EvD Special Study: Private sector participation in MEI projects—review and evaluation
EvD's clarification to management comments

"EvD methodology to assess transition impact is not consistent with the Transition Impact Monitoring System (TIMS)"

TIMS is a monitoring system and not a framework for evaluation. TIMS focusses on pre-determined benchmarks to track progress during implementation; evaluation comes in after the event to determine what actually happened. For this reason EvD explicitly does not restrict itself to the transition impact sources identified ex-ante or only the pre-selected benchmarks but looks for any and all transition impact and all available evidence. Importantly, TIMS' benchmarks only consider positive results but evaluation considers all results whether intended or not, positive or negative. It is important to note here that in this work EvD uses exactly the same seven transition impact categories/sources as the Office of the Chief Economist (and therefore TIMS).

For the six sample projects presented in the study, 'realised transition impact' was assessed explicitly against the transition benchmarks set in TIMS. The statement that "*EvD considers all of the seven potential sources of transition impact and not only the key transition objectives identified ex-ante by the Office of the Chief Economist"* is not correct; it probably reflects a misconception based on Table 3.6 "Scope of transition impact objectives in case studies", which illustrates – but does not rate or evaluate -- the types of transition impact criteria/objectives used in MEI's private sector participation projects. This is made clear in the sentence directly below the Table: "*The transition impact evaluation ratings are contained in table 3.7 below and are based on the extent to which the case study projects achieved the transition benchmarks agreed at project approval stage."*

"Country strategies selected to analyse the emphasis put on PSP in MEI were too few (limited to four country strategies) and thus not fully representative"

EvD's conclusion in respect of country strategies was based on analysis of not four, but nine, country strategies. While the main text of study concentrates on four country strategies relevant to the sample projects (Croatia, Poland, Russia, Turkey), Annex 11 presents analyses of an additional five country strategies (Kazakhstan, Ukraine, Romania, Georgia and Serbia). These five strategies also gave relatively strong emphasis to PSP activities in MEI.

"In practice it is unfeasible to implement the third recommendation proposing to covenant PSP in the loan agreements."

The study did not recommend covenanting private sector participation components in public projects. It recommended instead that increasing the potential transition impact rating of a public project due to the inclusion of PSP components should occur only if such components are covenanted or otherwise agreed.

"In contrast to the recommendation that the Bank require expansion or introduction of private sector participation in bus services whenever financing a public bus company, a balanced – rather than 100 per cent private sector approach is needed."

The study does not recommend that the Bank only support a 100 per cent private sector approach to bus services. It recommends instead that the Bank support "the entry or the expansion of private sector participation in bus services" whenever providing financing to public bus companies. Given that it is relatively easy and uncontroversial to introduce private sector participation in bus services, it can serve as an example and pave the way for further PSP in other municipal sub-sectors