DFID Department for International Development

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European Bank of Reconstruction and Development, Development Effectiveness Summary*

Context

Mandate: The EBRD was established in 1991 and supports the former Soviet Union and former communist countries in central and Eastern Europe and central Asia in their transition from central planning to market-based economies. The EBRDs mandate explicitly includes political reform and environmental improvement. However, unlike the other Regional Development Banks, poverty reduction is not an explicit part of its mandate. Rather its main focus is on promoting private sector development and assisting borrowing countries' transition towards open market economies. The Bank now invests in businesses and banks that will come to form the core of strong market economies in 29 countries. EBRD's capital is provided by 61 governments and two international institutions. The Bank invests in virtually every kind of enterprise and financial institution mainly in the form of non-concessional loans and equity. Approximately 80% of its business is with the private sector where as a multilateral bank it can take more risk than private sector banks. All investments are designed to meet three criteria: maximize the Bank's impact on the transition to a market economy; add value and not invest in projects that can be funded on equivalent terms by the private sector; and be profit-making. All projects must set the highest standards of corporate governance. In support of its investment activities, the Bank conducts policy dialogue with governments to develop the rule of law and democracy.

Size: In 2006, the Bank's portfolio of projects was €17.7 billion, up 5% from the end of 2005. [2] In 2006, the Bank's investments were supported by €113 million of donor funding.[3] A further €1.45 billion was given in Official Co-financing for projects – around 70 per cent of which was targeted at developing environmental and infrastructure projects in the new EU countries and Croatia. In 2006 the Bank had about 1279 staff of which approximately 20% are located in its overseas Resident Offices. Its HQ is in London

Key Issues: In 2006 €4.9 billion was invested in 301 projects (the Bank's highest level of investment); of that €2.37 billion was invested in early and intermediate transition countries, €1.86 billion in Russia, and €0.70 billion in advanced transition countries. After 15 years of transition, the model of investing to encourage robust private sector development in a context of democratic practice works well. This can be seen in several EU accession countries of operation. Now the challenge for the Bank is to be innovative in constantly adapting the model to new realities in each of the 29 countries where it operates. Beyond geographical changes, the Bank is constantly having to develop new approaches and innovate to meet particular needs such as attracting investment to the poorest countries of the region (through the Early Transition Countries Initiative) and addressing the legacy of energy waste. [2] There is also scope for more work on the EBRD's impact on outcomes. Overall, the Bank has performed well to establish itself as an effective institution but the Bank should co-ordinate with governments more closely in order to achieve its goals. There is also room for improvement in the systematic consideration of national strategies and priorities in individual projects and TC support, although the Bank is improving in this area. Whilst the Bank does co-operate closely with other IFI's and governments in some areas, it should increase its co-ordination and information sharing in order to achieve its mandate.

Is EBRD *BUILDING FOR THE FUTURE*?

Summary The EBRD Board of Directors considers the Bank to be a successful International Financial Institution. It continues to deliver on its mandate to foster borrowing countries' transition towards open-market oriented economies and promote entrepreneurial initiative in all its countries of operations. In its 15 years of existence it has become firmly established as the region's largest single investor with expertise in financial instruments, risk management and local knowledge across a wide range of industries and sectors. [6] EBRD has assisted closing the "transition gap" and the 8 EU accession states amongst its borrowing members will graduate from EBRD activities by 2010. EBRD has a strong focus on management by results and the Bank's scorecard reviewed and approved by the Board of Directors ensures a tight alignment between the strategic direction of the institution and the objectives and performance of departments and staff. EBRD staff turnover figures are not publicly available but are favourably comparable with commercial banks in London, who are EBRD's main competition for staff. Following a Staff Survey in 2006, EBRD is taking credible steps to improve those areas where it scored less well in levels of staff satisfaction.

Commitment to Continual Improvement

Does the Board require management to act on performance results?

✓ Yes. There is clear Board interest in EBRD response to performance results. Management update the Board on the Bank's performance against its Scorecard every quarter in an Institutional Performance Report and Quarterly Risk Report. These reports are discussed at Board Committee meetings and then approved at Board meetings. The Board also discusses its independent Evaluation Department reports with management at Audit Committee meetings. [1] The scorecard is used as the basis for Banking team performance appraisal.

Building Knowledge and Lesson Learning

Does the Bank have adequate mechanisms for spreading lesson learning?

✓ Yes. Knowledge networks exist – e.g. Client Relationship Managers, Evaluation Department's "lessons learned" database (see below), projects features database and experts listing. [1]

✓ A key element of the Evaluation Department's (EvD) role is to ensure that past experience is applied to new EBRD projects. This begins with intensive consultation between banking teams and EvD on the lessons learned from project evaluation. Regular feedback is also offered at every stage of the approval process to ensure operation staff are aware of relevant past experience. Case-based workshops are held and tailored to the specific needs of banking teams. EvD also makes presentations on evaluations of individual projects to management and the Board of Directors. To enhance the lessons learned process in the Bank, EvD maintains a lessons-learned database which contains more than 2,000 lessons. [2]

✓ Lessons learned from all projects and all country strategies are independently reviewed by Credit, Legal, Economists, Environment, Procurement, and Evaluation departments. A system is in place to check the use of lessons learned in new operations before Board approval. [8]

Results Based Management

To what extent does the Bank manage by results?

✓ EBRD monitors results against its scorecard on a quarterly basis and allocates resources accordingly. The findings from EvD are acted upon by management and activities/behaviour adapted accordingly.

Staff Development

What is the average number of days training per staff member?

✓ In 2005, following the launch of the new management development programme, over one-third of the Bank's managers have attended one of the training courses, which are tailored to the specific needs of the Bank's various management levels. More than half of staff attended retirement seminars at HQ and in regional offices. Overall, a total of 3,657 days of training were undertaken in 2005. [2]

✓ 100% of professional Banking staff (425) attended the last 2 years Transition Workshops organised by the Chief Economist. Workshops focus on designing transition impact as part of all projects. [8]

What are staff resignation rates?

This information is not publicly available.

Does the Bank have Investors in People accreditation or similar?

No. EBRD does not have any national accreditations. EBRD has a comprehensive Human Resources Strategy with four specific goals that relate to: The quality and diversity of staff; Staff learning and development; Performance management, compensation and benefits; and Health and Safety. [10] The Bank has a "Work-Life Balance Programme, and Health and Safety policy and a Staff Council to promote the rights, interest and welfare of staff. [9]

What is the level of staff satisfaction?

⬄ In 2006 EBRD conducted its third Staff Survey. Below is the summary of the 2006 results:

796 employees, or nearly two-thirds of EBRD staff, participated in the 2006 survey. The survey was conducted by an external, private consultancy specialising in staff attitude surveys for major corporations and public institutions around the world. The survey measured staff attitude across a number of important dimensions, such as motivation, job satisfaction and organisational performance. Results show that staff members feel a deep commitment to the mission and core purpose of the Bank. There are a few areas where some staff members feel that the way the Bank makes decisions and recognises merit should be improved. Full survey results were posted on the Bank's intranet and are the subject of follow-up discussions. [10]

How well is EBRD *MANAGING* its *RESOURCES*?

Summary The Bank has strong resource management experience and track record. [6] EBRD has clear expertise in financial instruments, risk management and private sector operations in its countries of operation. EBRD does not use the disbursement ratio for measuring its own effectiveness, but the Bank nonetheless appears to compare favourably with other multilateral banks on this measure with a ratio of 55% (other institutions averaged 20%-30%). EBRD's own institutional scorecard more accurately reflects the nature of EBRD's business. EBRD is increasing the size and quality of its country presence to better deliver its Corporate Strategy. In common with other Multilateral Development Banks, EBRD is not fully decentralised and whilst it is strengthening its presence in countries of operation it does not plan to decentralise the decision making element of its business. This should not necessarily be seen as a shortcoming and reflects the private sector banking nature of the business. EBRD's primary need is to remain responsive to clients, who are increasingly less and less based in capital cities as the Bank carries forward its strategy to work more in the regions.

Corporate Governance and Strategy

Is the Bank's corporate strategy based on a clear definition of mandate and comparative advantage?

✓ Yes. Every 5 years the Bank undertakes a Capital Resources Review (CRR) which clearly sets out EBRD's mandate and sets the strategic direction of the Bank. To ensure the Bank is on track to deliver the CRR, every year there is a Medium Term Strategy review.

✓ In 2005 the Bank began developing a new business model that will set out the Bank's investment strategy over the coming years. The Capital Resources Review 3 (CRR3) was approved at the 2006 Annual Meeting and confirmed the Bank's gradual shift further south and east and the need for the Bank to accept riskier projects in countries where other sources of financing are not available. [2]

✓ Extensive analysis and consultation was carried out by the EBRD in CRR3 process to assess the Bank's operational strategy and capital adequacy for the next five years, the Bank carried out a thorough analysis of:

- operational and financial results and transition impact achieved during the period of the second capital resources review (CRR2) 2001-2005;
- expected economic outlook and risks;
- medium term strategic objectives for the Bank for the period 2006-2010;
- transition challenges ahead;
- indicative projections of the Bank's activities in areas and sectors of operations;
- indicative projections of the Bank's future resource framework and financial performance during the CRR3 period; and
- Headroom, BIS2 ratios and economic capital. [6]

Resource Management

What is the disbursement ratio (i.e. commitments versus disbursements)?

✓ The 2006 COMPAS: Multilateral Development Banks Common Performance Assessment System. Report finds that in 2006, the disbursement ratio was 60% (Raw data: €3.75 billion / €6.2 billion) 10% of projects have delays over 6 months. There is an estimated delay of about 3 months, or 10% for each project on average. (NB. disbursement ratio in this case is calculated as the amount disbursed during a previous 12-month period as % of the amount available for disbursement at the beginning of that 12-month period). [8]

What is the administrative efficiency ratio (i.e. average gross disbursement/ expenditure per staff member)?

As EBRD do not give grants, gross disbursement is not a useful way to measure efficiency. Annual Business Volume (ABV) is a more relevant indicator.
2005: €4.3 billion ABV /1126 staff = €3.82 million[2]
2006: €4.9 billion ABV / 1,279 staff members = €3.83 million[10]

What is the average cost per $ disbursed (gross)?

As above, ratios are more usefully expressed using Annual Business Volume
2005: total costs (admin + capital) = €239 million. €4.3 billion ABV. [2] Therefore the average cost per € ABV was €0.05

What is the ratio of administrative costs compared with disbursements?

As above, ratios are more usefully expressed using Annual Business Volume
2005: €225 million administrative costs/ €4.3 billion ABV. [2]

✓ EBRD does not use disbursement ratios to measure their own performance with respect to resource management. EBRD instead use an "institutional scorecard" which reflects multiple and complex objectives of the Bank in a limited set of measurable targets.

✓ The EBRD scorecard measures impact on transition, operational, financial and organisational performance. This includes a measure of productivity based on a weighted average number of operations in Annual Business Volume and portfolio per million of administrative expenditure. The scorecard approach ensures that the quality of projects is considered as well as the volume of business, and links the Bank's performance against its strategy with measurement of its productivity.

How well is the Bank's resource allocation criteria aligned with its corporate strategy and comparative advantage?

✓ Well. The 2007 Business Plan and Budget are formulated within the framework of the CRR3 Corporate Strategy and reflect the strategic move of operations east and south as outlined in the CRR3. [11]

✓ The scorecard approach ensures the Bank's resource allocation criteria is well linked to its CRR3 Strategy, which is in turn based on the Bank's comparative advantage. The scorecard is also used as the basis for Banking team performance appraisal. This ensures bankers are not only rewarded for achieving large business volume. Bankers are now rewarded for small, good quality projects.

✓A clear Human Resources and Implementation plan is in place to explain how resources will be allocated to deliver the CRR3.

Staff Management

To what extent is staff recruitment, postings and promotions meritocratic and transparent?
✓ To a large extent. EBRD only employs nationals from its member countries.[11] But there is no national quota system. With the exception of the President, all posts are advertised internally and externally.

⇔However, the First Vice President is from the US, the Vice President Finance is European and the Vice President HR from a country of operation.

Operational Management

Is the Bank sufficiently decentralised to enable it to respond flexibly to country demand?

⇔At the end of December 2005, the EBRD's London-recruited staff totalled 969 and locally hired staff in the Bank's Resident Offices totalled 234. [2] At the end of 2006 EBRD had 1,018 employees in London and 261 based in Resident Offices. [10] EBRD had 33 field offices in 2006. [8]

✓ Mobility of staff between Headquarters and the Bank's local offices is increasingly important for the Bank to carry out its new business plan. To meet these challenges EBRD is increasingly focusing resources on the less advanced countries in the east and south east, and in the regions rather than capitals. The Bank is reallocating resources presently at Headquarters, strengthen existing Resident Offices and open new Resident Offices to respond to the needs of the countries. In October 2006 EBRD opened a new Resident Office in Mongolia. In 2007, EBRD will open new local offices in the regions of Ukraine, Montenegro and Russia. This will be accompanied by closure of some offices and consolidation of others in Central Europe. [10]

⇔Some Resident Offices are still relatively weak, but EBRD is increasing its country presence in terms of staff and project management. It is important to recognise that EBRD operates as a private sector bank, rather than an aid agency and as such a strong presence in the capital cities of borrowing Members is less important. More important for EBRD is an ability to be responsive to clients for the duration of projects. Clients may be based anywhere within member countries but are increasingly likely to be in the regions, rather than the capital. Decision making on new projects, as with all banking operations remains centralised. This requirement is in place for quality assurance, integrity, consistency, risk management and other procedural reasons. Strong project scrutiny exists prior to projects being submitted to the Board.

What is the speed of project approvals and disbursements?

⇔The speed of EBRD disbursements varies considerably depending on the sector and the client EBRD is working with. 10% of projects have delays over 6 months. There is an estimated delay of about 3 months, or 10% for each project on average. [8] This compares favourably with other multilateral institutions.

How well is EBRD managing its *PARTNERSHIPS*?

Summary The EBRD has had proven success working in partnership with the private sector. The Early Transition Countries Initiative is a good example of partnership between EBRD and donors working together to improve their effectiveness although the Bank has room to go further and expand it activities under this initiative. [5] The Bank's policy dialogue with governments and market players is a valuable instrument in implementing international policy goals commensurate with its mandate [6] but the Bank should co-ordinate with governments more closely in order to achieve its goals. There is also room for improvement in the systematic consideration of national strategies and priorities in individual projects and TC support, although the Bank is improving in this area. Whilst the Bank does co-operate closely with other IFI's and governments in some areas, it should increase its co-ordination and information sharing in order to achieve its mandate.

Voice

What mechanisms exist for developing countries to influence the strategy of the Bank?

There are several mechanisms:

✓ 1. All countries of operation are shareholders in the Bank, and thus have a voice through directly or as part of a constituency on the Resident Board of Directors. Every project carried out by EBRD as well as every policy must be approved by the Board of Directors. [11] As a regional bank, EBRD has fewer shareholders than global operations such as the World Bank. This channel of influence is therefore an effective one.

✓ 2. Every country of operation has a Country Strategy which is updated every 2 years. The strategy is drafted in consultation with the country concerned. [11] In addition to this, Countries of Operation must give their explicit approval for each project that takes place in their country.

✓ 3. The Bank has an existing frank and open dialogue with the authorities of member countries. Country Strategies form an integral part of this process. [12]

How actively is the Bank promoting the participation of civil society?

✓ Very actively. EBRD has a commitment to open communication, and the Bank actively demonstrates its willingness to listen to third parties, with the purpose of benefiting from their contributions to its work in fulfilling its mandate. [11]

✓ EBRD has a NGO Liaison Officer and NGO Dialogue homepage, where information can be found status of country strategies, policies and procedures for consultation. EBRD publishes a quarterly NGO Newsletter in English and Russian with more detailed information on public consultations, projects, publications, events, future timetables and other information of interest to NGO's. [11]

✓ NGO's feature prominently on the Environmental Advisory Council (ENVAC), an independent body of environmental specialists who advise the EBRD specifically on environmental issues. [11]

✓ EBRD maintains an active policy dialogue including with NGO's in all countries of operation. Details of recent meetings can be found on the EBRD website. NGO's are invited to EBRD events, including the Annual Meeting, where a specific NGO programme of meetings between EBRD's staff and is facilitated in addition to the main event. [11]

✓ EBRD also works closely with civil society on its projects – particularly those in the natural resources sector. EBRD carries out stakeholder consultations as part of the due diligence process for projects.

✓ EBRD has a comprehensive Public Information Policy (PIP) which embodies the Bank's commitment to enhance the transparency of its activities and promote good governance. The PIP is reviewed periodically. The PIP sets out the scope and extent of information sharing with the public with respect to:

- General institutional information
- Information on policies and strategies;
- Project-related information;
- Information on accountability and governance[12]

✓ A public consultation takes place for all Country Strategies and Sectoral Strategies, where Draft Strategies are placed on the EBRD website for 30 days and 45 days respectively. Comments received are provided to the Board of Directors, and EBRD subsequently publish the comments, and the Bank's response to those comments. [12]

✓ A Project Summary Document (PSD) is prepared for each private and public sector project and placed on the EBRD website for comment at least 30 days prior to consideration by the Board of Directors for private sector projects and earlier for public sector projects, unless the Bank's client or co-financing institution provides sound reasons for confidentiality. [12]

Partnership Behaviour

What mechanisms are in place to seek feedback on partnership behaviour and what do the results show?

✓ EBRD has a strong partnership with the private sector. [1] EBRD maintains a high quality of supervision on projects which does not require improvements. [8]

✓ EBRD hosts an Annual Co-Financiers meeting with the private sector to discuss a variety of key sectors and regions and focused mainly on the state of the loan markets, EBRD's direction, local currency matters, economic & political developments, Russia & Russian corporate finance, and climate change. [11]

⬄ EBRD's 2005 Evaluation overview recommends better coordination with governments and state agencies. Regular coordination meetings and closer cooperation with the Ministry of Finance will help the Bank to achieve its goals. The Bank's activities and use of donors' funds must be made more transparent to the local authorities. [15]

✓ EBRD takes part in the annual Common Performance Assessment System (COMPAS) report with the AfDB, AsDB, IADB and WB which measures the MDBs performance on 7 categories. EBRD performs well in this report. [8]

✓ EBRD Public Information Policy sets out the systematic ways in which EBRD consults and seeks feedback from the public. [12]

Alignment

To what extent does the Bank foster government ownership through the project/programme cycle?

⬄This question is not applicable in all cases as 80% of EBRD projects are in the private sector. The question is relevant for EBRD's overall mandate and particularly its projects in the municipal sector and for policy dialogue.

✓ Despite being largely private sector orientated, the EBRD supports economic and democratic reform through investment and regular dialogue with governments. The Bank worked closely with national and local authorities in 2005 to develop sound legal frameworks, to improve corporate governance and to encourage progress in democratic reform. [2]

What % aid flows to government sector is reported on national partner budgets?

⬄Not applicable as EBRD does not give aid. The only situation where EBRD project finance would appear in a government budget is EBRD lending to municipalities, where the municipality in question requires a national government guarantee.

⬄EBRD Technical Co-operation finance provided to municipalities alongside project finance is the only situation where EBRD administers grant money provided to the public sector. This does not appear on national partner budgets. The amounts in question are insignificant compared to donor aid.

What % of Technical Cooperation flows are provided through coordinated programmes consistent with partners' national strategies?

⬄In 2006, EBRD managed €113 million of donor's technical co-operation (TC) funds. [10] In 2005 this figure was €90 million. [3]

✓ TC activities are primarily used to facilitate the EBRD's core investment operations and enhance the fulfilment of its transition impact mandate. [7] More than 90% of TC funds provided by donors are dedicated to specific projects or programmes. [3]

✓ EBRD has two untied multi-donor trust funds for the "Early Transition Countries" and countries in the Western Balkans which enables increased assistance to the poorest countries where the Bank operates. [10]

⬄ As all projects must contribute to delivery of country strategies, which are discussed and approved by national authorities and which are consistent with National Development Strategies (to the extent that the private sector elements are included in those strategies). However, National Priorities/Strategies are not yet systematically considered in preparation of individual EBRD TC operations – although this is improving particularly for the two multi-donor trust funds.

Does the Bank use countries' own public financial management and procurement systems strategies?

✓ The Bank treats procurement in public and private sector projects differently. A private sector client can apply its own procurement practices; provided the Bank is satisfied that these practices are commercially sound and that fair market practices are obtained. The client must also ensure conflicts of interest are avoided and that the best interests of all parties involved in the process are preserved. [10]

✓ More precise rules apply to procurement in public sector operations where the Bank requires clients to use structured, transparent procedures that maximise competition and fair treatment for all participants. The Bank reviews and monitors procurement closely at all stages of the process. [10] Upgrading procurement systems is seen as part of the Bank's contribution to the transition process.

✓ The Bank provides procurement support services such as procurement seminars and workshops for its clients, their agencies and government representatives in the countries in which the Bank operates. [10]

Is the number of Project Implementation Units decreasing or non-existent?

✓ Non-existent.

In what ways has the Bank been aligning its strategy/programme/projects with national strategies?

✓ See above comments re: the voice that countries of operation have in the operations of the Bank

Given the EBRD's largely private sector mandate, the strategy/programme/projects can only be in alignment to the extent that EBRD work in the public sector with municipalities, or countries include the private sector in their strategies. EBRD do recognise the importance of their work falling within the framework of countries national strategies where this is possible.

Harmonisation

To what extent does the Bank participate in local donor coordination activities such as sector working groups/thematic groups?

⬄ EBRD is not a donor but does participate in local donor meetings. EBRD's level of engagement varies from country to country and sector to sector both because of resource constraints and because not all issues are relevant to EBRD's work given their private sector focus.

✓ In the last two years EBRD has co-financed investment projects with other MDB's in 13 countries. [8]

⬄ EBRD's 2005 Evaluation overview recommends better coordination with other IFIs. Coordination meetings at high level with other IFIs to formulate policies are vital to increase the overall efficiency and harmonisation of the Bank's activities with other members of the international community. [15]

To what extent does the Bank share information with other donors?

✓ EBRD provides regular reports to its donors on how trust fund finance is being spent. EBRD holds bi-annual Assemblies for donors to its two Trust Funds and to its Sustainable Energy Initiative.

✓ EBRD produces an annual Donor Report. [3 & 11]

✓ EBRD has signed a Memorandum of Understanding with the European Investment Bank and the European Commission to facilitate the joint financing of projects in Russia, Eastern Europe, Southern Caucasus and Central Asia. [13]

✓ On climate change, EBRD's Sustainable Energy Initiative is part of the Multilateral Development Banks' Clean Energy Investment Framework. EBRD recently co-hosted a conference with the World Bank Group, the World Economic Forum and the World Business Council for Sustainable Development on "Financing clean energy: a framework for public-private partnership to tackle climate change". [11]

✓ EBRD's President participates in MDB Presidents meetings. In 2006, EBRD hosted the Presidents meeting in London.

✓ EBRD is an active member of the IFI Anti-Corruption Task Force. [10]

✓ EBRD actively participates in the anti-corruption agenda by publicly supporting the United Nations Convention Against Corruption ("UNCAC"ix) and continuing to work with TI, the Financial Action Task Force ("FATF"), the OECD and the Council of Europe. EBRD is a member of the International Group Against Corruption ("IGAC") and co-founded the Multilateral Development Banks Investigator's Forum ("MDBIF"). [14]

What evidence is there of harmonising procurement and consulting services procedures, disbursement policies and evaluation practices

✓ In November 2006, EBRD hosted a meeting for MDB's Heads of Procurement. This concentrated on the harmonising of documents and the sharing of procurement information and practices between institutions. [10]

✓ EBRD is in the process of working with the International Financial Institutions' Anti-corruption Task Force ("IFITF") established in February 2006 by the Presidents of the Multilateral Development Banks, the European Investment Bank ("EIB") and the International Monetary Fund ("IMF") to harmonise approaches to combating corrupt and fraudulent practices within operations. [14]

✓ EBRD has done a small number of joint evaluations with other institutions, and is looking for more opportunities to carry out joint evaluations.

✓ There has been major progress in evaluation harmonisation [15] and over the years, the IFC and the EBRD have exchanged lessons learned from experience extensively and sometimes both institutions share the content of evaluation special studies. [7]

What do we know about EBRD's *COUNTRY/GLOBAL RESULTS*?

Summary In 2006, 81% of the Bank's evaluated operations rated "excellent-good" in terms of their potential impact on the transition process. Over 50% of projects evaluated during 1996-2005 received overall performance ratings of "successful" or "highly successful". [2] The countries in which EBRD has had most impact on transition are in South and eastern Europe, and the least impact in the Early Transition countries. The Bank has had the most impact on transition in the financial institutions sector and the industrial sector. Projects in infrastructure are performing less well than in the 1990's, but this may be because a disproportionate number of these projects are in the Early Transition countries. In 2006, the Bank used its Annual Meeting to celebrate the fact that the transition to a functioning market economy had been largely achieved in the 8 EU accession countries of operation. [5] EBRD has an independent and well respected Evaluation Department which produces credible and useful reports and lessons. However, there is scope for more work on EBRD's impact on outcomes, and in using counterfactual analysis to attribute progress to the Bank.

Country/Global Results

What information is available on the Bank's performance at country level?

✓ Information is available from the Bank's Annual Report, Sustainability Report, Donor Report and Evaluation Overview. These are available on the Banks website.

What evidence is there of the independence, credibility and utility of the Bank's own evaluations?

✓ The Bank's operations are evaluated by its own independent Evaluation Department (EvD). EvD functions separately from the Banking Department and in 2005 began reporting directly to the Bank's Board of Directors. EvD assesses how well operations meet their objectives and the extent to which they comply with the Bank's mandate. The lessons learnt are used to improve the selection and design of future operations. Projects are assessed usually one or two years after full disbursement. [2]

✓ EvD consider EBRD's performance against its mandate as well as financial performance and compliance with EBRD procedures and outputs. [13]

✓ Whilst EvD carries out a vital function, its focus has been on the outputs of EBRD's investments rather than the outcomes in comparison to counterfactuals. The Bank's Office of the Chief Economist (OCE) undertakes more rigorous economic impact evaluations using counterfactuals, but only on a limited basis. In the past this has looked at the impact of financial sector programmes, and hopes to look at the impact of the Banks enterprise development programme jointly with EvD in the future.

What impact is the Bank having at the country/global level?

✓ The EBRD Board of Directors considers the Bank to be a highly successful and effective International Financial Institution. It has delivered on its mandate to foster the transition towards open market-oriented economies and promote entrepreneurial initiative in all its countries of operations. [6]

✓ EBRD contributed to functioning market economies in the 8 countries of operation acceding to the EU in 2004. [5]

✓ EBRD projects continue to score highly on their impact on Transition, with 77 per cent achieving a Satisfactory - Excellent rating for 1996-2006. [7]

⬄EBRD's independent Evaluation Department focuses on evaluation at the project level. EBRD published the Transition Impact Retrospectives in 2001 which has a broader approach. The TIR identifies five basic elements, each emphasising a different facet of transition:

- An assessment of the EBRD's contribution to capital flows into the region;
- Project-level evaluations;
- Sector-level assessment, based on a "mapping" of EBRD projects into transition progress in different sectors;
- EBRD's contribution to legal transition;
- The environmental impact of Bank projects. [16]

⬄ However, more work is needed on impact assessment to measure the Bank's impact at the outcome level, and to understand better the extent to which Countries' progress in the transition to market economies can be attributed to Bank activity.

✓ One of the challenges for the EBRD is to find key performance indicators to measure how the Bank implements its Environmental Policy commitments and to assess the environmental and social impact of the projects it finances. The Bank is developing performance indicators that it can use to measure Environmental and social change "on the ground" as a result of its investments. One of the most important portfolio indicators already in use is the amount of greenhouse gases (GHG) associated with projects. [9]

✓ To understand better how the transition process has affected the lives of people in the countries where the EBRD operates, the Bank carried out a survey of people's attitudes to their new way of life in conjunction with the World Bank. A summary of the main findings was presented at EBRD's 15th Anniversary Conference in November 2006. The results show that only a minority of people (approximately 30%) believe that life is better today than it was in 1989. Nonetheless, more people are satisfied with life than dissatisfied, and a majority believes life will be better for their children. [10]

Portfolio Quality

What is the % of projects/programmes which met their targets?

✓ 54% of the 521 projects evaluated during 1996-2006 received overall transition impact ratings of "good" or "excellent" and a further 23% were assessed as "satisfactory". In 2006, 20% of evaluated projects were given a transition impact rating of "Marginal – Negative", which is lower than in previous years. The gradual improvement in ratings since 2001 has been maintained, with an increasing number of projects receiving an "Excellent" rating for transition impact. This may be partly due to the diminishing impact of the Russian financial crisis of 1998. [10] (Chart 1)

✓ In 2006, 80% of the Bank's evaluated operations had an "excellent-satisfactory" impact on transition. Cumulative results for transition impact for the past ten years reveals positive scores for transition impact are at a relatively high level of between 75% and 80% [10] (Chart 2)

Chart 1: Transition impact ratings of EBRD projects 1996-2006

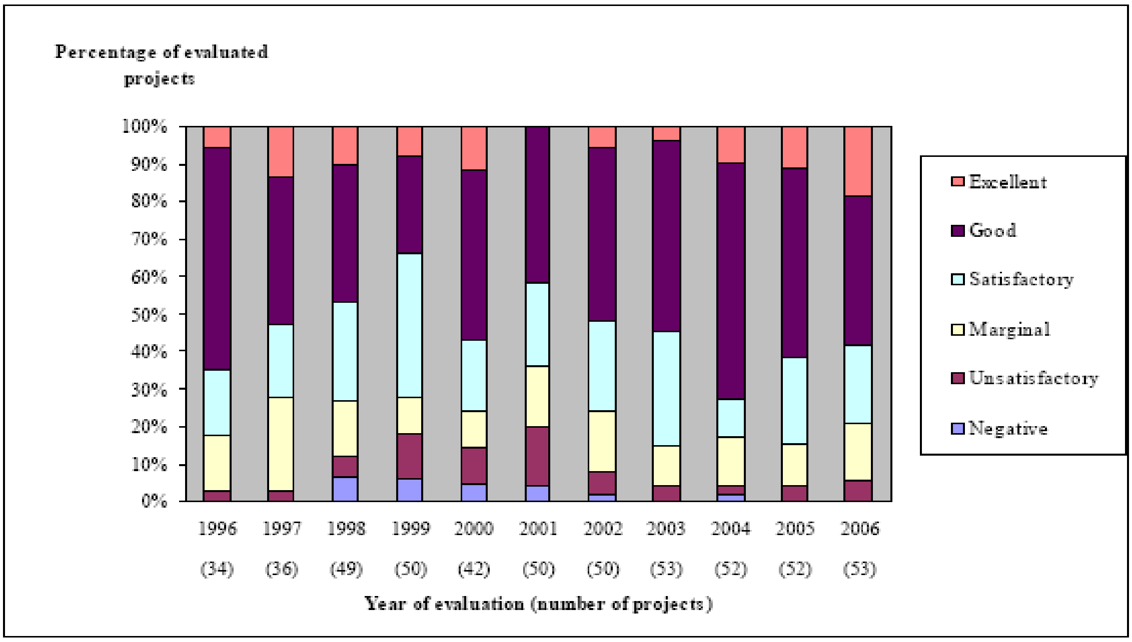
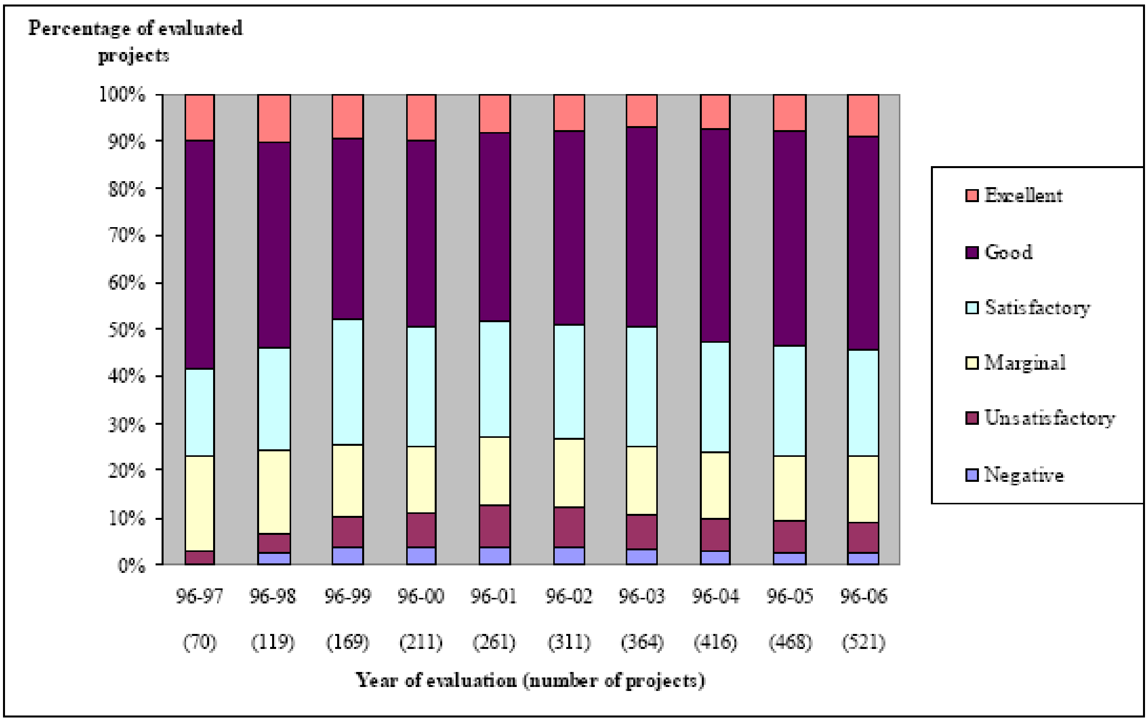
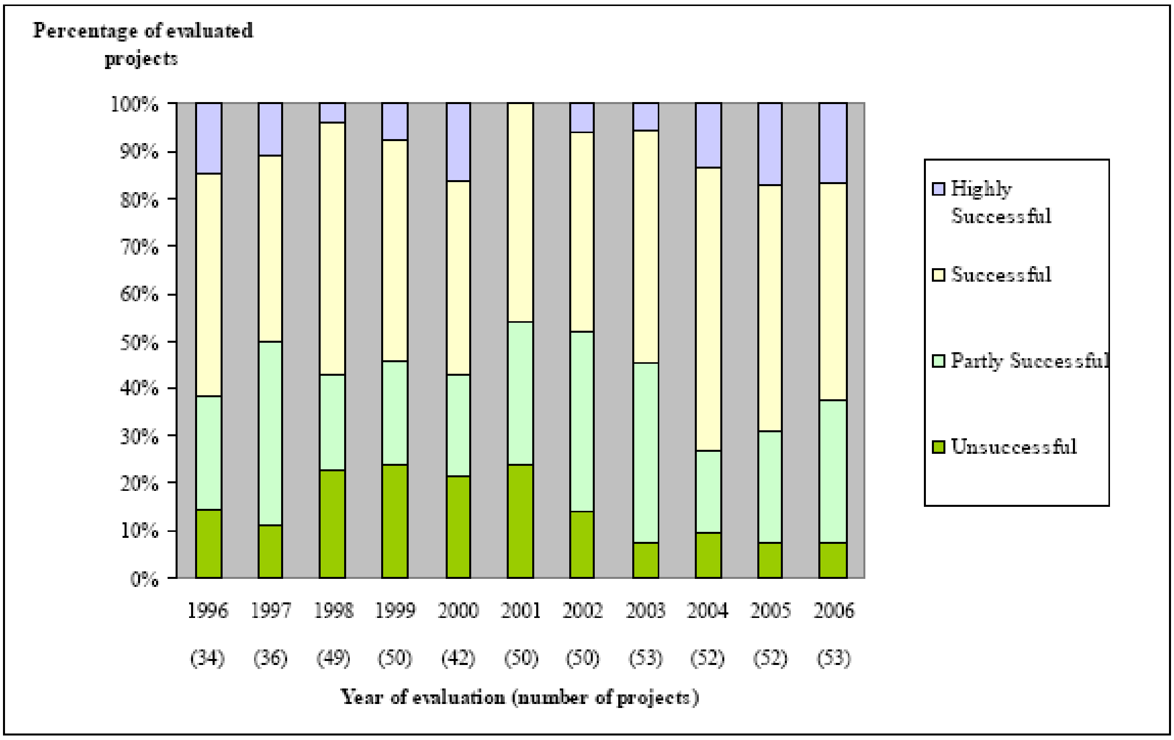


Chart 2: Cumulative transition impact ratings of EBRD projects 1996-2006



✓ In 1996-2006, 58% of evaluated projects achieved an overall performance rating of "successful" or "highly successful". This rating includes impact on transition but also other performance ratings such as fulfilment of project objectives, financial performance, environmental performance and additionality [10] (Chart 3)

Chart 3: Overall performance ratings of evaluated EBRD projects 1996-2006



⇔ Project performance appears to have steadily improved since 2001 but the % of successful projects can fluctuate substantially on an annual basis. This percentage has improved generally since 2001. Although the proportion of projects rated "Successful" or "Highly successful" has fallen a little since 2004, the number of "Highly Successful" projects continues to rise. [10]

✓ Limited progress in institutional reforms and the slow implementation of privatisation programmes have added to investment risks. However, during 2006, nine projects scored an overall rating of "highly successful". Based on these findings, EvD concludes that the Bank has been relatively successful in operating according to EBRD's mandate, especially in view of the difficult operating environment. [10]

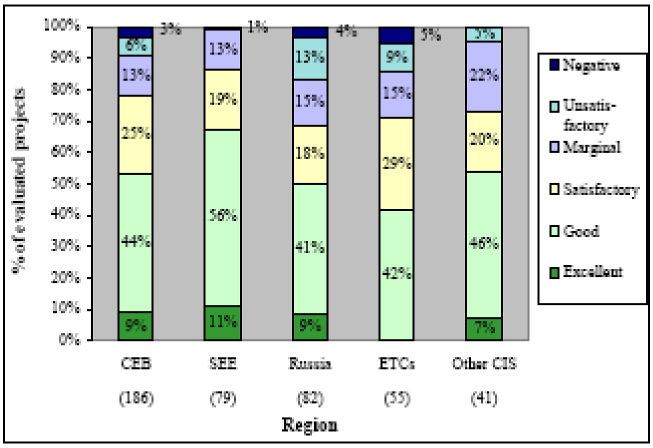
✓ In 2001, EBRD's Transition Impact Retrospective concluded that EBRD has been important in developing the legal framework for markets and in contributing to improved environmental performance. [16]

How does this vary across sectors, regions and countries?

✓ The Bank's investments were spread across a variety of sectors in 2006. A large proportion of financing (45%) was devoted to the financial sector to support local enterprises, including small business. Infrastructure projects attracted 17% of investment while 8% was dedicated to the energy sector. The remaining investment (30%) was directed to the corporate sector, comprising agribusiness, manufacturing, property/tourism and telecommunications and new media. [10]

In 2006, EBRD signed 80 new transactions (excluding oil and gas deals) in the Early Transition Countries, which are the poorest countries where EBRD operates. The value of these new signings is also on the rise.

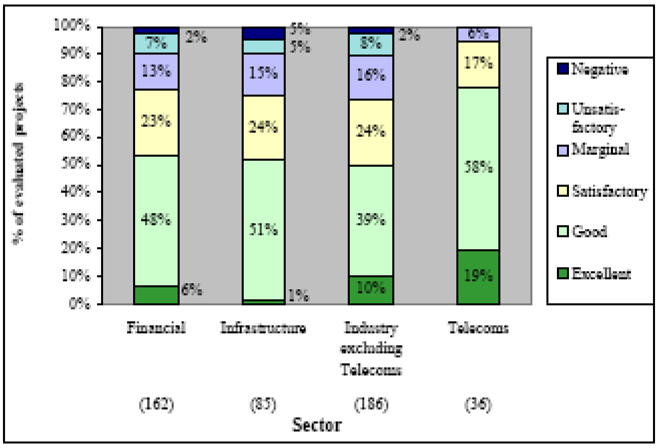
Chart 1.6: Percentage distribution of transition impact ratings on 443 post-evaluated investmei operations in 1996-2005 by country groups



Note: 26 regional operations are omitted. [7]

The chart above shows the breakdown of transition impact ratings by country groups, for all investment operations evaluated since 1996. The best performance is found in southern and Eastern Europe (SEE). Time-sequence analysis shows that transition impact has improved in most regions since 2000-2002, except in the Early Transition Countries where there has been a slight fall. This is linked to the stagnant financial performance observed among the Bank's projects in that region evaluated by EvD. [7]

Chart 1.7: Percentage distribution of transition impact ratings on 469 post-evaluated investment operations in 1996-2005 by sector groups



Infrastructure - Municipal, power, energy efficiency and transport, excluding shipping;
Industry and commerce - agribusiness, general industry, natural resources, property/tourism and telecommunications

The chart above shows transition impact rating by sector. It seems that differences in results between sectors, observed in past years, have become much less apparent. In fact, infrastructure (formerly the best performing sector) showed lower results for transition impact in 2003-2005, with only 71 per cent of 35 projects evaluated in 2003-2005 rated Satisfactory. Infrastructure projects have made up a large proportion of the projects in ETCs evaluated in the last three years, which could be part of the explanation for this recent decline. By contrast, the Financial Institution sector and the industrial sector have shown a significant improvement in the last three years. [7]

✓ The Czech Republic will graduate from EBRD's activities at the end of 2007. The other seven EU Accession Countries of Operation will have graduated by 2010. [11]

***Disclaimer: This Effectiveness Summary is a tool designed to simply present the latest available information on the EBRD's effectiveness. It is one of many prepared by DFID covering a range of multilaterals. The summaries will inform policy but are only one of a range of criteria and sources of evidence considered in recommending future DFID funding allocations. The balanced scorecard format organises what we believe to be the objective sources of information available on four aspects of each organisation's internal effectiveness. It does not measure actual development results on the ground or the merits of the organisation's development objectives. The text within each summary box provides a short analysis of what we believe this information tells us. Any unreferenced text is DFID analysis that is not in the public domain. It should be noted that the amount of information available and the quality and reliability of information varies considerably across organisations, so there is a limit to which the summaries will be used for comparative purposes.**

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