	ARMENIA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 311	2004	2007	UZBEKISTAN	Telecoms Informatics & Media	PRIVATE	E	Excellent	Excellent	None/Negative	Highly Successful
Project 312	2002	2007	POLAND	Manufacturing and Services	PRIVATE	L	Excellent	Good	Some	Successful
Project 313	2001	2007	POLAND	Municipal & Env Inf	STATE	L	Satisfactory	Good	Substantial	Partly Successful
Project 314	2004	2007	MOLDOVA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 315	2002	2007	BULGARIA	Power and Energy	PRIVATE	L	Excellent	Good	Substantial	Successful
Project 316	2002	2007	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Satisfactory	Substantial	Successful
Project 317	2002	2007	BOSNIA AND HERZEGOVINA	Telecoms Informatics & Media	STATE	L	Excellent	Marginal	None/Negative	Partly Successful
Project 318	2002	2007	<REGIONAL>	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 319	2005	2007	RUSSIAN FEDERATION	Non Bank Financial Institutions	PRIVATE	L	Satisfactory	Good	None/Negative	Partly Successful
Project 320	2002	2007	SLOVAK REPUBLIC	Equity Funds	PRIVATE	E	Negative	Unsatisfactory	None/Negative	Unsuccessful
Project 321	2004	2007	ESTONIA	Manufacturing and Services	PRIVATE	L/E	Satisfactory	Satisfactory	Some	Partly Successful
Project 322	2002	2007	SERBIA	Bank Lending	PRIVATE	L	Satisfactory	Good	Some	Successful
Project 323	2003	2007	SERBIA	Bank Equity	PRIVATE	E	Satisfactory	Good	Some	Partly Successful
Project 324	2006	2008	GEORGIA	Small Business Finance	PRIVATE	L	Good	Good	Some	Successful
Project 325	2005	2008	GEORGIA	Municipal & Env Inf	STATE	L	Good	Marginal	Some	Partly Successful
Project 326	2005	2008	MOLDOVA	Bank Lending	PRIVATE	L	Good	Good	Some	Successful
Project 327	1997	2008	UKRAINE	Manufacturing and Services	STATE	L	Good	Satisfactory	Outstanding	Highly Successful
Project 328	2005	2008	RUSSIAN FEDERATION	Bank Lending	PRIVATE	L	Good	Good	Some	Partly Successful
Project 329	2005	2008	LATVIA	Bank Lending	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 330	2001	2008	KAZAKHSTAN	Transport	STATE	L	Marginal	NA	NA	Partly Successful
Project 331	2002	2008	ROMANIA	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 332	2002	2008	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Satisfactory	Satisfactory	Some	Partly Successful
Project 333	2004	2008	RUSSIAN FEDERATION	Manufacturing and Services	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 334	2005	2008	RUSSIAN FEDERATION	Property and Tourism	PRIVATE	L/E	Good	Marginal	None/Negative	Successful
Project 335	2001	2008	BOSNIA AND HERZEGOVINA	Transport	STATE	L	Good	Marginal	Some	Successful
Project 336	2004	2008	HUNGARY	Transport	PRIVATE	L	Good	Good	Some	Successful
Project 337	2005	2008	POLAND	Agribusiness	PRIVATE	L	Satisfactory	Satisfactory	Some	Successful
Project 338	2007	2008	ROMANIA	Agribusiness	PRIVATE	L	Good	Good	Some	Successful
Project 339	2003	2008	RUSSIAN FEDERATION	Telecoms Informatics & Media	PRIVATE	L	Good	Good	None/Negative	Partly Successful
Project 340	2006	2008	BULGARIA	Agribusiness	PRIVATE	L	Good	Good	Substantial	Partly Successful
Project 341	2003	2008	BULGARIA	Natural Resources	PRIVATE	L	Satisfactory	Good	Some	Partly Successful
Project 342	2001	2008	TAJIKISTAN	Transport	STATE	L	Marginal	Satisfactory	None/Negative	Partly Successful

Basic data sheet: Operation performance ratings on the 344 XMR assessments prepared in 1996-2008

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 343	2005	2008	RUSSIAN FEDERATION	Power and Energy	PRIVATE	L	Good	Good	Substantial	Successful
Project 344	2001	2008	CROATIA	Municipal & Env Inf	PRIVATE	L	Excellent	Good	Substantial	Highly Successful

[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

1993-2009 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 Plar	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 Projec	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 Preparatior	Belarus	State	SME	174	AS	09-Jul-93	Dec-93	06-May-95	Jan-96	Successful
3	State Railways Restructuring and Rail Modernisatior	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 FI	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 Programm	Ukraine	State	Environment	1,042	PP	22-Mar-96	Jun-96	16-Mar-98	Jan-00	Successful/
3	Telecom Legislative and Regulatory Developmer	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 Projec	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 Plan	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 Projec	Turkmenistan	State	Transport	2,895	AS/PI	19-Sep-95	07-Jul-95	16-Jul-99	Jun-02	Successful
2	Enterprise Investment Demonstration Projec	Kyrgyz Republic	Private	Finance	1,405	PP/PI	16-May-97	19-Jun-97	22-Feb-02	Aug-02	Unsuccessful
3	Enguri Rehabilitation Projec	Georgia	State	Energy	453	PP/PI	04-Aug-95	18-Aug-95	17-Jun-97	Nov-02	Partly Successful
4	Emergency Electricity Power Reconstruction Projec	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**						

1993-2009 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 Uzbekneftegaz	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	6,247	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 Managemen	Poland	Private	Transport	1,262	PP/AS	23-Nov-99	12-Jun-00	06-Feb-03	Jan-06	Unsuccessful
				Subtotal	**10,361**						
	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	241	PP/PI	12-Feb-03	20-Jun-03	07-Oct-05	Jul-08	Partly Successful
3	Surgut Municipal Services Development Programm	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 Line	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 & Transmissio	Azerbaijan	State	Energy	253	PP	07-Aug-02	11-Dec-02	08-Mar-06	Mar-08	Partly Successful
				Subtotal	**3,792**						
	2008										
1	ZTP Belgrade Reconstruction Project	Serbia	State	Transport	2,938	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 Intermediarie	Regional	Private	Finance	476	T	16-Jun-05	12-Dec-05	02-Nov-08	Mar-09	Successful
				Subtotal	**7,337**						
	2009										
1	Bosnia & Herzegovina Regional Rail Projec	Bosnia & Herzegovina	State	Transport	320	AS/PP	07-Apr-05	22-Aug-05	27-Aug-09	Sep-09	Partly Successful
2	Dnipropetrovsk Municipal Water Corporate Development	Ukraine	State	Municipal	300	PP	07-Oct-04	09-Jun-05	ongoing	May-10	Successful
3	Uzbekistan Telecommunications Regulatory Developmen	Uzbekistan	State	Tecommunications	457	AS	05-Mar-03	03-Apr-03	05-Mar-07	May-10	Partly Successful
4	Tbilisi Public Transport Project Corporate Development	Georgia	State	Municipal	450	PI	12-May-05	13-Feb-06	ongoing	May-10	Unsuccessful
5	EU/EBRD SME Finance Facility Special Fund	Regional	Private	Finance	55,339	AS/PI	08-Jun-99	18-Nov-99	NA	Mar-10	Partly Successful
6	Georgian Gas Transmission Pipeline Rehabilitation TC	Georgia	State	Energy	304	PP	01-Feb-06	12-Jul-06	16-May-07	Mar-10	Successful
				Subtotal	**57,170**						

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 Implementatio

[2] Counts as two OPERs for workprogramme delivery

1993-2009 Special Studies and Evaluation Progress Reviews

Operation	Country	Sector	Industry	EBRD Finance (EUR '000)	TC Funds (EUR '000)	Type [1]	Board Approval	Report Publication Date	Report Type
Russia Small Business Fund I	Russia	Private	SME	1,734	2,851	Line of Credit/TC	26-Jul-93	Jul-94	Mid-Term Review
Russia Small Business Fund II	Russia	Private	SME	13,818	5,355	Line of Credit/TC	26-Jul-93	Mar-95	Mid-Term Review
Agribusiness Project Preparation Units	Regional	State	Agribusiness	n.a.	4,590	TC	18-May-92	Sep-95	Special Study
Regional Bank Training Centre	C.Asia	State	Finance	n.a.	1,704	TC	10-Nov-92	Oct-95	Mid-Term Review
Project Preparation TCs	Regional	State	Various	n.a.	8,349	TC	n.a.	Dec-95	Special Study
Belarus SME Credit Line	Belarus	Private	Finance	20,806	1,420	Loan/TC	01-Nov-94	Jan-96	Mid-Term Review
Regional Bank Training Centre TC	Uzbekistan	State	Finance	n.a.	1,704	TC	10-May-92	Sep-96	Evaluation Progress Review
SME Credit Line Project	Ukraine	Private	Finance	84,045	-	Loan	29-Nov-94	Dec-96	Mid-Term Review
Wholesale Market Special Study	Hungary	State	Agriculture	43,031	3,455	Loan/TC	n.a.	Jan-97	Special Study
Kyrgyzstan SME Credit Line	Kyrgyz Rep	Private	Finance	4,282	1,888	Line of Credit/TC	11-Nov-94	May-97	Mid-Term Review
Russia Small Business Fund III	Russia	Private	SME	370,914	32,707	Line of Credit/TC	26-Jul-93	Jul-97	Mid-Term Review
Regional Venture Funds	Russia	State	SME	269,298	20,814	Equity/TC	n.a.	Aug-97	Mid-Term Review
Business Advisory Service	Baltics	Private	Finance	n.a.	4,196	TC	n.a.	Sep-97	Mid-Term Review
Financial Institutions Development Project	Russia	Private	Finance	29,495	-	Loan	23-May-94	Jan-98	Mid-Term Review
TAM Programme	Regional	Private	Priv/Restr	n.a.	11,417	TC	n.a.	Feb-98	Special Study
Regional Bank Training Centre TC	Uzbekistan	State	Finance	n.a.	1,704	TC	10-May-92	Sep-98	Evaluation Progress Review
Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	7,377	TC	Various	Jan-99	Special Study
Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	9,445	TC	Various	May-00	Special Study
Thematic Study on SME Support	Various	Private	SME	n.a.	n.a.	n.a.	n.a.	Jun-00	Special Study
Technical Cooperation Funds Programme	Various	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Jul-00	Special Study
Scope Paper on Country Strategy Evaluation	Kazakhstan	n.a.	n.a.	n.a.	n.a.	n.a.	04-Oct-00	Aug-00	Scope for Special Study
Nuclear Safety Account	Various	n.a.	Energy	n.a.	n.a.	n.a.	n.a.	Nov-00	Special Study
Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	11,941	TC	Various	Jan-01	Special Study
Evaluation of Environmental Performance	Various	n.a.	Environment	n.a.	n.a.	n.a.	n.a.	May-01	Special Study
Post-Privatisation Funds	Various	Private	n.a.	122,424	18,871	Equity /TC	n.a.	Sep-01	Special Study
Legal Transition Programme	Various	n.a.	Various	n.a.	11,624	n.a.	n.a.	Oct-01	Mid-Term Review
Direct Investment Facility	Various	SME	Various	20,806	3,029	Equity	24-Feb-98	Nov-01	Mid-Term Review
Energy Efficiency of the Bank's Operations	Various	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	Feb-02	Special Study
Sample of PCR Assessments	Various	Private/State	Various	n.a.	7,023	TC	Various	May-02	Special Study
Financial Institutions Development Programme	Russia	Private	Finance	29,495	1,140	Loan	23-May-94	Aug-02	Special Study
EBRD's Investments in Equity Funds	Various	Private	SME	1,500,000	n.a.	Equity Funds	Various	Oct-02	Mid-Term Review
Sample of PCR Reviews and Assessments	Various	Private/State	Various	n.a.	15,227	TC	Various	Feb-03	Special Study
Regional Trade Facilitation Programme	Various	Private	Various	300,000	519	Guarantee/Loan/TC	13-Dec-94	Apr-03	Special Study
Russia Small Business Fund IV	Russia	Private	SME	386,466	38,492	Line of Credit/TC	26-Jul-93	Jun-03	Special Study
Sample of PCR Assessments	Various	Private/State	Various	n.a.	5,458	TC	Various	Mar-04	Special Study
Country Strategy Evaluation	Slovak Rep.	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Mar-04	Country Strategy Evaluation
TurnAround Management Programme	Regional	Private/State	Various	n.a.	4,447	TC	Various	Apr-04	Special Study
Extractive Industries	Regional	Private/State	Various	n.a.	n.a.	Equity/Loan	Various	Jul-04	Sector Strategy Evaluation
Microfinance Institutions	Various	Private	SME	20,998	9,355	Equity/Loan/TC	n.a.	Sep-04	Special Study

1993-2009 Special Studies and Evaluation Progress Reviews

Operation	Country	Sector	Industry	EBRD Finance (EUR '000)	TC Funds (EUR '000)	Type [1]	Board Approval	Report Publication Date	Report Type
Grain Receipts Programme	Regional	Private	Agribusiness	273,525	831	Loan/TC	Various	Nov-04	Special Study
MSME Delivery Mechanisms	Regional	Private	SME	n.a.	n.a.	Equity/Loan/TC	Various	Jan-05	Special Study
Power & Energy Sector Strategy Review	Regional	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Mar-05	Sector Strategy Evaluation
Country Strategy Evaluation	Croatia	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	Various	Mar-05	Country Strategy Evaluation
Country Strategy Evaluation	Azerbaijan	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	n.a.	Apr-05	Country Strategy Evaluation
Sample of PCR Assessments	Various	Private/State	Various	n.a.	6,586	TC	Various	May-05	Special Study
Conditionality and Waivers	Regional	Private/State	n.a.	n.a.	n.a.	Equity/Loan/TC	n.a.	Oct-05	Special Study
DIF Programme	Regional	Private/State	Finance	41,612	1,228	Equity/Loan/TC	24-Feb-98	Apr-06	Special Study
Regional Venture Funds	Russia	Private	Finance	269,298	84,106	Equity/TC	Various	Apr-06	Special Study
Sample of PCR Assessments	Various	Private/State	Various	n.a.	5,977	TC	Various	Jul-06	Special Study
Telecommunications Sector Strategy Review	Regional	Private/State	Telecoms	n.a.	n.a.	Equity/Loan/TC	n.a.	Jul-06	Sector Strategy Evaluation
Property & Tourism Sector Strategy Review	Regional	Private/State	Property & Tourism	n.a.	n.a.	Loan/TC	n.a.	Sep-06	Sector Strategy Evaluation
Achieving the Bank's Environmental Mandate through FIs	Regional	Private	Finance/ Environment	n.a.	n.a.	Equity/Loan/TC	n.a.	Nov-06	Special Study
Post-Privatisation Funds	Regional	Private	Finance	122,424	18,871	Equity/TC	n.a.	Mar-07	Special Study
Business Advisory Services	Regional	Private	Finance	n.a.	33,470	TC	n.a.	Apr-07	Special Study
Sample of PCR Assessments	Various	Private/State	Various	n.a.	2,247	TC	Various	May-07	Special Study
Financial Sector Operations Policy	Regional	Private/State	Finance	n.a.	n.a.	Equity/Loan/TC	n.a.	Sep-07	Sector Strategy Evaluation
Environmental Policy of the Bank	Regional	Private/State	Environment	n.a.	n.a.	Other	n.a.	Jan-08	Special Study
Early Transition Countries Fund	Regional	Private	Various	n.a.	5,466	TC	Nov-04	Feb-08	Special Study
Sample of PCR Assessments	Various	Private/State	Various	n.a.	3,094	TC	Various	Apr-08	Special Study
Agribusiness Sector Operations Policy Evaluation	Regional	Private/State	Agribusiness	n.a.	n.a.	Equity/Loan/TC	n.a.	Jun-08	Sector Strategy Evaluation
Japan-Europe Cooperation Fund	Regional	Private/State	Various	n.a.	5,170	TC	Various	Jul-08	Special Study
Danube River Basin	Regional	Private/State	Environment	n.a.	n.a.	Equity/Loan/TC	n.a.	Nov-08	Special Study
Direct Investment Facility	Regional	Private	Various	132,442	2,961	Equity/TC	24-Feb-98	Dec-08	Special Study
Interim Evaluation of the Facility for Medium-Sized Pro	Regional	Private	Various	50,000	n.a.	Loan	04-Mar-08	Jun-09	Interim Evaluation
Implementation of the CRR3	Regional	Private/State	Various	n.a.	n.a.	Equity/Loan/TC	10-May-06	Jan-10	Special Study
The Bank's Small Business Finance Operations Policies	Regional	Private	Finance	n.a.	n.a.	Equity/Loan/TC	n.a.	Feb-10	Sector Strategy Evaluation

LESSONS FROM INVESTMENT OPERATIONS EVALUATED IN 2009

A. TRANSITION IMPACT, POLICY DIALOGUE AND SECTOR REFORM

1. Transition impact at the sector/country level: policy dialogue and sector reform

Support to FDI in the country beyond the Project's specific issues. Support to FDI in the country may require actions that go beyond the scope of one specific project. While addressing the specific problems encountered by one particular investor can have a significant demonstration effect, there may still remain barriers that prevent the entry of other players due to the lack of a level playing field. This highlights the importance of the Bank's involvement in policy dialogue beyond the specific needs of the Project and the potential to achieve TI in the country once a positive relationship has been developed with the relevant authorities to support new projects and entry of new players.

Collaboration with state owned investment companies. State owned investment companies (like AIC), set up with the objective of promoting FDI and diversification of the local economy can become a valid interlocutor to address policy dialogue issues and a source to identify new projects of common interest. While government controlled, these type of entities are expected to operate on more transparent and market driven principles and are usually managed by management with previous private sector background and international experience. Bank's investments can strengthen reform minded elements in these entities.

A more systematic effort to engage in policy dialogue may use a TC operation (Technical Cooperation) in parallel to the equity investment. The Bank has in the telecom and power sectors sometimes structured TC Operations alongside specific investment operations in order to achieve a higher impact on the sector framework. If the right parties in the target country can be engaged in the definition of the TC Operation this could enhance the probability of a meaningful impact at the sector level.

Electricity sector progress is not a simple linear development and needs constant attention and leveraging of EBRD's exposure at a high level. EBRD has engaged early on in the electricity sector reform in Russia and may need to review how its relatively large sector and country exposure can facilitate a leveraging of its special status in Russia in the context of a sector dialogue with the highest levels. This may require a new focus of TC Operations in preparation of more fine tuned policy dialogue based on recent positive and negative sector trends. Whilst Bank debt and equity investments in the Russian electricity sector have risen sharply, TC operations should also be used more to contribute to sector transition issues.

Capacity Market issues could develop into serious pitfalls for continued reform progress and should be addressed directly via TC operations. EBRD cannot expect automatic solutions via project impact and sponsor activities. As IFI with the largest exposure in the electricity sector it is possible to focus on issues affecting all generators and contribute to solutions in the spirit of the reform focus.

The Bank should use its influence to broker optimal outcomes with regard to important electricity sector framework issues. The Bank should take a more pro active role in crucial areas which may affect the economics of all generators. The Bank should continue to identify the key political decisions that drive the value of strategic investments supported by the Bank and engage at an early stage with the Government and industry representatives in a policy dialogue that supports the balanced and open discussions and timely making of these decisions.

Addressing government corruption. EBRD correctly identified government corruption and the need for regulatory reform to be part of its additionality, and EBRD was partly brought into the project by the

sponsor for "political risk coverage." EBRD should have been more willing to join with the EU in taking a serious stand against the past government and its potentially corrupt practices.

Helping to find appropriate regulatory responses to the crisis. Longer term development of the legal framework and financial market structure should include focus on building a local currency market. In the shorter term the Bank could work through policy dialogue to expand the scope of financial sector regulations to refine reserve and provisioning requirements on foreign currency loans, raise creditworthiness standards for foreign currency borrowers and prescribe limits for the open foreign currency positions of firms. More immediately, the Bank could consider buying local currency to fund partner banks for on-lending to the small business sector using appropriate risk mitigation mechanisms without compromising sound banking principles. EBRD should continue its efforts to stimulate consolidation of the banking sector in collaboration with other IFIs.

2. Transition impact at the corporate level: corporate governance

Independent corporate governance ratings can help improve corporate governance. EBRD should consider encouraging its partner banks to improve corporate governance by, among other things, seeking a corporate governance rating from an independent rating agency. Banks that use a rating agency take steps to improve, and to validate improvements, in corporate governance can better merit and attract IFI financing. IFIs could also encourage their partner banks to seek a corporate governance rating. The rating process can enhance the effectiveness, independence, and transparency of EBRD's "Institution Building" programme with a bank and help lead to more visible, clearly bench-marked results of improved corporate governance. Also, it can provide valuable support to the efforts of EBRD's minority board nominees to improve corporate governance.

Independent supervisory boards, good corporate governance of banks, and sound banking effects. It is difficult for management to restrain growth and limit concentrations in booming markets. This depends on the adoption of sound policies overseen by an active and independent supervisory board. An independent and active supervisory board, dominated by non-executive directors, can be the source of adherence to policies that management may wish to deviate from to seize profit opportunities offered by unsustainable boom markets. The positive results of good corporate governance should become evident in the form of balanced asset and liability portfolios and prudent growth rates based on adherence to sound and adaptive strategies, policies and procedures.

Domination of the supervisory board by independent outside directors improves corporate governance. The supervisory board of a bank must be independent and active. A supervisory board dominated by management can hardly impose limitations on asset and funding growth rates and diversification that constrains management initiative. EBRD should favour active and independent supervisory boards dominated by independent, outside directors There is little evidence from experience that a minority investor's board nominee, be it EBRD's or anyone else's, can impose prudential limits on management where management dominates the supervisory board.

Keep clients focussed on the need to establish and maintain an effective corporate governance framework. EBRD experience with this client has shown that, while principal shareholders and management may be attracted by the idea of establishing effective corporate governance mechanisms, they may regard the issue as being of secondary importance in a period of rapid business growth or in a period of crisis. The Bank must use all possible levers of influence to keep clients focussed on sound corporate governance.

Ensure planned and progressive refreshing of the Board. While recognising the difficulty of identifying suitably experienced and qualified candidates, the Bank should ensure that any term beyond six years for a non-executive director is subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board. This is likely to be especially relevant where there is a dominant shareholder or long-serving senior management.

Ensure the independence of external auditors. The audit committee of the board should have primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. The Bank should encourage large clients to consider alternatives by inviting tenders for external audit services at least every five yeas. Where there is no change of auditing firm, the Bank should require the client to ensure that the partner in charge of the external audit is rotated after no more than five consecutive years. If the auditor also provides non-audit services, particular care must be taken to ensure that auditor objectivity and independence is safeguarded.

Before consenting to a new Board appointment in a client company, the EBRD should consider carrying out a full background integrity check. EBRD clients should be made aware of the importance the Bank places on independence from potential political influence on its activities and the activities of clients. In particular it should be stressed to clients that the EBRD requires to be advised in full and without delay if the client contemplates appointing a Politically Exposed Person (PEP) to a position of influence.

3. Transition impact at the corporate level: institution building

Institution building programmes and corrective action plans should be designed to meet the strategic objectives and operational and training needs of clients. These programmes should be tailor made to match the client's identified needs. Strategy development should encompass a detailed business plan with both long-term goals and clearly specified milestones and benchmarks. Consultants should be chosen who understand the environment in which clients operate as well as possessing the requisite professional skills. Planning and goal setting for technical assistance assignments should be a participative process involving EBRD, the partner bank and the consultants.

It is important to support regional banks, including Moscow based banks with a regional network, by providing dedicated long-term funding accompanied with appropriate institution building, financial and operational covenants. In some cases commitment from the client can be more important than a track record in MSME lending. Experience has shown that technical assistance to transfer know-how and standards can be quickly assimilated by committed partner banks. Follow-on funds in many cases will still be additional because of the high risk profile of regional banks in the eyes of the international commercial market.

In case of multiple project exposure in large manufacturing conglomerates, far-reaching systemic changes should realistically be expected. The Bank has had an on-going relationship with Severstal and has introduced multiple EAPs. EvD has previously argued that as new projects are implemented, if the Bank seeks to achieve systemic change, it is necessary to return to prior agreements; assess what has and has not been achieved, and incorporate outstanding obligations into the new project agreement. This project gave the Bank significant leverage to seek multi-project follow-up and systemic change, yet that opportunity was missed.

The organisational structure within a rapidly growing client should evolve to ensure effective management. A rational management structure is essential for the adoption of sound policies and the operation of effective controls, including risk management. It is possible that in the present case deficiencies in the organisational structure contributed to failure to implement necessary changes in policies and processes in a timely manner. When it becomes apparent that the adoption of sound business practices is being impeded, the Bank should encourage the client to review and restructure its management organisation appropriately.

B. ADDITIONALITY

Transparency in definition of Project objectives. Providing political comfort through an equity

partnership with the sponsor to address concerns of operating in difficult political environments is a valid rationale for the Bank's involvement and can lead to high additionality by enhancing the Bank's attributes. The Board document should reflect faithfully the real goals of the project and rate the importance of goals to reflect the reality of the project.

Experience has shown subordinated debt to be an effective instrument to provide capital support, in addition to providing comfort to main shareholders and management and demonstrating EBRD commitment to the long term development of a local bank. EBRD subordinated debt facilities play an important role in an environment characterised by a shortage of long term funding and lack of risk appetite in the market for funding of this nature. Subordinated debt facilities are strictly overseen by the regulator who sets the criteria that have to be met to qualify for capital adequacy purposes. The EBRD should continue to maintain constructive policy dialogue with the Central Bank with the aim of achieving a higher degree of convergence with international standards over time.

Limited risk equity structures (portage or quasi portage) may be useful instruments to give the Bank a significant presence in a company from which to conduct policy dialogue in exchange for a limited funds contribution. By structuring the deal in the manner of a defined exit based on a put/call agreement, the Bank can be given a significant share ownership in a company from which to address policy dialogue without incurring either major investment or excessive risk. Neither the amount nor the return need to be particularly spectacular in this type of investment, where the goal of the Bank's funds is not so much to provide financing for the Company's capex investment as to acquire a temporary presence in the company to address specifically policy dialogue related issues.

C. SOUND BANKING

1. Role of the Sponsor

Importance of strong strategic investors. The role played by the Sponsor in improving the relationship with the government while maintaining its high operating standards further highlights the importance of dealing with strong and responsible strategic investors found in many of the Bank's projects and in previous lessons learned. While the Bank's policy dialogue has supported the Company's efforts to improve its relationship with the government, the Company's high standards provided confidence that it would not yield to pressures and cut corners. As an example, the Company did not commit to keeping some wet process kilns operating post commissioning of the dry line.

The selection of a strong lead shareholder with industry experience is a key requisite for start up success. In a start up company it is very important to find a strong lead shareholder with relevant industry experience and the capability to support operations through technical expertise and if required with additional financial commitments. The important (but non-existing) position of the main shareholder (Sponsor) cannot be substituted by a more pro-active Board trying to micro-manage the Company from the Board room ("Too many cooks can spoil the broth…").

2. Due diligence and appraisal

The onus is on the team to confirm key information received from the sponsor, either by checking with an appropriate source or an independent source. The strong interest in closing a deal with a new client in a new sector and with positive potential TI does not preclude the importance of conducting proper due diligence and requesting information from the client to verify certain requests.

Institutional capacity analyses are a key appraisal due diligence element and need to cover the entirety of a project intervention, i.e. also including envisaged institutional and sector reform agendas. The Client's commitment to deliver (or intention to deliver) institutional reforms needs to be assessed against its related own capacity and taking into account other key stakeholders with major influence on the Client. Deficiencies noted in this respect need to be addressed through commensurate TC support whereby note needs to be taken of the fact that the implementation of reform agendas might have different requirements than those of the project intervention in the narrower sense.

At project preparation and appraisal operation teams should ensure that they possess full information about material financial obligations within the client's holding structure. Where relevant, Board documents should include details of the extent of leverage employed to support the acquisition of an entity to which the Bank proposes to take exposure. A leveraged buyout may entail risks to the stability of the client even where the provider of the debt has no recourse to the client. The new owners may be expecting to fund the acquisition debt through dividends from the client, thereby reducing the amount of cash available for business development or to meet other obligations. In case of non-payment or default, a restructuring may result in ownership changes that could be of concern to the Bank. In keeping with the policy of "Know Your Customer", operation teams should address any risks of this nature and report the results to the Board in the Board document for the proposed operation.

Sensitivity analysis should to be based on long-term energy prices. In calculating IRRs for energy efficiency sub-projects, sound banking dictates that bankers should carry-out the sensitivity analysis based on long-term energy prices to set investment priorities. This is particularly true when energy prices were peaking, as was the case with this project. Some degree of flexibility is required in the design and execution of energy efficiency investment programmes, as investment priorities might change when energy prices change considerably.

Adverse seasonal weather conditions need to be factored into implementation schedules. It is recommended that the contractual durations for future projects are adjusted to the historic set of weather conditions. It is also recommended that the winter season is excluded from the actual construction season. This will enable more realistic contract management and administration of MDB projects in Azerbaijan without time consuming contractual adjustment problems otherwise.

Partner bank features and attributes. In designing and implementing MSME frameworks and operations, the following partner bank features and attributes should be assessed:

- Partner bank shareholders and management are committed to targeting the MSME sector.
- There is evidence of firm strategic commitment of the parent or sponsor where applicable.
- Partner banks are willing to dedicate sufficient staff and resources to maintain continuity.
- Partner banks are willing and have the capability to finance MSME lending with own resources (funds from non-IFI sources) when they have assimilated and internalised the lending methodology.
- There is clear alignment of the operation or framework goals with the partner bank's strategy and business plan.

The above features and attributes are essential if MSME lending by partner banks is to be sustained beyond the completion of an EBRD framework or operation.

3. Design and Structuring

Importance of clear and transparent sound banking structures. While defined return equity structures can be a very valid investment instrument, especially when the goals of the Project go beyond the mere providing of funding but aim to achieve TI through the Bank's presence as a shareholder in the invested company, it is advisable that the project structure be based to the best extent possible on transparent and sound banking principles. Project structure may need to respond to the complexities of the negotiation process with the Company/Sponsor, but it should aim to achieve to the possible extent certain degrees of symmetry and risk/reward compensation. In general, it is advisable that limitation of upward return via a cap be compensated with a limitation of the downside risk with a predetermined floor.

Firm equity commitments should be in place from the outset based on a realistic assessment of the start-up period for a new airline. Later fund raisings may become extremely difficult especially in cases where existing shareholders are unwilling to increase their equity investment. The restrictions defined for approving new shareholders should be kept to a minimum to enhance the chances to find additional equity sources.

A start up venture in the airline sector should not move forward until a fully empowered CEO has been appointed. A start up venture depends to a large extent on a strong CEO supported by a senior management team. The Bank should consider the appointment of a CEO acceptable to the Bank as an important pre-requisite for a start up venture prior to releasing draw downs under the Bank facilities.

Resolving shareholders disputes through adequate mitigants. Shareholder disputes in this sector are relatively common and should have been addressed with mitigants in the shareholders agreement. Legal measures alone may not be sufficient and may need to be supported with a stronger effort at the outset to get to know the personalities of the key shareholders much better in order to reduce the risk of surprises.

Sound banking valuation rationale: A defined exit return structure does not preclude a proper company valuation. In structures with a defined return on the Bank's equity investment, the valuation of the Company and hence the stake in the company given in exchange for a specific equity contribution may not be so relevant from a purely economic point of view; however it is important to have a solid rationale for the valuation of the company and to take it into account for the Bank's equity contribution as a sound banking and market transparency practice. Evaluation based on different methods (DCF, multiple based,…) should constitute a reference and not just a justification for the ultimately negotiated price and substantial deviations from theoretical value should be properly justified.

Clarity of project phasing. When a project potentially has multiple phases, the Bank should avoid describing and appearing to commit to more than the immediate project. However, if the Bank wishes to take a multi-project approach, then it will need to be able to address follow-on impacts in the context of the initial project, which should be screened and categorized, based on the full anticipated impacts of all phases.

4. Implementation and Monitoring

EBRD handling of MSME frameworks. The experience of the present Framework and other operations highlights certain elements of Bank handling that are necessary to ensure effective

completion and continuation of MSME lending when the EBRD supported programme has ended. The following components are necessary in the case of most frameworks:

- A tailor-made corrective action plan and / or institution building programme is agreed with the client.
- The operation team checks periodically that partner banks are internalising and assimilating the procedures, methods and lessons conveyed by technical assistance.
- Where EBRD head office has a role in project implementation or client relations, there is close involvement of and liaison with the EBRD resident office.
- The operation team ensures that partner banks clearly understand the undertakings they give when accepting EBRD conditions such as sub-loan eligibility criteria and environmental reporting requirements.
- The operation team makes appropriate checks to ensure that a partner bank's systems and procedures are capable of meeting the Bank's requirements for reporting and other conditions.
- The EBRD must be prepared to allocate significant staff resources to monitoring when working with partner banks. The commitment of additional resources is likely to be needed for monitoring in the case of partner banks that have limited prior experience of the target sector.

EBRD should monitor a partner bank's commitment to the MSME sector, reconfirming the commitment before proposing additional funding. In the cases under review, the evidence is that the banks concerned intend to develop MSME business further post-crisis when conditions permit. However, instances have been observed where banks, having previously expressed and to some degree demonstrated commitment to serving the MSME sector, have in fact not developed and assimilated appropriate credit procedures and risk mechanisms. Resulting losses have prompted them to turn away from MSME business.

Loan covenants prescribed by the approved operations procedures need to be adhered to, or a prior change of these introduced. The Bank should be careful not to do too loose a structure when prescribing standard loan covenants. It is important to apply the covenants to all loans in accordance with the Bank's operations procedures, or to seek specific approval when making exceptions. The Credit Department should consider requiring more stringent adherence to the covenant guidelines, especially during boom periods when banks are competing with each other by relaxing their requirements.

In view of the absence of a PIU and the employment of a LE, the project implementation progress and status needs to be assessed regularly by the Bank in detail and underpinned by in-depth visual inspections and documentary evidence. Client reporting is not considered a sufficient substitute for comprehensive and independent monitoring assessments, nor are brief monitoring visits by the Bank which substantially rely on oral client reporting, supplemented by brief investment site visits.

In a multi-financier project participation, the success of loan execution and institutional reform is considerably enhanced through close coordination amongst these stakeholders, eventually with one party taking the lead in the coordination processes. Given the often notable differences between MDB mandates, project loan agreements, pertinent procurement rules and other differences, establishing of a coordinating forum, eventually lead by the party with the highest leverage potential, ensures a better overall project outcome than a fragmented approach by each intervention party individually.

D. ENVIRONMENT

Engagement with the government by ESD on important policy issues, such as improving environmental standards, could result in recognition of shared objectives, thus leading to broad support for additional investments. In the cement industry, the dry process is more energy efficient and produces less pollution. Even with the capex required to build the new plant, the cost of production will be less and economically justifies the investment. The change to dry process production and closing down the wet lines should be based on a simple business case.

Clear definition of the Project expected outcomes and implications. ESD and the project team should coordinate to clearly define and quantify the main project objectives and to provide clarity to the Board as to the realistic expected achievements. If full compliance with EU Best Available Techniques guidance can not be achieved, but the project will still result in very significant positive environmental change, it should be made clear in the Board document what these expected achievements are. Finally, it is important that any final changes made to the environmental sections of the Board document are ultimately reviewed and approved by ESD prior to submission to Board.

For benefit optimisation, energy efficiency investments in manufacturing companies ultimately need to adopt a holistic planning approach. While concentrating on certain pre-conceived energy-wasting facilities may constitute a cost-efficient and strategically necessary first approach - and indeed may help to 'open the door' for related further policy dialogue and future investment opportunities – it is not sufficient to allow for benefit optimisation. A holistic approach needs to be adopted to either underpin the pre-conceived choice or to lead to an alternative selection. For complex manufacturing structures, a strategic approach focusing on few investment items with high visibility first, coupled with a policy dialogue, can suffice to generate the necessary demonstration stimulus. Alternative or complementary considerations may be given to the financing of corporate management assistance ("soft assets") to further the course of energy efficiency savings.

Benefit objectives and their monitoring need strengthening. Where energy efficiency benefits are the main rationale for the Bank's investment, these benefits need to be independently monitored with the same rigor and at similar frequency as the investment implementation status and progress. Prior to this, benefit targets and achievement schedules would need to be covenanted and thus form the basis for their monitoring.

An integrated approach is a reasonable way forward for large industrial clients. For large industrial clients with existing older and complex operations, it is unreasonable to expect that a single operation will not allow the company to become fully IPPC/BAT compliant. Therefore EvD argues that it is reasonable to undertake a "programmatic approach" with such a client, whereby (1) an initial overall assessment of the client's operations and needs are made (this has yet to be done for Severstal) and from this a series of projects are developed and prioritized. As each project is successfully completed, the client and the Bank move onto the next project. Such an approach would assure that commitments made under the initial project (in this case the EAP under the working capital facility) are in fact carried forward and fully implemented.

Legacy heavy industry, low costs, and pollution. Experience has shown that legacy assets in EBRD's countries have been a good source of production capacity that cost little to acquire and operate, and thereby conferred a strategic competitive advantage. The assets, however, impact the environment more than permitted by EU and even local laws. Upgrading the assets to meet higher standards, and to comply with EBRD's environmental mandate, threatens their cost competitiveness. It is on this basis that asset owners have been able to negotiate compliance holidays for highly polluting assets, even within the EU. The continuing poor environmental performance that is permitted by compliance holidays conflicts with EBRD's environmental mandate and poses a dilemma when considering projects that support the operation of such assets.

'Significant improvements' and EBRD's Environmental Mandate. Projects that propose to significantly improve the environmental performance of a legacy industrial asset need features that match the ambition. Hindsight has shown that attaching an ESAP to the loan agreement has not resulted

in significant improvements. It seems that the Bank must implement its environmental mandate more forcefully by directly financing investments that reduce environmental impacts to a highly significant degree (as defined by an adequate policy as separately recommended), rather than by relying on ESAP implementation for which the Bank is not providing financing. This is a repeat lesson that the Bank should heed to comply with its environmental mandate.

Engagement with NGOs. In potentially controversial mining projects, early and extensive engagement is necessary to resolve potential conflict and move to best practice standards. Civil society has an important voice in raising issues that are of concern, particularly if they go beyond the immediate project boundaries. Full public disclosure and consultation is a must in mining projects.

Occupational health and safety. The only effective way to address occupational health and safety is to take a harsh approach at the start of a project. Once this chance is missed, it becomes more difficult to impose new standards. Based on this experience the Bank can provide leadership to other sponsors who may find it a challenge to change working culture with respect to occupational health and safety.

E. EBRD ORGANISATIONAL ISSUES

Equity investment deals should be led by a separate equity team or a fund which is less partial than the banking team with the existing exposure and relationship. Leadership of the equity deal structuring should be carried out by a strong private equity team with the full support of the relationship manager or by an independent fund manager. This is particularly important when the Banking Team has a long established lending relationship with the client. A fresh and detached look and different negotiating style are required which can only be delivered by an experienced equity team. An important market test of the agreed transaction structure may in some cases be to include a savvy private equity co-investor alongside the Bank prior to final commitment. Of great importance is also the allocation of substantial staff time for the monitoring of the equity investment. This may be easier for a dedicated fund manager.

FX lending to SMEs and retail borrowers vis banks. EBRD should review in depth its approach to developing local capital markets and take a much more restrained approach to promoting foreign currency funding of retail and SME lending operations. The fact that EBRD has had little other sources of alternative financing schemes should not encourage the Bank to take unwarranted risks for itself, its clients and the final borrowers of these products. The Bank should consider recommitting itself to its founding mandate to establish local capital markets, which is a long term effort that could have born more fruit over the past decade.

Information base about relevant current and past exposure by the Bank needs strengthening. For learning and risk mitigation purposes, the Bank should note in its appraisal documents all current and past exposures to the borrower. This would enable affiliates and strategic shareholders, to the best of the Bank's knowledge, to relate affirmative statements by the responsible operation team and would enhance the confidence in the Bank's due diligence process by the decision-maker, i.e. the Board, and the public at large.

A more holistic approach needs to be adopted by the Bank in large-scale manufacturing projects with particular focus on project interfaces. Project preparation and implementation work in the Bank are often pursued by designated banking teams in isolation, although at times conscientiously for process expediency or other reasons. Inherent synergy and cross-project leverage potentials and further reaching developmental requirements should be more systematically explored.

Bank's integrity due diligence ex ante and during monitoring stages need to be enhanced. The Bank's standard procedures prescribe "enhanced customer due diligence measures" where so-called politically exposed persons (PEPs) are involved. For Bank investments with clients controlled by so-called 'business oligarchs' – integrity-wise both groups appear hardly distinguishable - an independent

integrity investigation should be carried out routinely as part of project due diligence and to safeguard against Bank reputation risk. Complementary, usual project monitoring needs to be accompanied by an independent compliance and reputation risk monitoring mechanism.

LESSONS FROM TC OPERATIONS EVALUATED IN 2009

A. TC PREPARATION AND DESIGN

The Client should always play a leading role in budget preparation and consultant selection. The Client knows its own project and local conditions better than EBRD. Involving the Client closely in the budget preparation and consultant selection is the best way to ensure that the assignment is appropriate to the Client's needs. EBRD should support the Client with guidance, either directly through its own experts or through consultants with expertise in western procurement practices. In the project under consideration, consultant selection was delegated to EBRD for logistical reasons. As the Bank moves further east, logistics will become increasingly challenging. This should not be allowed to create a barrier to the Client's close involvement at all stages of project preparation.

Limiting consultants to an advisory role enhances institutional development. The Consultant in this case was not contracted to run the PIU but instead to serve in an advisory role. The PIU was staffed by existing employees of the water company, who managed the project with the support and advice of the Consultant. As well as saving money on expensive consultancy fees, this approach enhanced the institutional development aspects of the project as the local staff obtained hands-on experience in project management.

Staff the Project Implementation Unit with employees of the company, not with outside specialists. Contracting specialists to staff the PIU for the duration of the project does not assure skills transfer to the company as a whole, nor to other municipal companies in the area. Such specialists are likely to seek out further specific projects elsewhere. Creating a specialist and mobile group of highly skilled consultants in this way inhibits the uptake of new practices in the regular management of the industry. Similarly, existing staff seconded at a much higher salary than normal are unlikely to return to their regular positions and pass on their new skills to colleagues once the project is complete. A better result is obtained if clients allocate internal staff to the project for a limited period and then return them to positions within the company or at other municipal companies in the city.

Consultants should not make assumptions about the level of knowledge already existing in the client company. Consultants engaged in institutional development programmes may waste valuable time and resources if they do not first assess the business practices already followed by the Client at the start of the assignment. Such an assessment may indicate that the Client is competent in modern business practices and has already instigated many management reforms. In this case, the focus of the assignment can be changed from remedial work to a more forward-looking programme better suited to the existing level of expertise of the Client. Pushing ahead with basic training in such a situation not only wastes valuable TC resources, but is likely to alienate the Client and its staff.

Design and implementation of technical assistance accompanying MSME frameworks. Banks participating in the present Framework displayed varying degrees of commitment to the technical assistance component of the programme. The following elements should be present in the design and implementation of technical assistance to ensure that partner banks internalise and assimilate the procedures, methods and lessons conveyed by TC consultants:

- As in the present case, consultants must be thoroughly familiar with the operating environment.
- Benchmarks should be set against which to measure periodically the effectiveness of consultant performance and the responsiveness of partner banks.
- The outcomes expected from training exercises led by consultants should be benchmarked and assessed in conjunction with the client.
- Consultants should report regularly to the operation team and the operation team should take steps

to coordinate the activities of different teams of consultants exchanging information as appropriate.

- The requirement for partner banks to report portfolio data and performance when receiving EBRD funding accompanied by technical assistance should extend beyond 'graduation' from the TA component for the full duration of the credit line.

B. TC ADMINISTRATION AND RESOURCE MANAGEMENT

The Bank should consider working towards the adoption of the logical framework approach in TC operations with particular regard to the implementation of multi-annual programmes involving substantial grant funds. The LogFrame should be based on solid baseline data, and include carefully chosen indicators as well as defined means of verification. This would allow for a regular monitoring of the programme's achievements at different levels (e.g. client institution, sector) and at different points in time.

Active measures should be undertaken to increase competition from consultancy companies in TC assignments, especially if large programmes stretch over several years. In selected cases of evidenced 'market failures' brought about by overly dominating consulting firms, the option to suspend those firms from further participation in the framework or individual segments could be discussed by the Banking team together with CSU (subject to the Bank's Procurement Policies and Rules).

C. TC MONITORING AND SUPERVISION

Do not suspend the Project Completion Report (PCR) from 'call-off's of substantial size (e.g. exceeding €200,000) and/ or with significant individual transition impact potential. If, as in this case, other reporting templates are agreed with the donors, the Operation Team should ensure that the typical self-assessment topics, such as client commitment, consultant performance, transition impact and lessons learned are added and/ or attached.

Discuss possibilities of expanding the Bank's current monitoring procedure for substantial TC programmes. One option would be to review the TI potential separately for call-off contracts at the level of TC Com, in the same way it is done for regular TC standalone projects. Another option is to systematically aggregate the TIMS results of individual call-offs in order to allow for sector-wide conclusions i.e. the impact of the entire framework programme. The discussion of options shall have associated resource requirements in mind, in order to come to an acceptable cost-benefit ratio.

EBRD operation teams should monitor the progress of technical assistance operations closely and intercede immediately if it appears that a lack of client commitment may lead to failure of the assignment. The commitment of senior management is essential to the success of TC supported consulting assignments, especially when the aim of the TC is to introduce improvements in client systems and business operations. It is equally important that a senior staff member of the client is nominated as the consultant's main counterpart during the assignment and that the counterpart has adequate time to devote to the various stages of the assignment and has sufficient back-up support. (Bank Caspian, Kazakhstan, PE09-458/BK)

D. TC AND ITS ROLE IN SECTOR REFORM

Fundamental sector reforms in circumstances marred by high stake ethno-political controversies are unlikely achievable through bilateral MDB investment efforts, let alone TCs. In order to improve prospects for fundamental sector reforms in highly charged political environments the Bank must seek strategic alliances with other powerful co-investors – which it did in this case, but possibly not enough – and also widen its toolkit by a consolidated high-level policy dialogue – which it did not in this case. Commensurately, larger scale investment projects need to

be disaggregated into phases and disbursement progress would need to be linked to clear milestone achievements. TCs can play a crucial role in such phased approach, but this is unlikely in an “under-powered” situation such as the one at stake.

EVALUATION DATABASE

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.

1. DESCRIPTION OF THE EVALUATION DATABASE

1.1 Selection and size of the database

The evaluation database used in Chapter 1 and Appendix 8 consists of evaluations conducted since 1996. Since 2009 it has been selected on a random basis, as described further in Appendix 8, section 1.3. The evaluation database consists of 1,087 operations totalling €16,796 million of EBRD commitments. As some operations have been grouped for evaluation purposes, this results in 679 individually rated projects. The evaluation year 2009 added 61 evaluated operations to the database; 24 evaluated through OPERs, 5 through Special Studies and 32 through XMR Assessments. XMR Reviews were conducted on a further 40 operations which were ready for evaluation but were not selected in the random sample of projects to be evaluated.

1.2 Timing of the evaluations

The operations in the evaluation database were self-evaluated by the operation team, on average, 23 months after final disbursement of the Bank's investments and 55 months after Board approval. The Good Practice Standards for Private Sector Evaluation of the Evaluation Cooperation Group specify that the project should have reached "early operating maturity"[1] before evaluation takes place. EvD has implemented this requirement since 2004. In the period since then projects in the evaluation database have been self-evaluated by the operation team, on average, 7 months after early operating maturity and EvD has published independent evaluation reports an average of 15 months after early operating maturity.

1.3 Further details on the composition of the evaluated portfolio.

The 1,087 operations in the evaluated portfolio are made up of 734 straight debt operations (including portage equity with a fixed return), 277 equity operations and 76 combined debt and equity. Of the straight debt operations, 292 have been repaid, 226 have been fully or partially prepaid and 24 have been fully or partially written off. Of the straight equity operations, 130 have been divested normally and 44 fully or partially written off. Of the 76 combined debt and equity operations, 17 have been repaid and divested normally, 17 have been at least partly written off and 19 have been at least partly prepaid.

In terms of investment types, 637 operations are senior debt only, 293 are ordinary shares only (including portage equity) and 66 are a combination of the two. 27 operations consist of subordinated debt only, and 14 are a combination of senior and subordinated debt. 12 are a mix of ordinary shares and preference shares and 10 are guarantees or off-balance sheet items. The remainder are other combinations of these products and other participating interests.

[1] 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.

2. COMPARISON OF THE EVALUATION DATABASE WITH THE EBRD'S CUMULATIVE PORTFOLIO

2.1 Geographic distribution

Table 1 overleaf shows the geographic distribution of the evaluation database, compared with all operations ready for evaluation and with the Bank's cumulative portfolio (all signed operations, whether complete or still active). The evaluation database covers all EBRD's countries of operations with the exception of the two most recent additions, Mongolia and Turkey. EvD has evaluated some Technical Cooperation operations in Mongolia and an investment operation in that country has become ready for evaluation in 2010. So far no operations in Turkey are ready for evaluation.

Table 1: Geographic distribution of the evaluation database

EBRD country of operations	Evaluation Database	Evaluation database %	Ready for Evaluation	Ready for Evaluation %	Bank cumulative portfolio	Bank cumulative portfolio %
<REGIONAL>	43	4%	66	5%	161	6%
ALBANIA	11	1%	17	1%	37	1%
ARMENIA	30	3%	32	2%	71	3%
AZERBAIJAN	24	2%	27	2%	95	3%
BELARUS	8	1%	10	1%	26	1%
BOSNIA AND HERZEGOVINA	20	2%	28	2%	67	2%
BULGARIA	41	4%	56	4%	122	4%
CROATIA	38	3%	60	4%	85	3%
CZECH REPUBLIC	24	2%	30	2%	53	2%
ESTONIA	25	2%	33	2%	46	2%
FYR MACEDONIA	19	2%	31	2%	43	2%
GEORGIA	33	3%	41	3%	108	4%
HUNGARY	52	5%	63	4%	108	4%
KAZAKHSTAN	39	4%	52	4%	104	4%
KYRGYZ REPUBLIC	15	1%	25	2%	64	2%
LATVIA	22	2%	25	2%	32	1%
LITHUANIA	21	2%	34	2%	40	1%
MOLDOVA	19	2%	26	2%	65	2%
MONGOLIA	0	0%	0	0%	21	1%
MONTENEGRO	1	0%	6	0%	16	1%
POLAND	98	9%	132	9%	205	7%
ROMANIA	61	6%	99	7%	198	7%
RUSSIAN FEDERATION	260	24%	315	22%	544	19%
SERBIA	29	3%	36	2%	94	3%
SLOVAK REPUBLIC	32	3%	44	3%	65	2%
SLOVENIA	27	2%	33	2%	45	2%
TAJIKISTAN	12	1%	15	1%	43	2%
TURKEY	0	0%	0	0%	4	0%
TURKMENISTAN	6	1%	8	1%	11	0%
UKRAINE	50	5%	78	5%	194	7%
UZBEKISTAN	27	2%	29	2%	54	2%
Grand Total	**1,087**	**100%**	**1,451**	**100%**	**2,821**	**100%**

Charts 1 to 3 below show the same data grouped into broader regions. They confirm a good level of correspondence between the evaluated sample and the Bank's cumulative portfolio. Compared to the Bank's total signed operations, EvD's evaluated sample slightly over-represents 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. To date, Turkey accounts for less than 1% of the Bank's signed operations.

Chart 1: Cumulative signed EBRD operations

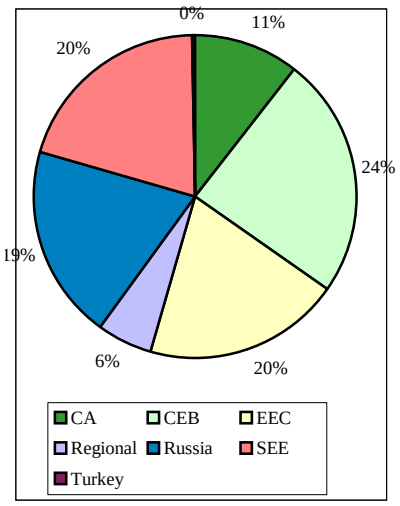


Chart 2: All projects ready for evaluation

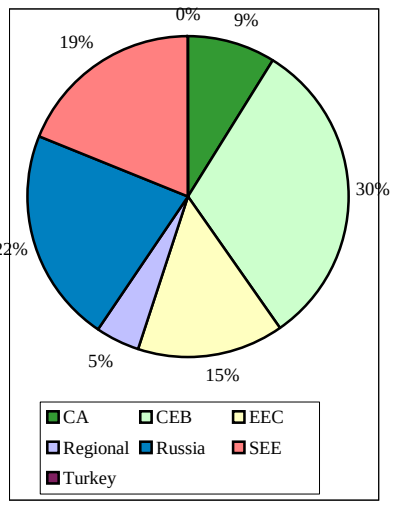
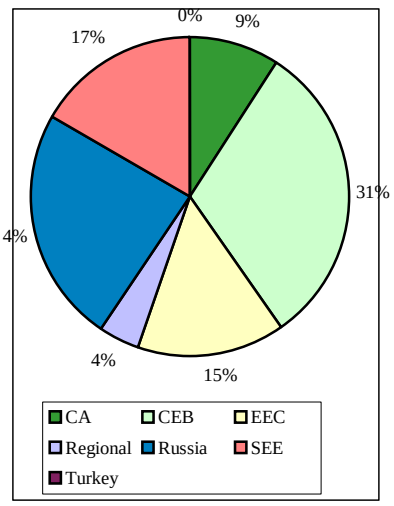


Chart 3: EvD's evaluated sample



2.2 Sectoral distribution

The evaluation database covers 63 of the 77 individual industry classifications used by the Bank's cumulative portfolio. Table 2 shows the distribution of evaluated projects across the Bank's sector teams, and compares this with projects ready for evaluation and all operations signed by the Bank. The evaluation database covers all the sector teams of the EBRD and the distribution of evaluated operations across the sectors corresponds quite closely to the distribution for the cumulative portfolio.

Table 2: Sectoral distribution of the evaluation database

Sector Team (SIC)	Evaluation Database	Evaluation database %	Ready for Evaluation	Ready for Evaluation %	Bank cumulative portfolio	Bank cumulative portfolio %
Agribusiness	118	11%	165	11%	343	12%
Bank Equity	83	8%	123	8%	173	6%
Bank Lending	167	15%	242	17%	534	19%
Equity Funds	57	5%	74	5%	129	5%
Insurance & Financial Services	59	5%	73	5%	179	6%
Manufacturing and Services	181	17%	228	16%	374	13%
Municipal & Env Inf	58	5%	81	6%	192	7%
Natural Resources	51	5%	58	4%	101	4%
Power and Energy	38	3%	52	4%	106	4%
Property and Tourism	36	3%	54	4%	108	4%
Small Business Finance	105	10%	123	8%	285	10%
Telecoms Informatics & Media	67	6%	81	6%	121	4%
Transport	67	6%	97	7%	176	6%
Grand Total	**1,087**	**100%**	**1,451**	**100%**	**2,821**	**100%**

Charts 4 to 6 present the comparative sector distribution in terms of the broader sector groups used in Chapter 1 and Appendix 8. In these figures, Equity Funds remain part of the Financial Institutions group, despite a recent internal reorganisation that group that sector with Industry

and Commerce for management purposes. In the past, Financial Institutions has been clearly under-represented in the number of projects evaluated. The problem was mentioned in the report "Evaluation Coverage in EBRD" (CS/AU/08-36) and has been addressed by making Financial Institutions a priority sector in which EvD aims to achieve a higher coverage ratio than in other sectors. Charts 4 to 6 show that this approach is already having an effect and the situation has now improved substantially. The evaluation database provides a close match to the cumulative portfolio in terms of numbers of projects in each broad sector group.

Chart 4: Cumulative signed EBRD operations

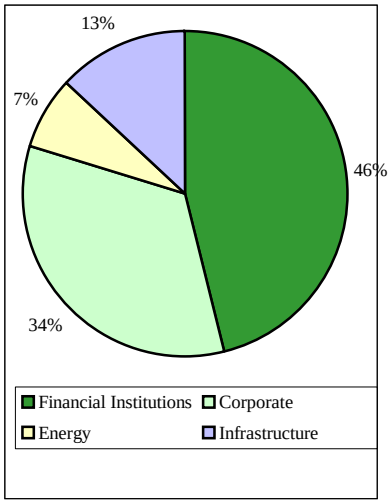


Chart 5: All projects ready for evaluation

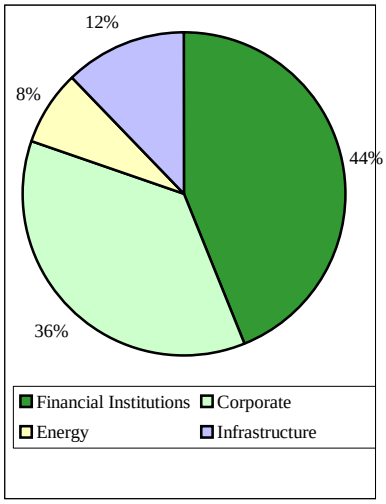
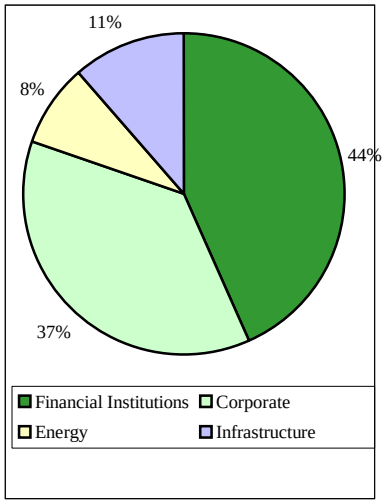


Chart 6: EvD's evaluated sample



2.3 Facility Risk Rating

The following charts present overall portfolio *facility risk* ratings as at 31 December 2009. There representation here is very good.

Chart 11.7: Cumulative signed EBRD operations

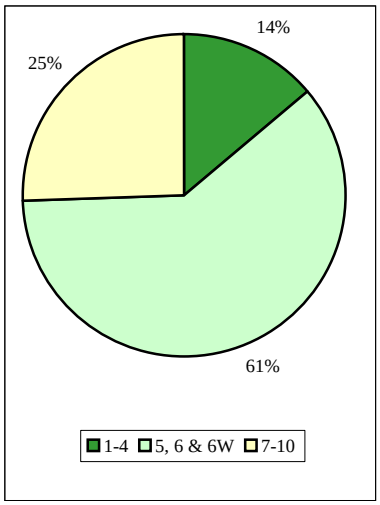


Chart 11.8: All projects ready for evaluation

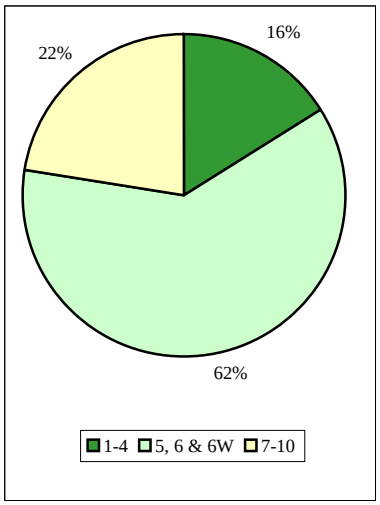
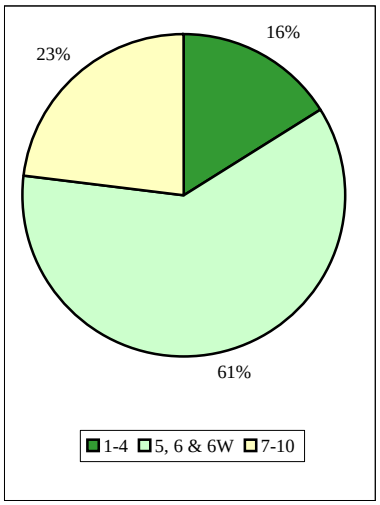


Chart 11.9: EvD's evaluated sample



2.4 Conclusion

The sample of 679 evaluated investment projects by the end of 2009 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 has been seen that a previous under-representation of Financial Institutions operations has already begun to be corrected through a focus on this area in 2009.

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
AIRLINE

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** From the outset this was structured as a private company.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** CEO was expected to contribute low cost carrier experience, also introduction of IOSA qualification	**Satisfactory**	**Good**	**High**
6	**Demonstration effects** Foreign built aircraft, electronic ticketing/low cost carrier features etc.	**Good**	**Good**	**High**
7	**New standards for business conduct** Board of international financial investors with one local airline Sponsor. The Bank's decision to exit highlights the concerns regarding the new majority shareholder.	**Marginal**	**Marginal**	**High**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Company clearly increased the level of competition on its routes and met with very strong price competition from existing carriers	**Good**	**Good**	**Medium**
2	**Market expansion** The target clients of the Company are to some degree new groups which had not been flying much before due to costs. Some progress but not to the extent expected. Only a low percentage of locals use air travel.	**Satisfactory**	**Satisfactory**	**Medium**
3	**Private ownership** Illustrated that a private airline can be more efficient in some areas.	**Satisfactory**	**Satisfactory**	**Medium**
4	**Frameworks for markets** Efforts also by the Company led to a change of the rule that an airline has to provide a free meal, now charging extra is legally possible. Conditions in the country are difficult for low cost carriers.	**Marginal**	**Marginal**	**High**
5	**Skills transfers** The management team built up by the Company has contributed to skills transfers through rotation	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** The Company demonstrated new ticketing system, more efficient turn around, lower cost base due to adoption of some low cost carrier operating principles, however no stimulation of other low cost carriers given local conditions.	**Marginal**	**Marginal**	**High**
7	**New standards for business conduct** Relevant international standards were applied for accounting, air safety, Board etc. However, no impact on the other players in the air transport sector.	**Unsatisfactory**	**Unsatisfactory**	
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Marginal**	**Marginal**	**High**

[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]	**MARGINAL**

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

CEMENT 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** Although the Bank did not participate in the privatisation process of the Company, the Bank's support has facilitated the further expansion of a private multinational company in the country.	**Satisfactory**	**Satisfactory**	**Low**
5	**Skill transfers** The Sponsor is one of the leading multinational companies in the cement sector. Its acquisition and investment in the Company has brought its technical, managerial and environmental skills to the Company and the country.	**Good**	**Good**	**Low**
6	**Demonstration effects** The Sponsor's operational procedures have set up a reference for the Company's operations.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** It is the Sponsor's policy to implement its high business conduct standards in its invested subsidiaries worldwide. The presence of the Bank as a shareholder has also contributed to improve transparency through systematic reporting.	**Good**	**Good**	**Low/ Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** Support to a fair international market player is expected to attract new investors to a market characterized by unmet demand, increasing competition in the sector. The project did not contemplate capacity increase.	**Satisfactory**	**Satisfactory**	**Medium**
2	**Market expansion** New downward linkages created with distributors.	**Satisfactory**	**Satisfactory**	**Low**
3	**Private ownership** The Bank's support to the Company is expected to attract new private players to the market.	**Satisfactory**	**Satisfactory**	**Low**
4	**Frameworks for markets** The active policy dialogue undertaken by the Bank with the local authorities has materialised in specific legal changes to the charter of the government agency for promoting foreign investments.	**Good**	**Good**	**Low/ Medium**
5	**Skills transfers** Technical and environmental improvements brought by the Sponsor to the Company will disseminate to the market as a result of management and workers mobility.	**Satisfactory**	**Good**	**Low**
6	**Demonstration effects** The presence of the Bank in the Company and active policy dialogue contributed to solve differences with the government that led to the Company's decision to undertake the largest FDI in the country outside the oil sector. This has sent a positive message to the market as to the prospect for foreign companies to invest and operate on fair terms in the country.	**Excellent**	**Excellent**	**Medium/ High**
7	**New standards for business conduct** The improvements brought by the Sponsor, in particular environmental, have had an effect in upgrading the standards in the cement sector in the country.	**Good**	**Good**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK	**Good**	**Good**	**Low/**

	RATINGS			**Medium**
	OVERALL TRANSITION IMPACT RATING:	**GOOD**		

EBRD COLLABORATION WITH A MAJOR WESTERN BANK

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** Since 2004, EBRD's projects have indirectly supported the client's acquisition of banks in countries of operation. The client's approach to these banks was to rapidly increase their foreign currency lending, expand the loan to deposit ratio, and FX mortgage lending.	**Marginal**	**Marginal**	**High/ Excessive**
5	**Skill transfers** EBRD's projects helped the client transfer skills into its banking units in countries of operation. In one country, however, the client sold its established greenfield bank rather than merge it with a newly acquired bank, thereby increasing the integration and training and management integration challenges at the newly acquired bank.	**Satisfactory**	**Satisfactory**	**High**
7	**New standards for business conduct** EBRD's projects helped the client grow its foreign exchange lending, especially in the mortgage product, against the advice of the IMF and the BIS. EBRD's projects signalled consistent approval by EBRD of the client's expansion strategy that was based largely on a rising loan to deposit rate fuelled by cross-border foreign currency loans in a macro environment of unsustainable foreign debt burdens at the country level in the region.	**Marginal**	**Unsatisfactory**	**High**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** EBRD's projects helped the client compete in its markets, complementing the client's strongly competitive approach and rapid expansion in each market and eastwards. This has spurred competition by other banks, mainly in foreign currency lending into a region where such lending was on an unsustainable trend. Competition was fierce as Western banks exported their model of financing mortgages and consumer debt with foreign currency loans.	**Marginal**	**Unsatisfactory**	**High/ Excessive**
2	**Market expansion** EBRD's projects helped the client deepen its banking franchise in each market, benefiting customers (including SMEs) and depositors. This has spurred competition forwards and backwards, but excessively through foreign currency loans to SMEs and retail customers, and at excessively high rates of growth assets and high low/deposit ratios.	**Marginal**	**Marginal**	**High**
3	**Private ownership**	**NA**	**NA**	**NA**
4	**Frameworks for markets** EBRD's projects helped the client apply its credit and governance policies within its network and in relationships with local borrowers. There was potential to pioneer consolidated regulatory supervision in cooperation with the client's national authorities and the host countries, but this was not pursued. Supervision has been remote and low on on-site inspection. Supervisors allowed great leeway the client to apply the Basle II IRB approach to	**Marginal**	**Satisfactory**	**Low**

	allow it to set its own regulatory capital weightings in volatile emerging market economies showing signs of unsustainably rapid financial system growth and over-reliance on cross-border credit in foreign currency.			
5	**Skills transfers** Former loan officers of the client have moved into other banks.	**Good**	**Good**	**Low**
6	**Demonstration effects** EBRD's support of mortgage lending in foreign currencies ignored IMF and EvD advice and has had adverse consequences for many borrowers.	**Unsatis-factory**	**Marginal**	**High/ Excessive**
7	**New standards for business conduct** EBRD had important integrity issues with a subsidiary of the client that have received an unclear resolution. The client has undertaken some improvements to its anti-corruption measures in coordination with EBRD's Office of the Chief Compliance Officer; this is promising.	**Marginal**	**Satisfactory**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Marginal**	**Marginal**	**High**
	OVERALL TRANSITION IMPACT RATING: The broad reach of EBRD's work with the client across the region, which has fuelled rapid asset growth on rising loan to deposit ratios and high dependency on foreign currency lending, in many cases to retail borrowers without foreign currency income, justifies the rating.	**MARGINAL**		

EBRD RELATIONSHIP WITH A LEADING LOCAL BANK

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** Mortgage lending standards were introduced as part of the syndicated loan; however, the loan has not been fully utilised.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects**	**N/A**	**N/A**	**N/A**
7	**New standards for business conduct** Long delayed improvements in corporate governance have gathered pace and the client has strengthened credit procedures which have still to be tested.	**Satisfactory**	**Good**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition**	A full assessment of realised transition impact will only be possible if and when the bank emerges from the crisis and resumes a prudent development path. For the time being the evaluation team rates realised transition impact as *Satisfactory* to reflect the successful IPO and loan syndication. Remaining potential is rated *Good* with *High* risk, although the risk may become *Substantial* if the authorities seek to exert undue influence on the bank's operations through the stake held by the national investment fund.		
2	**Market expansion**			
3	**Private ownership**			
4	**Frameworks for markets**			
5	**Skills transfers**			
6	**Demonstration effects**			
7	**New standards for business conduct**			
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Good**	**High**
	OVERALL TRANSITION IMPACT RATING:	**Satisfactory**		

EBRD RELATIONSHIP WITH A LOCAL BANK

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 Projects, especially the securitisation, helped to strengthen the Bank's processes and practices in capital markets and structured finance.	Excellent	Excellent	Moderate
6	**Demonstration effects**	NA	NA	NA
7	**New standards for business conduct** The Projects, especially the securitisation, helped to strengthen the Bank's processes and practices in transparent business conduct.	Excellent	Excellent	Moderate
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The projects supported the well-managed and increasingly transparent development of a leading bank in the country, in competition with other major banks.	Excellent	Excellent	Moderate
2	**Market expansion** The projects supported expansion into SME and retail lending, leading to the recognition of a strategic fit with another local bank that was more developed in those fields.	Excellent	Excellent	Moderate
3	**Private ownership** The projects demonstrated to others that good corporate governance and transparency help build access to international capital markets and that these markets are available to support private entrepreneurial initiative in the country.	Excellent	Excellent	Moderate
4	**Frameworks for markets**	NA	NA	NA
5	**Skills transfers** The projects had modest skill transfers beyond the firm.	Good	Good	Low
6	**Demonstration effects** The merger of two local banks helped to demonstrate to others that good corporate governance and transparency help build access to international capital markets and that these markets are available to support private entrepreneurial initiative in the country.	Excellent	Excellent	Moderate
7	**New standards for business conduct** The projects were among many transactions in the country that helped foster transition to a market economy in banking and capital markets.	Good	Good	Low
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	Excellent	Excellent	Moderate
	OVERALL TRANSITION IMPACT RATING:	**Excellent**		

HYPERMARKET CHAIN

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** From the outset this was structured as a private company.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** The Company adopted state of the art models (Walmart) and offered training to employees.	**Good**	**Good**	**Low**
6	**Demonstration effects** The Company has contributed to the rollout of new shop formats in the country, first in a major city and then in selected regions	**Good**	**Good**	**Low**
7	**New standards for business conduct** The intended corporate governance improvements were delayed due to the fight during two years between the two main shareholders	**Marginal**	**Marginal**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The Company clearly increased the level of competition and offered the consumers more choice	**Good**	**Good**	**Medium**
2	**Market expansion** The Company has contributed to market expansion by speeding up the conversion from old style retail to modern hypermarket format in a major city and various regions of the country	**Good**	**Good**	**Medium**
3	**Private ownership** To some extent the Company has shown that conflicts between local and international shareholders can impact performance.	**Satisfactory**	**Satisfactory**	**Medium**
4	**Frameworks for markets** No particular measurable impact. Interaction with local authorities etc..	**Marginal**	**Marginal**	**Medium**
5	**Skills transfers** In-house training scheme and high staff rotation contribute to skills transfer to others in this sector	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** The Company has built up good loyalty scheme for regular clients and built strong customer base.	**Good**	**Good**	**Low**
7	**New standards for business conduct** Relevant international standards were applied for accounting etc. Some delays in terms of expected Corporate Governance improvements due to shareholder fight.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**SATISFACTORY**		

MINING PROJECT

TI checklist categories	STEPS OF RATING TRANSITION IMPACT	Short-term verified impact	Longer-Term transition impact	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL (PARTICIPATING BANKS)	**Rating**	**Rating**	**Rating**
3	**Private ownership** The mine is owned and operated by a western company.	**Good**	**Good**	**Low**
5	**Skill transfer** The Sponsor has introduced best practice across the company.	**Good**	**Good**	**Low**
6	**Demonstration effects** Neighbouring locally owned mines are copying the company's approach to occupational health and safety.	**Good**	**Satisfactory**	**Low**
7	**New standards for business conduct** The previous owners faced bankruptcy, thus the changes made by the Sponsor are inspirational. There was a real risk that the company cold have been shut down and caught up in litigation.	**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** There are neighbouring locally owned mines – mainly copper - in the immediate facility.	**Good**	**Good**	**Medium**
2	**Market expansion** Expected development of other mines in the country, either by the Sponsor or by others, has not happened. Accusations of corruption at the level of the central government have had a negative impact on market perceptions of the country.	**Satisfactory**	**Satisfactory**	**Medium**
3	**Private ownership** Although the primary client is private, the government has negotiated for partial ownership of the processing plant.	**Good**	**Satisfactory**	**Medium**
4	**Frameworks for markets** Concerns about the negative role the government has played in the context of this project, has had a negative impact on the market perception of the country.	**Good**	**Satisfactory**	**High**
5	**Skills transfers** The Sponsor has introduced a number of best practice procedures which have been copied by neighbouring mines.	**Good**	**Good**	**Low**
6	**Demonstration effects** The Project had a positive demonstration effect in terms of introduction of best practice, but the role of government has had a negative demonstration effect.	**Good**	**Satisfactory**	**Low**
7	**New standards for business conduct** The project allowed for full implementation of EU environmental standards.	**Good**	**Satisfactory**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**GOOD**		

POWER GENERATION

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** First investment supported sale of strategic stake to private sector investor.	**Good**	**Good**	**Medium**
5	**Skill transfers** The Sponsor brings in its experience and resources.	**Excellent**	**Excellent**	**Low**
6	**Demonstration effects** Setting standards for other generators.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** Improved S&P ratings, leading the sector.	**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 is an efficient producer with well located plants.	**Good**	**Good**	**Medium**
2	**Market expansion** The company contributes to the new sector model	**Good**	**Good**	**Medium**
3	**Private ownership** Improved consideration of minority shareholders.	**Good**	**Good**	**Medium**
4	**Frameworks for markets** The company maintains dialogue with the relevant authorities. Impact appears limited. The Bank did not attach a specific TC.	**Marginal**	**Good**	**Medium**
5	**Skills transfers** The company maintains dialogue with the relevant authorities. Impact appears limited. The Bank did not attach a specific TC.	**Marginal**	**Satisfactory**	**Medium**
6	**Demonstration effects** Co-investment with IFI equity and debt.	**Good**	**Good**	**Low**
7	**New standards for business conduct** The Sponsor's standards being introduced.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**Good**		

POWER GRID 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[5]**	**Rating[6]**	**Rating[7]**
3	**Private ownership** The Company is a monopoly transmission operator for the entire country and the government owns more than 75% of the share capital.	**N/A**	**N/A**	**N/A**
5	**Skill transfers** EBRD insisted on public sector procurement rules to be applied and required some changes in procurement rules (consideration of financial strength of tender participants, site visit prior to tender etc.). Overall the Company found this exchange of experience (which caused a delay of about 6 months in procurement) useful and experienced may be used in future procurements. However, no other project elements with a focus on perceived weaknesses in the transmission expansion planning processes and other capabilities of the Company at the corporate level. (TC on pricing regulation is covered below under Framework for Markets)	**Marginal**	**Satisfactory**	**Medium**
6	**Demonstration effects** With the exception of procurement process, no specific project elements with a focus on corporate governance and/or business culture across departments.	**Marginal**	**Satisfactory**	**Medium**
7	**New standards for business conduct** The issues related to the needed upgrade of the transmission expansion organisation within the Company and amended allocation of responsibilities between the various industry participants were not discussed and also not addressed by the Bank Loan and TC Operations.	**Marginal**	**Marginal**	**Medium**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition** The project-related TC operation recommended a return on assets-based (RAB) pricing model regulation for transmission and distribution and this was promoted in working groups. However, the tariff regulator lacks ability to judge which investment projects suggested by the regulated company are essential and which are not. It lacks a methodology for measuring performance of wires companies. Implementation of RAB regulation appears remote and the evaluation team doubts whether it will be implemented in the near future, if ever.	**Marginal**	**Satisfactory**	**Medium**
2	**Market expansion** For the objective of efficient functioning of the emerging competitive wholesale electricity market in the country, the actual implementation of RAB would be important.	**Marginal**	**Satisfactory**	**Medium**
3	**Private ownership** The Bank Operation did not contain specific elements in this direction. However, in terms of general spirit it was meant as a support signal to the head of the national power company in his efforts regarding the power sector reform programme.	**N/A**	**N/A**	**N/A**

[5] **This range is: Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative.**
[6] **This range is: Excellent/Good/Satisfactory/Marginal/Unsatisfactory/Negative.**
[7] **This range is: Low/Medium/High/Excessive.**

4	**Frameworks for markets** A relatively small TC attached to this Loan Operation led to the recommendation of RAB -ype regulation of transmission and distribution as recommended by various others. There were also some working groups/meetings between Consultant/EBRD and the Company to broaden support for RAB. Implementation of RAB regulation for the Company appears remote.	**Marginal**	**Satisfactory**	**High**
5	**Skills transfers** The limited size and scope of the TC Operation did not have this focus.	**Marginal**	**Satisfactory**	**Medium**
6	**Demonstration effects** The Bank Operation led to the mobilisation of long tenor funding from other commercial banks in local currency. The loan was an unprecedented local currency transaction which was structured and syndicated by the Bank. The Bank views this loan as crucial for the local currency interbank market. Positive financial additionality.	**Good**	**Good**	**Medium**
7	**New standards for business conduct** The Bank Operation did not have project elements addressing these areas.	**Marginal**	**Marginal**	**Medium**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Marginal**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**MARGINAL**		

POWER MODERNISATION PROJECT (MID-TERM REVIEW)

TI checklist categor	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**	**Not Applicable**		
5	**Skill transfers** The plant appreciated the supplier's training for operation and maintenance. International tendering and procurement skills were also acquired. IAS-based financial statements enforced the Company to acquire accounting skills.	**Satisfactory**	**Satisfactory**	**Medium**
6	**Demonstration effects**	**Not Applicable**		
7	**New standards for business conduct** The Company is certified for ISO 9001 although it was not discernable at the plant.	**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 Company has defended its market position against the threat of the new entrant. It appears progressively difficult.	**Satisfactory**	**Marginal**	**High**
2	**Market expansion** Power generation has a single buyer and a single supplier (the state-owned coal mining company), therefore forward and backward linkages are limited. The new boiler could have expanded the market if it had been successful to date.	**Not Applicalbe**		
3	**Private ownership**	**Not Applicable**		
4	**Frameworks for markets** The Bank exerted influence on the Government with regard to (i) prohibiting the disposal of assets owned by the state-controlled enterprises; and (ii) including investment surcharge in the payment from the buyer. The Government accepted these.	**Satisfactory**	**Satisfactory**	**Medium**
5	**Skills transfers**	**Not Applicable**		
6	**Demonstration effects** The Government, politicians, the Company, and the plant and the Bank expected highly the successful installation and operation of the project boiler as it could generate a considerable replication and could bring various benefits to the country and sector. The installation is still under the test awaiting the positive outcome.	**Marginal**	**To be assessed after completion**	**High**
7	**New standards for business conduct** The technology could have been a breakthrough for power plants in the Region. If successfully completed, the plant will be the standard setter.	**Marginal**	**To be assessed after completion**	**High**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Marginal**	**Satisfactory**	**High**
	OVERALL TRANSITION IMPACT RATING: The Project had large potential for transition. The delayed completion has limited the positive impact on STPP, Donbassenergo and the sector. The completion is still awaited.	**MARGINAL**		

ROAD RECOVERY 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**	**Not Applicable**		
5	**Skill transfers**	**Not Applicable**		
6	**Demonstration effects**	**Not Applicable**		
7	**New standards for business conduct** The Project introduced IFI procurement procedures for tendering and FIDIC contract terms for works. Other IFI requirements for planning and project management also induced the institutional changes through PIU. However, the transition in the agency itself is likely to take a longer time.	**Satisfactory**	**Good**	**Medium**
	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** Most of contracts were awarded to local contractors. The Project contributed to the revival of the local construction / road rehabilitation market and strengthened backward linkages. Though the local contractors' financial capacity appears to be fragile in the challenging crisis time.	**Good**	**Good**	**High**
3	**Private ownership**	**Not Applicable**		
4	**Frameworks for markets** The new Roads Act was enacted and the Roads Recovery Plan was prepared. However, the sustainable maintenance scheme still needs to be established. Motorway tolls have increased significantly in real terms and the domestic and foreign tolls have been equalised in 2009.	**Satisfactory**	**Good**	**Low**
5	**Skills transfers**	**Not Applicable**		
6	**Demonstration effects** The sizeable joint financing (€170 million) for the road sector could increase the economic viability and could catalyse external financing or private sector investors for the highly-trafficked motorways in the future.	**Satisfactory**	**Good**	**Medium**
7	**New standards for business conduct** The FIDIC contract terms realised the EU standard design and traffic safety on the project sections, which make traffic flow faster and safer.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Low**
	OVERALL TRANSITION IMPACT RATING: The most notable transition impact was to deliver the EU standards in road design and rehabilitation works, in the institutional awareness and practices. The large joint financing amplified the leverages on the borrower, which facilitated the compliance with several transition covenants.	**GOOD**		

ROAD PROJECT

TI checklist categorie	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**. Private ownership was not a target under the Project	**N/A**	**N/A**	**N/A**
5	**Skill transfers**. Learning about and applying the international procurement rules, as well as achieving with environmental and social compliance, mandated by the Banks, are the key features of the Project	**Good**	**Good**	**Medium**
6	**Demonstration effects**. The international procurement rules and procedures, achieving environmental and social compliance became the norm with the PIU and management of the Road Service. The Evaluation team had no evidence whether transfer of new skills took place within the rest of the company.	**Satisfactory**	**Good**	**Medium**
7	**New standards for business conduct**. The Project stimulated the competitive behaviour through the Road Service's interaction with the international supply chain in an IFI procurement environment. IFRS accounting and auditing have yet to permeate across the Road Service.	**Marginal**	**Marginal**	**High**
	STEP II: TRANSITION IMPACT AT THE LEVEL OF THE INDUSTRY AND THE ECONOMY AS A WHOLE	**Rating**	**Rating**	**Rating**
1	**Competition**. Creating competition was not an explicit target under the Project.	**N/A**	**N/A**	**N/A**
2	**Market expansion**. Although not envisaged some forward- and backward linkages have been observed, but it is unclear at this point whether the momentum achieved through the Bank's intervention will be maintained.	**N/A**	**N/A**	**N/A**
3	**Private ownership**. Privatisation was not a target under the Project.	**N/A**	**N/A**	**N/A**
4	**Frameworks for markets**. The reform led to a new Road Law, increase in road sector funding and service level agreement between the Ministry of Transport and the Road Service. Formation of the Roads Advisory Board and improvements to the maintenance setup are yet to be achieved.	**Satisfactory**	**Satisfactory**	**Medium**
5	**Skills transfers**. Through subcontracting to local contractors, a transfer of skills and expertise is believed to have occurred beyond the Road Service. In consideration of Project specifications, some effects are expected to have happened with the local goods and material suppliers working with the international contractors.	**Good**	**Satisfactory**	**Medium**
6	**Demonstration effects**. These were not targeted with the Project	**N/A**	**N/A**	**N/A**
7	**New standards for business conduct**. These were not targeted with the Project.	**N/A**	**N/A**	**N/A**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Satisfactory**	**Satisfactory**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**SATISFACTORY**		

STEEL PRODUCER

TI checklist categories	STEPS OF RATING TRANSITION IMPACT *EX POST*	Short-term verified impact	Longer-Term transition impact potential	Risk to potential TI
	STEP I: CHANGE BY THE PROJECT AT CORPORATE LEVEL	**Rating**	**Rating**	**Rating**
3	**Private ownership** The project supported, ex-post, the sustainability of a major privatisation.	**Excellent**	**Excellent**	**Medium**
5	**Skill transfers** The sponsor is a major steel group with great expertise in restructuring legacy steel mills.	**Excellent**	**Excellent**	**Medium**
6	**Demonstration effects** The borrower appears to have significantly complied with key investments required by the privatisation, investing a large amount in needed capex.	**Good**	**Good**	**Low**
7	**New standards for business conduct** The sponsor, consistent with his business interest, has worked to remove non-transparent and corrupt business practices at the plants. Transfer pricing within the Group, however, may be an issue.	**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 borrower has improved its operations and competes vigorously with other large local and foreign firms. It reportedly also imports coal in order to drive down the prices of locally supplied coal.	**Good**	**Good**	**Low**
2	**Market expansion** The company restructuring has created some backward linkages.	**Satisfactory**	**Satisfactory**	**Low**
3	**Private ownership** The project supported, ex-post, the sustainability of a major privatisation.	**Excellent**	**Excellent**	**Medium**
4	**Frameworks for markets**	**NA**	**NA**	**NA**
5	**Skills transfers** The capital investments have called on local suppliers to deliver construction and other services to a higher standard.	**Satisfactory**	**Satisfactory**	**Low**
6	**Demonstration effects** The borrower appears to have significantly complied with key investments required by the privatisation, investing a large amount in needed capex.	**Good**	**Good**	**Low**
7	**New standards for business conduct** The sponsor, consistent with his business interest, has worked to remove non-transparent and corrupt business practices at the plants. Transfer pricing within the Group, however, may be an issue.	**Good**	**Good**	**Low**
	SUMMARY OF VERIFIED, POTENTIAL AND RISK RATINGS	**Good**	**Good**	**Medium**
	OVERALL TRANSITION IMPACT RATING:	**GOOD**		

OUTCOME OF PERFORMANCE RATINGS OF THE BANK'S INVESTMENT OPERATIONS

1. POST- EVALUATION OUTCOME

1.4. GENERAL

This Appendix analyses performance ratings of evaluated investment operations. It seeks to draw conclusions and serves as a basis for some recommendations in the main text. Projects for evaluation are selected from all 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.

1.5. EVALUATION COVERAGE IN 2009

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 ECG's Good Practice Standards (GPS) 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. Therefore, for the first time, the AEOR reports on evaluation coverage in terms of the new method of counting and selection.

The Evaluation Policy of EBRD requires preparation of evaluations on a random, representative sample of sufficient size to establish, for a combined three-year rolling sample, success rates at the 95% confidence level, with sampling error not exceeding ±5 percentage points, for key performance indicators. In 2009, 115 individual investment operations and 6 large frameworks had reached early operating maturity and were ready for evaluation.[4] The Evaluation Department selected a random sample of 61 of the 115 investment operations for evaluation. This random sample forms the basis of the Evaluation Department's conclusions about the Bank's performance. In 2009, 24 of the randomly sampled operations (21% of the total population of projects ready for evaluation) were evaluated through Operation Performance Evaluation Reviews (OPERs) and 5 (4%) through Special Studies. An additional 32 operations (28%) were covered with independent assessment reports by the Evaluation Department on bankers' expanded monitoring reports (XMR assessments).[5] This brought the year's coverage to 61 operations or 53% of ready operations.

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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)

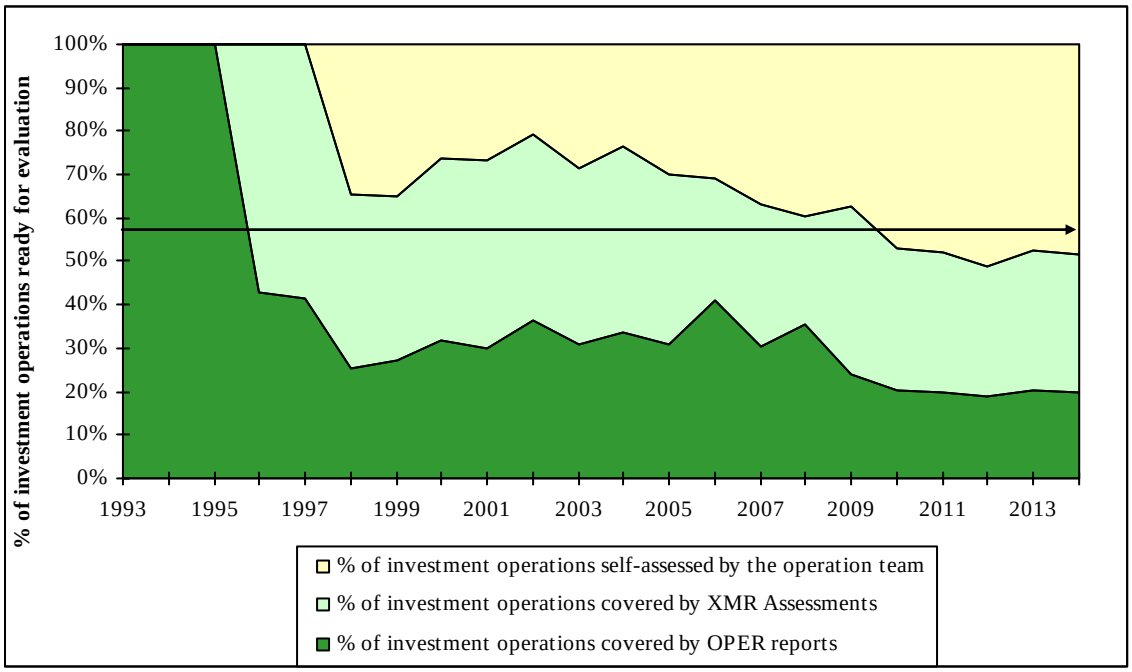
[3] Reference is made to the Third Edition of the GPS on private sector evaluation (18 April 2006) and in particular to Section 2 on "Evaluation Timing, Population, Coverage and Sampling". The EBRD also adopted *Best Practice Alternative 1* as described in Standard 2.2.1. In 2009, EvD selected additional operations in ETCs, in Russia and in the Financial Sector as *"strategically targeted groups"*.

[4] Originally, 119 individual investment operations were considered ready for evaluation, but some were dropped during the year as described further in the Evaluation Department Work Programme Completion Report for 2009 (BDS10-090)

[5] 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).

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)



1.6. SIZE AND REPRESENTATION OF THE SAMPLE OF EVALUATED PROJECTS

Selection of projects for evaluation is described in detail in Appendix 3 of the Evaluation Policy Review of 2004 (BDS04-24 (Rev 1). However, an Update to the Evaluation Policy of the EBRD (BDS10-024) was approved by the Board of Directors on 23 March 2010 and will be the guiding document for selection of projects in future. Appendix 3 of this report presents the new selection process in detail. For the exercise of performance evaluation in this AEOR for 2009, the total sample comprises 679 individually rated projects, evaluated in 1996-2009. These were selected from a total population of 934 standalone operations and small frameworks which became ready for evaluation during the period - a coverage ratio of 73%.[6] 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 share of all 1,830 standalone operations signed by the bank since 1991 was lower at 37%, as many of the more recently approved operations had not yet reached the evaluation stage.[7] Of the 679 projects in the sample, 284 were evaluated through OPERs, 19 through Special Studies and 376 through XMR assessments. 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. 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

[6] 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.

[7] See Appendix 6 for more detailed data.

sample. The sample of projects selected from the groups of operations ready for evaluation continues to be a good representation of the Bank's portfolio as a whole.

1.6.1. Identification of the population of projects ready for evaluation

The sample of projects selected for evaluation each year is drawn from a population consisting of the investments expected to reach *early operating maturity* (as defined in the Good Practice Standards) during the year. Subject to certain exclusions, specified below, the population includes all disbursed (including partially cancelled) investments - whether still active or already closed (paid-off, sold or written off) - that have reached early operating maturity. The population also includes any investments already closed (i.e. those projects prepaid in the previous year), even if they never reached early operating maturity.

Excluded from the population are:

- dropped and cancelled investments where no disbursement has been made,
- very small investments made under large frameworks (which are generally evaluated on a programme basis through a Special Study)
- certain follow-on operations, such as minor capital increases or investments undertaken to help finance further expansion or cost overruns on projects previously financed by the EBRD, especially where such follow-on operations did not have separate objectives against which performance could be evaluated.

Projects that are not expected to reach early operating maturity during the year are excluded from the population and rolled forward for inclusion in the population in a future year when they will have reached early operating maturity. Investments are included in the population from which the sample for evaluation is drawn only once, i.e., only for the year in which they will have reached early operating maturity.

According to the GPS, operations are deemed to have 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 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. In practice, the Evaluation Departments prepare a list of projects which will be fully disbursed plus 18 months for loan operations, and 24 months for equity operations, and then discusses these with the Banking Department and others to identify whether they meet the other criteria required for early operating maturity. All projects selected for evaluation and inclusion in the evaluation database had reached early operating maturity, as defined in the GPS, by the time of their evaluation. Some additional projects were subject to Mid-Term Reviews, because they had not reached early operating maturity, but they were excluded from the database for the purposes of reporting on the EBRD's overall performance.

1.6.2. Selection of the sample of projects for evaluation

Starting with the 2009 work programme, the selection of projects used to report on success rates for accountability purposes is entirely random. A random sample of the appropriate size is taken from full population for the year. The Chief Evaluator continues to select operations for in-depth evaluation (through OPERs) 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. Projects forming part of the sample but not selected by the Chief Evaluator to be an OPER are evaluated through XMR Assessments.

Before 2009, EvD used a structured sampling methodology, and projects selected in this manner still form the majority of the total sample of evaluated projects. The Chief Evaluator would select a purposive sample of operations for evaluation through OPERs. The Evaluation Department would then conduct several random samples of the operations not selected as OPERs, and analyse the sector and country coverage and the risk distribution of the samples to find the one which, *when combined with the OPERs already selected*, provided the best match for EBRD's portfolio as a whole.

Under both systems, operations for evaluation through OPERs 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.

1.6.3. Standard error of the sample:

The new project selection procedure will follow the Update of the Evaluation Policy of the EBRD, whereby the Evaluation Department selects sufficient projects for evaluation to establish, for a combined three-year rolling sample, success rates at the 95% confidence level, with sampling error not exceeding ±5 percentage points. In the three years 2007-2009, there was a combined population of 342 individual standalone operations and investments under frameworks ready for evaluation, excluding investments under large frameworks. Of these, 196 were evaluated by EvD. Thus the overall coverage ratio was 57%. As the selection of projects in 2007-08 was not entirely random, it is necessary to split the population into two strata:

- *Stratum 1:* 85 operations which were purposively sampled for evaluation through OPERs or Special Studies under the old selection system (25% of 342). There is 100% evaluation coverage of this stratum.
- *Stratum 2*: The remaining 257 (75% of 342) not selected for evaluation through an OPER report. The random sample of 111 operations for evaluation constitutes 43% of stratum 2.

The random sample error for Stratum 2 is 7.02%, at the 95% confidence level. This exceeds the 5 per cent prescribed in the GPS. In selecting the random samples in 2007-08, EvD ran several samples and selected one which, combined with the projects in Stratum 1, gave the closest possible match to the regional, sector 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. Therefore, EvD believes that the success rates

reported in this appendix and in Chapter 1 can be attributed to the population of EBRD projects ready for evaluation.

The new system of selective projects for evaluation will give a lower sample error. If the same number of evaluations had been selected randomly, i.e. 196 out of a population of 342, the sample error would be 4.58%, well within the limit set by the GPS.

1.6.4. Weighting the results:

Where stratified sampling has been used, the GPS also require EvD to calculate the weighted average success rates, based on the weight of each stratum in the overall population. As described in section 1.3.3 above, the 342 projects evaluated in 2007-09 are divided into two strata: *Stratum 1* consists of 85 operations (25% of the total) purposively selected for evaluation through an OPER in 2007-08, while *Stratum 2* consists of the remaining 257 operations (75% of the total), of which a random sample of 111 were evaluated through XMR Assessments in 2007-08 or through OPERs or XMR Assessments in 2009.

For weighting purposes, the 111 randomly sampled operations must be given a 75% weighting in the overall results. Table 1.1 below gives the weighted and unweighted outcomes for Overall Performance for 2007-09:

Table 1.1: Outcomes for Overall Performance of projects evaluated in 2007-09

EvD selection type	Highly Successful	Successful	Partly Successful	Unsuccessful	Number of operations
Purposive - stratum 1	4%	53%	30%	13%	85
Random - stratum 2	5%	48%	40%	6%	111
Overall result - Unweighted	5%	50%	37%	8%	196
Overall result - Weighted	5%	49%	38%	8%	342

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.

2. PERFORMANCE RATING OF EVALUATED PROJECTS

2.4. THE COMPOSITE OVERALL PERFORMANCE RATING OF A PROJECT

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

a. Transition impact

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

b. The environment

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

- *environmental change* is measure as the difference between the environmental performance before the project started and its performance at the time of evaluation

c. Additionality

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

d. Sound banking principles

- *project and company (financial) performance* provide the sustainability element to allow transition impact to enfold beyond the project/company, and
- *fulfilment of project objectives* concerns the extent of verified and expected risk weighted fulfilment potential of the operation's "process" and "project" objectives ("efficacy") upon validation of their relevance

e. The Bank's investment performance

- *the Bank's investment performance* measures the extent to which the gross contribution of a project is expected to be sufficient to cover its full average transaction cost and contribute during its life to the Bank's net profit. Unlike the other dimensions, however, it does not represent any impact of the project "on the ground" in the country.

f. Bank handling

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

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

Table 1.1: Transition Outcome, percentage distribution of assigned ratings (159 investment operations evaluated 2007-2009)

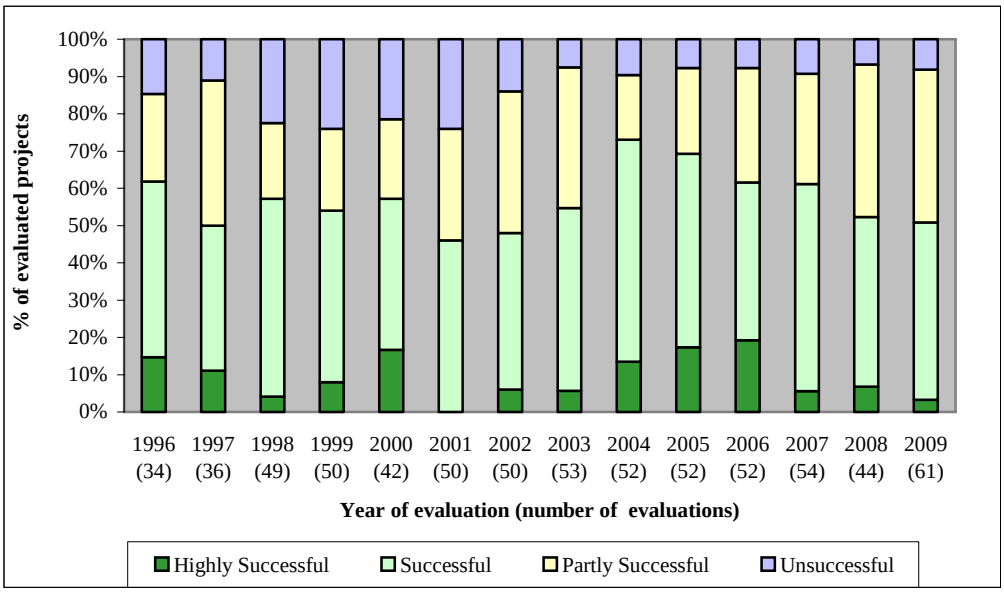
		Unsuccessful	Partly Successful	*Sub-total*	Successful	Highly Successful	*Sub-total*	No. of evaluations
Transition Outcome	2007	7%	28%	*35%*	58%	7%	*65%*	54
	2008	11%	37%	*48%*	45%	7%	*52%*	44
	2009	16%	36%	*52%*	48%	0%	*48%*	61
	2007-2008	9%	32%	*41%*	52%	7%	*59%*	98
	2007-2009	12%	33%	*46%*	50%	4%	*54%*	159
Overall Performance	2007-2009	8%	37%	*45%*	50%	5%	*55%*	159

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 2009 mirrors a similar fall in the ratings for *overall performance* (see section 2.2 below). The indicators that are not concerned with results on the ground, i.e. the Bank's *additionality*, *bank handling* and *investment performance* have a limited impact on the *overall performance* rating.

2.5. OVERALL PERFORMANCE RATINGS 1996-2009

Chart 2.1 presents the assigned *overall performance* ratings given to all EBRD investment projects evaluated since 1996. Projects evaluated before that date are omitted because EvD introduced a refined and consistent system of evaluation only in 1996. The background numbers behind this chart can be found in Annex 1 to this appendix, Table 1.

Chart 2.1: Overall performance, percentage distribution of assigned ratings (679 investment operations evaluated 1996-2009)



Ratings in the *Successful - Highly Successful* bracket were achieved by 57 per cent of the operations evaluated in 1996-2009. Throughout the 1990s this share varied around the 50 per cent mark but showed no definite pattern. It rose sharply from 46 per cent in 2001 to 73 per cent in 2004 and has declined steadily since then. In 2009, 51 per cent of projects were rated *Successful* or *Highly Successful*. The proportion of projects rated *Highly Successful* in 2009

was 3 per cent, the lowest figure since 2001 when no evaluated projects achieved the highest rating. The proportion of projects rated *Unsuccessful*, at 8 per cent, remained lower than in most previous years. In 2009 as in 2008, a high proportion of projects (41%) were rated *Partly Successful*. In most cases these projects had moderate ratings on all indicators rather than an *Excellent* rating in one area and *Unsatisfactory* in another. An exception to this was a group of projects with *Unsatisfactory* ratings for Project or Company Financial Performance but *Good* or *Excellent* ratings for most other indicators. 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.

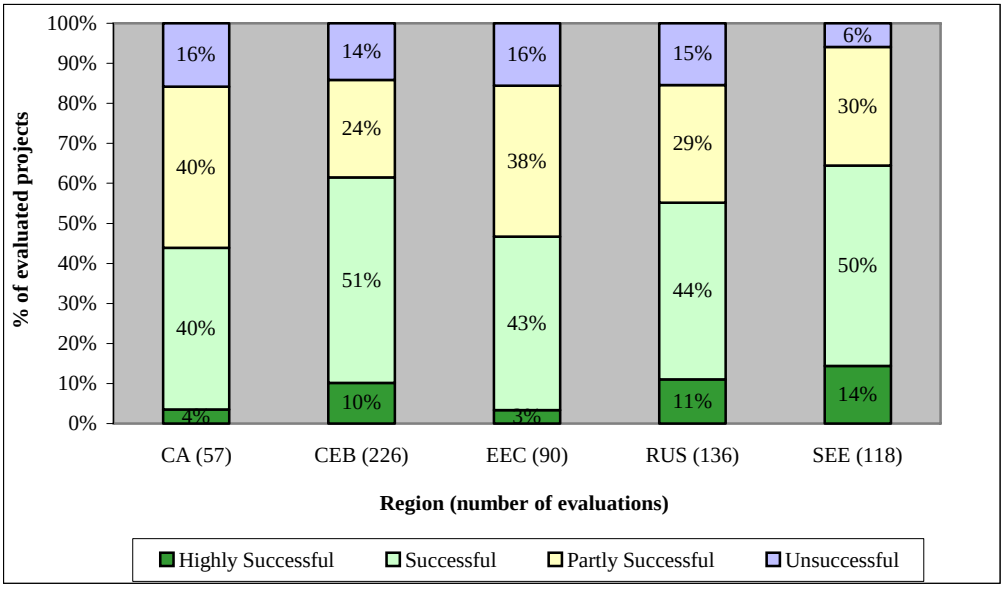
Across the whole period, nine per cent of the projects scored *Highly Successful* overall, while rather more were rated *Unsuccessful* (13 per cent). Projects with the highest Overall Performance rating scored well on Transition Impact and the other performance indicators, while over three quarters of *Unsuccessful* projects scored *Unsatisfactory* or *Highly Unsatisfactory* for Project and Company 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.

2.6. OVERALL PERFORMANCE RATINGS BY COUNTRY GROUPS[8]

Chart 2.2 below shows that the highest overall performance ratings have been achieved in South-Eastern Europe (SEE) and Central Europe and the Baltics (CEB), where over 60 per cent of evaluated projects have been rated *Successful* or better). The corresponding figures for other regions are 55 per cent for Russia (RUS), 46 per cent for Eastern Europe and Caucasus (EEC) and 44 per cent for Central Asia (CA).

[8] For an analysis of projects in Early Transition Countries (ETCs), please see section 10 below.

Chart 2.2: Overall performance ratings by country groups (627 investment operations evaluated 1996-2009)[9]

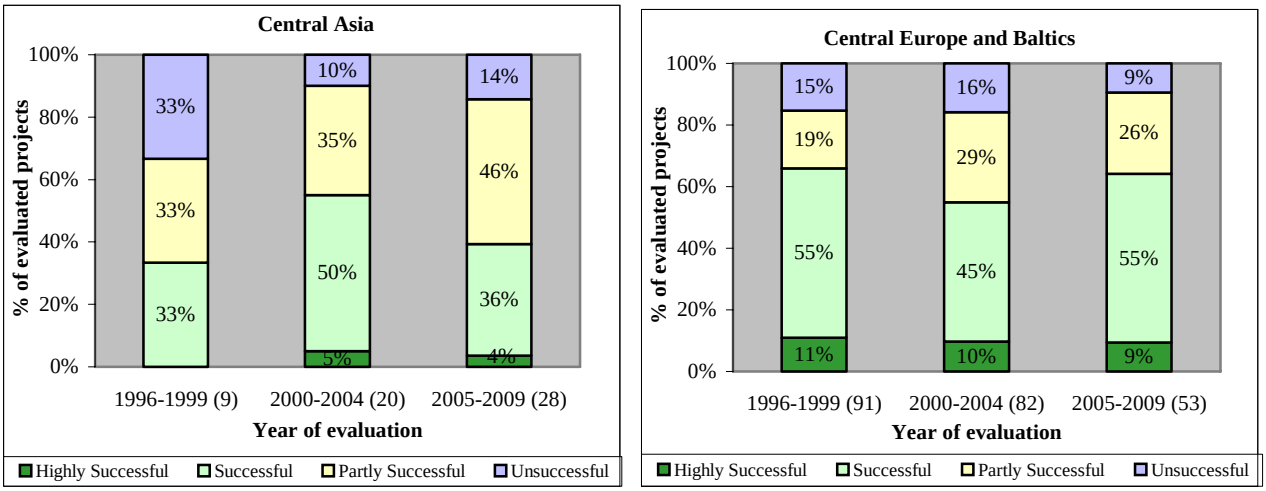


Note: 52 regional projects omitted

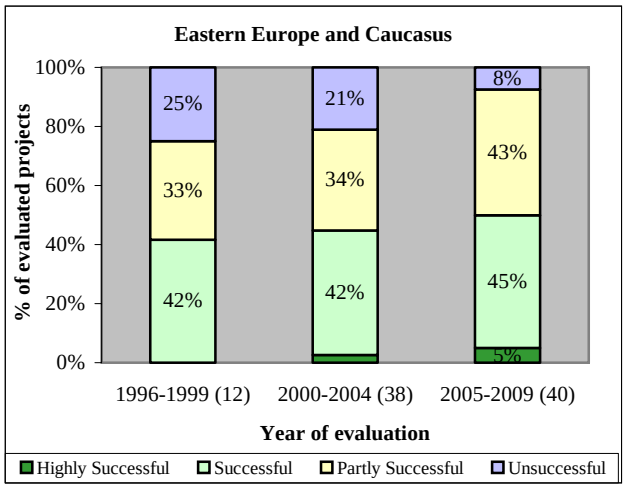
The average success ratings in the various country groups reflect the more difficult environment the Bank faces in the countries towards the east and south of its region, compared with those in central and south-eastern Europe. This justifies the additional resources EBRD intends to direct towards these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

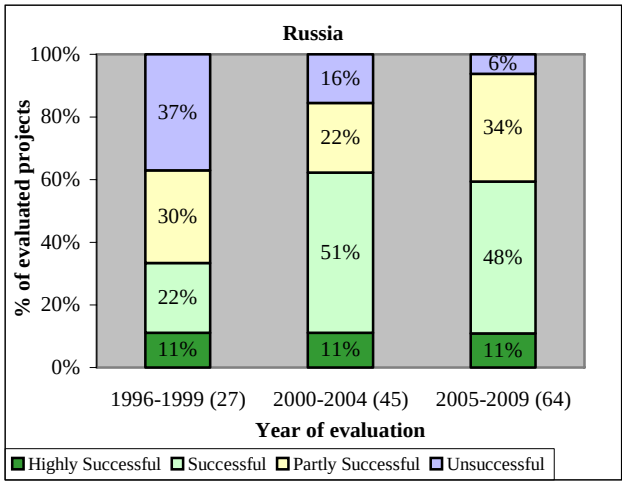
The pattern in Chart 2.3 shows the change in Overall performance ratings over time for the main geographical areas. It can be seen that all the regions except Central Asia and Russia show an improvement in recent years over results in the period 2000-2004.

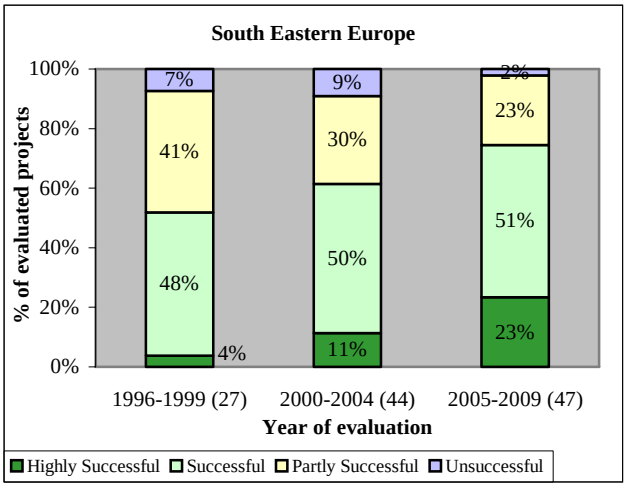
Chart 2.3: Development of overall performance ratings over time for projects evaluated 1996-2009: presented by region



[9] **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







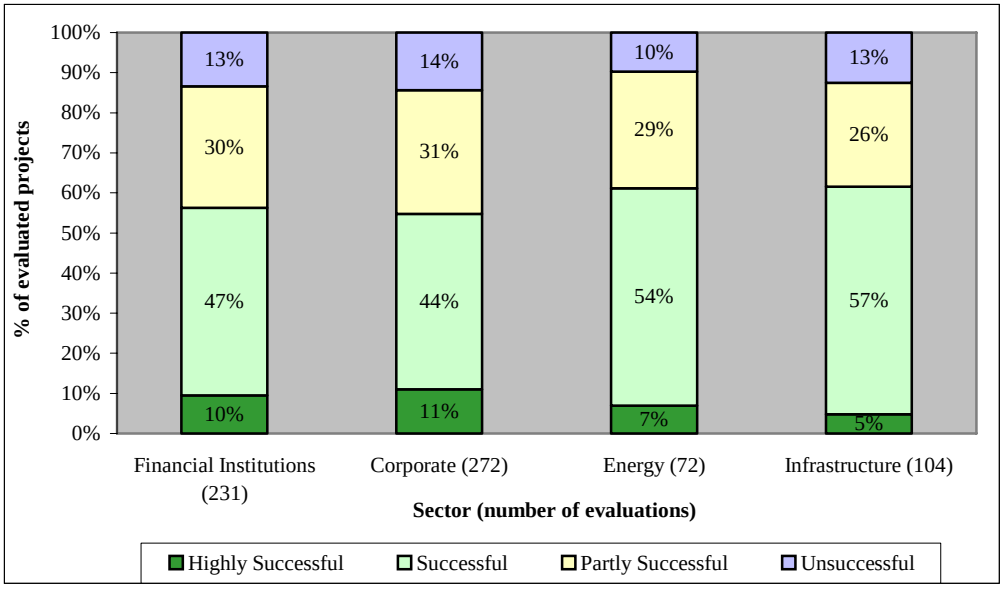
Note: 52 regional projects omitted
See chart 2.2 for list of countries in each region

Performance in EEC and SEE has improved consistently over the period of evaluation, though in the EEC region the improvement has been moderate. SEE is again the region with the highest overall performance ratings in recent years, with 74 per cent *Successful* or better in 2005-2009. In CEB there was a drop in performance in 2000-2004, which has since been recovered. In Central Asia and Russia, gains in the period 2000-2004 have dropped off somewhat in recent years. This is a noticeable deterioration compared with the results reported in the AEOR for 2009. That showed that in 2004-2008, 50 per cent of projects in Central Asia were rated *Successful* or better, compared with only 40 per cent for 2005-2009. In Russia the figures were 66 per cent and 59 per cent respectively.

2.7. OVERALL PERFORMANCE RATINGS BY INDUSTRY SECTORS

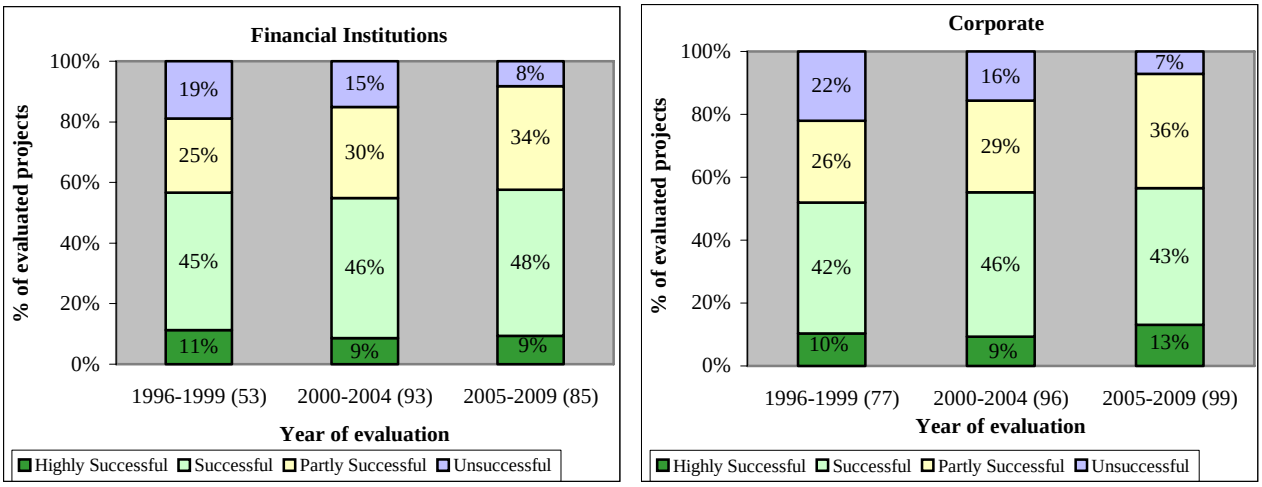
Chart 2.4 below shows the sectoral breakdown cumulatively for all projects evaluated since 1996. There is very little difference between the performance of all the sectors. The Corporate sector falls slightly behind the other sectors with 55 per cent of projects rated *Successful* or *Highly Successful*, but the difference between the highest and lowest performing sectors is only 6 per cent.

Chart 2.4: Overall performance ratings by sector groups (679 evaluated investment operations, 1996-2009)[10]

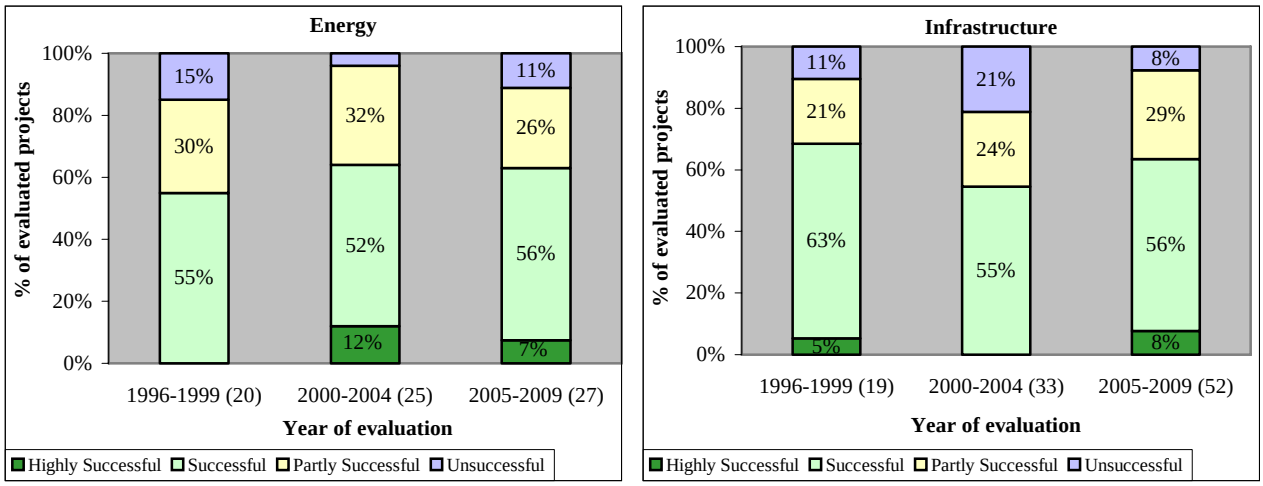


The time series data in chart 2.5 show that there is little difference between the sectors in recent years. In the AEOR for 2009, Financial Institutions projects in the period 2004-2008 had been rated substantially higher than projects in other sectors, but this is no longer the case with the move to the period 2005-2009. Energy and Infrastructure projects show slightly better results that Financial and Corporate projects, but the difference is not large.

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



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



See chart 2.4 for list of industries in each sector

2.8. OVERALL PERFORMANCE RATINGS BY VOLUME

It has been observed over several years that the results are better when considered by volume; that is, larger projects are more successful than small ones. The AEOR for 2009 investigated this phenomenon in some depth and led to a further paper being produced during the year (attached at Appendix 9). This found that larger projects were rated more highly than smaller ones for Overall Performance, Transition Impact and Financial Performance. It also noted that smaller projects were concentrated in the regions on the lower end of transition (CA and EEC) and that business may be more difficult in these countries.

In 2009, for the first time in many years, larger projects were not observed to perform better than smaller ones. In 2009, measured by project volume, 49 per cent of projects were rated *Successful* or better, compared to 51 per cent when measured by the number of evaluations. This appears to be principally affected by Achievement of Objectives ratings, since both Transition Impact and Project/Company Financial Performance still show slightly better performance when it is measured by volume rather than number of operations.

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

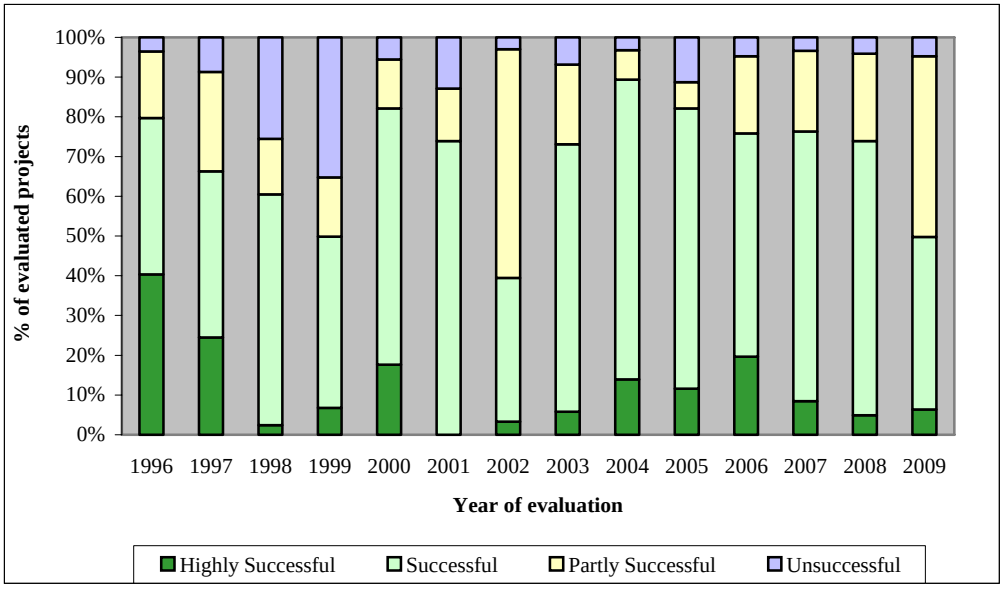


Chart 2.6 above shows the sudden drop in Overall Performance ratings in 2009 in terms of volume of projects evaluated. The variation is at the boundary between *Successful* and *Partly Successful* projects. It has been observed in the past that when results are measured in terms of volume rather than number of projects evaluated, there is potential for much greater fluctuation from one year to the next. This is because a few large projects can outweigh the effects of many small ones. Therefore the existence of six large (>EUR 50 million) projects rated *Partly Successful* in 2009 has had a disproportionate effect on the outcome. These consisted of two road projects, two financial projects and two corporate projects. The Evaluation Department will continue to monitor the relative performance of large and small projects in future years, and expects to find that the result in 2009 was an anomaly as previously seen in 2002 (see chart 2.6 above).

3. THE TRANSITION IMPACT (TI) RATING

3.4. METHODOLOGY

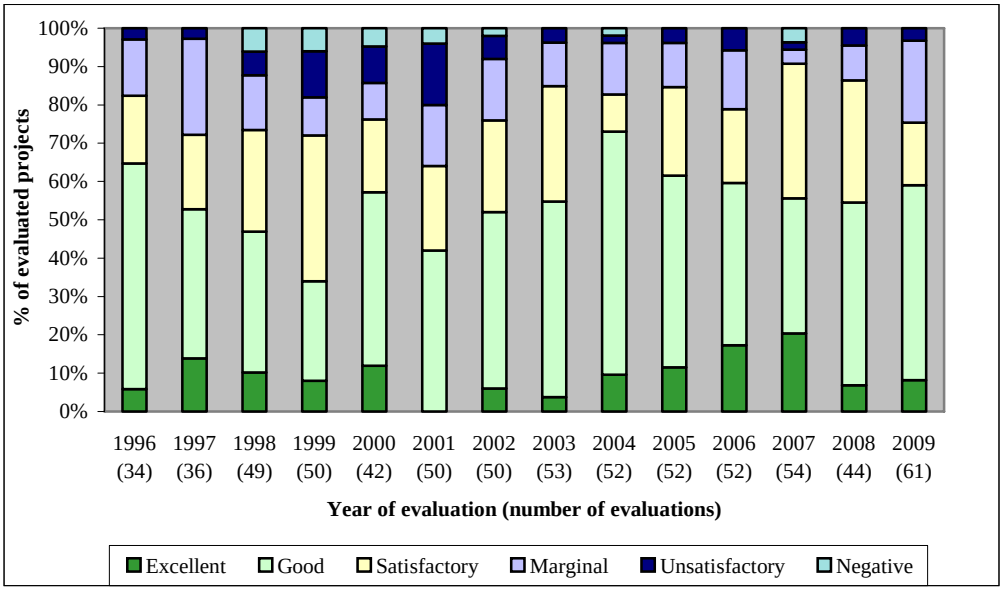
The case presentations in Appendix 7 illustrate the evaluation methodology used after project signing (ex-post). This uses the same framework and indicators as the ex-ante (before project signing) methodology, applied by the Bank during the approval stage of new projects. It should be noted that this 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.

3.5. TRANSITION IMPACT RATINGS 1996-2009

Transition impact ratings carry a high weight in the overall performance ratings of projects. Chart 3.1 shows the distribution of the ex-post transition impact ratings by EvD since 1996. The detailed figures relating to this chart can be found in Annex 1 to this appendix, Table 2.

The proportion of projects rated *Excellent* or *Good* remained high in 2009, at 59% - slightly better than in the previous two years. Similarly, the proportion of projects rated *Negative* (0%) or *Unsatisfactory* (3%) was the lowest it has ever been. However, in 2009 a relatively large proportion of the projects was rated *Marginal* and fewer projects were rated *Satisfactory* than in recent years. As a result, the proportion of the projects rated *Excellent* to *Satisfactory* fell from 87% in 2008 to 75% in 2009. Over the entire period 1996-2009, 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. Eight per cent of the projects during the same period were rated *Unsatisfactory* or *Negative.*

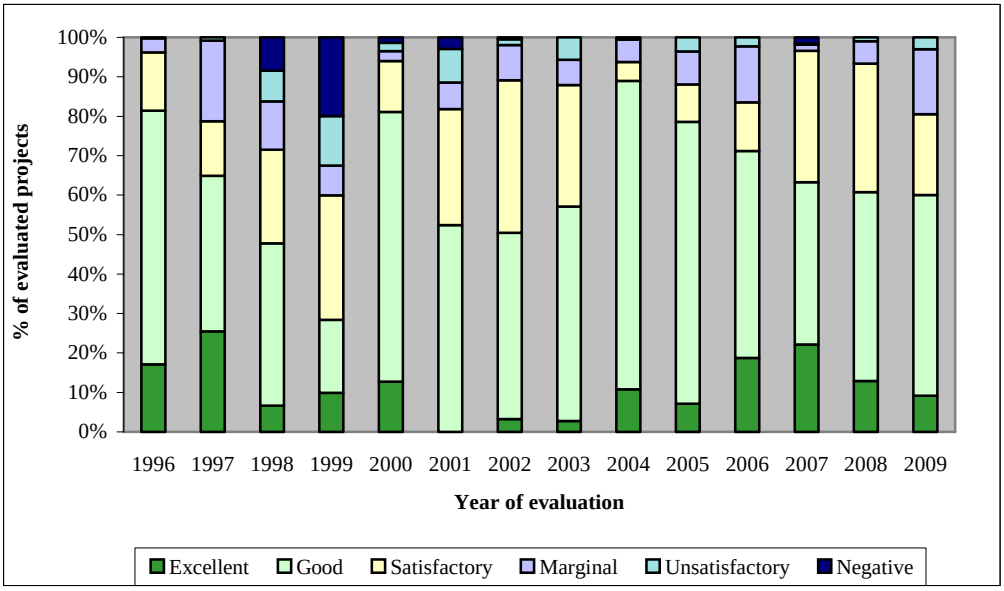
Chart 3.1: Transition impact, percentage distribution of assigned ratings in terms of number of projects evaluated



3.6. TRANSITION IMPACT RATINGS BY VOLUME

As for the Overall Performance rating, the proportion of evaluated projects achieving top transition impact ratings has generally been higher when measured by volume. Cumulatively over the period 1996-2009, 63 per cent of projects by volume have been rated *Excellent* or *Good* for transition impact, while a further 23 per cent have been rated *Satisfactory*. Ratings for Transition Impact, unlike those for Overall Performance, maintain this difference in 2009, although the difference is smaller than in previous years. Of the projects evaluated in 2009, 60 per cent by volume were rated *Good* or *Excellent* (compared with 59% by number) and a further 20 per cent were rated *Satisfactory* (16% by number).

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

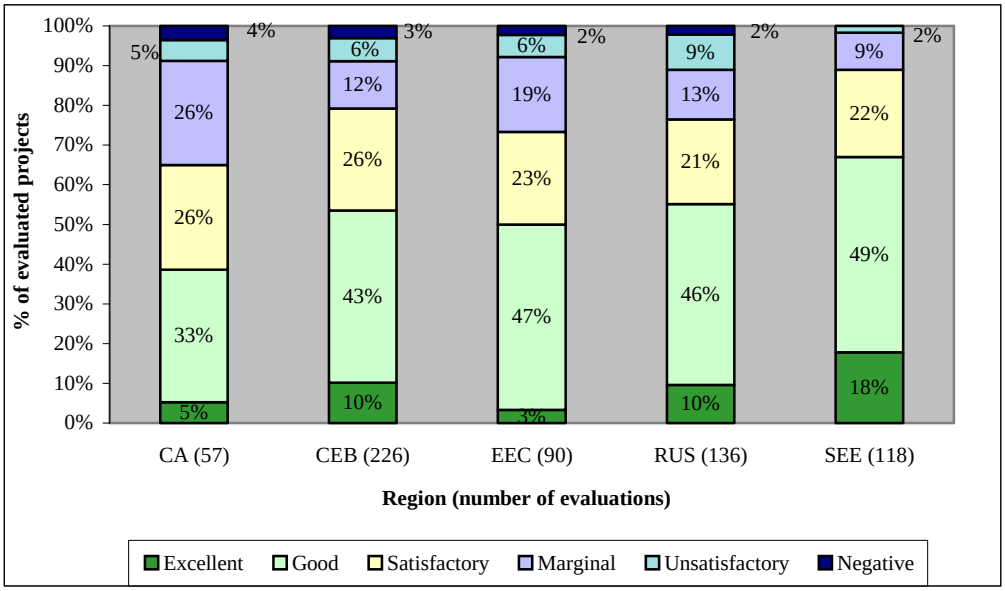


It can be seen from Chart 3.2 above that the proportion of projects rated *Excellent* to *Good* remained the same as in 2008, while the proportion rated *Satisfactory* was lower and more projects were rated *Marginal*. This is similar to the results when counting the number of projects evaluated.

3.7. TRANSITION IMPACT RATINGS BY COUNTRY GROUPS

Chart 3.3 presents the TI rating distribution by country groups of 627 projects evaluated in 1996-2009. Central Asia continues to show markedly lower ratings than the other groups, with only 38 per cent of projects rated *Good* or *Excellent* for transition impact. This is a lower result than reported in the AEOR for 2009 (41%), but the proportion of projects rated *Satisfactory* for this region has risen. In total 35% of projects in Central Asia have been rated *Marginal* or lower, which is a rather high figure but better than in the past. SEE is again 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 EEC slightly below those in the other two regions.

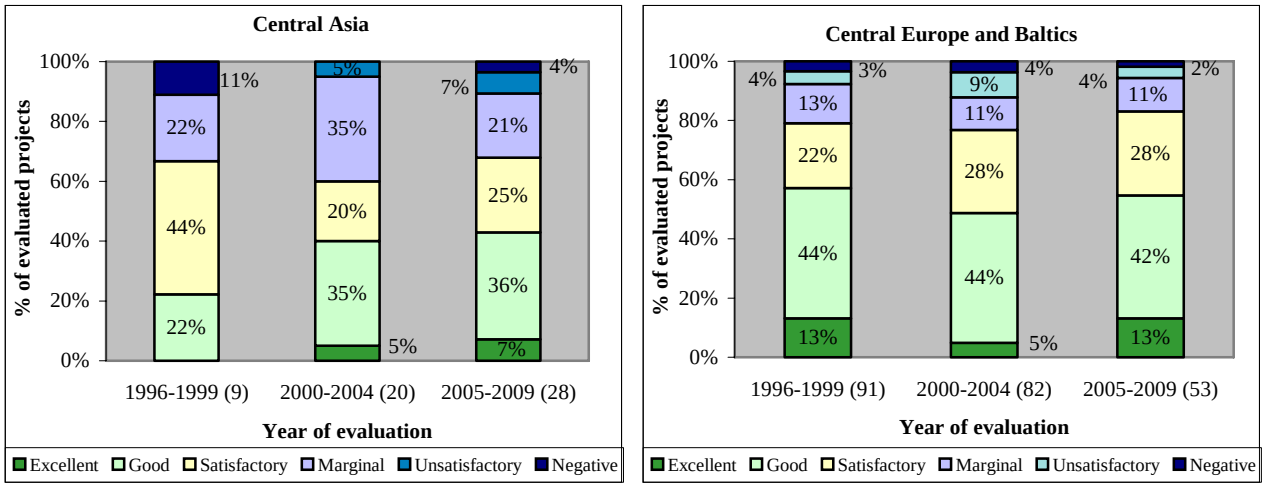
Chart 3.3: TI ratings of 627 post-evaluated investment operations in 1996-2009 by country groups

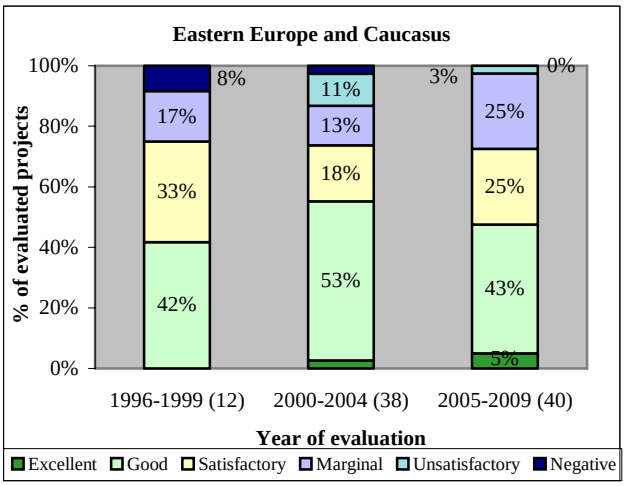


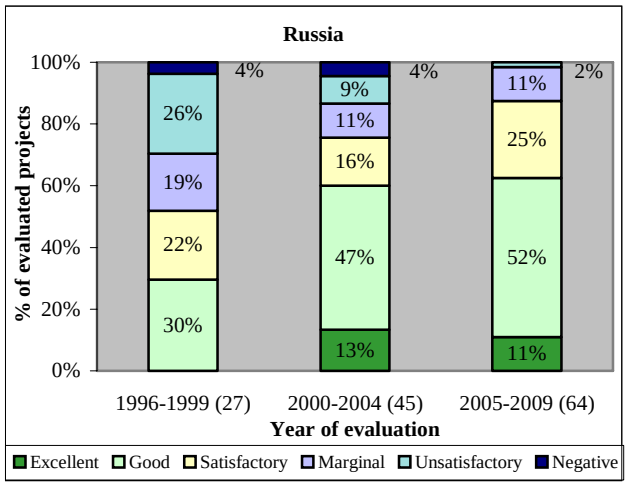
Note: 52 regional projects omitted
See chart 2.2 for list of countries in each region

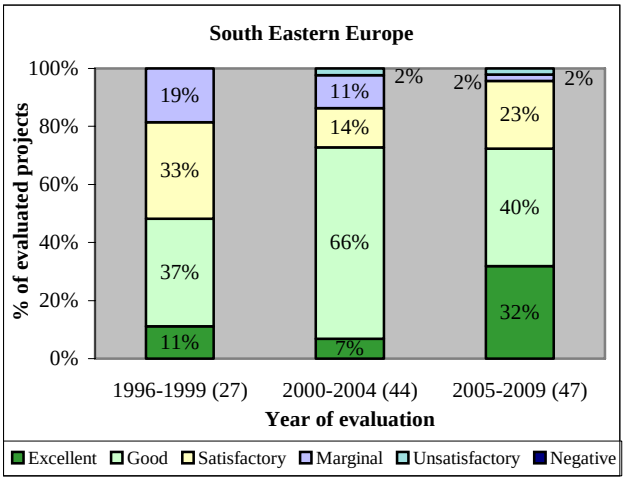
Time series analysis indicates that Transition Impact ratings have improved in recent years in most regions. In SEE, the best performing region, ratings at the *Excellent* to *Good* level have levelled off, though there is a continued increase in the proportion of projects rated *Excellent* or *Satisfactory*. In EEC the proportion of projects rated *Excellent* to *Good* has fallen in recent years and the proportion rated *Excellent* to *Satisfactory* is level. In the most recent period, 2005-2009, SEE was the best performing region with 72% of projects rated *Excellent* or *Good* and a further 25% rated *Satisfactory*. The worst performing region over the same period was Central Asia, with 43% of projects rated *Excellent* or *Good* and a further 25% rated *Satisfactory*.

Chart 3.4: Development of TI ratings over time for projects evaluated 1996-2009: presented by region







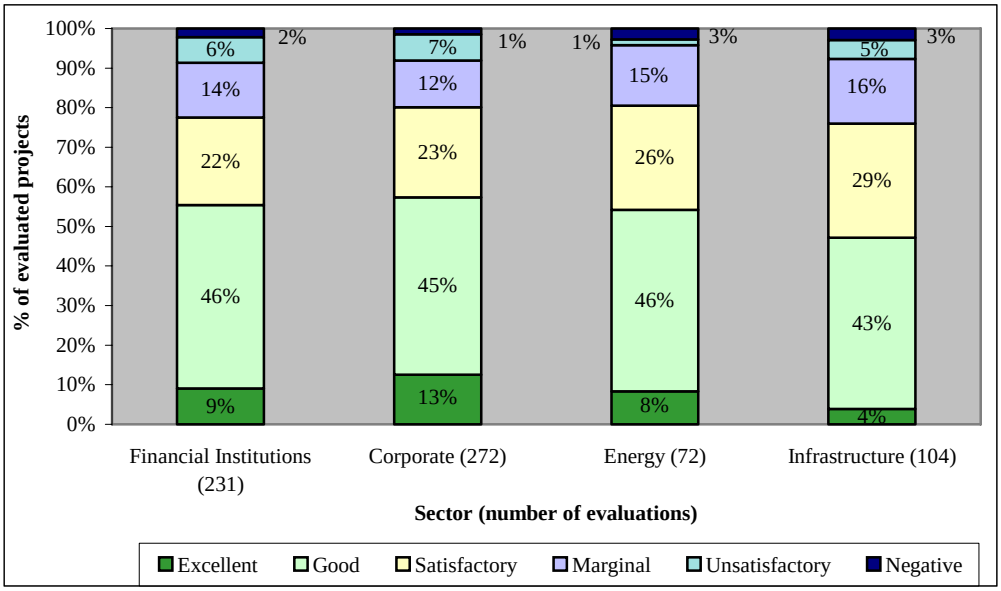


Note: 52 regional projects omitted
See chart 2.2 for list of countries in each region

3.8. TRANSITION IMPACT RATINGS BY SECTORS

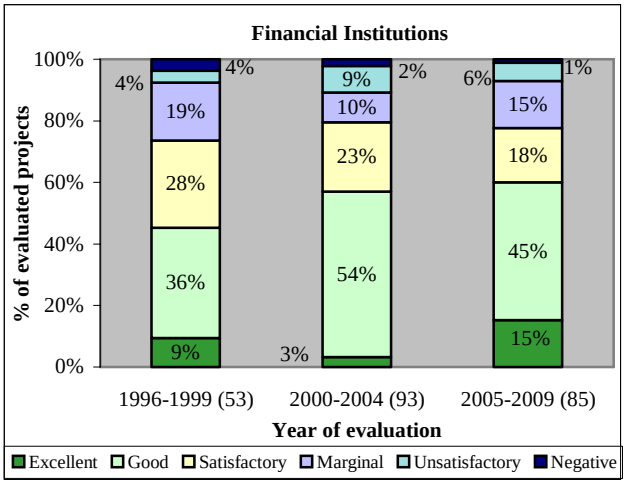
The sectoral breakdown for this indicator shows very little difference in performance between the four sectors. The Infrastructure sector has performed slightly less well than the other three sectors over the full period, and its results, in terms of projects rated *Good* or *Excellent* have fallen further in the most recent period. The proportion of projects rated *Satisfactory* has increased substantially during this period. The other three sectors have all seen improvements at the *Excellent* to *Good* level between the periods 2000-2004 and 2005-2009, although Financial Institutions has fallen slightly at the *Excellent* to *Satisfactory* level. In the Financial Institutions, Corporate and Energy sectors, transition impact ratings have improved between the periods 2000-2003 and 2004-2008. These results are shown in charts 3.5 and 3.6 below.

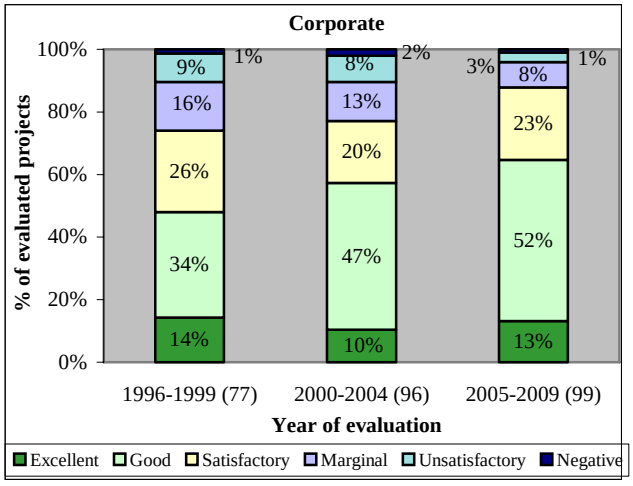
Chart 3.5: TI ratings 1996-2009 by sector groups (679 investment operations)

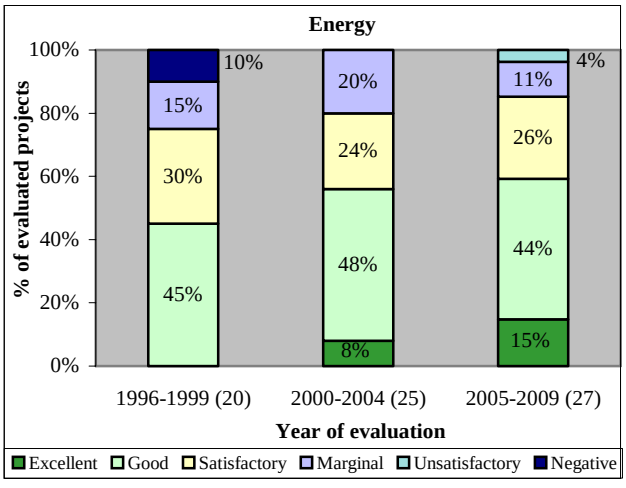


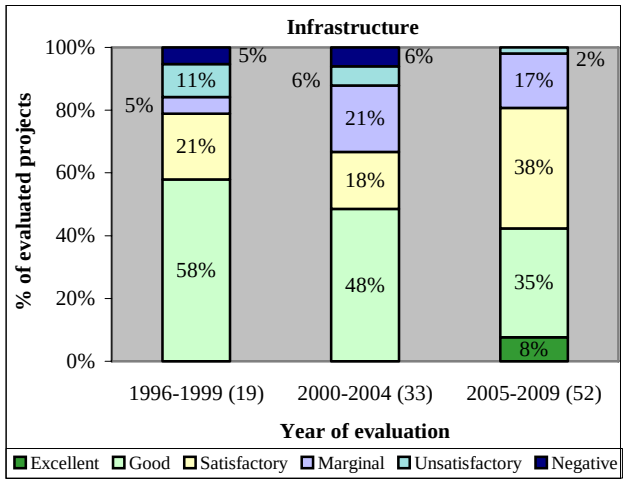
See chart 2.6 for description of each sector

Chart 3.6: Development of TI ratings over time for projects evaluated 1996-2009: presented by sector (679 investment operations)









4. ADDITIONALITY

4.4. 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 Appendix 1 of the Evaluation Policy of the EBRD. The table 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.

4.5. ADDITIONALITY RATINGS 1996-2009

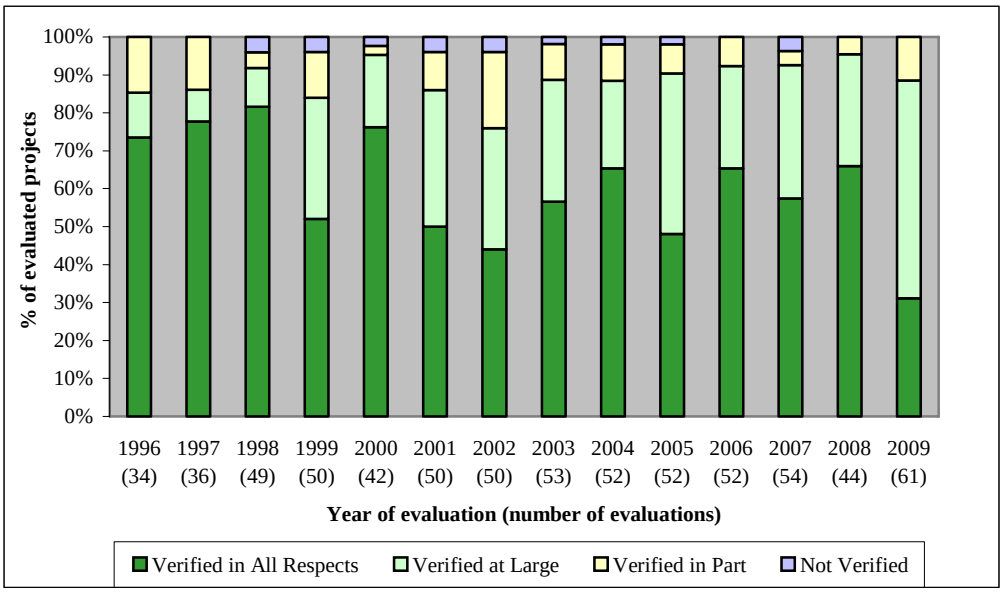
Of 679 operations evaluated in 1996-2009, 59 per cent had additionality *Verified in All Respects*, while 30 per cent had additionality *Verified at Large*. This left 11 per cent of projects with additionality *Verified in Part* or *Not Verified* (Table 4.2). Only 14 projects were rated in the latter group between 1996 and 2009, and none since 2007. A number of operations with low additionality were follow-on projects or otherwise linked to other facilities with the same client. 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 (679 investment operations evaluated 1996-2009)

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	1996-2009
Verified in All Respects	76%	78%	70%	72%	67%	64%	63%	63%	61%	62%	62%	62%	59%
Verified at Large	10%	10%	17%	17%	21%	23%	24%	24%	26%	26%	27%	27%	30%
Subtotal	*86%*	*88%*	*87%*	*89%*	*88%*	*87%*	*87%*	*87%*	*87%*	*88%*	*89%*	*89%*	*89%*
Verified in Part	14%	10%	11%	9%	9%	10%	10%	10%	10%	10%	9%	9%	9%
Not Verified	0%	2%	2%	2%	3%	3%	3%	3%	3%	2%	2%	2%	2%
Subtotal	*14%*	*12%*	*13%*	*11%*	*12%*	*13%*	*13%*	*13%*	*13%*	*12%*	*11%*	*11%*	*11%*
Total (No. of projects)	**70**	**119**	**169**	**211**	**261**	**311**	**364**	**416**	**468**	**520**	**574**	**618**	**679**

Regarding annual variations of additionality, it is striking that the only significant variation in recent years has been on the boundary between *Verified in All Respects* and *Verified at Large*. In 2009 the proportion of projects *Verified in All Respects* fell dramatically to 31%, its lowest-ever figure. It is difficult to account for this fall, or even to say whether it is anything more than a one-off anomaly. There have been previous years (1999, 2001-20002, 2005) when the proportion of projects *Verified in All Respects* has been far below the average and then recovered quickly. Rather than try to account in detail for the results of a single year, the Evaluation Department draws the attention of the Board and Management to this result and will watch this indicator closely over the next few years.

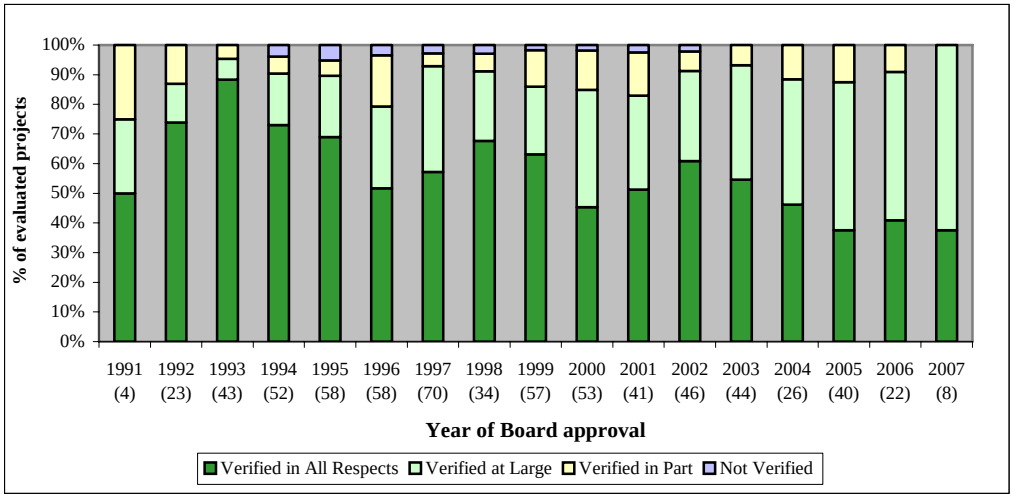
Chart 4.1: Additionality, percentage distribution of assigned ratings (679 investment operations evaluated 1996-2009)



4.6. ADDITIONALITY RATINGS BY YEAR OF BOARD APPROVAL

Additionality differs from other indicators in that it relates to conditions prevailing at the time of project approval, rather than performance since that date. Therefore it is worthwhile looking at the rating of Additionality by year of Board approval as well as by year of evaluation. Chart 4.2 below shows this.

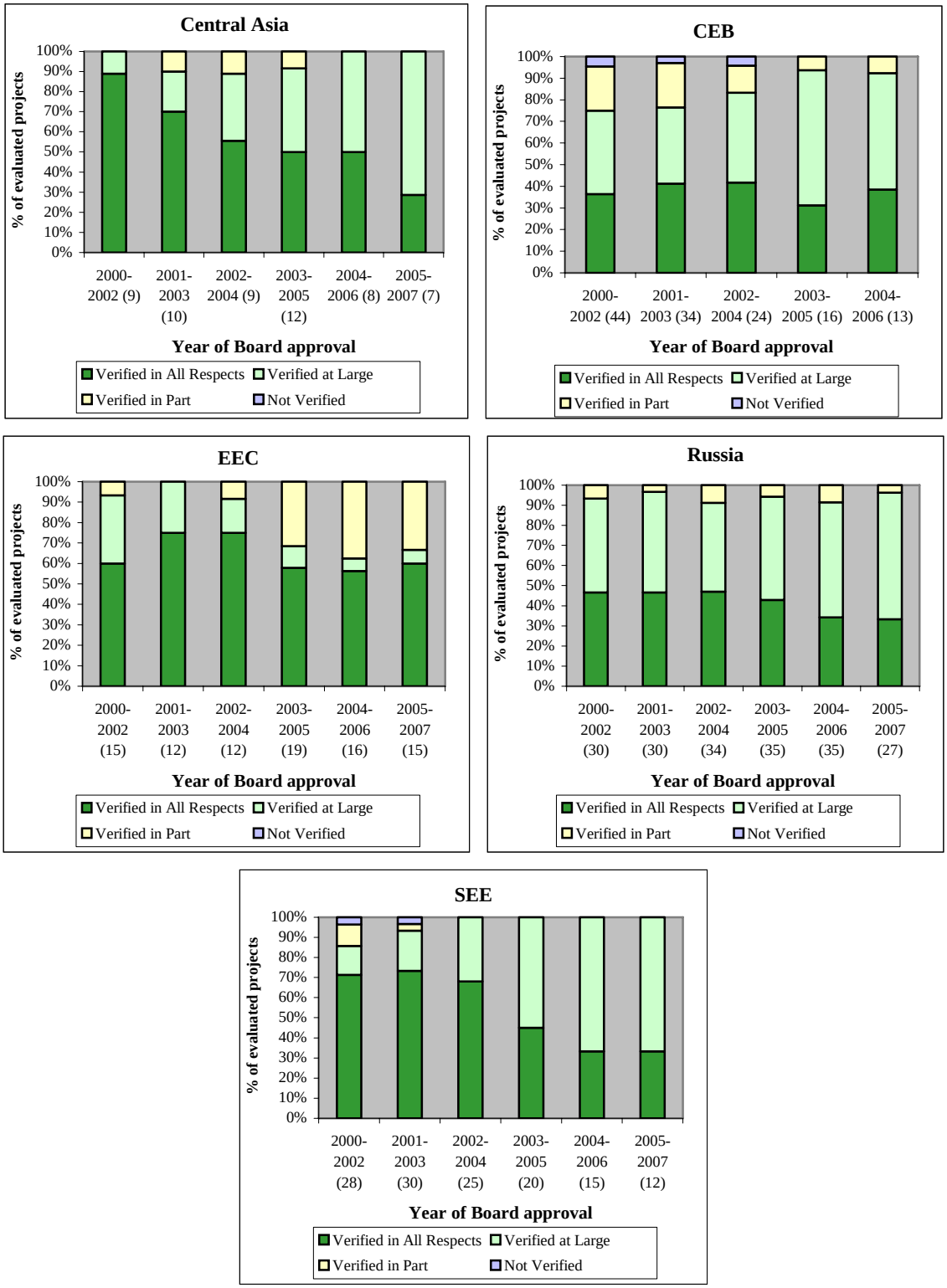
Chart 4.2: Additionality, percentage distribution of assigned ratings by year of approval (679 investment operations approved 1991-2007 and evaluated 1996-2009)



Only a small number of the evaluated projects were approved in 1991 or in 2007, so the results for those two years should not be considered very reliable. The years 1992-2006 all saw the approval by the Board of more than 20 operations in the evaluation database, so greater weight can be given to those figures. There is a clear decline time in the proportion of projects rated *Verified in All Respects* for Additionality. Following the Russian financial crisis in 1998, the projects approved in 1998 and 1999 showed relatively high Additionality, as might be expected. Since then, with some variation year-on-year, the proportion of projects rated *Verified in All Respects* has tended to decline, to around 40% in 2005-07. Of the projects evaluated in 2009, around three-quarters were approved in 2005-07. By chance, projects evaluated in 2008 and 2007 were not only approved earlier, but also over a wider range of years: 75% of projects evaluated in 2007 were approved in 2002-05, while 75% of projects evaluated in 2008 were approved 2001-06. Each year there are a few older projects which have taken longer than normal to become ready for evaluation. Therefore the sharp drop in ratings for Additionality in 2009 simply reflects a process that has been going on for some time and only now come sharply into focus.

Chart 4.3 below shows the results for each region separately. As the annual number of operations Board approved in each region is small and fluctuating, a rolling three-year figure has been used. The numbers are still rather small, particularly in Central Asia. With that proviso, this region and SEE most clearly show Additionality falling year on year. The effect is not seen in CEB and barely seen in Russia, which for some time have been the two regions with the lowest Additionality ratings. EEC shows a number of projects rated *Verified in Part*.

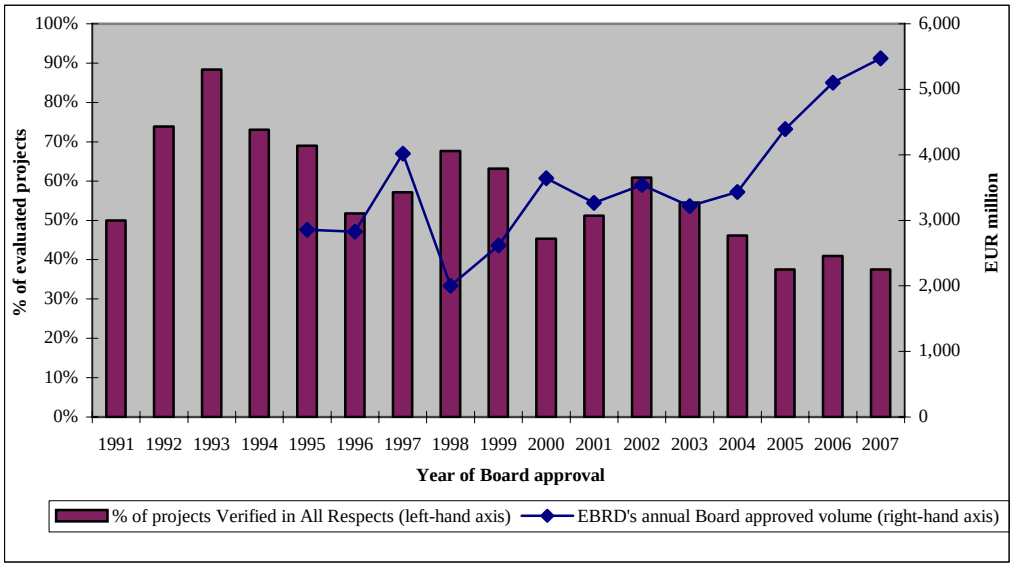
Chart 4.3: Additionality of evaluated projects by date of Board approval: three-year rolling sample



Intuitively, the Additionality of the Bank's projects might be expected to be inversely related to two external factors: the economic environment and the total volume of projects approved by the Bank. The reasoning behind the presumed link to the economy is fairly clear: in a difficult economic environment, EBRD's finance is in greater demand, and its conditions more acceptable. Tables 4.2 and 4.3 show Additionality falling during the "boom" years from around 2003 onwards. The argument for a relationship with the volume of approved projects is that if the Bank pursues larger volumes, it may be tempted to relax its requirement for

Additionality in its projects. Chart 4.4 makes a comparison of the proportion of evaluation projects rated *Verified in All Respects* with the total annual volume of Board-approved projects of the Bank.[11]

Chart 4.4: Additionality, percentage of projects *Verified in All Respects* by year of Board approval (679 investment operations approved 1991-2007 and evaluated 1996-2009) and total annual volume of Board approved projects



Although the inverse relationship is not rigid, there are a number of years where Additionality and volume are clearly moving in opposite directions: 1997-2001 and 2004 onwards. During the period from 1997, only 2002-03 do not show an inverse relationship between these two indicators. The correlation between the two series shown in Chart 4.3 is -0.81 for the full period 1995-2007 for which the figures are available. This is a strong negative correlation.

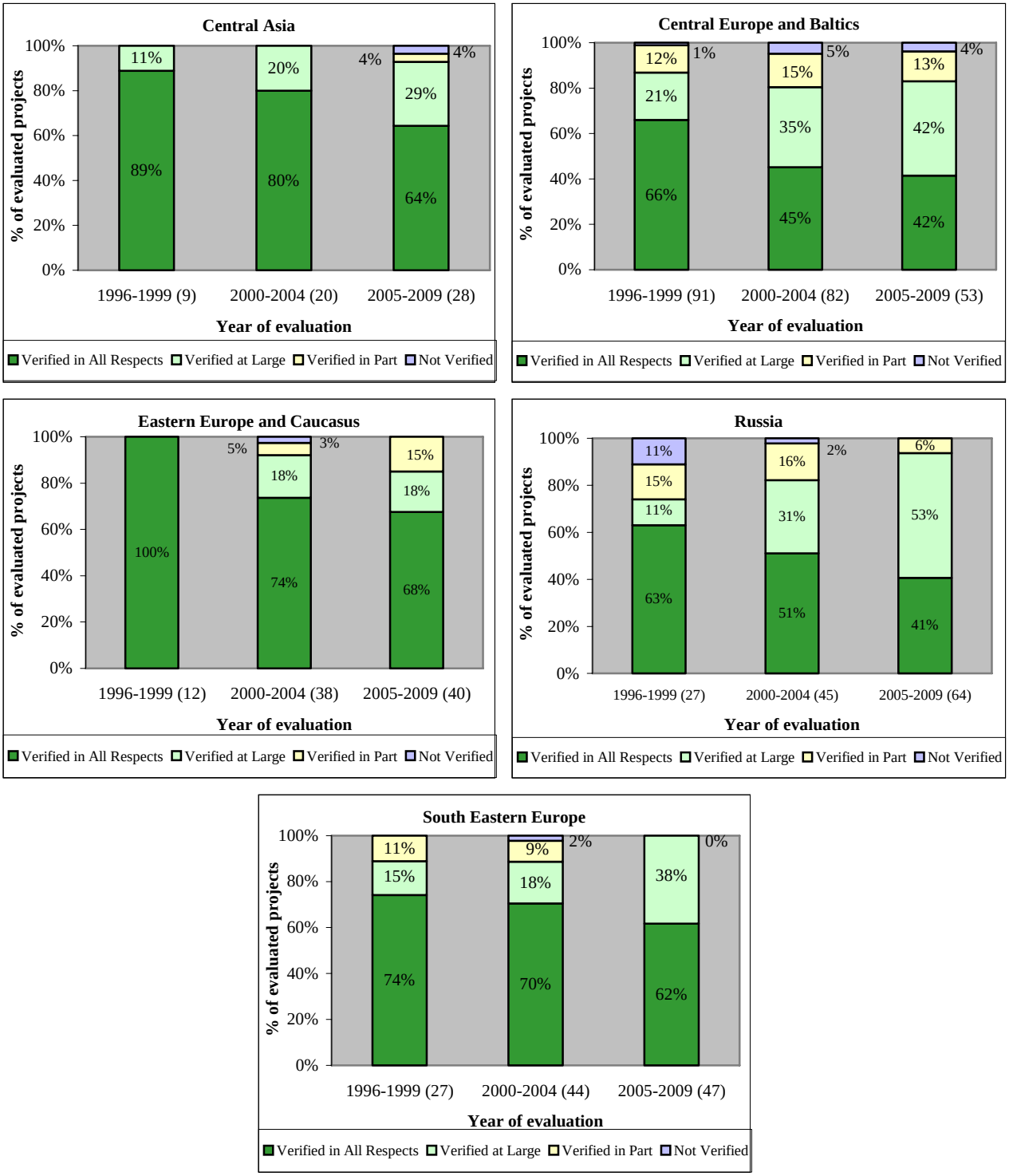
It should not be forgotten, of course, that the proportion of projects rated at least *Verified at Large* has remained high throughout the period.

4.7. ADDITIONALITY RATINGS BY REGION AND SECTOR

Chart 4.5 shows additionality ratings, by region and over time. All the regions show a falling proportion of projects with Additionality *Verified in All Respects* across the three periods. Russia and SEE show a rising level of projects *Verified at Large*, while CA also has a very high proportion of projects achieving this level. Particularly in recent years, most of the projects rated lower than this have been in CEE (17%) of EEC (15%). Russia in particular has improved on this indicator; in the 1990s it was the region with the highest proportion of projects rated *Not Verified* or *Verified in Part*.

[11] These data are available from 1995 onwards. A comparison using Annual Business Volume and signing date of evaluated projects does not show a strong relationship in the period to 2003, but gives the same clear result for the years from 2004 onwards.

Chart 4.5: Development of additionality ratings over time for projects evaluated 1996-2009: presented by region[12]

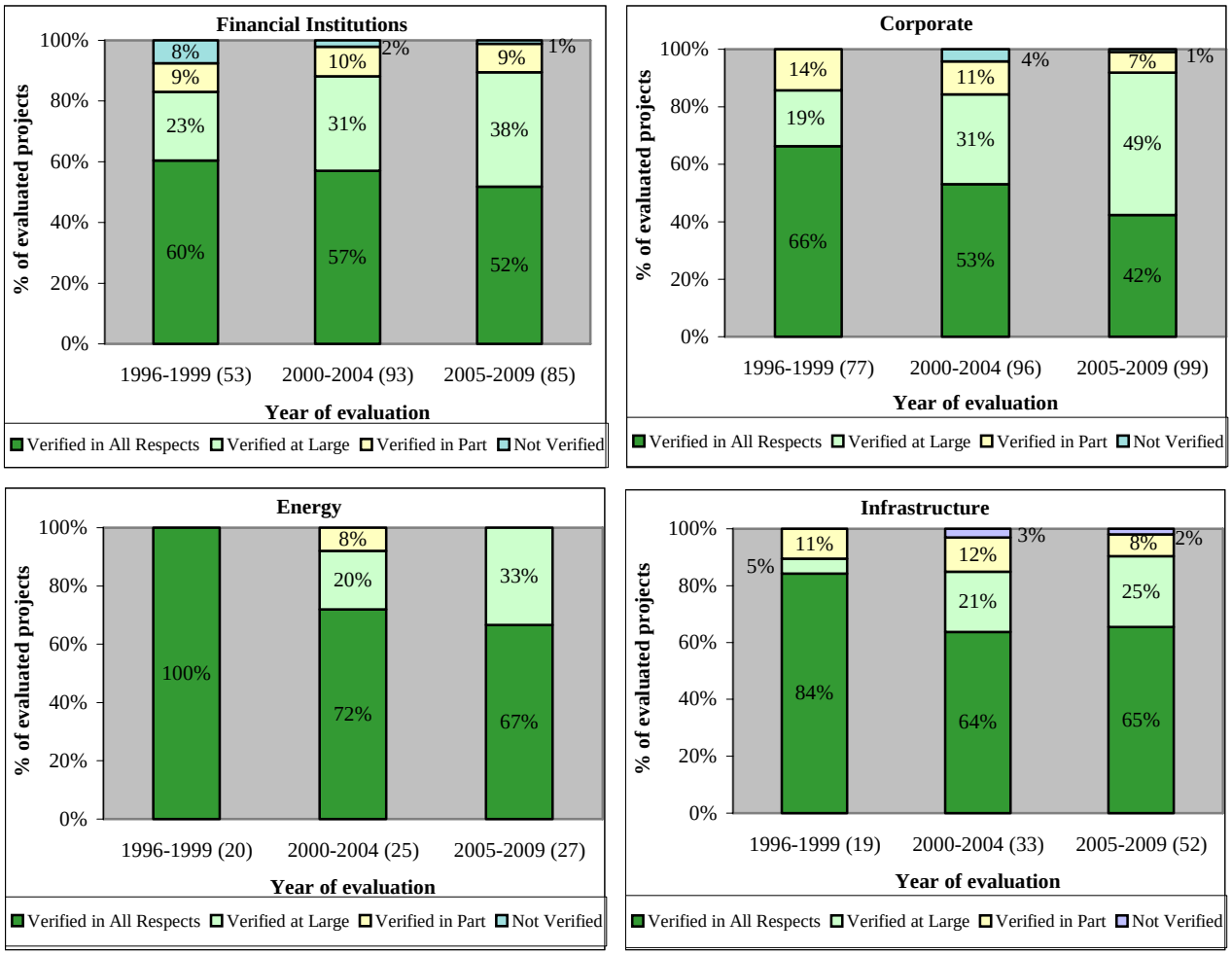


Note: 52 regional projects omitted
See chart 2.2 for list of countries in each region

Chart 4.6 indicates additionality ratings, by sector and over the same periods as above. The same pattern is seen of a falling proportion of projects with Additionality *Verified in All Respects*, and the Corporate sector has the lowest result for this in the most recent period. Energy sector projects are all *Verified at Large* or better, but the other sectors do not show much variation at this level.

[12] The unexpectedly high number of projects *Verified in Part* in the EEC region is caused by a series of operations with a single client, which were not rated as fully additional overall.

Chart 4.6: Development of additionality ratings over time for projects evaluated 1996-2009: presented by region



5. COMPANY AND PROJECT FINANCIAL PERFORMANCE

5.4. COMPANY AND PROJECT FINANCIAL PERFORMANCE RATINGS 1996-2009

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 Financial Performance is also assessed using indicators, such as financial internal rates of return (FIRR), which reflect a company's success and financial strength.[13] The financial performance ratings of 668 evaluated operations by the end of 2009[14] are presented in Charts 5.1 and 5.2:

[13] 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.
[14] 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 (668 investment operations evaluated 1996-2009)

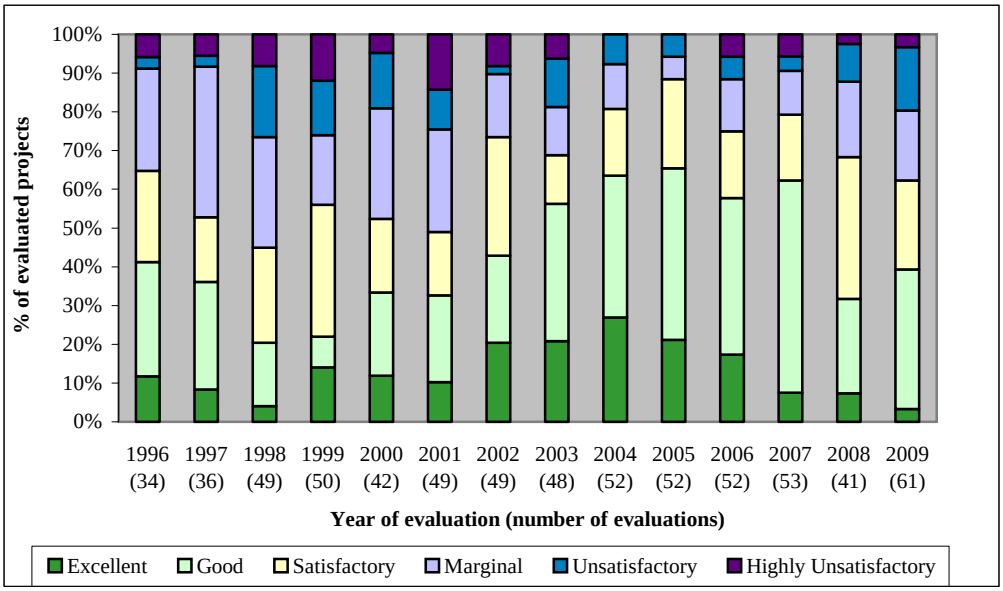


Table 5.1: Company performance, percentage distribution of assigned ratings (668 investment operations evaluated 1996-2009)

	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008	1996-2009
Excellent	10%	12%	13%	15%	15%	16%	15%	14%	13%
Good	20%	20%	22%	24%	26%	28%	30%	30%	31%
Satisfactory	23%	24%	23%	22%	22%	21%	21%	22%	22%
Subtotal	*53%*	*56%*	*58%*	*61%*	*63%*	*65%*	*66%*	*66%*	*66%*
Marginal	27%	26%	24%	22%	21%	20%	19%	19%	19%
Unsatisfactory	11%	9%	10%	10%	9%	9%	8%	9%	9%
Highly Unsatisfactory	9%	9%	8%	7%	7%	6%	7%	6%	6%
Subtotal	*47%*	*44%*	*42%*	*39%*	*37%*	*35%*	*34%*	*34%*	*34%*
Total (No. of projects)	**260**	**309**	**357**	**409**	**461**	**513**	**566**	**607**	**668**

Chart 5.2: Project performance, percentage distribution of assigned ratings (668 investment operations evaluated 1996-2008)

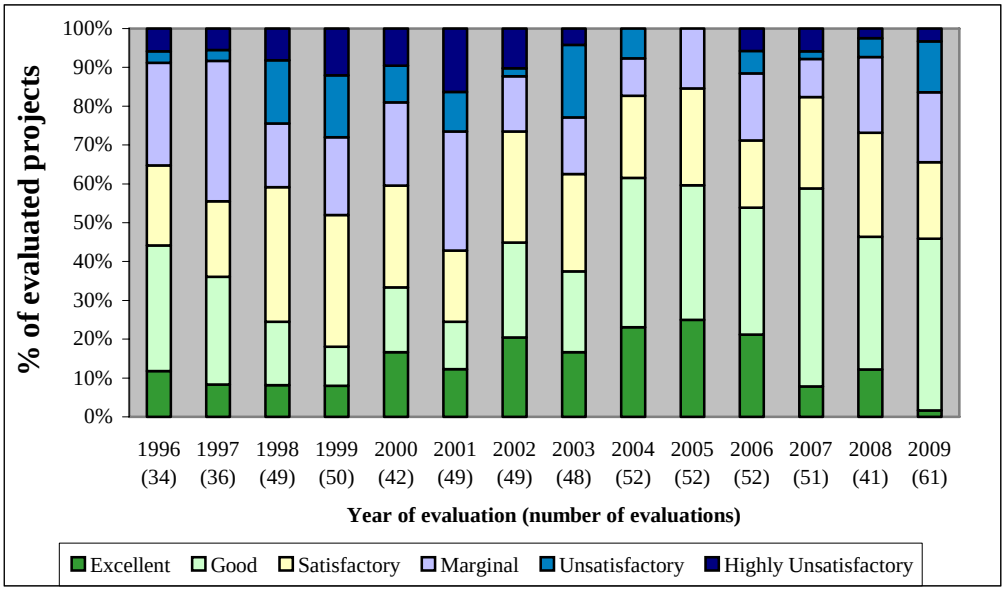


Table 5.2: Project performance, percentage distribution of assigned ratings (668 investment operations evaluated 1996-2009)

	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008	1996-2009
Excellent	11%	12%	13%	14%	15%	16%	15%	15%	14%
Good	18%	19%	19%	22%	23%	24%	26%	26%	29%
Satisfactory	26%	27%	26%	26%	26%	25%	25%	25%	24%
Subtotal	*55%*	*58%*	*58%*	*62%*	*64%*	*65%*	*66%*	*66%*	*67%*
Marginal	25%	23%	23%	20%	20%	19%	19%	19%	19%
Unsatisfactory	10%	9%	10%	10%	9%	9%	8%	8%	8%
Highly Unsatisfactory	10%	10%	9%	8%	7%	7%	7%	7%	6%
Subtotal	*45%*	*42%*	*42%*	*38%*	*36%*	*35%*	*34%*	*34%*	*33%*
Total (No. of projects)	**260**	**309**	**357**	**409**	**461**	**513**	**566**	**607**	**668**

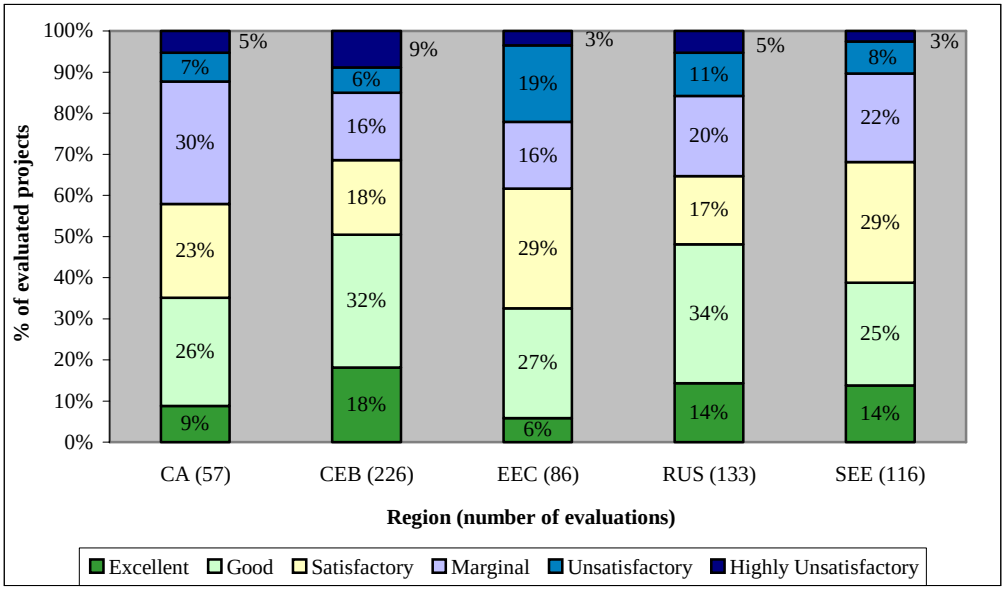
The close correlation between Company and Project Financial Performance reflects the fact that these ratings may be identical (as in greenfield investments) or closely interrelated. The above tables show that results tended to improve after a low period in 1998-2001, although this improvement levelled off after 2004-05 and then fell noticeably in 2008-09. Company Financial Performance in particular saw a substantial fall in 2008. It is not at all surprising to see the current exceptional economic conditions reflected in the outcomes for these two indicators in particular. As discussed in section 9 of this appendix, the Bank's Investment Performance has also declined in the last year. Project Financial Performance has fallen less than Company Financial Performance, which indicates that the specific investment projects financed by the Bank are in many cases doing better than the client company as a whole.

5.5. 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, with all regions achieving more than 60% of projects in these categories but with CA and EEC slightly below the other 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 *Marginal* varies between 10 and 18 per cent, the highest proportion being in Russia.

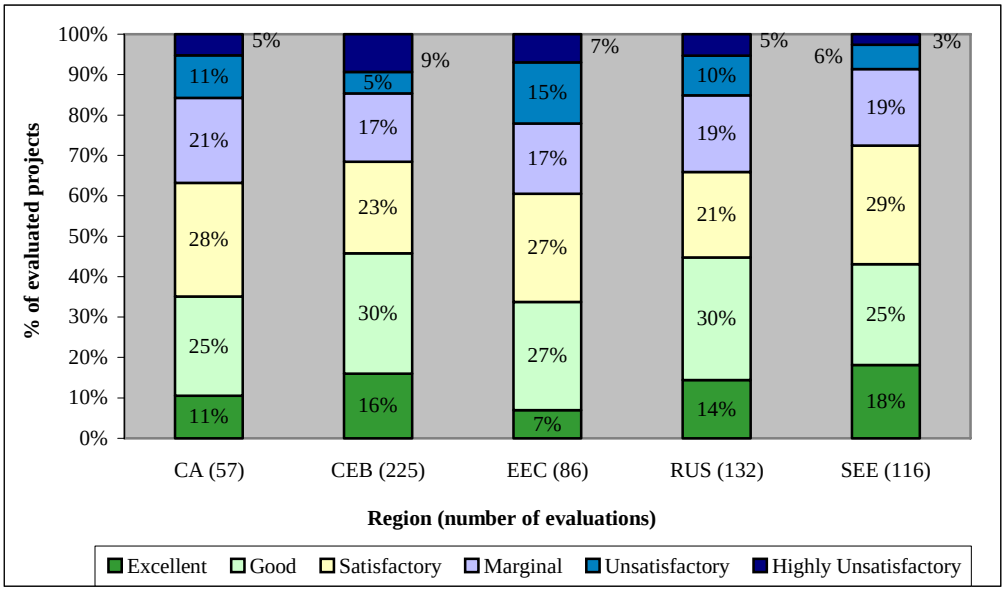
It should also be noted that this indicator, like many others, is rated with reference to the projections made at appraisal, so that an *Excellent* or *Good* rating means that the project has outperformed projections. This helps to explain why more advanced transition regions do not always outperform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

Chart 5.3 Company performance ratings by country groups
(618 investment operations evaluated 1996-2009)



Note: 50 regional projects omitted
See chart 2.2 for list of countries in each region

Chart 5.4 Project performance ratings by country groups
(618 investment operations evaluated 1996-2009)

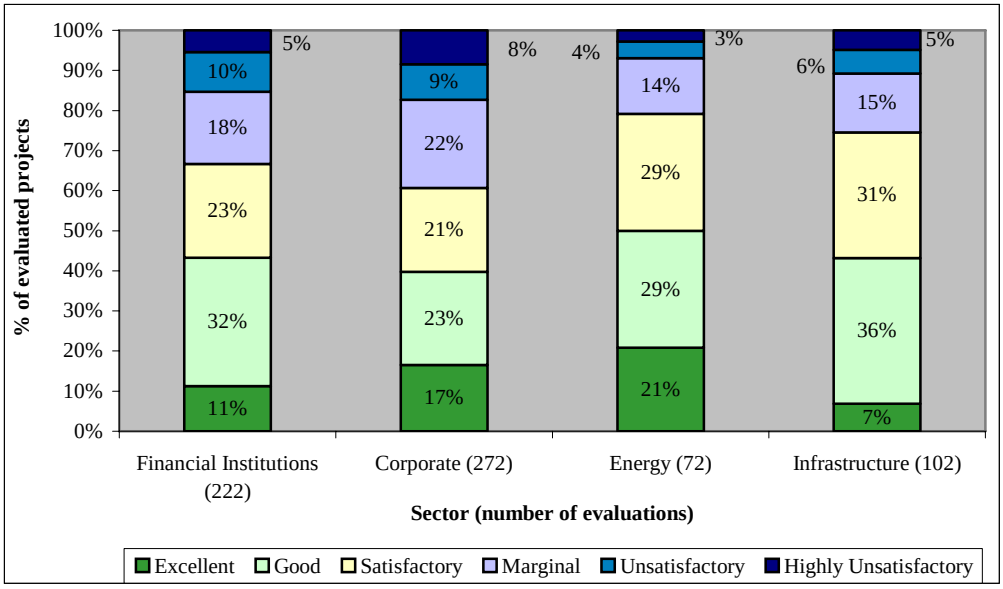


Note: 50 regional projects omitted
See chart 2.2 for list of countries in each region

5.6. 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 is slightly below Financial Institutions or Infrastructure. At the level of *Satisfactory* or better ratings, the pattern is similar but more pronounced. The Corporate sector has a large number of projects with relatively extreme ratings, either *Excellent* (17%) or less than *Marginal* (17%).

Chart 5.5 Project performance ratings by sector groups
(668 investment operations evaluated 1996-2009)



6. FULFILMENT OF PROJECT OBJECTIVES

Fulfilment and relevance of project objectives is assessed against the objectives submitted at project approval. Chart 6.1 presents ratings achieved by evaluated projects for fulfilment of objectives. Ratings for this indicator have held up fairly well in 2009. The proportion of projects rated *Satisfactory* or better has continued to rise reached its highest level since 1996. The proportion rated *Good* or *Excellent* is rather lower than in 2004-05, but has not deteriorated in 2009. This is a welcome result in the current climate.

Chart 6.1: Fulfilment of objectives, percentage distribution of assigned ratings
(672 investment operations evaluated 1996-2009)

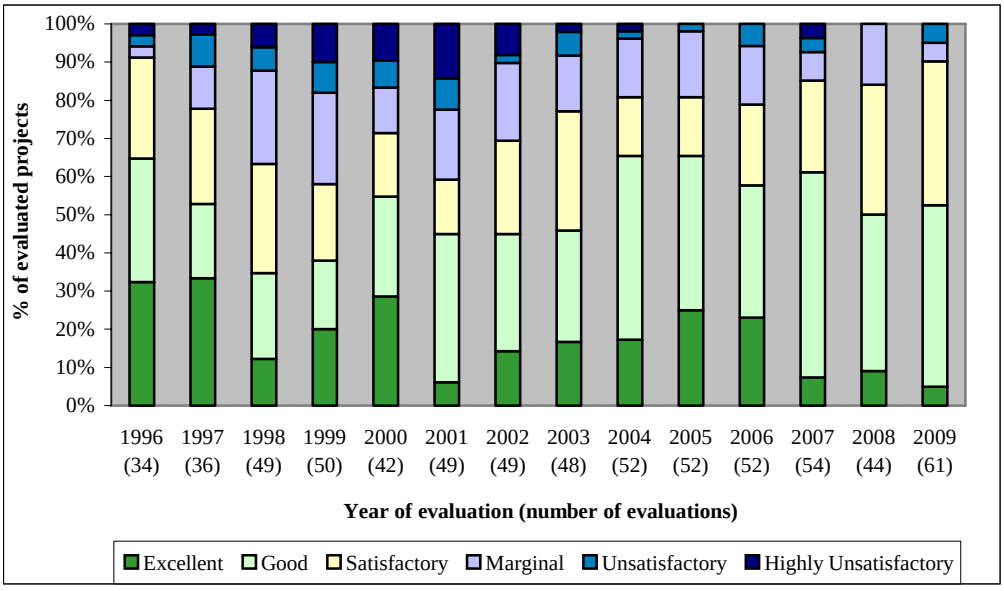


Table 6.1: Fulfilment of objectives, percentage distribution of assigned ratings (672 investment operations evaluated 1996-2009)

	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008	1996-2009
Excellent	21%	20%	19%	19%	20%	20%	19%	18%	17%
Good	26%	27%	27%	30%	31%	32%	33%	34%	35%
Satisfactory	22%	22%	23%	22%	21%	21%	22%	23%	24%
Subtotal	*68%*	*68%*	*69%*	*71%*	*72%*	*73%*	*74%*	*75%*	*76%*
Marginal	17%	17%	17%	17%	17%	17%	16%	15%	15%
Unsatisfactory	7%	6%	6%	6%	5%	5%	5%	5%	5%
Highly Unsatisfactory	8%	8%	7%	7%	6%	5%	5%	5%	4%
Subtotal	*32%*	*32%*	*31%*	*29%*	*28%*	*27%*	*26%*	*25%*	*24%*
Total (no. of projects)	**260**	**309**	**357**	**409**	**462**	**513**	**567**	**611**	**672**

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 664 evaluated projects during 1996-2009[15].

7.2. ENVIRONMENTAL AND SOCIAL RATING SYSTEM

The series from 1996-2009 covers two environmental dimensions: The first dimension concerns environmental and social performance[16] of the sponsor, e.g. the preparation and implementation of environmental action plans; compliance with contractual environmental conditions and national and EU 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. Starting from 2008, EvD has introduced a new indicator of Environmental Impact on a pilot basis. This combines the two existing indicators in a ratio that is determined by the potential for environmental change at entry. A full description is given in Appendix 5 of the AEOR for 2008 (BDS08-113(F)).

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 664 evaluated projects in 1996-2009.

[15] Two projects evaluated through Special Studies were not rated for Environmental Performance or Extent of Environmental Change. A further 13 projects were rated "not applicable" for Environmental Performance and 14 for Environmental Change because they were judged to have no environmental implications.

[16] From 2003 onwards, the social elements were incorporated in the new environmental policy. From that time onwards the rating category in fact covers environmental as well as social performance.

Chart 7.1: Environmental and social performance, percentage distribution of assigned ratings (664 investment operations evaluated 1996-2009)

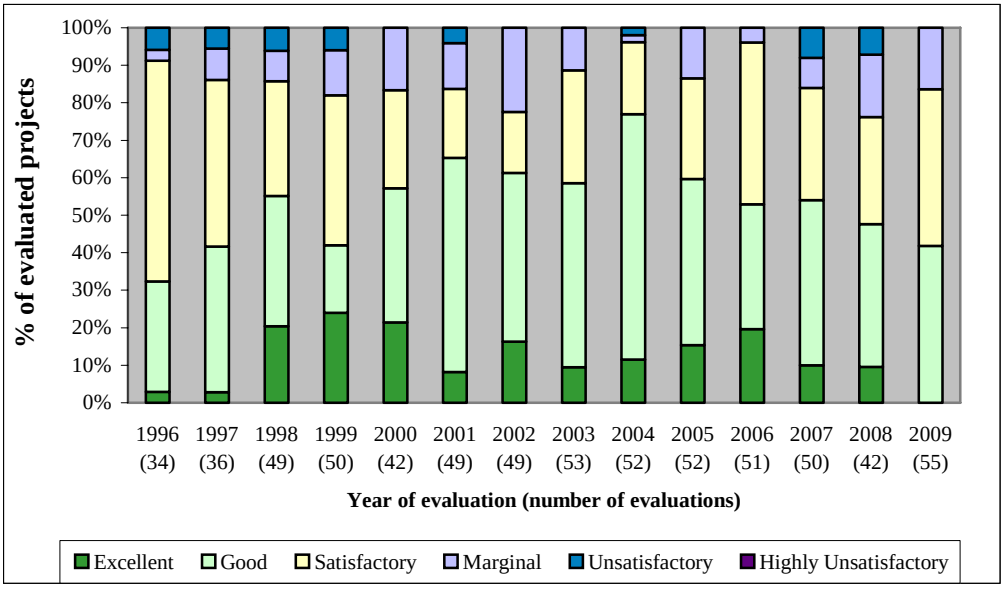


Table 7.1: Environmental and social performance, percentage distribution of assigned Ratings (664 investment operations evaluated 1996-2009)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008	1996-2009
Excellent	3%	10%	14%	16%	14%	15%	14%	14%	14%	14%	14%	14%	13%
Good	34%	34%	30%	31%	36%	37%	39%	42%	42%	42%	42%	41%	41%
Satisfactory	51%	43%	42%	39%	35%	32%	32%	30%	30%	31%	31%	31%	32%
Subtotal	*89%*	*87%*	*86%*	*85%*	*85%*	*84%*	*85%*	*86%*	*86%*	*87%*	*87%*	*86%*	*86%*
Marginal	6%	7%	8%	10%	10%	12%	12%	11%	11%	10%	10%	11%	11%
Unsatisfactory	6%	6%	6%	5%	5%	4%	3%	3%	3%	3%	3%	3%	3%
Highly Unsatisfactory	0%	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%*	*14%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**466**	**517**	**567**	**610**	**664**

Chart 7.2: Extent of environmental change, percentage distribution of assigned ratings (663 investment operations evaluated 1996-2009)

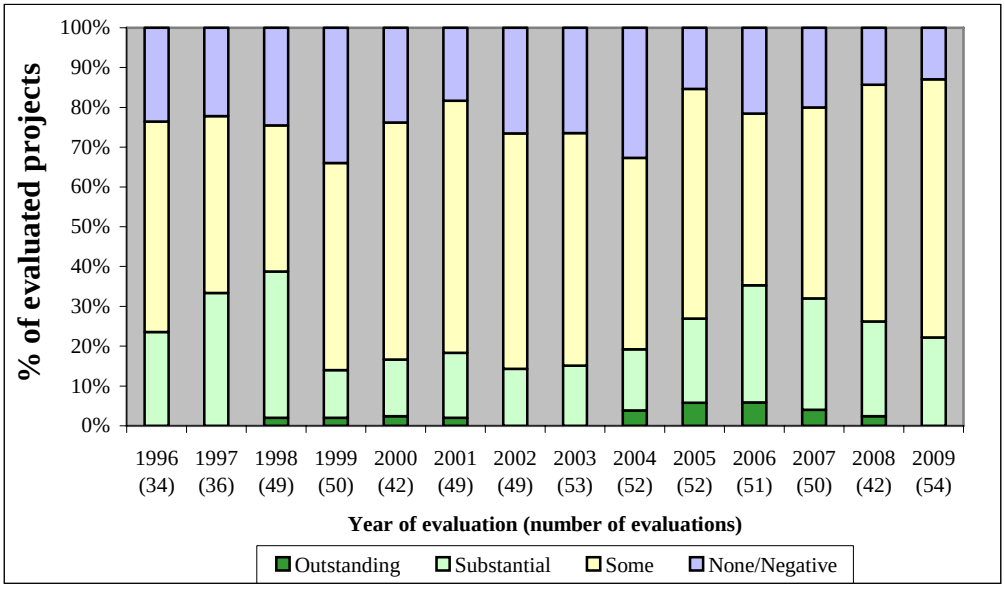


Table 7.2 Extent of environmental change, percentage distribution of assigned ratings (663 investment operations evaluated 1996-2009)

	1996-97	1996-98	1996-99	1996-2000	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008	1996-2009
Outstanding	0%	1%	1%	1%	2%	1%	1%	1%	2%	2%	2%	2%	2%
Substantial	29%	32%	26%	24%	22%	21%	20%	20%	20%	21%	21%	22%	22%
Subtotal	*29%*	*33%*	*27%*	*25%*	*24%*	*22%*	*21%*	*21%*	*22%*	*23%*	*23%*	*24%*	*24%*
Some	49%	44%	46%	49%	52%	53%	54%	53%	53%	52%	53%	53%	53%
None/ Negative	23%	24%	27%	26%	25%	25%	25%	26%	25%	25%	24%	23%	23%
Subtotal	*71%*	*67%*	*73%*	*75%*	*76%*	*78%*	*79%*	*79%*	*78%*	*77%*	*77%*	*76%*	*76%*
Total (no. of projects)	**70**	**119**	**169**	**211**	**260**	**309**	**362**	**414**	**466**	**517**	**567**	**610**	**663**

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 24 per cent of the cases, *Some* for 53 per cent and *None/Negative* for 23 per cent.[17]

7.4. ENVIRONMENTAL AND SOCIAL IMPACT RATING

In 2008 the Evaluation Department introduced a new rating for Environmental and Social Impact (ESI) on a trial basis. This takes account of both Environmental Performance and Environmental Change. To date, 54 evaluated projects have been rated for this indicator, and the outcomes are shown in Table 7.3 below. EvD recommends that either the Bank (ESD) begin to fully utilize the new indicator or the pilot be discontinued.

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

Table 7.3 Environmental and social impact, percentage distribution of assigned ratings (54 investment operations evaluated 2008-09)

	Excellent	Good	Satisfactory	*Sub-total*	Marginal	Unsatisfactory	Highly Unsatisfactory	*Sub-total*	No. of evaluations
2008	8%	32%	28%	68%	28%	4%	0%	32%	25
2009	0%	58%	14%	72%	28%	0%	0%	28%	29
Total	**4%**	**46%**	**20%**	**70%**	**28%**	**2%**	**0%**	**30%**	**54**

8. BANK HANDLING

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

Chart 8.1: Bank Handling, percentage distribution of assigned ratings (671 investment projects evaluated 1996-2009)

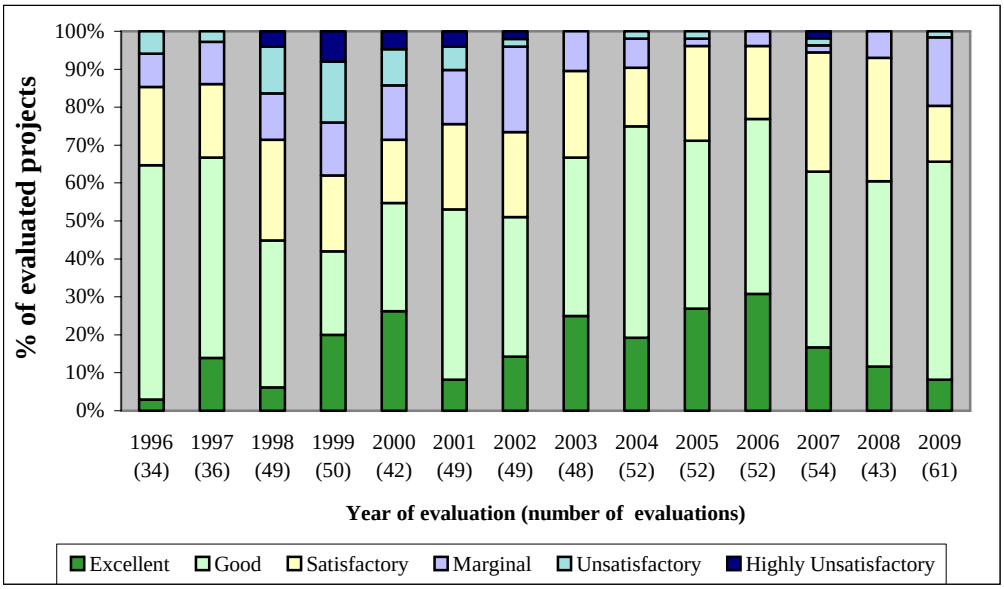


Table 8.1: Bank Handling, percentage distribution of assigned ratings (671 investment projects evaluated 1996-2009)

	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008	1996-2009
Excellent	13%	13%	15%	15%	17%	18%	18%	18%	17%
Good	40%	40%	40%	42%	42%	43%	43%	43%	45%
Satisfactory	21%	21%	22%	21%	21%	21%	22%	22%	22%
Subtotal	*74%*	*74%*	*76%*	*78%*	*80%*	*82%*	*83%*	*83%*	*84%*
Marginal	13%	14%	14%	13%	12%	11%	10%	10%	10%
Unsatis-factory	9%	8%	7%	6%	6%	5%	5%	5%	4%
Highly Unsatis-factory	4%	4%	3%	3%	2%	2%	2%	2%	2%
Subtotal	*26%*	*26%*	*24%*	*22%*	*20%*	*18%*	*17%*	*17%*	*16%*
Total (no. of projects)	**260**	**309**	**357**	**409**	**461**	**513**	**567**	**610**	**671**

The results show that 622 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.

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 inputs actual recorded costs and risk adjustments to recalculate the investment performance at the time of evaluation.

Chart 9.1: Bank Investment Performance, percentage distribution of assigned ratings (289 investment projects evaluated 1996-2009)

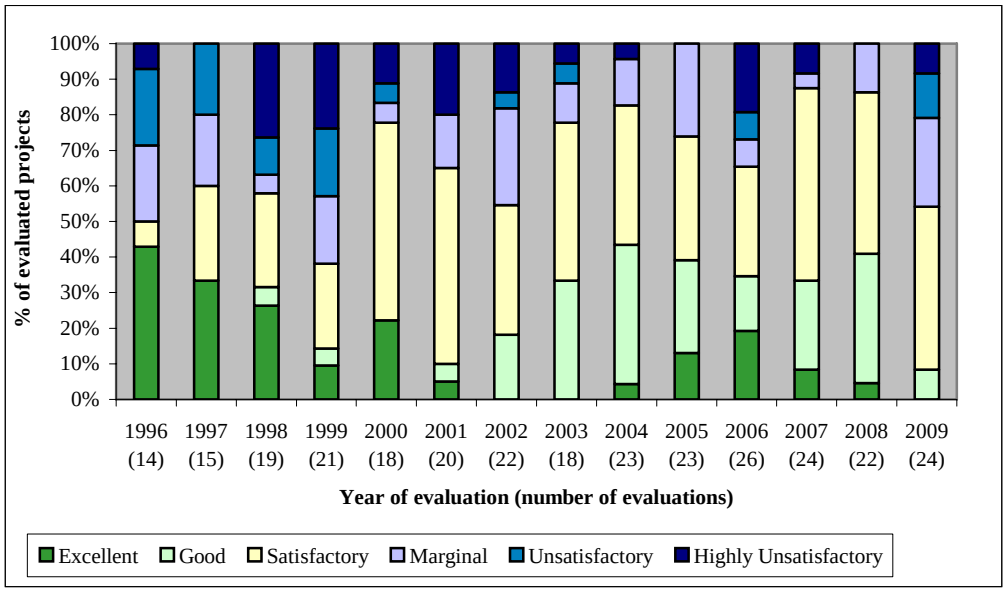


Table 9.1: The Bank's investment performance, ratings distribution in OPER reports 1996-2009

	1996-2001	1996-2002	1996-2003	1996-2004	1996-2005	1996-2006	1996-2007	1996-2008	1996-2009
Excellent	21%	18%	16%	14%	14%	15%	14%	13%	12%
Good	3%	5%	9%	13%	14%	15%	16%	17%	17%
Satisfactory	34%	34%	35%	36%	36%	35%	37%	38%	38%
Subtotal	*58%*	*57%*	*60%*	*63%*	*64%*	*65%*	*67%*	*68%*	*67%*
Marginal	14%	16%	16%	15%	17%	15%	14%	15%	15%
Unsatisfactory	12%	11%	10%	9%	8%	8%	7%	6%	7%
Highly Unsatisfactory	16%	16%	14%	13%	11%	12%	12%	11%	11%
Subtotal	*42%*	*43%*	*40%*	*37%*	*36%*	*35%*	*33%*	*32%*	*33%*
Total (no. of projects)	**107**	**129**	**147**	**170**	**193**	**219**	**243**	**265**	**289**

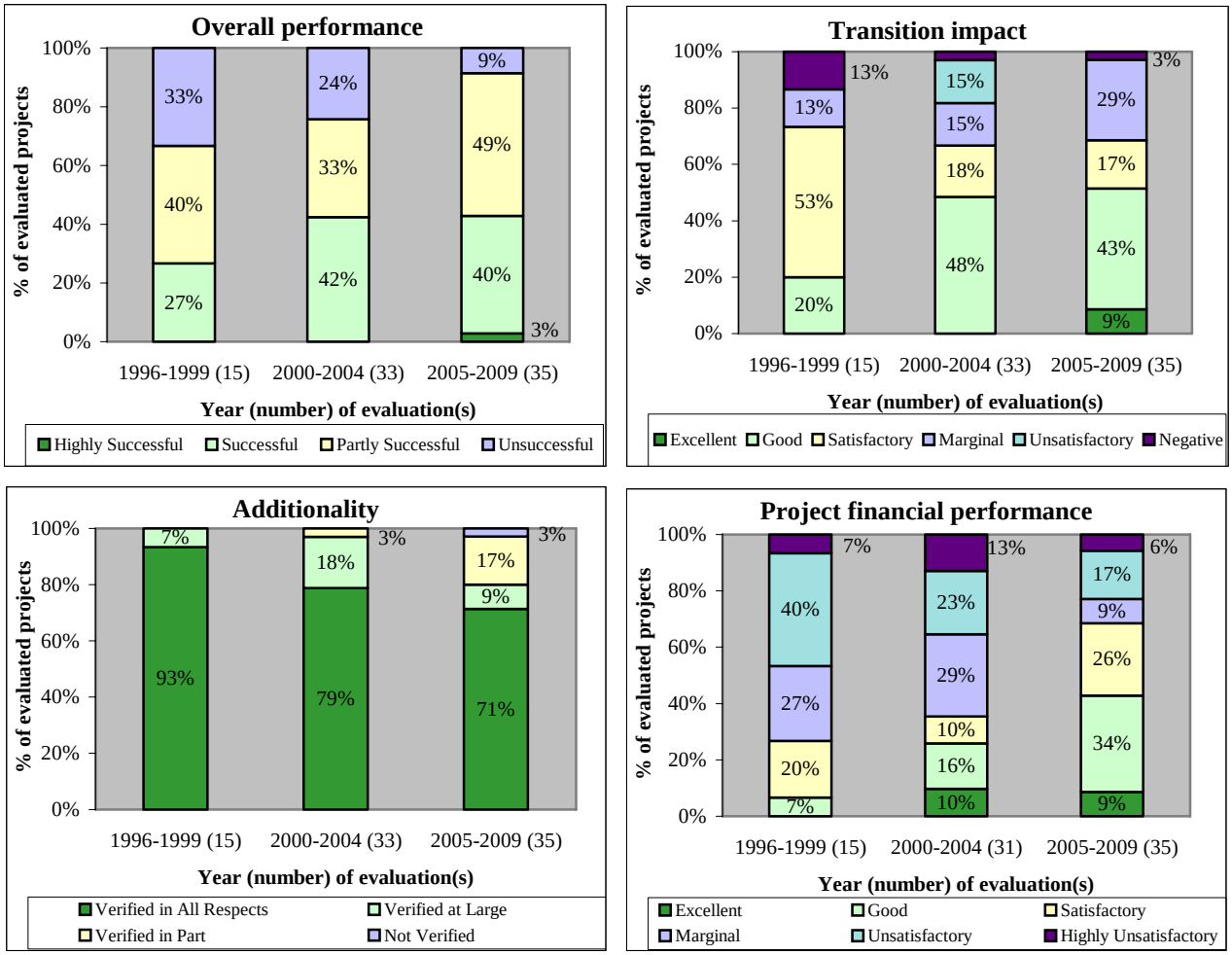
The sample number is smaller than for other indicators as only OPER reports are rated for this indicator. Starting from 2009, the indicator will be applied to XMR Assessments as well. Over the period, 67 per cent of fully evaluated operations achieved a *Satisfactory* or better rating for investment performance. The Investment Performance of projects evaluated in 2009 was markedly lower than in previous years. Only 54% of evaluated projects achieved a *Satisfactory* rating or better, indicating that the project was expected to cover its direct and indirect costs and make a contribution to the Bank's profitability. Only two projects achieved

a *Good* rating, which means that the project achieved the return required for a *Satisfactory* rating and performed better than projected at appraisal. A further 25% of projects evaluated in 2009 were rated *Marginal*, meaning that they were expected to cover direct but not indirect costs. These results are not unexpected in the current economic climate. Given that most operations are still active and repaying at the time of evaluation, they do not necessarily mean that the operations will turn out loss-making in the longer term. The rating of loan operations is affected by factors including specific provisions and risk adjustments made at the facility and country level, while the rating of equity operations will be affected by lower equity valuations.

10. EVALUATION PERFORMANCE RATINGS IN EARLY TRANSITION COUNTRIES

In past years, the AEOR reported on performance ratings in early transition countries (ETCs). Last 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 was 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 (83 investment projects evaluated 1996-2009)



The Overall Performance rating is lower than in all other regions except Central Asia. It has shown improvement over time, although the proportion of projects rated *Successful* or *Highly Successful* has not changed much over the last two periods. The proportion of projects rated *Unsuccessful* in the last five years has been only 9% - virtually the same as in the entire population (8% over this period). The performance on Transition Impact has followed a similar pattern, with no recent increase in the proportion rated *Satisfactory* or better, but a continued fall in the number of projects rated *Unsatisfactory*. Although progress appears to have stalled to some degree, Transition Impact ratings in the ETC group are better than in the Central Asia and EEC groups, which cover the ETC countries plus some others. This means that ETC countries are performing better than other countries in the same regions in terms of the evaluated Transition Impact of the Bank's projects.

Project Financial Performance is still lower in this region than elsewhere, but it has continued to improve strongly over time. This is important because previous AEORs have commented on the necessity for financial sustainability in order for Transition Impact to be achieved.

It is surprising that 20% of projects in the period 2005-09 did not have Additionality *Verified at Large* or *Verified in All Respects*. This results mostly from a series of operations with a particular bank, which were rated *Verified in Part*.

Annex 1 to Appendix 8

ADDITIONAL TABLES AND CHARTS RELATING TO APPENDIX 8

Table 1: Overall performance, percentage distribution of assigned ratings (679 investment operations evaluated 1996-2009)

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
2009	8%	41%	*49%*	48%	3%	*51%*	61
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
1996-2009	13%	29%	*42%*	48%	10%	*58%*	679

Table 2: Transition Impact ratings of 679 investment operations evaluated –1996-2009

Year of evaluation	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%	9%	*14%*	31%	48%	7%	*86%*	44
2009	0%	3%	22%	*25%*	16%	51%	8%	*75%*	61
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
1996-2009	2%	6%	13%	*21%*	24%	45%	10%	*79%*	679

ANALYSIS OF FACTORS AFFECTING PERFORMANCE IN EVALUATION REPORTS: SUPPORTING MATERIAL TO CHAPTER 3

1. THE ORDERED LOGIT MODEL

A.1.0 REFERENCES

Train, K.E. "Discrete Choice Methods with Simulation" 2nd Edition, Chapter 7, *Cambridge University Press*

A.1.1 INTRODUCTION

One of the difficulties faced in this analysis is that the variables that are being investigated in this project are fundamentally unquantifiable and not fully observable. It is difficult to place OPER ratings like project success or transition impact on a continuous scale on the real line and of course any attempt to do so would be highly subjective. Instead, ordered, discrete categorisations are used; a project is "Highly Successful", "Successful" etc. Thus standard statistical measures, comparing correlations, or the simple regression approaches of ordinary least squares are ineffective.

A.1.2 LATENT UNOBSERVED VARIABLES

The Ordered Logit model takes into account these discrete categorisations and also relies on the fact they are "ordered" - that a "highly successful" project is better than a "successful".

The underlying idea behind this approach is that there is latent variable on a continuous scale which describes the performance of the project but is unobservable. Intuitively, the higher the latent variable the higher category the particular observation should obtain. For example, if the latent variable is an overall project success we would expect the as the latent variable increases the project will move up the various discrete categories. What is important is to define how to map this latent variable into the discrete categories that are observed. The Ordered Logit approach does this by assuming cut-off points between categories, so as the latent variable crosses a certain cut-off it moves from one category to the next; obviously the number of cut-off points is one less than the number of categories. More formally:

let y_i = *the latent unobserved variable,* $i = 1, \dots, n$

let y_i^* = *the observed categorised variable* $i = 1, \dots, n$

let k_j = *the cutoff point between categories* j *and* $j+1, j = 1, \dots, M-1$

n *dentotes the number of observations,* m *the number of catgories*

Hence,

$$y_i^* = \begin{cases} 1, & y_i < k_1 \\ \vdots & \\ j, & k_{j-1} \leq y_i < k_j \\ \vdots & \\ M, & y_i \geq k_m \end{cases}$$

A.1.3 STOCHASTIC ELEMENTS

The next step is to describe the process by which the latent variable is formed. A standard linear model is assumed:

$$y_i = x_i'\beta + \varepsilon_i$$

Where x_i' is the vector of explanatory variables – in this project it would be the factors affecting performance plus any other covariates, β is the vector of co-efficients and ε_i, a stochastic error term. Related back to the example of project performance, this model is saying the success of the project depends on a weighted sum of the various factors, with the weights determined by β , plus some stochastic heterogeneity not captured by or correlated with the factors. This seems a not unreasonable assumption to make.

From here it is possible to calculate the probability of a project being in a certain category given its factors, , the cut-off points and a distributional assumption over the error term. We know that:

$$Prob(y_i^* = j) = Prob\left(k_{j-1} \leq y_i < k_j\right)$$

$$\cdots = Prob(\text{[illegible}(i) < k_j) - Prob(\text{[illegible}(i) < k_{(j-1)})$$

$$\cdots = Prob(x_i'\beta + \varepsilon_i < k_j) - Prob(x_i'\beta + \varepsilon_i < k_{(j-1)})$$

$$\cdots = Prob(\varepsilon_i < k_j - x_i'\beta) - Prob(\varepsilon_i < k_{(j-1)} - x_i'\beta)$$

$$\cdots = F\left(k_j - x_i'\beta\right) - F\left(k_{j-1} - x_i'\beta\right)$$

Where $F(\cdot)$ is the cumulative probability distribution of the error term ε_i, i.e $F(a) = Prob(\varepsilon_i < a)$. Since this a Logit model the assumption is that the error term follows a standardised logistic distribution, hence:

$$F(a) = \frac{e^a}{1 + e^{-a}}$$

Alternative distributional assumptions can be made, for example, that the error term is normally distributed (an Ordered Probit Model); however, for the sample size used in this project the difference in the estimated parameters, once appropriately rescaled, between a Logit and a Probit model are very small.

A.1.4 ESTIMATION

To complete the model, estimates need to be made over the values of β and the cut-off points. A maximum likelihood approach is taken; this is equivalent to saying given the assumptions made what values of β and cut-off points maximise the chance that the sample

observed will occur.[1] With a model with as many moving parts as this it is impossible to solve this question analytically, instead the econometrics software uses an iterative procedure to search through various combinations of parameters that maximise the likelihood.

A.1.5 CALCULATION OF MARGINAL EFFECTS

The parameters of β are not directly interpretable – they reflect the impact that a change in explanatory variable has on an unobservable variable. Instead, the key result to take from these sorts of model are the marginal effects of a change in a explanatory variable has on the probability of a particular category occurring, – for example, what is the impact of an additional positive factor on the probability that a project is rated highly successful. There are two ways to look at the marginal effects. First, is to take the derivative of a particular probability with respect to the explanatory variable in question. The second approach is to consider how the probabilities change given a discrete change in an explanatory variable[2]. While it is more common to consider the marginal effects in terms of a derivative, the second approach is taken in this project.[3] This is because the explanatory variables used are themselves largely binary – there is either a positive factor or there is not. Hence it does not make sense to consider what small changes in the explanatory variables do to the probabilities but instead to ask what happens if there is one more or one less factor.

The calculation of the marginal effects using this approach is rather straight forward. We know that the probability of a project be categorised in a certain way is equivalent to:

$$Prob(y_i^* = j) = F(k_j - x_i'\beta) - F(k_{j-1} - x_i'\beta)$$

If there is now an additional positive factor which has co-efficient β_s, then the new probability equals:

$$Prob(y_i^* = j) = F(k_j - x_i'\beta - \beta_s) - F(k_{j-1} - x_i'\beta - \beta_s)$$

The one issue that needs to be considered when considering the marginal effects is the starting point – i.e. $x_i'\beta$. For example, if a project already has many negative factors an additional negative factor will have a very limited effect on the probability on an "unsuccessful rating", but this will change as the number of negative factors at the starting point is reduced. However, the cut-off points provide a set of intuitive starting points as they represent the point when a project is on a cusp between the two different categories, thus this when the sensitivity to changes in explanatory variables is largest and hence when the results are most powerful.

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[1] This is a rather abstract explanation for a simple concept. As a more intuitive example, imagine an unfair die was rolled 100 times and a six is observed 50 times. The maximum likelihood estimator for the probability of a 6 occurring is simply a half.

[2] These two approaches become equivalent as the size of the discrete in change in the second approach tends towards zero.

[3] If it is of further interest the mathematics behind the first approach are detailed in the references listed at the start of this appendix.

2. CHARTS AND TABLES

Table A.2.1. Conversion formulae for transition impact indicators, comparison of scales

New Scale (From 2000)		Old Scale (1996-1999)	
Excellent	6	High	6
Good	5	Medium/High	5
Satisfactory	4	Medium	4.5
Marginal	3	Medium/Low	4
Unsatisfactory	2	Low	3
Negative	1	None	2
No Rating	0	Negative	1
		No Rating	0

Table A.2.2. Correlations across performance ratings

	Net Factor Balance	Overall Perform.	Transition Impact	Environ. Perform.	Environ.Chg	Comp. Financial Perform.	Project Financial Perform.	Fulfilment of Objectives	Bank Handling	Investment Perform.
Net Factor Balance	—	0.90	0.79	0.37	0.29	0.72	0.74	0.79	0.69	0.52
Overall Perform.	0.90	—	0.85	0.44	0.32	0.72	0.73	0.86	0.73	0.53
Transition Impact	0.79	0.85	—	0.42	0.32	0.65	0.64	0.79	0.76	0.48
Environ. Perform.	0.37	0.44	0.42	—	0.54	0.36	0.33	0.41	0.36	0.23
Environ.Chg	0.29	0.32	0.32	0.54	—	0.20	0.19	0.31	0.31	0.14
Comp. Financial Perform.	0.72	0.72	0.65	0.36	0.20	—	0.91	0.69	0.62	0.58
Project Financial Perform.	0.74	0.73	0.64	0.33	0.19	0.91	—	0.70	0.61	0.57
Fulfilment of Objectives	0.79	0.86	0.79	0.41	0.31	0.69	0.70	—	0.73	0.50
Bank Handling	0.69	0.73	0.76	0.36	0.31	0.62	0.61	0.73	—	0.49
Investment Perform.	0.52	0.53	0.48	0.23	0.14	0.58	0.57	0.50	0.49	—

Chart A.2.1 Breakdown of net factor balances

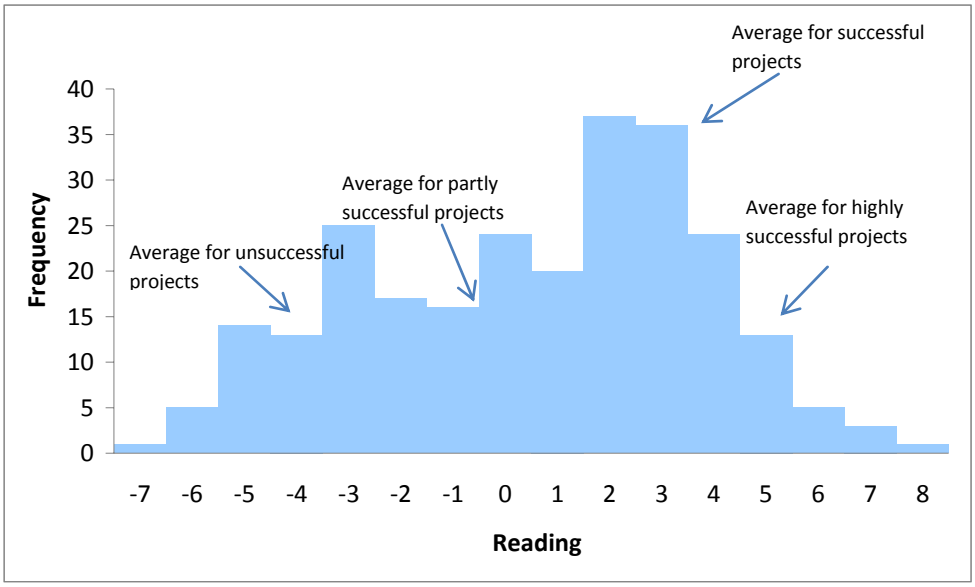
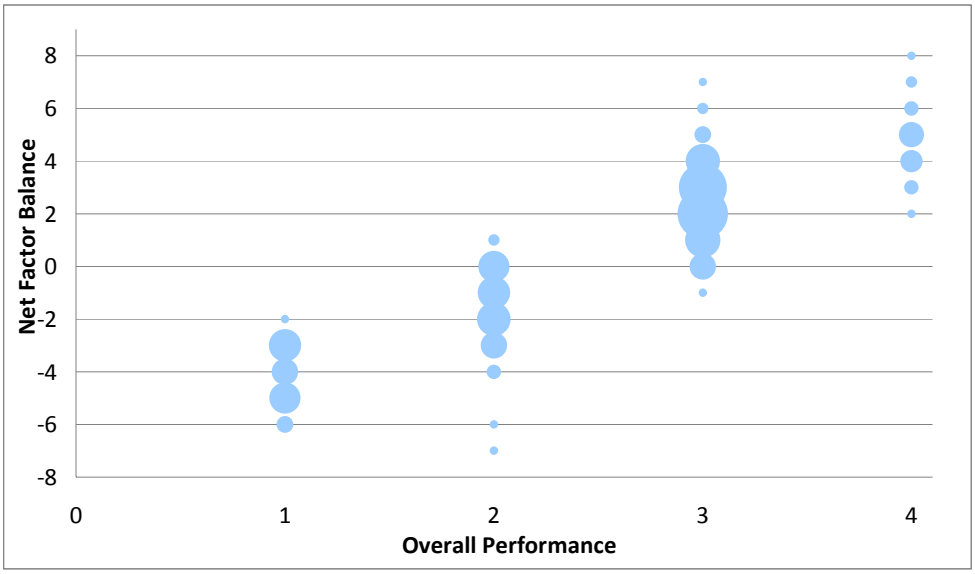


Chart A.2.2. Distribution of net factor balances against project performance



ENVIRONMENTAL AND SOCIAL CATEGORIZATION

To assist the Bank in the development of the new 2008 Environmental and Social Policy, the Evaluation Department ("EvD") undertook two special studies, one focused on financial intermediaries ("FIs") and one on direct investments, to draw lessons learned from past experience so as to contribute to the design of the new Policy.

This work was extremely useful for the Environment and Sustainability Department in its development of the 2008 Environmental and Social Policy which was approved in May 2008. Indeed most of the issues raised by EvD were incorporated. In particular, the change from a focus on "use of proceeds" to "use of funds" as reflected in the new policy and the focus on the "business activities" and "area of influence" as presented in the 2008 ESP as very positive. This is a very constructive change and should eliminate much of the prior disagreements on project categorisation, particularly with respect to C-category projects. In addition, the reorganisation of the ESD in 2009 has focused primarily on improving governance and oversight functions, a key recommendation from EvD.

Following discussions in 2008 at the Audit Committee, EvD and ESD agreed to work together on the issue of Categorization and to report back. A joint internal paper was prepared. This section briefly summarizes the findings that emerged from that process. The agreed recommendations are incorporated in Chapter 7 of this AEOR.

Observations from Past Evaluations:

From past experience and evaluation findings, under the 2003 Environmental Policy (2003 EP), three trends were observed, which are causes for concern:

- Due to an increase in equity, working capital and refinancing projects, there was in increase in Category C projects relative to Category A and B.
- Category A projects historically result in better Environmental Performance and higher Transition Impact than Category B, which outperform Category C projects, and
- In the last 6 years, the Bank's annual environmental performance outcomes have declined (see section 1.4 of this AEOR).

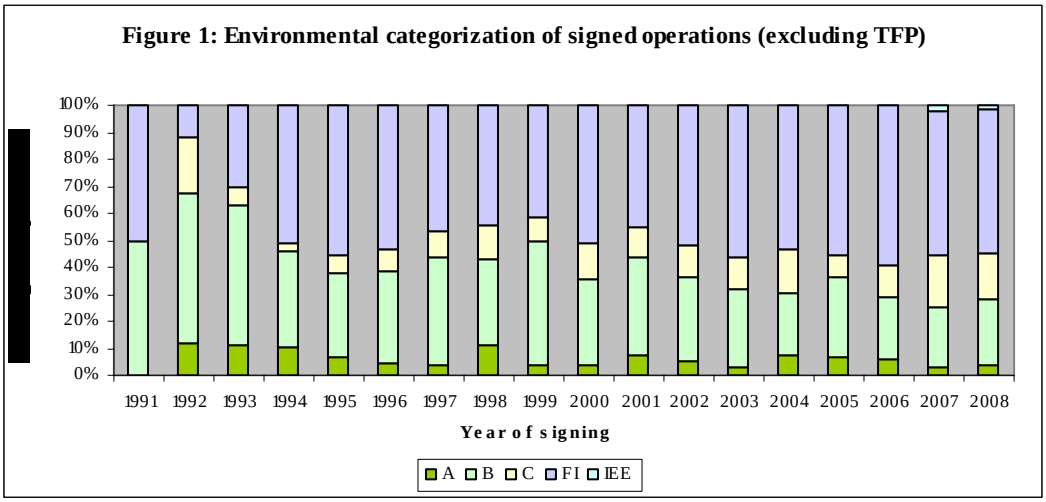
Figure 1 shows the patterns of environmental and social categorisation throughout the life of the Bank. Ignoring the first three start-up years, these data demonstrated the following:

- There has been significant growth in the Bank's portfolio after the Russian crisis.
- FIs have been a significant portion of the Bank's portfolio, from a low of 42% in 1999 to a high of 59% in 2006.
- Category A level projects have been relatively constant in absolute numbers and relative percentage, with a high of 16 projects (7%) in 2004. As a percentage of the portfolio Category A projects peaked in 1998 at 11% (13 projects).
- The number of Category B level projects peaked in 2005 at 68, but this only represented 30% of the portfolio. As a percentage the peak was in 1999 at 46%. However, Category B/0 has declined at the expense of Category B/1, which indicates that the Bank made more investments in existing companies.
- In contrast, the number of Category C level projects reached a peak in 2007 at 54 projects, which was also a peak in percentage at 19%, with the growth most

noticeable in Category C/1, again, reflecting the investment in companies with existing facilities.

- There has not been a material increase in the proportion of C/0 projects.

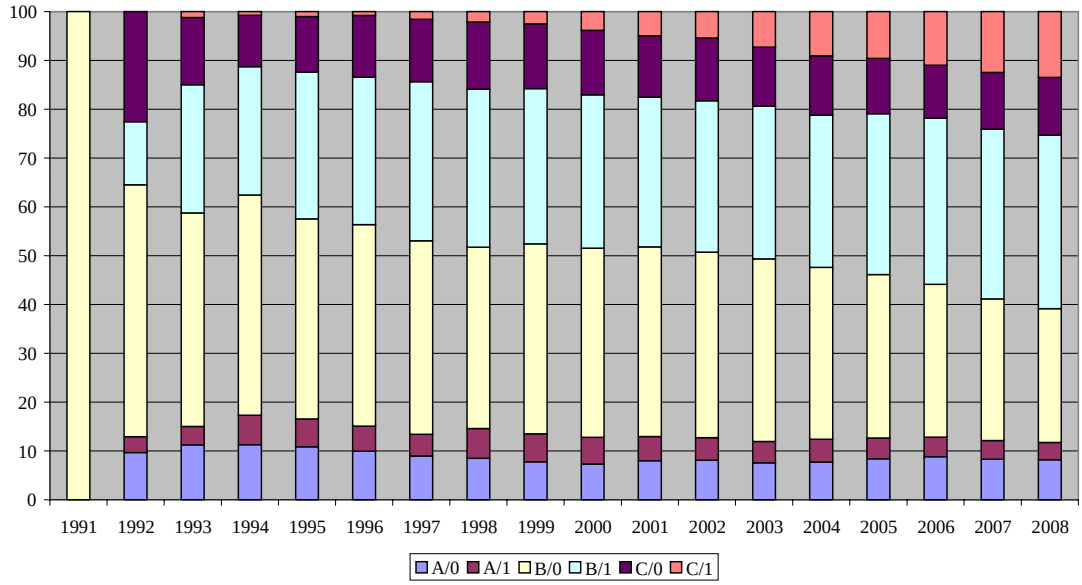
Figure 1: Environmental categorization of signed operations (excluding TFP)



Focusing on direct investments only, the most conservative way to display these data is as a cumulative percentage graph, i.e. adding year 1 results to year 2, then year 1 and 2 results to year 3 etc. (Figure 2) Each year the additional change is or should be smaller, for example in 2008 year, 8 Category A/0 projects are added to the previous 95. If there is no change in the fundamental structure then the curves should flatten out. In fact, Figure 5 shows that Category C projects were growing as a percentage of the overall population, along with a shift from B/0 to B/1. However, ESD and EvD both agree that, partly as a result of the way categorization has been defined under the 2008 Environmental and Social Policy, the number of Category C projects has significantly decreased and most are now screened as Category B projects.

It can be concluded that through 2008, the major growth has been in Category FI projects, followed by a significant growth in Category B/1 and C/1 projects. For direct investments (A,B,C) the nature of the projects has not fundamentally changed to the degree that these data imply, rather, the changes reflect a change in the way projects are reviewed by ESD and presented to the Board by Banking. EvD and ESD attribute the past increase in Category C-level projects to the growth in equity operations.

Figure 2: Percent Cumulative Categorization for Direct Investments



Appendix 11

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%	16,103	1.25%
Belarus	0	0.00%	0	0.00%	431	0.03%
Belgium	0	0.00%	0	0.00%	1,532	0.12%
Canada	8	2.16%	3,714	2.50%	28,194	2.20%
Czech Republic	0	0.00%	0	0.00%	573	0.04%
Denmark	4	1.08%	268	0.18%	5,918	0.46%
Finland	4	1.08%	429	0.29%	13,522	1.05%
France	7	1.89%	1,842	1.24%	20,901	1.63%
Germany	7	1.89%	1,237	0.83%	18,236	1.42%
Greece	0	0.00%	0	0.00%	1,742	0.14%
Iceland	1	0.27%	50	0.03%	202	0.02%
Ireland	3	0.81%	88	0.06%	2,793	0.22%
Israel	1	0.27%	38	0.03%	305	0.02%
Italy	10	2.70%	1,138	0.77%	60,696	4.73%
Japan	45	12.13%	12,584	8.47%	122,519	9.55%
Luxembourg	1	0.27%	0	0.00%	6,431	0.50%
Netherlands	18	4.85%	4,011	2.70%	56,775	4.42%
New Zealand	1	0.27%	68	0.05%	175	0.01%
Norway	1	0.27%	908	0.61%	6,516	0.51%
Portugal	1	0.27%	19	0.01%	786	0.06%
Republic of Korea	0	0.00%	0	0.00%	839	0.07%
Spain	0	0.00%	0	0.00%	12,577	0.98%
Sweden	4	1.08%	554	0.37%	21,033	1.64%
Switzerland	10	2.70%	2,458	1.65%	21,397	1.67%
Taipei China	15	4.04%	1,628	1.10%	18,239	1.42%
Turkey	1	0.27%	105	0.07%	300	0.02%
United Kingdom	11	2.96%	1,811	1.22%	38,158	2.97%
USA	9	2.43%	2,902	1.95%	61,749	4.81%
Other donors						
EU	166	44.74%	104,402	70.26%	461,398	35.95%
Multi-donor funds[1]	43	11.59%	8,340	5.61%	213,271	16.62%
Financial Sector[2]	0	0.00%	0	0.00%	2,174	0.17%
Various[3]	0	0.00%	0	0.00%	67,750	5.28%
TOTAL	371	100.00%	148,595	100.00%	1,283,357	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, BP Exploration, Energy Resources LLC, JSC Arcelormittal Temirtau, 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 2009

OPER report data from Datawarehouse December 2009

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 and social performance), whereby transition impact gets the highest weight when judging the overall performance of an operation. Apart from these four major indicators, of course the remaining 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.

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 and Social 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 Section 2.4.1 of the main text) and the evaluator should be conscious that concrete evidence of the achievement of some transition objectives may not become visible for some time. As presented in the transition impact criteria table in Appendix 2 and transition impact rating table in Appendix 5, the evaluation methodology allows for three ratings on each of the criteria which are relevant for the specific operation: (a) judging the realised transition impact at the time of evaluation; (b) assessing the transition potential that can still be reached, and (c) assigning a risk rating (Low, Medium, High, Excessive) in respect of the likelihood to reach the full transition impact potential over time. A high rating could be appropriate where the transition impact potential in the future is considered substantial. However, if the probability that the transition impact potential can be reached is low due to considerable risk, the evaluator will award a higher 'risk-to-transition-impact' rating and explain the nature of the risk. As explained in section 1.1 above, the transition impact is measured at the industry level and the level of the economy as a whole, including possible regional and cross-border effects. During the evaluation of transition impact EvD concentrates on assessing performance under the "major relevant transition impact objectives" as mentioned in Table 2. They are those objectives (mostly two or three) identified by the Operation Team during project appraisal which are presented in the operation reports to the Board of Directors and monitored through TIMS. EvD also reviews performance under the other transition impact criteria to identify whether any important transition effect might have been missed. Therefore, EvD reviews all seven criteria in the overall assessment of transition impact.

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

Table 2
RATING TRANSITION IMPACT

RATINGS	BENCHMARKS
Excellent	*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[1]

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

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

Table 3
RATING PROJECT FINANCIAL PERFORMANCE

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 to assign ratings in respect of company financial performance:

Table 4 RATING COMPANY FINANCIAL PERFORMANCE	
Ratings	**BENCHMARKS**
Excellent	Actual and re-assessed performance indicators of the company are *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 objectives have not yet been fulfilled or face a deemed medium-higher risk that they may not be achieved. The sponsor is actively trying to comply with its obligations, but has so far been only partly successful. Some doubts exist about a final positive outcome.
Unsatisfactory	The project objectives have not yet been fulfilled with a high risks that many will also not be met later on. Serious doubt exists whether the sponsor is able to fulfil all its obligations. A positive final outcome is doubtful or deemed impossible.
Highly Unsatisfactory	The project objectives have not been fulfilled and the chance of their realisation is practically zero. It is certain that the sponsor is not able to fulfil its obligations in full. A positive final outcome is deemed impossible.

2.4 ENVIRONMENTAL AND SOCIAL PERFORMANCE

2.4.1 ***Environmental and social performance of the project and the sponsor.*** Environmental and social performance of projects is measured by assessing the status of the environment in the vicinity of the project and if warranted important wider effects (e.g. captive mines as part of a steel project, the health and safety situation in the project company, the pollution loads and energy efficiency status, the project's environmental management, social factors[2] and the level of public consultation and participation. Table 6 below gives the necessary details of rating categories of the environmental performance of the project and the sponsor.

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

RATINGS	BENCHMARKS
Excellent	All appropriate environmental and social (see footnotes 4 and 11) measures are secured and environmental conditionality implemented. No significant outstanding issues. The Sponsor has gone beyond the expectations of the environmental action plan (EAP) and serves as a best practice example.[3]
Good	Appropriate environmental and social (see footnotes 4 and 11) measures are secured and environmental conditionality implemented. The EAP is on or ahead of schedule.
Satisfactory	The appropriate environmental and social (see footnotes 4 and 11) risk factors were properly identified and the sponsor is implementing the EAP as prescribed.
Marginal	Some environmental and social (see footnotes 4 and 11) measures are secured and only part of environmental and social conditionality was implemented. Several outstanding issues remain. Performance of the sponsor was partly unsatisfactory.
Unsatisfactory	Few if any environmental and social (see footnotes 4 and 11) measures were implemented. Significant outstanding issues are experienced. Performance of the sponsor was less than satisfactory.
Highly Unsatisfactory	The project is out of compliance with the objectives as established in the EAP and/or host country or World Bank environmental standards for this type of project; has experienced significant adverse events (spills, deaths, etc.); is an on going risk to the environment; and presents a vulnerability risk to EBRD.

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

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

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

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[4] is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost allocation[5] is more than 40% higher than the level foreseen at appraisal.
Good	NPVNME is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost Allocation is more than 10% but not more than 40% higher than the level foreseen at appraisal.
Satisfactory	NPVNME is equal to or greater than twice Direct Cost and the discounted project contribution after Direct Cost allocation is not more than 10% higher than the level foreseen at appraisal.
Marginal	NPVNME is greater than or equal to Direct Cost but less than twice Direct Cost.
Unsatisfactory	NPVNME is less than Direct Cost but greater than or equal to zero (i.e. discounted project contribution after Direct Cost allocation is negative).
Highly Unsatisfactory	NPVNME is negative (i.e. discounted project contribution after Direct Cost allocation is negative).

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

2.7 BANK HANDLING OF AN OPERATION

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

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[4] 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.

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

Table 10
RATING BANK HANDLING

RATINGS	BENCHMARKS
Excellent	Appraisal[6] 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[7] 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.

[6] 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.

[7] 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.