EvD 2013 Annual Evaluation
Management Comments

Key points

- Enhancing its focus on results, the EBRD has recently introduced result frameworks (RFs) at various levels of its activities in addition to the transition impact monitoring system (TIMS) that sets objectives for and tracks the transition results of investment projects. As of July 2013 it introduced results framework for the TC operations. Results frameworks are also being designed and will be rolled out for country strategies from the second half of 2014. Management is streamlining the various RFs, focusing on RFs for strategic initiatives and country strategies as the main building blocks of the Bank's results framework architecture, in addition to RFs for projects (investments and TCs) that are the basic building blocks of this architecture. Management will regularly consider the effectiveness and efficiency of the new results frameworks and propose necessary adjustments. Management therefore finds that the following statement in the Annual Evaluation Report does not reflect reality: "Management has consistently resisted the introduction of a functioning results framework,…, and on the basis of argumentation that is largely unpersuasive.…"
- Management has provided extensive comments on the issue of evaluability - results framework presentation - for investments projects that was the focus of the 2013 EvD special study, "EvD Special Study – Performance Metrics - How well do EBRD projects specify expected results?" The study proposes a presentation of results in a hierarchy that involves a "cause and effect" cascade from project objectives through outputs to outcomes to ultimate impact to replace aspects of the current transition impact benchmarks methodology and terminology used in the project documents. Management believes that given the Bank's mandate to promote transition to sustainable market economy, the causal link between the physical objectives of the project, outputs, and the higher level objectives, impact, is much weaker compared to typical development bank projects, and may be applicable for some types of projects only. Management did propose to EvD to jointly work on case studies to help clarify the types of projects where there may be benefits from introducing the suggested EvD approach. However, EvD declined to take joint action in this area on grounds of lacking sufficient resources.
- Management emphasises that the methodological difference between the transition impact rating of EvD and Management's TIMS ratings at the time of EvD evaluations affect the ratings gap in evaluated investment operations. Management believes that, while EvD could in parallel use its own evaluation methodology in line with international best practices (e.g. OECD DAC), the transition impact performance of operations should primarily be assessed against the same approved methodology that is used by Management.
- Management stresses that while the TC evaluability methodology was agreed with EvD, it appears to have been misapplied in EvD's analysis of a sample of TC projects submitted to TC Com during the first six months of the implementation of the TC RF. This has led to some incorrect findings and conclusions which Management considers undermining the effectiveness of the new TC results framework. Management believes these findings and conclusions may well warrant review and reconsideration.

1. Aggregate Performance – Chapter 2

Management welcomes and values the aggregate performance discussion. The findings of a general positive trend with improvements across different components, such as success rate, transition impact rating, and the overall performance are encouraging. Similarly, Management welcomes the improving ratings for environmental and social performance and change. Given the timeframe, Management suggests that it is a result of the introduction of the Performance Requirements in 2008, which brought a more systematic approach to appraisal of environmental and social issues, as well as the successful introduction of the Sustainable Energy Initiative.

Management notes however, that besides normal sample limitations some interpretive observations or postulations could be better based on evidence. These include statements such as: "*…the Bank has assigned insufficient staff to manage projects in challenging contexts*", or "*environmental and social impact is a significant factor only in a minority of projects*". Management believes that such important conclusions would warrant focused and deeper analyses on these particular issues. Evidence based findings are important if the results of performance analysis are used by the Bank to learn and take action to improve performance.

2. Findings from 2013 evaluations - Chapter 3

Management values the summary discussion of the findings and the overview of Management comments for evaluations conducted in 2013, as well as the thematic discussion of key findings from Operation Performance Assessment (OPA) validations. Management has already provided extensive comments on the specific findings of individual evaluation studies during the year as also summarised in the report.

Management comments focus on the cross-cutting issue of a number of these evaluations, the ex-ante results specification/presentation. The issue of results specifications ex-ante is discussed again in chapter 4 of the report under the evaluability assessments of technical cooperation and investment operations. Also, section 6.1.1 under improved results specification, states that although the new format of the Board document designed by a joint Board and Management group *"contains a section entitled 'measuring/monitoring success,' in EvD's view this falls well short of a robust basis for accomplishing either,…".*

Results presentation was the focus of one of the 2013 EvD special studies, "EvD Special Study – Performance Metrics - How well do EBRD projects specify expected results?" The study proposes a hierarchy of results that involves a "cause and effect" cascade from project objectives through outputs to outcomes to ultimate impact. Management has provided extensive comments to this study (SGS13-113) and would like to iterate some of the key comments.

- Management believes that given the Bank's mandate of transition impact, the causal link between the physical objectives of the project, outputs, and the higher level objectives, impact, is much weaker compared to typical development bank projects aimed at the objective of poverty alleviation. The application of the causal results chain between transition objectives (impact), and project-level outputs or outcomes, may be applicable for some types of projects, (e.g. were demonstration effect of a new technology is a transition objective), but not for others (e.g. objectives related to regulatory or institutional reform).

- Management has asked the EvD to jointly work on case studies to help clarify the types of projects where there may be benefits from introducing this approach, (which would then need to be assessed against the costs), and looks forward to the joint future actions in this area. The final report of the TIMS Working Group finds in a sample of 57 projects signed in 2004-2007, that transition benchmarks already and as appropriate include a combination of output, outcome, and impact indicators, although not using the terms. In almost all analysed projects, benchmarks include "outcome" indicators, and in over 81 per cent of projects include both "output" and "outcome" indicators,

- Management also notes that the statement *"…in many cases the benchmarks actually have limited value as indicators of performance…"* appears at odds with the finding of the report that there is a strong correspondence (in 86 per cent of the cases for negligible risk) between TIMS transition impact rating and the EvD rating, as transition benchmarks are the main basis for TIMS assessment.

3. Special topic: evaluability assessments of technical cooperation and investment operations - Chapter 4

Management appreciates EvD's initiative to apply the evaluability checklist to a sample of TC projects submitted to TC Com in the first six months of applying the new TC Results Framework including the results matrix. Management agrees that improving the results matrix presentation is a challenge, and is encouraged by the positive overall findings of the evaluability study that suggests even in these early days of applying the results matrix staff are generally on the right track. The TC Team's support to TC users in 2014 will focus on improving the quality of TC submissions with a specific emphasis on their results matrices and how these are reported on in progress and completion reports.

Management questions the basis for the findings regarding the weak measures of the TC contribution to the transition impact for non-transactional TC, *"TC outcomes contribute to transition impact,' where in almost a quarter of all cases, the results matrix scored either 'few' or 'none".* Management notes that this section requires the assessor to make a value judgement on the strength of the relationship between the outcome statement and the identified transition impact criteria. As typically only one transition impact criteria (out of a possible seven) is identified for each TC project, a score of few is to be expected. More detailed information is required on those TCs scored as 'none' as this would suggest a complete disconnect between the TC outcome and its stated transition impact criteria.

Similarly, the report concludes that another weakness is the specification of transition impact indicators for both non-transactional and transactional TCs, with respectively over 70 per cent and a third of the sample specified either 'few' or 'none'. Management notes that the guidance provided to Operation Leaders is to identify the primary transition impact indicator/criteria that the TC project will contribute to. However, in the case of TCs supporting project preparation work such as feasibility studies it is not expected that a transition impact indicator will be documented as further work on the investment operation may not continue. Consequently, a rating of 'few' should be the norm. Although a rating of 'none' would be a concern, Management records show that with the above exception, TC project results matrices submitted to TC Com in 2013 identified at least one transition impact criteria.

Management finds that the EvD judgement that 35 per cent of the sample failed to score any points regarding the link between outputs and the outcome is of serious concern as this suggests a disconnect in the results hierarchy and consequently an inability to effectively evaluate the TC project. Management welcomes a review of those projects that have been assessed in this category and make the necessary adjustments with Operation leaders.

Management also notes that the Report's statement linking outputs to *"…the larger objective"* is not clear. Under the new TC Results Framework the term 'objective' has been replaced by 'outcome' in the results matrix. If the report is referring to the link between outputs and the outcome then Management suggests the correct terminology is used. If the 'larger objective' means something else and this link is not being referred to, then the statement should be reviewed and clarified.

4. Review of self -evaluation and monitoring in EBRD - Chapter 5

Management welcomes the findings of a continuing narrowing gap between ratings produced by self-evaluation and those produced independently by EvD. Management also welcomes better guidelines to improve OPA quality around project efficiency and notes that implementation of procedural details has been underway. It looks forward to further cooperation with EvD in this matter. Yet management feels that it is critical to extend guidance and training for OPAs beyond Banking Department staff and to all those who are involved in projects to extract discernible lessons. To date, the feedback from those staff members who have experienced in the new self-evaluation approach suggests that lesson aspects have yet to be fully transpired.

Management would like to highlight the methodological difference between transition impact rating of EvD and the TIMS ratings at the time of EvD evaluations, also noted in the report. First, TIMS only considers transition impact through transition objective identified and benchmarked ex ante. EvD evaluations look at all seven potential sources of transition impact. Second, TIMS transition impact reflects only TI potential and distinguishes between potential and the remaining TI risk rating. EvD's transition impact ratings reflect the realised transition impact at the time of evaluation. Thus a comparison between EvD rating and TIMS rating could be done only for projects with "negligible" or "low" risk ex-post according to the TIMS. Indeed, for such projects the report finds a strong correspondence in 86 per cent of the cases between the two ratings. These methodological changes also affect the ratings gap in evaluated investment operations, as also noted in the report, "…*the single biggest reason for EvD revising the overall performance rating downwards was a lowering of the transition impact rating, which accounted for half the downgrades".*