
POLICY DOCUMENT

Evaluation Policy

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European Bank
for Reconstruction and Development



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Introduction

1. The founding documents of the European Bank for Reconstruction and Development (“the EBRD” or “the Bank”) call for the Board of Directors to establish operating policies with respect to evaluation.^{1 2} A first Evaluation Policy was approved by the Board in 1992 and subsequently revised numerous times to reflect changing organisational circumstances and expectations, and evolving good practice. This policy covers evaluation in the EBRD and replaces the policy update approved in March 2010.

Coverage and Objectives

2. This policy establishes the scope and objectives served by evaluation in the EBRD. It sets out the evaluation-related activities and responsibilities of the EBRD Evaluation Department (EvD), EBRD Management, and the EBRD Board of Directors (the Board) and any subordinate bodies designated by the Board. It sets out the principles guiding evaluation at the EBRD and the specific internal roles and responsibilities required to accomplish effective evaluation; it also provides the essential framework for procedures and methods within which the Policy will be executed; and, it specifically covers response by Management to evaluation findings, access to information, utilisation of findings, internal circulation and external disclosure. In addition, it sets out specific provisions pertaining to the Chief Evaluator, the EvD work programme and budget, and EvD staff.
3. The principles and commitments established by the Policy are elaborated in greater detail and actually executed in practice through complementary instruments, such as: work programmes and budgets; results frameworks and

¹ Chairman’s Report on the Agreement Establishing the European Bank for Reconstruction and Development. EBRD. (1990). *Basic Documents of the European Bank for Reconstruction and Development*. London.

² Evaluation is defined as the systematic and objective assessment of an on-going or completed operation, programme, strategy, policy, or business process, and its design, implementation and results. Its aim is to determine the relevance and achievement of expected results, efficiency, effectiveness, impact and sustainability. An evaluation should provide information that is credible and useful, enabling the incorporation of lessons into the decision-making process of both recipients and funder (based on: OECD Evaluation Network definition).

performance scorecards; management directives; and, technical guidance notes covering methods and process.

The Purpose of Evaluation

4. The EBRD is a publicly-owned institution, established on the basis of a unique mandate and provided with specific instruments. Operating largely through private sector practices, tools and counterparts, its core purpose is to “*foster transition towards open market-oriented economies and to promote private and entrepreneurial initiative in... countries committed to and applying the principles of multiparty democracy, pluralism and market economics*”¹. The support of the EBRD’s shareholders, and its effective positioning in a competitive market more broadly, require it to demonstrate effective performance in the form of clear and specific accomplishments relative to its mandate.
5. Effective and independent evaluation is critically important to accomplish this essential goal. The objective, evidence-based analysis of institutional performance provided by independent evaluation is a key component of the wider framework of accountability established by the Bank’s architects at the time of its founding, and further developed by its Governors and Boards of Directors since then.
6. Performance assessment for accountability is at the heart of evaluation. It is also crucially a means to deliver on the core purpose of evaluation, which is to contribute to improved institutional performance and, with it, to institutional relevance and legitimacy. The ultimate and essential focus of evaluation must be on results—outcomes that flow from inputs provided.³
7. The EBRD’s accountability has several components. The Bank must demonstrate delivery on a mandate that itself has multiple dimensions (including transition impact, sound banking, additionality and sustainability); it must have coherence and synergy in the use of its various instruments; it must show an objective absorption of the lessons of experience and their integration into new activities; and, it

³ For the purposes of this policy and the evaluation function at the EBRD, the definitions of these terms and others associated with evaluation are, unless otherwise stated, as defined in OECD. 2010. *Glossary of Key Terms in Evaluation and Results-Based Management*. OECD: Paris. This is available at <http://www.oecd.org/dataoecd/29/21/2754804.pdf>

- must demonstrate active pursuit of improved performance over time.
8. Evaluation plays a critical role in this by contributing in two equally-important and mutually-reinforcing ways: by reinforcing institutional accountability for the achievement of results; and, by providing objective analysis and relevant findings to inform operational choices and to improve performance over time. Evaluation must therefore provide credible evidence, analysis, and independent judgment, along with evidence-based perspectives and insights that are relevant, valued, and actionable. Both services are critical, to Management as it seeks to deliver value and results, to the Board as it seeks to exercise the oversight role that is its exclusive responsibility, and to a wider set of clients and external stakeholders.

Principles Underlying Evaluation at the EBRD

9. The following principles apply to evaluation at the EBRD:
- The core purpose of evaluation is to contribute to superior institutional performance by providing an evidence-based and independent assessment of accomplishments relative to objectives.
 - Evaluation serves its core purpose through two dimensions: as a contributor to institutional accountability; and as a provider of operationally relevant insights that contribute to organisational learning.
 - Evaluation at the EBRD is a Bank-wide effort, incorporating multiple and interconnected roles and responsibilities for EvD, the Board of Directors, and Management.
 - EvD operates independently, under the oversight of the Board of Directors.
 - Evaluation findings are a key means through which the Board exercises the institutional oversight and accountability for which it is solely responsible on behalf of shareholders.
 - Effective evaluation requires that the intended outcomes of institutional activities are expressed and monitored in

a way that can be assessed on the basis of objective evidence.

- Responsibility for the design and execution of programmes and operations⁴ rests exclusively with Management, under the oversight of the Board.
- Effective evaluation requires specialized systems and processes, as well as the integration of evaluation-related activities into the regular work of the Bank; both must be adequately resourced, with due regard to the balance of costs and benefits.
- If evaluation is to add value it must be used. To be used it 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.
- Strong accountability and effective learning are accomplished most effectively and efficiently by complementary and mutually reinforcing systems of self-evaluation and independent evaluation. Self-assessment alone cannot provide a credible evaluation of performance. However, if reinforced by independent evaluation work, regular training, and rigorous validation and quality assurance, it can be an excellent source of useful findings, institutional learning, as well as efficiently meeting accountability requirements.

Roles and Responsibilities for Evaluation

10. Effective evaluation at the EBRD is built upon and accomplished through the activities of three main agents – EvD, the Board and Management. Together they share roles and responsibilities that are separate in some cases, and joint in others.
11. **The Evaluation Department (EvD)**
 - Reports solely and directly to the Board.

⁴ For the purposes of this policy “operations” shall be those activities set out in the Agreement Establishing the Bank; Article 11; 1. Broadly, this includes investments, guarantees, participations and technical assistance.

- Has primary line responsibility in the Bank for evaluation policy and procedures, and for monitoring and delivering the Bank’s overall evaluation programme.
- Prepares multi-year work programmes setting out proposed evaluation priorities, products and activities in detail. It also proposes budgets to deliver its work programmes, and results frameworks to enable assessment of its own performance. All are discussed with Management and submitted to the Board for review and approval.
- Ensures that EvD activities, products and services effectively meet accountability and learning needs across the multiple determinants of the EBRD’s operational performance.
- Ensures the integrity of the EBRD’s evaluation system by: developing methods and processes for evaluation, in consultation with Board and Management wherever necessary; validating and reviewing self-evaluations prepared by Management, and assessing the adequacy of the process; conducting independent evaluations; assessing any aspect of the Bank’s operational activity that affects results attainment; and, reporting annually to the Board on the performance of the evaluation system at the EBRD and the results and findings it produces.
- Provides the Board with such regular reporting as it requires on EvD activities and evaluation activities, findings and challenges within the Bank more broadly.
- Facilitates and encourages the use of evaluation findings by disseminating them internally and maintaining databases of lessons, including those from self-evaluation.
- Provides training and familiarisation services on evaluation within the EBRD to strengthen self-evaluation and encourage effective use of evaluation findings.
- Participates in external fora as necessary to represent EBRD views and interests with respect to evaluation issues, and to contribute its expertise and experience to the development of international standards.
- Participates in joint evaluation work with other organisations where appropriate.

12. The Board

- Establishes the Bank’s evaluation policy and oversees its implementation.
- Sets the terms of reference for, appoints, supervises, conducts an annual performance assessment of, and replaces the Chief Evaluator.
- Reviews and approves the EvD work programme and budget.
- Discusses reports prepared by EvD as it chooses and gives direction on these as it sees fit.
- Requests from EvD and/or Management any such reports as it sees fit for the purpose of reviewing evaluation findings, monitoring evaluation-related activities across the organisation, and assessing the performance of evaluation-related internal systems.
- Satisfies itself that, where relevant, evaluation findings have been adequately taken into account in matters placed before it.
- Delegates any of its evaluation-related responsibilities to one of its subordinate bodies as it so chooses.

13. Role of any Board Committee to Which the Board Delegates Responsibility

- The roles and responsibilities of any committee to which the Board delegates evaluation functions are reflected in the terms of reference for that committee.⁵

⁵ See BDS09-210 (Final) (Rev 3), approved on 14 October 2011. As provided for in this document, the Audit Committee is tasked with “assisting the Board in fulfilling its responsibilities relating to...the status, the ability to perform duties independently and the performance of the Bank’s compliance, internal audit, evaluation and risk management functions.” In fulfilling this role, the Audit Committee is required to “periodically review and evaluate the functions performed by the...Evaluation Department...” In doing so the Audit Committee will assess whether the department (a) has a role that is appropriate for the Bank’s purpose and needs, (b) has policies, procedures, methodologies, budgets and staffing resources that are adequate to perform its role, and (c) performs according to expectations. The Audit Committee is also required to review the work programme and reports of EvD. It is also required to review Management’s responses to evaluation report findings and the actions taken in response to those findings. Any decision to remove the Chief Evaluator for cause is subject to Board approval based on a report prepared by the Audit Committee. Members of the Audit Committee will form part of the selection committee for the Chief Evaluator, which will make a recommendation to the President for decision by the Board, “without prejudice to the role of the Budget and Administrative Affairs Committee (BAAC). Similarly, the Audit Committee is to be consulted on the employment contract and remuneration of the Chief Evaluator, again without prejudice to the role of the BAAC. Specifically, the BAAC reviews proposals

14. Management

- Ensures adequate and effective engagement in evaluation-related matters before the Board or Board subordinate bodies.
- Ensures an effective system of self-evaluation and reports periodically to the Board on its scope and operations.
- Responds in writing to EvD reports as a matter of general practice.
- Tracks actions taken on agreed recommendations and periodically reports to the Board on implementation in a manner agreed with the Board.
- Maintains a focal point(s) for coordination with EvD and the Board (and/or subordinate bodies) on all evaluation-related matters.
- Ensures that proposed operations clearly specify expected results and related performance indicators so as to allow effective evaluation.
- Ensures that programmes, policies and strategies identify their expected results with sufficient specificity so as to allow effective evaluation.
- Ensures that relevant evaluation findings and lessons are adequately reflected in matters placed before the Board.
- Ensures institutional processes and resources sufficient to accomplish evaluation-related activities.

Procedures

Standards and Methods

15. EvD develops the standards and methods to be used for evaluation at the EBRD on the basis of best professional judgment, drawing as appropriate on established international standards and methods, and taking due account of any

regarding the appointment and remuneration of the Chief Evaluator. The Financial and Operations Policies Committee (FOPC) terms of reference note “A fundamental part of the Committee’s work in relation to policy oversight and monitoring shall be to help identify, in conjunction with and in support of management, forward-looking developments, particularly those that emerge from lessons learned from the Evaluation Department and the Office of the Chief Economist’s reports and studies.”

specific circumstances that may exist in the EBRD context.⁶ Such standards and methods will be set out in Guidance Notes (see below).

Evaluation Process

16. For accountability purposes, all operations are self-evaluated when deemed ready by EvD and Management following agreed guidelines. A sample of such operations, designed to yield statistically sound and credible results, is subject to independent evaluation or validation by EvD.
17. For learning purposes, subjects are chosen for evaluation that are likely to yield relevant and timely findings, lessons and recommendations on what was achieved, what worked, what did not and why.
18. EvD will set out specific proposals for evaluation work in its regular work programmes. These will be discussed in advance with Management and Board and submitted to the Board for approval. Technical information on sampling methods will be fully available and transparent.
19. Each EvD evaluation study will commence with an approach paper setting out purposes and methods. These will be discussed with and input sought from Management in advance. Staff and client participation in the evaluation process will be encouraged.

Guidance Notes

20. Execution of the Bank's evaluation policy on a consistent and systematic basis will require clear guidance on matters such as technical standards and processes. EvD's Board-approved Work Programmes will identify evaluation-related matters for which guidance notes will be developed. EvD will prepare an approach paper in advance for each such guidance note, and circulate it to Board and Management. On matters where EvD

⁶ The Evaluation Cooperation Group (ECG) was established by the heads of evaluation in multilateral development banks (MDBs) in 1996 to: (i) strengthen the use of evaluation for greater MDB effectiveness and accountability; (ii) share lessons from MDB evaluations and contribute to their dissemination; (iii) harmonize performance indicators and evaluation methodologies and approaches; (iv) enhance evaluation professionalism within the MDBs and collaboration with the heads of evaluation units of bilateral and multilateral development organisations; and (v) facilitate the involvement of borrowing member countries in evaluation and build their evaluation capacity. The ECG uses two instruments to promote evaluation harmonisation among MDBs: Good practice standards (GPS) and benchmarking studies to assess the extent to which the GPS are applied by the ECG members. The EBRD was a founder member of the ECG and, together with the International Finance Corporation, was responsible for developing the GPS on the evaluation of private sector operations, now in its fourth version.

and Management responsibilities overlap, EvD will consult with Management on the approach paper and the guidance notes in order to reach agreement on substantive matters; the resulting approach papers and guidance notes, accompanied by any Management comments, will be circulated to the Board.

Approval of EvD Reports

21. The Chief Evaluator is solely responsible for approving all evaluation reports produced by EvD.

Management Response and Follow-up

22. EvD and Management will meet to discuss draft final evaluation reports to ensure accuracy and, to the greatest extent possible, agree on findings, lessons and recommendations.
23. Management will comment in writing on evaluations as a matter of general practice, indicating areas of agreement and disagreement, unresolved issues, prospective follow-up actions, and potential resource considerations. Management comments are attached to the final evaluation report or provided separately upon agreement.
24. Management regularly informs the Board about actions taken. Management participates in Board sub-committee meetings discussing evaluation reports and responds to questions raised by the committee.

Using Lessons

25. Lessons and findings from evaluation will be demonstrably taken into account by Management in the design and approval process for new operations, programmes, policies, strategies and processes. Management develops and refines processes and instruments to take account of lessons, in consultation with EvD, and reflects these in the Operations Manual, other guidance documents and Learning and Development courses.

Access to Information and Distribution of Reports

Access to Information

26. EvD has access to all internal information required to execute its Board-approved work programme. The fundamental operating presumption is one of full information sharing coupled with full respect for confidentiality. Management will invite EvD to observe or contribute to Management meetings where this may enhance communication and understanding of issues of common concern.

Internal Distribution

27. Evaluation reports will be made available to internal users consistent with confidentiality safeguards. The decision on internal disclosure rests with the Chief Evaluator taking account of advice from Management.

External Disclosure

28. The provisions of the Public Information Policy regarding external disclosure of evaluation reports apply.

Special Provisions Pertaining to EvD

Chief Evaluator

29. The Chief Evaluator is directly and only responsible to the Board of Directors as a whole. He/she is not part of Management.
30. The Chief Evaluator is selected in accordance with a selection procedure established by the Board of Directors.
31. A Selection Committee for the Chief Evaluator is established consisting of the members of the Audit Committee, the Chair of the Board Steering Group, and the Vice President in charge of Human Resources. The Selection Committee is chaired by the Chair of the Audit Committee. The Selection Committee appoints an executive search firm to conduct an extensive search. Subsequently, the Committee reviews a shortlist of

- candidates and conducts interviews and proposes a candidate by majority vote. After completion of the selection procedure, the Committee makes a recommendation to the President for the engagement of the Chief Evaluator, without prejudice to the role of the Budget and Administrative Affairs Committee (BAAC). Before the end of the selection process, a hearing of the proposed candidate will be organized with interested Board Directors. The President will then consult with the Board in an Executive Session before sending a formal recommendation to the Board for its approval.
32. The Chief Evaluator is appointed for a term of up to four years which may be renewed. Ordinarily, a Chief Evaluator will not hold the position for more than eight years. At the end of his/her term(s), or after removal, the Chief Evaluator is ineligible to perform remunerated services for the EBRD, unless the Board of Directors decides otherwise.
 33. The BAAC will review the compensation package to be offered to the Chief Evaluator taking into account any views the Audit Committee may have, and provide its recommendation concerning these aspects to the President. The Chief Evaluator is not entitled to variable remuneration based on performance.
 34. The same annual salary adjustment that is approved by the Board of Directors for the Vice Presidents will apply to the salary of the Chief Evaluator, unless the Board of Directors decides otherwise. The Audit Committee will conduct a periodic performance review of the Chief Evaluator, which should be completed in the same timeframe as appraisals for staff.
 35. During the Chief Evaluator's term, any decision to remove him/her for cause is subject to approval by the Board, and such a decision is made on the basis of a Report prepared by the Audit Committee to be transmitted by the President to the Board. In the transmittal document, the President may express his/her disagreement with the course of action recommended by the Audit Committee. The Chief Evaluator may only be removed under the same circumstances and conditions as applicable to other staff members and any such decision is subject to recourse in accordance with the Grievance and Appeals procedures.
 36. At least six months before the end of his/her term, the incumbent Chief Evaluator informs the Board of Directors, in writing, whether s/he is interested in seeking a new term. If so, the President consults with the Board of Directors in an Executive Session and thereafter sends a recommendation to

the Board for its approval. If the Chief Evaluator is not interested in a renewal, or if the renewal has not been approved, the vacancy is advertised (with Bank staff eligible to apply) and the selection process is initiated.

Management of EvD Resources

37. Based on the approved multi-year work programme, a budget for EvD is prepared by the Chief Evaluator. This is presented separately from the rest of the Bank's budget. Such budget, which must be sufficient to enable EvD to carry out the proposed work programme, is approved by the Board, at the same meeting as the Board decision on the Bank's general budget, but with a separate vote on EvD's work programme and budget.
38. 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.
39. The salaries of EvD professional staff members are determined by the Chief Evaluator in consultation with the Human Resources Department.
40. The allocation of salary increases is based on performance and market positioning. In addition to a salary, the remuneration of the EvD's professional staff may include performance based compensation.
41. In managing EvD financial and human resources, the Chief Evaluator consults and cooperates with relevant departments and units in the Bank, in particular the Budget Unit and the Human Resource Department.

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