

# Independent external evaluation of EBRD's evaluation system

## **Final Report: Main Report**

Colin Kirk, Senior Evaluation Consultant

July 2019

## Acknowledgements

This independent external evaluation was commissioned by the Audit Committee of the European Bank for Reconstruction and Development (EBRD) to assess whether the evaluation system at the Bank is functioning in accordance with the requirements of the Evaluation Policy and in line with international best practice in evaluation. I am grateful to the members of the Audit Committee for their support and guidance, with special thanks to Doug Nevison, Chair of the Audit Committee, for steering the process throughout. Thanks are also due to Robert Picciotto, former Director-General of the World Bank's Independent Evaluation Group, who was retained by the Audit Committee as Senior Independent Evaluation Adviser and provided clear and constructive advice to the Committee at each stage of the review.

This evaluation required time and attention from members of the Board of Directors, from Management and from staff members. I am pleased to acknowledge their open and frank engagement with the evaluation process. Special thanks are due to Joe Eichenberger, Chief Evaluator, and to the team at the Evaluation Department for their advice and support throughout.

While members of Management and the Board were invited to comment on the approach to the evaluation and on drafts of the report, the author takes sole responsibility for the content of this final report. The assessments and views it contains do not necessarily reflect those of EBRD's Management or Board of Directors. However, it is my hope that they will be useful to Management and the Board in further strengthening the evaluation function and its contribution to the work of the Bank.

Colin Kirk, Senior Evaluation Consultant

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## Executive Summary

This report presents the findings, conclusions and recommendations from an independent external evaluation of the EBRD evaluation system. The purpose of the evaluation was to assess whether the Evaluation Department (EvD) and the broader evaluation system are operating in line with the Bank's Evaluation Policy and evaluation best practices, and whether they are contributing, as intended, to improved institutional performance, learning and accountability. The evaluation covers both independent evaluation and self-evaluation arrangements at EBRD. (A note on these key concepts follows this summary). The evaluation focuses on four key facets of the evaluation function: performance, quality, use and value.

At the request of the Audit Committee, this report has been reviewed by Robert Picciotto, Senior Independent Evaluation Adviser. His comments appear at Annex 6.

The independent evaluation system is working well overall, although further improvements and additional resources are needed. The major evaluations produced by the Evaluation Department are largely relevant, credible and useful. However, the self-evaluation system needs to be substantially reformed and rebuilt. This will require concerted efforts by Management, support from EvD and close oversight by the Board of Directors.

The main findings from the evaluation include the following:

- While the EBRD evaluation policy was largely fit for purpose when it was crafted, a more comprehensive document - fully owned by management - is now required.
- To complement the evaluation policy, EvD needs to develop a medium-term plan setting out its future priorities, resource expectations and clear performance metrics.
- Management has not been meeting its responsibilities under the evaluation policy and now needs to develop a medium-term plan for strengthening the self-evaluation system and integrating it with the Bank's results architecture.
- Directors of the Board of Directors in general place high value on independent evaluation and seek to use evaluation evidence in arriving at strategic decisions.
- Senior managers are generally familiar with the aims of independent evaluation, but some managers are critical of evaluation practices and products. A striking divergence of views on many aspects of evaluation exists between Board members and Management.
- Given the enhanced efforts at EBRD on results management and the increased output of higher-level thematic evaluations from EBRD's evaluation system, establishment of a Board committee with specific responsibility for issues relating to performance and results could strengthen oversight.
- Independent evaluation at EBRD largely meets international standards for organizational independence and behavioural independence.
- The portfolio of recent thematic and corporate-level evaluations achieves wide thematic coverage and is relevant to the work of the Bank. EvD work programmes have achieved much but timely delivery has been challenging.

- EvD's product mix has been deliberately refocused in recent years, shifting sharply towards more strategic, high-level evaluations. These evaluations are generally of satisfactory quality.
- Given a zero-growth budget, the shift towards higher level, policy-relevant evaluation has been achieved by reducing the number of project level evaluations. To provide insight into project level activities and to better inform higher-level evaluations, EvD needs to produce more project level operations evaluations, for which enhanced staffing and budget allocations are required.
- Compared with other multilateral development banks, EBRD's budget for centralised evaluation is small and is low as a proportion of administrative costs. A significant increase in budget resources is required both for independent evaluation and for self-evaluation.
- Evaluation quality is constrained by the quality of self-evaluation, the evaluability of operations and the limitations of EBRD's results monitoring systems. This makes it difficult to validate EBRD claims regarding transition impact.
- EvD has worked in recent years to improve the quality and uptake of recommendations from independent evaluations. The mechanism for tracking management response has also been enhanced. However, management responses are not always comprehensive; and while follow up action is reported to the Board, implementation of agreed actions is unvalidated.
- At EBRD (as in other MDBs), the uptake of lessons drawn from evaluation is weak. Some improvements are noted where evaluations are adequately integrated into the relevant institutional processes, such as the preparation of new sector strategies.
- Further work is required to realise the potential contribution of evaluation to the achievement of EBRD's goals. This requires sustained engagement between Management and EvD around monitoring of transition impact and related corporate systems and processes; knowledge sharing and knowledge management; and stronger institutional incentives to enhance the enabling environment for evaluation.
- The self-evaluation system at EBRD is extensive and, appropriately, it involves significant time and attention from operational staff and senior management. Among senior managers, however, this is widely perceived as an overhead rather than an essential feature of organizational learning and accountability. While many in Management appreciate the rationale for evaluation, some senior managers confuse monitoring and evaluation and evince scepticism about the benefits of the self-evaluation process ('too much, too late and too little learning').
- In the past, a key purpose for the self-evaluation system was to provide comprehensive, independently validated reporting on institutional performance. Given the changes in EBRD's results reporting system, this is no longer undertaken, thereby exposing the institution to reputational and operational risks.
- Although EBRD's Evaluation Policy assigns responsibility for ensuring the operation of 'an effective self-evaluation system' to Management, in practice it is EvD which runs the system and reports results. At present, Management does not 'own' the system.
- Given major changes in EBRD's results architecture, the self-evaluation system needs repositioning, reform and improvement. Success will depend on Management taking ownership of self-evaluation processes and integrating self-evaluation into its evolving

results measurement systems. The required adjustments should distinguish between mandatory self-evaluation and demand-driven evaluation.

## Summary of recommendations

1. *EvD: for Board approval:* **Upgrade the Evaluation Policy** with necessary updates, revisions and additions.
2. *EvD: for Board approval:* **Prepare a multi-year strategic plan for EvD** complementing the evaluation policy.
3. *EvD: for consideration by Management and the Board:* **Identify key issues and develop practical options for improving the EBRD self-evaluation system** and report by end-2019. Issues to be addressed include rating methodologies, alignment with ECG standards and assessment of contribution to transition impact.
4. *EvD: for consideration by Management and the Board:* **Undertake a thematic evaluation of organizational learning at EBRD.**
5. *Management and EvD: for Board review and approval:* **Work jointly to develop proposals for an effective and appropriate self-evaluation system for EBRD.**
6. *Management, with EvD:* **Formalise arrangements for regular EvD participation in senior level committees.**
7. *Management: for Board approval:* **Prepare a medium-term plan for strengthening the self-evaluation system and integrating it with the Bank's results architecture.**
8. *Audit Committee: for consideration by full Board of Directors:* **Recommend the Board of Directors to consider establishing a Board committee with specific responsibility for issues relating to performance and results.**
9. *Audit Committee: for consideration by full Board of Directors:* **Recommend the Board of Directors to consider a significant increase in budget resources for evaluation**, based on well documented medium-term plans for independent evaluation (EvD) and self-evaluation (Management).
10. *Audit Committee:* **Request the Chief Internal Auditor to review performance around preparation and implementation of Management responses to evaluation recommendations.**
11. *Audit Committee:* **Arrange for regular review of EBRD evaluation system:**
  - (i) Request Management to arrange for a MOPAN review of EBRD's organisational effectiveness and results in 2022-23.
  - (ii) Arrange for another independent external review of EBRD's evaluation system in 2024-2025.
12. *Audit Committee:* **Maintain close oversight of implementation of recommendations agreed from those listed in this evaluation.**

## Note on key concepts

### Evaluation

A widely agreed definition of the term appears in the *Glossary of Key Terms in Evaluation and Results Based Management* (2002), published by the evaluation network of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD):

**Evaluation:** *The systematic and objective assessment of an on-going 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 program.*

The definition of evaluation used in the EBRD Evaluation Policy (2013) is based on the definition above.

### Independent evaluation

The DAC glossary provides the following definition and contextual note:

**Independent evaluation:** *An evaluation carried out by entities and persons free of the control of those responsible for the design and implementation of the development intervention.*

**Note:** *The credibility of an evaluation depends in part on how independently it has been carried out. Independence implies freedom from political influence and organizational pressure. It is characterized by full access to information and by full autonomy in carrying out investigations and reporting findings.*

At EBRD, independent evaluation is managed and conducted by the Evaluation Department (EvD), under the authority of the Chief Evaluator (CE), who ‘reports solely and directly to the Board’ (Evaluation Policy, p 4) and has responsibility, *inter alia*, for:

- formulating and advising on evaluation policy and procedures
- programming, monitoring and delivery of independent evaluations
- independent validation of the self-evaluations prepared by Management
- reporting annually to the Board on the performance of the evaluation system and on evaluation results and findings.

Independence has several aspects. *Structural independence* requires that the independent evaluation office has its own budget, staffing and workplan directly approved by the Board and that these matters are not subject to approval or control by Management. *Functional independence* requires that the unit managing an independent evaluation or programme of evaluations decides on what to evaluate and how to conduct the evaluation. Another term for these aspects is *organizational independence*, which requires that the independent evaluation office should be located outside the line and staff management function and independent of departments responsible for operations, policy and strategy; and should independently manage its staff and finances.

*Behavioural independence* requires that the evaluator or evaluation office takes evaluations forward with professional integrity, in an unbiased fashion and ready and willing to issue strong, high quality and uncompromising reports, free of any restriction imposed by Management. Independence is further strengthened by *protection from outside interference* and *avoidance of conflicts of interest*.

While EvD has the primary responsibility for independent evaluation, Management has important roles to play in engaging meaningfully with evaluation processes: in particular, in responding appropriately to the

recommendations from independent evaluations and subsequently tracking and reporting on the implementation of actions taken on agreed recommendations. More generally, it is important that Management ensures that proposed programmes, policies and strategies are well-designed and specify expected results and performance indicators to ensure evaluability; and that Management reflects evaluation findings and lessons in the design of new policies, strategies and operations.

The Board has important responsibilities in relation to independent evaluation. EBRD's evaluation policy requires the Board, *inter alia*, to:

- establish the evaluation policy and oversee its implementation
- manage arrangements for the appointment and supervision of the Chief Evaluator
- review and approve the EvD work programme and budget
- discuss reports submitted by EvD
- satisfy itself that evaluation evidence is adequately addressed in matters placed before it.

More generally, evaluation – and especially independent evaluation – is expected to support the Board's role in institutional oversight.

These requirements, and the extent to which EBRD meets them, are discussed further in Chapter 3 (Box 3.1).

### Self-evaluation

The DAC glossary provides the following definition:

***Self-evaluation*** *An evaluation by those who are entrusted with the design and delivery of a development intervention.*

At EBRD, self-evaluation generally refers to the evaluations undertaken by operations staff (see Chapter 4). Self-evaluation therefore comes under the responsibility of Management and is not organizationally independent (although, to be of value, self-evaluations should be conducted with professional integrity and behavioural independence). Self-evaluations typically follow standardised formats and processes, facilitating the evaluation process and eventual aggregation and analysis. A key purpose of self-evaluation in the past has been aggregated results reporting (see Chapter 4: Box 4.1).

The Evaluation Policy explicitly requires that Management 'ensures an effective system of self-evaluation and reports periodically to the Board on its scope and operations' (p. 7).

The Evaluation Policy correctly recognizes that 'self-assessment alone cannot provide a credible evaluation of performance' (p. 4) but must be complemented by independent evaluation: i.e., by independent validation and quality assurance by EvD of self-evaluation products and processes. However, it is important to note that, to avoid compromising its independence and credibility, EvD should maintain an 'arm's length' approach to these validation and quality assurance exercises. It should not actively manage self-evaluation activities, which is properly the responsibility of Management.

The Board's responsibility in relation to self-evaluation is oversight of the self-evaluation system: that roles and responsibilities are adequately understood and properly performed in compliance with the Evaluation Policy. It bears repeating that it is Management's responsibility to manage and report on the performance of the system; and the role of EvD to independently validate self-evaluation products and performance.

**This evaluation considers how these concepts are applied at EBRD** and how independent evaluation and self-evaluation at the Bank can be strengthened: thereby bolstering the contribution evaluation can make towards successfully achieving transition impact.



## Introduction

This report presents the findings, conclusions and recommendations from an independent external evaluation of the evaluation system at the European Bank for Reconstruction and Development (EBRD). The evaluation was commissioned by the Audit Committee of the Bank's Board of Directors to assess the performance of the evaluation system at the Bank and its contribution to institutional performance, learning and accountability.<sup>1</sup> At the request of the Audit Committee and the President, this report has been reviewed by Robert Picciotto, Senior Independent Evaluation Adviser. His comments appear at Annex 6.

### Background

On his appointment in 2011, the incoming Chief Evaluator (CE) launched a process of reform of EBRD's evaluation function, based on intensive consultations within the Bank and consideration of international best practice in evaluation in other multilateral development banks (MDBs). An action plan was developed to deliver the changes identified as necessary to reset and strengthen the function across the Bank and achieve a more strategic orientation<sup>2</sup>.

**At the heart of the change agenda was preparation of a new evaluation policy, approved by the Board of Directors (the Board) in January 2013, and the planning and delivery of more strategically relevant, high quality evaluations.** The recent self-assessment prepared by EvD notes that improved product quality 'was identified early on by the CE as perhaps the most important pre-condition for EvD to achieve its wider goals of higher perceived value and legitimacy of the work, and greater absorption and implementation'<sup>3</sup>. Product relevance and quality were perceived as key to increasing the credibility, utility and value of evaluation at the Bank. Efforts to improve quality have included a shift in the mix of EvD products to include more 'special studies' or thematic evaluations focused on topics of current strategic relevance; a move away from random sampling of projects for evaluation to purposive sampling; recruitment of capable staff; and professional development of staff.

This agenda, strongly endorsed by the Board of Directors, has drawn power not only from its strategic orientation but also from its clarity and practicality. Utility and added value were – and remain – focal concerns. Considerable progress has been made in delivering this agenda, as recounted in the EvD Self-Assessment and further documented in the present report. The achievement of most of the objectives set out in the original action plan provides a solid basis for an effective evaluation function which delivers, as intended, a meaningful contribution to improving learning, accountability and institutional performance at EBRD. This said, significant challenges remain. Accordingly, this external and independent review assesses the recent performance and contribution of the evaluation function at EBRD, including the progress achieved towards the reform agenda endorsed in 2011.

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<sup>1</sup> The evaluation was overseen by the Audit Committee assisted by a Senior Independent Evaluation Adviser. Outputs from the evaluation were submitted to the Audit Committee Chair.

<sup>2</sup> *Increasing the contribution of evaluation to organisational performance. Internal document.* EBRD Evaluation Department. October 2011. The change plan included the following key elements: clarification of the strategic purpose of evaluation; actions to enhance the relevance and efficiency of the work programme of the Evaluation Department (EvD); steps to improve the quality of evaluation products; provision to enhance the use of evaluation findings; and enhancement of valued services provided by EvD.

<sup>3</sup> Pp. 12-13, *Evaluation Department Self Assessment.* EBRD Evaluation Department. December 2017.

**There is a widely shared sense that independent evaluation at the Bank has improved in recent years.** Many of those interviewed expressed appreciation of the Chief Evaluator who initiated the reforms which have resulted in better performance and improved relations with the Board and with Management. However, with the delivery of this purposeful reform agenda largely completed, the question arises: what next?

This evaluation provides an opportunity to consider not only what has been achieved and the current status of the evaluation function, but also what lies ahead. The Bank's strategic transition agenda and its operational context have evolved substantially since 2011 and further changes are in prospect. In the light of experience, how should evaluation at EBRD be further developed to meet the changing needs of the Bank, the Bank's shareholders and its clients? Can evaluation help the Bank further improve, through its work, the lives of the citizens of the regions it serves?

### **Purpose and scope of this evaluation**

The evaluation was expected to provide reliable evidence and formative recommendations intended to help EBRD improve, where necessary, its evaluation policy and the performance of the evaluation system. An effective evaluation system should generate high quality evaluation evidence and recommendations which can assist the Bank in strengthening its transition effectiveness and the impact and sustainability of its work.

**The purpose of the evaluation is:**

*to assess whether EvD and the broader evaluation system are operating consistent with the Bank's Evaluation Policy and wider evaluation best practices, and contributing as intended to institutional performance, learning and accountability.<sup>4</sup>*

The evaluation therefore seeks to answer the following overarching questions:

- *Is the performance of the evaluation function at EBRD satisfactory?*
- *Does it make a useful contribution to institutional performance, learning and accountability at EBRD?*

**The scope of the evaluation is organization-wide.** It includes not only the work of the Evaluation Department but also 'the broader evaluation system' including the evaluation-related roles of Management, staff and the Board. It covers not only the evaluations and other activities conducted independently by EvD but also the self-evaluations performed by EBRD's operational teams. It requires an organization-wide assessment extending beyond narrow review of the Evaluation Department's work. In this respect, it follows the EBRD Evaluation Policy which covers the entire organization, while noting special provisions relating to the Evaluation Department.

Following consultations with key stakeholders and inputs from the Audit Committee's Senior Independent Evaluation Adviser<sup>5</sup>, it was decided that, rather than attempting a comprehensive assessment with limited time and resources, the evaluation design should focus on a set of key issues. Accordingly, the evaluation is focused on four key facets of the evaluation function: performance, quality, use and value:

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<sup>4</sup> *The Independent External Evaluation of EBRD's Evaluation System: Terms of Reference.* See Annex 1.

<sup>5</sup> Robert Picciotto, former Director-General of the World Bank's Independent Evaluation Group (1992-2002).

**Performance:** the continued relevance of the Evaluation Policy and its operationalization by the various entities across the Bank (notably the Evaluation Department, Management and the Board).

**Quality:** the relevance, rigour and utility of evaluation products, notably reports and other learning products issued by the Evaluation Department as well as products delivered through the self-evaluation system. Quality assurance processes are also examined.

**Use:** the influence of evaluation products and services on decision-making, including uptake of findings, lessons and recommendations and utilization pathways.

**Value:** the contribution through evaluation to learning, accountability and improved institutional performance at EBRD. This goes beyond assessment of evaluation activities and products towards consideration of evaluation impact.

Focusing on these aspects of the evaluation function responds to interests expressed by stakeholders in the Board and senior management. The further rationale for examining these elements is that they constitute key links in the evaluation value chain. Effective performance involving a wide range of players is required to generate useful, high-quality evaluation evidence and practical recommendations. However, evaluation findings, lessons and recommendations generate benefits only if they are taken up and applied, thereby informing organizational learning and supporting institutional accountability. Learning and accountability considerations – informing policy and operational choices and actions – are, in turn, expected to contribute to enhanced institutional performance.

The evaluation gives close attention to the content of the Evaluation Policy and how it was implemented. The evaluation considers, at the outset, whether the policy is sound, how far it meets internationally established international evaluation standards and whether there are flaws or omissions in the policy which may explain shortcomings in performance.

The Evaluation Policy was approved by the Board in January 2013. It marked a significant break with previous policy and practice and provided the framework for current independent and self-evaluation practices and procedures. The evaluation therefore focuses on the six-year period from 2013 to the end of 2018.

*Independence, credibility and utility* have long been upheld as key evaluation principles and are reflected in the analysis which follows.

The evaluation criteria of *relevance, effectiveness, efficiency, sustainability and impact* constitute established development evaluation criteria and they are therefore the proper framework for use in this evaluation.<sup>6</sup> The evaluation therefore gives attention to evaluation outcomes and influence in assessing aspects of use and value. *Quality standards* for evaluation systems and products are crucially important and this evaluation draws on established quality frameworks.

## Key questions

The purpose of this evaluation, as set out in the original ToR, is to assess the performance and contribution of the evaluation function at EBRD. The evaluation therefore seeks to answer two core questions which in turn generate sub-questions and determine the approach and methods of this review:

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<sup>6</sup> See OECD/DAC. Paris, 1991.

- *Is the performance of the evaluation function at EBRD satisfactory?*
- *Does it contribute as intended to institutional performance, learning and accountability at EBRD?*

Seven sub-questions, address the focal issues of performance, quality, use and value, as follows:

1. *Is the EBRD Evaluation Policy (2013) appropriate, comprehensive and fit for purpose? (Chapter 2)*
2. *Does EBRD's Evaluation Department operate in accordance with the Bank's Evaluation Policy and evaluation best practices? (Chapters 3 and 4)*
3. *Are the Evaluation Department's products and services of satisfactory quality and appropriate to EBRD's requirements? Are they delivered in appropriate and timely ways? (Chapters 3 and 4)*
4. *Are the lessons, recommendations, evidence and insights produced by the Evaluation Department endorsed, absorbed and acted upon by Management, staff and the Board of Directors at EBRD? (Chapters 3 and 4)*
5. *Does the self-evaluation system at EBRD operate in accordance with the Bank's Evaluation Policy and evaluation best practices? (Chapter 4)*
6. *Does self-evaluation make an appropriate and useful contribution to EBRD's work? (Chapter 4)*
7. *What value is added by EBRD's evaluation function? How far and in what ways does the evaluation function contribute to learning, accountability and institutional performance at EBRD? (Chapter 5)*

The key questions listed above provide the basis for the evaluation matrix or framework which encapsulates the overall design of the evaluation. The evaluation matrix is presented at Annex 2.

### **Conduct of the evaluation: approach, methods, process and limitations**

To guide the evaluation, an Approach Paper was prepared, revised following discussion and elaborated further in an Inception Report detailing objectives, approach, methods and instruments. The evaluation has been conducted in line with these papers. The evaluation design comprised a normative assessment, looking at how far the evaluation system is consistent with the evaluation policy and global norms and good practice standards for evaluation; and a functional assessment reviewing the working of the evaluation system in practice.

The evaluation has drawn on qualitative and quantitative data from both primary and secondary sources, making use of internal EBRD documentation and relevant documentation from other IFIs and evaluation networks. A sample of EBRD evaluation reports was reviewed to assess quality. Perspectives of a range of EBRD stakeholders in the Board, senior management and the Evaluation Department were obtained through interviews and surveys. Members of the Board and selected EBRD managers were invited to participate in online surveys.

Use of a range of information sources and a variety of analytical tools has allowed cross-checking and triangulation to develop a coherent picture of the evaluation function and its context. A key resource has been the frank and detailed EvD Self-Assessment. Further details of approach, methods and instruments is available at Annex 3.

Limited time and resources were made available for this evaluation and so it was decided, following consultations with the Audit Committee and its Senior Independent Evaluation Adviser, to select four key issues for analysis. Limiting the scope of the evaluation means that some significant issues are not reviewed in depth. The organization and staffing of the Evaluation Department fall outside the scope of this exercise and systematic, in-depth analysis and review of these aspects is not attempted. The evaluation includes some comparative analysis, drawing on available materials.

Although the resources available constrained the scope of the evaluation, EBRD staff at all levels and members of the Board gave freely of their time and attention and most interviewees were frank and thoughtful. Nor was access to documentation and data restricted. However, the online surveys generated a mixed response: while 56% of Board members responded, only 32% of managers responded to the invitation to participate in the survey.<sup>7</sup> The results are therefore only indicative.

### **Outline of the report**

The main findings are presented in chapters 2, 3 and 4, covering the EBRD evaluation policy, independent evaluation at EBRD and the self-evaluation system at EBRD respectively. These chapters also include emerging conclusions and recommendations. Chapter 5 presents conclusions and reflections on the future of the evaluation function at EBRD, while a final chapter draws the recommendations together.

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<sup>7</sup> Of 43 Board members invited to participate in the survey, responses were received from 24 in total. Of 117 managers invited, 37 responded.

## 2. EBRD evaluation policy

### Key findings

- While the EBRD evaluation policy was largely fit for purpose when it was crafted, a more comprehensive document - fully owned by management - is now required.
  - To complement the evaluation policy, EvD needs to develop a medium-term plan setting out its future priorities, resource expectations and performance metrics.
  - Management has not been meeting its responsibilities under the evaluation policy and now needs to develop a medium-term plan for strengthening the self-evaluation system and integrating it with the Bank's results architecture.
  - Given the enhanced efforts at EBRD on results management and the increased output of higher-level thematic evaluations from EBRD's evaluation system, establishment of a committee with specific responsibility for issues relating to performance and results could strengthen oversight.
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This chapter concerns the evaluation policy, which provides the foundation for the evaluation system at EBRD. This chapter provides an assessment of quality and adequacy of the policy against international evaluation standards; notes some issues and omissions; and presents several recommendations. Compliance with the policy is addressed in the chapters which follow.

The current evaluation policy was approved by the Board of Directors in January 2013 and has not since been formally reviewed, amended or revised. This chapter considers whether the policy is appropriate, comprehensive and fit for purpose. Is it aligned with EBRD's objectives, organizational framework and evolving institutional needs, and does it strike an appropriate balance between learning and accountability? Does the policy meet international evaluation standards and good practice or are there significant omissions?

### Overall assessment

**The EBRD evaluation policy was largely fit for purpose when it was crafted. However, a more comprehensive document - fully owned by management - is now required.**

The EBRD evaluation policy covers not only independent evaluation undertaken by the Evaluation Department but also self-evaluation conducted by Management.<sup>8</sup> The policy clearly articulates the purpose served by the function, its guiding principles and governance and its contribution to achieving the goals of the Bank<sup>9</sup>.

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<sup>8</sup> The definition of evaluation used in the policy is based on the widely agreed definition which appears in the OECD DAC *Glossary of Key Terms in Evaluation and Results Based Management* (2002), quoted in the 'Note on definitions' presented above, immediately following the Executive Summary.

<sup>9</sup> Key elements of the policy are concisely summarised in the Evaluation Department publication: *Evaluation in the EBRD: An Overview for Board members* (2018).

Evaluation is conventionally understood to support improved institutional performance through its contribution to institutional accountability and organizational learning. The EBRD evaluation policy references these aims without giving emphasis to either<sup>10</sup>.

The policy also advocates the globally accepted evaluation principles of *utility, credibility and independence*. It asserts that evaluation must provide ‘credible evidence, analysis and independent judgment’ (para 8) and serve more than an ornamental function: ‘if evaluation is to add value it must be used’ (para 9). Concisely, and in largely non-technical language, the policy set out the principles, organizational roles and responsibilities required to achieve this, as well as the relevant standards and procedures.

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### **Box 2.1: Evaluation policy coverage**

A sound evaluation policy should cover evaluation matters across the whole organization and describe the following:

- **The strategic purpose of evaluation**, the principles guiding evaluation and its expected contribution to the goals of the organization.
- **The roles of the main stakeholders** in the evaluation function across the organization, including the roles of the governing body, management at all levels, operations staff and, not least, the central evaluation department.
- **Arrangements for effective oversight** of the function and its contribution to corporate governance, giving attention to the requirements for protecting the independence of the function and the impartiality of evaluation processes and products.
- Specific measures to safeguard **the independence and impartiality of the central evaluation department**.
- **Arrangements for self-evaluation** by operational teams: this is an integral element of the function.
- **Evaluation processes** from the selection of topics for evaluation, through planning, delivery and communication of outputs, through to arrangements for addressing evaluation findings and recommendations.
- **Requirements for human and financial resources**, for delivery of high-quality outputs with sufficient coverage of results.
- **Provision for disclosure of evaluation findings**, satisfying principles of transparency and accountability.
- **Presentation in a concise and readable text**, endorsed by the organization’s governing body.

*Adapted from Evaluation Norms and Standards, United Nations Evaluation Group (UNEG) 2016*

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**When the 2013 Evaluation Policy is assessed against global evaluation good practice standards, it is evident that almost all the main elements are addressed.** Box 2.1 above lists the key points to be included in an evaluation policy, as set out in internationally agreed evaluation standards<sup>11</sup>. The EBRD evaluation policy very largely covers these points and does so in a clear, concise format.

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<sup>10</sup> Para 8. Learning and accountability are both needed to support and strengthen institutional performance and results.

<sup>11</sup> See *Evaluation Norms and Standards*, United Nations Evaluation Group (UNEG) 2016; *Big Book on Evaluation Good Practice Standards*. Evaluation Cooperation Group (ECG), November 2012.



Importantly, the key requirements for protecting the independence of the Evaluation Department are in place (see Box 3.1 on independence in Chapter 3).

A landmark document setting out a wider set of ‘evaluation principles’ has recently been issued by the World Bank.<sup>12</sup> This was issued jointly by Management at the World Bank and the Bank’s Independent Evaluation Group. It constitutes ‘state of the art’ good practice. It puts forward *utility, credibility and independence* as key principles; uses the DAC evaluation principles as core evaluation criteria; and positions evaluation at the nexus of oversight, research and monitoring. It makes useful distinctions between mandatory and demand-driven self-evaluation.<sup>13</sup> In revising the EBRD evaluation policy, this publication should be used as a key reference.

## Perceptions

**Most of the Board members interviewed for this evaluation are aware and appreciative of the policy.** They feel that it has served its purpose appropriately. Board members who responded to the online survey indicated high levels of awareness and understanding of EvD’s role and purpose.

**Managers who responded to the online survey also claimed good awareness and understanding of EvD’s role and purpose. However, interviews revealed a broad spectrum of views and opinions on evaluation.** Among senior managers who were interviewed, there is certainly awareness of the evaluation policy and acceptance of the need for independent scrutiny through evaluation. However, some of those interviewed felt that evaluation was unnecessary, and several had a minimal grasp of the purpose of evaluation and evaluation principles. Overall, there is little sense of ownership of the evaluation policy and function within Management.

## Refreshing and upgrading the policy

**A new evaluation policy document - fully owned by management - is needed.** The policy should be updated and expanded to reflect the increased attention to results management at the Bank, including changes in concepts of ‘transition impact’ and ‘transition qualities’. There are several significant omissions – listed in the next section – which should be addressed. Important initiatives in the international context should also be mentioned insofar as they carry implications for evaluation and performance assessment at the Bank. These include initiatives such as the Sustainable Development Goals and the G20 financial governance initiative<sup>14</sup>.

**In refreshing the policy, it will be important to restate the respective roles and responsibilities for evaluation of EvD, Management and the Board.** This review has identified some important compliance failures and confusion of roles, particularly with respect to self-evaluation. These issues are examined in later chapters. While the current policy clearly sets out the roles and responsibilities of the respective actors, it will be important to restate those roles and to clarify responsibilities where necessary. Points for consideration follow:

<sup>12</sup> See <http://ieg.worldbankgroup.org/sites/default/files/Data/reports/WorldBankEvaluationPrinciples.pdf>

<sup>13</sup> These principles were developed in response to the *External Review of the Independent Evaluation Group (IEG)* commissioned by the Committee on Development Effectiveness of the World Bank Board, which recommended that the World Bank Group develop an “institution-wide, principles-based living evaluation policy” outlining the principles, criteria, and accountabilities for evaluation across the organization. World Bank Group Management and IEG jointly developed the common principles for evaluation in the World Bank Group, as set out in the new publication.

<sup>14</sup> *Transforming our World: The 2030 Agenda for Sustainable Development*. United Nations, 2015. *Making the Global Financial System Work for All. Report of the G20 Eminent Persons Group on Global Financial Governance*. October 2018.



- *EvD roles and responsibilities:*
  - The policy outlines EvD roles in some detail. Nevertheless, EvD has taken on certain roles regarding self-evaluation which – as the policy indicates – are properly the role of Management. While the policy notes EvD’s responsibility for independent validation and review of self-evaluation, and for ‘assessing the adequacy of the process’, it should be made clear that EvD’s role does not extend to actual management of the self-evaluation system. (This issue is addressed in Chapter 4.)
  - The policy should note the responsibility of EvD to prepare and implement medium term plans covering its activities, to be discussed with Management and approved by the Board. These are supplemented by annual or multi-year work programmes.
  - The policy should provide for EvD’s regular attendance at senior management committee meetings in the capacity of observer.
- *Management roles and responsibilities:*
  - The revised policy should describe the roles and responsibilities of evaluation Focal Points.
  - The policy states that Management ‘Ensures an effective system of self-evaluation...’ (para. 14). This evaluation has found that Management has failed to comply with this responsibility. The policy should spell out Management’s responsibilities in this area in greater detail (see Chapter 4 below).
  - The policy states that Management ‘ensures institutional processes and resources [are] sufficient to accomplish evaluation-related activities’. This very open formulation needs tighter definition. The policy should assign responsibility to Management for preparation and implementation of medium-term plans, discussed with EvD and approved by the Board, for maintaining an effective self-evaluation system and other evaluation-related activities.
- *Board of Directors roles and responsibilities:*
  - The policy outlines the Board’s responsibilities and makes provision for delegation of these roles and responsibilities to ‘any Board Committee’ as appropriate (para. 13). The drafting of this paragraph is unclear, and it should be revised to read: ‘The roles and responsibilities *for evaluation* of any committee...’ to clarify the intent.
  - The policy cites the terms of reference for the Audit Committee, which is tasked with responsibility for assisting the Board in matters concerning evaluation. The rationale for delegation to the Audit Committee appears to be that evaluation is an oversight function like the compliance, internal audit and risk management functions. However, given the enhanced efforts at EBRD on results management and the increased output of higher-level thematic evaluations from EBRD’s evaluation system, the Board should consider establishing a committee with specific responsibility for issues relating to performance and results. Most other MDBs have a Committee on Development Effectiveness for this purpose (Box 2.2 below contains details of arrangements at the World Bank Group). Establishment of a ‘Committee on Transition Impact’ with specific responsibility

for issues relating to performance and results could strengthen oversight while easing the burden on the heavily loaded Audit Committee.<sup>15</sup>

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**Box 2.2: The Committee on Development Effectiveness at the World Bank Group**

*The Committee on Development Effectiveness (CODE) supports the World Bank Group's Boards in assessing the development effectiveness of the World Bank Group, monitoring the quality and results of World Bank Group-funded operations, and overseeing or liaising on the work of the entities that are part of the World Bank Group's accountability framework. On behalf of the Boards, CODE also oversees the work of IEG as well as the adequacy, efficiency, and robustness of the World Bank Group's monitoring and evaluation systems. CODE draws on the self-evaluations of the World Bank Group, independent evaluations, and other reporting to identify, consider, and make recommendations to the Boards on high-priority issues related to the development effectiveness of the World Bank Group and the results achieved through its operations.*

From *World Bank Group Evaluation Principles*. World Bank Group. April 2019 (based on *Committee on Development Effectiveness: Terms of Reference*. July 15, 2009).

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## Omissions

**The policy lacks some important elements:** notably, clauses concerning evaluation competencies and capacity development; ethics and conflicts of interest; the relationship between monitoring and evaluation; metrics to assess the realization of evaluation policy requirements; and arrangements for periodic review of the policy. Some clarifications are also required regarding the appointment and terms of service of the Chief Evaluator.

*Evaluation competencies and capacity development.* It is important that staff across the organization have the competencies and knowledge required to perform their roles successfully. The policy notes the importance of 'regular training' (para. 9) and the responsibility of EvD to provide 'training and familiarisation services on evaluation within the EBRD to strengthen self-evaluation and encourage effective use of evaluation findings' (para. 11). However, the policy does not provide adequate indication of the evaluation competencies required by managers and staff across the organization, nor indeed the higher levels of competence expected of the Chief Evaluator and EvD staff. The policy should outline the need for the appropriate levels of competence in evaluation and for processes to develop or reinforce the required capacities<sup>16</sup>. It should also encourage the promotion of evaluation capacity development in borrowing member countries.

*Ethics and conflicts of interest:* To protect independence and impartiality, it is important that EvD staff and consultants contracted by EvD behave with integrity and, specifically, should not evaluate activities in which they have previously been involved or may have some future involvement. While

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<sup>15</sup> In 2012, the Board considered a recommendation for the establishment of a new Board Committee on transition impact but the proposal was not supported by the Board at that time.

<sup>16</sup> The policy should not provide exhaustive guidance – which could be set out in supplementary documents – but should provide an indication of the competencies required. See, for example, DFID's evaluation policy which includes specific reference to the evaluation competencies required and its internal competency framework. See Chapter 6: Evaluation policy implementation within DFID in its *International Development Evaluation Policy*. Department for International Development (DFID) May 2013.

recognising that this does not seem to have raised problems to date, notes on the required ethical standards and avoidance of conflicts of interest should be set out in the policy.

*The relationship between monitoring and evaluation:* The evaluation policy makes no mention of performance monitoring and its relationship to evaluation. This may help to explain Management's difficulty in distinguishing between monitoring and self-evaluation, as discussed in chapter 4 below. The revised policy should include a clear definition of monitoring and its place in the Bank's results management system, including its relationship to evaluation.<sup>17</sup>

The evaluation policy does refer to Management's responsibility for ensuring that 'programmes, policies and strategies identify their expected results with sufficient specificity so as to allow effective evaluation' (para 14). In this context, the revised policy should also encourage Management to undertake systematic monitoring of programmes and strategies against appropriate indicators and targets. Systematic monitoring not only aids effective management and oversight but also provides performance data for validation and analysis through evaluation.

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**Box 2.3:           The relationship between monitoring and evaluation**

*Monitoring and evaluation enhance and feed into each other but serve different purposes. Without careful monitoring, important data cannot be collected; and the availability of good monitoring data is necessary for good evaluation. Evaluations can, in turn, provide lessons for improving the design and implementation of monitoring systems and processes.*

From *World Bank Group Evaluation Principles*. World Bank Group. April 2019

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*Metrics:* The evaluation policy requires EvD to prepare and implement annual Board-approved work programmes with clear targets. These facilitate monitoring and support accountability. The evaluation policy is complemented by guidance material setting out technical standards, processes and good practices in more detail. This includes a set of 'guidance notes' and a chapter on evaluation in the Bank's Operations Manual (most recently updated in January this year).

However, the evaluation policy lacks adequate references to measurable indicators, targets or benchmarks. While a detailed indicator framework is not required, some key indicators and benchmarks should be included. The absence of indicators makes it difficult to track evaluation policy implementation and compliance. For example, the EBRD evaluation policy contains no benchmarks for the expected level of evaluation coverage and resources, thereby precluding assessment of policy compliance regarding these important dimensions. While these issues are

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<sup>17</sup> The OECD DAC *Glossary of Key Terms In Evaluation and Results Based Management* (2002) provides the following widely agreed definitions:

**Monitoring:** *A continuing function that uses systematic collection of data on specified indicators to provide management and the main stakeholders of an ongoing development intervention with indications of the extent of progress and achievement of objectives and progress in the use of allocated funds.*

**Performance monitoring:** *A continuous process of collecting and analyzing data to compare how well a project, program, or policy is being implemented against expected results.*

addressed operationally through work programmes and budgets, the policy is silent on the desired level of evaluation coverage and investment.<sup>18</sup>

**While a detailed indicator framework should not be set out in the policy document itself, relevant benchmarks should be included in a complementary medium-term plan or strategy.** As already mentioned, the EBRD function has been refashioned and repositioned in line with an action plan developed following consultations in 2011 and substantially implemented in the years since<sup>19</sup>. While most elements of the action plan have been successfully implemented, several important items still require attention<sup>20</sup>. A coherent medium-term plan setting out a strategy and steps towards the further development of the function would usefully sustain and energize policy implementation.

The EvD Self Evaluation suggests that:

*A multi-year EvD strategic planning document could be a valuable supplement to annual work programmes and budgets, setting out medium-term directions, priorities, resource expectations and performance metrics for the Department... This would also usefully include elements of a multi-year scorecard, particularly the main performance targets for EvD (p.21)*

**This review strongly endorses the proposal for preparation of a medium-term plan for EvD.** This would bridge the gap between the enduring principles set out in the policy and the short-term targets set out in EvD's annual work programmes. It would present strategic medium-term objectives and a set of monitorable actions to deliver these. Importantly, it would provide details of expected evaluation coverage and resource requirements. It would also provide EvD with a transparent agenda for sustained and systematic engagement with Management on evaluation matters. It would enhance the Board's oversight of the Department. Preparation of such a plan should involve wide consultations to draw in stakeholder perspectives and build broad ownership.

**In parallel, Management should prepare a medium-term plan for strengthening the self-evaluation system and integrating it with the Bank's results architecture.** The evaluation policy requires Management to ensure the operation of 'an effective self-evaluation system' (para. 14). As explained in chapter 4 below, Management does not fulfil this responsibility: in practice, the system is run by EvD. Furthermore, the performance of the self-evaluation system is unsatisfactory. Given the importance of a credible self-evaluation system in providing evidence for higher plane evaluations and validating the Bank's performance in achieving transition impact, urgent attention is needed to strengthen the self-evaluation system and integrate it into the systems being developed by the Bank to monitor, assess and report on its performance.

The self-evaluation system at EBRD should constitute an important and integral element of the results architecture of the Bank. Management should prepare a medium-term plan for the establishment of an effective self-evaluation system, for approval by the Board. This should set out

<sup>18</sup> The ECG does not set explicit standards for evaluation budgets. While the ECG requirement is that "The [Central Evaluation Department's] budget is commensurate with its work programme", this does not consider adequacy of the budget or the work programme in relation to the size and mandate of the organization.

<sup>19</sup> *Increasing the contribution of evaluation to organisational performance. Internal document.* EBRD Evaluation Department. October 2011.

<sup>20</sup> The EvD Self Evaluation includes an annex summarising key points of the action plan and their status in 2017. Of the 27 points listed, the status of 22 is reported as 'achieved'. While this assessment seems valid, action is needed on a 'departmental scorecard' – now proposed for action in the multi-year strategy – and some important actions on communication and use of evaluation evidence.

clear objectives and targets with appropriate performance metrics, detailing the steps required and the anticipated resource requirements.

*The appointment and service of the Chief Evaluator.* The Board approved the current Evaluation Policy and Board members have found it a useful tool supporting the Board's oversight role. However, several Board members have asked for clarification of the policy provisions concerning the term to be served by the Chief Evaluator and how strictly these provisions should be observed.

**This evaluation recommends that the present approach of appointing the Chief Evaluator for a four-year term renewable once should be maintained,** subject to some related clarifications aligned with global good practice standards. The box below sets out the issues and the rationale for maintaining the current policy.

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#### **Box 2.4 Appointment of the Chief Evaluator**

The ECG good practice standards on independence pay close attention to matters concerning the independent leadership of the central evaluation department: specifically, the appointment of the head of evaluation and his/her contract renewal, termination, authority, remuneration and performance assessment. At EBRD, the evaluation policy follows the ECG standards closely and explicitly. Responsibility rests with the Board for handling these matters.

At EBRD, the period of appointment of the Chief Evaluator is 'for a term of *up to* four years which may be renewed' (emphasis added). The phrasing varies slightly but significantly from the ECG standard which states, more definitively, that the 'head's appointment normally is for a fixed term.' It would reduce uncertainty about the duration of the Chief Evaluator's appointment if the EBRD policy were reformulated to read: '*Normally, the Chief Evaluator is appointed for a fixed term of four years, renewable for a further four-year term*'. This formulation adheres more closely to the ECG standard.

Use of the qualifying adverb 'normally' recognizes that there may be circumstances where flexibility is needed. The key requirement here is that, to maintain the independence of the Chief Evaluator's role, any variation should be justified and decided upon by the Board. Over the past decade, EBRD has followed this norm and should continue to do so in future.<sup>21</sup>

Practices around length of term and renewal vary across multilaterals. At the World Bank, Inter-American Development Bank and the African Development Bank, the appointment is for a five-year period renewable once. Others, including ADB, EIB and the IMF, do not have the option of renewal, settling for a single term without renewal to reduce the risk of any conflict of interest which might arise concerning renewal of the initial term. Arguments against limiting the appointment to a relatively short period are that continuity and experience can be lost in a function which requires good knowledge of the organisation and which, in part, seeks to maintain institutional memory; and that frequent recruitment rounds entail distraction and expense. A short tenure may also reduce the heft and authority required for the position if it gives the impression that the post-holder is a 'lame duck' who will shortly move on.

In view of these points and given the effective management of the function by EBRD's Board over the past decade, there appears to be no compelling reason to change the current policy provision of a four-year term and the option of renewal for a second term. The Board can still manage matters

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<sup>21</sup> The incumbent Chief Evaluator was reappointed by the Board after serving two full four year terms. This exception to the term limits set out in the EBRD Evaluation Policy was decided by the Board, maintaining the Board's authority for such appointments and preserving the independence of the Chief Evaluator's role. The case illustrates the need for a degree of flexibility where this is deemed by the Board to be in the Bank's best interests.

flexibly when judged necessary. However, it would be wise to avoid retaining an incumbent for longer than ten years to avoid the risk of stasis or creating an entrenched position.

The policy is silent on the grading of the post. ECG guidance is that the head of evaluation should hold 'grade-rank and remuneration comparable to the level immediately below Vice-President or equivalent'. In effect, current EBRD practice is to appoints the Chief Evaluator to this grade and this should be explicitly articulated in the policy.

Details of remuneration also requires clarification. The policy states that annual salary adjustments for the Chief Evaluator position should be in line with those for the Vice Presidents, and that the Chief Evaluator is not entitled to variable remuneration based on performance: these provisions correctly protect the independence and impartiality required for the role. However, as the Chief Evaluator is not eligible for a personal performance bonus, the level of remuneration provided falls below the level received by Bank staff of the same grade. To address this, an appropriate increase in remuneration should be made. To avoid compromising independence by providing inappropriate incentives, any increase should be either at a fixed rate for each year or through a formula reflecting the average or median size of bonus paid to staff of comparable grade in a given year.

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*Review of the evaluation policy:* the revised evaluation policy should include a horizon for the next review, which should be in four to five years.

## Recommendations

- **EvD: Upgrade the Evaluation Policy.** Updates, revisions and additions required include:
  - reference to changes in concepts of transition impact and 'transition qualities' and to results management and the evolving 'results architecture' at the Bank.
  - notes on evaluation competencies and capacity development; on ethics and avoiding conflicts of interest; on the relationship between monitoring and evaluation; on performance metrics; on clarifications regarding the appointment and remuneration of the Chief Evaluator; and on review of the policy.
  - a note on arrangements for regular EvD attendance as an observer in senior level committees including the Management Committee and the Strategy and Policy Committee.
- **EvD: Prepare a multi-year strategic plan for EvD** complementing the evaluation policy, setting out:
  - medium-term directions, priorities, resource expectations and performance metrics, including elements of a multi-year performance scorecard.
  - a plan for EvD to undertake a programme of project-level operations evaluations and request for additional resources required.
  - an indication of EvD's role in repositioning and reform of the self-evaluation system, subject to the outcome of discussions on this.
- **Management: Prepare a medium-term plan for strengthening the self-evaluation system and integrating it with the Bank's results architecture.** The plan will set out:

- clear objectives and targets with appropriate performance metrics, detailing the steps required and the anticipated resource requirements.
- outline requirements for the transfer from EvD to Management of key responsibilities for managing the self-evaluation system.
- measures to strengthen knowledge management and organizational learning, drawing on experience of other MDBs, including mechanisms to systematically integrate relevant findings and lessons from evaluation into the design of new policies and projects.
- **Audit Committee:** recommend the Board of Directors to consider establishing a committee with specific responsibility for issues relating to performance and results: a 'Committee on Transition Impact', with responsibility for issues relating to performance monitoring, results management and evaluation.

### 3. Independent evaluation at EBRD

#### Key findings

- Directors of the Board of Directors in general place high value on independent evaluation and seek to use evaluation evidence in arriving at strategic decisions.
- Senior managers are generally familiar with the aims of independent evaluation, but some managers are critical of evaluation practices and products. A striking divergence of views on many aspects of evaluation exists between Board members and Management.
- Independent evaluation at EBRD largely meets international standards for organizational independence and behavioural independence.
- The portfolio of recent thematic and corporate-level evaluations achieves wide thematic coverage and is relevant to the work of the Bank.
- EvD work programmes have achieved much but timely delivery has been challenging.
- EvD's product mix has been deliberately refocused in recent years, shifting sharply towards more strategic, high-level evaluations. These evaluations are generally of satisfactory quality.
- Given a zero-growth budget, this shift to higher level evaluations has been achieved by reducing the number of project level evaluations. To provide insight into project level activities, EvD needs to produce more project level operations evaluations, for which enhanced staffing and budget allocations are required.
- Compared with other multilateral development banks, EBRD's budget for centralised evaluation is small and is low as a proportion of administrative costs. A significant increase in budget resources is required both for independent evaluation and for self-evaluation.
- Evaluation quality is constrained by the quality of design of the operations to be evaluated and the limitations of EBRD's results monitoring. This makes it difficult to validate EBRD claims regarding transition impact.
- EvD has worked in recent years to improve the quality and uptake of recommendations from independent evaluations. The mechanism for tracking management response has also been enhanced. However, management responses are reportedly not always comprehensive; and while follow up action is reported to the Board, implementation of agreed actions is unvalidated.
- At EBRD (as in other MDBs), the uptake of lessons drawn from evaluation is weak. Some improvements are noted where evaluations are adequately integrated into the relevant institutional processes, such as the preparation of new sector strategies.
- Further work is required to realise the potential contribution of evaluation to the achievement of EBRD's goals. This requires sustained engagement between Management and EvD around key corporate systems and processes; improvements in knowledge sharing and knowledge management; and stronger institutional incentives enhancing the enabling environment for evaluation.



This chapter is mainly concerned with evaluation work undertaken independently by the EBRD's central evaluation unit, the Evaluation Department. EvD reports to and is overseen by the Board of Directors and is independent in the sense that it does not report to or through Management. However, to be effective, 'independent evaluation' also requires the understanding and cooperation of all involved. Independence requires not only a paper charter but, critically, an enabling environment and supportive organizational systems and culture.

'Independent evaluation' is complemented by the self-evaluation system involving evaluations managed and conducted by operations teams, with some technical and administrative support from EvD, to assess their own activities and initiatives. 'Self-evaluation' will be considered in the next chapter.

### **Independent evaluation at EBRD: overall assessment**

**Overall, this evaluation concludes that EBRD's system for independent evaluation performs well and that performance is improving, but further expansion and development is warranted.**

Independent evaluation is the most visible and substantial element of EBRD's evaluation system. It is therefore important that it is executed to a high standard and delivers value to the Bank. Overall, this evaluation concludes that the independent evaluation system is performing well, and that performance is improving. EBRD makes significant use of findings and recommendations from independently conducted evaluations and this contributes meaningfully to the Bank's work.

This chapter provides the evidence supporting these conclusions while also noting areas for further improvements in performance, contribution, use and value. The chapter begins with an assessment of how far EBRD's system for independent evaluation meets the good practice standards for independence in evaluation defined by the ECG. Goals, roles and work programmes are described in the section which follows, leading to consideration of the volume of EvD output, the mix of products, and their relevance and quality, including discussion of evaluation methods and criteria and of the utility and format of evaluation reporting.

Use of evaluation is the next key topic including, first, a discussion of evaluation recommendations and management action in response and, second, consideration of evaluation lessons, knowledge management and learning from evaluation. A concluding section considers how far evaluation offers value to EBRD and whether EBRD is capitalizing on this.

**Most Executive Directors place high value on the independent evaluation reports submitted by EvD and seek to use evaluation evidence provided by EvD in arriving at strategic decisions.**

Interviews and survey responses indicate that Board members attach high importance to independent evaluation and to the information and perspectives it provides. Of those responding to the survey, nearly 80% indicated that they 'regularly seek out EvD material and views'.

**Senior managers are generally familiar with the aims of independent evaluation.** Among senior managers responding to the online survey, almost all claimed that they are well-aware of EvD's role and purpose. This was broadly borne out in interviews with senior managers. Interviewees generally expressed strong support for the principle of independent evaluative scrutiny as a means of checking that the Bank's policies and interventions are on the right track. However, evaluation is seen as an instrument of technical oversight and 'a necessary evil', as one manager put it, rather than a valuable input to management planning and strategic decision making.

**Some managers are sharply critical of evaluation practices and results.** While some of those interviewed expressed strongly supportive views of evaluation, others were less supportive and several voiced strongly negative opinions. Some of those interviewed had only a weak grasp of evaluation principles and practice. Thus, managers' responses to the online survey displayed mixed views on evaluation, in sharp contrast to the generally positive perspectives of Board members. Among managers responding to the statement 'I regularly seek out EvD material and views', only three individuals confirmed that they did so and only a further 24% 'somewhat agreed' with the statement. Most disagreed (38%) or somewhat disagreed (24%).

These data suggest a feeble level of interest, engagement and use. Some interviewees recalled difficult experiences around some evaluations and this seems to have shaped their perspectives. Others have had little practical contact with the function. The disappointing response rate of managers to the invitation to participate in the online survey also points to widespread indifference to evaluation matters<sup>22</sup>.

**As the preceding paragraphs indicate, a striking divergence of views and attitudes exists between Board members and senior managers.** This will become more evident in looking at the performance of EBRD's system for independent evaluation in the following pages, and especially in considering the use and value of the findings, lessons and recommendations produced through independent evaluation.

### **The independent evaluation system at EBRD**

**As stated in the evaluation policy, 'evaluation at the EBRD is a Bank-wide effort, incorporating multiple and interconnected roles and responsibilities for EvD, the Board of Directors, and Management' (para 9).** Effective evaluation, especially independent evaluation, depends upon appropriate kinds of interaction and levels of engagement between these three sets of actors, without which evaluation efforts cannot be expected to fulfil their potential for supporting and improving institutional performance.

The Board maintains oversight of the function through the Audit Committee. While the Evaluation Department sits at the heart of EBRD's system for independent evaluation, it requires the close support and oversight of the Board of Directors and collaboration with Management at all levels if it is to deliver a stream of useful products bringing significant value to the work of the institution. Within Management, two designated evaluation 'Focal Points' are responsible for liaison and coordination on evaluation matters: one in the VP Policy group, responding to thematic evaluations; and the other in Banking, responding to project evaluations.

**EvD is equipped with relatively modest human and financial resources.** Given EvD's core role, consideration of the human and financial resources at its disposal provides an indication of its capacity and its standing in the Bank. EvD currently has 19 staff, of whom 16 are professional staff. EvD's operating expenses in 2018 were just over GBP 3 million.<sup>23</sup> This compares with EBRD's total staff complement of around 3,000 and an administrative budget in 2018 of GBP 360 million.

**Among key comparator organizations, EBRD's budget for centralised evaluation is the smallest; and it is also the lowest as a proportion of administrative costs.** The box below provides some comparative data on the budget and staffing of central evaluation units in several MDBs, collected

<sup>22</sup> Of 117 managers invited to participate in the survey, 37 responded.

<sup>23</sup> Total non-staff costs: GBP 591k; Total operating costs: 2,436k. The budget has been held at this level since 2011.

by OECD in 2015.<sup>24</sup> Of the MDBs listed, EBRD has the smallest budget for evaluations conducted by the central evaluation department, reported as Euros 3.7 million – while the Asian Development Bank spent nearly three times as much. As a proportion of the administrative budget, the EBRD figure also appears to be lowest in the group, at 0.84%.<sup>25</sup>

**Table 3.1: Budget and staffing of central evaluation departments in multilateral organizations\***

<b>Organization</b>	<b>Budget for centralised evaluation for last financial year as proportion of administrative budget, %</b>	<b>Budget for centralized evaluation in the last financial year, EUR millions</b>	<b>Number of professional evaluation staff</b>	<b>Total full time staff in central evaluation unit</b>
African Development Bank	2.0	9.0	17	30
Asian Development Bank	1.83	10.468	32	51
<b>EBRD</b>	<b>0.84</b>	<b>3.653</b>	<b>14</b>	<b>18</b>
EC	-	5.0	10	13
EIB	-	-	12	17
IMF	-	5.215	5	15
Inter-American Development Bank	1.3	8.2	24	30
World Bank	1.00	30.571	89	111

\* As of 2015.

Source: OECD 2016

**These striking differences pose questions about the relative investment, level of effort and outcomes achieved through evaluation across the various organizations.** Although this evaluation has not explored the question of human and financial resources in depth, this finding cries out for a significant increase in budget resources for evaluation based on medium-term plans for independent and self-evaluation.

## Independence

**EBRD's system for independent evaluation largely meets international good practice standards regarding organizational independence and behavioural independence.** Independent evaluation is conventionally defined as 'An evaluation carried out by entities and persons free of the control of those responsible for the design and implementation of the development intervention'. The ECG has elaborated a set of good practice standards regarding the independence of entities with responsibility for conducting independent evaluation: in MDBs this is usually the central evaluation office. The box below outlines the standards and the extent to which they are met by EBRD.

In general, EBRD performance in establishing and protecting the organizational or structural independence of EvD and key elements of the system for independent evaluation is satisfactory; and EvD has generally demonstrated behavioural independence in pursuing evaluation activities and in delivering evaluation products. One caveat here, however, concerns the degree to which EvD is involved in managing the system for self-evaluation at EBRD: a role which properly belongs to Management. This issue is examined further in the next chapter.

<sup>24</sup> *Evaluation Systems in Development Cooperation: 2016 Review*. OECD DAC 2016: Paris.

<sup>25</sup> While the figure for the other MDBs represents the budget for centralised evaluations as a proportion of the administrative budget, the figure for EBRD represents the budget for centralised evaluations as a proportion of its total budget for equity, technical assistance and loans. Budgets and staffing for self-evaluation activities are not included in any of the organizations listed in the table.

While the independent evaluation system has largely been protected from outside intrusion, there have been cases of external interference and the Board should monitor such instances closely. Finally, conflicts of interest can undermine the independence required for impartial and credible evaluation. EBRD needs to put in place effective policy measures to avoid potentially damaging conflicts of interest.

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**Box 3.1: Independent Evaluation: ECG good practice standards**

The ECG has articulated the rationale for independence as necessary ‘to provide for, and to protect, the impartiality of evaluations and to ensure that the ability of the evaluators to provide credible reports and advice is not compromised’<sup>26</sup>. The ECG has identified a set of key criteria for assessing the independence of evaluation entities: (i) organizational independence; (ii) behavioural independence; (iii) protection from outside interference; and (iv) avoidance of conflicts of interest<sup>27</sup>. Under these headings are grouped a variety of aspects and accompanying indicators of good practice.

A summary assessment of EBRD’s performance against each of the criteria follows:

	<b>Criterion</b>	<b>EBRD performance</b>
(i)	Organizational independence	<i>Satisfactory</i>
(ii)	Behavioural independence	<i>Satisfactory</i>
(iii)	Protection from outside interference	<i>Partially unsatisfactory</i>
(iv)	Avoidance of conflicts of interest	<i>Unsatisfactory: action required</i>

*Organizational independence.* The ECG standard for organizational independence requires, *inter alia*, that the independent evaluation office - usually the central evaluation department (CED) – is located organizationally outside the line and staff management function, independent of the IFI’s operational, policy, and strategy departments. The CED does not report to IFI Management but to the governing body.

EBRD’s system for independent evaluation largely meets the ECG good practice standards for organizational independence. The EBRD evaluation policy clearly defines EvD’s role, including the Bank-wide scope of evaluation; sets out EvD’s reporting line to the Board, independent of Management; and establishes EvD’s responsibility for managing its financial and staff resources independently. The policy also requires that EvD should be able to access all the information it may require. EvD reports regularly to the Board’s Audit Committee and is not accountable to any external political authorities.

*Behavioural independence.* This concerns the exercise of independent action by the CED, characterised *inter alia* by the ‘ability and willingness to issue strong, high quality, and uncompromising reports’, and by candid and transparent reporting free of any restrictions imposed by Management. The CED should also control evaluation planning and programming.

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<sup>26</sup> *Big Book on Evaluation Good Practice Standards*. ECG, November 2012: II. *Independence of International Financial Institutions’ Central Evaluation Departments* (p. 7).

<sup>27</sup> *ECG Big Book: II. Independence of International Financial Institutions’ Central Evaluation Departments: Annex II.1: Template for Assessing the Independence of Evaluation Organizations*

EvD largely meets the ECG standard for behavioural independence insofar as this concerns independent evaluation. As detailed elsewhere in this chapter, EvD routinely issues ‘strong, high quality and uncompromising reports’ to the Board without ‘management-imposed restrictions on their scope and comments’. EvD designs its own work programme, consulting with Management, for approval by the Board. The Board also approves EvD’s annual budget. This evaluation did not find any interference by Management involving budgetary matters.

*Protection from outside interference.* This concerns the independence of the CED to design and execute evaluations and report findings, free from external interference or restrictions. It also concerns arrangements for recruitment, management and dismissal of the head of the CED, which should be set out in the relevant policy or mandate; and arrangements assigning authority to the CED chief for staff recruitment within the unit and for arrangements to protect staff from external interference.

In recent years, EvD seems largely - but not entirely - to have been shielded from outside interference. It appears that the appointment and renewal of appointment of the Chief Evaluator has been well managed by the Board, in line with the provisions of the evaluation policy and without interference. As for evaluation process and content, decisions are ultimately taken by EvD without inappropriate external influence. EvD rightly engages with Management on the design and content of evaluations and the ensuing exchanges and debates with Management are reportedly often lively.

However, this evaluation was informed of one case where Management insisted on suppressing a major report following disagreement on the evaluation approach, quality and possible reputational risk to the Bank. This isolated case is not part of a pattern.

In terms of the ECG standard, decisions on human resources management within EvD should be the sole responsibility of the Chief Evaluator. It appears that there have been instances where the Bank’s senior management have intervened in staff recruitment and staff management issues, thereby weakening adherence to the ECG standard<sup>28</sup>. The Board should closely monitor any interference in the work of EvD and address any concerns identified.

*Avoidance of conflicts of interest.* This concerns measures required to avoid conflicts of interest which might impose on the quality and credibility of an evaluation: for example, ‘official, professional, personal or financial relationships that might cause an evaluator to limit the extent of an inquiry, limit disclosure, or weaken or slant findings’; also ‘preconceived ideas, prejudices or social/political biases that could affect evaluation findings’

EBRD’s evaluation policy is silent on issues around conflicts of interest. While there is no evidence of difficulties arising in this regard, the relevant policies and procedures need to be put in place to ensure that evaluation staff and consultants do not evaluate activities in which they (or close family members) have been involved or have current involvement. ‘Evaluator bias’ is another risk where an explicit policy or procedures are required, not least to reassure operations staff that the evaluation approach is impartial. A recommendation to include the necessary safeguards in this area when revising the evaluation policy is made elsewhere in this report.

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<sup>28</sup> See section 3.2 in the Evaluation Department Self-Assessment (December 2017): ‘Management and HR were, in EvD’s view, excessively involved in the selection process for the Deputy Chief Evaluator’ (p7). Management has pointed out that ‘the candidate recommended by the Chief Evaluator was actually beyond retirement age (65), thus non-eligible’ in terms of EBRD’s HR rules, which is why Management intervened. The EBRD Evaluation Policy states that: ‘The Chief Evaluator manages EvD staff, to whom the Bank’s human resources and other relevant policies apply. The Chief Evaluator is free to make recruitment decisions, within the limits of the EvD budget, without Management or Board involvement’ (paragraph 38).

## Goals, roles and work programmes

**Goals, purpose, roles and responsibilities for independent evaluation are clearly and appropriately defined in the Evaluation Policy.** The purpose of ‘effective and independent evaluation’ is set out clearly in the Evaluation Policy, and the alignment with EBRD corporate goals is clearly stated.<sup>29</sup>

Roles and responsibilities are also set out clearly in the policy, notably those of the Board, Management and the Evaluation Department.<sup>30</sup> The Board carries responsibilities for oversight of the function; EvD has responsibilities for independently conducting evaluation activities set out in work programmes and budgets approved by the Board, providing products and services intended to meet EBRD’s accountability and learning needs; while Management has a range of responsibilities for ‘adequate and effective engagement in evaluation-related matters’ which includes responding to independent evaluations.

**EvD work programme documents are models of clarity and brevity, setting out short term objectives, activities and resource requirements in concise form for Board approval.** Work programmes seem to serve their purpose well in terms of providing the Board and other stakeholders with an outline of the Department’s ongoing and proposed activities and resource requirements for the short term. They comply with the requirement in the Evaluation Policy that ‘EvD will set out specific proposals for evaluation work in its regular work programmes’ (para. 18). Accordingly, EvD organizes its work through annual work programmes which are approved by the Board along with the budgets required for implementation. The work programmes list ‘components’ – evaluations and other products and services - to be undertaken in the year ahead, along with the budget required and an indication of activities proposed for the following year. They provide an indication of the main purpose of evaluation, outline the general rationale for EvD products and services and note changes in the wider context of the Bank as well as the implications for EvD.

**However, annual work programmes do not provide an adequate basis for planning and managing EvD activities in the medium term.** While annual work programmes have provided a sound basis for undertaking activities in the short term, they do not offer an explicit strategy for a longer period. The largely implicit perspective underlying successive workplans has been to enhance evaluation utility, efficiency and value addition through a shift towards a product mix of higher quality and greater strategic relevance and impact.

The 2018-19 work programme included an ambitious list of ‘challenges and opportunities’: (p6):

- *Adapting performance assessment methods to the new transition concept and building capacity to evaluate new processes and instruments coming on line*
- *Developing timely, insightful country-level evaluations as a core product*
- *Ensuring that evaluation covers new “initiatives” and strategic /policy commitments*
- *Integrating investment, advisory and policy dialogue effectively into project evaluation*
- *Further improving communication, uptake and absorption of evaluation findings, including through more effective knowledge management in EvD and Bank-wide*
- *Achieving these wider objectives broadly within existing resource limits*

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<sup>29</sup> Paras. 4 – 8.

<sup>30</sup> Paras 10 – 14.

The timeframe for achieving these important results would go far beyond the single year period for which the work programme prescribes specific actions and would require significant human and financial resources. These considerations add weight to the recommendation for a medium term plan for EvD.

### Programming independent evaluations

Work programmes list the independent evaluations to be undertaken in the given year. Relevance and productivity are key considerations. The relevance of the evaluation portfolio is assessed in this section, while productivity (volume and type of evaluation) is assessed in the next section.

**The rationale for EvD's programme of independent evaluations is set out in general terms and lacks specificity.** The evaluation policy gives no specific prescription for the selection of topics or methods for their evaluation. The current work programme for 2018-2019 identifies the types of evaluation to be undertaken ('thematic/strategic evaluations' and 'country/project level evaluations') and lists the benefits expected from the proposed programme of evaluations including 'better and more consistent evaluation coverage of countries, sectors and strategies [to] provide Board and Management with evidence-based feedback in advance of strategic reviews and key decision points' (para 3.1). Each new study proposed is briefly described. But this evaluation finds that the overall rationale is set out in rather general terms and the programme lacks specific articulation in terms of relevance and expected use.

**Nevertheless, the portfolio of recent evaluations achieves wide thematic coverage and seems relevant overall to the work of the Bank.** Table 3.2 below lists, by topic, the major evaluations ('special studies') completed by EvD in the three years 2016-2018. They cover a wide range: sectoral coverage includes transport, energy, telecommunications, infrastructure, and property; financial operations covered range from small business support to credit lines, equity operations and local capital market support; and topics concerned with corporate organization include experience with country strategies and with Resident Offices, as well as two sector strategies. In addition, the study on additionality specifically addresses one of the three fundamental business principles underpinning all the Bank's work: transition impact, sound banking and additionality.

**Table 3.2: Independent evaluations (Special Studies) completed 2016-2018**

2016	2017	2018
<ul style="list-style-type: none"> <li>- Country Strategy Interim Review</li> <li>- Experience with Resident Offices</li> <li>- Russian Rail Sector Operations</li> <li>- Small Business Support Programme 2011-2015</li> <li>- Supply Chains and Backward Linkages</li> <li>- Sustainable Energy Finance Facilities</li> <li>- Transactions with State-Owned Enterprises</li> <li>- Use of Subsidies</li> </ul>	<ul style="list-style-type: none"> <li>- Equity Operations</li> <li>- Local Capital Markets</li> <li>- Additionality</li> <li>- Petroleum Distribution</li> <li>- Telecoms</li> </ul>	<ul style="list-style-type: none"> <li>- Energy Sector Strategy</li> <li>- Transport Sector Strategy</li> <li>- Credit Lines</li> <li>- Infrastructure Project Preparation Facility</li> <li>- Investment Climate</li> <li>- National Bank of Egypt Operations</li> <li>- Property Strategy</li> </ul>



**The weak rationale for programming of independent evaluations mirrors weak prioritisation in EBRD's current strategic framework.**<sup>31</sup> EBRD, as a project-driven organization, takes pride in 'achieving transition through transactions.' Thus, the Bank's strategic framework is broad and permissive, based on a very wide array of core competences, strategic initiatives and broad priorities ('building transition resilience, supporting market integration and addressing common global and regional challenges'). Stronger strategic direction has been achieved by drawing the Bank's work together under the six 'transition qualities' introduced in 2016 to better articulate the concept of 'transition impact'. Prioritization through recently-introduced country strategies should also provide clearer operational focus to help ensure that the overarching transition agenda priorities are respected. Nevertheless, this evaluation finds that the Bank's wide array of activities and many competing and overlapping priorities makes it difficult to single out specific themes for evaluation.

EvD has limited resources and should focus its work on issues of greatest relevance to EBRD's transition policy. The transition qualities now 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 EBRD's corporate agenda, providing a frame for organizing activity and providing the Board with the evidence it needs to oversee transition impact. However, each of the transition quality concepts is itself broad and abstract and would likely prove challenging to translate into a coherent programme of evaluations. A constructive first step would be to undertake brief assessment of the evaluability of the set of transition qualities, both as concepts and as operational tools.

**A medium-term strategy for EvD should include a list of independent evaluations to be undertaken over the next three years, with a clear strategic rationale for the selection of topics.** This should include clear justification in terms of relevance to EBRD's transition qualities and operational objectives as well as emerging needs and challenges. It should also address issues of coverage in terms of sectors, initiatives and thematic priorities of importance to EBRD; geographical coverage; and distribution of EBRD investment. Management input in the form of a clear multi-year timetable for all major reviews of policies, strategies and initiatives is essential for this planning process. However, the practice of advance scheduling appears to have weakened considerably in recent years, which impedes EvD's capacity for multi-year planning.

## Delivery

**EvD work programmes have been ambitious and have achieved much, but the timeliness of delivery has been mixed.** A great deal has been achieved by EvD and other EBRD colleagues engaging with independent evaluation in recent years. The reform agenda initiated in 2011 has successfully repositioned EvD and aligned independent evaluation closer to the needs and interests of the wider organization. But there have been shortcomings. Several Board members and senior managers commented on frequent and significant delays in the delivery of EvD's programme of evaluation studies. Following significant slippages in 2016-17, delays have been reduced in the past two years.

Evaluation processes are often elaborate and inherently hard to manage, as they involve extensive multi-stakeholder consultations at various stages. Delays in securing responses from interlocutors has affected the process. Although Management has established Focal Points to coordinate evaluation matters, the process for responding to evaluation papers has been slow and iterative,

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<sup>31</sup> Strategic and Capital Framework 2016-2020. EBRD, 2015.



with several rounds of time-consuming consultations. This raises questions about the priority and resources Management assigns to evaluation matters. It may also point to a lack of decisiveness on EvD's part.

Equally, within EvD, where the evaluation team is relatively small, delays caused by staffing gaps, absence through illness or over-programming can be significant (a common experience in evaluation offices where there are often only a small number of professional staff). At EvD, the shift to higher level evaluations tailored to specific topics is an additional factor, as such 'bespoke' evaluations are typically more challenging to design and deliver. However, the concomitant shift towards reduced reliance on consultants and greater use of the in-house team should help reduce the risk of delays.

While speed of delivery is important, the key issue is timeliness and sequencing. As EvD has moved towards evaluation of more strategic topics, such as sector strategies, the need to provide evaluation findings in time to inform the preparation of strategies or policies becomes imperative. Timeliness is the key to use and value. Missing the window for providing evaluation input can mean that the evidence provided is overlooked or is no longer found to be relevant. Late delivery can lead to knock-on delays including, for example, the rescheduling of Board meetings and delays on the management side in finalising Board papers. This erodes trust and confidence among evaluation stakeholders.

A related issue is 'bunching' of deliverables. Where several papers are passed to Management for comment at the same time, responses may be delayed or handled in cursory fashion where bottlenecks exist in certain offices assigned to provide comments. This can affect not only the timeliness of the contribution but also its quality.

**Timeliness is an important responsibility both for EvD and for Management.** EvD is aware of the need for timeliness, which is key to ensuring relevance, utility and value. Careful and realistic planning as well as close monitoring and management will need sustained attention. At the same time, Management must play its part in providing its inputs and comments promptly. This requires adequate staffing, particularly in those offices coordinating the drafting of responses.

### **Product volume and mix**

This section is concerned with the volume, variety and relevance of products and services delivered by EBRD's Evaluation Department. Does the work of the Evaluation Department match up to international standards? Are the outputs suited to EBRD's needs?

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#### **Box 3.2: Product mix in MDB evaluation departments**

The key questions are:

- 1. What results is the evaluation department seeking to achieve and will the selected product mix deliver on these results?*
- 2. Does the mix reflect a clear understanding of the institution's needs and absorptive capacity? Is the mix relevant?*
- 3. Does the MDB have the staff and budget resources to produce high quality evaluations?*

*Adapted from ADB review (2019)*

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In terms of international good practice, there are no clear standards or prescriptions for the product mix for independent evaluation. The range and balance of products in each MDB varies and, as at EBRD, changes over time. Achieving an appropriate product mix is related to the purpose of evaluation and whether the selected product mix will achieve this purpose (see Box 3.2 above).

**EvD's product mix has been deliberately refocused over recent years, shifting sharply towards addressing high level policy purposes.** Since 2011, EvD has revised the mix of evaluations it produces with the explicit purpose of addressing strategic needs including 'expectations regarding demonstrable results, effective performance feedback, and institutional learning'<sup>32</sup> at the corporate level as well as at the level of operations. Taking account of institutional changes and opportunities, it has shifted from a portfolio composed largely of independent project-level evaluations to one in which independent evaluations at sector, country and corporate level predominate. The audiences for these higher-level evaluations is primarily the Board and senior management. EvD's evaluations are published, but the main audiences are internal rather than external.

EvD undertakes two kinds of independent evaluations, which are the focus in this chapter:

- (a) special studies, which are thematic and strategic evaluations of EBRD policy, strategy, programmes, concepts or other activities; and
- (b) operations evaluations, which are project level evaluations increasingly undertaken as clusters of projects with related content.

EvD also reviews the self-evaluation reports prepared by management, reviewing around 100 of these Operations Performance Assessment (OPA) reports annually. Further, EvD conducts independent validation of OPAs, producing 10-20 Operation Performance Assessment Verification (OPAV) reports annually. The self-evaluation reviews and OPAV reports will be considered in the next chapter on self-evaluation. EvD presents key evaluation messages in an annual corporate report, the Annual Evaluation Review and it also produces various evaluation summaries of evaluation reports. Taken together, these various streams of work represent a heavy workload relative to the staffing and budget of the EvD team.

**Table 3.3: Types of evaluation reports produced by EvD**

<b>Types</b>	<b>Annual output</b>	<b>Description</b>
Special studies	5 or 6	Independent thematic review of EBRD policy, strategy, programme, concept or other activities.
Operations Evaluations	2 or 3	Independent project-level evaluations; now undertaken in clusters of purposefully sampled operations
Review of Operation Performance Assessments (OPA)	Around 100	EvD review of Operation Performance Assessments (self-evaluations by management of operations performance)
Validation Review	10 - 20	Independent validation of OPAs

**A key element in repositioning EvD has been action taken to increase the number of high-quality 'special studies' on topics of interest and relevance to Management and the Board and to reduce**

<sup>32</sup> EvD Work Programme 2018-19 & budget 2018. December 2017

**the numbers of operations evaluations of individual projects.** A decade ago, EvD mainly undertook in-depth evaluations of individual projects, complemented by OPA reviews and validations and supplemented by very few special studies. The consultations undertaken in 2011 made it clear that the highly detailed project evaluations were of less utility or appeal to the Board and Management than higher level thematic and policy evaluations. The Board endorsed the decision to undertake more high-quality studies on subjects of strategic relevance. In recent years, the sectoral and thematic evaluations have become increasingly integrated into EBRD's strategy cycle, feeding into institutional processes for strategic review and updating of corporate and sector strategies. Given the constraint of a fixed budget, the number of operations evaluations was reduced to make resources available for higher level evaluations.

**In parallel, purposeful sampling of operations for evaluation was instituted to deliver evaluation evidence of greater relevance and value.** In 2017, EvD moved away from stratified random sampling of large numbers of operations across the organization to the purposeful selection of fewer operations for evaluation 'based on strategic relevance and expected value'.<sup>33</sup> Random sampling had been intended to provide a basis for a statistically meaningful assessment of institutional performance but it was becoming increasingly hard to define the sample given the rapid growth of the Bank's portfolio and the introduction of changes such as funding frameworks grouping projects together. The corresponding increase in the number of operations evaluations increased costs but delivered evaluation evidence of only limited utility and value for higher level use. Purposeful sampling allows for a more efficient and focused approach intended to generate evaluation findings of greater relevance to institutional needs. The decision to step away from the 'comfort zone' of random sampling was radical. The shift was justified by the objective of providing a more strategically relevant evaluation programme within a highly restricted budget.

**Evaluation of clusters of project evaluations has been initiated to further enhance relevance and value.** EvD has also shifted from conducting evaluations of individual projects to undertaking evaluations of clusters of operations addressing related issues. The clusters are selected on a purposeful basis and the cluster approach builds constructively on the methodological freedom provided by moving away from random sampling. Nevertheless, as shown in Chapter 4 below, this has come at the cost of capacity to provide independent institutional performance reporting.

**Responding to pressures to provide more 'real time' analysis, EvD has undertaken several 'formative evaluations' assessing current activities.** While evaluation is often 'summative', focused on assessing results and how they were achieved, formative evaluation assesses ongoing operations with a view to providing insights and evidence to inform current discussions and activities. While this increases the value of evaluation for adaptive management and the scope for 'real time' learning and improvement, it reduces the availability of credible evidence about eventual outcomes and the contribution of the Bank to significant changes in social and economic systems.

## Perceptions

**While Board members have generally welcomed the shift in portfolio purpose and composition, Management views vary.** Interviews with Board members found strong support for the shift to a more strategic approach. In response to the online survey, nearly 90% of respondents replied positively to the statement 'EvD sector level and thematic studies are relevant and useful' (63% agreed and a further 25% somewhat agreed). Further, three out of four respondents agreed (63%) or somewhat agreed (13%) with the proposition that 'EvD should undertake more sector-level and

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<sup>33</sup> EvD Self Evaluation, p. 5.

thematic analysis'. Some Board members commented that the number of thematic evaluations they were seeing was about right (given the large volume of official documentation of all kinds before the Board). In terms of its enhanced strategic focus and attention, therefore, the revised product mix is achieving its aim.

Management views were more mixed. Responding to the Annual Evaluation Review (AER) 2017, Management thanked EvD: 'appreciating the continued delivery in the new format and the move towards more thematic and strategic evaluations, which provide insights beyond individual projects' (p30); and made very similar comments in response to the AER 2018.<sup>34</sup>

Managers responding to the online survey were less appreciative. Relatively few responded positively to the statement that 'EvD sector level and thematic studies are relevant and useful': only 11% agreed, while a further 30% somewhat agreed. Responding to the proposition that 'EvD should undertake more sector-level and thematic analysis', in total less than half agreed (22%) or somewhat agreed (22%) with the proposition, while a significant number disagreed (27%) or somewhat disagreed (3%). Interviews with members of Management also found mixed opinions. While some were positive, others were at the far end of negative, although these views were probably influenced by experiences in relation to specific evaluations rather than considered reflection on the shape of the evaluation portfolio.

### Product mix in comparative perspective

**The number and type of evaluations undertaken by the central evaluation offices of the various MDBs shows wide variation.** The tables below (Tables 3.4 – 3.7) provide snapshots of the outputs from the central evaluation offices at EBRD, the World Bank Group, the Asian Development Bank and the African Development Bank, as reported for 2018. The tables show the diversity of types of independent evaluation produced and variation in the respective levels of output.

**In terms of numbers of major independent evaluation reports produced, EvD's output broadly matches output from the World Bank, ADB and AfDB. However, EvD's output is much less varied by type of evaluation and it now produces very few operations evaluations.** In 2018, EvD completed eight major evaluations and a range of other outputs, as shown in the table below<sup>35</sup>. It may be noted that EvD proposes to develop 'timely, insightful country-level evaluations as a core product'. This will diversify its offering of major evaluations while retaining a high-level strategic focus.

At the World Bank Group, the Independent Evaluation Group also produced eight major evaluations in 2018 (although the number of staff and consultants and the input of working papers and preparatory work for each of these was doubtless very much greater than at EBRD). Broadly similar figures feature at the ADB and AfDB. According to the IED annual report (2018), eight major independent evaluation reports were completed in 2018, as well as a dozen project level evaluations. The Independent Development Evaluation (IDEV) office at the African Development Bank reported delivery of nine major evaluations in 2018.

**The range and diversity of types of independent evaluation report varies within different MDBs.** EvD has a narrow product range and low output of operations evaluations. EvD completed only one project level operations evaluation in 2018. In contrast, the Independent Evaluation Department (IED) of the Asian Development Bank currently produces overall a wide range and a high number of

<sup>34</sup> *Annual Evaluation Review 2017*. EvD April 2018. *Annual Evaluation Review 2018*. EvD April 2019.

<sup>35</sup> *Annual Evaluation Review 2018*. EvD April 2019.

evaluation reports. However, the recent external review of IED could not conclude whether the IED product mix was appropriate as it was unclear to the reviewers what purpose is served by each product stream.<sup>36</sup> The IED review also reports on debates within ADB on the purpose and quality of the various types of evaluation, which has prompted plans for a move away from broad, high level thematic evaluations towards including more project or sector level operations evaluations (in other words, the reverse of the EvD's recent shift in approach!) Addressing similar demands for evidence at the operational level, the World Bank's IEG experimented in 2018 with production of three focused, just-in-time 'meso-evaluations' addressing strategic questions but with a focus on specific operational topics.<sup>37</sup>

On the question of product mix, the IED review concludes that:

IED faces a problem common to MDB evaluation units generally: its multiple audiences have different needs that are difficult to satisfy within the budget, staff, and time constraints the department faces. This implies that whatever mix of products it produces at any given time cannot be assumed to be "appropriate" for the medium or long term, and perhaps not even in the short term (p11).

**This conclusion – that it is inherently difficult to meet the different needs of multiple audiences - applies at EBRD.** It goes some way to explaining the contrasting views of the Board and Management on the issue: while Board members are satisfied with the current product mix, which is strongly geared to the Board's needs, managers have mixed opinions, doubtless reflecting a different range of needs and interests – and providing further evidence of a less supportive stance regarding the critical importance of evaluation for accountability and learning.

**Table 3.4: EBRD: Independent evaluation reports completed by EvD in 2018**

Type of evaluation	Number completed
Special Studies (Sector and thematic evaluations)	8
Operations Evaluations	1
Review of Operation Performance Assessments (OPA)	119
Operation Performance Assessment Validations (OPAV)	19
Topical Paper or Working Paper	2
Annual Evaluation Review	1

Source: Annual Evaluation Report 2018. Evaluation Department, EBRD, April 2019.

**Table 3.5: World Bank Group: Independent Evaluation Group: Independent Evaluations completed in 2018**

Type of evaluation	Number completed
Major evaluations	8
Meso Evaluations	3
Country focused evaluations	2
Project performance assessment reports	43
Project-level self-evaluation validations	427
Corporate results and performance evaluation	1
Annual Evaluation Review	1

<sup>36</sup> An External Review of the Independent Evaluation Department. Development Effectiveness Committee, ADB. 2019.

<sup>37</sup> Significantly for present purposes, two of the three 'meso-evaluations' were on IFC activities: IFC's Experience with Inclusive Business: An Assessment of IFC's Role, Outcomes, and Potential Scenario; and IFC's Asset Management Company.

Source: *Growing our influence - Annual Report 2018*. Independent Evaluation Group, World Bank Group.

<b>Table 3.6: Asian Development Bank: Independent Evaluation Department: Independent Evaluation Reports completed in 2017</b>	
<i>Type of evaluation</i>	<i>Number completed</i>
Thematic evaluation	2
Corporate evaluation	2
Country assistance programme evaluation	1
Country partnership strategy final review validation	3
Impact evaluation	1
Sector assistance programme evaluation	1
Sector-wide evaluation	1
Project/programme performance evaluation report (sovereign and non-sovereign)	10
Technical assistance performance evaluation report	2
Topical paper	1
Annual Evaluation Review	1

Source: *2019 Annual Evaluation Review*. Independent Evaluation Department, Asian Development Bank, March 2019.

<b>Table 3.7: African Development Bank: Independent Development Evaluation (IDEV): Evaluations completed in 2018</b>	
<i>Type of evaluation</i>	<i>Number completed</i>
Country/Regional Evaluations	4
Sector/Thematic Evaluation	2
Corporate Evaluations	3
Project Cluster Evaluations	4
Evaluation Synthesis and other products	1
Annual Evaluation Report	1

Source: *Annual Report 2018: Delivering, Engaging and Responding*. Independent Development Evaluation, African Development Bank, 2019.

**This evaluation endorses the shift made in recent years away from numerous single operation evaluations to an evaluation approach focused on providing higher level products of greater relevance and interest to the internal audiences for evaluation, and potentially of greater use and value.** In terms of the questions on MDB product mix posed in the box above, the shift to a higher level has a clear purpose and has allowed EvD to develop and deliver a portfolio mix which meets the approval of key audiences (while noting that elements within Management are less welcoming or seemingly indifferent). The portfolio is broadly relevant to EBRD's needs. Prompted by stakeholder demand for evaluations of greater utility and value and replicating similar transitions in other MDBs, this 'shift to a higher plane' has already generated a valuable body of evaluation evidence regarding institutional performance. It is also a significant achievement that the shift has been achieved within the constraints of available financial and human resources.

**However, while the new product mix affords more extensive coverage, it provides much less operational detail.** The shift away from project-level operations evaluations runs major risks: of losing touch with project realities; and of neglecting the need for properly validated operational results (which quality assessments of completion reporting by management provides). The reduction of numbers of project-level operations evaluations produced by EvD coincides with changes in the self-evaluation system in which the number of project validations has been reduced, dropping from over 60 in 2016 to less than 20 in 2018. Taken together, this means that the volume and depth of project level evaluation is much reduced, especially independent operations evaluations and validations.

**Given that EBRD is essentially project-driven, learning and accountability at the project level is critically important.** This argues (a) for overhaul of the self-evaluation system and (b) for production of an increased number of independent project-level evaluations and validations. **This evaluation recommends early and extensive action on both counts.**

**Additional staff and resources will be needed for EvD to produce an enlarged stream of independent project-level evaluations geared to self-evaluation quality assurance and solid grounding for higher-plane policy evaluations.** If increased production of independent project level evaluations is to be achieved without reducing the number of higher-level evaluations, EvD will require additional resources. Recognizing the continued importance of project-level evaluation work, this evaluation recommends an enhanced level of staffing and financial resources within management for self-evaluation and within EvD to produce an adequate coverage of independent project-level evaluations.

**Product mix and portfolio content should be subject to periodic review, given continuing strategic and operational changes within the Bank and in the external context.** As the ADB review has indicated, an ‘appropriate’ product mix requires constant review to remain abreast of changing needs and challenges. For its part, EvD has rightly highlighted the need for continued ‘evaluation evolution and enhancement’ in view of changes in EBRD’s transition concept and associated systems, the introduction of new country strategies, the restructuring of arrangements for portfolio management and more.<sup>38</sup> EvD’s proposed medium-term plan will need to give attention to these issues.

## Quality

The focus in this section is on the quality of the independent evaluation reports produced by EvD on the thematic evaluations, or special studies, and the project level operations evaluations. These reports are intended to summarise the findings, conclusions, lessons and recommendations of evaluations conducted by the department. Other evaluation outputs such as summaries, presentations, compendia of lessons etc are largely drawn from the reports. The quality of the reports therefore provides a proxy for the quality of the department’s work more generally.

Report quality was assessed through systematic review of nine recent reports (six special studies and three cluster operations evaluations). These were tested against ECG quality standards on methods. All the reports were published in the three years 2016-2018.<sup>39</sup> The results are shown in Table 3.8 below.

The table sets out six major standards adopted by ECG for review of country assistance evaluation but they are applicable to a wide range of evaluation reports<sup>40</sup>. The table confirms the superior quality of the special studies compared to the operations evaluations. The special studies tend to rate highly on the criteria of evaluability, on MDB contribution and on findings, lessons and recommendations. The operations evaluations rate highly against the ratings criterion (as a result of the methodology which is focused on ratings scores). However, largely due to the reporting format

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<sup>38</sup> AER 2017: p. 27.

<sup>39</sup> The sample is intended to be a realistic reflection of the evaluation reports produced in the period 2017-2018. Some high quality reports were not reviewed, e.g. the review of Additionality (*Additionality in the EBRD – Review of Concept and Application*. EBRD Evaluation Department. March 2018).

<sup>40</sup> These standards were used in a recent review of the Independent Evaluation Department at the Asian Development Bank (ADB 2019).



Table 3.8: Compliance of Selected IED Reports with ECG Quality Standards on Methods

Reports		Criteria																																
Type	No.	Evaluability				Evaluation questions				Multiple evidence sources				Ratings				Client participation				MDB contribution				Disclaimers				Findings, lessons, recommendations				
		HS	S	U	HU	HS	S	U	HU	HS	S	U	HU	HS	S	U	HU	HS	S	U	HU	HS	S	U	HU	HS	S	U	HU	HS	S	U	HU	
Operations Evaluations	3				3		2	1		2	1			3					1	2			1	2				1	2		2	1		
Special Studies	6	4	2			1	4	1			5	1			4	2			1	5			5	1				6			3	2	1	
Total	9	4	2		3	1	6	2		2	6	1		3	4	2			2	7			6	3				6	1	2	3	4	2	

Key:

HS = Highly Satisfactory

S = Satisfactory

U = Unsatisfactory

HU = Highly Unsatisfactory

**Key to criteria**

- *Evaluability*: How well the strategy or program sets out criteria and metrics to be used in its subsequent evaluation.
- *Evaluation questions*: Fundamental evaluation questions defined to guide the assessment.
- *Multiple evidence sources*: Quantitative and qualitative evidence from both primary and secondary data sources.
- *Ratings*: Formally assessed using a set of well-defined evaluation criteria.
- *Client participation*: Key stakeholders involved from the design of the evaluation through its execution to the discussion of its key findings.
- *MDB contribution*: Determining whether the MDB has made a contribution to key results or outcomes that is both plausible and meaningful.
- *Disclaimers*: Limitations of the methodology, and its application, frankly acknowledged.
- *Findings, lessons, recommendations*: Findings follow logically from evaluation questions and analysis and provide evidence to support the conclusions; lessons are based on the evaluation evidence, with clear operational implications; recommendations, few in number, are actionable strategic or operational proposals.



used, the operations evaluations reviewed are weak on the criteria of evaluability and disclaimers. Almost all the evaluations reviewed are weak on client participation.

## Conclusions on quality

**In general, the independent evaluation reports produced by EvD display the use of appropriate and systematic methods and analysis, generating valuable evidence and insights.** The purpose, scope, design, methods and outputs depend upon the type of evaluation. Project-level operations evaluations, including the cluster evaluations reviewed for this assessment, are relatively simple and focus mainly on rating performance. Review of sampled thematic evaluations ('special studies') confirmed their strategic character and more complex design.

The discussion of work programming above concluded that the topics selected for thematic evaluation was generally appropriate and relevant to the Bank's work. This conclusion is borne out by analysis of the quality of the sample of evaluations selected for close study: the thematic evaluations reviewed each provide a clear rationale for the choice of topic and its strategic relevance to the work of the Bank. The project-level operations evaluations are simpler and the focus, appropriately, is on practical operational matters.

Several conclusions can be drawn from the analysis.

**The quality of evaluation design and methodology is generally satisfactory.** High quality evaluation reports establish the reliability and credibility of findings and conclusions by including details of the evaluation design and chosen methodology, including disclaimers describing the limitations of the data and methodology used. However, perhaps in the interests of brevity, few of the evaluation reports reviewed for this study included much information on methods or limitations. While most readers will wish for the evaluation report to be concise, they need to be aware of the foundations and limits of the study. This constitutes a weakness which could be readily addressed, given the attention paid to design, data and methods in the Approach Papers prepared for each major evaluation.<sup>41</sup>

Evaluation criteria used as the basis for assessment need review: see Box 3.3 below. Relevance to the work of the organization is key. Evaluations have so far consistently addressed the three EBRD operating principles of *additionality*, *sound banking (financial performance)* and *transition impact*. Independent evaluations render these in terms of some but not all the conventional evaluation criteria adopted by the DAC. Neither sustainability nor impact are used as formal criteria. This reduces the value of performance ratings relative to the corporate transition agenda (especially for EBRD's public sector operations) and global agendas such as the Sustainable Development Goals.

EBRD has recently elaborated a set of 'transition qualities' to more fully describe the concept of 'transition impact'. The transition qualities are accompanied by a new Transition Objectives Monitoring System (TOMS) and, more widely, changes in the results architecture which will give more emphasis to higher level monitoring and measurement including the level of country strategies. The strengthened results architecture should help to address some of the shortcomings around monitoring and data generation which have constrained effective evaluation.

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<sup>41</sup> Each EvD special study involves preparation of an Approach Paper setting out the evaluation aims and design for discussion with the relevant stakeholders. The Approach Paper includes discussion of methods and limitations, but few readers of the published final report will wish to access it. See *Evaluation Department Guidance Note No. 1: Approach Papers*. EvD, 2012

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**Box 3.3: Evaluation criteria**

Sound evaluation practice depends on the application of meaningful criteria in assessing performance. Evaluation at EBRD addresses the three EBRD operating principles of *additionality*, *sound banking (financial performance)* and *transition impact*. These criteria are incorporated in the templates for self-evaluation (OPA) reports and for the OPA validations and operation evaluation reports prepared independently by EvD. EvD provided aggregate performance reporting against the operating principles until 2016.

EvD uses some of the evaluation criteria adopted by the DAC, i.e. relevance, effectiveness and efficiency. But it has failed to engage adequately with the DAC criteria of *impact and sustainability*.<sup>42</sup>

EvD reconciles the criteria for the operating principles with the DAC criteria for relevance, effectiveness and efficiency, as follows:

*Additionality is a component of relevance. Effectiveness assesses contribution to both outcomes and impacts and provides insight into transition impact. Efficiency assesses financial performance of the client and investment return and could be used as a proxy for sound banking. (AER 2017, p14).*

Evaluation staff confirm that ‘translation’ of one set of criteria across to the other is feasible and meaningful. OPA validation exercises and project level operations evaluations generally require preparation of a results framework, for which the DAC criteria are used. The designs of thematic evaluations also draw on the DAC criteria in various ways.

In 2016, EBRD’s Board of Directors approved the adoption of six ‘transition qualities’. These define a well-functioning market economy as competitive, inclusive, well-governed, environmentally friendly, resilient and integrated. These provide an expanded understanding of the concept of ‘transition impact’. EvD has not yet adapted its approach to address these but has recognized the need for ‘evaluation evolution and enhancement’.

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.<sup>43</sup> EvD should improve its alignment with the DAC criteria as this will sustain alignment with other MDBs at a time when greater harmonisation of approach is being urged.<sup>44</sup> Improved alignment with ECG criteria is also needed, notably attention to Bank performance and to Borrower performance.<sup>45</sup>

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EvD recognizes the need to advance and enhance its systems and methods to respond to the changes in the organization and take advantage of the opportunities offers: ‘it will need to retool how it selects projects for evaluation...examine how it evaluates transition impact...and establish

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<sup>42</sup> The DAC has recently consulted on revising the criteria to meet changes in the development landscape. See <http://www.oecd.org/dac/evaluation/daccriteriaforevaluatingdevelopmentassistance.htm>

<sup>43</sup> The EBRD Transition Report 2018-2019 measures progress against the six transition qualities using some 139 indicators.

<sup>44</sup> See *Making the Global Financial System Work for All*. Report of the G20 Eminent Persons Group on Global Financial Governance, October 2018.

<sup>45</sup> See ECG Big Book, pp 30-31.

methodologies and techniques for country strategy evaluation’ (AER 2017: p 27). This represents not just an evaluation opportunity: it is a corporate imperative.

**Evaluation quality is constrained by the quality of design of the operations to be evaluated.** The Evaluation Policy requires Management to ensure ‘that programmes, policies and strategies identify their expected results with sufficient specificity to allow effective evaluation’ (para 14). Yet the intervention results framework is often absent or inadequate. In such cases, EvD prepared a results framework based on the stated intentions and available metrics in the relevant documentation, securing Management agreement to this as a basis for the evaluation. The recent transport sector strategy review is an example.<sup>46</sup> This is a legitimate and practical solution which has supported the execution of a systematic evaluation.

The finding highlights an important problem: the recurrent failure on the part of Management to provide coherent results frameworks to guide the implementation, monitoring and eventual evaluation of operations<sup>47</sup>. This is not just a technical question of evaluability: inadequate results frameworks increase the risk of weak management, poor performance and unsatisfactory results. EBRD has recognised the issue and has in recent years introduced a requirement for proper results frameworks and introduced a compendium of indicators which should make for a more standardised approach. In future evaluations, EvD should continue to assess and report on evaluability and results frameworks as these reflect the quality of design of the Bank’s interventions. Experience in other MDBs has shown how important ‘quality at entry’ is for successful outcomes<sup>48</sup>.

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**Box 3.4: Potential limitations of data**

Evaluation question: *What have the Bank’s loans through financial intermediaries contributed to sustainable higher-level effects in the market place?*

Potential limitations of data: *Financial intermediaries do not generally report on this to EBRD. Unclear whether they have the information available internally and would share it. Access to sub-borrowers unlikely. Difficulty obtaining information where client relationship has terminated. Where relationship continues, if a similar loan is provided again it may be impossible to judge whether the client would continue this product otherwise.*

*Approach Paper: Lending through financial intermediaries ("credit lines"). EvD. October 2016*

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**Evaluation quality is constrained by the limitations of EBRD’s results monitoring, making it difficult to validate EBRD’s claims about ‘transition impact’.** While EBRD gives attention to ex ante definition of ‘expected transition impacts’, it rarely conducts ex post monitoring of ‘real-world’ outcomes and impact and does not require clients to report on ‘downstream’ results. The Bank lacks adequate systems to track eventual impacts and how far these are sustained, partly out of reluctance to

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<sup>46</sup> *Transport Sector Strategy Review*. EBRD Evaluation Department, October 2018

<sup>47</sup> The Evaluation Policy requires that Management ‘Ensures that proposed operations clearly specify expected results and related performance indicators so as to allow effective evaluation’ (para. 14).

<sup>48</sup> The World Bank recognized the importance of ‘quality at entry’, including adequate results frameworks, as long ago as the 1990s, when a Quality Assurance Group was set up to provide formative assessments of new projects. This achieved rapid success in improving project quality and eventual results.

impose reporting burdens on clients. This makes assessment of the sustainability and impact of the Bank's operations extremely problematic.

A useful evaluation should determine whether the Bank is contributing to key results or outcomes that is both plausible and meaningful. Most of the evaluations reviewed do a good job of analysing and describing the role and contribution of the Bank in delivering outputs and achieving immediate effects. However, as described in the case in the box below, the relevant information is often lacking, and eventual impacts and sustainability are not identified.

**A wider range of information sources could further improve the quality of the evaluations.** Despite the data constraints noted above, most of the evaluations reviewed used an adequate range of evidence to allow meaningful analysis. The evaluations draw on multiple sources of evidence, including quantitative and qualitative evidence derived from both primary and secondary data sources. However, several studies are based mainly on close analysis of available documentation with less attention to the direct collection and analysis of primary data. With one or two exceptions, studies gave little attention to collection, analysis and reporting of client, beneficiary or external stakeholder views, thereby missing significant insights and perspectives.

**Evaluation quality, use and influence could be enhanced through deeper engagement with staff and clients.** EBRD's evaluation policy states that 'Staff and client participation in the evaluation process will be encouraged'. EvD does engage with internal stakeholders at key points in the evaluation process, notably through discussions around an initial Approach Paper for each evaluation, on the draft report and on the final report. Close engagement represents good practice in terms of obtaining the best results from evaluation efforts: improving the evaluation process and making for better reporting. Unsurprisingly, EvD evaluations are most influential and relevant when stakeholder engagement is high and there is shared interest in the findings and insights. A good example is the EvD paper on additionality which fed into ongoing internal discussions at EBRD and ultimately contributed to established of a harmonised approach to additionality across MDBs.<sup>49</sup>

While most EvD evaluations include consultations with clients and other external stakeholders and evaluation teams do undertake short country visits, client participation in the evaluation process is generally limited. This review found no examples of systematic engagement with clients and external stakeholders around evaluation findings and recommendations.

This means that EBRD is losing opportunities for evidence-based policy dialogue with decision-makers and for strengthening ongoing client relationships. Increased engagement could enhance evaluation quality and use. However, greater involvement of external stakeholders carries implications for evaluation budgets. EvD's limited budget, noted previously, constrains serious client engagement. The contrast can be drawn with IFC, where much is made of engagement and transparency.

**Issues of contribution and attribution are challenging.** Given the data and methodological constraints described above, it is difficult to demonstrate the Bank's contribution or establish attribution. A further factor is the operational context. The Bank often intervenes in contexts where there are many actors operating simultaneously within a dynamic environment. Often, these actors are more significant in terms of financial and policy influence than EBRD. Tracing the effects and eventual impact of the Bank's activities is a conceptual and practical challenge. Assessing

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<sup>49</sup> *Additionality in the EBRD – Review of Concept and Application*. EBRD Evaluation Department. March 2018; *Multilateral Development Banks' Harmonized Framework for Additionality in Private Sector Operations*. MDB Additionality Task Force. September 2018.

institutional performance separately from results is needed to minimize the risk of excessive risk aversion. Evaluation approaches and methods exist to address such challenges and should be explored by EvD, perhaps most expediently in the context of country strategy evaluations. This should be part of the wider agenda for evaluation adaptation and enhancement at EBRD.

**The presentation of findings, lessons and recommendations is generally satisfactory.** With some variation, the evaluation reports are mostly clearly structured, with findings and conclusions following logically from the evaluation questions and evidence provided to support the conclusions. Recommendations are few and generally provide realistic and actionable proposals.

**Taking these points together: while the quality of evaluation reports has generally been satisfactory to date, within the severe constraints imposed by a weak project-level evaluation system, consideration should now be given to upgrade the evaluation approach and methods used by EvD and to reflect this in EvD's proposed medium-term plan.** The strengthening of a comprehensive results management system at EBRD in recent years is a crucial organizational advance, bringing EBRD into line with good practice in other MDBs.<sup>50</sup> This expanded results architecture can be expected to provide ready access to more consistent data on operational performance and results, which should in turn inform, facilitate and strengthen evaluation processes and quality. EvD will need to adjust its approach to independent evaluation to build on this opportunity and maintain relevance and quality. From a governance perspective, it will be important in revising the evaluation policy to articulate the relationship with the emerging results management system and to set out a coherent approach linking evaluation and results management.

### Perceptions of quality

Board members and management hold contrasting views and opinions on the quality of independent evaluations. On the evidence of interviews and the online survey, Board members generally have a high opinion of the quality and utility of EvD evaluations. Among those responding to the survey, most find EvD reports and analyses to be of high quality (54% agree with this, a further 33% somewhat agree - and none disagree). Most find sector-level and thematic studies to be relevant and useful (63% in full agreement with this view, 25% somewhat agree). A similar number find project level assessments to be relevant and useful, although fewer are in full agreement (38% agree on this, 46% somewhat agree). These responses were borne out in interviews with Board members, who generally emphasised their preference for thematic evaluation reports and expressed appreciation of this material.

Survey responses from managers reflect more diverse opinions, including some consistently negative views. Only one in four respondents (27%) find EvD reports and analyses to be of high quality, with only two individuals (5% of the total) fully agreeing with this view. A clear majority - around half of all respondents - disagrees (16%) or somewhat disagrees (32%) with it. Less than half of all respondents find project level assessments to be relevant and useful (8% agree with this, 35% partially agree) while nearly one third hold a negative view (16% disagree, 14% somewhat disagree). The responses to the statement 'EvD sector-level and thematic studies are relevant and useful' follow a similar pattern, although slightly more hold a negative view (16% disagree, 24% somewhat

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<sup>50</sup> Elements of a results management system were introduced some time ago: for example, ex ante assessment of transition impact for every investment operation since 1998, providing a quality-at-entry control; ongoing monitoring arrangements introduced in 2004; and, since 2001, a corporate scorecard featuring transition impact performance parameters. However, it is only in recent years that concerted efforts have been made to develop a comprehensive results management system.

disagree). Interviews with senior managers generally reflected the survey results, with a broad spectrum of views from the appreciative to the categorically negative.

The survey data and evidence from interviews with managers indicates a diversity of opinions. In some cases, this seems to be based on challenging experiences with individual evaluations; in others, there seems to have been little recent engagement with evaluation processes (interviews dredged up historical cases of poor evaluation performance). A recurring theme raised by several managers was that certain thematic evaluations reflected preconceived views and did not engage adequately with the Bank's approach; and, in a couple of examples, the strongly held view was that the evaluation team did not understand the Bank's work. Conversely, one interviewee took a more entrepreneurial attitude and described how an evaluation had drawn attention to his area of work and helped to attract resources and support for his work.

## Utility and format

**Timely communication of evaluation findings, conclusions and recommendations in appropriate forms is of vital importance.** The Evaluation Policy correctly notes: 'If evaluation is to add value, it must be used' (para. 9). The policy goes on: 'To be used [evaluation] must be available on a timely basis and in applicable form, and it must be embedded into the operational process in such a way as to inform operational efforts and choices'. However, the policy itself has little to say about requisite forms and formats.

**EvD has taken significant steps in recent years to make evaluation findings, conclusions and recommendations available in readily usable forms.** EvD has improved the format of evaluation products, not least by introducing a page limit of 35 pages for final evaluation reports. Separate two-page summaries of EvD evaluation reports are now routinely produced and published and occasional digests of evaluation reports are also issued. The format of EvD's Annual Evaluation Review has been restructured to make evaluation findings readily accessible. EvD has also experimented a little with the production of more informal summaries and presentations.

Among Board members responding to the survey, 83% indicated that EvD reports present key information clearly and effectively. Views among Management were, once again, more varied: although one third responded positively, over 40% disagreed<sup>51</sup>.

**Processes of distribution of evaluation reports and communication of findings within EBRD have also improved.** EvD now sends all reports to the Board of Directors; routinely provides briefings on completed evaluations for the relevant Management teams; and occasionally presents evaluation findings to interested staff. Thematic evaluation reports issued by EvD are available on EBRD's external website where they are organized by topic and can be downloaded. Summaries of reports on EvD's operations evaluations are also available on the website. However, the full reports of operations evaluations are not available. These should be published on the website to allow wide use and to meet good practice standards on transparency.<sup>52</sup>

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<sup>51</sup> Among survey respondents, it is important to note that over 90% of Board members have worked at the Bank for three years or less, while nearly 80% of respondents among Management have worked at the Bank for more than 10 years. Some respondents on the Management side may therefore reflect experience of evaluation from a time before the recent changes were made. Interviews with Management personnel at various levels indicated that not all were familiar with the recent changes in the function.

<sup>52</sup> The evaluation policy (paras. 27 and 28) briefly mentions internal distribution of reports (for which responsibility is assigned, appropriately, to the Chief Evaluator). External disclosure is subject to the provisions of the EBRD Public Information Policy including privacy and commercial confidentiality concerns.



**More could be done to make evaluation reports more readable.** At present, reports are geared towards internal audiences within the Bank and lack wider appeal. Many reports are written in a dense, text-heavy style, packed with acronyms. The online survey called for responses to the statement that ‘EvD materials are easy to read’. Although nearly 80% of respondent from the Board agreed with the proposition, over 40% of respondents among Management disagreed with it – repeating a pattern of response seen throughout the survey.

When compared with evaluation reports from other MDBs, the presentation of EvD evaluation reports appears unpolished. While they are adequate for business purposes within the Bank, copy editing by professional editors could make them more readily accessible and useful to a wider audience. This would, of course, incur additional costs.

**Evaluation findings and lessons should be produced in a range of versions targeting different audiences.** For some evaluations, EvD is already considering production of a range of versions targeting different audiences. This review endorses experimentation along these lines, which should be encouraged and systematized as part of a wider package of efforts to promote wider use. It is encouraging that the Annual Evaluation Review is presented in an attractive and accessible format.

EvD recognizes that the evidence, lessons and knowledge generated through evaluation needs to be properly managed and effectively communicated if it is to be accessible and useful. However, it is not enough simply to make evaluation material available. The engagement of potential users of evaluation depends upon an enabling organizational context with appropriate processes, systems and incentives in place to support and stimulate uptake and use. This crucial issue is discussed further in the section below entitled ‘From lessons to learning’.

## Use

Evaluation is not an end in itself. It only achieves its purpose if evaluation findings, lessons and recommendations are taken up and acted upon. This section and the following section review the use of evaluation evidence: firstly, through the mechanism of evaluation recommendations and management response; and, secondly, through formulation and uptake of useful evaluation lessons.

Surveys and consultations with EBRD audiences in 2011 indicated that ‘absorption and application of evaluation findings was extremely limited and well below desirable...Increasing internal uptake of evaluation work has therefore been a strategic priority for EvD and the Board’ (EvD Self-Assessment p. 13). In the independent evaluation system, as we have seen, this has been pursued by shifting away from project evaluations and development of a stream of thematic evaluations of more strategic relevance and interest; and seeking to insert these into corporate decision-making such as the development and adoption of new sector strategies.

**Engagement of stakeholders throughout the evaluation process has helped to promote uptake and use of evaluation evidence, insights and recommendations.** EvD has encouraged greater participation in evaluation processes with a view to enhancing interest in evaluations and, crucially, ownership and use of emerging findings and recommendations. Steps taken here include the establishment of evaluation Focal Points on the Management side to help to channel and organize engagement; consultations on the choice of topics for evaluation and selection topics likely to be of wide interest within the Board and among Management; preparation of an Approach Paper for every major evaluation, discussed with the key stakeholders; and consultations through the evaluation process, including formal review by relevant stakeholders of the draft report and final report. It is increasingly recognized in evaluation circles that engagement throughout the evaluation process is important for ensuring uptake and use of evaluation evidence, insights and

recommendations<sup>53</sup>. Recent experience in EBRD indicates that evaluations are seen to be particularly relevant and well-received when they address topics of current interest or concern to management<sup>54</sup>. Nevertheless, as indicated in the discussion of stakeholder participation in the section on quality above, much more is possible and indeed necessary here.

## Recommendations and management action

**Recommendations and management action are vital components in MDB evaluation systems.** The evaluation system in each MDB includes requirements for a formal management response to evaluation recommendations and for follow up action where management agrees to recommendations made. Recommendations are a key line of transmission from evaluation findings and conclusions through to practical action by Management and other stakeholders. They are therefore a vital element in the evaluation system.

The Evaluation Policy requires EvD and Management to discuss draft final evaluation reports ‘to ensure accuracy and, to the greatest extent possible, agree on findings, lessons and recommendations’; and requires Management to ‘comment in writing on evaluations as matter of general practice, indicating areas of agreement and disagreement, unresolved issues, prospective follow up actions, and potential resource considerations.’ (paras. 22 and 23)<sup>55</sup>. The policy is silent on the specific format of the Management Response but does require that Management ‘tracks actions taken on agreed recommendations and periodically reports to the Board on implementation in a manner agreed with the Board’ (para. 14).

**EvD has worked in recent years to improve the quality and uptake of recommendations from independent evaluations.** EvD has recognised the importance of recommendations and management follow up as key elements of the evaluation system at EBRD and has worked in recent years to improve the function in this area. It has prepared a useful Guidance Note and checklist, drawing on international best practice<sup>56</sup>. This states that ‘Recommendations should be planned, relevant, targeted and clear, actionable, practical, prioritised and limited in number’. Accordingly, EvD has reduced the number of recommendations for each of its evaluations and given increased attention to making these clear and actionable.

The evaluation reports reviewed for this evaluation have manageable numbers of generally clear and actionable recommendations. Among the senior managers who responded to the online survey for this evaluation, about half agreed or somewhat agreed that recommendations from EvD were clear, important, and that management action and follow up is an important priority. However, as much as one third of respondents reacted negatively to these propositions. Further, it is extraordinary that only one manager fully agreed that EvD recommendations were actionable, and only 19% somewhat agreed – while some 50% in total disagreed (14% disagreed and 36% somewhat disagreed).

**Review of management responses indicates that most recommendations were accepted.** The six special studies selected for quality review produced a total of 29 recommendations. Of these, only

<sup>53</sup> Quinn Patton, M: *Utilization-Focused Evaluation*. 4<sup>th</sup> edition. 2008.

<sup>54</sup> Examples here include the additionality paper, mentioned previously, and the IPPF evaluation which contributed to ongoing discussions among Management and the Board on work in this area. See *Thematic Evaluation: Infrastructure Project Preparation Facility*. EBRD Evaluation Department. July 2018.

<sup>55</sup> It is worth noting that there is no formal requirement for each and every evaluation to include recommendations. This is appropriate, given that some evaluations may reach general conclusions which provide a useful aid to discussion on a particular topic but do not point to specific action to be taken. (An example here is the well-received EvD study on additionality at EBRD).

<sup>56</sup> *Evaluation Department Guidance Note 8: Developing and Writing Recommendations*. EvD April 2015



one was not accepted by Management. Of the remainder, 12 (41%) were fully accepted and 16 (55%) were partially accepted. In several cases, the Management response was along the following lines: 'Management agrees in principle with the recommendation and will consider its implementation subject to [other ongoing processes]'. This renders the response uncertain. While most responses were, appropriately, concise – around five or six pages – several were much longer. The longest response reviewed ran to 42 pages and was remarkably unclear.

**The process for tracking Management responses and follow up to EvD recommendations has also improved.** A revised system was approved by the Board in 2014, supported by tracking software which, for each EvD evaluation, records the recommendations, Management response and Action Plan for implementing agreed recommendations. Management reports to the Board's Audit Committee twice yearly on progress, and EvD independently provides supplementary comments. This seems to be an adequate basis for the Board to maintain oversight of the system and is in line with the requirements of the Evaluation Policy.

Overall, the management response and the follow up mechanism seem to have improved, particularly as Management has assumed responsibility for reporting on action taken on agreed recommendations. Responses are generally timely and can be readily accessed through the online system. However, several problems require attention.

- **Management responses can be patchy and follow up action unvalidated.** Although evaluation Focal Points have been appointed on the side of Management to coordinate responses across the Bank, several interviewees commented that Management responses to recommendations calling for an integrated or institution-wide response are at times patchy and not comprehensive. Further, although Management reports to the Board on follow up action, implementation is not validated. Given the risks of significant compliance failures, the Audit Committee should request the Chief Internal Auditor to review Management performance in this area.
- **Some recommendations are perceived to be impractical or promoting preconceived ideas.** Despite the recent improvements, several interviewees in Management complained about the feasibility of the recommendations from certain evaluations which were felt to be pitched at an impractical level of ambition. Some evaluations and the resulting recommendations were believed to reflect preconceived views on the part of the evaluators. Conversely, in the case of at least one evaluation, the recommendations were poorly pitched as Management was already engaged in the actions called for by the recommendations. Closer consultation around evaluations might help in drafting constructive recommendations which, on the one hand, avoid recommending actions which are already under way and, on the other, avoid proposing actions which are unlikely to be accepted or implemented.

### **From lessons to learning**

Across the MDBs, evaluation is intended to contribute to organizational learning and institutional accountability. EBRD is no exception, and the policy requires that 'relevant evaluation findings and lessons are adequately reflected in matters placed before the Board' and that 'lessons and findings from evaluations will be demonstrably taken into account by Management in the design and approval process for new operations, programmes, policies, strategies and processes' (paras. 14, 25).

**However, at EBRD, as in other MDBs, the uptake and application of lessons drawn from evaluation is weak.** Across the MDBs, it is generally observed that the contribution of evaluation to organizational learning and institutional improvement frequently falls short of expectations<sup>57</sup>. ‘Lessons learned’ from evaluation are often not absorbed or acted upon, with the result that the same ‘lessons’ frequently recur<sup>58</sup>. Even where action is taken, an organization can quickly slip back into old ways of doing things unless underlying organizational drivers, incentives, structures and systems are addressed<sup>59</sup>.

Part of the problem is the very general and longstanding tendency to view learning from evaluation in terms of the linear and mechanistic generation and application of ‘lessons’, where lessons are perceived as nuggets of knowledge to be applied where relevant and useful. For example, EBRD - like other organizations - used to include a mandatory section on ‘lessons learned’ in new project submissions. However, this ‘tick box’ requirement was seen to add little value and has been dropped; reportedly, the practice has now largely disappeared<sup>60</sup>. This is unfortunate, as the requirement has not been replaced by a more effective means of learning from experience.

**Use of repositories of evaluation lessons in EBRD and other MDBs is low.** In many organizations, evaluation lessons have been collected and stored in databases, reflecting the ‘knowledge nugget’ approach. EBRD has had a repository of evaluation lessons for many years. Several years ago, this was overhauled and developed into a Lessons Investigation Application, a searchable catalogue of evaluation lessons. The expectation is that users will more easily find lessons extracted from previous operations to be recycled for use in preparing new investments. The search facility allows for purposeful engagement with the material. However, use of the database is extremely low: the application has recorded an average of only 13 visits a month over the past year - see Box 3.5 below.

Low usage can be attributed to the ‘knowledge nugget’ approach. While evaluation lessons are supposed to be generalisations capable of wide application, it can be difficult to transfer lessons from one context to another without losing relevance and significance. Further, as one senior manager commented, the lessons tend to be ‘granular’ and focused on activities rather than pitched at a more strategic level. However, these ‘supply side’ factors need to be understood in the wider context of organizational learning.

**Nevertheless, EBRD experience shows that evaluation evidence and insights can contribute meaningfully to organizational learning when adequately integrated into the relevant institutional processes.** EvD has, in recent years, conducted sector strategy evaluations in advance of the preparation of new sector strategies. Integrated within relevant institutional processes and

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<sup>57</sup> See, for example, *External Review of the Independent Evaluation Group of the World Bank Group*, which finds similar issues. Footnote 4, pp. 29–36. See also *2017 Annual Evaluation Review - Learning from the Lessons of Project Evaluations*. ADB, 2017

<sup>58</sup> The OECD DAC evaluation glossary defines ‘lessons learned’ as follows: ‘Generalizations based on evaluation experiences with projects, programs, or policies that abstract from the specific circumstances to broader situations. Frequently, lessons highlight strengths or weaknesses in preparation, design, and implementation that affect performance, outcome, and impact’.

<sup>59</sup> A good example is practice in relation to gender equality, where efforts to reform can quickly ‘evaporate’: see AfDB review of experience with gender equality initiatives: *Road to nowhere?* Operations Evaluation Office, AfDB. 2011.

<sup>60</sup> EvD Self-Evaluation: p15.

addressing ongoing institutional interests and concerns, these evaluations have engaged the attention of Management and the Board and contributed to shaping policy and action.<sup>61</sup>

In recent years, EvD has produced a significant body of work on the use of results framework to improve operational design and delivery including improved performance monitoring and results reporting; the use of country level strategic priorities to drive operational choices; and greater emphasis on the design, delivery and management of policy dialogue<sup>62</sup>. All of these are areas to which the Bank has recently given close attention. EvD believes there has been meaningful uptake of evaluation lessons and recommendations on these issues.

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**Box 3.5:           *The EBRD Lessons Investigation Application***

The Lessons Investigation Application (LIA) is available to all staff on the Bank's intranet. It is a searchable database of lessons drawn from across the Bank and currently contains over 1,700 lessons. These are mostly project-level lessons, harvested mainly from OPAs (i.e. self-evaluations). The lessons are tagged with project data allowing search by country, region, sector and product type, as well as by EvD report name, number and type. The LIA was set up in 2013-14. It replaced an older system containing more than 3,000 lessons collected over the previous twenty years. These were reviewed for usefulness and around 400 lessons were retained in the new application to which further lessons have been added over the past five years.

In the past 12 months, LIA received over 160 visits of which a high proportion were from country offices. This level of use seems very low, averaging only around 13 visits a month. One reason for limited use of the database may be that the lessons draw on project level experience and are, as one senior manager put it, 'granular' rather than strategic. The effort to refresh and update the database represents good practice. Other MDBs have similar databases and the need for regular refreshment and management is evident.<sup>63</sup>

EBRD's LIA application is akin to the database of evaluation lessons at ADB, the Evaluation Information System (EVIS). With more than 2,100 lessons drawn from all types of IED reports, this system is searchable by various categories such as country, sector, and report type. Reportedly, however, few staff are familiar with the system and usage is low. Data from the Independent Evaluation Department indicate that there were 172 unique visitors per month to this database in a 22-month period from January 2016. The recent ADB review concluded that 'By any standard, this is a low level of use' and called for 'a continual process of renewal of lessons databases'.

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**These experiences indicate that, when aligned with the institution's organizational arrangements, processes, and incentives, independent evaluation at EBRD can make an effective and useful contribution.** Uptake and use of evaluation evidence have been supported by a package of interventions geared to the needs of the organization: the improved relevance and format of

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<sup>61</sup> Conversely, one manager interviewed for this review commented that his team were not happy with the lessons provided by EvD from a sector strategy evaluation but were prompted to collate their own set of lessons learned: which, perhaps perversely, indicates the bracing effect of evaluation!

<sup>62</sup> See *EvD work programme 2018-19 & budget 2018*, December 2017: para. 2.2.

<sup>63</sup> IFC has a database programmed to give prominence to the most frequently used lessons. At ADB, the Evaluation Information System (EVIS) contains more than 2,100 lessons but few staff are familiar with it and usage is low (ADB review p 15).

products; improved communications, including personal interactions; targeting of business processes and strategic discussions; and behind this, supportive oversight from the Board.

**Incentives for Management to engage with evaluation have also been enhanced:** first, through clarification of Management roles in the evaluation policy and the Board's sustained articulation of support for the function. Changes in process have also been important, for example re-assigning responsibility to Management for reporting to the Board on action taken to address evaluation recommendations. The increased institutional focus on results and adoption of results frameworks may have increased Management attention to the relevant evidence. Integration of the self-evaluation system with EBRD's results management systems should further enhance the production, use and influence of evaluation evidence.

**Much more work is needed to more fully realise the potential contribution of evaluation to the achievement of EBRD's goals, including attendance by EvD in senior staff committees.** While the timely delivery of relevant, high quality independent evaluations and communication products is central, this needs to be supported by sustained engagement by EvD with Management and operations staff on key systems and processes. In this regard, arrangements should be made for regular EvD attendance as an observer in senior level committees including the Management Committee and the Strategy and Policy Committee. This will allow EvD to contribute evaluation insights regarding 'issues of the day' and to acquire a deeper understanding of current Management thinking in key areas. This need not compromise EvD's independence if it is understood that EvD is attending as an observer. The role is to provide advice on relevant issues based on evaluation experience and outline options on evaluation matters. This kind of arrangement is common practice in other MDBs.

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**Box 3.6:      *Learning and Results in World Bank Operations: How the Bank Learns*<sup>64</sup>**

*There is a case for the World Bank to pay more attention to how knowledge flow and learning is mediated through interpersonal exchanges, understanding how team dynamics and connection to social networks shapes the potential for learning and knowledge sharing.*

*There is a need for smarter approaches to rewarding learning...*

*Learning and knowledge sharing is only likely to flourish if there is senior management commitment, leadership, signalling, and role modelling.*

*The Independent Evaluation Group (IEG) has a shared responsibility for promoting learning.*

*...The Bank staff perceives the lack of institutional incentives as one of the biggest obstacles to learning and knowledge sharing in the Bank...Fast and forceful action by senior Bank management in giving clear, concrete, and consistent signals on the importance of learning and knowledge sharing, including through the questions it continually asks and the behaviours it models, can bring rich pay-offs.*

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<sup>64</sup> *Learning and Results in World Bank Operations: How the Bank Learns*. IEG, World Bank Group 2014.

**International experience confirms that evaluation contributes to organisational learning when the organisation is ready to learn.** Major evaluations of organizational learning at the World Bank, DFID and the ADB review all emphasise the importance of appropriate and supportive organizational incentives, systems and processes. The evaluation of ‘how the Bank learns’ set out to assess how well the World Bank has generated, accessed, and used learning and knowledge in its lending operations<sup>65</sup>. It found significant opportunities for improvement, with 70% of staff agreeing with the statement that ‘lending pressure crowds out learning’ (p 18). Drawing both on the relevant literature and the Bank’s own experience, the evaluation concluded that much could be done to improve learning at the Bank by creating an enabling environment with supportive incentives, systems and leadership, and recognizing that much learning is through interpersonal exchanges and informal networks rather than through study of documents by individuals. Box 3.6 below presents some key conclusions from the evaluation, which are of immediate relevance to EBRD.

Building on these evaluations, EvD should undertake a thematic evaluation of organizational learning at EBRD to assess how well the institution has generated, accessed, and used learning and knowledge in its operations, including its policy dialogue and technical assistance. A useful first step would be to compile evidence already available from other institutions on organizational learning in relation to operational improvement.

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**Box: 3.7      Enabling organizational learning**

Evaluation contributes to organisational learning when the organisation is ready to learn. Evaluation is intended to contribute to organizational learning but, as the case of the EBRD’s Lessons Investigation Application illustrates, there needs to be an effective demand for evaluation evidence.

Peter Senge has written extensively on organisational learning and maintains that it is only successful when based on an understanding of how the whole organisational system is connected<sup>66</sup>. A major evaluation of organizational learning at the World Bank was based on the axiom that ‘the knowledge and learning nexus in any institution is fostered or impeded by an institution’s organizational arrangements, processes, and incentives’ (p2)<sup>67</sup>. An evaluation of ‘how DFID learns’ took a similar approach, recognizing that success requires engagement across the whole organization.<sup>68</sup>

As a recent World Bank publication setting out ‘Principles for Enhancing Evaluation Use’ states:

*building an evaluation culture is not only about strengthening the supply side (that is, the quality and focus of evaluations) but also about strengthening the demand side—for example, by building a common understanding of the role of evaluative evidence in learning and accountability...It is important to ensure that resources, processes, expertise, and incentives are in place for feedback loops to work optimally and to contribute to the overall performance and effectiveness of the organization.*<sup>69</sup>

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<sup>65</sup> *Learning and Results in World Bank Operations: How the Bank Learns* IEG, World Bank Group, 2014

<sup>66</sup> Senge, Peter (1990) *The Fifth Discipline: The Art and Practice of the Learning Organisation*. New York: Doubleday/Currency

<sup>67</sup> *Learning and Results in World Bank Operations: How the Bank Learns*. IEG, World Bank Group. July 2014.

<sup>68</sup> *How DFID Learns*. Independent Commission for Aid Impact (ICAI), 2014.

<sup>69</sup> *World Bank Group Evaluation Principles*. World Bank, April 2019.

**Organizational learning at EBRD is constrained by the current institutional environment. Stronger institutional incentives are needed to enhance the enabling environment for evaluation.** Stronger links between the results management architecture, research, knowledge management and evaluation would allow EBRD to make much greater use of monitoring and evaluation and other sources of knowledge relevant to the design and implementation of EBRD interventions. As the World Bank evaluation on learning found, organizational learning requires an enabling environment characterised by supportive incentives, systems and interaction. At EBRD, the establishment of a credible results agenda under the Country Strategies and Results Management (CSRM) office has been an important first step. Better results management would facilitate evaluation activities at every stage and provides a supportive environment for the uptake and use of evaluation findings and lessons. However, as recent evaluations have shown, there remain significant shortcomings and gaps in systems for effective monitoring and results management at EBRD. This in turn constrains evaluation processes and use.

**Knowledge management is of critical importance for effective organizational learning, including learning from evaluation.** Effective knowledge management requires systematic literature reviews to benefit from outside knowledge, strong interpersonal networks and interactions supported by effective information technology systems for storing and sharing data, information and knowledge products. Interviews with the managers most closely involved suggest that these systems and capacities are not well developed or adequately resourced at EBRD. This reduces organizational connectivity and constricts the channels available for sharing and using evaluation evidence.<sup>70</sup>

Evaluation is a key means of generating knowledge relevant to operations in context. Such knowledge falls on stony ground if channels for storing, sharing and storing knowledge are weak, ineffective or absent altogether. The Bank has launched several initiatives to build the IT infrastructure and to build interpersonal knowledge sharing networks and pathways. Evaluation could contribute to - and benefit from - such initiatives. But organizational learning requires, above all, strong institutional incentives with clear, consistent signals from senior management on the importance of evaluation, learning and knowledge sharing.

## Recommendations

- **EvD: Undertake a thematic evaluation of organizational learning at EBRD**, for consideration by Management and the Board, to assess how well the institution has generated, accessed, and used learning and knowledge in its operations, including its policy dialogue and technical assistance. As a first step, compile evidence already available from other institutions on organizational learning in relation to operational improvement.
- **Management and EvD: Formalise arrangements for regular EvD participation in senior level committees** including the Management Committee and the Strategy and Policy Committee.

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<sup>70</sup> EBRD's Economic, Policy and Governance team initiated a knowledge management initiative in 2016. Key achievements to date include a) the establishment of five communities of practice and production of associated knowledge products; b) establishment of an EBRD Policy Academy, with 10 modules rolled out to date; and c) collaboration with the World Bank on the development of knowledge packages and machine learning. Work is under way to expand these activities. Management recognises the need to further develop a Bank-wide knowledge management system linking knowledge generation activities with the Bank's information management and data management systems, supported by appropriate arrangements for human resource development and human resource management.

- **Management: Put in place stronger institutional incentives to enhance the enabling environment for evaluation.** This requires clear, sustained, consistent signals from senior management on the importance of evaluation, organizational learning and knowledge sharing.
- **Audit Committee: Recommend to the Board of Directors a significant increase in budget resources for evaluation,** based on medium-term plans for independent evaluation (EvD) and self-evaluation (Management).
- **Audit Committee: Request the Chief Internal Auditor to review performance around preparation and implementation of Management responses to evaluation recommendations.** Management responses are reportedly not always comprehensive and, while follow up action is reported to the Board, implementation is unvalidated. Given the risks of significant compliance failures, this requires the attention of internal auditors.



## 4. Self-evaluation at EBRD

### Key Findings

- The self-evaluation system at EBRD is extensive and, appropriately, it involves significant time and attention from operational staff and senior management. Among senior managers, this is widely perceived as an overhead rather than an essential feature of organizational learning and accountability.
- While many in Management appreciate the rationale for evaluation, some senior managers confuse monitoring and evaluation and evince scepticism about the benefits of the self-evaluation process ('too much, too late and too little learning').
- Although EBRD's Evaluation Policy assigns responsibility for ensuring the operation of 'an effective self-evaluation system' to Management, in practice it is EvD which runs the system and reports results. At present, Management does not 'own' the system.
- In the past, a key purpose for the self-evaluation system was to provide comprehensive, independently validated reporting on institutional performance. Following the changes in EBRD's results reporting system, this is no longer undertaken, thereby exposing the institution to reputational and operational risks.
- Given major changes in EBRD's results architecture, the self-evaluation system needs repositioning, reform and improvement. Success will depend on Management taking ownership of self-evaluation processes and integrating self-evaluation into its evolving results measurement systems. The required adjustments should distinguish between mandatory self-evaluation and demand-driven evaluation.

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EBRD's evaluation policy rightly sees independent evaluation and self-evaluation as 'complementary and mutually reinforcing'. Self-evaluation is an integral component of the evaluation function with the potential to contribute efficiently and effectively to organizational learning, institutional accountability and performance improvement. The policy also assigns to Management the responsibility for maintaining an effective system of self-evaluation. However, as this chapter will show, the system is currently in disrepair and requires major reform and reorganization.

### Goals, roles and compliance

**The self-evaluation system at EBRD is extensive and, appropriately, it involves significant time and attention from a wide range of staff across the Bank in operations and senior management. EvD has played a prominent role in designing and operating the system.** In 2018, 119 projects were self-evaluated and aggregate results were reported by EvD in the 2019 Annual Evaluation Review. The results reported in the AER overview offer a snapshot of the Bank's performance (although this information is far from exhaustive or definitive). 126 lessons drawn from the OPAs were fed into the Lessons Investigation Application database. This chapter is concerned with the performance of the system, how far it complies with the Evaluation Policy and how the quality, relevance, credibility, utility and actual use of the system might be strengthened.



**The EBRD Evaluation Policy covers requirements not only for evaluation activities conducted independently by EvD but also for a system of self-evaluation undertaken by operations teams with support from EvD.** Self-evaluation contributes to the overall evaluation aims of supporting institutional accountability and organizational learning. However, as the evaluation policy states, ‘self-assessment alone cannot provide a credible evaluation of performance’ and must be ‘reinforced by independent evaluation work, regular training, and rigorous validation and quality assurance’ (para. 9). According to the policy, it is the responsibility of Management to ensure ‘an effective system of self-evaluation and [to report] periodically to the Board on its scope and operations’ (para 14). The policy also requires that, ‘For accountability purposes, all operations are self-evaluated when deemed ready’ (p16). The EBRD system mirrors self-evaluation systems in other MDBs.

**EBRD has a long-established self-evaluation system supported by detailed guidance and reporting templates.** The EBRD Operations Manual includes a section on evaluation which includes detailed guidance on the current evaluation process for self-evaluations.<sup>71</sup> These are known as Operation Performance Assessments (OPAs), in principle required for all operations. However, in practice, there are challenging definitional problems, given that some of the new commitments reported by EBRD are in fact restructured operations or incremental commitments under existing operations.

More significant issues arise from the increasing use by the Bank of operational frameworks under which ‘sub-operations’ are nested. Reportedly, by 2018, such sub-operations had increased to the point where they made up nearly 70% of operations by number and over 30% by volume. It appears that the system may not be picking up all the sub-operations, many of which are quite small. Attention to these issues is required if the policy requirement of evaluating all operations is to be sustained.

OPA preparation makes use of standard templates. The ‘Short-Form OPA’ template was introduced in 2008 as a less resource-intensive version of the existing ‘Long-Form OPA’ format. Part of the rationale for this revision was the increasing number of operations managed by the Bank, which has created pressures for streamlining activities. The Short-Form template is now used for all OPAs except for those operations for which EvD plans to undertake a full operation evaluation or a validation. For these cases, the Long-Form template continues to be used.

**Until 2016, prior to changes in EBRD’s results reporting, a key purpose for the self-evaluation system was to provide comprehensive, independently validated reporting on institutional performance.** The 2016 AER provides the final report in a time series running from the 1992-1994 triennium until the 2011-2013 period. This relied on ratings drawn from a statistically valid random sample of independently validated OPAs, comparable from one year to the next. This also allowed assessment of the discrepancy in ratings between OPA ratings and the validated ratings produced by EvD.

However, in 2016, changes in EBRD’s results measurement systems, including the introduction of the transition qualities described previously, meant that it was no longer possible to conduct the same analyses and reporting as before and curtailed the time-series performance reports. These changes include amendments made by EvD to the ratings system in the self-evaluation template; changes in EBRD’s results measurement systems, including the introduction of the transition qualities described previously; and, EvD’s decision to reduce its production of OPA validations. Box 4.1 below provides further details.

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<sup>71</sup> Revised version dated 25 January 2019.

**The loss of the capacity to undertake independent institutional performance reporting is a major shortcoming, with implications for effective strategic management, accountability and oversight.** These changes open up important questions regarding the purpose, design and ultimately the worth of EBRD's self-evaluation evaluation system – especially since it seems only limited use was made of this analysis over the years.<sup>72</sup> **Yet the absence of an effective system of self-evaluation, supported by independent validation, puts the credibility of performance management and results reporting at EBRD into question and thereby exposes the organization to reputational and operational risks.**

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**Box 4.1:**            *Independent reporting on institutional performance*

Until 2016, EvD would select a random sample of OPAs for independent validation as a basis for reporting institutional performance. In 2016, 47 validated assessments were conducted from a population of 177 OPAs. The coverage ratio for the period 2014-2016 was 42%.<sup>73</sup>

The 2016 Annual Evaluation Review includes a report on the aggregate performance for the period 2011-2013, including breakdown by sector and region and reporting on the Bank's operating principles of additionality, sound banking and transition impact. This was the last comprehensive report of this kind as EBRD's results measurement system changed and it became impossible for EvD to continue the series using the same criteria.

The 2016 AER also reported on the evolution over time of the evaluation ratings gap (or 'disconnect ratio') between independently validated ratings from EvD reports and ratings from the (unvalidated) OPAs in the relevant cohort. Again, the changes in EBRD's results measurement system curtailed the time-series.

EvD has continued to provide an independent assessment of project performance based on a much smaller sample: the 2018 Annual Evaluation Report provided an assessment of project performance based on 19 OPA validations. These were not randomly selected and do not provide a representation of institutional performance – calling the purpose of the assessment into question. A comparison is made of Management's OPA performance ratings with EvD's validated ratings, which unsurprisingly shows management ratings to be higher than EvD's validated ratings. However, given the small size and non-random character of the sample, the discrepancy does not provide a guide to the reliability of ratings in the wider portfolio of OPAs. While the OPA validations may provide some insights into performance issues, it is clear that the present arrangements do not provide a basis for credible independent reporting on EBRD's institutional performance overall.

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<sup>72</sup> The Management comments on the 2016 AER simply concurs that the independent performance report was 'in line with [the Bank's] own analysis showing a clear positive trend in both financial performance and delivery of transition impact'.

<sup>73</sup> The 2016 AER is careful to note that this falls short of ECG good practice for private sector operations, which requires a random, representative sample of sufficient size to establish, for a combined three-year rolling sample, performance rates at the 95 per cent confidence level, with sampling error not exceeding plus or minus 5 percentage points, for key performance indicators. At a confidence level of 95 per cent, the standard error of the 2016 sample was 5.6 per cent, slightly outside the limit set by the Evaluation Cooperation Group. EvD notes that the rapid expansion of number of operations led to a lag in completion of validations, hence the shortfall.

**An effective self-evaluation system should be able to support effective performance management including results reporting for enhanced accountability and organizational learning.** Braced by independent validation, it should provide reliable evidence to inform decision-making about projects, portfolios, policies, and strategies; it should provide a basis for credible reporting on project and portfolio results, supporting internal and external accountability; and it should generate operational learning contributing to enhanced operational quality, performance and results.

In this light, early steps need to be taken to develop options for an appropriate and effective self-evaluation system, drawing on the experience of other MDBs and development agencies and restoring a capacity to track aggregate corporate results. Considerations of coverage and sampling methodology will be important.<sup>74</sup> Evaluation criteria will need to be revised to fit with the framework of transition qualities underpinning EBRD's results architecture.

**Additional staff and resources will be needed for Management to produce a statistically valid self-evaluation sample for private sector operations and a comprehensive self-evaluation coverage for public-sector evaluations and for EvD to produce an enlarged stream of independent project-level evaluations geared to self-evaluation quality assurance and solid grounding for higher-plane policy evaluations.** If increased production of independent project level evaluations is to be achieved without reducing the number of higher-level evaluations, EvD will require additional resources. Recognizing the continued importance of project-level evaluation work, this evaluation recommends an enhanced level of staffing and financial resources within management for self-evaluation and within EvD to produce an adequate coverage of independent project-level evaluations.

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#### **Box 4.2: Mandatory self-evaluation and demand-led self-evaluation**

The recently published *World Bank Group Evaluation Principles* draws a useful distinction between mandatory self-evaluation and demand-driven self-evaluation, as follows:

- **Mandatory self-evaluation.** *At the core of the evaluation system across the World Bank Group are mandatory self-evaluations of specific lending operations, investments, guarantees, country programs, and advisory services. These evaluations are prepared by the responsible operational units and are embedded in the project and program cycles. They are neither structurally nor functionally independent, but the principle of behavioural independence applies. Behavioral independence is further strengthened by IEG's review and validation (sometimes on a sample basis). Mandatory self-evaluations complement the implementation and monitoring arrangements that are embedded in each institution's project and portfolio management processes... Aggregate analyses of (validated) self-evaluation reports enable cross-sectoral and cross-regional comparisons of performance as well as reporting at the corporate levels and to the Boards.*
- **Demand-driven self-evaluation.** *A variety of evaluation activities are undertaken in response to specific donor, client, or internal demands, or as an element of operational or research work—for example, retrospective studies of various products and instruments, trust fund evaluations, and impact evaluations to assess the impact of activities and interventions. Demand-driven self-evaluations are structurally embedded in managerial processes... The principle of behavioural independence applies.*

This distinction will be helpful in reconfiguring self-evaluation processes in EBRD.

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<sup>74</sup> ECG good practice standards exist for coverage and sampling methodology. See ECG Big Book, p. 23.

**Although EBRD's Evaluation Policy assigns responsibility for ensuring the operation of 'an effective self-evaluation system' to Management, in practice it is EvD which runs the system and reports results.** Although the evaluation policy assigns the role of ensuring that there is 'an effective system of self-evaluation' to Management, in practice a major role is played by EvD. The templates currently in use were designed by EvD. It is EvD which initiates preparation of a list of projects for evaluation, drawn up in consultation with the relevant counterparts in Management; it is EvD which sends a note to each 'portfolio team'<sup>75</sup> expected to provide an OPA, and assigns an EvD Evaluation Manager to monitor and support implementation; and it is with EvD that the portfolio team negotiates any extension of the implementation period. EvD provides guidance material and training and chases progress in completing the OPA. EvD subsequently reviews the completed OPA reports to check quality and completeness and assess the realism of the OPA performance ratings; and files the completed OPA report following sign off by the Management Counterpart.

In practice, therefore, the OPA system is managed by EvD. While the respective portfolio teams are responsible for preparing the OPA report, in consultation with other departments as necessary, it is EvD which administers and supports the process across the Bank. Operations staff generally comply with OPA requirements although the work is reportedly seen as a low priority chore. Management accepts that the system requires input but cannot be said to ensure that arrangements for self-evaluation operate effectively as a system, as required by the evaluation policy.

**Distribution of completed OPA reports within Management is the responsibility of the Management Counterpart and the relevant Directors.** Reportedly, little effort is made to share OPA reports across the organization. OPAs are not usually shared outside the Bank. This is in part grounded in privacy and commercial confidentiality concerns, but it may also reflect a reluctance to incur reputational risks given the mixed quality of the documents and a belief that they do not convey much of value.

One manager with knowledge of the process stated that operations staff prefer sharing face to face through interpersonal exchanges rather than through more formal mechanisms. As a result, individual OPA reports contribute little to learning, accountability or performance improvement objectives within EBRD.

As described in the box above, EvD aggregates OPA findings and provides an overview in the Annual Evaluation Review presented to the Board and published. Again, this is contrary to the policy requirement that Management report periodically to the Board on the 'scope and operations' of the self-evaluation system. EvD also feeds selected lessons drawn from OPA reports into the Lessons Investigation Application database.

**EvD undertakes independent validation assessments of selected OPAs, drawing as appropriate on supplementary information. These assessments yield Operation Performance Assessment Validation (OPAV) reports.** While these are conscientiously undertaken, the heavy involvement of EvD in managing the self-evaluation system puts the independence of these validations into question: EvD is currently validating products which it has had a hand in producing, when it should have an entirely detached role. This raises questions about EvD's behavioural independence and conflicts of interest.

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<sup>75</sup> Operation Leader and assigned Management Counterpart

**EvD also produces independent Operations Evaluations (OEs) which draw on OPAs.** As noted above, OPA findings are also aggregated and reported in EvD's Annual Evaluation Review (AER). These reports have wider circulation, including distribution to the Board. While it is appropriate for EvD to use OPAs in these ways, it creates the impression that the self-evaluation system serves EvD's purposes rather than those of Management; and doubtless reinforces the perception that the self-evaluation system is not a Management priority.

### **Management perceptions of the self-evaluation system**

**Senior managers appreciate the rationale for evaluation but express doubts about the self-evaluation process and benefits.** Several members of senior management interviewed for this evaluation commented adversely on the self-evaluation system, expressing doubts about the process and its value: 'Too much, too late, too little learning'.

**The views of those in Management who responded to questions concerning self-evaluation in the online survey were mixed but overall tended to be negative.**<sup>76</sup> On the positive side, slightly over half of those responding 'agreed' or 'somewhat agreed' with the proposition that self-evaluation represents a good investment for EBRD<sup>77</sup>; and a similar number agreed or somewhat agreed that 'self-evaluation is an important operational priority'.<sup>78</sup> Only a few disagreed with these statements.

However, relatively few respondents identified any benefit from self-evaluations. Less than a quarter of respondents replied positively ('agree' or 'somewhat agree') to the proposition that 'self-evaluation reports provide useful perspectives that I would not otherwise have had'; while a similar number responded negatively to the proposition.<sup>79</sup>

Only two individuals agreed with the proposition that 'self-evaluation findings and lessons are effectively shared and used'. In total, less than 20% of respondents agreed or somewhat agreed with this proposition while nearly 40% disagreed or somewhat disagreed.<sup>80</sup> Limited use of self-evaluation evidence is also indicated by responses to the statement: 'I have discussed self-evaluation findings or lessons with colleagues or management during the past 90 days'. Nearly half of all respondents reported negatively on the statement.<sup>81</sup>

Perhaps the most telling responses concerned the lack of appetite for any elaboration of the self-evaluation process. The proposition that a more extensive self-evaluation process would improve learning and feedback met with a largely negative response: only two individuals agreed, while over half of those responding disagreed or somewhat disagreed.<sup>82</sup> Similarly, no one supported the

<sup>76</sup> It may be significant that on most questions concerning self-evaluation, 20-30% of those who responded were 'don't knows': perhaps an indication of the limited contact with the system among senior managers. Of 110 persons invited to take the survey, 37 responded. This rather low response rate means the results need to be interpreted with some caution although those who responded represent senior managers in a variety of positions and locations (14% in a location other than London).

<sup>77</sup> 'Self-evaluation represents a good investment for EBRD': agree: 19%; somewhat agree: 32%

<sup>78</sup> 'Self-evaluation is an important operational priority': agree: 32%; somewhat agree: 27%.

<sup>79</sup> 'Self-evaluation reports provide useful perspectives that I would not otherwise have had': agree: 5%; somewhat agree: 19%; disagree: 8%; somewhat disagree: 22%.

<sup>80</sup> 'Self-evaluation findings and lessons are effectively shared and used': agreed: 5%; somewhat agreed 14%; don't know: 30%.

<sup>81</sup> 'I have discussed self-evaluation findings or lessons with colleagues or management during the past 90 days': disagree: 38%; somewhat disagree: 5%.

<sup>82</sup> 'A more extensive self-evaluation process would improve learning and feedback': disagree: 43%; somewhat disagree: 11%.

proposition that increased participation of national partners and stakeholders would improve learning and feedback, while over half of respondents disagreed or somewhat disagreed.<sup>83</sup>

Given the relatively small size of the response, the survey data is hardly definitive, but it matches the overall tone and message communicated by interviewees. While the general principle of evaluation is respected, the self-evaluation process is found to be time-consuming and of limited relevance to business needs. One respondent put it succinctly: ‘Too much, too late, too little learning’: too much writing, much of it done without much thought; too late in the life of the project to make any difference to that transaction; and too little learning, since those preparing the OPA are often junior staff with limited understanding of or involvement in the original design and implementation of the project.

Several further observations can be made. **With over 100 OPAs undertaken each year, the self-evaluation system absorbs a great deal of staff time**, both from the operations side in preparing OPAs and from EvD in providing support and quality review. **Yet the benefit to EBRD from the OPAs is currently limited, whether in terms of learning, accountability or performance improvement.**

**Although the numbers of completed OPAs is increasing, the use of OPA findings and lessons in independent evaluations has declined.** As in other MDBs, the self-evaluation system at EBRD, complemented by independent validation and additional evaluation effort, was originally intended to provide an organization-wide basis for learning and accountability through evaluation. This was particularly important at a time when EvD was producing large numbers of independent operations evaluations, drawing heavily on completed OPAs. However, as previously noted, EvD’s evaluation portfolio has evolved in recent years. While a few OPAVs and operations evaluations are still produced each year, the portfolio is now predominantly composed of special studies. While the methodology of each special study is different, those reviewed for this exercise appear to make only limited use of OPA evidence.

## Emerging needs and strategic challenges

**Given major changes in EBRD’s results architecture, the self-evaluation system needs repositioning, reform and improvement.** Management at EBRD recognises the role of independent evaluation and the potential of self-evaluation for supporting organizational learning, institutional accountability and performance improvement. Independent evaluation has been successfully repositioned to generate higher level policy assessments and it is now perceived to produce relevant, credible and useful evaluation findings, lessons and recommendations.

Self-evaluation, in contrast, is not seen to produce credible, timely and useful information, despite efforts to comply with requirements. Faced with a growing portfolio, EBRD recognizes the need to reform the system to provide reliable, early feedback on performance and results. Methodological deficiencies include inadequate coverage, weak performance metrics and lack of differentiation between public sector and private sector operations.

In considering how it might reconfigure its self-evaluation system, EBRD could learn from experience in other institutions. At the World Bank Group, self-evaluation systems initially set up four decades ago have expanded over time, providing comprehensive performance information to Management, the Board and external stakeholders. Despite good compliance, the systems have been felt to be falling short of their potential to generate learning and improve performance. To probe the

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<sup>83</sup> ‘Increased participation of national partners and stakeholders would improve learning and feedback’: disagree: 46%; somewhat disagree: 8%; agree: 0%; somewhat agree: 11%.



effectiveness of the self-evaluation system, a major evaluation – known as the ROSES<sup>84</sup> evaluation – was undertaken by the Bank’s Independent Evaluation Group (IEG). Further information on the evaluation appears in Box 4.3 below.

Although EBRD is a much smaller institution, and its system for self-evaluation is in disrepair, EBRD can draw valuable insights from the comparable information, issues and ideas on approach and substance discussed in the ROSES evaluation.<sup>85</sup> EvD is currently examining specific features of EBRD’s self-evaluation system, particularly the self-evaluation template and overall process, in order to identify opportunities for improvement.<sup>86</sup> This work will lead to a paper which should contribute to consideration of issues and options.

The issues for consideration include how best to align the self-evaluation system with the new results architecture, including matching of evaluation criteria with transition qualities and the associated performance measurement systems; how to restore a capacity to track aggregate outcomes at the corporate level in a valid way, taking full account of the transition impact dimension; and whether to explore radical alternatives to the current and previous arrangements to meet EBRD’s specific needs.

**A key message from the ROSES evaluation is that incentives, norms, values and organizational culture are of critical importance.** To reform the self-evaluation system, revising ‘templates and processes’ may be necessary – as it patently is in the EBRD case – but it will not be sufficient. It will also require significant organizational change; fresh incentives; committed leadership; and organization-wide pursuit of a vision which recognizes the transformative potential of high-quality performance information when applied in a receptive organizational environment. Lessons regarding organizational learning and improvement, outlined in the previous chapter, also apply here.

**At present, Management does not ‘own’ the system. Success will depend on Management integrating self-evaluation into its evolving results architecture.** The preceding discussion noted that Management is not meeting the policy requirement of ensuring the effective functioning of a system for self-evaluation. This is more than a compliance issue. It seems clear that the system depends heavily on EvD and is indeed seen as serving EvD’s purposes rather than addressing the concerns of Management. In short, Management does not ‘own’ the system. However, with the recent strengthening of EBRD’s results measurement systems and associated shifts in performance expectations, systems and incentives, the moment is right to significantly rethink self-evaluation arrangements at EBRD and to fully integrate self-evaluation into the evolving results architecture.

**Many responsibilities for self-evaluation need to be transferred from EvD to Management.**

**Overall, the system needs to be redesigned and rebuilt.** Integrating self-evaluation into the EBRD results architecture will require Management to take responsibility for system supervision and reporting roles currently performed by EvD, with suitable checks and balances to be established within Management to ensure professional and credible processes and reporting. A small task force bringing together staff from EvD, CSR, EPG and Banking could redesign the system, taking account of proposals from EvD, and integrate it into the existing and emerging information, monitoring and reporting systems within the results architecture. The potential benefits include more streamlined

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<sup>84</sup> ROSES: Report on the Self-Evaluation Systems of the World Bank Group

<sup>85</sup> IEG recently retained an outside consultant to review the quality and utility of completion reporting as inputs for IEG’s higher plane evaluations. The results should also be relevant to EBRD.

<sup>86</sup> EvD’s 2019 Work Programme included an evaluation of the self-evaluation system. However, in view of the identification and substantial treatment of the main issues in this paper, EvD indicated that it intends instead to produce a more focused analysis providing guidance on options for improvement.

and efficient systems with enhanced operations staff awareness and engagement, yielding more timely information for management. This would support ‘adaptive management’ in real time, contributing to improved performance outcomes.

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**Box 4.3: Behind the Mirror: A Report on the Self-Evaluation Systems of the World Bank Group (2016)**

A major evaluation of the self-evaluation systems of the World Bank Group was undertaken by the Bank’s Independent Evaluation Group (IEG) and published in 2016. It contains analysis, findings and lessons directly applicable to the self-evaluation system at EBRD. The World Bank Group’s self-evaluation systems have evolved since their origins four decades ago. Although compliance with requirements is mostly strong, the evaluation identified several shortcomings and pressing needs for reform.

*The self-evaluation systems primarily focus on results reporting and accountability needs and do not provide the information necessary to help the World Bank Group transform [itself] or develop learning to enhance performance. Information generated through the systems is not regularly mined for knowledge and learning except by IEG, and its use for project and portfolio performance management can be improved. The systems produce corporate results measures but need to produce value to staff and line management and to the primary beneficiaries of the [Bank] — client governments, implementing agencies, firms, and beneficiaries and citizens. (p x)*

*These systems should be able to support:*

- *Performance management via data for evidence-based decision-making about projects, portfolios, policies, and strategies*
- *Reporting on project and portfolio results to support internal and external accountability*
- *Learning that leads to enhanced operational quality*  
(p ix)

The evaluation usefully identifies three levels of analysis:

- a) *templates, guidelines, and information technology;*
- b) *business processes, data streams, reporting lines, and roles and responsibilities; and*
- c) *behaviours influenced by motivations that are both extrinsic (incentives) and intrinsic (norms and values) as well as organizational culture.*

The report concludes:

*The main reasons for the observed shortcomings lie in incentives and behaviours rather than templates and processes... Most staff do not view the self-evaluation systems as a source of timely, credible, and comprehensive information. Staff engage with the systems with a compliance mindset where candour and thoughtful analysis of drivers of results and failures suffer... Attention to [lending] volume...overshadows attention to results.*

Despite the critical tone of the evaluation, it is important to note that neither IEG nor World Bank management is challenging the need for a robust completion reporting system as the foundation of accountability for results and as an essential foundation for country and thematic evaluations.

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**The attention and support of the Board and top management will be needed to achieve a successful outcome.** The repositioning of the independent evaluation system was achieved with significant and sustained support from the Board. Reforming the self-evaluation system will require similar backing from the Board. Indeed, as the Board in recent years seemingly lost sight of the importance and requirements for effective self-evaluation, additional vigilance and support will be required.

Leadership from top management will also be required to achieve the significant shift in incentives, values and organizational culture required. As the ROSES evaluation pointed out, it will not be enough simply to rewrite manuals and templates.

Management is accountable for results and the Board is tasked with oversight over the results monitoring, measurement and evaluation system. EvD supports management and oversight through provision of credible and reliable evidence and analysis on policy and performance. EBRD is a public institution committed to achieving transition impact, enhancing the governance of its borrowers and improving the livelihoods of its borrowing countries' citizens. An effective and productive evaluation function is therefore a management and Board imperative – closely connected to the Bank's performance and its reputation.

## **Recommendations**

- **EvD: Building on the findings of this independent external evaluation, identify key issues and develop practical options for improving the EBRD self-evaluation system,** drawing on experience gained under the current system and evaluated experience of other MDBs, and present a report on issues and options to Board and Management by end-2019. Issues to be addressed include rating methodologies, alignment with ECG standards and assessment of contribution to transition impact.
- **Management and EvD: Work jointly to develop an effective and appropriate self-evaluation system for EBRD.** Set up a working group to consider the EvD analysis and its broader findings on self-evaluation in the Bank, and develop proposals, for Board review and approval, for an appropriate and more effective self-evaluation system in EBRD.

## 5. Conclusions and prospects

EBRD has an ambitious and expanding agenda within regional contexts of considerable risk and challenge. In this setting, evaluation's support to organizational learning, accountability and institutional improvement can add value and contribute to achieving enhanced outcomes. But the evaluation function at EBRD is constrained by corporate systems and incentive structures, particularly around performance management, knowledge management and organizational learning, which are weakly developed and inadequately resourced.

This evaluation has described how a major shift in the priorities and products of independent evaluation at EBRD has generated a stream of strategic sectoral and thematic evaluations, and sharply reduced the numbers of project evaluations. The presentation of sectoral and thematic evaluations has been welcomed by Board members, who find the products useful and relevant to their needs. The reports provide perspective and alternative viewpoints on the issues and submissions they are dealing with. This deepens understanding and helps to inform decision-making.<sup>87</sup>

Within Management, the picture is very different. While managers generally understand and respect evaluation principles - and some managers have clearly engaged with close interest around certain evaluations - this evaluation encountered considerable negativity among Management regarding evaluation matters. While a certain amount of resistance to external scrutiny is to be expected, the health of any organization hinges on openness to a range of views and opinions. When the founding principle of the organization is to deliver results, the fundamental principle of managing for results should be respected. Building a stronger evaluation function is therefore a critical dimension of building a stronger organization.

This evaluation has recognized the efforts made by the Evaluation Department, with the support of the Board and Management, to achieve greater relevance and provide increased value. Progress has been made towards greater integration of evaluation evidence into strategic decision-making. But in pursuit of greater policy relevance and faced with a rapid growth in the number of approved and completed operations, EvD opted – with the concurrence of Management and the Board - to sharply reduce its production of independent operations evaluations and curtail its work to track performance at the corporate level. This evaluation presents the case for maintaining the good work being conducted on thematic evaluations while stepping up the production of independent project-focused operations evaluations and rebuilding the capacity for independent aggregate institutional performance reporting.

In revising the evaluation policy, EvD and Management should jointly endorse evaluation principles that connect evaluation with oversight, research and monitoring. This would provide a foundation for closer integration of evaluation, especially self-evaluation, into the Bank's evolving transition agenda and its results architecture and would strengthen formal interaction at the level of senior management committees and the Board. Visibility is a challenge for EvD, given that it is a small unit

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<sup>87</sup> Board members often serve for only relatively brief periods. Over 40% of the Board members who responded to the online survey had arrived at the Bank less than a year previously, and only two of those responding to the survey had worked at the Bank for more than three years. As one Board member who was interviewed for this evaluation commented, the thematic evaluations provide useful familiarisation material, with pertinent background information and analysis.

within a much larger organization, and it will help EvD engage more effectively across the organization if staffing and financial resources are enhanced.

Drawing on experience in other institutions, EvD could make a stronger contribution and add greater value if the appropriate systems for knowledge sharing, knowledge management and organizational learning were more robust. As a transaction-oriented organization, EBRD appears to be both internally fragmented and ‘disbursement driven’, leaving little time and incentive for learning and internal capacity development. EBRD may find it helpful to have an organizational ‘health check’, looking particularly at performance management and knowledge sharing.

For this reason, the evaluation recommends the Board to request Management to arrange for a MOPAN review of EBRD’s organisational effectiveness and results.<sup>88</sup> This would help to confirm progress with the Bank’s results agenda, and identify constraints and bottlenecks impeding effective results monitoring, evaluation, organizational learning and consequent institutional improvement.

Yet experience from other institutions tells us that these steps can only make an appreciable difference if the organization’s leadership is committed to change and there is a supportive management environment: ‘Learning and knowledge sharing is only likely to flourish if there is senior management commitment, leadership, signalling, and role modelling’. At EBRD, senior management needs to signal, clearly and consistently, the importance of performance monitoring, evaluation and learning in achieving excellent results. Management therefore needs to change its currently widespread view of evaluation as a technical compliance requirement and an expensive overhead. Rather, it should embrace the potential which appropriate use of evaluation offers for institutional learning, improvement and results.

It is a startling characteristic of EBRD’s senior management that many have served continuously with the Bank since its early days. (Of those who responded to the online survey, 80% had served at EBRD for more than 10 years). Professional experience gained over the years instils confidence and corporate loyalty - but it may also inhibit acceptance of alternative viewpoints and critique. For example, this evaluation found that, in several cases, evaluations (and evaluators) were criticised for pursuing ‘preconceived views’.

Of course, not every evaluation gets it right. But an alternative perspective is usually a good starting point for evaluation: a ‘second opinion’ often draws its strength from employing alternative premises to established views. The world has changed dramatically since the days when the Bank was founded, and the Bank’s aims have expanded and evolved. It is important that the Bank ensures that it has the internal capacity to engage effectively with new challenges, deploy innovative instruments and work successfully in new territories – and course-correct as and when necessary.

In this regard, it is instructive to review the Bank’s current strategic planning documents: the *Strategic and Capital Framework 2016-2020* and the *Strategy Implementation Plan 2018 – 2020*. Neither document makes any significant mention of evaluation. This is a curious finding in an organization which lays emphasis on impact and results. As EBRD gears up preparations for its new Strategic and Capital Framework, it should find appropriate ways of embedding evaluation in the new framework and across its work in the coming decade.

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<sup>88</sup> MOPAN: The Multilateral Performance Assessment Network. The MOPAN assessments provide a snapshot of four dimensions of organisational effectiveness (strategic management, operational management, relationship management, and knowledge management), but also cover development effectiveness (results).

## Recommendations

- **Audit Committee: Recommend the Board of Directors to consider a significant increase in budget resources for evaluation**, based on well-documented medium-term plans, responsive to this external evaluation, for independent evaluation (EvD) and self-evaluation (Management).
- **Audit Committee: Request Management to arrange for a MOPAN review of EBRD's organisational effectiveness and results** to be undertaken after the new self-evaluation system is in place, say in 2022-2023, to include attention to institutional performance management and knowledge management aspects.
- **Audit Committee: Arrange for another independent external review of EBRD's evaluation system** in 2024-2025.
- **Audit Committee: Maintain close oversight of implementation of recommendations agreed from those listed in this evaluation**, including approval of allocation of adequate resources to address agreed tasks and actions. Keep full Board informed of progress and implications for corporate strategy.

## 6. Recommendations

No.	Lead	Recommendation
1.	EvD: for Board approval  Ref.: Ch.2	<b>Upgrade the Evaluation Policy.</b> Updates, revisions and additions required include: <ul style="list-style-type: none"> <li>○ reference to changes in concepts of transition impact and ‘transition qualities’ as well as results management and the evolving ‘results architecture’ at the Bank.</li> <li>○ notes on evaluation competencies and capacity development; on ethics and avoiding conflicts of interest; on the relationship between monitoring and evaluation; on performance metrics; on clarifications regarding the appointment and remuneration of the Chief Evaluator; and on review of the policy.</li> <li>○ a note on arrangements for regular EvD attendance as an observer in senior level committees including the Management Committee and the Strategy and Policy Committee.</li> </ul>
2.	EvD: for Board approval  Ref.: Ch.2, Ch.4	<b>Prepare a multi-year strategic plan for EvD</b> complementing the evaluation policy, setting out: <ul style="list-style-type: none"> <li>○ medium-term directions, priorities, resource expectations and performance metrics, including elements of a multi-year performance scorecard.</li> <li>○ a costed plan for EvD to undertake a programme of project-level operations evaluations and a request for the additional resources required.</li> <li>○ an indication of EvD’s role in repositioning and reform of the self-evaluation system, subject to the outcome of discussions on this.</li> </ul>
3.	EvD: for consideration by Management and the Board  Ref.: Ch. 4	<b>Building on the findings of this independent external evaluation, identify key issues and develop practical options for improving the EBRD self-evaluation system</b> , drawing on experience gained under the current system and evaluated experience of other MDBs, and present a report on issues and options to Board and Management by end-2019. Issues to be addressed include rating methodologies, alignment with ECG standards and assessment of contribution to transition impact.
4.	EvD: for consideration by Management and the Board  Ref.: Ch. 3	<b>Undertake a thematic evaluation of organizational learning at EBRD</b> , to assess how well the institution has generated, accessed, and used learning and knowledge in its operations, including its policy dialogue and technical assistance. As a first step, compile evidence already available from other institutions on organizational learning in relation to operational improvement.

5.	Management and EvD: for Board review and approval  Ref.: Ch.2, Ch.4	<b>Work jointly to develop an effective and appropriate self-evaluation system for EBRD.</b> Set up a working group to consider the EvD analysis and its broader findings on self-evaluation in the Bank, and develop proposals for an appropriate and more effective self-evaluation system in EBRD.
6.	Management and EvD  Ref.: Ch.2, Ch.3	<b>Formalise arrangements for regular EvD participation in senior level committees</b> including the Management Committee and the Strategy and Policy Committee.
7.	Management: for Board approval  Ref.: Ch. 4	<b>Prepare a medium-term plan for strengthening the self-evaluation system and integrating it with the Bank's results architecture.</b> The plan will set out: <ul style="list-style-type: none"> <li>○ clear objectives and targets with appropriate performance metrics, detailing the steps required and the anticipated resource requirements.</li> <li>○ Provisions for the transfer from EvD to Management of key responsibilities for managing the self-evaluation system.</li> <li>○ Measures to strengthen knowledge management and organizational learning, drawing on experience of other MDBs, including mechanisms to systematically integrate relevant findings and lessons from evaluation into the design of new policies and projects.</li> <li>○ Stronger institutional incentives to enhance the enabling environment for evaluation. This requires clear, sustained, consistent signals from senior management on the importance of evaluation, organizational learning and knowledge sharing.</li> </ul>
8.	Audit Committee: for consideration by full Board of Directors  Ref.: Ch.2	<b>Recommend the Board of Directors to consider establishing a Board committee with specific responsibility for issues relating to performance and results:</b> a 'Committee on Transition Impact', with responsibility for issues relating to performance monitoring, results management and evaluation.
9.	Audit Committee: for consideration by full Board of Directors  Ref.: Ch.3	<b>Recommend the Board of Directors to consider a significant increase in budget resources for evaluation,</b> based on well documented medium-term plans, responsive to this external evaluation, for independent evaluation (EvD) and self-evaluation (Management).
10.	Audit Committee  Ref.: Ch. 3	<b>Request the Chief Internal Auditor to review performance around preparation and implementation of Management responses to evaluation recommendations.</b> Management responses are not always comprehensive and, while follow up action is reported to the Board, implementation is unvalidated. Given the risks of significant compliance failures, this requires the attention of internal auditors.

11.	<p>Audit Committee</p> <p>Ref.: Ch.5</p> <p>Ref.: Ch.2</p>	<p><b>Arrange for regular review of EBRD evaluation and results management systems:</b></p> <p>(iii) <b>Request Management to arrange for a MOPAN review of EBRD's organisational effectiveness and results</b> to be undertaken after the new self-evaluation system is in place, say in 2022-2023, to include to institutional performance management and knowledge management aspects.</p> <p>(iv) <b>Arrange for another independent external review of EBRD's evaluation system</b> in 2024-2025.</p>
12.	Audit Committee	<p><b>Maintain close oversight of implementation of recommendations agreed from those listed in this evaluation,</b> including approval of allocation of adequate resources to address agreed tasks and actions. Keep full Board informed of progress and implications for corporate strategy.</p>

