DISCUSSION PAPER

Evaluability assessment Of EBRD's Transition Qualities

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EBRD EVALUATION DEPARTMENT

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The Evaluation department (EvD) at the EBRD reports directly to the Board of Directors, and is independent from the Bank's Management.

This report has been prepared by EvD in response to a Recommendation by an Independent External Evaluation. It is circulated under the authority of the Chief Evaluator, who is solely responsible for its content. The views expressed herein do not necessarily reflect those of EBRD Management or its Board of Directors. Its principal authors are Gabriele Fattorelli and Alper Dincer with input from Barry Kolodkin, Keith Leonard, Bob Finlayson, Olga Mrinska, and Stephanie Crossley.

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Contents

Abbreviations

AEB	Agreement Establishing the Bank
AIMM	Anticipated Impact Measurement and Monitoring
ARTP	Annual Report on Transition Performance
ATCs	Advanced Transition Countries
ATQ	Assessment of Transition Qualities
CoIs (Compendium)	Compendium of Standardised Indicators
CoOs	Country of Operations
CPA	Composite Performance Assessments
CS	Country strategy
CSDR	Country Strategy Delivery Review
CSRF	Country Strategy Results Framework
CSRM	EBRD Country Strategy Coordination and Results Management Department
DCF	EBRD Donor Co-financing Department
E2C2	EBRD Energy Efficiency and Climate Change Department
EAPD	Enhanced Approach to Policy Reform Dialogue
ECG	Evaluation Cooperation Group
EPG	EBRD Economics, Policy and Governance Department
ESD	EBRD Environment and Sustainability Department
ETCs	Early Transition Countries
ETI	Expected Transition Impact
EvD	EBRD Evaluation Department
MfDR	Managing for Development Results
MSME	Micro, Small and Medium Enterprises
O&M	Operations and Maintenance
OCE	Office of the Chief Economist
OECD DAC	OECD Development Assistance Committee
OL	Operational leader
OPA	Operation Performance Assessment
PPOs	Priority Policy Objectives
Proparco	Promotion et Participation pour la Coopération économique
PTI	Portfolio Transition Impact
SCF	Strategic and Capital Framework
SDGs	Sustainable Development Goals
SEMED	Southern and Eastern Mediterranean
SIP	Strategy Implementation Plan
TC	Technical Cooperation
TCRS	TC Reporting System
TFP	Trade Facilitation Programme
TI	Transition Impact
TIMS	Transition Impact Monitoring System
ToC	Theory of Change
TOMS	Transition Objective Measurement System
TQ	Transition Qualities
TQFW	Transition Qualities Framework
TR	Transition Report

Glossary

The Glossary below draws from the OECD's "Glossary of Key Terms in Evaluation and Results Based Management"; it also includes official EBRD definitions for Bank specific tools and products.

Accountability	Obligation to demonstrate that work has been conducted in compliance with agreed rules and standards or to report fairly and accurately on performance results vis a vis mandated roles and/or plans. This may require a careful, even legally defensible, demonstration that the work is consistent with the contract terms.
Action	Actions taken or work performed through which inputs, such as funds, technical assistance and other types of resources are mobilised to produce specific outputs.
Attribution / Contribution	Attribution: The ascription of a causal link between observed (or expected to be observable) changes and a specific intervention. Attribution refers to that which is to be credited for the observed changes or results achieved. It represents the extent to which observed development effects can be attributed to a specific intervention or to the performance of one or more partners taking account of other interventions, (anticipated or unanticipated) confounding factors, or external shocks Contribution: The 'Contribution' impact dimension recognises that impact occurs in a dynamic social system, with various stakeholders playing different roles. To understand their own contribution to a specific outcome, they need to consider what would have happened in absence of their interventions (counterfactual.)
Corporate Scorecard	The Corporate Scorecard sets key parameters for managing the process of achieving and balancing the Bank's dual goals of delivering transition impact and being financially sustainable, with the highest possible ambition. These include performance metrics on transition, operational, organisational, and resource framework.
Counterfactual	The situation or condition, which hypothetically may prevail for individuals, organisations, or groups, were there no development intervention.
Evaluability	The extent to which the value generated or the expected results of an intervention are reliably and credibly verifiable
Evaluation	The systematic and objective assessment of an ongoing or completed project, programme or policy, its design, implementation and results. The aim is to determine the relevance and fulfilment of objectives, development efficiency, effectiveness impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons learned into the decision–making process of both recipients and donors. Evaluation also refers to the process of determining the worth or significance of an activity, policy or programme. An assessment, as systematic and objective as possible, of a planned, ongoing, or completed development intervention. Evaluation in some instances involves the definition of appropriate standards, the examination of performance against those standards, an assessment of actual and expected results and the identification of relevant lessons.
Impact	The positive or negative long-term effects produced by an intervention, directly or indirectly, intended or unintended; an impact generally results from a series of causal factors of which the project is but one of many.
Indicator	Quantitative or qualitative factor or variable that provides a simple and reliable means to measure achievement, to reflect the changes connected to an intervention, or to help assess the performance of a development actor.
Intervention	Intervention encompasses all the different types of development and humanitarian efforts that may be evaluated using these criteria, such as a project, programme, policy, strategy, thematic area, technical assistance, policy advice, an institution, financing mechanism, instrument, or other activity. It includes development interventions, humanitarian aid, peacebuilding, climate mitigation and adaptation, normative work, and non-sovereign operations.
Outcome	The short-term and medium-term effects that are a consequence of delivering the intervention's outputs.

Output	The products, capital goods and services which result from an intervention—its deliverables.
Quality-at-entry	A comprehensive check on all aspects of design integrity and alignment with polices and strategies—incorporates evaluability.
Result	The output, outcome or impact (intended or unintended, positive or negative) of a development intervention.
Results chain	The causal sequence for a development intervention that stipulates the necessary sequence to achieve the desired results—beginning with inputs, moving through activities and outputs, and culminating in outcomes and impacts.
Strategic and Capital Framework (SCF)	The Strategic and Capital Framework, (SCF) translates the mandate into high-level strategic orientations and control parameters for delivering transition impact every five years.
Strategy Implementation Plan (SIP)	The Strategy Implementation Plan (SIP) sets out how the institutional strategic priorities will be implemented on a rolling three- year basis.
Theory of Change	The Theory of Change (ToC) is a specific type of methodology for planning, participation, and evaluation that is used to promote change. The Theory of Change defines long-term goals and then maps backward to identify necessary preconditions.
Transition Qualities Framework (TQFW)	The Transition Qualities Framework consists of the system introduced by the documentation defining the transition qualities (BDS16-181) and its operationalisation ((SGS17-114, (SGS18-238) as well as associated results management tools (CS/FO/17-01 and SGS18-238).

Executive Summary

The EBRD's redefinition of its Transition Concept in 2016 was a significant change in how its core purpose was identified, it has had important implications for many core operational issues, and it remains a work in progress in key respects. A first independent review of the Bank's evaluation systems completed in 2019 (the Kirk Report) covered both the overall structure of the Bank's systems as well as key specific components, asking the core question of the degree to which intended operational results can be reliably and credibly verified. It raised additional specific concerns about the evaluability of the "Transition Qualities" at the heart of the Bank's new approach, and recommended that the independent Evaluation Department (EvD) complete "*a brief assessment of the evaluability of the transition qualities as concepts and operational tools*." This paper is EvD's response.

Independent External Evaluation Key Points

The Kirk Report agreed that the new transition concept was a significant evolution for the Bank, giving it stronger strategic direction by framing its work in terms of the key qualities of a modern, sustainable market economy – competitive, well-governed, inclusive, green, resilient and integrated. It also observes, however, that these qualities are broad and abstract and therefore challenging to translate into a coherent approach to results identification and management. It suggested that the critical task of validating the Bank's claims regarding transition impact – which is the historical and current purpose of MDB ex-post project evaluation – would likely be very difficult. These concerns were also flagged against wider questions about evaluability in the EBRD raised consistently by EvD. Key elements of the Bank's results and evaluation architecture were found to fall short of the standards set out in its Evaluation Policy. These include a commitment that "operations [shall] clearly specify expected results and related performance indicators…and programmes, policies and strategies [shall] identify their expected results with sufficient specificity to allow effective evaluation."

Transition Qualities and their Wider Framework

While the Transition Qualities (TQ) now at the heart of the Bank's revised Transition Concept can be specifically defined, as they have been, they require a whole array of internal processes, systems and tools to be operationalised. The Bank has made major efforts to construct those systems, introducing new tools and modifying existing ones, and working to embed the Qualities systematically. They include: development of standardised indicators; focusing diagnostic work and orienting Country and Sector strategies around the TQ; revising project and country-level monitoring and reporting. The design, integration and effectiveness of these systems ultimately determines how the Transition Qualities are translated into action, and from that how they may be evaluated.

Scope of this EvD Study

An informed view of the evaluability of the TQ therefore requires both an assessment of whether they are "evaluable" in principle or in theory, and a wider assessment of whether they are evaluable in practice. It requires a wide field of vision, taking account of the full range of tools, processes, instruments, etc. developed for that purpose. EvD's approach to this evaluation takes that wider view. It collects the full range of relevant concepts, tools and processes now in place into what is here called the Transition Qualities Framework (TQFW.) The central question is whether the results expected of the TQ may be credibly verified using the Bank's current systems and methods. A range of important findings and implications are presented on that point and opportunities for improvements identified.

The issues are broad, complex and interlinked. EvD presents this paper as a first assessment, providing fresh and substantive analysis and some important potential ways forward. But additional inquiry, reflection and constructive dialogue is also needed. It is hoped that this paper will help shape and contribute to those next steps

Summary of key findings and conclusions

The Six Transition Qualities

The EBRD has made major efforts in recent years to build a stronger and more systematic approach to transition measurement and monitoring. Its work has, in many respects, been ambitious and innovative, and much has been changed and improved.

However, while much has been accomplished over the past five years, systems and processes still do not, in aggregate, provide a sufficient basis for effective performance assessment and evaluation. The larger picture for the EBRD is one of discrete elements delivered by different organisational units rather than a cohesive and interconnected system. While individual components have merit and technical strengths, and have brought specific improvements, there are substantial issues of internal linkage, consistency, integration and coherence.

This assessment concludes that the evaluability of the Transition Qualities within the existing Framework is limited. The issues identified are directly connected to and can only be resolved in the context of, many wider institutional matters, including strategic objectives, institutional structure, organisation, resourcing, accountabilities and core business processes.

Evaluability Concept and Methodology

Evaluability refers to the extent to which the results expected from a specific activity are reliably and credibly verifiable. This characteristic requires very specific conditions: clear objectives; a credible explanation of causal links; adequate data; effective monitoring; clear responsibilities; and timely reporting and feedback. Evaluability thus encompasses elements at the heart of institutional performance, including tracking results; incentives, priorities and accountabilities; reporting to shareholders; and strategic decision-making. For this reason it is widely embedded across the MDB system to improve operational design, performance, learning and results management.

This evaluability assessment seeks to address 'evaluability in principle' and "evaluability in practice." The first asks questions based on the internal logic of the Bank's approach and systems as they exist, while the second focuses closely on the measurement approach, tools and indicators used within those systems to reflect performance and results achieved. A mix of methods and tools is used to boost rigour and standardisation while also integrating qualitative information to contextualise and nuance the findings.

Main Findings

1. Evaluability in principle

- The 2016 Transition Concept builds on the conclusions of two major external reviews - Besley I - 2009 and Besley II – 2016 – whose central point was that the EBRD's "transition mandate should be understood as supporting a move towards a competitive, well-governed, sustainable and inclusive market economy" (four key qualities.)
- The Transition Concept eventually presented to the Board used six transition qualities and defined them in ways the Kirk Report described as broad and abstract. While this is true, it is also the case that a range of well-established indexes/metrics does exist which, in principle, provides the basis for

benchmarking and tracking TQ performance at the macro level. These indicators include, for example: the World Bank's Doing Business index; international governance indices; etc. Thus, in principle, there is a means to monitor the performance of developments that can be reasonably related to the TQs as defined.

- However, evaluability in principle also requires a framework that sets out plausible connections between operations and these higher level objectives; causal links are needed in order to show the pathways through which transition results are expected to happen. Evaluability requires a "Theory of Change" connecting activities with ultimate objectives.
- As of now, the Bank's intended ultimate goal(s) with respect to the TQs (i.e., the meaning of success) are not clearly identified. There is thus a lack of high-level goals against which to anchor specific operations, and therefore only limited ability to identify how operations are expected to lead to wider results.
- Country strategies were intended by Besley I & II to be the essential framework within which discrete operations would be connected to wider transition progress and, ultimately, to an evidence-based story of performance; but despite important improvements Country strategies do not now play this role.

2. Evaluability in practice

- The Bank has added substantially to the number and quality of its tools to track progress at the operational level; specific elements are demonstrably stronger than they were. However these new components have for the most part been developed individually rather than systematically. The current system is less the product of a unifying concept than it is an amalgamation of individual components. Many critical elements are not effectively integrated, leaving important gaps at key points
- For example, while Country strategies are, in principle, at the heart of the system there is a substantial gap between country results indicators and the country-level context that cannot be bridged by simply aggregating project outputs as is now done in the Country Strategy Delivery Reviews.
- Policy work and technical cooperation activities are responsible for a substantial amount of predicted transition effects. Yet these remain outside the TQ Framework and are not meaningfully integrated into key parts of the results architecture.
- Thus, measuring wider impacts and linking the EBRD's contribution to country progress remains a real challenge even as shareholder and donor reliance on this continues to increase.
- Project results are monitored only until financial completion/repayment, while observable transition results almost always take much longer. This is certainly the case with the concepts captured by the new TQs, such as Integration, or Inclusion. Separate investment and policy delivery systems prevent an integrated view of all of the elements of operations from which transition impact is expected.
- Externalities, demonstration effects and indirect and induced results are not monitored; nor are the possible multiplier or synergistic effects of collaboration with other institutions.
- The EBRD does not produce an overall unified report on Development (or Transition) Effectiveness. Results reporting that is scattered across different programmes and instruments, and intended to serve different audiences and purposes, does not permit a unified view of accomplishments at an institutional level over a period of time.
- While efforts have been made to improve knowledge management, they have been isolated, under resourced, and not effectively incentivised. As a result, there is limited value extraction from the Bank's unique experience in more than 4,500 projects over almost 30 years.

- Limited integration of policy work with front line operational practices, systems and incentives is a substantial and long-standing obstacle, and a missed opportunity to better capture transition effects at sector, thematic or country levels.
- These same issues will affect the Bank's future ability to tell its story with respect to high profile global commitments, such as the SDGs, climate, and mobilisation.

Opportunities for Improvement

"Evaluability" is not an absolute, specific condition. It is a collection of characteristics, some clearly observable and others more relative and subjective. Inevitably it requires weightings and trade-offs, and therefore the full engagement of Management and the Board drawing on experience within the EBRD and elsewhere.

This study identifies some "low hanging fruit" that the Board, Management and the ongoing Self-Evaluation and Results Management Working Group (SERM-WG) might translate into a concrete action plan to produce specific improvements. Many have been discussed in other EvD studies.

- Strengthen "Theory of Change" tools by developing explicit results chains at country/sector level - Management indicated it would roll out a pilot for this by mid-2016, but discontinued the effort upon the launch of the new transition concept. Yet it is still much needed and would add great value.
- Consolidate transition results reporting into a single, authoritative document, such as an annual "Transition & Development Effectiveness Review"
- Improve measurement of wider and longer-term effects – Existing tools are available that would make a great difference if used systematically and adequately resourced. Promising new tools that are widely used elsewhere deserve a careful look from the EBRD.
- Integrate investment and policy related work systematically at every level – project; sector; country – and ensure that this is built into all key operational tools such as project and programme design, monitoring and reporting, resourcing and incentives
- Cross-IFI commitments - There is strong pressure on MDBs to demonstrate their combined contributions to, for example, the SDGs. There is an excellent opportunity to develop better joint approaches, and a potential leadership role for the EBRD in private sector areas where it has particular expertise and insight.

Implications for the evaluation function

The Bank's important evaluability challenges also inevitably have important EvD dimensions.

Many of these are recognised and have been identified. The Kirk Report and the self-assessment EvD completed in preparation for it, EvD's recent analysis of the Bank's Self-Evaluation systems, EvD's annual Work Programmes, and many individual thematic evaluations in recent years all identify specific and general areas where EvD itself must adapt and improve. These include:

- Integrating the new Transition Qualities more systematically into all EvD work;
- Extending and deepening country strategy evaluation work;
- Making wider use wherever possible of innovative methodological and analytical techniques;
- Strengthening EvD's internal learning and knowledge management;
- Strengthening the effectiveness of EvD's outreach to Banking; and;
- Helping Management build stronger self-evaluation systems and practices.

The Kirk Report rightly flagged that preparation by EvD of a Medium-Term Strategy (MTS) would be a valuable way to draw these efforts together and develop Board/Management support for an ambitious and strategically-driven EvD game plan. EvD is committed to doing so.

It will present an initial MTS draft early in 3Q:2020 with a view to finalising it before year end. The expectation is that this timing would ensure that the MTS is well-informed by the new SCF and by further anticipated Management initiatives arising from the Kirk Action Plan.

1. Introduction and Background

- The most fundamental responsibility of the EBRD's independent Evaluation Department (EvD) is to assess, and to the greatest extent possible help to ensure, the overall effectiveness of evaluation in the Bank.
- A substantial body of its work, particularly over the past decade, has identified both concerns and opportunities relating to the wide range of institutional processes, systems and instruments through which performance objectives are targeted and subsequently evaluated.
- These issues include: performance targeting and tracking, data adequacy, quality and collection, effective integration of systems; internal resourcing; managerial accountabilities, priorities and incentives; monitoring and ex-post reporting.
- All are essential components of a well-functioning institution-wide evaluation system able to provide a credible, evidence-based answer to the fundamental question: Are we broadly accomplishing what we have set out to accomplish?
- Partly reflecting these concerns, the Board of Directors commissioned a first Independent External Evaluation to assess Bank-wide evaluation systems (Kirk Report; July 2019):
  - The Kirk Report gave prominence to concerns about evaluability and affirmed many of EvD's long-standing observations.
  - It highlighted that ensuring the evaluability of its operations is one of Management's central obligations under the EBRD Evaluation Policy approved in 2013, which specifically states that operations "specify expected results and performance indicators to ensure evaluability."
  - The Kirk Report found that Management was not meeting its obligations under the policy with respect to evaluability, and concluded that low evaluability of operations and limitations in results monitoring make it difficult to validate claims of impact.
- It confirmed that the Transition Qualities encompass important and relevant criteria consistent with the Bank's institutional mandate and purpose, including key aspects of the EBRD's wider performance and results monitoring architecture, comprising numerous important tools and processes introduced in recent years.
- However, the Kirk Report also found them to be *"broad and abstract"* and "*very challenging to translate into a coherent programme of evaluation*"; a variety of concerns were also expressed about the effectiveness of the transition impact methodology and broader transition results system through which the Transition Qualities are operationalised.
- The Kirk Report therefore recommended that EvD "assess the evaluability of the Transition Qualities."
- Given the range of essential contributing factors, the scope of the paper includes the multiple, distinct building blocks (concepts and operational tools) developed by Management to embed the Transition Qualities within the EBRD's processes. For the purpose of this paper these are referred to in aggregate as the "Transition Qualities Framework (TQFW.)"

1.1 The Transition Qualities Framework

The goal of the Bank is to foster transition towards open market-oriented economies and to promote private and entrepreneurial initiative in its countries of operation (CoOs.)

In November 2016 the Bank updated the transition concept to reflect six key qualities of a modern, sustainable market economy. These qualities – Competitive, Well-Governed, Inclusive, Green, Resilient and Integrated – represent a significant evolution of the original transition concept in line with the Bank's mandate, market focus, and strong private sector character.

Table 1 – The main components of the Transition Qualities

Transition Quality	Component	Definition
COMPETITIVE	Market competition for competition and business standards	Market structure for competition reflects dynamic economic structures that promote competition and diversification, widen choice, improve the quality of goods and services and provide fair prices to customers.
	Capacity to add value and innovate	The capacity to generate value added captures the availability of fundamental production factors, ensuring connectivity within the country and abroad, a skilled workforce, but also the use of new/more sophisticated technologies and ultimately the development of innovative products.
WELL-GOVERNED	National/sub-national level governance	Within the national- and subnational-level governance, the focus is on three main distinct, yet closely interlinked, concepts: quality of public governance and relevant institutions, rule of law, and public sector integrity and control of corruption. These broadly describe the outcomes which the Bank aims to see in a well-governed economy.
	Corporate level governance	Corporate-level governance is centred on the long-standing notion of "corporate governance", most commonly described as the system by which companies are directed and controlled. It is strengthened by the more detailed attention on the other integrity-related initiatives that strengthen corporate integrity – implementation of the EITI by companies, adoption of AML/CFT standards, anti-corruption measures, corporate and social responsibility and other integrity-related business standards.
RESILIENT	Financial stability	A resilient market economy is one that develops an efficient financial sector and system of infrastructure that support growth while avoiding excessive volatility, supply disruptions and lasting economic reversals.
	Energy sector resilience	Resilience in the energy sector relates to the availability of the requisite market structures and institutions to provide reliable and transparent energy price signals to which private investors can respond by building the right type of infrastructure at the right time and in the right place.
INTEGRATED	Openness to foreign trade, investment and finance	Economic integration can boost competition, help to anchor economic reforms and provide political leverage for government policies aimed at greater liberalisation.
	Domestic and cross-border infrastructure	An integrated market economy has the policies, institutions and connectivity (energy, infrastructure and IT links) to minimise the transaction costs of trade, support competition in product and services markets, and tap a wide range of financing channels.
INCLUSIVE	Gender equality Regional development Opportunities for young people	An inclusive market-based system ensures that all population groups have fair and full access to labour markets, finance and more generally to equal economic opportunity, irrespective of gender, age, geographic location or other characteristics. This quality takes into consideration gender gaps, regional gaps, and gaps in terms of opportunities for young people across our CoO.
GREEN	Climate change mitigation Climate change adaptation Other environmental areas	As a transition quality, green concerns the interconnection between the market economy, human welfare and environmental sustainability: the natural assets for human welfare, including minerals, water resources, life forms of various kinds and the atmosphere provide value as inputs for direct consumption and production; as a sink for pollution and waste; and as a source of amenity value.

The revised transition concept is based on three propositions: 1) The Bank's mandate is to foster sustainable market economies; 2) A sustainable market economy is competitive, well-governed, green, inclusive, resilient and integrated; and 3) The framework of priorities and measurements against which the transition impact of Bank operations is assessed should reflect country circumstances. The essence was still the market economy, but the refreshed concept looks at the market process from the perspective of outcomes.

The work to embed the Transition Qualities in the Bank's systems has been ongoing since the inception of the new transition concept. This work, essentially, has two main pillars: (i) Transition Impact Methodology and (ii) Transition Results Management Architecture. These pillars contain key elements of what this paper refers to in aggregate as the Transition Qualities Framework (Table 2). The six Transition Qualities are meant to provide guidance on ensuring that the EBRD's activities contribute to this ultimate goal. They also incorporate insights on the role of markets and align with the international community's ambition for the private sector to make major contributions to achieving the 2030 Agenda for Sustainable Development (SDGs.) It is therefore of utmost important to understand how and why transition occurs, and to measure the extent of the Bank's contribution.

Table 2 – Key *building blocks* of the Transition Qualities Framework

The Transition Qualities Framework (TQFW)			
1) Review of the Transition Concept			
The revised Transition concept provides broad definitions of each transition quality: inclusive, green, well governed, resilient, integrated and competitive. Source: BDS16-181 (Board Approved)			
2) Operationalisation of the Revised Transition Concept			
2.a) Transition Impact Methodology Source: SGS17-114, SGS18-238, SGS17-079 (Board Information Session-BIS)		**2.b) Transition Results Management Architecture** Source: CS/FO/17-01 (BIS), CS/FO/17-02 (BIS) and BDS14-217 (Board approved)	
Project-level	**Country-level**	**Project-level**	**Country-level**
- The Transition Objective Measurement System (TOMS) captures and assesses the expected transition impact of the Bank's projects. - The updated Transition Impact Monitoring System (TIMS) supports the monitoring of the transition impact. - Work continues to further automate and integrate TOMS/TIMS processes as part of Project Monarch.	- The Assessment of Transition Qualities (ATQs) provides a snapshot of where CoOs stand in terms of their development towards a sustainable market economy characterised by the six transition qualities.	- The Compendium of Standardised Indicators is a catalogue of indicators (output, outcome, and impact) harmonised across the Bank that are organised under the six transition qualities.	- Country Strategy Results Framework (CSRF) is an explicit articulation, through clear and measurable indicators, of the transition results expected from the Bank's activities in a country during the strategy period. - The Country Strategy Delivery Reviews, first delivered in March 2017 (BDS17-042), assess progress towards investment and policy priorities in the Country Strategies.

1.2 Rationale for this Study

The first "Independent External Evaluation of EBRD's Evaluation System" (Kirk Report), commissioned by the Board of Directors to assess Bank-wide evaluation systems, was delivered in July 2019. It gave prominence to the issue of evaluability. It stressed that the quality of evaluability is crucial to ensure the credibility of the Bank's wider results, monitoring and evaluation architecture and cited the Evaluation Policy's assignment to Management of the responsibility to ensure that *"proposed programmes, policies and strategies are well-designed and specify expected results and performance indicators to ensure evaluability."*

Box 1 – What is evaluability and why it matters

The Evaluation Cooperation Group (ECG) defines evaluability as "the extent to which the value generated or the expected results of an intervention are verifiable in a reliable and credible fashion". The OECD Development Assistance Committee (DAC) says that through an evaluability assessment: "the feasibility of an evaluation is assessed…it should be determined whether or not the development intervention is adequately defined and its results verifiable, and if evaluation is the best way to answer questions posed by policymakers or stakeholders."

Evaluability must be understood as a feature of a broader evaluation system that is crucial to achieving the main objectives of monitoring and evaluation; it is an intermediate goal rather than an objective in itself. The Kirk Report identifies *"the recurrent failure on the part of Management to provide coherent results frameworks to guide the implementation, monitoring and eventual evaluation of operations*" as an important problem affecting the EBRD evaluation system. EvD has made the same point consistently. This is a typical issue that an evaluability assessment would identify while there was still an opportunity for redress (provided the evaluability assessment was done pre-approval).

All MDBs, except the EBRD, have a central quality control process that explicitly looks at the quality of project results at appraisal and/or completion and post-completion. When good evaluability is in place it provides or supports:

- Essential quality-at-entry mechanisms and stronger project selection/prioritisation;
- Aggregation of facts/analysis into a reliable picture of higher-level performance;
- Sharing experience and learning across institutional silos;
- Quantifiable metrics for inclusion in departmental and institutional level scorecards;
- Core quality assurance activities that can be managed directly, incentivised, monitored and resourced transparently – a powerful new management tool; and,
- An empirical basis for future regular monitoring and reporting to shareholders.

The Kirk report makes several important observations about the transition qualities:

- Stronger strategic direction has been achieved by drawing the Bank's work together under the six 'transition qualities' to better articulate the concept of 'transition impact'.
- The transition qualities form a key element of the corporate scorecard and results architecture. These should provide a focus and rationale for the selection of future evaluation work, helping to ensure strong and traceable correspondence with the EBRD's corporate agenda, providing a frame for organising activity and equipping the Board with the evidence it needs to oversee transition impact.
- Each of the transition quality concepts is itself broad and abstract and would likely prove challenging to translate into a coherent programme of evaluations.
- Evaluation criteria will need to be revised to fit with the framework of transition qualities underpinning the EBRD's results architecture.

- A constructive first step would be [for EvD] to undertake a brief assessment of the evaluability (Box 1) of the transition qualities, both as concepts and as operational tools.

It is important to recognise that these broad observations about the Transition Qualities and their evaluability were made in the context of a detailed review of concerns about the EBRD's wider systems of evaluation and results assessment, including for projects, programmes and strategies.

2. Approach, objectives and methods

- Evaluability goes to the heart of institutional performance, including tracking results; incentives, priorities and accountabilities; reporting to shareholders; strategic decision-making. Perhaps not surprisingly interventions that are more evaluable are consistently more likely to be successful.
- Ensuring the evaluability of Bank operations was placed at the core of the EBRD's Evaluation Policy, approved by the Board in 2013. Management committed to ensuring that the expected results and related performance indicators of operations (and programmes, policies and strategies) are identified with sufficient specificity to allow effective evaluation; and that institutional processes and resources are sufficient to achieve the results.
- This evaluability assessment was guided by an analytical construct centred on 'evaluability in principle' based on the internal logic of a programme, as represented by its theory of change, and 'evaluability in practice', as represented by the measurement approach, tools and indicators used to reflect performance and results achieved.

This chapter briefly summarises the approach, objectives, questions, methods of data collection and mode of analysis. It also summarises what evaluability is, how it is carried out, and outlines why it matters. It provides a rigorous methodology and criteria used to assess the evaluability of the transition qualities as they are now articulated.

2.1 Objectives and Scope

Objective

The assessment focus is on the extent to which the terms and application of the EBRD's concept of 'transition qualities' can be meaningfully and usefully evaluated: to determine how far the concept (or set of concepts) is credible, adequately defined, relevant and meaningful and the extent to which the value and utility of its application can be determined or verified. The main objective of the study is, therefore, to inform EBRD Board, Management and interested stakeholders whether the TQ concept can be usefully evaluated and whether it can be further strengthened. In determining the feasibility of evaluating the TQ concept and related issues, the assessment aims also to indicate ways in which the concept could be addressed by evaluation activities at the EBRD.

Scope

The Kirk Report recommended assessing the evaluability of the transition qualities as concepts and operational tools. Therefore, setting the objective and scope of this evaluability assessment required the identification of institutional "building blocks" that articulate the concept of the revised Transition Concept and develop the operational tools that embed the transition qualities in the EBRD systems and processes. The scope of the assessment includes the entirety of the existing conceptual and operational blocks as the Bank's Transition Qualities Framework including, the Revised Transition Concept, the Operationalisation of the Concept comprising the Transition Impact Methodology and the Transition Results Management Architecture.

2.2 Methods

Evaluability can be considered in three complementary ways: i) in principle; ii) in practice; and iii) in relation to utility (DFID - Davis, 2013.) Accordingly, the analytical construct that was used to guide this assessment centred on evaluability in principle and in practice (Table 3.) Evaluability in principle examines the internal logic of a programme, as represented by its theory of change, and evaluability in practice examines the measurement approach, tools and indicators used to reflect performance and the results achieved. Based on best practices identified in the literature, the evaluability assessment utilised rubrics to examine both the in-principle and in-practice aspects of evaluability. It also examines the clarity of the intended use of the information produced, which would encompass both Accountability and Effectiveness.

Table 3 – Criteria to assess evaluability

Evaluability Criteria	Key questions
Evaluability "in principle"	
Relevant Theory of Change - Relevance and clarity of the intervention and its final objectives and goals	- Are the TQs clearly and unambiguously expressed so that everyone has a similar understanding of what is intended? - Are the elements of the Theory of Change stated in terms specific enough for their achievement to be recognised and measured either quantitatively or qualitatively? - Is there a clear hierarchy of results stemming from the ultimate objectives?
Plausibility - Expected results claimed at the outcome and impact levels should address a clearly understood problem, and realistically and logically flow from inputs provided and outputs delivered.	- Is there a continuous causal chain connecting outputs and outcomes to the final impact of concern? - Is it possible to identify which linkages in the causal chain will be most critical to the success of the TQFW?
Context and Incentives	- Are systems and incentives adequate to support transition potential (closing gaps) at country level?
Evaluability "in practice"	
Existence and quality of measures to assess progress towards achievement of TQs	- Do adequate means exist, including indicators and data, to assess the achievement of results? - Are the metrics used to measure transition relevant to the final objectives of the Transition Qualities? - Are they adequately integrated to provide a holistic assessment of the achievement of the expected results? - Are they associated with baselines, target levels of achievement, and proposed achievement dates?
Adequacy of provisions for monitoring and reporting	- Is there adequate provision for effective monitoring for both the short and long term? - Are policy dialogue and technical cooperation activities properly monitored and integrated into the results architecture? - Are adequate means in place to assess the wider impact of operations, including at country level?
Clear intended use of the information produced	- Is self-evaluation information adequately used and well-integrated?

Evaluability Criteria	Key questions
	- Are achievements/failures transparently reported and findings and lessons well incorporated in the project cycle? - Is results information used to inform strategic decisions and policy making? - Is the EBRD transition story and narrative of results based on the transition qualities, including its contribution to the SDGs, well understood and communicated?

This method has been applied in two phases: 1) Development phase; and 2) Validation phase.

1. Development phase - The first phase of the evaluability assessment involved an extensive desk review and analysis. It also included informal workshops and non-structured interviews with EBRD staff. During this phase, EvD produced a draft evaluability assessment report that includes evaluability criteria, preliminary findings, conclusions and preliminary recommendations.
2. Validation phase - In the second phase, an internal EvD workshop was held to validate the major findings of the draft evaluability assessment report. The group discussed and commented on the evaluability assessment, checking for factual errors or errors of interpretation. A peer review group, comprised of external sectoral experts, has also reviewed the draft evaluability assessment report and provided technical feedback. The exercise culminated with the completion of the evaluability assessment report.

2.3 Limitations

The scope of this assessment has been limited by specific institutional features of the Bank, resulting in important caveats that the reader needs to keep in mind.

- Methodology. There is no established methodology for an evaluability assessment of a broad, complex organisational framework. Many practices that have been developed in other international financial institutions reflect their dominant focus on public sector operations, while the EBRD is primarily private sector-focused. This study brought together best available practice from the development world (MDBs and development agencies) drawing particularly on a widely embraced approach (Davies; 2013). Based on this work, the study devised the methodology and instruments suitable for the evaluability of the Bank's transition qualities. It strives to make all assumptions and resulting limitations clear.
- Data quality and availability. The assessment relies almost exclusively on EBRD documentation, which is extensive. A deeper analysis of the views of internal and external stakeholders would have added value and perspectives, but was not possible, mainly due to time constraints. However, the assessment draws on extensive earlier work (regarding, for example, Country strategies and additionality) that had substantial input, both formal and informal. An important objective of the assessment was also to look beyond EBRD systems and take stock of other IFIs' experience. Information and data are essentially based on internal documents and discussion within cross-MDB working groups (i.e. WG on Managing for Development Results) which are not public and may not be disclosed.
- Graduation: While graduation has been seen by many as an important dimension of transition success, it is not established anywhere as a metric or a specific objective.

- Business Model: The Bank's internal systems are primarily designed around financial metrics and investment activities, which is consistent with its private sector-focused institutional culture. Policy and technical cooperation activities, while often central to the "transition story" of individual transactions, are for the most part treated secondarily in the Bank's systems. EvD has identified this issue on many occasions, and also flagged that these structural characteristics of the Bank's systems impede a rounded, more complete picture of effectiveness that might be objectively evaluated. It is for this reason, rather than by choice, that this study focuses mainly on investment activity. Separate EvD studies (such as those forthcoming on Policy Dialogue in SEMED countries and the Legal Transition Programme) attempt to add to the body of knowledge on this.
- Global Agendas and inter-IFI collaboration: The Bank's global commitments have grown substantially, particularly regarding climate and the SDGs. These developments have implications for how the Bank goes about transition and measures it; yet there has been limited experience, and direction on this matter is likely to be subject to inter-MDB coordination and cooperation. Therefore, with regard to IFI collaboration and the Bank's commitment to the global development agenda, the study's scope is not all encompassing and is limited to individual cases such as the MDB working group on Managing for Development Results (MfDR).
- Organisational Chart: Recent changes in the Bank's organisational structure and associated resource allocation have direct implications for the broader results architecture and, from that, many issues related ultimately to evaluability. But, while these issues are undoubtedly relevant and important, they are outside the specific focus of this study. This assessment has necessarily focused on key parts of the Bank's results tools, architecture and management systems as they are integrally related to assessing evaluability in practice. However, while this work contributes substantially to our overall understanding of these critical systems and their effectiveness, it is not represented as an evaluation of the transition impact methodology and results architecture and management system as a whole.

3. Evaluability of the TQs in principle

- The 2016 Transition Concept (BDS16-181) builds on the conclusions of "Besley I" (2009) and "Besley II" (2016), including:
    1. There is no case for changing Article 1 of the AEB;
    2. There is a consensus that the Bank should remain in the business of supporting systemic change and helping build a market economy in countries committed to democratic principles; and
    3. The concept of transition needs a fresh interpretation, specifically that *"the transition mandate of the EBRD should be understood as supporting a move towards a competitive, well-governed, sustainable and inclusive market economy"* (four transition qualities.)
- The Transition Concept as eventually Board approved does not integrate key Besley (I&II) points central to its operationalisation;
- The choice of the six transition qualities has not been clearly explained, conceptual definitions of the individual qualities remain ambiguous, and operationalisation is incomplete.
- The expected ultimate goal of the transition qualities – which is essentially what "success" means for the Bank – is not set out clearly; there are no clear, high-level goals or prospective pathways to achieve them.
- Recent Management efforts – the elements of the Transition Qualities Framework – do not outline how and why transition results are expected to happen and, thus, articulate a proper Theory of Change of the transition qualities.

The sections below discuss the internal logic of the transition qualities in greater detail. This chapter addresses the questions associated with the clarity, relevance and coherence of the TQFW's design, including the integrity of the causal chain linking inputs and activities with expected outcomes and goals. The criteria covered in this chapter include relevance, plausibility and context and incentives.

3.1 There is a lack of clarity on how the transition qualities were selected and how they are defined

There have been major efforts within the EBRD to build a more systematic and improved approach to transition measurement, especially in recent years. The Bank's work has, in many respects, been creative and innovative; but the challenge is a very difficult one, similar in most respects to familiar performance and results measurement challenges across the IFI system and within individual shareholder governments.

Three different Bank units (Table 4) are responsible for different parts of the framework that sets out how the Transition Qualities are conceptually defined and operationalised. No formal part of this responsibility lies with the Banking Department.

- The Office of the Chief Economist (OCE) defined the six transition qualities conceptually (BDS16-181);
- The Economics, Policy & Governance Department (EPG) developed the operational definitions of transition qualities and their 14 sub-components and introduced project assessment and monitoring tools (SGS17-114 and SGS18-238);

- The Country Strategy Coordination and Results Management (CSRM) translated these into 45 country-level transition objectives as part of Compendium of Standardised Indicators (CS/FO/17-01).

It is not clear whether the operational components identified for transition qualities are sufficient and how operational components trace back to each quality. There is no documented explanation of the linkages between the operational definitions of each transition quality and related transition objectives at country level, including related causal pathways implicit in the existing structure.

The transition quality of Resilience provides a good illustration. The Transition Concept Review (BDS16-181) broadly defines resilience as *"…a resilient market economy is about the ability of markets and market-supporting institutions to resist shocks, about policy predictability and about balance and sustainability in financial and economic structures. Resilience objectives would be most commonly associated with the nature, conduct and structure of financial systems, but also with economic diversification as well as with food and energy security considerations.".* This definition by OCE is a broad one and would have been capable of supporting the COVID-19 shock (Box 2). However this broad conceptual definition has been translated into two very specific operational components: financial stability (*resilience in the financial sector relates to the health and stability of the banking systems*); and energy sector resilience (*resilience in the energy sector relates to the availability of the requisite market structures and institutions to provide reliable and transparent energy price signals*).

There is no documentation available explaining how the concept of resilience as defined was translated (by EPG) into these two components. Nor is there any documentation showing how these two components were further translated (by CSRM) into the specific transition objectives shown. Intended to be useful at the country level they are not well aligned with either the conceptual definition or the sub-set of operational definitions. Yet, the question on how the country-level objectives, standardised transition objectives drawn from the Compendium, contribute to improving the components of Resilience remains to be answered; there is no logical link between country-level objectives and the components of transition qualities. The disconnect stems from various ambiguities:

- Why the Resilient quality would be understood as financial stability and energy sector resilience; there is no documentation on why these dimensions (but not others) were selected as ideal elements to capture "Resilience."
- How country-level objectives have been identified. For instance, it is not clear why Developed local capital market and local currency financing solutions or Liberalisation of the energy sector is resilient rather than competitive. Similarly, Reinforced networks for domestic and inter-country connectivity is identified as resilient whereas one of the main components of Integrated is actually Domestic and cross-border infrastructure.

Box 2 – Transition Qualities and Crisis: Resilience and COVID-19

Recently, Management has announced that the TQs of Resilience have been expanded as a consequence of the COVID-19 crisis: *'The focus of some of the crisis response operations on the Resilient TI quality is explained by the fact that its definition and meaning is broader now and not only captures increased financial or energy sector resilience but, more generally, the resilience of the private sector and well-functioning markets.'* As TQ Resilience is now defined and operationalised it cannot indeed provide clarity on any expected incremental effects of C-19, counter-reversal or otherwise, against which outcomes can be assessed.

The 2016 Transition Concept Review aimed at avoiding this situation. It criticised the 1997 transition checklist as follows: *"Certain other situations led to temporary 'fixes', most prominently the global financial crisis and, more recently, the Ukraine crisis. The question in these cases was whether mitigating the risk of loss of transition achievements could be recognised as positive transition potential. In* *particular, could the risk of bankruptcy of existing clients (whose earlier projects were rated transition positive) justify working capital or refinancing operations that would not normally be associated with transition impact? In essence, in these cases, transition impact was assessed against a counterfactual transition reversal. However, the approach remained confined to these particular situations. The broader question of dealing with transition setbacks (from economic conditions but also, importantly, from policy reversals) is addressed not through the transition checklist but on a project-by-project basis."*

To address this shortcoming (and citing Besley explaining how resilience and transition reversals are connected), the Transition Concept Review introduced Resilience as a transition quality of a sustainable market economy. Yet, as mentioned, the operationalisation of the concept has been limited to financial stability and energy sector resilience. As a result, in terms of transition accounting, the Bank is dealing with COVID 19 as it dealt with the global financial crisis and the Ukraine crisis. C-19 operations rely on pre-crisis TI metrics for their transition potential rating (ETI); this provides little additional transition information on crisis response in aggregate in the medium term.

In addition, while wider systems for results monitoring and reporting are much improved, structural and design problems mean they cannot credibly connect project outcomes to larger transition results. The Bank's current systems are not effectively designed for post-crisis response. As a result, and without additional elements, ex-post reporting and performance assessment will be essentially as pre-crisis, relying as now mainly on inputs such as financing volume.

Table 4 – The TQs: from concepts to operational tools

Six (6) Transition Qualities as broad concepts	**14 Operational components**	**45 Transition Objectives from the Compendium**
COMPETITIVE	**1. Market structures for competition and business standards**	1. Increased competition through entry/consolidation and levelling playing field
		2. Strengthened role of SMEs in economy
		3. Enhanced value chains and linkages
	2. Capacity to add value and innovate	4. Diversified and deepened financial system products
		5. Improved product and process innovation and levels of technology penetration (including ICT)
		6. Improved business skills, standards and business sophistication
		7. Increased private sector ownership and participation
		8. Commercialisation and restructuring of SOEs
		9. Conducive environment for market efficiency, commercially sound decision making and sustainable infrastructure funding
WELL-GOVERNED	**1. National level governance**	1. Strengthen the corporate governance of firms
		2. Enhance national corporate governance frameworks
	2. Corporate level governance	3. Strengthened policies and institutions to fight and prevent corruption
		4. Improve the quality of institutions

Six (6) Transition Qualities as broad concepts	**14 Operational components**	**45 Transition Objectives from the Compendium**
		5. Strengthen the rule of law
RESILIENT	**1. Financial stability**	1. Strengthened resilience of financial sector including capitalisation, sustainable funding structure and sound risk management practices of banking sector
	2. Energy sector resilience	2. Increased variety and sophistication of non-banking financial products and services
		3. Developed local capital market and local currency financing solutions
		4. Liberalised energy sector with effectively improved market liquidity
		5. Reinforced networks for domestic and inter-country connectivity
		6. Improved regulatory standards to promote energy resilience
INTEGRATED	**1. Openness to foreign trade**	1. Enhanced trade through process upgrades/ improved global value chains
		2. Improved institutional arrangements between countries for trade and investments
	2. Domestic and cross-border infrastructure	3. Increased FDI and associated production enhancements
		4. Increased capital markets integration
		5. Improved quality and connectivity of infrastructure for effective/efficient economy interactions
		6. Enhanced legal, regulatory and institutional frameworks for improved use of infrastructure and reduced transaction costs
INCLUSIVE	**1. Gender Equality**	1. Increased access to employment opportunities
	2. Regional Development	2. Access to skills development (incl. skills mismatch reduction)
	3. Opportunities for young people	3. Improved quality of institutions (for employment and education)
		4. Improved procurement standards/HR practices to favour inclusion of target groups
		5. Increased access to infrastructures unlocking economic opportunities for inclusion target group
		6. Increased access to finance and entrepreneurship
		7. Increased access to water & wastewater
		8. Improved regulation for financial inclusion

Six (6) Transition **Qualities** as broad concepts	14 Operational components	45 Transition Objectives from the Compendium
		9. Improved regulations for access to services
GREEN	**1. Climate change mitigation**	1. Increased energy efficiency (EE)
		2. Increased renewable energy (RE)
		3. Reduced GHG emission
	2. Climate change adaptation	4. Improved land management and agribusiness value chain
		5. Increased water efficiency
		6. Reduced vulnerability to climate change
	3. Other environmental areas	7. Pollution prevented and controlled
		8. Improved water quality
		9. Increased resource efficiency (incl. waste reduction & recycling)
		10. Improved waste and wastewater treatment

Defining and operationalising the transition qualities appears to be hindered by overlapping organisational responsibilities. According to the departmental scorecards, OCE, EPG and CSRM have overlapping roles in measuring and reporting transition impact:

- OCE is *"responsible for the formulation of the Bank's transition conceptual approach to and understanding of the transition process (…) and for reporting on overall progress by each of the EBRD's CoOs towards the six qualities."*
- EPG is *"accountable for defining the Bank's work on transition impact through operations and policy engagement."*
- CSRM is responsible for *"design of the transition impact results management system and (again) for reporting on the Bank's transition performance."*

The EBRD's organisational overlap in measuring and reporting results is an exception in the IFI system. Other MDBs generally have a more consolidated organisational approach to managing and reporting on results related work. For most it is centralised in a single department. Where there are distinctive institutional units separately responsible for, e.g., private sector activities, these have dedicated results units; for example the World Bank and the IFC, or the Inter-American Bank and IDB Invest. Results units are typically either part of Policy/Strategy departments (e.g. AsDB, WB, EBRD), or part of the Performance/Reporting departments (e.g. AfDB); at the IFC it is located in the Economics and Private Sector Development Vice Presidency; and at the EIB, cross-functional units in the operations department (OPS), the projects directorate (PJ) and the economics department (SG) typically collaborate on results related work.

Assessing the effect of overlapping functions is beyond the scope of this paper. But there is good reason to believe that the EBRD's structure contributes to a reduced and less-coherent focus, less clarity on responsibilities and accountabilities, impediments to institutional knowledge sharing and learning, and inconsistency in monitoring and reporting. This latter point was recently highlighted by the Internal Audit Department (IAD); the others have been made by EvD in the context of specific evaluations.

3.2 The Theory of Change of the Transition Qualities is not fully developed

The main aim of introducing the transition qualities was to provide a systematic and comprehensive framework that could help link project-level assessments more effectively with country-level objectives by recognising differences across countries. In order to achieve this, the transition qualities framework should rely on a clear Theory of Change (ToC) with the following qualities (or characteristics):

1. Clearly set the ultimate goal of transition and identify essential changes needed to achieve it.
2. "Explain" the process of change, HOW and WHY the transition works:

- HOW the transition happens by starting with the final goal of each quality and working backwards to identify and sequentially map all the preconditions/changes necessary to achieve it.
- WHY the transition happens by unfolding the causal relations between the conditions that need to change to achieve the ultimate objective.

3. Explain what observable circumstances or features characterise the transition and what factors are needed to change those features over time.
4. Enable consistent, joined-up objective setting and results measurement.

Despite efforts and some progress, a theory of change with these characteristics remains unfinished, both in qualitative (logic of the narrative) and quantitative terms (measurability):

1. Evaluability requires the expected results of the transition qualities to be reliably and credibly verifiable - 'to what extent did we achieve what we set out to achieve and how do we know that?' There is a need for reasonable clarity on success objectives at the country- and/or sector-level, not least because these are central to the Bank's business model and its identified results architecture. However, clear high-level goals at those levels have not been presented, nor, therefore, are there any pathways connecting them to the project-level work that is the Bank's core business.
2. At country level there is no qualitative or quantitative mapping as to how Bank activities are expected to contribute to reducing the transition gaps as identified in the CS, given the context and the Bank's ability to do so;

- EvD's informal interviews with Management and Board members confirmed the lack of a shared view on "what success means for the institution." The range of answers included: reducing the transition gaps, graduation, maximising transition impact. Those are not the same and imply very different approaches to planning and delivering the EBRD business model. Most identified "closing the transition gaps" as the ultimate goal of the EBRD;
- The CSRFs do not fully reflect any Theory of Change; they just comprise a list of objectives, supplemented by a list of activities (conflated with outputs).
- Activities are not standardised in any way, and come at very different levels of detail, type, and sector-specificity. There are instances where multiple objectives share a list of activities and indicators, which do not fully cover either the activities or the objectives.

3. Project design does not integrate a Theory of Change; thus the transition process is only partially explained:

- There is generally no log-frame or results framework embedded in the design, leading to confusion in identifying relevant outputs, short-term outcomes, long-term outcomes and impact indicators.
- The section on transition impact remains separate from the transition impact monitoring indicators and benchmarks and the linkage between the two is very weak.

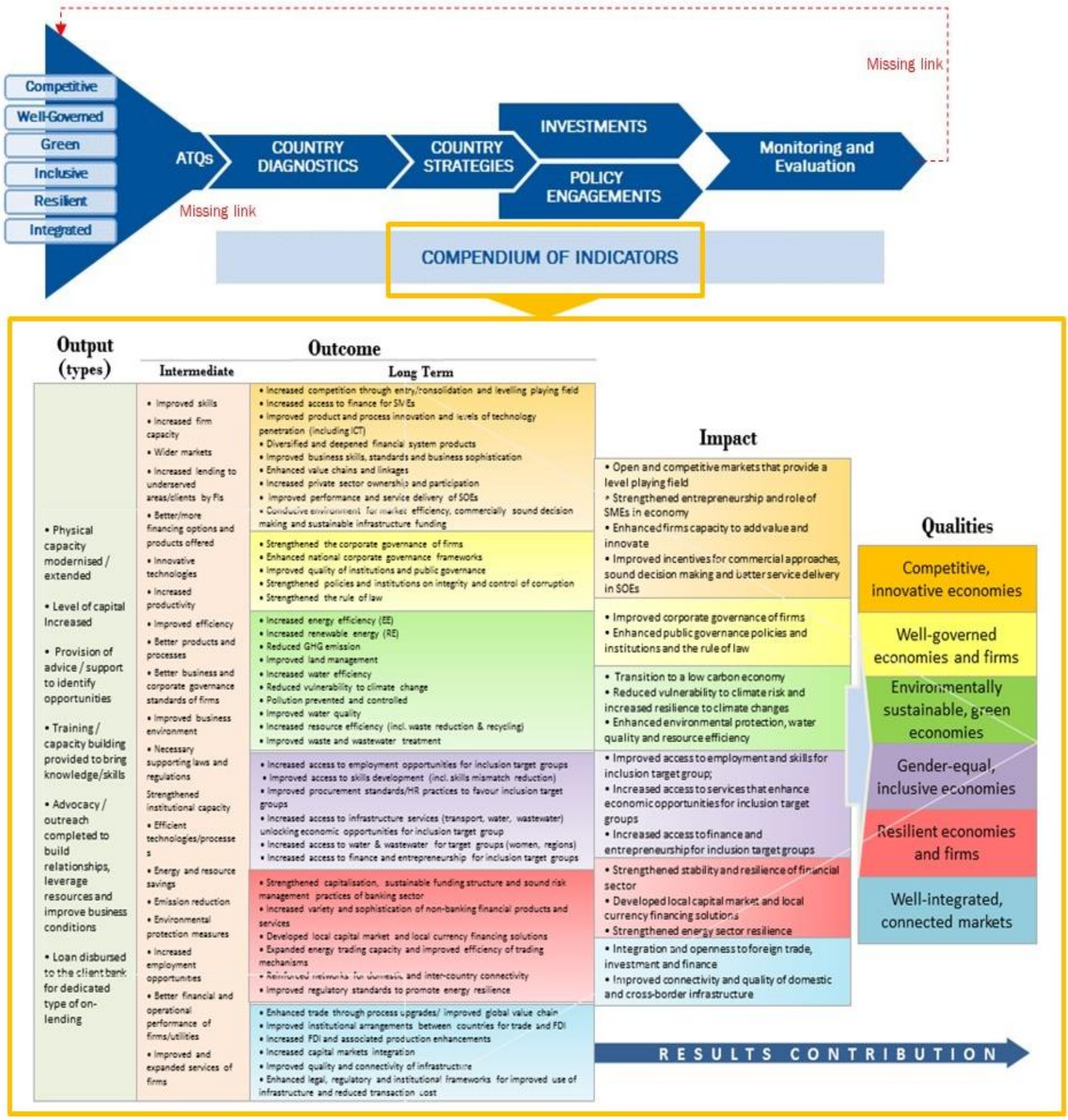
Both Board and Management, of course, share concerns about understanding how the Bank contributes to reducing the transition gaps and achieving transition impact. In fact, in June 2015 Management itself proposed to develop explicit results chains at sector/subsector level in order to build a holistic Theory of Change for EBRD interventions (SGS15-145). Explicit results chains at sector/subsector level would have been hugely valuable to outline the broader causal chains of transition impact, in which individual projects could find their specific contributions, without claiming to single-handedly cover the whole transition rationale.

This would, in turn, allow a portfolio of projects implemented in the same country to be viewed more cumulatively, which is the embedded logic of doing individual projects in support of country priorities. Management was expecting to roll out the system by mid-2016. But in the event it did not proceed, and appears to have been dropped as an initiative after the new transition concept was launched in November 2016.

At present, the outline of the Transition Qualities' Theory of Change remains highly generic (Figure 1):

- ATQs constitute an annual assessment of the state of transition in every country of operation along the six Transition Qualities.
- Country Diagnostics provide in-country information and aim to point to areas where the Bank has a capacity to deliver and countries have a drive for transition.
- Country strategies define strategic priorities and specific objectives for sector development. CSRFs list the Bank's strategic priorities and objectives and associated indicators.
- The Compendium of Standardised Indicators identifies the relevant measures for monitoring transition results at country and project level.

Figure 1 – Transition Qualities' Theory of Change

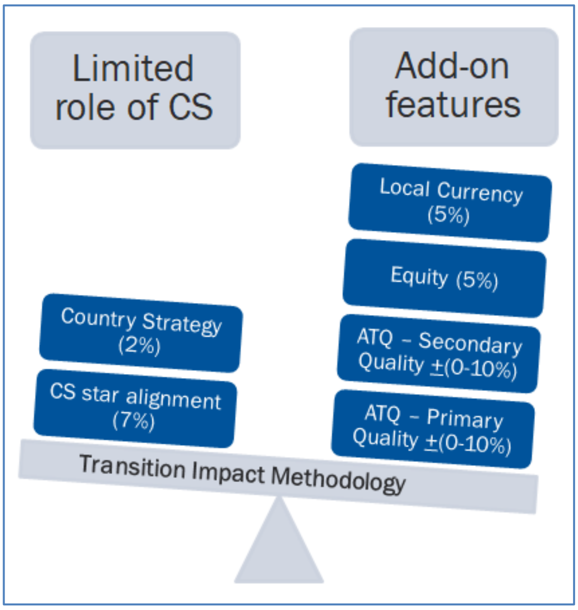


3.3 Current systems limit the weight of transition potential (closing gaps) at country level

The Transition Impact methodology was originally expected to increase transparency and provide a clearer line of sight connecting project selection and design with country needs and priorities. Alignment of project selection with the priorities set out in strengthened Country strategies would be central to the objective. Key elements, however, across this intended link are highly complex and non-transparent, and linkages themselves are either unclear or lacking. As a result, the "causal" or "logical" link between projects and country priorities is mostly insufficient.

Ensuring that projects are aligned with country strategy priorities was the objective. However, the influence of country strategy priorities on project selection is generally unclear, or the link is not made convincingly. This may be seen by a closer look at the main drivers of how the Expected Transition Impact is calculated at the individual project level. Currently, the ETI computation includes three technical assessments.

- ATQ gap adjusts the project's ETI score within each quality, depending on the ATQ gap in the country and quality (+/-10%);
- Country priorities assessment adjusts the score based on the fit with the country strategy (+2% and +5% in the case of a strong strategic fit); and
- Financing instrument (local currency and equity) adjustments (+5%).



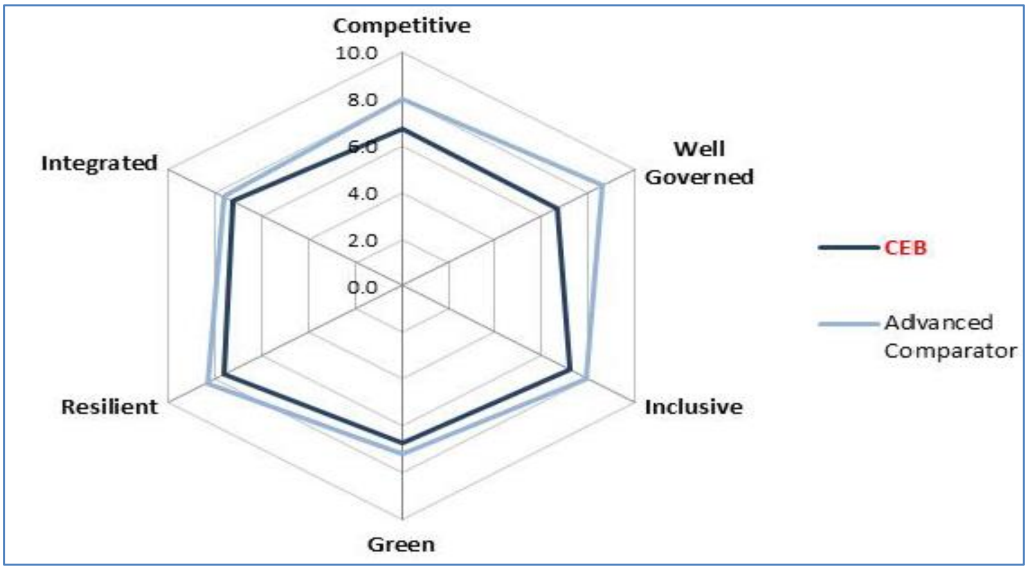
Management's original intention was sound – namely, to ensure that the scoring system provided the right incentives for effective balancing of various considerations affecting project selection. Guidance stated that *"Supporting a Country Strategy in an Early Transition Country (ETC) may be a large challenge and should be rewarded accordingly. In more advanced countries, having a strong focus on the country strategy will allow mitigating the negative ATQ adjustment while not giving an excessive premium to a project. "*(SGS18-238). However, as outlined in the following paragraphs, there are both structural issues and issues of application affecting the realisation of the intended objective; sometimes even producing unintended negative effects.

If an important EBRD goal is to close CoO transition gaps, alignment of project selection, and by implication design, to country priorities should be incentivised. SGS17-114 states "*the fit with Country Strategy priority objectives will take precedence over the more general ATQ gaps when deciding on rating uplifts*". This is interpreted to mean that if there is a concrete opportunity to reduce the transition gap under a specific Transition Quality, even if the ATQ score is close to comparators, the system should not discourage it.

However, as shown above the positive adjustment ("uplift") to a project's score for alignment with the country strategy is substantially smaller than the potentially negative adjustment when the ATQ gap is small. When a country's priority transition areas are close to the ATQ frontier, project selection will be directed to non-priority transition areas. This may direct operations towards areas where potential gains are relatively larger, but at the cost of diminished focus when successful closure is most within reach.

For similar reasons there is also no disincentive for non-alignment of projects with the stated objectives of country strategies. A project's ETI score is not negatively affected by being out of line with strategy objectives: It is therefore entirely possible to process projects with high TI despite their being outside of country strategy objectives because of the weighting given to the ATQ. For example, take the case of the central European and Baltic countries (Figure 2) which present the lowest gaps relative to comparators; given the adjustment mechanism as described there are obstacles to focusing on closing small gaps even though good opportunities may present themselves at the country level. In previous years, potential project opportunities in CEB which were well aligned with country strategy priorities, targeting Resilient and Integrated, were rejected because the high negative ATQ adjustment offset a positive CS uplift. It is likely, though beyond the scope of this study, that the current system discourages the innovation and creativity of operations staff in precisely those cases where it might be most valuable.

Figure 2 – Transition gaps in the central European and Baltic countries



(Source: Preparatory Work for the Strategic and Capital Framework 2021-2025 Roadmap/Work-stream 1, Sep. 2019)

<u>The ATQs were created as a country-level diagnostic tool. It was intended to identify areas of relative need and potential impact and, through this, to create a consistent and transparent basis for strategic prioritisation; it has served this purpose relatively well</u>. However, the identification of country-level priorities are already extensively informed by the country diagnostics process and ultimately ATQs. As a result, using the ATQ score as an incentive mechanism for operational selectivity is now a form of "double counting" that tends, as shown, to underweight the specific objectives set in the CS.

Box 3 – Underlying issues in the ATQ computation

Assessments of Transition Qualities are composite indices combining information from a large number of indicators and assessments, not always consistently.

i) **The accuracy of ATQ scores is not reported or considered when assessing the transition gaps and rank ordering of the CoOs.** The accuracy of the ATQ scores depends on the accuracy of the underlying indicators. Therefore, even relatively large differences in transition gaps across countries might be due to the low quality of underlying indicators. Hence, reporting the confidence interval for each ATQ score produced would substantially increase the transparency of the ATQs. Additionally, statistically testing the equality/inequality of each ATQ score produced would improve the informative quality of the ATQ and ultimately its contribution to the development of country diagnostics and strategies.

ii) **The available data are not sufficient to assess certain transition dimensions.** For example, the regional disparity component of the *Inclusive* ATQ is assigned or imputed to the SEMED economies and Turkmenistan because the Life in Transition Survey (source of the data for this indicator) is not administered there. Instead, a different data set is generated based on available indicators on rural-urban disparities from other sources. Using the statistical relationship between the scores produced by this series and the LiTS-based regional inclusion scores, missing SEMED and Turkmenistan values were imputed.

iii) **ATQ computation does not distinguish between extreme values and outliers.** To mitigate the effect that extreme values may have on scores, observations that lie above the 98th percentile are considered outliers and replaced by the next value within the acceptable range. It is likely that the initial decision concerning sample selection (i.e. focusing on 47 countries (37 CoOs and 10 comparators)) leads to the emergence of extreme values in the dataset analysed. Further testing with an expanded sample (such as all countries with high income or lower) is required to assess whether or not certain data points are outliers. If not, this means that ATQ computation creates an artificial outlier problem by excluding informative data when selecting the sample.

4. Evaluability of the TQs in practice

- Measures to assess transition impact and transition results have elements of strength but they are not meaningfully integrated, reflecting the lack of a systematic approach to targeting and measuring transition.
- There is a substantial gap between the country results indicators and the country-level context that cannot be bridged by simply aggregating project outputs.
- Policy and technical cooperation activities have not yet been integrated into the Transition Qualities Framework.
- Measuring wider impacts and linking the EBRD's contribution to country progress remains a challenge, though there is an increasing demand for this function, including from donors.
- Project results are only regularly monitored until completion/repayment of the project, though transition results are typically achieved years after physical/financial completion.
- There is a lack of appropriate tools and systems to provide proper alerts to managers so that corrective action can be taken.
- Existing monitoring systems do not allow for the mid- & long-term observations necessary to capture systemic change; externalities, demonstration effects and indirect and induced results are NOT monitored; nor are possible multiplier or additional effects associated with collaboration with other institutions.
- There is no appropriate monitoring for country-level transition results: Country Strategy Delivery Reviews (CSDRs) provide only a bottom-up aggregation of project results which are only followed until completion/repayment.
- Transition results reporting is scattered across different reporting processes and tools; the EBRD does not publish an overall Development (or Transition) Effectiveness Report of any kind, as other MDBs do.
- The Bank's commitment to the global development agenda has grown substantially in recent years. However, there is no real understanding of the EBRD's contribution to the SDGs.

This chapter concerns evaluability in practice and seeks to answer the question: how well can the TQs be assessed in terms of the measurement approach, tools and indicators used to reflect performance and results achieved?

4.1 Existence and quality of measures to assess progress towards achievement of TQs

Over the last few years Management has developed a wide range of tools, initiatives, and processes to reflect the substantial changes that have been made to both the concept and core metrics of transition. Currently there are essentially five measures of transition at different levels (project, country and corporate) and at different times, including:

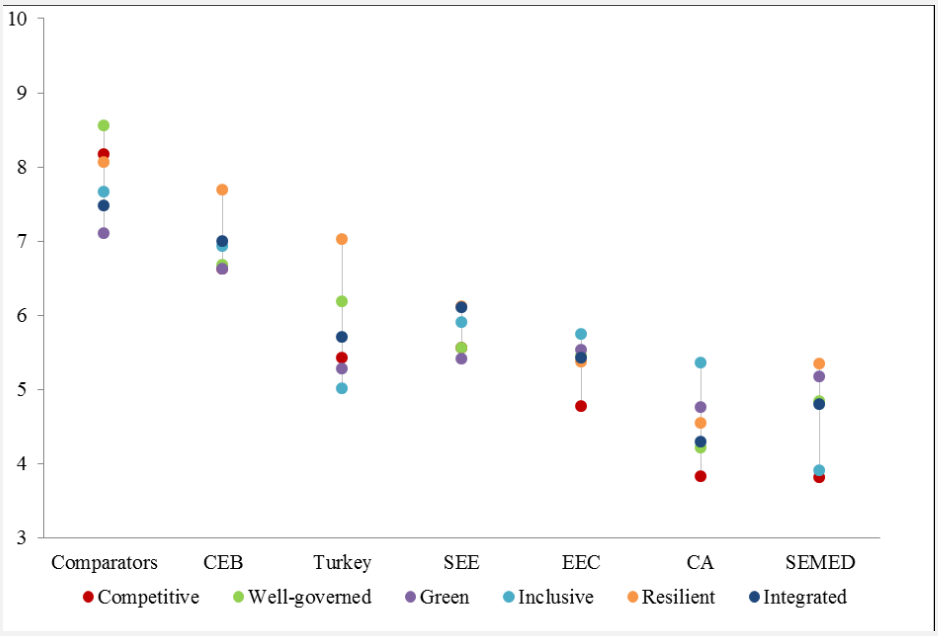
1. Assessment of the Transition Qualities (ATQ): Measure to assess the progress of each CoO along the transition pathway towards a sustainable market economy. The ATQ serves as the building block for assessing transition at the country level, and benchmarks CoOs against a notional "sustainable market frontier" for each of the six qualities (Box 4).

Box 4 – Understanding the Assessment of the Transition Qualities (ATQ)

The ATQ is an initial snapshot of where countries stand in terms of their development towards a sustainable market economy characterised by six transition qualities. The objective was to operationalise the updated transition impact concept and create a more transparent and standardised process, and to facilitate a higher role for country strategies and ATQs in the Bank's operations.

The Agreement Establishing the Bank does not define criteria to determine the completion of market-oriented transition or of the Bank's role in it; nor have any such criteria been established since. The question of how far the transition has advanced concerns the structure and functioning of an economy rather than more generalised economic indicators such as aggregate income levels. It concerns also the infrastructural and environmental legacy of the pre-transition period.

The relevant comparator for the assessment of progress in transition is not some hypothetical "perfect" economic system, but an economy which functions reasonably well in the sense that the main markets are open to trade and are competitive, the underlying institutions function effectively, and capital is available for financially sound investment projects.



These 'advanced comparators' are Germany, Sweden, the USA, France and the Czech Republic. Taken together, these countries also serve to define a so-called 'advanced zone' in which a supermajority of advanced comparator countries lie.

The EBRD's 2019 ATQ against advanced economy comparators show:

- All transition qualities in all EBRD regions are below that of the comparator.
- Comparators are somewhat below the theoretically ideal market economy, especially in *Green.*
- For central Asia, SEMED and EEC, levels on all six qualities are below the lowest ranked quality in CEB. It is clear that whilst gaps remain everywhere, there are large differences among them.
- The rank order of levels of progress across the qualities varies significantly by region.

(Source: CS/FO/19-38)

2. Expected Transition Impact (ETI): Measure of a project's transition impact potential and the embedded risk of not achieving that potential. Defined as a combined score to better reflect the available information at each point in time on the likely ultimate transition impact of a project. For scorecard purposes, this may be aggregated across newly signed projects.

3. Portfolio Transition Impact (PTI): Measure derived from the average ETI score across the active portfolio (the stock of rated projects as of 1 January plus projects that exited the portfolio during the year). It excludes new projects signed during the year as these are covered by the ETI inflow measure.

4. Standardised Indicators & Country Transition Objectives (Compendium): The Compendium of Standardised Indicators is a set of +140 standard indicators organised across the six transition qualities; in principle it allows aggregate reporting of progress at country, sector, initiative and institutional levels.

5. Composite Performance Assessments (CPAs): Measure of activities and performance under each of the six transition qualities; they aim to mainstream the transition qualities into the EBRD's performance framework. The CPA for each quality is composed of several parameters designed to capture key aspects of the Bank's work under that quality; the overall score for that CPA is aggregated from the individual parameter scores.

While the introduction of these measures represents a major effort to build a strong and systematic approach to transition measurement, their integration into a well-functioning results system remains to be completed (Figure 3).

Box 5 – EvD findings on TQ capture in country strategies

The guiding principle of both the TI and country strategy redesigns is that transition impact must be understood in the context of each country and measured against the country progress. Country strategies (CS) are therefore derived from the Bank's transition mandate, translating the broad Transition Qualities into the specific country context, and outlining the specific objectives and activities this will entail.

EvD produced an extensive and detailed assessment of the Bank's redesigned country strategy format and its early versions for specific countries (SS18-120). It included a number of findings regarding the integration of the TQs into individual country strategies.

1. Country Strategy Results Frameworks do not identify success in a measurable way. They are more a collation of individual activities than articulated result chains. Specific objectives are fairly broad and not calibrated by any targets; tracking indicators are only an aggregation of the Bank's own outputs, and likewise lack any targets. In the absence of a strategic ambition against which to measure progress, any reporting consists only of bottom-up aggregation of the Bank's activity.
2. There is no reporting tool for country-level transition results. Transition impact is still treated as bottom-up aggregation of project-level results with little analysis of their combined effects; the reported results are based on a selective presentation of project-level highlights, with little examination of how the scale and results of activities relate to the scale of the challenges present, and to what extent they contribute to alleviating them.
3. CS contain no targets or commitments on prospective investment volumes, which could provide input into SIP directions. SCF-SIP strategic planning provides no formal incentives to accomplish CS objectives.
4. There is little evidence that CS influence operational 'selectivity', i.e. the origination of projects and composition of country portfolios. While there is some evidence of increased ownership of CS by banking teams, this is mostly reflected in how projects are presented rather than in any observable links between strategy and project origination.
5. The link between country and sector strategies is weak. With the redesign of the Bank's results architecture and the revision of the TI concept to economy-wide Transition Qualities as the institution's main mandate, sector strategies are no longer intended as instruments for accountability or incentives. The two types of documents are linked most convincingly, but not systematically, at the CS activity level where the sectoral approaches can be referred to or applied.
6. CS are intended to help plan the use of different instruments (investments, TC, policy dialogue) to generate the wider impact needed for transition progress. While they do outline the mix of instruments, including policy priorities, to be implemented under CS objectives, there is no

commitment or formal incentive to actually deliver the mix; nor is there any reporting on combined effects. In effect, CS provide an ex-ante description of the choice of instruments but without the support of real incentives to accomplish this.

7. Country diagnostics present a discussion of each country's obstacles to private sector development, together with an assessment of the six transition qualities. Based on the diagnostics, country strategy priorities are determined as an intersection of identified country needs, context including government reform priorities and the Bank's own competencies.

8. There has been notable progress on integrating policy priorities and policy engagements into the CS. However, there is limited transparency on the operationalisation of policy priorities which is exacerbated by the lack of comprehensive information on ongoing policy work.

9. Country strategies are not meaningfully integrated into institutional strategic planning. No mechanisms exist to translate SCF directions into the CS, for example; CS do not in any obvious way influence business planning (SIP) through regional allocations or investment activity.

1. Existing measures of transition results are not effectively integrated

The Bank has made very substantial efforts to identify and measure transition impact, resulting in significant innovations and progress in key respects, but at the same time and for reasons partially covered thus far, there has also been a lack of integration and cohesion. Several disconnects and missing linkages undermine the evaluability of the transition qualities, including:

- TQs and transition gaps: There is an important gap between the impact of the Bank's interventions as reported by the Compendium of Standardised Indicators and the progress of its CoOs as estimated by the ATQ. Aggregating the CSRF indicators does not help to bridge this gap because they typically measure outputs (number of clients, volume of loans, renewable energy produced, etc.) but not long-term changes.

- TQs and demonstration effects: The mechanisms in place are not sufficient nor designed to capture the indirect and induced impact of Bank activities; yet the expectation of triggering positive externalities is at the centre of the concept of transition and the Bank's broader rationale.

- TQs and project results: The causal relationship from inputs to outputs to outcomes (results chain) introduced by the Compendium is yet to be reflected in project design. Recent project appraisal documents generally fail to provide a clear results chain, often mixing outputs and outcomes. The treatment of transition impact is separate from the transition impact monitoring indicators and benchmarks, and the linkage between them is very weak.

- TQs and PD & TC activities: The EBRD's policy and technical cooperation work remains to be integrated into the Transition Results Management Architecture, and is not systematically measured in any case.

- TQs and the SDGs: The EBRD's alignment with/contribution to the SDGs is broadly superficial. Country-level indicators and project-level results indicators are juxtaposed with SDGs where possible (section 4.4.2)

- TQs and Graduation: The issue of graduation is not covered by the transition qualities and their operationalisation and therefore has not been directly examined under this assessment. But it is clearly relevant (Box 6.)

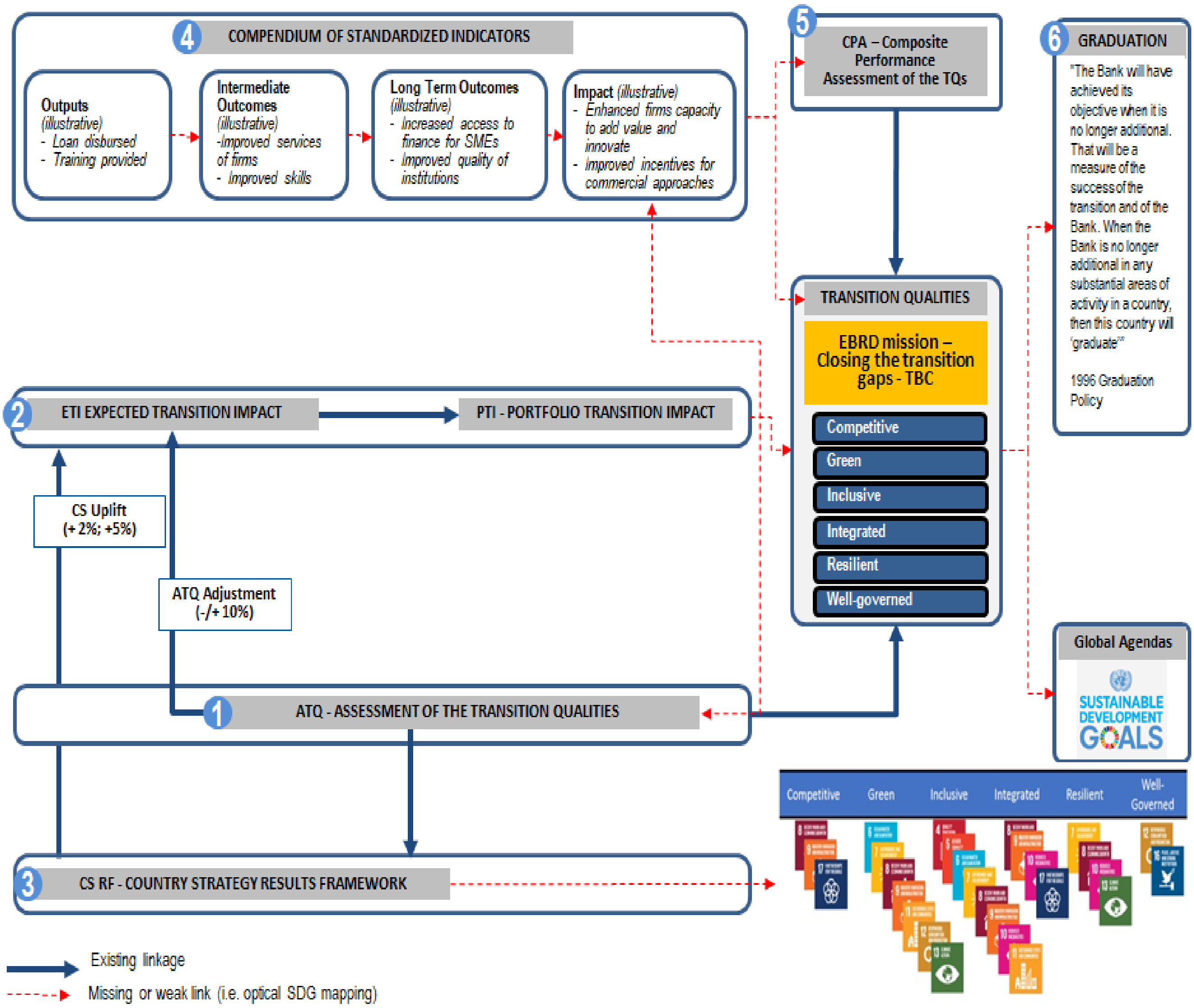
Box 6 – Graduation and Transition Impact

The Bank's 1996 Policy for Graduation of EBRD Operations (CS/FO/96-18) introduces the following criteria for graduation: "*The application of the basic EBRD principles of additionality, transition impact and sound banking embodies implicitly a concept of graduation, that is, graduation occurs when it is no longer possible to find investments that comply with these principles.*"

The concept of graduation as it is set out is multi-dimensional and driven jointly by sound banking, additionality and transition impact. Certain types of investment which might be additional and have transition impact at an early stage of transition may not satisfy either requirement at a more advanced stage. And investments which might be ruled out as 'unsound banking' at an early stage of transition may become sound at a more advanced stage, opening up further opportunities for the Bank. Thus the Bank's activities in a country will 'graduate' from certain areas and move onto others as the transition advances. This is the natural consequence of applying the three basic principles of transition impact, additionality and sound banking. Eventually, as the transition becomes still more advanced, the Bank's level of activity in a country will be reduced as there will be fewer and fewer market segments in which Bank investments can satisfy all three principles.

In this sense, graduation is a concept that is wider than transition impact. Yet, transition impact is an essential element of graduation. Recognising this, during the Board discussion of the Transition Concept Review (BDS16-181), Management noted that *"The link between the transition concept and graduation formed a very important part of our debate. We are very conscious of this link. We know very well that the analytics of transition and the way in which we assess countries from a transition perspective will inform judgement on graduation."*

Figure 3 – Instruments to measure, monitor and report Transition Impact are not meaningfully integrated *(source: EvD elaboration)*



<u>**2. Policy and TC activities are not adequately monitored and are not integrated into the results architecture.**</u>

A. Evaluability of Policy Dialogue activities

<u>The country strategy redesign was intended to better integrate the full range of Bank activities into strategic objectives and operational choices.</u> This specifically included the integration of policy dialogue work and goals into the country strategy results frameworks.

<u>EvD's evaluation of "EBRD's Experience with Policy Dialogue in Ukraine" (April 2014) flagged up the fact that such integration was lacking and clearly needed</u>; it recommended introducing results frameworks for policy work in order to: 1) plausibly link results at the levels of outputs, outcomes and impacts to inputs and actions; 2) identify key political, technical and institutional risks and principal assumptions affecting outputs,

outcomes and impacts; and 3) require regular monitoring of processes, results, risks, the continued validity of assumptions and major changes.

The Bank launched its "Enhanced Approach to Policy Dialogue (EAPD) in 2015 (SGS15-220) partially in response to the EvD study; its core purpose was to elevate the role of policy dialogue and ensure its effective integration into country strategic planning and operational selection and delivery. Although welcomed by the Board as a substantial positive step forward, the implementation of the Enhanced Approach (EA) has been very limited. The EvD's forthcoming evaluation of Policy Dialogue in SEMED reviews the EA and its application in greater detail.

Box 7 – Enhanced Policy Dialogue Delivery under the EAPD

The EBRD's business model offers operations and policy engagements working hand-in-hand to achieve systemic impact at country and regional level.

Currently, three levels of activity have been identified:

- Type I - Policy advice - "provided by or under the leadership of EBRD experts on policies and legal/regulatory framework; policy options to authorities who are committed to reform in the given area and who have requested such services from EBRD…"
- Type II - Capacity building & technical assistance - "… Complementing policy advice, capacity-building technical assistance to institutional counterparts to support the implementation of policy reforms..."
- Type III - Reform Advocacy - "… aims to further general or particular reform agenda points, providing analytical evidence of problems, sharing knowledge, including on best practice, and to nudge thinking and gauge reform appetite and commitment."

The EAPD was expected to introduce clearly prioritised, Bank-wide, monitored policy objectives in CoOs, aligned with country diagnostics and strategies. This would:

- Define policy reform dialogue objectives and activities;
- Deepen analytical work, including through the introduction of political economy analysis, to help identify priorities for EBRD policy reform dialogue;
- Harness existing and further develop EBRD knowledge to feed policy dialogue and provide advice;
- Review the current set-up for policy reform dialogue coordination and delivery;
- Set out objectives, monitor and measure the results of policy engagement.

The EAPD envisaged the introduction of an internal system to ensure alignment of objectives and policy messages, enhance quality control, coordinate and monitor progress, and maintain a central database of policy engagements. Implementation of the EAPD has been limited to the introduction of Priority Policy Objectives (PPOs). PPOs were intended primarily to translate long-term policy objectives set out in the country strategies into annual Policy Milestones so that progress at the policy front could be recorded, monitored and reported.

PPOs are an additional distinctive piece of the Bank's results architecture without any explicit link to TIMS, TOMS, TCRS and CSRF, and share many of the basic characteristics of these systems: The responsibilities are dispersed across multiple Bank units; the PPO-related activities are not specifically resourced. PPOs are approved by the Management's Strategy and Policy Committee (SPCOM) and have not been discussed at the Board or by any of its committees. Additionally, PPOs are not systematically cited in project and country strategy documents. CSDRs include information related to PPOs, yet they are not subject to any form of Board oversight.

Overall, the PPOs provide an important, albeit small, window onto the wide variety of ongoing policy engagements. However, the wider need for a comprehensive overview of ongoing policy engagements by country in internal systems has not been addressed.

B. Evaluability of Technical Cooperation (TC) Work

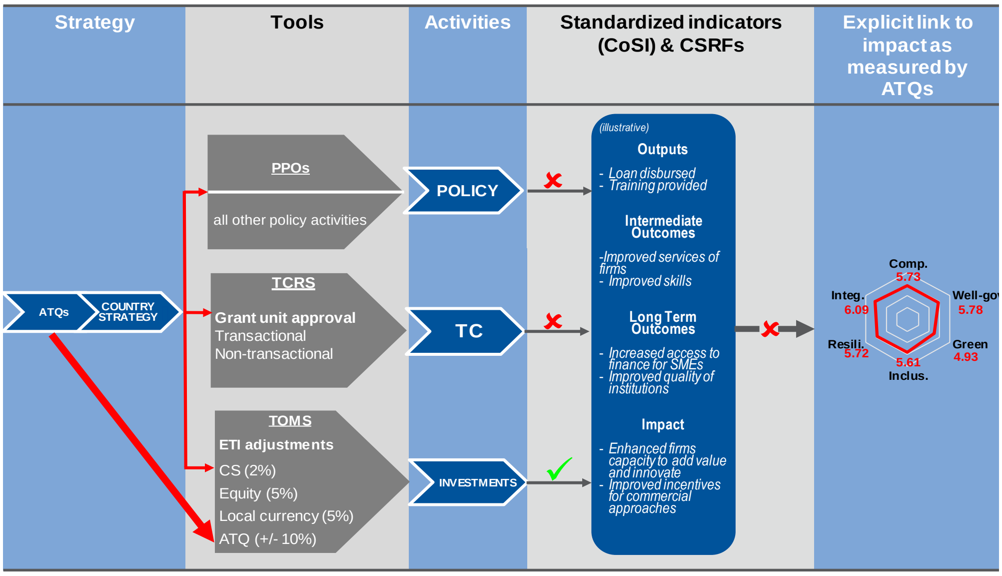
The evaluability of the Bank's extensive and varied TC work is sharply limited by system design, management and delivery factors that are for the most part well known. They include: separate processing systems for different activities; divided responsibilities and accountabilities; core data management deficiencies accentuated by resource inadequacies.

The results of transactional TCs and transition from investments are processed separately and there are no plans to integrate TC work into the existing results architecture and ultimately Monarch. The Bank records and monitors TC results under TCRS (Technical Cooperation Reporting System) and the transition results of projects under TOMS/TIMS and (from 31 January 2020), under Monarch. Running parallel systems implies that reconciling results, as well as depicting a complete picture of the Bank's activities, requires additional effort and time from all units involved in project and TC activities. To address this shortcoming, in 2018 Management launched a pilot to introduce a streamlined set of results indicators for Financial Institutions (FI) and Sustainable Infrastructure projects.

As part of this work, the Bank developed a new Integrated Results Matrix that covers all expected results from the Bank's investments (transition and transactional TC results). Since then, FI and Sustainable Infrastructure projects attach the matrix to their Final Review Memoranda. Although migration of TOMS/TIMS to Monarch has given the IT interface the capacity to generate such a matrix automatically, it appears that they are still produced manually. TCRS remains the sole platform for recording and monitoring the results of non-transactional TC. Both DCF and CSRM have the option to control the quality of the alignment of non-transactional TC objective setting - and ultimately their alignment with the Compendium of Standardised Indicators - through the grant unit approval process.

Currently (Q1:2020) there are no plans to migrate the results management of non-transactional TCs to Monarch; the ExCom discussed donor fund business at the end of 2019 and decided against allocating additional resources to improve results management within TCRS.

Figure 4 – Lack of integration of existing transition qualities measures and metrics



<u>3. Limited means to assess the wider impact of operations, including at country level</u>

<u>There is a lack of instruments to understand the broad range of results triggered by EBRD interventions. Measuring wider impacts and linking the EBRD's contribution to country progress requires a solid understanding and measurement of indirect effects.</u> This needs tailored impact methodologies, capacity, and resources that, generally, are not present.

Secondly, the EBRD has no means of either projecting or tracking how its investments flow through an economy and, subsequently, estimate impacts ex-post. Beyond the direct results measured by the Bank's current tools, the transition qualities are expected to generate a broad range of effects. Existing systems are only able to capture direct effects that occur at project level, which are typically the physical outputs and directly measurable outcomes of operations.

This challenge is well known[1]; however, externalities are not currently addressed; even if the Bank supports individual private sector clients, and the total volume of its investment is not significant compared to the size of the sector, positive changes spread through client interactions with other market players, and cumulatively have a systemic effect that could be identified and claimed.

Box 8 – A broader range of transition results - Illustrative Example

A joint MDB project in a ETC aimed to build and O&M power transmission lines: four types of effects had been identified:

- <u>Direct effect</u>: Jobs that were created by employing additional labour and professional staff (permanent and temporary) to build (over five years) and later operate the transmission lines (over project life for 20 years).
- <u>Indirect effect</u>: The construction and O&M of the power transmission lines in India requires supplies from other sectors like cement and cables. The additional jobs created in the supply chain (backward linkages) are the indirect effects.
- <u>Induced effect</u>: The additional workers in private and public companies supplying goods (i.e. materials) and services for the construction and maintenance of the transmission lines, now spend

[1] In 2012 an internal task force review of the Bank's results architecture emphasised the tension between transition being defined as a systemic change and Bank operations comprised of mostly bottom-up private sector investments

more on household consumption items like groceries, furniture etc. This creates additional employment in various other sectors throughout the economy, creating a multiplier of further demand. This spillover is an induced effect.

- Second-order effects: employment effects are enabled by improved power supply (higher production, more reliable supply, possible cost effects).This employment effect, called second-order growth effects, is a crucial channel through which infrastructure projects help create jobs.

As already described in the previous section, Management attempted to employ more rigorous methods of assessing broad impact:

- In discussing key lessons from country strategy updates in 2015, Management noted that it would explore ways to better ‘track demonstration effects (e.g. surveys, market research)’.
- When introducing the Compendium in 2017, the limitations of the proposed system were acknowledged, in that it would only gather client level data, and it was noted that “Systemic effects (demonstration effect/ multipliers) of Bank activities would be assessed at country/ sector/ thematic level through more rigorous evaluation methods (e.g. surveys).”
- In 2018 the Bank commissioned research into the “Impact assessment of EBRD financing of larger firms on SMEs though their operations and supply chains”; that work is on-going.

4.2 Adequacy of provisions for monitoring and reporting

1. There is no effective provision for mid- or long-term monitoring, though the transition qualities results are expected to occur well after the physical end of the EBRD intervention.

Monitoring and reporting of results appears not to be a priority in the EBRD; the focus of operation teams is primarily financial and said teams consider placing monitoring-related demands on potential clients to be an explicit cost, hampering the Bank’s competitiveness. As a result, monitoring remains under-resourced and incapable of meaningfully undertaking its function.

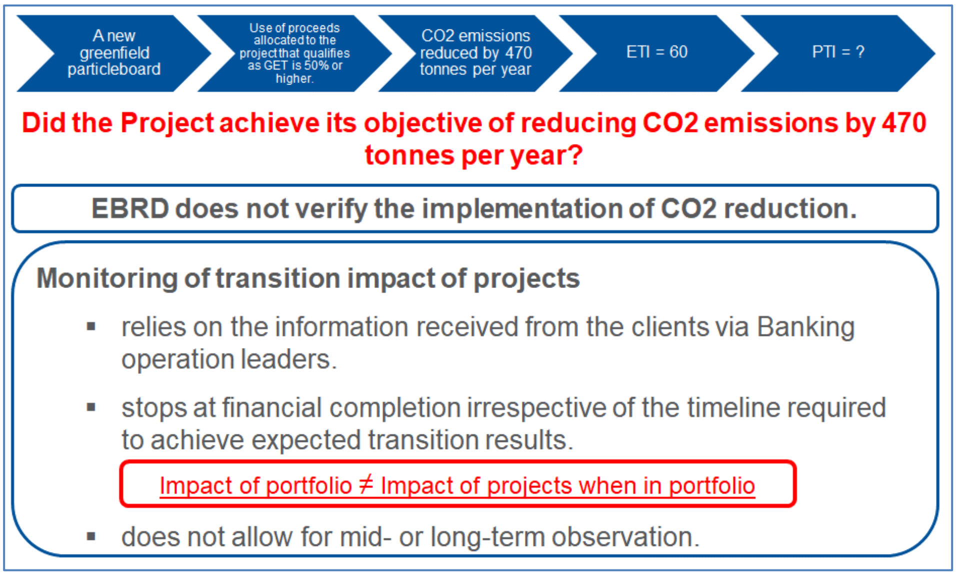
The main instrument that the Bank uses to monitor its interventions is the “new” TIMS (Transition Impact Monitoring System), (Box 9). As highlighted by Management (SGS18238), TIMS is an extension of the ex-ante system (TOMS). Projects are monitored at regular intervals (e.g. annually) until completion/repayment or after a final assessment. The cessation of monitoring is bound by either: the final repayment/exit date; the number of years since signature depending on the sector/financing instrument (e.g. 10 years); or the due date for the longest-running indicator. There is an option for OLs, in consultation with EPG/CSRM, to decide on earlier cessation of monitoring, for example in the case of projects that have delivered on most of their indicators and whose TI has been deemed substantially achieved by EPG.

As transition results are not automatically linked to the physical/financial completion of a project, and the time of achievement can differ (certain results will be achieved after physical completion) within the scope of the results framework, this would allow for more specific monitoring data at completion. However, no specific post-completion monitoring is anticipated. Also, as there is no specific completion date, the completion date for evaluation is not specified and is instead determined on a case-by-case basis once the project is considered mature and delivered from a transition perspective. TIMS, therefore, never equated to a monitoring or evaluation system, instead providing annual snapshots for pre-selected metrics.

TIMS only monitors results until financial completion, at the latest, and relies predominantly on information from the client, reported via Banking operation leaders. A recent Green Economy Transition (GET) project may help illustrate the inadequacy of the Bank's current monitoring system (Figure 5).

- Under the GET approach, the Bank typically invests in capex and expects a certain amount of CO2 reduction to be achieved as a direct result of its investment. Whether or not a project is eligible to be submitted under the GET, and what its CO2 reduction ambition (and ultimately its transition impact (ETI)) could be, is determined by a committee of experts representing various Bank departments, including ESD, E2C2 and EPG.
- The ETI of GET projects typically stems only from the *Green* quality, whereas other projects require the targeting of at least two transition qualities.

Figure 5 – Example of project under the GET



- The Bank recently decided to finance a greenfield particleboard plant. The use of proceeds allocated to the project that qualifies as GET was 50% or higher. The Bank expected the project to reduce CO2 emission by 470 tonnes per year and received an expected transition impact (ETI) score of 60.
- Once the Board approves this project, EPG initiates the monitoring of its transition results (i.e. reduction of CO2 emission by 470 tonnes per year) under TIMS. The Banking operation leader (OL) creates the first entry in TIMS 12 months after Board approval and continues entering client-reported monitoring information annually thereafter.
- This information could entail a description of challenges (delays due to external factors, for instance) and progress (investment programme proceeding as expected). In response to each entry, EPG updates the project's portfolio transition impact (PTI) score. Thus, PTI could be higher or lower than ETI depending on what the client has reported concerning CO2 emissions.
- Upon financial completion, the Banking OL submits the final entry to TIMS irrespective of the timeline required to achieve a reduction of CO2 emission. The flow of client-reported information stops and EPG assigns the final PTI score to the project and closes monitoring.

The EBRD monitoring system falls short of reporting on the transition impact of the portfolio due to the lack of post-completion monitoring; it fails to capture any movement of monitoring indicators after financial completion.

In a nutshell, the EBRD monitoring system's ability to show whether the achievement of expected results is on- or off-track is very limited; and particularly, it does NOT verify the information provided by the client. Although transition results are typically achieved years after the physical/financial completion of a project, the EBRD does not track results after financial completion and fails to capture any movement of monitoring indicators after that.

2. Monitoring now falls short of providing proper alerts to managers

A project will only be flagged for remedial action if the indicators under its primary TI quality are lagging. What constitutes a lag and to whom the project will be flagged also depends on a set of interlinked criteria. There are three levels of escalation for flagging: (i) the Operation Leader (OL), (ii) the OL's management and (iii) EPG.

In general, the OL sees a flag in the system if TI delivery under the primary quality of an investment project is below 50% and/or the PTI rating of the overall project is lower than the ETI. Additionally, projects are flagged to EPG as well as the OL if the indicator(s) at risk under the primary quality are policy-related or otherwise require EPG's involvement. The OLs' management and/or portfolio managers are able to see individual flagged projects, and receive notification if the PTI rating of a project in their portfolio or one of their sub-portfolios drops below ETI.

However, only performance against those indicators which are linked to the ETI calculation in TOMS will be included in the PTI calculation. Additional indicators that do not contribute to the TI score are prompted by TOMS, similarly to those that are linked to TI objectives, and the OL will provide additional details and a timeline for delivery (where required). These additional indicators are monitored/tracked at the same intervals and in a similar way (for example, deriving a percentage delivery score/including a narrative) but are to be included in PTI calculations.

Box 9 – Walkthrough of the TIMS/Monarch process

1. TOMS (Monarch) assigns TI indicators from the Compendium to projects during appraisal stage. These indicators and their corresponding performance targets, are linked to answers to questions in TOMS/ Project Christopher, which are in turn linked to the two respective Transition Qualities identified in the project. OLs will provide further details on the assigned indicators, as well as a timeline for their delivery.
2. OLs report on progress against relevant TI indicators at regular intervals over the life of the project.
3. Reported progress is compared against commitments for both quantitative and qualitative TI indicators, taking into account data on baseline, target, and intermediate results.
4. This assessment determines the extent of TI delivery at that point and calculates a percentage-based achievement score for each indicator.
5. These scores are then averaged to arrive at quality-level scores, which are in turn averaged using quality weights inherited from TOMS (primary quality: 75%, secondary quality: 25%) to yield an overall percentage-based achievement score for the project.
6. The PTI rating will also be computed at this stage and a short overall project progress narrative to summarise and contextualise results may be required.

7. If a project has too many underperforming indicators under its TI quality, it is flagged for remedial action by Banking and EPG. Reporting will be possible at sub-project, framework and portfolio levels.

3. Monitoring is not designed to capture externalities or systematic change

The transition qualities presume the existence of positive externalities or spill-over effects. Even if the Bank supports individual (often private sector) players and the total volume of its investment is not significant compared to the size of the sector, positive changes spread through client interactions with other market players, and can have a cumulative systemic effect. This logic underpinned a large part of the old TI system, with such effects mostly captured (in principle) under 'demonstration effects' or 'standards setting.'

The previous TI methodology and system attempted to capture 'demonstration effects' and 'standards setting' in the formerly-used transition checklist; the corresponding indicators ('benchmarks') then formed part of each project's transition monitoring. With the introduction of the Compendium, however, this type of intermediate result indicators (documenting externalities) was removed from the system.

Still, the notion of favourable externalities from Bank transactions is embedded in the Bank's basic logic and many of its claims. However, instead of strengthening the system by allocating resources and building internal capacity, the new system retreated to collecting data only at client level, thus documenting only the 'potential' for demonstration, or 'replicability'. Removing any collection of evidence of intermediate effects undermines the usefulness of the transition results monitoring system overall. These types of effects represented a middle ground between project-level outputs and sector- or economy-wide effects. This was due to two main factors:

- Inadequate measures – what would actually be appropriate to measure as externalities, and how. However, it needs to be understood that this type of indicator is always qualitative and cannot be reported on by simple data aggregation or observation; it needs to be accompanied by a credible analysis of other factors that might have contributed to the developments – including the activity of government, other IFIs, or broader economic changes, and establishing a credible argument of contribution.
- Poor quality data - data collection was of modest quality and unreliable. The quality of the data collected through TIMS to underpin these effects was frequently low. Collecting this type of data requires moving to the level of intermediate results – beyond the immediate client and beyond the duration of an individual project. The evidence for demonstration effects was thus commonly weak and unconvincing, often consisting of the relevant outputs at client level, considering any replication as given, or of citing examples of 'replication' without considering the establishment of credible causality.

With the strengthened role of country strategies and CSRFs in the system it would have been possible to remove the monitoring of this type of effects from individual projects and elevate the related indicators to the level of country strategies.

It would make sense to monitor these effects at the portfolio level, as usually a number of similar projects are implemented in parallel, so their combined demonstration effects could be taken into account. That would also require moving from accounting for outputs to introducing elements of qualitative analysis to support linking the contribution from the Bank's activity with its replication elsewhere.

4. There is no monitoring/reporting tool for country-level transition results

The recent Strategic Implementation Plan SIP 2020-2022 notes that *"progress in pursuing the objectives of the country strategy is assessed through Country Strategy Delivery Reviews (CSDRs)".*

The CSDRs were introduced in 2017 and have been further refined since. CSDR 2019 used a new design and added more features, including a country-level focus. CSDR 2020 will add further improvements including:

- CSDRs will cover all countries of operations: previously, CSDRs only included those CoOs for which the Board had not discussed a new country strategy within 12 month of the CSDR.
- All countries will be covered in the same format and the exemption principle will only be applied to the FOPC discussions.
- Current tables with context indicators from sector strategies will be replaced by country-specific context indicators, including a reference to sector strategies where relevant. Country-specific context indicators will provide both baseline and latest data on context indicators. Sector context indicators in CSDR 2019 were uniform across countries – country-specific context indicators will be more relevant.
- Collection and management of mostly qualitative information provided by different teams contributing to the CSDRs (ROs, EPG) will be automated using standardised interfaces, leading to significant efficiency gains achieved by substantial work in the background.

While these are welcome improvements CSDRs remain an insufficient means to assess progress on reducing transition gaps at country level:

- 2019 CSDRs provide only an activity-oriented account of new projects over the last year and only include very selective information on policy work, with minimal detail given the nature of the document.
- The overall progress on CSRF indicators is based on the bottom-up aggregation of project results and does not represent progress on achieving country strategy objectives.

4.3 Clear intended use of the information produced

1. Project-level self-evaluation is not effectively prioritised, little used and not integrated

The EBRD, jointly with other MDBs, committed to the principle of Managing for Development Results, which focuses on ensuring attention to outcomes throughout the management cycle. It enables informed decision making by integrating a results focus across the four mutually-reinforcing core management functions, including i) defining outcomes and outputs with measurable indicators and time-bound targets, and agreeing on associated activities; ii) allocating resources to agreed activities; iii) implementing agreed activities and monitoring progress and targets; and iv) evaluating performance against targets.

Systematic self-evaluation has long been mandatory in public multilateral organisations, and is seen by shareholders as being at the very heart of effective institutional accountability.

- Accountability typically encompasses transparent communication of results to shareholders and external audiences, at aggregate or even at project level, and closely linked independent evaluations.
- Effectiveness means taking results information into account during the decision-making process, both in terms of managing the project, i.e. timely corrective actions to deliver results, and built-in lessons learned from previous operations, and corporate decision-making based on results information.

The Evaluation Department has consistently raised concerns about the value and effectiveness of the Bank's evaluation systems. Separately, the first-ever "Independent External Evaluation of EBRD's Evaluation System" (Kirk Report), commissioned by the Board of Directors to assess the Bank-wide evaluation systems, gave particular prominence to issues with self-evaluation. A central finding was that EBRD Management was not meeting its obligations regarding self-evaluation. The self-evaluation system is under-resourced, disincentivised, not shared internally, not prioritised and not used by Management in any meaningful way.

As reported in a recent EvD discussion paper on Self-evaluation (TRP-085), there has never been a serious discussion of what ex-post results/performance reporting is intended to contribute or achieve (Box 10). The central challenge of achieving a balance between accountability and learning (or even the meaning of these terms at the EBRD) has not been explored. Results from self-evaluation are not incorporated into Management decision-making or reporting systems.

From the project- and unit-level perspective, there is little or no Management-level demand for self-evaluation work or insights. Management views ex-post results/performance reporting as a cost-centre and administrative burden rather than a useful instrument. It is not specifically resourced even though the most common complaint from project teams is that they lack the resources to do it effectively.

Box 10 – Ex-post results/performance reporting at the EBRD

EvD has pressed hard for ex-post results & performance reporting to provide a comprehensive assessment of all elements of project design, including TC, policy dialogue, advisory, and cooperation with other IFIs, in addition to the traditional sole focus on the investment itself.

Key issues include:

- The focus of reporting is on inputs not outputs: portfolio allocation, not results.
- Reporting on outcomes and impacts is almost completely lacking and no resources are allocated for follow-up or validation of expected impacts. Even reporting on "green" projects simply aggregates ex-ante calculated carbon savings rather than what may actually have been accomplished.
- The EBRD reports specific successes, not the overall rate of success: coverage is partial and selective and there is no sense of what proportion of projects or total investment are contributing meaningfully to reported achievements.
- Separate elements are reported separately: Bank financial performance, green performance, TIMS reviews, TC: there is no overview of the entire performance of a project.
- The EBRD is not able to provide comprehensive responses to inter-MDB comparison exercises.
- There is no measure of the contribution made by donor-funded activities or policy dialogue to overall performance.

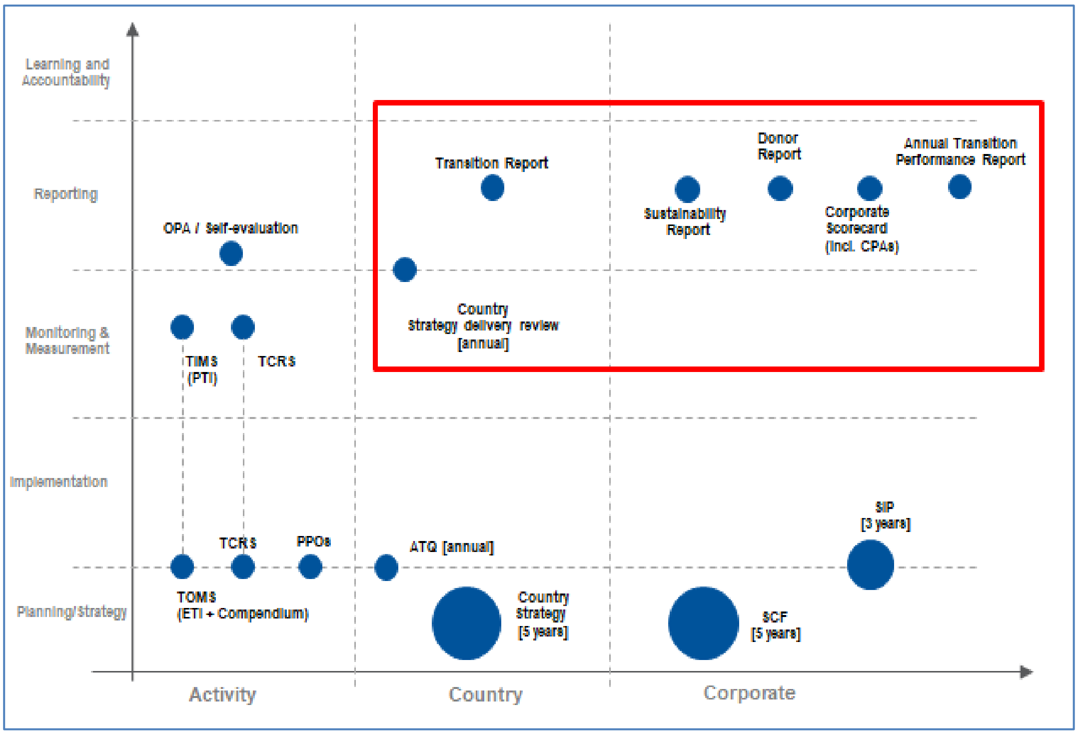
2. There is no systematic reporting on transition results or any institutional responsibility for such

There is no single institutional "locus" for comprehensive performance assessment and reporting; the EBRD does not publish an overall Operational Performance Report as other MDBs do. Currently responsibility for reporting on transition impact is scattered across various departments, including: CSRM (Annual Report on Transition Performance), OCE (Transition Report), ESD (Sustainability Report), and DCF (Donor Report).

- The Annual Transition Performance Report provides transition information for internal purposes but falls short of meaningfully incorporating a country perspective, though there is some progress highlighted in the "case study" section. The Annual Report documents transition impact in terms of aggregate Expected Transition Impact and Portfolio Transition Impact as well a set of aggregate outcome indicators for each of the six transition qualities at a corporate level.

- It also presents a section on Composite Performance Assessments (CPAs), relatively recent aggregate measures representing each TQ through a set of indicators and some narrative 'qualitative highlights'. The indicators use aggregate project-level data from projects which address the respective TQ, while the narrative presents arbitrary highlights of the projects and instruments implemented. The CPAs aggregate qualitative and quantitative indicators, allowing for a certain degree of latitude; for example, the 2019 CPA score of the Well-governed quality is rated as Good, although it clearly shows a steady decrease in both of the two key quantitative parameters.
- Overall progress by each of the EBRD's CoOs towards the six qualities is reported annually as part of the Bank's Transition Report. This report is prepared by OCE and covers all levels of the transition strategy. However, it does not include output and outcome indicators.
- The Sustainability Report gives a breakdown of our Sustainability Bond programme and the Green Project Portfolio it supports; it provides transparency and assurance for all stakeholders; and describes how the EBRD is managing its own environmental footprint.
- The Donor Report analyses the inflow, as well as the use and results, of all grants and concessional resources in the EBRD; it also outlines the reforms implemented and underway in relation to the broader donor funds agenda.

Figure 6 – Lack of integration of EBRD instruments along the project cycle



3. There is limited understanding and communication of the EBRD transition story and narrative of results based on the transition qualities, including its contribution to the SDGs

Despite many arguably successful transactions over almost 30 years the EBRD struggles to tell a compelling evidence-based story about its distinctive contribution, unique accomplishments or wider effectiveness. This is due to a Bank-wide range of issues and challenges relating to performance targeting, reporting and analysis.

- It reflects the very particular circumstances of the Bank's first 20 years: While its mandate encompassed additionality, transition impact, and sound banking, sound banking is by far the most prominent. Business volume has dominated operational targets; management priorities and systems have been shaped accordingly; and, Boards have, by and large, endorsed this approach.
- An important and long-running undercurrent, certainly during the Bank's first decade, was the notion that the Bank might "sunset" after a decade of operations; in practice, this meant that the internal results management systems common to other MDBs have only recently begun to be established.
- Consequently, the Bank's information and knowledge on wider transition results has been, and remains, quite limited.
- The EBRD remains the only MDB without a dedicated and centralised results unit; today's CSRM (the Country Strategy Coordination and Results Management Department) has a more limited role and is more poorly resourced than the corresponding units at other MDBs; CSRM also manages the Bank's EU Representative Office in Brussels.

Secondly, the Bank's ability to understand and communicate its impact story is further challenged by its expanding global commitments - such as the MDGs, and subsequently the SDGs, that the Bank has embraced over the past 6-7 years.

- There is no meaningful alignment between the transition qualities and the SDGs. The Board and Management have made a number of high-level commitments but the Transition Qualities do not include the pathways through which to achieve them.
- The EBRD's understanding of its contribution to the SDGs is very limited and alignment is essentially still "cosmetic" (Figure 7);
    - Country-level indicators and project level results indicators are juxtaposed with SDGs where possible.
    - Alternative mapping to the SDGs is reflected in the Sustainability Report in terms of the EBRD's support of Green Economy Transition, listing the SDGs to which the EBRD contributes.

Donors see MDBs as a critical means to support private mobilisation by helping to bridge the gap between the supply of finance seeking market rates of risk-adjusted return and the risk and return characteristics of infrastructure and other investments with important development impacts. Therefore, very recently (Q3-4:2019) the MDB Working Group on Managing for Development Results has started discussing common approaches to reporting on the Sustainable Development Goals (SDGs).

Figure 7 – The EBRD's "contribution" to the SDGs (Source: CS/BU/20-09April 2020)

5. Implications of the evaluability findings for Management

As highlighted by the Kirk Report, this evaluability assessment must be seen as just the first step towards understanding how to improve the evaluability of the Transition Qualities framework and thus embed a transition results framework more effectively within the organisation. Broad considerations may include:

- Introducing evaluability assessments as a routine part of the approval process for new EBRD operations, establishing a minimum acceptable level of evaluability.
- Adopting tested approaches from other organisations, such as considering the introduction of a single results management unit;
- Survey the Board and Management for their views on establishing a quality assurance function across the Bank, based on the experiences of other MDBs (i.e. the WBG's QAG.)

These issues require analysis and a review of the options, followed by senior level decision-making. In addition, there is some "low hanging fruit", described below, which could feasibly be achieved with only limited resources.

1. Strengthen the underlying Theory of Change of the Transition Qualities by developing explicit results chains at country/sector level

The TQFW does not produce sufficient information to understand and monitor the Bank's contribution to country-level transition. Management recognised this shortcoming and proposed in 2015 to develop explicit results chains at sector/subsector level as part of the standardised transition impact assessment methodology (SGS15-145). Management was expecting to roll out the system by mid-2016, but did not proceed. The concept was built upon the elements of the 1997 transition checklist and relied on country-sector level transition gaps, both of which were discontinued after the new transition concept was launched in November 2016.

Other IFIs' relevant experience: The IFC has developed 'explicit' theories of change at sector-level embedded in the Anticipated Impact Measurement and Monitoring (AIMM) system, so that the rationale of single projects can be based on them. The AIMM mainstreams the ex-ante selection of projects based on both their direct project outcomes and systemic market effects. Assessment of the ex-ante impact of investments encompasses two dimensions:

- at the project level, through assessing the project's outcomes for its stakeholders, government, and environmental and social sustainability; and
- at the market level, through assessing the project's contribution to market creation.

Sector Frameworks define the theory of change (*development impact thesis*) for each sector as well as the project outcomes that reflect the key impacts that IFC's interventions in the sector are expected to deliver. Each project outcome touches on one or more of the sector's core outcomes (e.g. for the power sector, increasing access and cutting emissions), and each outcome is substantiated through pre-defined indicators in the Sector Frameworks. The project outcomes are typically sector-specific. However, there may be a number of outcomes, such as job creation, which cut across all transactions, and for which the relevant indicators are tracked and reported. When relevant, IFC uses modelling tools to estimate indirect and induced effects on gross domestic product (GDP) and employment. The application of these tools is sector specific, and the use of modelling is further clarified in the relevant Sector Framework documentation.

Others, (i.e. the AfDB and the EIB) have developed articulate theories of change intended to outline the broader causal chains of impact, in which individual projects could find their specific contributions.

2. Measure and monitor externalities and the wider impact of the Bank's interventions

Project level information and results are not enough to assess transition performance and the aggregate contribution to an objective/strategic theme/country. The Bank needs to introduce tools that allows the estimation and/or measurement of externalities that are induced by the Bank's interventions. At present, the Bank predominantly relies on self-reported client information for monitoring purposes. Randomised controlled trials (RCT), big data, remote sensing data, web harvesting, mobile phone surveys and block chain MRV are only a fraction of the available tools.

Other IFIs' relevant experience: Many IFIs have identified an increasing need to go beyond direct results and look into the broader impact of their operations or portfolio. For instance, Proparco, CDC and FMO utilise a modelling approach based on social accounting matrices[2] to estimate the impact of their intervention on indirect results.

While modelling holds the promise of expanding the scope of the effects captured, limitations must also be acknowledged. Modelling is typically confined to capturing economic growth and employment. Other variables such as climate impact are sometimes included, but overall, the results are distinct from social welfare. Modelling is unobserved and difficult to validate even ex-post. Other methodological limitations may apply, depending on the method employed.

Table 5 – Alternatives approaches to measuring indirect results – focus on "decent jobs created"

	PROPARCO	CDC	FMO
Objectives & Approaches	- Estimate jobs and value added by country and by technology based on PROPARCO's portfolio - Propose an assessment methodology that could be easily replicated	- Estimate jobs supported by CDC's portfolio to better understand employment impact - Provide a methodology that could be easily applied to entire portfolio	- Estimate jobs supported by FMO's projects - Provide a methodology that could be easily applied to all investments
Applicability	- Project level - Ex-ante assessment during due diligence	- Portfolio level - Monitoring	- New commitments level - Ex-ante assessment of new investment
Current use	- Investment decision - Reporting	- Strategic learning & decision making - Monitoring - Reporting	- Reporting

3. Consolidate transition results reporting ("Transition Development Effectiveness Review")

Current responsibilities for measuring and reporting transition results are unclear and dispersed, leading to "*low integration in results reporting and erroneous and unsubstantiated statements in the Bank's external publications"* (CS/AU/20-10.) This can be improved, for example, by consolidating the overall reporting of transition results into one single report.

[2] A social accounting matrix represents all transactions and transfers between different production activities, factors of production, and institutions (households, corporate sector, and government) within the economy and with respect to the rest of the world.

Other IFIs' relevant experience: At the AsDB, the Development Effectiveness Review (DEfR) is used to close the feedback loop from monitoring to inform future planning. The DEfR measures what has been achieved and is used as the basis for the President's 'Management of Budget Memo' that in turn determines the Bank's rolling three year 'Work Program and Budget Framework' cascading down to division level. This is an important management tool, highly appreciated by management to inform on recent achievements and ongoing activities.

- In 2017, IEG published an evaluation of the Results and Performance of the World Bank Group. While IEG recognises and appreciates the structures and processes that are set up to measure results, it is indicated that 'strengthening the foundations of results measurement and instilling a culture of evidence-based adaptive management and learning needs a stronger, more systematic, and holistic push (i.e. adaptive management based on evidence)'.
- The IFC claims that "IFC's business strategy and scorecard are linked to resources and also drive key departmental performance indicators", but direct implications are difficult to trace beyond the normal performance KPI, and that they are more closely linked to results.
- Some MDBs (WB, AsDB) have results-based lending in place that links disbursements to the achievement of indicators, but this cannot, by itself, be taken as evidence of the broader concept of managing for results. Only at project-level, in all MDBs, are results a critical part of the project deliberation and approval process. But this cannot be seen to reflect a broader corporate use of results for decision-making.
- The evidence of using results as a key input to decision-making can be seen at the IDA and ADF during the concessional resource replenishment process. Here the expected results, or results targets are critically discussed and form a key pillar of the underlying decision-making process, are closely monitored by the stakeholders, and some impact on the internal decision-making process can be traced to them.

4. Cross-IFI alignment with Global Agenda commitments

There is strong demand and pressure for the EBRD to demonstrate its contributions to the SDGs and Agenda 2030 from a growing range of stakeholders, including shareholders, clients, and the broader international community. In addition, many organisations are already developing systems that capture and report on MDB contributions to the SDGs. For example:

- The G20 International Financial Architecture Working Group, at its June 2019 meeting in Tokyo, requested that MDBs pursue additional harmonised indicators, referencing the SDGs, as part of the ongoing effort to demonstrate MDBs' value for money.
- The UN Secretary General has proposed that the MDBs develop a "Joint Framework of Collaboration" in his road map for financing SDGs and align MDB portfolios with the SDGs.
- The OECD is advanced in developing proposals to collect MDB information on SDG linkages in both its Creditor Reporting System and its new Total Official Support for Sustainable Development (TOSSD) reporting system.
- The International Aid Transparency Initiative (IATI) recently released new guidance on publishing data on the SDGs using the IATI Standard, and indicates that it will release recommendations on the use of the data in its next phase of work.

- Independent research institutions (such as AidData) have also begun to estimate MDB financing contributions to the SDGs using publicly available data.
- Impact investors are also adopting the SDGs as a framework for both targeting their investments and reporting on impact, which may affect how they partner with MDBs.

It is an opportune time to agree on a joint MDB approach to reporting on SDGs as most MDBs are at an early stage in the development of SDG reporting systems, making it easier to adopt a common or joint approach before they are further embedded. The EBRD should contribute to developing common, principles-based guidance to enable a joint approach to reporting on the SDGs that includes mapping portfolios to the SDGs, reporting contributions to Agenda 2030, and supporting clients.

<u>Other IFIs' relevant experience</u>: Individual MDBs are pursuing this agenda at different intensities and have different contributions to make, based on the scope and breadth of their activities. However, all are considering how to improve reporting on the SDGs. Practices vary from a broad alignment of strategic priorities (e.g. AfDB) to a much closer alignment of indicators (e.g. AsDB, WB, IFC). The discussion covers two broad approaches: the first is trying to report on financial contributions to the SDGs, e.g. EUR x billion of lending contributed to SDGs.

This quickly runs into issues of double counting cross-cutting issues, and those that may fall under multiple SDGs, or omitting some indirect, higher level SDGs, like SDG1. The second avenue is to map results, mostly output and outcome indicators, to results indicators where possible, or map generally to SDGs. This faces similar issues of multiple mapping or omissions.

Different approaches to mapping projects and results reporting will lead to significant discrepancies in external reporting, particularly when projects contribute to more than one SDG. Managing reporting on co-financed projects or mobilised amounts would also benefit from an agreed approach.

6. Implications of the evaluability findings for EvD

EvD faces a growing need for 'evaluation evolution and enhancement' and this has become much more pronounced, particularly following the revision of the transition concept and the introduction of six transition qualities. Although these reflect a substantially expanded understanding of the concept of transition impact, the Kirk Report emphasises that EvD has yet to adapt its approach to address this institutional shift. Changes are required to enhance the relevance of EvD's work to the EBRD's new approach to transition. This was first highlighted in the Evaluation Department Self-Assessment (December 2017); the document discussed the implications of the six transition qualities on historical performance assessments presented in the Annual Evaluation Review as well as actions required by EvD in order to manage the discontinuity.

Building on the observations of its own Self-Assessment and recommendations of the Kirk Report, the 2020 EvD Work Programme noted that "*EvD's methods need to adapt to the new transition concept and related new processes and instruments on the Management side*" and "*greater weight will continue to go to project-related evaluations where we will seek to integrate the new transition qualities.*" This is EvD's initial concrete attempt at allocating its scarce resources while primarily taking into account their potential value-added with respect to the EBRD's new approach to the six transition qualities.

EvD's medium-term strategy (MTS) is under development: going beyond what has been stated in the 2020 Work Programme, it is expected to define the route to placing the transition qualities at the heart of the evaluation function. EvD plans to present an initial MTS draft early in 3Q:2020 with a view to finalising it before year end. The expectation is that this timing would ensure that the MTS is well-informed by the new SCF and by further anticipated Management initiatives arising from the Kirk Action Plan. On this basis, the transition qualities will provide the foundation for the prioritisation of evaluation work and allocation of resources while enabling solid and distinguishable correspondence with the EBRD's corporate agenda.

For this reason, the effectiveness of the evaluation function is closely linked to the evaluability of the six transition qualities. The Kirk Report notes that "*The DAC criteria are sufficiently flexible to allow their application in assessing EBRD's progress in terms of the transition qualities and use of all the DAC criteria should be adopted in its independent evaluations. However, their application may be challenging as the definition of 'transition qualities' seems very broad.*"

This study, while confirming this initial assessment of the Kirk Report, also identifies a large gap between conceptual and operational definitions of the transition qualities. For instance, the ability of markets and market-supporting institutions to resist shocks and avoid excessive volatility and lasting economic reversals is at the core of the Resilient transition quality. Yet, there is not any operational counterpart of this conceptual construct that could be effectively applied to assess the impact of COVID19 on the economies of the EBRD's countries of operations. This is because the operationalisation of the concept has been limited to financial stability and energy sector resilience. Thus, the Resilient transition quality – by operational design – did not help identify the transition potential of investment opportunities that would strengthen readiness for outbreaks, man-made/natural disasters, etc. As a result, the Resilient transition quality does not provide a frame for organising activity and does not inform the Bank's short and mid-term response to COVID19.

Therefore, although transition qualities form a key element of the corporate scorecard and results architecture, the transition qualities are yet to shape the EBRD's strategic direction and this requires enhanced articulation of both the conceptual as well as operational definitions. The effectiveness of the evaluation function and the feasibility plans set out in the work programmes and MTS are ultimately a function of the fulfilment of this requirement and are to be understood within this context.

Finally, EvD looks forward to helping the EBRD to better understand its contribution to the SDGs, and other global agendas, as also suggested by the Kirk Report. As the ten-year countdown towards the Sustainable Development Goals begins, systems to track progress and measure the impact of policies are now more important than ever. Monitoring and evaluation have evolved significantly as professional practices and can deliver invaluable evidence on what is working and what is not, but a major effort is needed to ensure all countries are able to share in the benefits.

Annex 1 – Technical Note – Evolution of the EBRD's Transition Approach

The concept of "transition" is central to the purpose of the Bank. Defining and measuring transition, and developing the means to do so, has been and remains a central institutional focus and challenge for the Bank. Its approach to both definitions and measurement has changed substantially over the years, especially in the last decade, and with very substantial strategic and operational implications.

For much of the Bank's first 20 years transition was mostly understood to be embedded intrinsically in its operations. Transition was conceptualised and assessed largely at the level of individual projects. Internal systems of assessment and measurement were built accordingly; they were focused mainly on enabling operational delivery and reinforced by resourcing, incentives and culture. This approach had broadly consistent support from the Bank's members.

However, since about 2000 powerful external developments -- both political and economic and both regional and global – produced new perspectives on transition and the Bank's mandate and led to pressure on its original approach. These included: accession to EU membership of specific advanced transition member countries; a substantially expanded and ambitious global development agenda for which the multilateral institutions were given special responsibilities; and, growing shareholder scrutiny amidst growing pressure on the public finances.

Added to this was the global financial crisis coupled with specific Eurozone challenges; greater general appreciation of the importance of sound domestic policies and capable institutions for sustainable development/transition; the sobering findings of the EBRD's "Stuck in Transition" analysis; and, most recently, explicit recognition that achieving global development commitments will not be possible absent dramatically higher private investment.

There have been important EBRD internal developments as well: Over the past 7-8 years the Bank's shareholders have, for the most part, endorsed a much-expanded global development mandate largely directed at traditional development institutions doing traditional mainly sovereign/quasi-sovereign lending. The geographic distribution of the Bank's operations has changed dramatically; and a wide range of internal initiatives has significantly changed, and mostly expanded, strategic commitments and their accompanying internal tools and processes.

All of these developments have contributed to a shifting transition context that is now substantially different from what it was in the mid-1990s. This section of the paper discusses the main factors and implications beginning with the timeline below.

Table 6 – The evolution of the EBRD Transition Concept

Timeline	External strategic developments	Contextual EBRD initiatives, process and instrument changes
1989 - 1990	**The Fall of the Berlin Wall**	**The Bank operationalised Article 1 as its raison d'être.** "the purpose of the EBRD shall be to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative in committed to applying the principles of multiparty democracy, pluralism, and market economics."
1991 - 1993	**Conference on Economics of Transition (1991)**. This identified common challenges of the region as macroeconomic stabilisation, cross-border trade between ex-COMECON members, privatisation, banking and financial sector reform, foreign direct investment, infrastructure and environment and unemployment. **Rio+ Earth Summit (1992.)** A planned global partnership for sustainable development.	**Economics of Transition** – the EBRD began co-publishing the Economics of Transition to support academic research on how reforms affect outcomes at the macroeconomic, intermediate, and microeconomic levels with a focus on formerly socialist countries.
1994-1996	**EU Membership Application submitted** - **Poland, Hungary (1994)** - **Slovakia, Latvia, Lithuania, Estonia (1995)** - **Czech Republic, Slovenia (1996)**	**First Transition Report (Oct. 1994**.) First country-level measurements of transition using the following dimensions: Large-scale privatisation, small-scale privatisation, governance and enterprise restructuring, price liberalisation, trade and foreign exchange system, competition policy, banking reform and interest rate liberalisation, securities markets and non-bank financial institutions and infrastructure reform. **Graduation Policy – 1996** The concept of transition impact was first defined in 1997 (CS/FO/97-3) to establish a framework for the systematic assessment of projects in light of the Bank's mandate. The focus was on how projects contribute to promoting "economic interactions on a market basis and private." initiative.
2000	**Millennium Development Goals (MDGs)** to reduce extreme poverty by 2015.	**Commitment to the MDGs**
2007	**Graduation of the Czech Republic.**	**Graduation of EBRD Operations in the Czech Republic**
2008-2010	**Global Financial Crisis** Questions about "market fundamentalism;" "All Hands" role for MDBs/IFIs in counter-cyclical support; sharp increase in EBRD "base case" lending volumes	**First "Besley Report" (2010)** - Focus on ultimate goals (sustainability, resilience, social cohesion) go beyond improving markets - Better integrate country and project measurement - Integrate environment into transition concept ***** Transition methodology updated - 1 (2010)** - Energy efficiency and reduced carbon emissions recognised as part of transition. **Results Framework Task Force (11/2012)**

Timeline	External strategic developments	Contextual EBRD initiatives, process and instrument changes
2012-2014	**Stuck in Transition (TR 2013)** 1. Market reforms face major constraints. 2. Democratisation less likely with high inequality. 3. Human capital and institutional improvements are complementary. 4. Economic inclusion is essential for well-functioning markets. **Expansion to Southern and Eastern Mediterranean (SEMED) countries**	***** Transition methodology updated – 2 (2013.)** Country-level transition assessments of gender and economic inclusion **Architecture of Transition Impact Results Frameworks** (2014), including first CS Results Framework **Post-Graduation Operational Approach (2013)** Time-limited set of activities in graduated country, mainly focused on business development **Post-Graduation Fund (2014).** €10 million for Post-Graduation Operational Approach
2015	**Addis Ababa - Financing for Development** **2030 Agenda for Sustainable Development Goals** **Paris Climate Agreement** Bank commitments to a much expanded global development agenda gave greater strategic weight to environmental challenges and inclusion.	**The EBRD established the Vice Presidency of Policy and Partnerships (VP3)** **Green Economy Transition** **Strategy for Gender Equality (2016-2020)** **Economic Inclusion Strategy (2017-2021) Transition measurements for sustainable energy, H2O and materials efficiency (TR 2015-16)** **Results Framework and Transition Impact Assessment for Investment Projects (SGS15-145).** Proposed explicit results chains at sector/subsector level embedded in the standard transition impact rationale and assessment methodology of single projects. Full rollout was projected for mid-2016, but never implemented.
2016	**Sustainable Development Goals (1-2016)**	**“Second” Besley Report (03/2016)** - Focus on outcomes/ultimate goals - Integrate country and project level transition measurement - Make country strategies the centrepiece, with fully articulated TOC ***** Revised transition concept (11/2016) (BDS16-181)** - Bank’s mandate is to foster sustainable market economies - A sustainable market economy is competitive, well-governed, green, inclusive, resilient and integrated. - Priorities against which transition impact of Bank operations is assessed should reflect country circumstances.

Timeline	External strategic developments	Contextual EBRD initiatives, process and instrument changes
2017-present	**IFC initiated piloting of Anticipated Impact Measurement and Monitoring** – an end-to-end results management system aiming to enable IFC to estimate the expected development impact of its investments	First comprehensively re-designed country strategy - Country Strategy Delivery Reviews replaced Country Strategy Updates - New Assessment of Transition Qualities (ATQ) (Transition Report 2017-18) - Transition Impact Methodology: Project Christopher (SGS17-114) - Transition impact methodology update (SGS18-238) - Transition Results Management Architecture (SGS18-402) - Automated TOMS and updated TIMS integrated in MONARCH (Q4/2019 and Q1/2020) - Compendium of Standardised Indicators (CS/FO/17-01) - Country Snapshots including SDGs "mapping" (ongoing)

Over time the Bank has taken three different approaches to assessing the impact of its activities:

1. From 1997 to 2010 the assessment was conducted by calculating Transition Indicators which provided, through a project-focused lens, a measure of progress made in specific market-focused respects (Box 11). The indicators focused firmly on the differentiators between a command economy and a market economy, taking into account both fundamental first-generation reforms, such as price liberalisation and small and large privatisation, and more sophisticated follow-on reforms, such as competition policy.

Box 11 – The 1997 Transition Indicators

The focus of the first transition framework was on how projects contribute to promoting "economic interactions on a market basis and private initiative."

Three main areas (and seven sub-areas) by which a project contributes to transition were specified.

- *Structure and extent of markets*, including (i) greater competition in the project sector, and (ii) expansion of competitive market interactions in other sectors;
- *Institutions and policies that support markets,* including (i) more widespread private ownership, and (ii) institutions, laws and policies that promote market functioning and efficiency;
- *Market-based behaviour patterns, skills and innovation,* including (i) transfer and dispersion of skills, (ii) demonstration of new replicable activities, financings and restructuring, and (iii) setting standards for corporate governance and business conduct).

Since 1997, these transition objectives have identified the ways in which an EBRD project can be expected to contribute to the process of transition towards a well-functioning market economy. At country level, in their earlier form, these transition indicators measured the state of each economy in the Bank's region at a sectoral level (the Assessment of Transition Challenges or ATC.)

By 2010, first-generation reform was considered mostly complete across most CoOs. Specific countries lagged on second-generation reforms -- the Early Transition Countries (ETCs), plus Ukraine and Albania.

2. The Bank's Transition Impact methodology evolved significantly between 2010 and 2016, partly to reflect the evolving challenges facing the CoOs and partly to incorporate a substantial widening of the Bank's own commitments.

The first Besley Report (Besley I) was commissioned in 2009 to provide a fresh examination of the Bank's transition approach in the closing years of its second decade. Its central finding was that Transition should be seen as an intermediate goal, a means to accomplish progress towards the ultimate ends central to the EBRD's founding purpose.

Transition and structural transformation make sense only as intermediate inputs into the wider social goals including: poverty reduction, increased well-being, gender equality, social cohesion, and environmental sustainability. Besley I said: *"These are the goals EBRD stakeholders care about in the end, and it is important to be able to argue that its focus on successful transition is an effective way to achieve these goals. Venturing into the above areas would make the connection between intermediate and final goals more concrete."*

In effect this represented a conceptual shift from seeing the primary objective as establishing the structures of market economies, to a dominant concern about the qualitative results generated by market economies -- socially, environmentally, in terms of stability, of governance, of gender and other inclusion, competitiveness, innovation and others. But while the Bank was able to reflect some of this new thinking in its familiar project-centred transition framework, existing systems were in practice not capable of reflecting more than modest adjustments.

Other important factors also affected the Bank's wider transition context.

- In 2010 (SC/FO/10-16) the transition methodology was updated to emphasise energy efficiency and low-carbon growth in CoOs, reflecting growing political emphasis on climate change. In 2012, the Bank's expansion to southern and eastern Mediterranean (SEMED) countries prompted new insights into the importance of addressing market failures around economic participation and the role of inclusion.
- An increased focus on environmental challenges led to translating Article 2.1 ("the Bank is committed to promoting environmentally sound and sustainable development in the full range of its investment and technical cooperation activities") into the Green Economy Transition (BDS15-196).
- The transition methodology was further updated to make the relationship between transition and economic inclusion more explicit (Strategy for the Promotion of Gender Equality (2016-2020) (BDS15-264) and the Economic Inclusion Strategy (2017-2021) (BDS17-067).

Against this background Board and Management sought an update of the findings of Besley I, commissioning a review that was delivered in March 2016 (Besley II). At the core of Besley II was the proposition that: "The transition mandate of the EBRD should be understood as supporting a move towards a competitive, well-governed, sustainable and inclusive market economy. This means paying attention to building state capacities as well as investing in private capital."

Central to this proposal was that reformulated country-sector strategy documents should be the main strategic tool through which an operational vision of transition could be explicitly articulated. In fact almost half of Besley II and its recommendations (four out of nine recommendations) were dedicated to a comprehensive discussion elaborating on how the CS could be made the centrepiece.

In November 2016 a fully revised transition concept was approved by the Board of Directors. However while it captured core elements of Besley II, it also departed from the recommendations in quite substantial ways that are now relevant to the evaluability question before us. A very significant example is the treatment of Country strategies. Central to Besley II, it was reduced to a single page in the Transition Concept Review

BDS16-181). The main reference document for operationalising transition qualities (SGS17-114) did not mention Country Strategy Results Frameworks (CSRFs) (Table 7).

Table 7 – Review of Besley Report (3-2016) vis-a-vis Transition Concept Review (11-2016)

Recommendations of the Review of the Besley Report (Besley II)	Endorsed in BDS16-181 – The Transition Concept Review
1. There is no case for changing Article 1 which gives a distinctive mandate for EBRD and makes it unique among IFIs.	*Yes.*
2. The transition mandate of the EBRD should be understood as supporting a move towards a competitive, well-governed, sustainable and inclusive market economy. This means paying attention to building state capacities as well as investing in private capital.	*No. It remains unclear why the Transition Concept Review introduced six rather than four qualities.*
3. The transition mandate of EBRD should explicitly recognise the importance of lending to prevent transition reversals.	*No. Besley Report considers prevention of transition reversals as part of resilience and ultimately sustainability. Prevention of transition reversal is not part of the Transition Concept Review.*
4. The main strategic tool for linking the operational mandate of EBRD to its project-based lending strategy should be the country-sector strategy document.	*No. Country and sector strategies do not have any meaningful role in linking the EBRD's operational mandate to its project-based lending strategy.*
5. Country-sector strategies need to be authoritative, focused, timely and based on specific and measurable criteria. To the extent possible, they should identify threats of transition reversals.	*Yes. However, concerning project selection country-sector strategies are not authoritative.*
6. Project based assessments should be conducted with direct reference to country-sector strategies.	*No. The reference is merely nominal.*
7. The panel supports EBRD's efforts to create a transparent process for awarding transition impact ratings for projects.	*Yes. However, the process is complex and very challenging to communicate in a clear and understandable way.*
8. The EBRD should consider how country and country-sector strategies can both guide project selection as well as providing incentives for completing projects. The ex-post evaluation of the strategies should have material implications for the teams responsible for successful implementation of the strategies.	*No. There are not any material implications for the teams responsible for successful implementation of the strategies.*
9. The EBRD needs to continue its investment in appropriate expertise for evaluating projects. It should consider the feasibility and desirability of using RCTs in its impact evaluation process.	*No. The Bank does not have capacity to capture the impact of externalities induced by its investments.*

Annex 2 – External Peer Reviews

External peer review of this study was performed by Georg Weiers and Colin Kirk.

<u>Peer review commentary by Georg Weiers</u>

Georg Weiers is a long-serving member of the MDB Working Group on Management for Developing Results and Senior economist in the Policy and Strategy Division at the Economics Department of the European Investment Bank (EIB)

This evaluation discussion paper on the Transition Qualities is thorough, ambitious, and sensibly pragmatic in its recommendations. It skilfully puts its finger on the most ambitious and also most challenging aspect of Results that all institutions are struggling with—the link between project outcomes and impact—and analyses this in the EBRD existing framework and structure proposing meaningful and practically reasonable next steps.

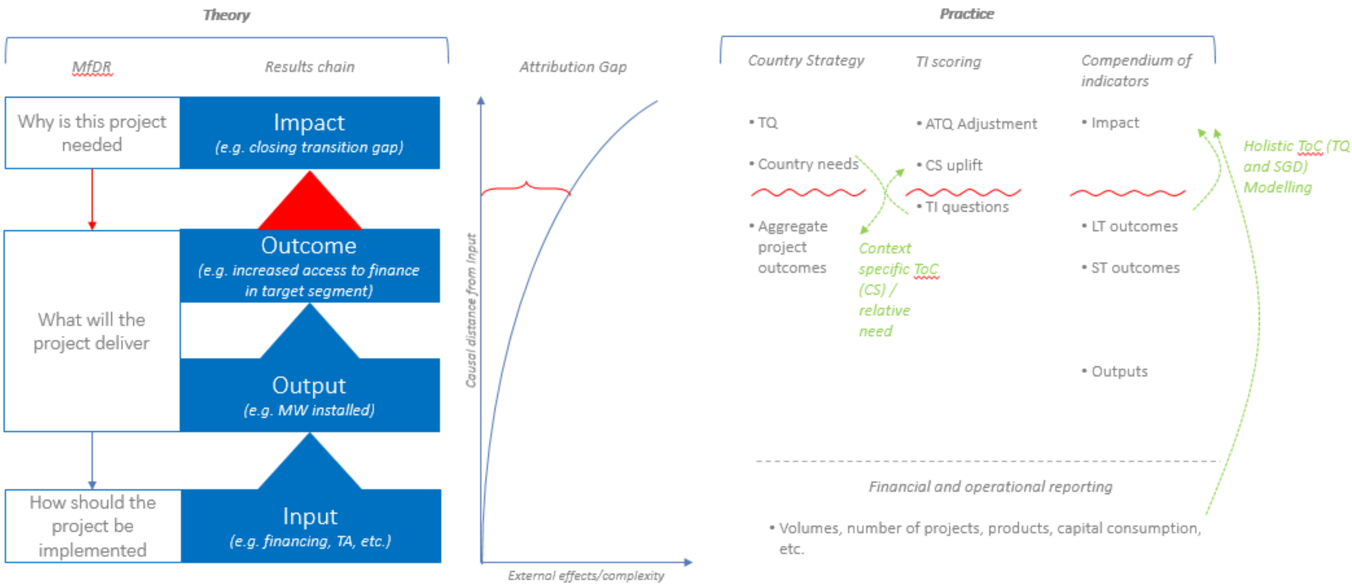
The biggest challenge all development institutions face is to bridge the 'last mile' from project outcomes to country impact. This is due to a serious attribution problem as any event may overlay, distort, hinder or otherwise influence the intended impact. Often the impact is complementary only and hinges on other parallel activities beyond the project scope. Frequently other events, global economic situation etc. overlay the intended impact in a substantial way. The most common approach many institutions therefor follow is to establish a logical, as the note calls it 'holistic' contribution that tags the project to certain goals without specifying how direct or strong this link is (a water project contributes to improved health). A more ambitious approach is to qualify that very contribution in a more context specific way (building a dam in a country with severe outages the logical pathways and effect may be very different from a country which already exports abundant electricity since it is endowed with significant hydroelectric capacity). In a sense, as the note lays out, the EBRD does both in a pragmatic way. Logical holistic mapping (albeit possibly not in a documented manner for evaluation to evaluate) exists from outcome indicators and market effects as part of the transition impact classifications to the transition qualities. And the ATQ distance to frontier approach tries to qualify this in a way. The country strategies are more contextual still.

However, in each case, the link appears incomplete to some extent through standardization. As in other organizations, the compendium of indicators jumps from short and long term outcomes to impact indicators without context specific scale or scope (e.g. in many other MDBs Tier 1 and Tier 2 indicators). The Transition impact methodology guides the results beyond pure outcomes more in the direction to market impact (akin the IFC AIMM 'market creation') and the ATQ and CS adjustments try to reflect the specific country context in the TI Score. But it remains a logical leap that, as the evaluation points out, does not allow for a clear context specific qualification of how large or relevant this impact is in the country context and how specifically it will link to narrowing the transition gap.

Based on this in depth analysis, to address this in a pragmatic manner and allow for better evaluability, **the recommendations seem appropriate and sensible**:

- *Ad recommendation 1*: Strengthening the outcome-impact link through theories of change, or context specific impact pathways, would be complementary to the existing holistic mapping and allow for a more qualified impact link.
- *Ad recommendation 2*: Impact modelling cannot solve this disconnect per se and will probably not any time soon offer attribution, but it can aid in providing a sense of scope of the intended impact. It complements recommendation 1 and places this into the ongoing work among the IFIs.

- *Ad recommendation 3*: Joint reporting can help make the link between the impact at country level and project outcomes more explicit. It may help to also better connect, as the note points out, disparate institutional work into a coherent narrative.
- *Ad recommendation* 4: The same issue facing the outcome-impact link in the transition qualities also applies to the SDGs. Both TQ and SDG are intimately connected. Various approaches to some holistic SDG mapping are being discussed among the MDBs, but they do not lend themselves to attribution, and also will require some more qualified country specific logical pathways to substantiate an institutions contribution.



While the analysis is sound and the recommendations reasonable, there are **two notions that the note relies on that would help in clarifying the approach further, aid in the understanding of the recommendations, and also help inform a possible implementation in practice:**

1. **Helping the Institution better differentiate between impact and goals/objectives.** According to the note the EBRD uses both concepts interchangeably. But—as the OECD definitions the note draws on specify—there is a subtle but important difference. If indeed transition qualities are high-level goal/objectives a holistic mapping, as has been done may be sufficient. If these are understood as impact, which the note suggests, then indeed a more context specific approach to qualify this linkage better would be called for. The project link to transition qualities may require a differentiated approach depending on the institutional ambition and usage of the TQs.
2. **Balancing the private and public sector perspective.** As the note points out EBRD delivers transition impact through a broad variety of investments, advisory work and policy engagements. As well explained in the note, over the last years the Bank has significantly expanded its sovereign operations and in increasingly emphasizing policy dialogue in support of Transition. From a results perspective it would be important to take this mix of approaches into account. For example, MfDR in the context of public sector operations typically has a much clearer top-down logic than for private sector operations—which often also necessitates different approaches. The public sector logic goes from a clearly identified country need/transition gap to the area for the public sector to make the most difference. It typically does not require scoring but a clear narrative from why the project impact is needed, what outcomes and outputs would help achieve this, and how the input would be best

structured to deliver the outcomes (i.e. top-down managing for results). For private sector operations this approach is more 'bottom-up' with Bankers first identifying bankable projects that are additional that may be in a range of sectors or areas. This makes for an odd tension between identified country needs and projects outcomes. It also mostly calls for a scoring approach like the TI scoring for operations. This top-down and bottom-up concept become most relevant when trying to link the project outcomes to the country impact. And this is where it is more difficult for private sector oriented institutions to bridge this gap. The proposed recommendations are a meaningful way to narrowing this gap, but it is worth balancing these approaches when designing a practical implementation.

Overall, while it is only natural for an evaluation to favour rigor over resource constrained pragmatism, this note strikes a good balance. It identifies the theoretical challenge with rigor, but also finds pragmatic recommendations as "low hanging fruit" to reasonably mitigate the outcome-impact divide. As the note suggests this is a first step towards understanding how to improve evaluability of Transition Qualities framework. And also results practices will continue to evolve, with significant changes being implemented among the various institutions. This note seems a valuable contribution to the EBRD evolution in this process which will surely continue.

Peer review commentary by Colin Kirk

Colin Kirk has worked in international development for over 20 years, including many years in the evaluation field. In 2011, Colin moved to New York to take up his post as Director of evaluation at UNICEF. He retired in July 2017.

As the author of the Independent External Evaluation of EBRD's Evaluation System, completed in mid-2019, I was pleased to receive an invitation to comment on EvD's discussion paper on the evaluability of EBRD's concept of transition qualities – not least because, in the evaluation report, I suggested that EvD should undertake 'brief assessment of the evaluability of the set of transition qualities, both as concepts and as operational tools'. The suggestion was made in the context of a discussion of how to select and prioritise topics for independent evaluation. EBRD's 'updated concept of transition' – articulated as a set of six desirable 'transition qualities' (TQs) - seemed to offer strategic orientation for design of a relevant and well-focused medium term programme of independent evaluations. An evaluability assessment could test the feasibility and utility of such a programme.

The present discussion paper responds to the suggestion in my report. It is no surprise that the assessment quickly moves well beyond the rapid assessment and scoping exercise initially proposed. EBRD's transition qualities are intended to (re)define the concept of transition which has, from the foundation of the Bank, been central to its mandate. It follows that evaluation of the transition qualities – which essentially describe and elaborate the notion of transition - would require a comprehensive approach. Similarly, an assessment of the evaluability of the TQ concept and its implementation needs to be wide-ranging, covering not only analysis of the concepts but how they are being deployed across the organization at all levels. The broad scope of EvD's discussion paper is therefore appropriate.

This assessment is an important exercise, given the centrality and strategic prominence of the transition qualities within the Bank's institutional framework. It is also peculiarly difficult, given that the Bank's transition mandate does not frame expected results in terms of conventional, measurable development outcomes (such as enhanced incomes and employment or improved health or educational status). The Bank's goal of 'transition towards open market-oriented economies' indicates a process rather than a readily-defined result; and while the six transitional qualities spell out more explicitly the desirable attributes of a market economy, they too seem to represent values or principles rather than objectively measurable results. This makes it difficult to measure or evaluate the Bank's 'success' in a conventional way.

The discussion paper frames this issue as 'a lack of high-level goals against which to anchor specific operations'. While this is dismissed as a failing, a deeper analysis could have raised interesting questions on the paradigm represented by concepts of 'transition' and 'transition qualities' and how far this can be interpreted within conventional results management frameworks.

A more practical difficulty is that the Bank continues to work on its results architecture and measurement tools, such that any assessment is necessarily provisional. However, 'work in progress' also affords opportunities for evaluation activities to contribute to further improvement of organizational structures and systems.

Commendably, the assessment follows established methodological practice by considering, first, 'evaluability in principle' based on the internal logic of a programme (its theory of change); and, secondly, 'evaluability in practice' as represented by the measurement approach, tools and indicators used to describe performance and results; and, thirdly, considers the expected utility of the information generated. As noted in the paper, evaluation of any intervention requires key elements to be in place: clear objectives; a credible explanation of causal links; adequate data; effective monitoring; clear responsibilities; and timely reporting and feedback. An evaluability assessment looks for these elements and considers their consistency, coherence and credibility. In line with this, the report presents a table of evaluation criteria and key questions which provides a sound methodological base for the assessment.

The assessment describes the systems and architecture set up at EBRD to operationalize the transition concept within what the report terms the 'Transition Qualities Results Framework' (TQFW). Although the various components are still being developed, the TQFW provides a useful focus for the analysis. However, it is striking that EBRD's evaluation system is not presented as an element within the framework, thereby obscuring its expected contribution. The paper does make passing reference to self-evaluation, noting the lack of uptake by Management of evaluation evidence. Nonetheless, the evaluation system should be considered as an element within the wider results management system.

The assessment is based almost exclusively on various types of EBRD documentation (including EBRD evaluations). Apart from brief notes on practice in other international financial institutions, there is little reference to external documentary sources. Any systematic consideration of staff and stakeholder views and understanding of the issues is absent. These are significant weaknesses and, despite the great volume of material presented in report, the evidence base is necessarily patchy and incomplete. It is therefore appropriate that the authors describe this report as 'a first assessment' and call for 'additional inquiry, reflection and constructive dialogue'.

Despite these limitations, the paper does present important and credible findings and conclusions. It is recognized that EBRD has made major efforts to strengthen its approach to measuring and monitoring transition impact, and that there has been much improvement in recent years. But the paper also notes many significant gaps and discontinuities related to the institutional fragmentation of systems, structures and processes. The overall conclusion is drawn that the evaluability of the transition qualities is 'limited'.

This overall conclusion is based on a range of findings:

- Evaluability 'in principle': the assessment finds that the rationale for selection of the six transition qualities is unclear. The basis for assigning linkages between each quality and various operational components is not evident nor is it clear that the associated operational components are sufficient.
- Analysis of the logic connecting activities with ultimate objectives - the 'theory of change' - uncovered weaknesses of linkage, consistency, integration and coherence. Deficiencies were found in the causal pathways through which activities are expected to achieve transition results, notably at the country level. Despite important improvements, Country Strategies do not yet provide the essential framework linking project investments to wider transition results. Policy work and technical co-operation activities are not meaningfully integrated into the results architecture.
- Evaluability 'in practice': in recent years, EBRD has developed a wide range of instruments and processes to measure, monitor and report on transition processes and results at project, country and corporate level. Much has been accomplished.
- Yet the current systems and processes do not provide a sufficient basis for effective performance assessment and evaluation. Discrete elements are delivered by different organisational units and do not constitute a cohesive and interconnected system.
- These deficiencies make it difficult for the Bank to 'tell its story' and demonstrate corporate success. This is increasingly important with respect to EBRD's high profile global commitments, such as climate agreements and the SDGs.

Sufficient material is presented in the report to support these findings, despite the limitations of the evidence base noted above. Given that the assessment draws substantially on previous analytical work and well-evidenced evaluation studies, the findings will likely be familiar to readers within the Bank.

While the paper stops short of making formal recommendations, it does present a range of 'opportunities for improvement'. These broad-brush suggestions include the development of explicit results chains, strengthening measurement of wider and longer term effects, improved integration of policy work into investment activities, and stepping up collaboration with other IFIs on shared global commitments. A further proposal concerns consolidation of transition results reporting into a single document, 'such as an annual "Transition & Development Effectiveness Review".' The paper also lists a set of actions to be taken forward by EvD in response to the recommendations of the independent external evaluation of the evaluation system. Of special note is the commitment to integrate criteria linked to the transition qualities more systematically into EBRD's evaluation system.

These suggestions all merit consideration. But what is missing are specific proposals for evaluation work. As already mentioned, an evaluability assessment of the transition qualities was originally suggested in order to help scope a programme of independent evaluations at EBRD. Although the assessment concludes that the evaluability of the transition qualities is limited, there would still be merit in considering how to design independent evaluations which could look at the substantive issues around the TQs, collectively or separately. The material and the analysis set out in the discussion paper could aid such work.

Further, the material presented in the assessment indicates a pressing requirement for a systematic and comprehensive evaluation of EBRD's entire results system. This would confirm what is working well, pinpoint areas of weakness and identify gaps providing an evidence base for continued improvement. Such an evaluation (or set of evaluations) would need to go beyond a desk-based exercise to look in depth at the practical operation of the Bank's results management systems and structures. This would include attention to a key aspect of any effective results management system, namely the human dimension of incentives, skills and knowledge. It would also afford an opportunity to review and learn from initiatives and good practices in other IFIs regarding results management. Such an evaluation would also address the continuing interest of the Board members and other stakeholders regarding results management and accountability for results.

In conclusion, this discussion paper is a useful contribution which deserves wide consideration and discussion – and follow up action. The overall conclusion and many of the more specific findings point to a significant accountability deficit at EBRD. There appear to be significant gaps in the Bank's results chain and in its measurement and monitoring frameworks. This is an immediate cause for concern calling for careful diagnosis of the issues and remedial action. A substantial evaluation of the results management system could contribute to the diagnosis and identification of priorities for action. Strategic evaluations in this area and around the arrangements linked to the introduction of the transition qualities would equip Management and the Board with evidence and insights to strengthen the Bank's strategic and operational frameworks, address accountability gaps and deepen its support for social and economic progress in the Bank's countries of operation.

Annex 3 – Relevant sources of data and evidence

Timeline		Reference	TQs as Concepts	TQs as Operations tools	Board approved
2012	November	CS/FO/12-34		EBRD Results Framework Task Force	NO
2013	July	BDS13-144	EBRD Scorecard *[Introducing ETI/PTI]*		**YES**
2014	September	CS/FO/14-27		The Architecture of Transition Impact Results Frameworks in the Bank	NO
	September	BDS14-217		Country Strategy Results Framework: Design Implementation and Reporting	**YES**
	October	CS/FO/14-29		Country Strategy Updates: Proposal for Revised Content and Process	NO
2015	April	CS/FO/15-10		Country Strategy Updates 2015 – Key Take-Aways and Implications for Country Strategies' Design and Implementation	NO
	June	SGS15-145 (Rev 1) (Addendum 1)		Information Session: Results Framework and Transition Impact Assessment for Investment Projects – Slide Presentation	NO
	August	SGS15-220 (Addendum 1)		Information Session: Enhanced and Structured Approach to Policy Reform Dialogue at the EBRD	NO
2016	June	CS/FO/16-10 (Addendum 1)	Transition Concept Review - Selected implementation issues: preliminary considerations		NO
	September	SGS16-231		Country Strategies – Operational Effectiveness & Efficiency (OE&E) Review	NO
	October	SGS16-246		OE&E Results Management	NO
	October	SGS16-247	OE&E Transition Impact Assessment Methodology		NO
	November	BDS16-181	**Transition Concept Review**		**YES**

2017	January	CS/FO/17-01		Transition Results Management – Compendium of Standardised Indicators: Broad Architecture and Illustrations		NO
	January	CS/FO/17-02			Country Strategy Delivery Review Process Note	NO
	April	SGS17-079 (Addendum 1)			Information Session – Assessment of Transition Challenges: the Transition Qualities	NO
	June	CS/FO/17-11			Enhanced and structured approach to policy reform dialogue: Taking stock and way forward	NO
	June	SGS17-114 (Addendum 2)	Information Session – Transition Impact Methodology: Project Christopher – Guidance Paper on Operationalising the TI Qualities			NO
	September	SGS17-170	Transition Ambition: An Analytical Paper			NO
	November	CS/FO/17-26			Country Strategy Delivery Reviews 2018 – Process Note	NO
2018	July	SGS18-238 (Addendum 1)	Information Session (Transition impact methodology update)			NO
	October	SGS18-402		Information Session: Transition Results Management Architecture Overview and Update		NO
2019	November	CS/FO/19-39			Country Strategy Delivery Reviews 2020 – Process Note	NO
2020	January	SGS20-030			Information Session: Implementing the Graduation Policy – Preliminary Issues	NO

Annex 4 – Management Comments

Executive Summary

- Management welcomes the EvD study including an extensive analysis on evaluability of Transition Qualities (TQs). The study analyses the extent to which the TQs are evaluable in principle and practice, and usefulness of them being so. Specifically, the analysis looks at the question that the Kirk Report posed, which is the degree to which the articulation and design of the transition qualities themselves provide a basis for evaluability. However, it also discusses to which extent the Bank's contribution to delivering the transition qualities is evaluable. In doing so, it covers important areas of the results management system, though at varied degrees of depth, and points to areas for improvement including on evaluability of TQs through strengthened Theory of Change (ToC), improving measurement of wider effects and enhancing results reporting.
- Management agrees with the study's key suggestions and notes that they are in line with the challenges and priorities identified by Management to further enhance accountability and learning through the Bank's results architecture. These Management priorities were presented to the Board in the information session on the "Overview of the Bank's Transition Results Management Architecture" in 2018 and, more recently in June 2020, in the presentation of the "EBRD Transition Results Management Architecture: Overview, recent progress and remaining challenges" (SGS20-186). Management priorities include:

i) Enhancing our ability to measure the wider impact and linking the Bank's aggregate contribution to a country's progress. The ability to assess this "missing link" would also facilitate evaluability, in particular through more developed and better links to the existing ToC for transition qualities;
ii) Strengthening learning, knowledge management and feedback loop mechanisms;
iii) Improving reporting and communicating our transition story, including how our work is aligned and contributes to Sustainable Development Goals (SDGs);
iv) Advancing and leveraging IT capacity to streamline the process for capturing, monitoring and reporting results.

- Management follow-up work and actions on these priorities and study suggestions can be presented in three categories:
    - Follow-up actions in the context of the Joint Action Plan to the Kirk Report recommendation prepared at the beginning of 2020, these include work on improving assessment and measurement of wider impact, strengthening learning and reporting of transition story.
    - No action in direct relation to this study due to already ongoing parallel developments - such as on improving and leveraging IT capacity to streamline the process for capturing, monitoring and reporting results.
    - Actions that are not part of the first two categories. This include a systematic review and work on further developing ToC and strengthening the evaluability. This work is closely linked to the work on wider effects and increased role of (self) evaluation in results architecture that are part of category 1.
- Management will work closely with EvD for its implementation in the next 2-3 years. Management would like to highlight that this requires long-term investments and increased capacity and resources.
- While looking forward, Management would highlight that key issues raised by the study should be put into a broader perspective of the EBRD mandate (the shareholder's needs). They would require discussions to confirm with the shareholders/the Board that the EBRD's mission is about systemic change, and clarify whether the six qualities of transition are still useful as a framework for EBRD's transition concept or is there an appetite for a change. Management believes that the Bank's revised transition concept framework based on the six qualities is strong and notes that the results architecture built to operationalise it is relatively young.
- Management would like to emphasise that EBRD's mandate is to support a **systemic change** rather than specific measurable outcomes (*support countries' progress in transition towards a sustainable market economy characterised by six desired Transition Qualities*). The challenges in operationalising the transition concept and measuring results (and success) are inherent in the difficulties of measuring systemic change. There are no off-the-shelf indicators of transition impact, nor is there a single outcome measure that is appropriate to demonstrate success.

- There is also an inherent tension between the EBRD's high - level mandate of achieving systemic impact and its bottom-up private sector focussed business model. This tension presents an intrinsic difficulty in the Bank's ability to plan top-down in country strategies (with a ToC). The emergence of transition business opportunities may not emerge in the desired areas, and this also increases the difficulty of capturing and linking the outcomes of various heterogeneous activities to the country progress in transition. Due to its primarily private sector driven and project based business model (compared to other IFIs that can do policy-based lending) the EBRD is less able to plan the level and specificity of its operations in a country over a period of five years compared to other MDBs that engage largely in sovereign lending and negotiate budget support programmes at the country level. Hence, country strategies and their results frameworks cannot be very specific and prescriptive. They need to be flexible enough to allow the Bank to take advantage of impactful but unforeseen opportunities (and not set it up for failure if business opportunities do not materialise).
- Management recognises and commends the efforts made in the study to analyse such a complex topic, considering that transition qualities are very broad and their articulation and design is complex in itself, but also accounting, in particular, for how they are treated in the context of the EBRD mandate. In this respect, Management believes that the study does not fully acknowledge the specificity of the EBRD mandate and its private sector orientation and business model. The two external peer reviewers of the study also recognise this. These limitations together with the mixed depth of the analysis in some areas, (both in EBRD and on practices in other MDBs), are reflected in the interpretation and wording of some findings, conclusions and suggested solutions (way forward) for which Management views and reservations are elaborated further below.

I. Opportunities for improvement

1. Strengthen "Theory of Change" tools by developing explicit results chains at country/sector level

Management indicated it would roll out a pilot for this by mid-2016, but discontinued the effort upon the launch of the new transition concept. Yet it remains much needed and would add great value.

Management agrees that challenges remain to further improve ToC for transition qualities, in particular improving the clarity in the narrative by further developing/completing the links on how the change happens (impact pathways) for instance between changes triggered from our investments to intermediate outcomes or country level transition objectives. As discussed further below, the list of country- level Transition Objectives (that translate the high-level goal into more detailed objectives) are used as key building blocks in the design of country (and sector) strategy priorities. Embedding ToC at transition quality level into the Transition Objectives Measurement System (TOMS) will also help its application at project level and improve project evaluability to support self-evaluation. Strengthening research, impact analysis and impact evaluation studies, including on wider impact (further discussed below) will also help to qualify links in ToC (test the hypothesis of change).

The study states: *The expected ultimate goal of the transition qualities – which is essentially what "success" means for the Bank – is not set out clearly; there are no clear, high-level goals or prospective pathways to achieve them.*

Management would like to emphasise that EBRD mandate of supporting a systemic change is different from the missions of other institutions. This mandate involves a process of change rather than a specific measurable outcome (e.g. job creation, poverty reduction etc.). The study appears to equate the high-level goals and expected results with conventional measurable outcomes (such as for increase in employment or income per capita in other MDBs). In the absence of such a single measurable result, the study concludes that EBRD lacks a high-level goal.

As explained in the paper "*Transition impact methodology update* (SGS18-238), "the essence [of the new transition qualities framework] is still the market economy but the refreshed concept looks at the market process from the perspective of outcomes." The EBRD's mandate continues to be to support countries to develop a sustainable and well-functioning market economy, that delivers the six qualities are important desirable attributes. The EBRD work focuses its support to the *channels* through which we develop markets that, in turn, deliver those desirable outcomes, for instance enhancing equality of opportunities and skills to find employment rather than supporting employment directly. The difficulties associated with operationalising the EBRD transition concept (including clarity of objectives) and measuring results are due to difficulties in measuring systemic change (or wider impacts of operations).

As a consequence of this, the EBRD has interpreted its mandate of supporting systemic change and defined what the characteristics of the sustainable well-functioning markets are throughout its existence and how it can benchmark the relevance and effectiveness of its operations. The revised transition concept which defines the six transition qualities of a market economy is the latest approach. In the absence of a readily available indicator of success, the EBRD designed an internal measure of transition progress and transition gaps. The Assessment of Transition Qualities (ATQ) provides an assessment of the state of/progress in transition in every country of operation along the six Transition Qualities based on a set of indicators, including outcome indicators as well indicators of structure and institutional changes. The analysis also identifies transition gaps using the distance to frontier method (comparing to the best performer). This is unique to the EBRD.

Management would like to clarify that the EBRD high-level ultimate goal is to support transition to sustainable market economies by helping to narrow/close transition gaps in countries of operations along the six TQs. As part of operationalisation, this high-level goal is translated into country level Transition Objectives, or intermediate goals/outcomes the Bank contributes to (used in country strategies), and further into specific objectives at project level (embedded in TOMS). These are the two key components of EBRD's ToC. EBRD contribution is measured through output and outcome indicators at project and country level, standardised in a Compendium of standardised Indicators (COI) that reflects the Bank's ToC.

Management notes that the paper "Transition impact methodology update (SGS18-238) provides a clear operational definition for each transition quality, explains what it means for the EBRD and describes *HOW* change happens due to Bank's operations from investments, to clients to markets, to economy level along each of the six qualities of transition. The Annex, provides details by sector and examples of project features, objectives and how they contribute (their link) to the six qualities. To ensure a shared understanding of objectives, Management undertook a communication campaign over a two-year period to explain the transition qualities across the Bank, through all-Bank sessions, open days etc. Detailed guidelines and training was also provided across the Bank. Management also communicates this regularly to outside audiences, including by liaising with other MDBs and DFIs, some of which have introduced a very similar ex-ante assessment model (i.e. IFC).

The study states: *"There is a lack of clarity on how the transition qualities were selected and how they are defined. The choice of the six transition qualities has not been clearly explained, conceptual definitions of the individual qualities remain ambiguous, and operationalisation is incomplete."*

Management would note that the paper Transition Concept Review (BDS16-181) explains in detail the choice of the six transition qualities (in relation to four qualities presented in Besley II (WS16-03)). This was preceded by a number of presentations, discussions (e.g. CS/FO/16-10), internal consultations and workshops, including with the Board, on the choice of six qualities. Management notes that there are numerous internal consultations, working documents and presentations to the Board of directors on why Resilience quality interpretation was focused on financial and energy sector, and how the country-level transition objectives were identified. Management notes the study comments that there could be further explanations and elaboration on why the chosen transition components are deemed to be correct ways of assessing the qualities and on the relationship between the components and the transition objectives.

Management notes that country-level transition objectives were developed by CSRM in close coordination with EPG and based on the definition of transition qualities. For instance, the objectives "*Developed local capital market and local currency financing solutions*", and "*Reinforced networks for domestic and inter-country connectivity*" (questioned in the study) are part of Resilient quality because they characterise a diversification of financial products and services, reduction of currency risks, and diversification of energy sources (integration into energy networks). These help to reduce volatility and resilience to shocks.

In addition, management would like to note that as stated in a number of operational documents, TQs are not mutually exclusive; they are often complementary and reinforce each other. When operationalising the transition concept and defining TQs, the Bank tried to minimise the overlaps between various qualities by distinguishing between the primary purpose of an activity and its broader benefits. Resilience is supported through other transition qualities as well, e.g. trade diversification (integration); reducing supply volatility and diversifying supply chains (Competitive); strengthening government effectiveness and capacity of institutions (Well-governed). Finally, an additional consideration for not including food security in the ATQ assessment is due to the difficulty in finding a convincing country/sector level measure that would cover all of the COOs. However, at the project level, there are a number of TOMS questions under Resilient that are related to food security.

2. <u>Improve measurement of wider and longer-term effects</u>

Existing tools are available that would make a great difference if used systematically and adequately resourced. Promising new tools that are widely used elsewhere deserve a careful look by the EBRD.

Management agrees and recognises the importance of assessing the Bank's effectiveness in achieving transition objectives and contributing to closing the gaps. The ATQ index scores and country level indicators are unsuitable for monitoring and evaluating EBRD success at the country level. They are used to measure the state of transition and progress made in countries along Transition Qualities that is achieved by many players and depends on a number of factors outside EBRD's control (attribution issue). The contribution of EBRD activities is measured by relevant output and outcome indicators applied at operation level and aggregated at country or institutional level. This is similar to the MDBs Tier 1 and Tier 2 level structure of Corporate Results Framework. Tier 1 includes country level indicators that are used to measure development context or progress. Tier 2 indicators include MDB contribution to development results measured by operation level output and outcome indicators, which are aggregated at the institutional level. The assessment of wider impact requires a better understanding and measurement of longer-term indirect effects (via externalities/spill-overs) linking the contribution of Bank activities to progress made in the country.

Management notes that assessing the wider impact is an evaluation (not a monitoring) question. This evaluation is more appropriate at a portfolio and not project level, in particular given the often relatively small size of EBRD transactions. Until 2017, management required monitoring of market level effects, such as demonstration effects, at project level. The difficulty of substantiating these effects was frequently highlighted in ex post project evaluations. Besides issues of data availability and quality, it became clear that there are issues with their interpretation and ability to substantiate such effects. Assessment of market level outcomes (e.g. demonstration/externalities and other impact) could be done selectively at portfolio level (for instance for key areas, or Frameworks of investments and policy). In addition, long-term efforts are required, including increased capacity and resources for systematic impact studies, research and other tailored methodologies for evaluation, including qualitative assessments and data generation and processing tools.

Management agrees to enhance its efforts to assess and learn about the wider impact, as already identified in the Action Plan to the Kirk report recommendations. Assessing the Bank's specific contribution is very difficult, however, and goes beyond the well-known attribution issue. This is a common challenge for all MDBs but more so for the EBRD given the mandate to support systemic change and the private sector orientation. Establishing causality between EBRD project level outcomes to country level outcomes is difficult to quantify and often depends on estimates that require high quality data and significant resources. Furthermore, the scale of EBRD interventions may not lead to sizable changes of quantitative indicators at country level (impact). Management believes that the key question is not whether the transition qualities are evaluable, but whether EBRD contribution to transition as measured by country wide indicators is evaluable.

Management envisages that future work will include i) identifying what key wider outcomes and impact are appropriate for EBRD; ii) deciding on focus areas based on criteria for their relevance and importance for its work; and iii) the approach to assessing and measuring them. These will help us to understand the potential causal links before a project is approved, and also identify in which cases outcomes will be assessed through ex-post assessments methods or the impact will be measured more rigorously. This will require significant increase in resources, including on contributing to IFI collaborative efforts.

Management would like to emphasise that enhanced evaluation and impact studies will help the Bank to improve understanding of potential causal links in ToC and hence help build/improve the narrative on how the Bank contributes to transition (at aggregate and project level) in reporting and communication of impact. It also helps the Bank to understand which activities, instruments and approaches are more effective in supporting transition objectives and learn for the future. However, Management notes that the assessment and evaluation of wider impact will not enable the Bank to measure and demonstrate empirically a one-to-one link, or report the magnitude of EBRD contribution to wider systemic impact for all its activities (unlike for an institution that focuses only on job creation). This may only be possible for selective specific area/indicators or special case study examples.

3. <u>Consolidate transition results reporting into a single, authoritative document</u>, such as an annual "Transition & Development Effectiveness Review"

Management is committed to strengthen external reporting on EBRD transition results. Currently, the Annual Report on Transition Performance (ARTP) is an internal report designed to provide an enhanced analysis of the Bank's transition performance, including the relevance and ambition of new investments and progress of portfolio in achieving transition objectives reflected in the Corporate Scorecard parameters. The report also presents key quantitative and qualitative results under transition qualities, including examples of detailed narrative – case studies, capturing achievements of long-term efforts through a combination of policy and investments.

The Annual Review is the corporate report of EBRD that describes the operational delivery and impact of the EBRD's investments, projects and policy work during the year, outlining innovation in key sectors and initiatives. Indeed, key results in the ARTP are presented in the Annual Review. In the future, Management aims to strengthen external reporting on EBRD results, through increased length and depth of information in the EBRD Annual Review, and potentially in a separate report.

Management strongly believes that transition results reporting is most meaningful at country level against the country context. Management has developed a new product, Country Results Snapshot ("Snapshots") that aims to communicate the Bank's transition results and impact effectively to external stakeholders using a credible narrative supported by evidence. Management has already prepared a template based on a designed framework for an effective communication of results that resonate to external stakeholder including communicating how EBRD work aligns and contributes to SDGs. Management has prepared two pilot snapshots and aims to roll them out for all countries in the coming two years (subject to resources). Further future improvements in results data and systems as well as assessment of aggregate results and impact studies, would also help to link, benchmark and interpret the significance EBRD results in a country context, links to wider economy level changes (related to set objectives) and possibly also provide a measure of magnitude of contribution in specific cases.

Management would like to emphasize that reporting on transition results (through a checkable narrative) is appropriate for a cumulative impact over a long period and taking a multi-year perspective. This is not possible or meaningful on an annual basis through Country Strategy Delivery Reviews (CSDRs). CSDRs are internal annual accountability tools that track progress with performance in country strategy delivery. Management notes that EBRD is the only MDB that reports annually on country strategy progress through CSDRs.

Management believes that this focus on the individual country level is a more meaningful approach than an annual "Transition & Development Effectiveness Review". In addition, it would not replace the current reports such as, the Annual Review Report, the Sustainability Report or Donor Co-financing Report, which are designed to fulfil specific institutional and stakeholder requirements.

4. Integrate investment and policy related work systematically at every level

Management agrees that technical issues remain in the Technical Co-operation Results System (TCRS), e.g. to better capture specificities of all assignments under a framework technical cooperation (TC) project, and in particular lack of integration of TCRS in the new system for investments operations, Monarch, is an important issue. Management has identified these issues and acknowledged that lack of integration across systems hinders the ability to capture a comprehensive story that connects all Bank activities and efforts. This also limits the ability to slice and dice data in different ways to tailor reporting and meet different stakeholder requirements (including to donors).

Management would suggest however, reviewing the wording of the statement: *"Policy and technical co-operation activities have not yet been integrated into the Transition Qualities Framework."* It implies that policy engagements and TCs are not assessed or monitored using transition qualities, or even not monitored at all. This is not the case.

The Bank carries out policy engagements either as part of investment operations ("transactional") or as a stand- alone activities. When policy engagements include TC and consultancy support, they are funded by donors or the Bank shareholder special fund. For policy engagements associated with investments, transition impact and results are assessed and monitored as part of the whole project (investment, policy and TC) in TOMS and Transition Impact Monitoring System (TIMS), respectively. In the case of stand-alone policy engagements funded by donor resources, objectives and monitoring are recorded in TCRS. In addition, Management has developed a separate system for setting and monitoring on a quarterly basis a set of Policy Priority Objectives (PPOs), also reflected separately in teams' scorecard, to provide incentives for focus and prioritisation of key policy areas in each country. Though separated for the purposes of focus on more frequent monitoring and reporting (on quarterly basis), the PPOs database overlaps with the policy work done as part of investment operations and/or funded by TC. All these systems use the six transition qualities to set objectives and Compendium of Indicators to measure results.

Management notes that some progress has been made and work is ongoing to better capture and integrate systems that monitor progress for policy work and activities supported by technical assistance. Transactional TCs are already included in Monarch through a Single Results Matrix to monitor results for both investments and TC, while work continues to generate a TC level report for donors. Some temporary enhancements are planned for TCRS as the integration of non-transactions TC is only envisaged in the future (time not specified yet due to necessary approval of resource requirements for further system integration).

5. Cross-IFI commitments

There is strong pressure on MDBs to demonstrate their combined contributions to, for example, the SDGs. There is an excellent opportunity to develop better joint approaches, and a potential leadership role for the EBRD in private sector areas where it has particular expertise and insight.

Management recognises the important role of the MDB community in helping countries to achieve the sustainable development goals. While its transition mandate will continue to drive EBRD activities, it also aligns very well with the Sustainable Development Goals. In 2019, Management prepared a careful mapping of EBRD's mandate and transition qualities to SDGs using its ToC from transition objectives and indicators to SDG goals as well as SDG targets and indicators, to determine alignment and report contribution of EBRD activities to SDGs. This approach includes both thematic and sector based mapping (given the nature of SDGs), similar to that of other MDBs. This mapping shows that EBRD transition goal is well aligned with the SDGs. The figure from the Annual Report on Transition Performance 2019 used in the study illustrates how EBRD's mandate contributes to the achievement of the SDGs. Management hence disagrees with the statement that "*the EBRD's alignment with/contribution to the SDGs is broadly superficial.*"

Management is finalising the internal consultation on the approach across the Bank, including tagging of each activity to SDGs. Management continues to work to develop a technical solution (in Monarch) on how to operationalise the mapping in the Bank systems, both in terms of tagging our investments and the associated reporting indicators, to enable data collections and reporting. Externally, Management continues to consult with, learn from and align our approach to that of other MDBs, impact investors and various existing working groups. EBRD is currently extensively engaged in the relevant IFI efforts to harmonise the approach to defining and reporting on alignment and contribution to the SDGs. Specifically, Management is participating actively in two parallel working groups on harmonising the approach to alignment and contribution to SDG goals and indicators, through MDB Managing for Development Results (MfDR) and Harmonised Indicators for Private Sector Operations (HIPSO), including over 25 private sector focused IFIs and DFIs. Management acknowledges that communication on EBRD's contribution to SDGs should be improved and this is envisioned as part of the results communication strategy and Country Results Snapshots.

II. Other comments on findings and conclusions

Management disagrees with the study assessment and conclusions included under Section 1.1. *"Current systems limit the weight of transition potential (closing gaps) at country level"*. ETI scoring reflects both the intrinsic value of a project (project ambition based on its characteristics) and its contextual value in a specific country. The latter takes the form of an adjustment to reflect the country context based on the transition gap analysis along the six qualities of transition (ATQ index score), and strategic relevance defined by the fit of the project with Country Strategy priorities and the use of financing instruments that are specifically supported by the Bank (equity and local currency lending).

Management notes that the weight given to the size of ATQs in the ETI assessment does not constitute double counting with the development of country strategies. It is designed to ensure that overall, at institutional level, the EBRD targets its limited resources in those countries and areas where the transition gaps are the biggest, i.e. in line with the stated preferences of shareholders. Once that has happened, since the large majority of projects are expected to conform to country strategies (while also allowing for flexibility to responds to opportunities and innovation), those which are particularly well aligned are given additional credit. The score gives a further additional 5% for a narrowly defined list of projects that have a particularly strong fit with the country strategy ambitious objectives. There is effectively a two stage process – first to bias the system amongst country strategies to ensure focus on largest gaps across countries, and then to tilt it within countries to focus on key country strategy priorities.

The study states that *"There is no effective provision for mid- or long-term monitoring, though the transition qualities results are expected to occur well after the physical end of the EBRD intervention."* Management agrees that project level monitoring could be further improved to enhance IT systems and data quality for which work is under way. Management continues to work closely with other MDBs to consult and learn from across all areas of managing for results, and in particular on the approach and methods of strengthening monitoring and evaluation. Post-repayment monitoring is particularly difficult for the EBRD (and other private sector arms of other MDBs), due to the limited ability to collect data and information from private sector clients after the financial relationship has ended (compared to sovereign operations for which the counterpart is the government).

However, Management notes that the study conclusions of the efficacy of systems in other MDBs may not reflect the full reality. In particular, there is a difference in definition between completion and repayment in other MDBs and the fact that completion date is much earlier than repayment date: 1) for sovereign operations, this is physical completion. Usually around 5-7 years since approval, vs 25+ years repayment; 2) for private sector operations, it's roughly the same - there is a stage of "operating maturity" which is close to "physical completion" for sovereign operations, and generally earlier than repayment date.

Management notes that no MDB systematically carries out post-repayment monitoring, and only some post-completion monitoring. A short survey on monitoring post-completion carried out by ADB in December 2019, in the latest meeting of the MDB Managing for Development Results working group, that includes the Results management units from all MDBs, shows the following results:

	Monitoring of results when project is completed in MDBs
AfDB	Rarely done by evaluation
AIIB	No plan to monitor after completion
AsDB	5-10% of completions
EBRD	100%, monitoring until repayment but no monitoring post-repayment except for advisory services for Small business (ASB) (1 year post completion)
EIB	100%, monitoring of ex-post vs. ex-ante results (More than 1 year post completion for EU projects; 3 years for outside EU)
IDB Invest	100%, monitoring until repayment
IFC	No current monitoring post-completion except for advisory services but plans are underway
IsDB	30-40% of completions

Management also notes TIMS is built as a tracking system where performance and results are monitored against targets set for pre-determined output and outcome indicators at the project level to ensure accountability to the established level of ambition. Unintended results are recorded (if they happen) and going forward are envisaged to be collected more systematically in Monarch. TIMS was not built as an evaluation system which is undertaken through the self-evaluation system that relates to it. Hence, Management would suggest reviewing the study statement: *"The TIMS system, therefore, never equated to a monitoring or evaluation system, instead providing annual snapshots for pre-selected metrics."*

1. Management believes that the statement, "*All MDBs, except the EBRD, have a central quality control process that explicitly looks at the quality of project results at appraisal and/or completion and post-completion.*", is not correct. This statement does not recognise the importance of quality control both at entry and during implementation exercised by EPG through ETI and PTI scoring also supported by the discipline of a standardised compendium of indicators.

The ETI score takes into account project's transition potential, that reflect its objectives and level of ambition in addressing the relevant transition challenges in a specific country context, and the risks to achieving that potential. Management believes that this quality at-entry control through the ETI scoring system is more appropriate for deselecting, prioritising and designing operations in EBRD, given its bottom-up business model that is driven by private sector demands and the emphasis on systemic impact. This is better than adopting a standard evaluability checklist to confirm whether operations "comply" with the narrative/logic (ToC) on how and why transition happens. The latter is more appropriate for top-down planned operations with the public sector in other MDBs.

The statement also disregards the CSRM's role in aggregating and analysing performance and results institution wide, building, and managing an empirical basis for regular monitoring and reporting to the Board. These units also define the metrics for inclusion in the Scorecard in cooperation with corporate strategy. Management agrees that there is room for improvement, in particular on recording lessons and sharing experience and learning across the institution.

2. The study argues that fragmentation in organisational structure has an effect on various aspects of the results management system, including in the operationalisation of transition qualities (e.g. evaluability and links in components of ToC), and how EBRD reports on results. Management acknowledges that further improvements are necessary in the areas noted above. Management notes that it is not clear or proven what is the best organisational structure for optimal results management. The Bank's organisational structure has changed. Until 2013, the functions of the key three units mentioned in the study, CSRM, EPG and OCE, were in the same department, then called OCE. The separation of the teams was based on enhanced focus on policy engagement and making EPG a key delivery unit. CSRM was created to strengthen results focus through results framework and system's design, country strategy formulation and aggregate transition results reporting (organisationally independent from the delivery teams). That also coincides with the time the first EvD study on evaluability that criticises the level of evaluability of our projects. Since then, significant progress has been made in strengthening Bank's results management architecture and systems. This involved a close coordination between teams in the operationalisation issues, including the co-design of transition impact assessment and reporting systems and tools (Monarch), deeper analytical work on understanding factors that affect the Bank's performance and results, knowledge sharing and strengthening reporting.

Management would like to clarify that there are no overlaps in responsibility for reporting on results between OCE and CSRM, as stated in the study. The Transition Report focuses on *country's progress, both macroeconomic and political development and progress in transition, as well as* and topical research on issues that are operationally relevant for the Bank. It does not report on EBRD results. CSRM is responsible for reporting on the *EBRD's performance and results* in supporting countries' transition.

3. Management differs from the study interpretation and understanding on links between transition qualities and graduation: "*While graduation has been seen by many as an important dimension of transition success,* it is not established anywhere as a metric or specific objective." Management notes that graduation is a fundamental principle for the Bank. As presented in the paper Transition Concept Review - Selected implementation issues: preliminary considerations (CS/FO/16-10 (Addendum 1), while progress in transition has a role to play in considering whether a country may be ready to graduate, as the assessment of transition gaps is multi-dimensional and measurement largely qualitative no single benchmark is possible. The graduation policy is clear that ultimately, the lack of additionality may be the biggest driver of graduation, and the decision to graduate is driven by countries of operation (i.e. countries may decide to graduate before transition gaps are closed). "The transition concept can only ever offer elements of judgement in a broader analysis underpinning the graduation discussions. The relative decline of transition challenges as countries advance, and a rigorous process of prioritisation within country strategies, will narrow the opportunities for the Bank to have impact."

Annex 5 – EvD Response to Management Comments

<table>
<tr><th>Management's comments</th><th>EvD's response</th></tr>
<tr><td colspan="2">Executive Summary / Key Points</td></tr>
<tr><td>
Management welcomes the EvD study including an extensive analysis on evaluability of Transition Qualities (TQs). The study analyses the extent to which the TQs are evaluable in principle and practice, and usefulness of them being so. Specifically, the analysis looks at the question that the Kirk Report posed, which is the degree to which the articulation and design of the transition qualities themselves provide a basis for evaluability. However, it also discusses to which extent the Bank's contribution to delivering the transition qualities is evaluable. In doing so, it covers important areas of the results management system, though at varied degrees of depth, and points to areas for improvement including on evaluability of TQs through strengthened Theory of Change (ToC), improving measurement of wider effects and enhancing results reporting.
Management agrees with the study's key suggestions and notes that they are in line with the challenges and priorities identified by Management to further enhance accountability and learning through the Bank's results architecture. These Management priorities were presented to the Board in the information session on the "Overview of the Bank's Transition Results Management Architecture" in 2018 and, more recently in June 2020, in the presentation of the "EBRD Transition Results Management Architecture: Overview, recent progress and remaining challenges" (SGS20-186). Management priorities include:
i) Enhancing our ability to measure the wider impact and linking the Bank's aggregate contribution to a country's progress. The ability to assess this "missing link" would also facilitate evaluability, in particular through more developed and better links to the existing ToC for transition qualities;
ii) Strengthening learning, knowledge management and feedback loop mechanisms;
iii) Improving reporting and communicating our transition story, including how our work is aligned and contributes to Sustainable Development Goals (SDGs);
iv) Advancing and leveraging IT capacity to streamline the process for capturing, monitoring and reporting results.
Management follow-up work and actions on these priorities and study suggestions can be presented in three categories:
Follow-up actions in the context of the Joint Action Plan to the Kirk Report recommendation prepared at the beginning of 2020, these include work on improving assessment and measurement of wider impact, strengthening learning and reporting of transition story.
No action in direct relation to this study due to already ongoing parallel developments - such as on improving and leveraging IT capacity to streamline the process for capturing, monitoring and reporting results.
Actions that are not part of the first two categories. This include a systematic review and work on further developing ToC and strengthening the evaluability. This work is closely linked to the work on wider effects and increased role of (self) evaluation in results architecture that are part of category 1.
Management will work closely with EvD for its implementation in the next 2-3 years. Management would like to highlight that this requires long-term investments and increased capacity and resources.
While looking forward, Management would highlight that key issues raised by the study should be put into a broader perspective of the EBRD mandate (the shareholder's needs). They would require discussions to confirm with the shareholders/the Board that the EBRD's mission is about systemic change, and clarify whether the six qualities of transition are still useful as a framework for EBRD's transition concept or is there an appetite for a change. Management believes that the Bank's revised transition concept framework based on the six qualities is strong and notes that the results architecture built to operationalise it is relatively young.
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EvD notes Management Comments and appreciates that Management concurs on the need to improve the Transition Qualities Framework, including the ex-ante rating assessment, the transition results architecture and integration with Self-Evaluation.
At the SPCOM meeting held on July 24th, EvD and Management discussed the main findings and recommendations of the EvD Study on Evaluability of the Transition Qualities (TQs). Management agreed on a number of issues raised by the paper, including the need to improve the articulation of a Theory of Change for each TQ and confirmed that closing transition gaps is the main goal of the Institution.
Management and EvD agree on the importance of enhancing the evaluability of the TQs and particularly the evaluability of the Bank's contribution towards closing the transition gaps. Management agrees on, and commends, the objectives of the evaluability assessment, though comments on p.1 and p.6 seem contradictory. EvD confirms that the purpose of the exercise is, indeed, twofold: 1) addressing the question that the Kirk Report posed, which is the degree to which the articulation and design of the transition qualities themselves provide a basis for evaluability; and 2) discussing the extent to which the Bank's contribution to delivering the transition qualities is evaluable.
There is substantial agreement on the shortcomings of the existing transition results architecture and transition impact (TI) methodology. Overall Management and EvD agree on key areas of improvement as suggested in the EvD Study. This is in line with what Management presented in the BIS held on July 5th.
Differences exist, however, in the ways Management and EvD refer to specific shortcomings identified by the Study, including: lack of understanding of the EBRD's contribution to a market economy (missing "middle link"), no instrument to measure systematic change, missing Theory of Change undermining evaluability, poor project selectivity (quality vs. quantity) and inadequate monitoring.
Most notably, the EBRD's mandate to support systemic change and specific measurable outcomes should not be mutually exclusive; systemic change can and should have measurable/observable outcomes. Management notes that there is also an inherent tension between the EBRD's high-level mandate of achieving systemic impact and its bottom-up private sector-focused business model. This underlines the need to embed a well-articulated Theory of Change within the TQ Framework.
Finally, EvD does not agree with Management's assertion that "EBRD has a solid results architecture that is fit for purpose" or "TIMS is a robust process to regularly compare expected and actual impact performance".
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<table>
<tr><th>Management's comments</th><th>EvD's response</th></tr>
<tr><td>Management would like to emphasise that EBRD's mandate is to support a systemic change rather than specific measurable outcomes (support countries' progress in transition towards a sustainable market economy characterised by six desired Transition Qualities). The challenges in operationalising the transition concept and measuring results (and success) are inherent in the difficulties of measuring systemic change. There are no off-the-shelf indicators of transition impact, nor is there a single outcome measure that is appropriate to demonstrate success.

There is also an inherent tension between the EBRD's high - level mandate of achieving systemic impact and its bottom-up private sector focussed business model. This tension presents an intrinsic difficulty in the Bank's ability to plan top-down in country strategies (with a ToC). The emergence of transition business opportunities may not emerge in the desired areas, and this also increases the difficulty of capturing and linking the outcomes of various heterogeneous activities to the country progress in transition. Due to its primarily private sector driven and project based business model (compared to other IFIs that can do policy-based lending) the EBRD is less able to plan the level and specificity of its operations in a country over a period of five years compared to other MDBs that engage largely in sovereign lending and negotiate budget support programmes at the country level. Hence, country strategies and their results frameworks cannot be very specific and prescriptive. They need to be flexible enough to allow the Bank to take advantage of impactful but unforeseen opportunities (and not set it up for failure if business opportunities do not materialise).

Management recognises and commends the efforts made in the study to analyse such a complex topic, considering that transition qualities are very broad and their articulation and design is complex in itself, but also accounting, in particular, for how they are treated in the context of the EBRD mandate. In this respect, Management believes that the study does not fully acknowledge the specificity of the EBRD mandate and its private sector orientation and business model. The two external peer reviewers of the study also recognise this. These limitations together with the mixed depth of the analysis in some areas, (both in EBRD and on practices in other MDBs), are reflected in the interpretation and wording of some findings, conclusions and suggested solutions (way forward) for which Management views and reservations are elaborated further below.</td><td>The Kirk Report found (as has EvD, consistently) that the limitations of the EBRD's results monitoring and reporting make it difficult to validate EBRD claims regarding transition impact. IAD's report on the GET programme states "post-signing monitoring and verification systems are inadequate, could undermine the Bank's ability to demonstrate results, and thus might expose the Bank to a reputational risk".

Recent EvD studies conclude that existing tools/processes need simplification, results-related functions need consolidation and substantial additional resources, and the collection of more and better data is critical. None of these appears to be a Management priority; EvD is not aware of any specific plans.

Results systems are not integrated because results-related functions and responsibilities are both unclear and dispersed across various departments and units. Related units devise their own templates/tools/processes, reducing comparability and adding complexity. To some extent, the picture is one of fighting complexity with more complexity in a data-poor process-rich environment.

Management makes strong assertions that Country Strategies are at the heart of its systems and the lens through which operations and effectiveness must be viewed. EvD analysis does not support this.
• Country strategies have a limited influence on origination and portfolio composition.
• Tracking indicators aggregate project outputs and generally lack targets.
• Absent strategic goals (at the level of TQs), reporting is simply a bottom-up aggregation of operations.
• CSDRs present an activity-oriented recount of new projects over the last year. Results reported are based mainly on selective presentation of project-level highlights.

Management recognises the need for greater integration of Policy Dialogue and Technical Cooperation into results management. However, TCRS remains the sole platform for recording and monitoring the results of non-transactional TC, which is insufficient.</td></tr>
<tr><td colspan="2">1. Strengthen "Theory of Change" tools by developing explicit results chains at country/sector level</td></tr>
<tr><td>Management indicated it would roll out a pilot for this by mid-2016, but discontinued the effort upon the launch of the new transition concept Yet it remains much needed and would add great value.

Management agrees that challenges remain to further improve ToC for transition qualities, in particular improving the clarity in the narrative by further developing/completing the links on how the change happens (impact pathways) for instance between changes triggered from our investments to intermediate outcomes or country level transition objectives. As discussed further below, the list of country- level Transition Objectives (that translate the high-level goal into more detailed objectives) are used as key building blocks in the design of country (and sector) strategy priorities. Embedding ToC at transition quality level into the Transition Objectives Measurement System (TOMS) will also help its application at project level and improve project evaluability to support self-evaluation. Strengthening research, impact analysis and impact evaluation studies, including on wider impact (further discussed below) will also help to qualify links in ToC (test the hypothesis of change).</td><td>The Bank has developed various tools to operationalise the TQ framework. Yet, insufficient coordination between CSRM and EPG remains as a critical bottleneck to addressing existing shortcomings and further strengthening the results systems.

Particularly, CSRM defines the objectives (Reinforced networks for domestic and inter-country connectivity) whereas EPG defines the clear operation definitions and describes HOW change happens. However, it is not possible to trace the objectives back to operational definitions. There are various elements of the ToC, i.e. high-level objectives, which are not represented in the operational definitions.

For example, although management comments state that "Developed local capital market and local currency</td></tr>
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Management's comments	EvD's response
The study states: The expected ultimate goal of the transition qualities – which is essentially what "success" means for the Bank – is not set out clearly; there are no clear, high-level goals or prospective pathways to achieve them. Management would like to emphasise that EBRD mandate of supporting a systemic change is different from the missions of other institutions. This mandate involves a process of change rather than a specific measurable outcome (e.g. job creation, poverty reduction etc.). The study appears to equate the high-level goals and expected results with conventional measurable outcomes (such as for increase in employment or income per capita in other MDBs). In the absence of such a single measurable result, the study concludes that EBRD lacks a high-level goal. As explained in the paper "Transition impact methodology update (SGS18-238), "the essence [of the new transition qualities framework] is still the market economy but the refreshed concept looks at the market process from the perspective of outcomes." The EBRD's mandate continues to be to support countries to develop a sustainable and well-functioning market economy, that delivers the six qualities are important desirable attributes. The EBRD work focuses its support to the channels through which we develop markets that, in turn, deliver those desirable outcomes, for instance enhancing equality of opportunities and skills to find employment rather than supporting employment directly. The difficulties associated with operationalising the EBRD transition concept (including clarity of objectives) and measuring results are due to difficulties in measuring systemic change (or wider impacts of operations). As a consequence of this, the EBRD has interpreted its mandate of supporting systemic change and defined what the characteristics of the sustainable well-functioning markets are throughout its existence and how it can benchmark the relevance and effectiveness of its operations. The revised transition concept which defines the six transition qualities of a market economy is the latest approach. In the absence of a readily available indicator of success, the EBRD designed an internal measure of transition progress and transition gaps. The Assessment of Transition Qualities (ATQ) provides an assessment of the state of/progress in transition in every country of operation along the six Transition Qualities based on a set of indicators, including outcome indicators as well indicators of structure and institutional changes. The analysis also identifies transition gaps using the distance to frontier method (comparing to the best performer). This is unique to the EBRD. Management would like to clarify that the EBRD high-level ultimate goal is to support transition to sustainable market economies by helping to narrow/close transition gaps in countries of operations along the six TQs. As part of operationalisation, this high-level goal is translated into country level Transition Objectives, or intermediate goals/outcomes the Bank contributes to (used in country strategies), and further into specific objectives at project level (embedded in TOMS). These are the two key components of EBRD's ToC. EBRD contribution is measured through output and outcome indicators at project and country level, standardised in a Compendium of standardised Indicators (COI) that reflects the Bank's ToC. Management notes that the paper "Transition impact methodology update (SGS18-238) provides a clear operational definition for each transition quality, explains what it means for the EBRD and describes HOW change happens due to Bank's operations from investments, to clients to markets, to economy level along each of the six qualities of transition. The Annex, provides details by sector and examples of project features, objectives and how they contribute (their link) to the six qualities. To ensure a shared understanding of objectives, Management undertook a communication campaign over a two-year period to explain the transition qualities across the Bank, through all-Bank sessions, open days etc. Detailed guidelines and training was also provided across the Bank. Management also communicates this regularly to outside audiences, including by liaising with other MDBs and DFIs, some of which have introduced a very similar ex-ante assessment model (i.e. IFC). The study states: "There is a lack of clarity on how the transition qualities were selected and how they are defined. The choice of the six transition qualities has not been clearly explained, conceptual definitions of the individual qualities remain ambiguous, and operationalisation is incomplete." Management would note that the paper Transition Concept Review (BDS16-181) explains in detail the choice of the six transition qualities (in relation to	**financing solutions" and "Reinforced networks for domestic and inter-country connectivity" are part of Resilient quality; SGS18-238 does not refer to these aspects under the Resilient Quality. Similarly, the text in BDS16-181 - consisting of just the 4th paragraph of page 10 and footnotes 12 and 13 - does not provide any exhaustive explanation regarding the scope of the Resilient Quality.** **This is why difficulties in measuring systemic change (or wider impacts of operations) cannot solely justify the difficulties associated with operationalising the transition concept and measuring results. The shortcomings are equally, if not more, due to the Bank's ambition to develop and manage a complex results system with limited resources, capacity and internal coordination.** **EvD's suggestion is to ensure monitorable results frameworks at portfolio, country, and project levels.** **At project level:** **• Display results chains (or even log frames) with country objectives, monitoring and context indicators.** **• Enable the results-related communication between management and Board – an area that calls for acute improvement.** **• Management may further develop examples of results chains that display all transition results related dimensions of stand-alone results and framework projects; currently those are not presented in project documentation.** **At country/portfolio level:** **• Develop a clear Theory of Change (ToC) to underpin the TQs, identifying how and why transition is expected to happen in a particular context.** **• ToC should focus on mapping out and "filling in" what has been described as the "missing middle" between what the EBRD does (its activities or interventions) and how these lead to transition.** **ToC could be based on revamping the 2015 conceptual approach (SGS15-145) and tailoring it to the TQ context; this would enable the EBRD to estimate the expected development impact of investments and to set ambitious yet achievable targets, and select projects with the greatest potential for financial sustainability and development impact.**

Management's comments	EvD's response
four qualities presented in Besley II (WS16-03)). This was preceded by a number of presentations, discussions (e.g. CS/FO/16-10), internal consultations and workshops, including with the Board, on the choice of six qualities. Management notes that there are numerous internal consultations, working documents and presentations to the Board of directors on why Resilience quality interpretation was focused on financial and energy sector, and how the country-level transition objectives were identified. Management notes the study comments that there could be further explanations and elaboration on why the chosen transition components are deemed to be correct ways of assessing the qualities and on the relationship between the components and the transition objectives. Management notes that country-level transition objectives were developed by CSRM in close coordination with EPG and based on the definition of transition qualities. For instance, the objectives "Developed local capital market and local currency financing solutions", and "Reinforced networks for domestic and inter-country connectivity" (questioned in the study) are part of Resilient quality because they characterise a diversification of financial products and services, reduction of currency risks, and diversification of energy sources (integration into energy networks). These help to reduce volatility and resilience to shocks. In addition, management would like to note that as stated in a number of operational documents, TQs are not mutually exclusive; they are often complementary and reinforce each other. When operationalising the transition concept and defining TQs, the Bank tried to minimise the overlaps between various qualities by distinguishing between the primary purpose of an activity and its broader benefits. Resilience is supported through other transition qualities as well, e.g. trade diversification (integration); reducing supply volatility and diversifying supply chains (Competitive); strengthening government effectiveness and capacity of institutions (Well-governed). Finally, an additional consideration for not including food security in the ATQ assessment is due to the difficulty in finding a convincing country/sector level measure that would cover all of the COOs. However, at the project level, there are a number of TOMS questions under Resilient that are related to food security.	
2.Improve measurement of wider and longer-term effects	
Existing tools are available that would make a great difference if used systematically and adequately resourced. Promising new tools that are widely used elsewhere deserve a careful look by the EBRD. Management agrees and recognises the importance of assessing the Bank's effectiveness in achieving transition objectives and contributing to closing the gaps. The ATQ index scores and country level indicators are unsuitable for monitoring and evaluating EBRD success at the country level. They are used to measure the state of transition and progress made in countries along Transition Qualities that is achieved by many players and depends on a number of factors outside EBRD's control (attribution issue). The contribution of EBRD activities is measured by relevant output and outcome indicators applied at operation level and aggregated at country or institutional level. This is similar to the MDBs Tier 1 and Tier 2 level structure of Corporate Results Framework. Tier 1 includes country level indicators that are used to measure development context or progress. Tier 2 indicators include MDB contribution to development results measured by operation level output and outcome indicators, which are aggregated at the institutional level. The assessment of wider impact requires a better understanding and measurement of longer-term indirect effects (via externalities/spill-overs) linking the contribution of Bank activities to progress made in the country. Management notes that assessing the wider impact is an evaluation (not a monitoring) question. This evaluation is more appropriate at a portfolio and not project level, in particular given the often relatively small size of EBRD transactions. Until 2017, management required monitoring of market level effects, such as demonstration effects, at project level. The difficulty of substantiating these effects was frequently highlighted in ex post project evaluations. Besides issues of data availability and quality, it became clear that there are issues with their interpretation and ability to substantiate such effects. Assessment of market level outcomes (e.g. demonstration/externalities and other impact) could be done selectively at portfolio level (for instance for key areas, or Frameworks of investments and policy). In addition, long-term	**EvD agrees that the measurement of wider and longer-term effects would require at least (i) availability of data of acceptable quality, (ii) ability to interpret collected data and (iii) substantiation of the effects based on observations.** **Concurrently, these elements (high quality data and data literacy) are essential both for monitoring and the evaluation function. Therefore, the distinction proposed by the management seems limited.** **The Evaluability of TQs Study proposes developing an holistic approach to monitor and measure the medium- to long-term effect of the Bank's interventions** **This will enable an effective communication of the EBRD transition story for greater accountability and learning through: 1) Enhanced narrative in the country context; 2) Supported with robust verifiable results data, capturing both policy and investments; 3) Clear understanding of how transition results are aligned and contribute to the SDGs and Finance for Development (FfD) objectives.** **Many IFIs see an increasing need to go beyond direct results and look into the broader impact of their operations or portfolio, including:** **Proparco, CDC and FMO employ a modelling approach based on social accounting matrices to estimate the impact of their intervention on indirect results.**

Management's comments	EvD's response
efforts are required, including increased capacity and resources for systematic impact studies, research and other tailored methodologies for evaluation, including qualitative assessments and data generation and processing tools. Management agrees to enhance its efforts to assess and learn about the wider impact, as already identified in the Action Plan to the Kirk report recommendations. Assessing the Bank's specific contribution is very difficult, however, and goes beyond the well-known attribution issue. This is a common challenge for all MDBs but more so for the EBRD given the mandate to support systemic change and the private sector orientation. Establishing causality between EBRD project level outcomes to country level outcomes is difficult to quantify and often depends on estimates that require high quality data and significant resources. Furthermore, the scale of EBRD interventions may not lead to sizable changes of quantitative indicators at country level (impact). Management believes that the key question is not whether the transition qualities are evaluable, but whether EBRD contribution to transition as measured by country wide indicators is evaluable. Management envisages that future work will include i) identifying what key wider outcomes and impact are appropriate for EBRD; ii) deciding on focus areas based on criteria for their relevance and importance for its work; and iii) the approach to assessing and measuring them. These will help us to understand the potential causal links before a project is approved, and also identify in which cases outcomes will be assessed through ex-post assessments methods or the impact will be measured more rigorously. This will require significant increase in resources, including on contributing to IFI collaborative efforts. Management would like to emphasise that enhanced evaluation and impact studies will help the Bank to improve understanding of potential causal links in ToC and hence help build/improve the narrative on how the Bank contributes to transition (at aggregate and project level) in reporting and communication of impact. It also helps the Bank to understand which activities, instruments and approaches are more effective in supporting transition objectives and learn for the future. However, Management notes that the assessment and evaluation of wider impact will not enable the Bank to measure and demonstrate empirically a one-to-one link, or report the magnitude of EBRD contribution to wider systemic impact for all its activities (unlike for an institution that focuses only on job creation). This may only be possible for selective specific area/indicators or special case study examples.	**EIB uses computational general equilibrium models to evaluate the impact of its cohesion programme on cross-regional inequality.** **IFC is currently experimenting with macro models, tracer methods and value chain methods to estimate the impact of its investments on job creation in the electricity sector in Turkey, in retail in Romania and in agribusiness in Ukraine.** **This work is part of much larger coalition – "Let's Work" – consisting of 30 different institutions including a dozen IFIs. This coalition is developing tools to carry out impact evaluations using standardised tools and methodologies, enabling comparisons of the short- to long-term impacts of private sector-led jobs investment across various sectors, countries and periods of time.** **Randomised controlled trials, big data, remote sensing, web harvesting, mobile phone surveys and block chain MRV are also available.** **These standardised tools and methods are a milestone for private sector-led job investments, and it allows international financial institutions, development practitioners, and governments to build on existing knowledge to develop solutions.**
3. Consolidate transition results reporting into a single, authoritative document, such as an annual "Transition & Development Effectiveness Review"	
Management is committed to strengthen external reporting on EBRD transition results. Currently, the Annual Report on Transition Performance (ARTP) is an internal report designed to provide an enhanced analysis of the Bank's transition performance, including the relevance and ambition of new investments and progress of portfolio in achieving transition objectives reflected in the Corporate Scorecard parameters. The report also presents key quantitative and qualitative results under transition qualities, including examples of detailed narrative – case studies, capturing achievements of long-term efforts through a combination of policy and investments. The Annual Review is the corporate report of EBRD that describes the operational delivery and impact of the EBRD's investments, projects and policy work during the year, outlining innovation in key sectors and initiatives. Indeed, key results in the ARTP are presented in the Annual Review. In the future, Management aims to strengthen external reporting on EBRD results, through increased length and depth of information in the EBRD Annual Review, and potentially in a separate report. Management strongly believes that transition results reporting is most meaningful at country level against the country context. Management has developed a new product, Country Results Snapshot ("Snapshots") that aims to communicate the Bank's transition results and impact effectively to external stakeholders using a credible narrative supported by evidence. Management has already prepared a template based on a designed framework for an effective communication of results that resonate to external stakeholder including communicating how EBRD work aligns and contributes to SDGs. Management has prepared two pilot snapshots and aims to roll them out for all countries in the coming two years (subject to resources). Further future improvements in results data and systems as well as assessment of aggregate	**The Evaluability of TQs Study confirms the need for a single authoritative document on the Bank's transition performance. The EBRD stands out as one of the few MDBs that does not provide any external reporting on its own development effectiveness.** **Management restates its commitment to strengthening external reporting on the Bank's transition results; however, Management does not specify what those commitments are.** **Most comparator institutions produce a dedicated annual report such as a Development Effectiveness Review (DER), ensuring that they are fully integrated into the project cycle and used as a core management tool. These reports tend to be highly valued by shareholders** **More importantly, EvD encourages Management to consider creating a single Transition Results Management Unit by consolidating the results-related functions now distributed across multiple units (e.g. EPG, CSRM, OCE, DCF, ESD)** **The Bank's information and knowledge on wider transition results is limited and dispersed. There has been slow and limited uptake by the Bank of basic administrative and results management systems common to other MDBs. The**

<table>
<tr><th>Management's comments</th><th>EvD's response</th></tr>
<tr><td>results and impact studies, would also help to link, benchmark and interpret the significance EBRD results in a country context, links to wider economy level changes (related to set objectives) and possibly also provide a measure of magnitude of contribution in specific cases.

Management would like to emphasize that reporting on transition results (through a checkable narrative) is appropriate for a cumulative impact over a long period and taking a multi-year perspective. This is not possible or meaningful on an annual basis through Country Strategy Delivery Reviews (CSDRs). CSDRs are internal annual accountability tools that track progress with performance in country strategy delivery. Management notes that EBRD is the only MDB that reports annually on country strategy progress through CSDRs.

Management believes that this focus on the individual country level is a more meaningful approach than an annual "Transition & Development Effectiveness Review". In addition, it would not replace the current reports such as, the Annual Review Report, the Sustainability Report or Donor Co-financing Report, which are designed to fulfil specific institutional and stakeholder requirements.</td><td>dispersion of results-related functions contributed to a reduced and less-coherent focus, less clarity on responsibilities and accountabilities, impediments to institutional knowledge sharing and learning, and inconsistency in monitoring and reporting. That led to "low integration in results reporting and erroneous and unsubstantiated statements in the Bank's external publications" (Internal Audit Dep. IAD - CS/AU/20-10).

A specifically constituted results function will support greater internal consistency, more clarity on responsibilities, and more effective monitoring and reporting. Establish a consolidated organisational approach to managing and reporting on transition results, as other MDBs have done.

Best practices suggest establishing a centralised function / department - where there may be distinctive institutional units separately responsible for, e.g., private sector activities, these have dedicated results units.</td></tr>
<tr><td colspan="2">4. Integrate investment and policy related work systematically at every level</td></tr>
<tr><td>Management agrees that technical issues remain in the Technical Co-operation Results System (TCRS), e.g. to better capture specificities of all assignments under a framework technical cooperation (TC) project, and in particular lack of integration of TCRS in the new system for investments operations, Monarch, is an important issue. Management has identified these issues and acknowledged that lack of integration across systems hinders the ability to capture a comprehensive story that connects all Bank activities and efforts. This also limits the ability to slice and dice data in different ways to tailor reporting and meet different stakeholder requirements (including to donors).

Management would suggest however, reviewing the wording of the statement: "Policy and technical co-operation activities have not yet been integrated into the Transition Qualities Framework." It implies that policy engagements and TCs are not assessed or monitored using transition qualities, or even not monitored at all. This is not the case.

The Bank carries out policy engagements either as part of investment operations ("transactional") or as a stand- alone activities. When policy engagements include TC and consultancy support, they are funded by donors or the Bank shareholder special fund. For policy engagements associated with investments, transition impact and results are assessed and monitored as part of the whole project (investment, policy and TC) in TOMS and Transition Impact Monitoring System (TIMS), respectively. In the case of stand-alone policy engagements funded by donor resources, objectives and monitoring are recorded in TCRS.

In addition, Management has developed a separate system for setting and monitoring on a quarterly basis a set of Policy Priority Objectives (PPOs), also reflected separately in teams' scorecard, to provide incentives for focus and prioritisation of key policy areas in each country. Though separated for the purposes of focus on more frequent monitoring and reporting (on quarterly basis), the PPOs database overlaps with the policy work done as part of investment operations and/or funded by TC. All these systems use the six transition qualities to set objectives and Compendium of Indicators to measure results.

Management notes that some progress has been made and work is ongoing to better capture and integrate systems that monitor progress for policy work and activities supported by technical assistance. Transactional TCs are already included in Monarch through a Single Results Matrix to monitor results for both investments and TC, while work continues to generate a TC level report for donors. Some temporary enhancements are planned for TCRS as the integration of non-transactions TC is only envisaged in the future (time not specified yet due to necessary approval of resource requirements for further system integration).</td><td>The systematic integration of investment and policy related work remains as an acute necessity. The management response, yet again, reflects either miscommunication or misunderstanding across units in charge of results-related aspects of technical cooperation and policy.

For instance, the information provided by Management is incorrect in several sections, including:

• The PPOs database does not overlap with the policy work done as part of investment operations and/or funded by TC. Indeed, neither TOMS nor TCRS capture a substantial portion of the activities listed in the PPOs database.

• The PPOs do not use the Compendium of Indicators to track results.

EvD suggests fully integrating Policy Dialogue and Technical Cooperation into the Results Architecture and information systems. The following measures would be an important first step to estimate, measure and monitor the transition impact stemming from EBRD policy engagement:

Policy objectives set at the country strategy level should be operationalised by Priority Policy Objectives (PPOs), and those should be monitored by indicators drawn from the Compendium of Standardised Indicators (CoIs).

Non-transactional technical cooperation projects suffer from the same shortcoming. The Compendium should be applied systematically to non-transactional TC projects as well.

A central database for policy work would help align objectives and policy messages, enhance quality control, facilitate coordination and increase visibility and knowledge sharing with internal and external stakeholders.

Management's recent proposal (AC meeting, 29 September 2020) to integrate PPOs into CSDRs would not fix this</td></tr>
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Management's comments	EvD's response
	issue, given the existing limitations of the instrument, as already highlighted by EvD's previous work.
5. Cross-IFI commitments	
There is strong pressure on MDBs to demonstrate their combined contributions to, for example, the SDGs. There is an excellent opportunity to develop better joint approaches, and a potential leadership role for the EBRD in private sector areas where it has particular expertise and insight. Management recognises the important role of the MDB community in helping countries to achieve the sustainable development goals. While its transition mandate will continue to drive EBRD activities, it also aligns very well with the Sustainable Development Goals. In 2019, Management prepared a careful mapping of EBRD's mandate and transition qualities to SDGs using its ToC from transition objectives and indicators to SDG goals as well as SDG targets and indicators, to determine alignment and report contribution of EBRD activities to SDGs. This approach includes both thematic and sector based mapping (given the nature of SDGs), similar to that of other MDBs. This mapping shows that EBRD transition goal is well aligned with the SDGs. The figure from the Annual Report on Transition Performance 2019 used in the study illustrates how EBRD's mandate contributes to the achievement of the SDGs. Management hence disagrees with the statement that "the EBRD's alignment with/contribution to the SDGs is broadly superficial." Management is finalising the internal consultation on the approach across the Bank, including tagging of each activity to SDGs. Management continues to work to develop a technical solution (in Monarch) on how to operationalise the mapping in the Bank systems, both in terms of tagging our investments and the associated reporting indicators, to enable data collections and reporting. Externally, Management continues to consult with, learn from and align our approach to that of other MDBs, impact investors and various existing working groups. EBRD is currently extensively engaged in the relevant IFI efforts to harmonise the approach to defining and reporting on alignment and contribution to the SDGs. Specifically, Management is participating actively in two parallel working groups on harmonising the approach to alignment and contribution to SDG goals and indicators, through MDB Managing for Development Results (MfDR) and Harmonised Indicators for Private Sector Operations (HIPSO), including over 25 private sector focused IFIs and DFIs. Management acknowledges that communication on EBRD's contribution to SDGs should be improved and this is envisioned as part of the results communication strategy and Country Results Snapshots.	**Management's efforts with respect to improving the EBRD's contribution to the SDGs had very limited operational impact, if any.** **During the 2019 calendar year, of all the projects that were discussed at the Board, only five provided a discussion on the alignment of the project's objectives with SDGs.** **Designing projects with the intention and purpose of supporting the achievement of the SDGs and retrospectively assessing a project's alignment with the SDGs are two different activities. With respect to the former, the EBRD's efforts have been negligible as well as superficial.** **Finally EvD suggests complementing project-level outcomes data with outcome-related indicators and information on progress on country objectives and the contribution to the SDGs** **As discussed in the paper, the CSDRs are a stand-alone product; there is currently no reporting tool for country-level transition results. They provide an activity-oriented recount of new projects over the last year. The annual transition performance report does not provide a country perspective.** **Transition impact is still recognised as a bottom-up aggregation of project-level results with little analysis of their combined effects; the results reported are based on a selective presentation of project-level highlights, with little examination of how the scale and results of activities relate to the scale of the challenges present, and to what extent they contribute to alleviating them.**
II. Other comments on findings and conclusions	
Management disagrees with the study assessment and conclusions included under Section 1.1. *"Current systems limit the weight of transition potential (closing gaps) at country level"*. ETI scoring reflects both the intrinsic value of a project (project ambition based on its characteristics) and its contextual value in a specific country. The latter takes the form of an adjustment to reflect the country context based on the transition gap analysis along the six qualities of transition (ATQ index score), and strategic relevance defined by the fit of the project with Country Strategy priorities and the use of financing instruments that are specifically supported by the Bank (equity and local currency lending). Management notes that the weight given to the size of ATQs in the ETI assessment does not constitute double counting with the development of country strategies. It is designed to ensure that overall, at institutional level, the EBRD targets its limited resources in those countries and areas where the transition gaps are the biggest, i.e. in line with the stated preferences of shareholders. Once that has happened, since the large majority of projects are expected to conform to country strategies (while also allowing for flexibility to responds to opportunities and innovation), those which are particularly well aligned are given additional credit. The score gives a further additional 5% for a narrowly defined list of projects that have a particularly strong fit with the country strategy ambitious objectives. There is effectively a two stage process – first to bias the system amongst country strategies to ensure focus on largest gaps across countries, and then to tilt it within countries to focus on key country strategy priorities.	**In contrast to Country Strategy alignment, the adjustments for the contextual value, equity and currency lending do not refer to any objectives or indicators. Therefore, differences in ETI/PTI scores due to these adjustments cannot be monitored and are not evaluable.** **Since the overarching goal of the Bank is to close transition gaps in its COOs, the alignment of project selection - and thus project design - to country priorities should be incentivised.** **SGS17-114 states "the fit with Country Strategy priority objectives will take precedence over the more general ATQ gaps when deciding on rating uplifts". This means that if there is a concrete opportunity to reduce the transition gap under a specific Transition Quality, even if the ATQ score is close to comparators, the system should not discourage it.** **Regarding TIMS it should be noted that the OECD DAC definition of monitoring is as follows: "Monitoring is a continuous function that uses systematic collection of data on specific indicators to provide management and**

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The study states that *"There is no effective provision for mid- or long-term monitoring, though the transition qualities results are expected to occur well after the physical end of the EBRD intervention."* Management agrees that project level monitoring could be further improved to enhance IT systems and data quality for which work is under way. Management continues to work closely with other MDBs to consult and learn from across all areas of managing for results, and in particular on the approach and methods of strengthening monitoring and evaluation. Post-repayment monitoring is particularly difficult for the EBRD (and other private sector arms of other MDBs), due to the limited ability to collect data and information from private sector clients after the financial relationship has ended (compared to sovereign operations for which the counterpart is the government).

However, Management notes that the study conclusions of the efficacy of systems in other MDBs may not reflect the full reality. In particular, there is a difference in definition between completion and repayment in other MDBs and the fact that completion date is much earlier than repayment date: 1) for sovereign operations, this is physical completion. Usually around 5-7 years since approval, vs 25+ years repayment; 2) for private sector operations, it's roughly the same - there is a stage of "operating maturity" which is close to "physical completion" for sovereign operations, and generally earlier than repayment date.

Management notes that no MDB systematically carries out post-repayment monitoring, and only some post-completion monitoring. A short survey on monitoring post-completion carried out by ADB in December 2019, in the latest meeting of the MDB Managing for Development Results working group, that includes the Results management units from all MDBs, shows the following results:

<table>
<tr><th></th><th>Monitoring of results when project is completed in MDBs</th></tr>
<tr><td>AfDB</td><td>Rarely done by evaluation</td></tr>
<tr><td>AIIB</td><td>No plan to monitor after completion</td></tr>
<tr><td>AsDB</td><td>5-10% of completions</td></tr>
<tr><td>EBRD</td><td>100%, monitoring until repayment but no monitoring post-repayment except for advisory services for Small business (ASB) (1 year post completion)</td></tr>
<tr><td>EIB</td><td>100%, monitoring of ex-post vs. ex-ante results (More than 1 year post completion for EU projects; 3 years for outside EU)</td></tr>
<tr><td>IDB Invest</td><td>100%, monitoring until repayment</td></tr>
<tr><td>IFC</td><td>No current monitoring post-completion except for advisory services but plans are underway</td></tr>
<tr><td>IsDB</td><td>30-40% of completions</td></tr>
</table>

Management also notes TIMS is built as a tracking system where performance and results are monitored against targets set for pre-determined output and outcome indicators at the project level to ensure accountability to the established level of ambition. Unintended results are recorded (if they happen) and going forward are envisaged to be collected more systematically in Monarch. TIMS was not built as an evaluation system which is undertaken through the self-evaluation system that relates to it.

Hence, Management would suggest reviewing the study statement: *"The TIMS system, therefore, never equated to a monitoring or evaluation system, instead providing annual snapshots for pre-selected metrics."*

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stakeholder of an on-going intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds."

Management openly admits "results are monitored against targets set for pre-determined output and outcome indicators at the project level". Therefore, since TIMS is silent about the extent of progress and achievement of objectives, it is not a monitoring system but merely provides annual snapshots for pre-selected metrics.

Furthermore, although "Country" is the main lens and unit of reference for accountability this has not been reflected in the Corporate Scorecard. The scorecard flags expected TI (ETI) in the COOs as the primary SCF goal, using the six TQs approved in 2016. The Composite Performance Assessments (CPAs) commingle policy work and investment operations allowing a high degree of latitude. The focus on ETI is very narrow; it is an internal measure of project-level expectations that does not reflect actual results at the country level.

The Evaluability Study of the TQs suggests that Management introduce country-level transition metrics (outcomes) into the Corporate Scorecard (CS) and Departmental Scorecards and report these in the Quarterly Performance Reports. This would incentivise maximising TI at country level (scorecard ex-ante targets cascaded down to country strategies and operations). It would improve the essential connections between the CS and the TQs, enabling clearer sight of transition progress at country level.

The following measures would be an important first step:

Define forward-looking country level ex-ante targets at the beginning of the period, which provide a basis for monitoring ex-post results.

Introduce clear measures of success to link incentives to country strategy implementation and allocation of resources based on strategic needs.

County-level baseline indicators for, e.g. investment climate, scale of investment opportunities, would be very valuable.

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Management's comments	**EvD's response**
4. Management believes that the statement, "*All MDBs, except the EBRD, have a central quality control process that explicitly looks at the quality of project results at appraisal and/or completion and post-completion.*", is not correct. This statement does not recognise the importance of quality control both at entry and during implementation exercised by EPG through ETI and PTI scoring also supported by the discipline of a standardised compendium of indicators. The ETI score takes into account project's transition potential, that reflect its objectives and level of ambition in addressing the relevant transition challenges in a specific country context, and the risks to achieving that potential. Management believes that this quality at-entry control through the ETI scoring system is more appropriate for deselecting, prioritising and designing operations in EBRD, given its bottom-up business model that is driven by private sector demands and the emphasis on systemic impact. This is better than adopting a standard evaluability checklist to confirm whether operations "comply" with the narrative/logic (ToC) on how and why transition happens. The latter is more appropriate for top-down planned operations with the public sector in other MDBs. The statement also disregards the CSRM's role in aggregating and analysing performance and results institution wide, building, and managing an empirical basis for regular monitoring and reporting to the Board. These units also define the metrics for inclusion in the Scorecard in cooperation with corporate strategy. Management agrees that there is room for improvement, in particular on recording lessons and sharing experience and learning across the institution. *5.* The study argues that fragmentation in organisational structure has an effect on various aspects of the results management system, including in the operationalisation of transition qualities (e.g. evaluability and links in components of ToC), and how EBRD reports on results. Management acknowledges that further improvements are necessary in the areas noted above. Management notes that it is not clear or proven what is the best organisational structure for optimal results management. The Bank's organisational structure has changed. Until 2013, the functions of the key three units mentioned in the study, CSRM, EPG and OCE, were in the same department, then called OCE. The separation of the teams was based on enhanced focus on policy engagement and making EPG a key delivery unit. CSRM was created to strengthen results focus through results framework and system's design, country strategy formulation and aggregate transition results reporting (organisationally independent from the delivery teams). That also coincides with the time the first EvD study on evaluability that criticises the level of evaluability of our projects. Since then, significant progress has been made in strengthening Bank's results management architecture and systems. This involved a close coordination between teams in the operationalisation issues, including the co-design of transition impact assessment and reporting systems and tools (Monarch), deeper analytical work on understanding factors that affect the Bank's performance and results, knowledge sharing and strengthening reporting. Management would like to clarify that there are no overlaps in responsibility for reporting on results between OCE and CSRM, as stated in the study. The Transition Report focuses on *country's progress, both macroeconomic and political development and progress in transition, as well as* and topical research on issues that are operationally relevant for the Bank. It does not report on EBRD results. CSRM is responsible for reporting on the *EBRD's performance and results* in supporting countries' transition.	

Management's comments	EvD's response
6. Management differs from the study interpretation and understanding on links between transition qualities and graduation: "*While graduation has been seen by many as an important dimension of transition success,* it is not established anywhere as a metric or specific objective." Management notes that graduation is a fundamental principle for the Bank. As presented in the paper Transition Concept Review - Selected implementation issues: preliminary considerations (CS/FO/16-10 (Addendum 1), while progress in transition has a role to play in considering whether a country may be ready to graduate, as the assessment of transition gaps is multi-dimensional and measurement largely qualitative no single benchmark is possible. The graduation policy is clear that ultimately, the lack of additionality may be the biggest driver of graduation, and the decision to graduate is driven by countries of operation (i.e. countries may decide to graduate before transition gaps are closed). "The transition concept can only ever offer elements of judgement in a broader analysis underpinning the graduation discussions. The relative decline of transition challenges as countries advance, and a rigorous process of prioritisation within country strategies, will narrow the opportunities for the Bank to have impact."	