

## ► European Bank for Reconstruction and Development (EBRD)

### *Evaluation Department*

Please note: The profile is accurate as of end 2009. An Evaluation Policy for EBRD was under consideration by the board at the time of writing and may result in changes to the profile presented here.

### *Mandate*

The Evaluation Department (EvD) is responsible for reviewing bank operations. EvD evaluates bank projects and policies, establishing how well they meet their objectives and the extent to which they comply with the bank's mandate. EvD also draws lessons from past experience which helps the bank to improve the design of new operations. The department evaluates bank investments as well as donor funded activities. Special studies related to particular sectors and countries are also prepared by EvD. In addition, EvD looks at the practices of other international financial institutions and utilises the lessons they have learned from their operations to improve the potential of EBRD projects.

The budget is approved annually by the board of Directors and is presented separately from the rest of the bank's budget. Based on the Work Programme for the following year, the budget is prepared by the Chief Evaluator, and presented as an Annex to the bank's budget document. The budget of the Evaluation Department is distributed to the board of Directors, first for review by the Audit Committee and then for review by the Budget and Administration Affairs Committee and then for approval by the full board.

### *Independence*

The Chief Evaluator, appointed by the board of directors, is at seniority level one below VP. He/she is not part of management and does not participate in senior management meetings. EvD organises meetings frequently with the Operations Committee Secretariat, composed of department directors and other senior bank staff involved in the operation process. Industry expert consultants are employed for approximately 50 to 60% of ex-post evaluation exercises. The assignments are short term (maximum 3 weeks). For special studies (thematic, sector etc.) longer assignments are usual.

The Chief Evaluator is directly and only responsible to, and only takes his/her instructions from, the board of Directors as a whole (and not from any board committee or from any individual board member). The main line of communication with the board is through the Audit Committee, which consists of seven board representatives and oversees the functioning of EvD. Furthermore, the independence of the evaluation function is ensured by various regulations concerning the selection, remuneration and termination procedures for the Chief Evaluator.

### *Quality*

To ensure quality the Chief Evaluator reviews all reports before publication. The Audit Committee reviews selected evaluations in meetings where all board Directors can participate. EvD also participates in peer reviews through the ECG.

In 2008, the selection method for evaluation topics was amended. The new system complies with the requirements of the Good Practice Standards for Private Sector Evaluation as established by the Evaluation Co-operation Group (ECG) of the Multilateral Development

banks. Evaluations are conducted on a random, representative sample of projects. At present, a coverage ratio of approximately 50% is sufficient. Some additional evaluations are also conducted on projects selected for their lessons potential, or to increase coverage in the EBRD's strategically targeted sectors or regions.

One-hundred percent of Investment Operations ready for evaluation are looked at by EvD, but different evaluation products are prepared each with a different amount of time allocated to the evaluation exercise:

- Approximately 25-30% are evaluated through producing a detailed report i.e. an operation performance evaluation review (OPER) report whereby EvD staff makes field visit
- Approximately 25-30% is evaluated through assessing self-evaluation reports prepared by operation staff. Based on the Expanded Monitoring Reports EvD writes so-called XMR Assessments (XMRA). For this reduced form of evaluation, evaluation staff does not conduct field visits but the ratings assigned by operation staff are validated
- The remaining projects, approximately 40-50%, are subject to XMR Reviews, where EvD reviews the quality and completeness of self-evaluation reports (no validation of performance ratings by EvD)

### *Co-ordination, planning and stakeholder involvement*

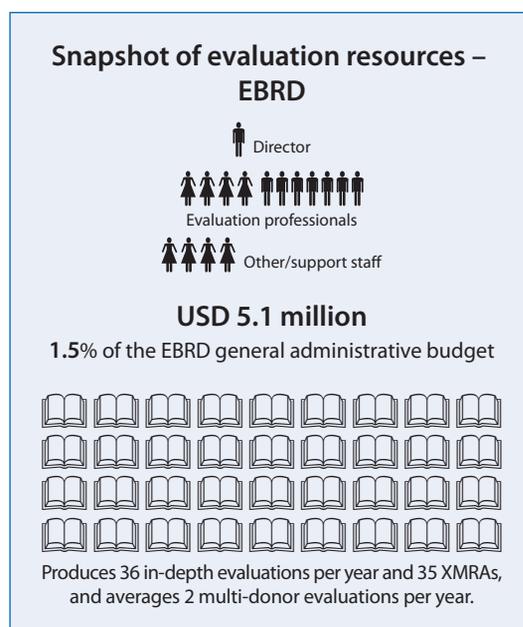
In consultation with operations, EvD prepares an annual work programme on evaluation of investment operations and technical co-operation. Suggestions for themes for special studies can come from the board of directors and management. Sector policy evaluations are carried out before a new strategy is prepared by management. The Work Programme is commented on by management and reviewed by the audit committee of the board. The board of directors approves the work programme. Final project selection and choice of special studies are proposed in the work programme final report.

EvD co-operates with other banks through the ECG and undertakes an average of two multi-donor evaluations per year. Partner country stakeholders are not involved in the evaluation process.

### *Use and follow-up*

All reports are edited by the chief evaluator for confidential information in co-operation with EBRD's Office of the General Counsel. Reports are published on the EBRD's Web site which also contains an external Lessons Learned Database, accessible to operations staff and others.

Evaluation reports and evaluation abstracts are distributed to senior management and made available to operational staff through an intranet-based Evaluation Reports Centre. Approval documents for new projects include a section on Lessons Learned from Past Experience. Bankers are required to include and address relevant evaluation lessons. The Evaluation Department checks the text and can require bankers to improve or expand it. EvD provides assistance and guidance on request.



At the time of preparation of new country strategies, EvD contributes to the retrospective analysis of transition impact of the bank's portfolio in the country and presents related lessons learned. EvD conducts lessons learned workshops with banking department teams and resident offices, particularly when there are new staff members.

Approximately six times a year, EvD meets the members of the Operations Committee (senior management involved in review and approval of new projects) for discussion of selected reports or special studies. This ensures that lessons from recent evaluations are known to senior management to influence the structuring of new projects.

After receiving a report, summary or special study, management has ten working days to provide management's comments. The Chief Evaluator informs the Audit Committee that he/she has delivered such a report to seek their comments. Management comments are published or posted on the bank's website at the same time as the Evaluation Department reports to which they relate. Corrections and adjustments to the comments and report are allowed before publication/distribution to the board of Directors. EvD follows up with management on EvD recommendations through a formal procedure.